



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2007

(CIVIL)

**GOVERNMENT OF
HIMACHAL PRADESH**



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НАУСНАГ БУДЭШН
СОЛЖЫВЕНН. ОЕ

(СТАГ)

FOR THE LEVY ENDED 31 ИУНCH 3002

ОБЛИДН

СОМЪКОГЕК ВИД УПДЛОК СЕМЕКУГ
КЕБОВ. ОЕ ЛНЕ



TABLE OF CONTENTS

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Preface		<i>vii</i>
Overview		<i>ix</i>
CHAPTER-I : FINANCES OF THE STATE GOVERNMENT		
Introduction	1.1	1
Overview of Fiscal Situation of the State	1.2	4
Methodology adopted for the assessment of fiscal position	1.3	5
State Finances by Key Indicators	1.4	6
Application of Resources	1.5	11
Expenditure by Allocative Priorities	1.6	17
Assets and Liabilities	1.7	23
Undischarged Liabilities	1.8	27
Management of Deficits	1.9	32
Quality of Deficit/surplus	1.10	33
Fiscal ratios	1.11	34
Conclusion	1.12	36
CHAPTER-II : ALLOCATIVE PRIORITIES AND APPROPRIATION		
Introduction	2.1	38
Summary of Appropriation Accounts	2.2	38
Fulfilment of Allocative Priorities	2.3	39
CHAPTER-III : PERFORMANCE REVIEWS		
Education, Social Justice and Empowerment and Tribal Development Departments		
Educational Development of Scheduled Castes and Scheduled Tribes	3.1	45
Irrigation and Public Health Department		
Accelerated Rural Water Supply Programme	3.2	73

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Public Works Department		
National Highways	3.3	91
Rural Roads in South Zone	3.4	113
Rural Development Department		
Implementation of Watershed Development Programmes	3.5	131
Social Justice and Empowerment Department		
Integrated Child Development Services	3.6	157
Finance Department		
Information Technology Audit of On Line Treasury Information System (OLTIS) and e_Pension software	3.7	181
CHAPTER-IV : AUDIT OF TRANSACTIONS		
Excess/overpayment/wasteful/unfruitful/infructuous expenditure		
Housing and Urban Development Department		
Unfruitful expenditure	4.1	197
Excess payment	4.2	197
Tourism and Civil Aviation and Forest Farming and Conservation Departments		
Unfruitful expenditure on construction of boating lake	4.3	198
Finance Department		
Overpayment of pensionary benefits	4.4	199
Irrigation and Public Health Department		
Infructuous expenditure on Lift Irrigation Schemes	4.5	200
Infructuous expenditure on Lift Water Supply Schemes	4.6	201
Infructuous expenditure on augmentation of Flow Irrigation Scheme	4.7	202
Infructuous expenditure on construction of tubewell	4.8	203
Underutilisation of irrigation potential	4.9	204
Infructuous expenditure on augmentation of Lift Water Supply Scheme	4.10	205

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Wasteful expenditure on construction of Flow Irrigation Scheme	4.11	205
Delay in execution of tubewell based irrigation scheme for Harijan Basti	4.12	206
Multipurpose Projects and Power Department		
Non-reimbursement of expenditure	4.13	207
Planning Department		
Mismanagement of funds	4.14	208
Public Works Department		
Infructuous expenditure on construction of roads	4.15	209
Infructuous expenditure on incomplete road works	4.16	210
Infructuous expenditure on construction of road and bridges	4.17	211
Infructuous expenditure on construction of roads	4.18	212
Infructuous expenditure on incomplete foot bridges	4.19	214
Infructuous expenditure on incomplete building of Kala Kendra	4.20	215
Infructuous expenditure on construction of a helipad	4.21	216
Undue favour to contractors/avoidable expenditure		
Multipurpose Projects and Power Department		
Undue favour to Non-Government Organisation	4.22	217
Idle investment/blocking of funds/diversion of funds		
Planning Department		
Diversion of MPLADS funds	4.23	218
Injudicious release of funds	4.24	218
Public Works and Irrigation and Public Health Departments		
Blocking of funds owing to non-execution of deposit works	4.25	219
Diversion of funds	4.26	220
Revenue Department		
Diversion of calamity relief funds	4.27	222

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Regulatory issues and other points		
Public Works and Irrigation and Public Health Departments		
Irregular drawal of funds to avoid lapse of budget	4.28	223
Animal Husbandry Department		
Loss in sale of milk	4.29	224
Education Department		
Injudicious expenditure	4.30	225
Forest Farming and Conservation Department		
Execution of below specification wire crate works	4.31	226
Health and Family Welfare Department		
Unauthorised occupation of General Pool Accommodation by doctors	4.32	227
Home Department		
Non-recovery of leave salary and pension contributions	4.33	228
Housing and Urban Development Department		
Loss in supply of water	4.34	229
Planning Department		
Irregular expenditure	4.35	230
Rural Development Department		
Irregular expenditure on inadmissible works	4.36	231
Irregular implementation of project	4.37	232
General		
Miscellaneous Departments		
Erosion of accountability	4.38	235
CHAPTER-V : INTERNAL CONTROL SYSTEM		
Industries Department		
Internal Control System	5.1	237

APPENDICES

		<i>Page(s)</i>
Appendix-I	Part-A: Structure and Form of Government Accounts	257
	Part-B: Layout of Finance Accounts	258
	Part-C: List of terms used in Chapter-I and basis for their calculation	259
	Part-D: Position of key indicators	260
Appendix-II	Summarised financial position of the Government of Himachal Pradesh as on 31 March 2007	261
Appendix-III	Abstract of Receipts and Disbursements for the year 2006-2007	263
Appendix-IV	Sources and application of funds	266
Appendix-V	Time series data on State Government Finances	267
Appendix-VI	Details of department-wise break up of outstanding utilisation certificates as on March 2007	269
Appendix-VII	Cases of misappropriation reported to Audit	270
Appendix-VIII	Details of significant savings alongwith main reasons	271
Appendix-IX	Excess over provision during 2006-2007 requiring regularisation	272
Appendix-X	Statement showing cases of unnecessary supplementary grants/appropriations	273
Appendix-XI	Statement showing cases where supplementary provision was made in excess of actual requirement	274
Appendix-XII	Statement showing cases where supplementary provision was inadequate	275
Appendix-XIII	Details of persistent excesses	276
Appendix-XIV	Surrender of funds	277
Appendix-XV	Major variation in recoveries	278
Appendix-XVI	Cases of injudicious reappropriations	279

		<i>Page(s)</i>
Appendix-XVII	Details of projects sanctioned under IWDP/DDP/DPAP, area identified and treated and number of projects due for completion and actually completed with area to be treated and actually treated as of March 2007	280
Appendix-XVIII	Statement showing the details of physical Targets and Achievements under IWDP/DPAP/DDP during 2002-03 to 2006-07 in respect of seven test-checked DRDAs.	281
Appendix-XIX	Details of non-providing of funds by the State Government for supplementary nutrition and non-utilisation of available funds	282
Appendix-XX	Statement showing overpayment of Pension/Family pension, etc., during 1998-2007	283
Appendix-XXI	Year-wise break up of outstanding Inspection Reports/Paras upto June 2007	285
Appendix-XXII	Statement showing serious irregularities commented upon in the outstanding IRs	286

PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
2. Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2007.
3. The remaining chapters deal with the findings of performance audit and audit of transactions in various departments including Public Works and Irrigation and Public Health Departments, audit of stores and stock and audit of autonomous bodies.
4. The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing observations on Revenue Receipts are presented separately.
5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2006-07 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 2006-07 have also been included wherever considered necessary.



OVERVIEW



OVERVIEW

This Report contains 38 paragraphs, eight performance reviews (including one review on Internal Control System) apart from comments on the Finance and Appropriation Accounts. The draft audit paragraphs and draft performance reviews were sent to the concerned Secretaries to the State Government by the Accountant General with a request to furnish replies within eight weeks. The audit findings relating to the draft performance reviews were discussed with the Secretaries to the State Government and the views of the Government were incorporated wherever appropriate.

1. FINANCES OF THE STATE GOVERNMENT

- Revenue receipts of the State increased from Rs 6,559 crore in 2005-06 to Rs 7,835 crore in 2006-07 at the growth rate of 19.45 *per cent*. While 38 *per cent* of the revenue receipts during 2006-07 have come from the State's own resources (tax and non-tax), Central tax transfers and grants-in-aid together contributed 62 *per cent* of the total revenues.
- The overall expenditure of the State comprising revenue expenditure, capital expenditure and loans and advances, increased from Rs 7,301 crore in 2005-06 to Rs 8,780 crore in 2006-07 at the growth rate of 20.26 *per cent*. Expenditure on General Services and Interest payments, considered as non-developmental, accounted for 38.28 *per cent* of the total expenditure in 2006-07.
- The salaries and wages; pensions and interest payments and subsidies continued to consume on average 94 *per cent* of the Non-Plan Revenue Expenditure as committed expenditure during the period 2002-07.
- The fiscal liabilities of the State have consistently increased and stood at as high as 64 *per cent* of GSDP in 2006-07 and appears to be quite high especially when compared with the Twelfth Finance Commission norm of 31 *per cent* to be achieved by March 2009.
- The huge accumulated losses of Rs 644.51 crore by Statutory Government Corporations and Government Companies especially Himachal Road Transport Corporation: Rs 405.34 crore and Himachal Pradesh State Electricity Board: Rs 239.17 crore resulting in negligible rate of return (being less than one *per cent*) on Government's investment and inadequate interest cost recovery continued to be a cause of concern of the State Government.

(Chapter-I)

2. ALLOCATIVE PRIORITIES AND APPROPRIATION

- Expenditure incurred by the Government, substantially in excess of the amounts sanctioned by the State Legislature, needs to be regularised in terms of Article 205 of the Constitution of India. As of August 2007, excess expenditure of Rs 15,614.79 crore incurred during 2001-07 requires regularisation.
- During 2006-07, there were savings in 30 cases aggregating Rs 218 crore. Of these, savings of Rs 187 crore (86 *per cent*) occurred in four grants and one appropriation.
- Supplementary provisions totalling Rs 11.67 crore obtained in four cases during the year proved unnecessary, as the expenditure in these cases was less than the original budget provisions.
- In the case of three grants, Rs 27.28 crore were surrendered, although expenditure exceeded the grants and no savings were available for surrender.
- In 10 cases (sub-heads) involving seven grants, Rs 88.12 crore were injudiciously reappropriated, as the original grants were adequate or no savings were available for surrender.

(Chapter-II)

PERFORMANCE REVIEWS

3. Educational Development of Scheduled Castes and Scheduled Tribes

The financial and physical performance of the departments engaged in implementation of various Centrally sponsored schemes like Pre-matric scholarship to the children of those engaged in unclean occupations, Post-matric scholarship scheme, upgradation of merit of Scheduled Castes/Scheduled Tribes students, etc., was grossly deficient. The implementation of these schemes was affected by deficiencies such as short contribution of funds by the State, short coverage of eligible beneficiaries, delay in payment of scholarship, non-payment of scholarship at enhanced rates, unsatisfactory system of selection of beneficiaries, delay in completion of hostel building, poor performance of pre-examination coaching centre, etc. Some significant audit findings are as under:

- Survey was not conducted for ascertaining the targeted population under each educational development scheme to assess the requirement of funds.
- The shortfall in coverage of beneficiaries under Pre-matric scholarship scheme in the State during 2002-07 was 66 *per cent*. In the districts test-checked 59 *per cent* beneficiaries remained uncovered.

- Against the prescribed success rate of 33 *per cent*, the performance of pre-examination coaching centre run by Himachal Pradesh University ranged between zero and nine *per cent*.

(Paragraph 3.1)

4. Accelerated Rural Water Supply Programme

The objectives of Accelerated Rural Water Supply Programme were to accelerate the coverage of uncovered habitations in rural areas to promote sustainability of potable drinking water systems besides revival of traditional water sources. The survey to identify and ascertain the status of habitations regarding availability of safe drinking water in rural areas required to be completed by March 2003 was completed in December 2005. The performance audit of the programme revealed cases of financial mismanagement, irregular stock adjustments, lapses in internal control, monitoring and evaluation. Some of the audit findings are as under:

- Survey to identify and ascertain the status of habitations regarding availability of safe drinking water in rural areas required to be completed by March 2003 was completed in December 2005. Out of 51,848 habitations identified, 25,756 were fully covered and 19,504 partially covered while 6,588 habitations were not covered.
- In five divisions, Rs 3.50 crore allocated under ARWSP were diverted and spent on the execution of 68 water supply schemes which were not approved under ARWSP.
- Rs 87.86 lakh earmarked for SC/ST sectors were diverted by two divisions to other sectors in contravention of the ARWSP guidelines.

(Paragraph 3.2)

5. National Highways

National Highways are important roads conforming to the latest road safety norms between the State capitals, industrial towns, places of tourist attraction and other places of historical and religious importance. Performance audit of National Highways revealed that Central funds were underutilised by the State Government, while various claims of reimbursement were either withheld or disallowed by the Government of India for violation of prescribed norms. Labour was deployed for maintenance of national highways in excess of the fixed norms. Lack of proper survey and estimation resulted in time and cost overruns, non-completion of works and delay in award of works. The main points noticed in audit are as under:

- Against the allocation of Rs 45 crore under capital head during 2004-05, department could utilise Rs 39.56 crore only. Resultantly, allocation for the year 2005-06 was reduced by the GOI to Rs 39 crore.

- The State Government deployed labour for maintenance of national highways during 2002-07 in excess of the norms prescribed by the GOI, which resulted in unauthorised expenditure of Rs 17.97 crore. Further, labour deployed by the State Government was in excess of its own norms, which resulted in avoidable expenditure of Rs 7.26 crore.
- A bye pass to Kullu town completed (September 2004) at a cost of Rs 25.26 crore could not be put to use due to non-completion of another bridge at Jia, which was to be completed by September 2004. A sum of Rs 14.06 crore had been spent on the latter bridge upto March 2007.

(Paragraph 3.3)

6. Rural Roads in South Zone

Construction of Rural Roads in South Zone of the State aims to provide connectivity to all census villages in a time bound manner. A core network forming part of a long term Master Plan to identify and provide connectivity to all census villages in a time bound manner had not been formulated. Roads were constructed without obtaining technical sanctions and there were huge excesses over the administratively approved funds. A large number of road works remained incomplete due to various reasons resulting in idle investment. Despite limited resources, physical achievement of construction of roads in terms of kms was abnormally on higher side, whereas about 75 per cent rural roads were awaiting completion. Annual repair and maintenance estimates had not been prepared. The main points noticed in audit are as under:

- Annual targets for construction of rural roads had not been fixed on realistic basis. Physical and financial progress did not match, as there was huge gap between the two during 2002-07.
- Department had not formulated long term plan for providing a phase-wise connectivity through rural roads to all census villages in the State. Out of 770 road works taken up for execution by 14 divisions, only 189 works had been completed as of March 2007. Of these 28 works costing Rs 26.11 crore were completed after delays ranging between 10 and 216 months.
- In 10 divisions 36 road works costing Rs 21.11 crore were taken up for construction between 2002-03 and 2006-07 without obtaining technical sanction.

(Paragraph 3.4)

7. Implementation of Watershed Development Programmes

The three programmes viz. Desert Development Programme, Drought Prone Area Programme and Integrated Wasteland Development Programme were launched with the main objectives of developing waste/degraded lands,

restoration of ecological balance by harnessing, conserving natural resources such as land, water and vegetative cover and promoting overall economic development and improving the socio-economic conditions of resource poor and disadvantaged sections of the people inhabiting the project areas.

A performance review of the programmes revealed that funds provided were not fully utilised, evidence of area treated had not been maintained in some cases and Self Help Groups were not formed in nine selected Project Implementation Agencies comprising 165 watersheds. The main points noticed in audit were as under:

- The State Government did not prepare a long term perspective plan for treatment of waste/degraded lands, drought prone and desert areas.
- The shortfall in treatment of area during 2002-07 in the State under Drought Prone Area Programme, Desert Development Programme and Integrated Wasteland Development Programme ranged between 31 and 52; 50 and 85 and 16 and 53 respectively.
- Four selected Project Implementing Agencies spent Rs 6.06 crore on treatment of waste/degraded lands under Drought Prone Area Programme (Rs 1.69 crore) and Integrated Wasteland Development Programme (Rs 4.37 crore) during 2002-07 but no evidence of area actually developed/treated was kept in Measurement Books/Muster Rolls. The expenditure of Rs 6.06 crore was, thus doubtful.

(Paragraph 3.5)

8. Integrated Child Development Services

The Integrated Child Development Services programme is a Centrally sponsored scheme aiming at holistic development of children in the age group of 0-6 years, expectant and nursing mothers and adolescent girls belonging to most deprived sections of the society. The funds under the scheme remained unutilised year after year. The programme coverage of identified beneficiaries under health checkup and referral services, nutrition and health education and Kishori Shakti Yojna was deficient. A large number of Anganwadi Centres were running in unhygienic conditions. The training and orientation of personnel was deficient. Some significant findings are as under:

- While the staff costs and administrative expenses increased from 57 to 70 *per cent* of the total expenditure, the expenditure on programme implementation correspondingly decreased during 2002-05.
- In the State 10,894 additional Anganwadi Centres were not opened to meet the determined requirement of 18,248 Anganwadi Centres depriving large number of beneficiaries of the intended benefits of the scheme.
- During 2002-07 coverage of identified beneficiaries under supplementary nutrition in five selected districts fell short by 20 to

30 per cent for children and 22 to 30 per cent for expectant and nursing mothers whereas at the State level overall shortfall ranged between 41 to 46 per cent and 26 to 42 per cent respectively during the same period.

(Paragraph 3.6)

9. Information Technology Audit of On Line Treasury Information System (OLTIS) and e_pension software

Online Treasury Information System (OLTIS) aims at exercising control over expenditure as per budget allocation, prevention of diversion of funds and wrong booking of expenditure, etc. The e_pension system aims for computerised Pension disbursement. Audit observed that there was absence of documentation and user manuals to ensure trouble free operation of the systems. Besides, the absence of input controls has resulted in wrong booking of expenditure and allowing inadmissible payments. The following main points were noticed in OLTIS and e_pension system:

- The User Manuals, Operational Manuals and System Manuals were not available in all the test checked treasuries.
- The Department had not formulated and documented any Disaster Recovery Plan. There were no documented procedures indicating frequency for taking back up of data, its storage and restoration. The Treasury Officers were taking back ups on an adhoc basis.
- Due to absence of input controls, possibility of double drawal of bills in OLTIS and overpayment/incorrect payment of pension existed.

(Paragraph 3.7)

10. Internal Control System

Audit of internal control system in the Industries Department revealed significant weaknesses in financial management, non-compliance with rules, manuals and codes in the area of budget preparation, expenditure control, recovery of loans and implementation of various schemes as given below:

- Scheme funds of Rs 25.04 crore and departmental receipts amounting to Rs 9.44 crore received (2002-07) by six DDOs were remitted directly into the bank/treasuries without entering in the cash book.
- Wrong utilisation certificate for Rs 4 crore sanctioned for infrastructure development works at Sansarpur Terrace was furnished by the Superintending Engineer, HPSIDC though infact the amount had been diverted and used on other works by the State Government.

- Allotment of land for developing industrial areas/estates to prospective entrepreneurs had not been monitored at the Government level. Only 42 bighas (three *per cent*) land had been allotted by GMs DICs Lahaul and Spiti, Shimla and Solan as of March 2007 out of 1415.03 bighas transferred to the Industries Department.
- Infrastructure created at a cost of Rs 77.10 lakh for setting up of an industrial estate at Keylong (Lahaul and Spiti district) in August 2002 remained unutilised due to improper planning of the department for selection and development of industrial area.

(Paragraph 5.1)

AUDIT OF TRANSACTIONS

11. Excess/overpayment/wasteful/unfruitful/infructuous expenditure

- Expenditure of Rs 1.74 crore incurred on execution of two Lift Water Supply Schemes in Shimla district remained infructuous as pumping machinery was not installed.

(Paragraph 4.6)

- Irrigation potential of two Lift Irrigation Schemes in Baggi division constructed and maintained at a cost of Rs 1.35 crore was grossly underutilised.

(Paragraph 4.9)

- Poor planning of the Irrigation and Public Health Department to design Flow Irrigation Scheme, Kaurik (Lahaul and Spiti district) in danger zone of floods resulted in wasteful expenditure of Rs 65.43 lakh, as the scheme was washed away due to increase in discharge of Parchu lake.

(Paragraph 4.11)

- Expenditure of Rs 3.98 crore incurred on construction of two roads in Spiti Valley remained infructuous as the roads could not be opened for vehicular traffic due to loose strata and glacier points in the way.

(Paragraph 4.15)

- Lack of proper planning by the Public Works Department resulted in infructuous expenditure of Rs 5.61 crore on construction of Marhi-Kamlah-Tihra-Sandhole motorable road.

(Paragraph 4.17)

- Expenditure of Rs 3.89 crore incurred on construction of Gurukund-Talli road in Solan district and Luna-Ohra road in Chamba district proved infructuous due to non-construction of bridges at take off point.

(Paragraph 4.18)

- Non-handing over of the completed helipad at Satrundi in Chamba district to the Tourism and Civil Aviation Department led to infructuous expenditure of Rs 30.09 lakh on its construction.

(Paragraph 4.21)

12. Idle investment/blocking of funds/diversion of funds

- Funds amounting to Rs 38.30 lakh under Member of Parliament Local Area Development Scheme were diverted by the Deputy Commissioner, Shimla in contravention of the provisions of the scheme.

(Paragraph 4.23)

- The Deputy Commissioners of four districts irregularly diverted Rs 1.92 crore from calamity relief funds for works not related to natural calamities.

(Paragraph 4.27)

13. Regulatory issues and other points

- Inaction of the Home (Police) Department in pursuing leave salary and pension contributions from commercial organisations resulted in accumulated recovery of Rs 14.63 crore.

(Paragraph 4.33)

- Failure of Himachal Pradesh Housing and Urban Development Authority to correctly assess water supply rates against actual expenditure resulted in loss of Rs 1.73 crore.

(Paragraph 4.34)

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account (**Appendix-I-Part-A**). The Finance Accounts of the Government of Himachal Pradesh are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State. The lay out of the Finance Accounts is depicted in **Appendix-I-Part-B**.

1.1.1 Summary of Receipts and Disbursements

Table-1.1 summarises the finances of the State Government for the year 2006-07, covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from **Statement-1** of the Finance Accounts and other detailed statements.

Table-1.1: Summary of Receipts and disbursements for the year 2006-07

(Rupees in crore)							
2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
Section-A: Revenue							
6,558.63	I. Revenue Receipts	7,835.22	6,466.16	I. Revenue Expenditure	6,318.92	1,325.19	7,644.11
1,497.02	Tax revenue	1,656.38	2818.08	General Services	3,269.39	30.46	3,299.85
689.68	Non-tax revenue	1,336.85	2,308.51	Social Services	1,753.82	832.13	2,585.95
493.26	Share of Union Taxes/Duties	629.16	1,333.38	Economic Services	1,292.84	462.60	1,755.44
3,878.67	Grants from Government of India	4,212.83	6.19	Grants-in-aid/Contributions	2.87	--	2.87
Section-B: Capital							
	II. Miscellaneous Capital Receipts	--	820.76	II. Capital Outlay	66.70	1043.11	1,109.81
21.97	III. Recoveries of Loans and Advances	23.41	14.13	III. Loans and Advances disbursed	1.85	23.90	25.75
1,781.47	IV. Public debt receipts¹	2,079.75	1,308.03	IV. Repayment of Public Debt¹	1,269.19	--	1,269.19
--	V. Contingency Fund	--	--	V. Contingency Fund	--	--	--
4,933.39	VI. Public Account receipts	5,265.12	4,386.69	VI. Public Account disbursements	5,370.04	--	5,370.04
(-) 108.43	Opening Balance	191.26	191.26	Closing Balance	--	--	(-) 24.14
13,187.03	Total	15,394.76	13,187.03	Total			15,394.76

¹ Excluding Ways and Means Advances and Overdraft.

Following are the significant changes during 2006-07 over the previous year;

- Revenue receipts grew by Rs 1,276 crore over the previous year. The increase was mainly contributed by Non-tax revenue (Rs 647 crore) and grants from the GOI (Rs 344 crore).
- Revenue expenditure and capital expenditure increased by Rs 1,178 crore and Rs 289 crore respectively over the previous year.
- Disbursement of Loans and Advances increased by Rs 12 crore, while increase in recoveries of Loans and Advances was Rs one crore only.
- While Public Debt receipts increased by Rs 299 crore, its repayments decreased by Rs 39 crore.
- Public Account Receipts increased by Rs 332 crore, whereas its disbursements increased by Rs 983 crore.
- The closing cash balance of 2006-07 was minus Rs 24.14 crore against Rs 191.26 crore during 2005-06.

1.1.2 Fiscal Responsibility and Budget Management (FRBM) Act, 2005

The State Government enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 in April 2005 to ensure prudence in fiscal management and fiscal stability, by progressive reduction of revenue deficit, and debt management consistent with fiscal stability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term fiscal framework. To give effect to the fiscal management principles as laid down in the Act and the rules framed thereunder, the Act prescribed the following fiscal targets for the State Government:

- reduce revenue deficit as a percentage of total revenue receipts by at least two percentage points each financial year, compared to previous year, to eliminate revenue deficit by 31st March 2009;
- progressively reduce fiscal deficit to bring it to three *per cent* of Gross State Domestic Product (GSDP) by 31st March 2009; and
- progressively reduce its outstanding guarantees on long term debt, until it can cap outstanding risk weighted guarantees at 80 *per cent* of total revenue receipts in the preceding financial year.

1.1.3 Roadmap to achieve the Fiscal Targets as laid down in FRBM Act/Rules

The State Government had also laid down its own Fiscal Correction Path (FCP), detailing the structural adjustments required for mobilising additional resources and identifying areas where expenditure could be compressed, to achieve the targets set out in the FRBM Act.

1.1.4 Fiscal Policy Statement(s) 2006-07

As prescribed in the Act, the State Government laid the Medium Term Fiscal Plan Statement (MTFPS) along with the budget before the Legislature in March 2007. As per this MTFPS, revenue deficit was projected at (-) 3.90 *per cent* by 31 March 2007, fiscal deficit as a percentage of the GSDP was projected at 3.90 *per cent* and total guarantees were projected at 72.85 *per cent* of the total revenue receipts of the preceding financial year.

1.1.5 Mid-Term Review of Fiscal Situation

To enforce compliance with the fiscal principles and targets laid down in the FRBM Act, 2005, the Finance Minister is to review, after every six months, the trends in receipts and expenditure in relation to the budget and place before the Legislative Assembly, the outcome of such a review and the remedial measures the State Government proposes to take. Pursuant to this, the Finance Minister presented the status in this regard in the State Legislative Assembly in December 2006.

The State achieved Fiscal target laid down in the Act, ending the current year in revenue surplus of Rs 191 crore. Fiscal deficit at Rs 922 crore was 3.26 *per cent* of GSDP, which was well within the target set under MTFPS and moving on the trajectory towards the FRBM target of 3 *per cent*. The outstanding guarantees given by the State Government were well within the limit prescribed in the Act. As a result, the State Government received debt relief of Rs 72.49 crore from GOI under Debt Consolidation and Relief Facility (DCRF)².

² In pursuance of the recommendations of the TFC for fiscal consolidation and elimination of revenue deficit of the States, GOI formulated a scheme "The States' DCRF (2005-06 to 2009-10)" under which general debt relief is provided by consolidating and rescheduling the Central loans granted to States at substantially reduced rates of interest on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficits of States.

1.2 Overview of Fiscal Situation of the State

1.2.1 Trends in Fiscal Aggregates

The fiscal position of the State during the current year, as compared to the previous year, is given in **Table-1.2**.

Table: 1.2

(Rupees in crore)

2005-06	Sl. No.	Major Aggregates	2006-07
6,559	1.	Revenue Receipts (2+3+4)	7,835
1,497	2.	Tax Revenue	1,656
690	3.	Non-Tax Revenue	1,337
4,372	4.	Other Receipts	4,842
22	5.	Non-Debt Capital Receipts	23
22	6.	<i>Of which</i> , Recovery of Loans	23
6,581	7.	Total Receipts (1+5)	7,858
5,286	8.	Non-Plan Expenditure	6,388
5,284	9.	On Revenue Account	6,319
1,563	10.	<i>Of which</i> , Interest Payments	1,669
1	11.	On Capital Account	67
1	12.	On Loans disbursed	2
2,015	13.	Plan Expenditure	2,392
1,182	14.	On Revenue Account	1,325
820	15.	On Capital Account	1,043
13	16.	On Loans disbursed	24
7,301	17.	Total Expenditure (13+8)	8,780
(+) 93	18.	Revenue Deficit (-)/surplus (+) (1-(9+14))	(+) 191
(-) 720	19.	Fiscal Deficit (17-1-5)	(-) 922
(+) 843	20.	Primary Deficit (-) /surplus (+) (19-10)	(+) 747

During the current year, revenue receipts increased by 19.5 per cent (Rs 1,276 crore) while revenue expenditure increased by 18 per cent (Rs 1,178 crore) over the previous year, resulting in increase in surplus of Rs 98 crore in Revenue Account during 2006-07. Given the increase in revenue surplus of Rs 98 crore and the marginal increase of Rs 1 crore in non-debt capital receipts and the combined increase of Rs 301 crore in capital expenditure and loan and advances disbursed during 2006-07 over the previous year, fiscal deficit increased by Rs 202 crore during the current year. The increase in fiscal deficit accompanied by an increase of Rs 106 crore in interest payments during 2006-07 over the previous year, led to a decline in primary surplus by Rs 96 crore.

1.3 Methodology adopted for the assessment of fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analysed wherever necessary over the last five years (2002-03 to 2006-07) and observations have been made on their behaviour as per **Appendix-II to IV** and Time Series Data (**Appendix-V**). In its Restructuring Plan of State finances, Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States are required to enact the Fiscal Responsibility Act and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so that fiscal position of the State could be improved as committed in their respective FRBM Acts/Rules during medium to long run. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Governments in their FRBM Acts and in other Statements required to be laid in the legislature under the Act were used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that GSDP is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure, etc., with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure, etc., are keeping pace with the change in the base or these fiscal aggregates are affected by factors other than GSDP. The trends in the growth of GSDP as provided by Department of Economics and Statistics, Government of Himachal Pradesh are given in **Table-1.3**.

Table-1.3: Trends in Growth and Composition of GSDP

	2002-03	2003-04	2004-05	2005-06	2006-07
GSDP (Rs in crore)	18,905	20,721	23,024	25,435	28,298
Rate of Growth of GSDP (in per cent)	10.25	9.61	11.11	10.47	11.26

Source: Department of Economics and Statistics, Government of Himachal Pradesh

The key fiscal aggregates for the purpose have been grouped under four major heads: (i) Resources by Volume and Sources, (ii) Application of Resources, (iii) Assets and Liabilities, and (iv) Management of Deficits. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the

relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix-I Part-C**.

1.4 State Finances by Key Indicators

1.4.1 Resources by Volumes and Sources

The resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account and miscellaneous capital receipts such as proceeds from disinvestments. **Table-1.4** shows that the total receipts of the State for the year 2006-07 were Rs 15,203 crore. Of these, the revenue receipts were Rs 7,835 crore, constituting 51 per cent of the total receipts. The balance came from borrowings (14 per cent) and receipts from Public Account (35 per cent).

Table-1.4: Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

Sources of State's receipts		2002-03	2003-04	2004-05	2005-06	2006-07
I.	Revenue Receipts	3,659	3,981	4,635	6,559	7,835
II.	Capital Receipts	2,228	3,790	2,703	1,803	2,103
	Public Debt Receipts	2,199	3,762	2,677	1,781	2,080
	Recovery of Loans and Advances	29	28	26	22	23
	Miscellaneous Capital Receipts	--	--	--	--	--
III.	Contingency Fund	--	--	--	--	--
IV.	Public Account Receipts	4,156	5,033	5,030	4,933	5,265
(a)	Small Savings, Provident Fund, etc.	827	833	922	1,026	1,112
(b)	Reserve Fund	273	140	53	214	129
(c)	Deposits and Advances	704	1,375	1,323	708	790
(d)	Suspense and Miscellaneous	172	172	205	219	148
(e)	Remittances	2,180	2,513	2,527	2,766	3,086
	Total Receipts	10,043	12,804	12,368	13,295	15,203

1.4.2 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government consisting of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from the GOI. The overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and buoyancies are indicated in **Table-1.5**.

Table-1.5: Revenue Receipts - Basic Parameters

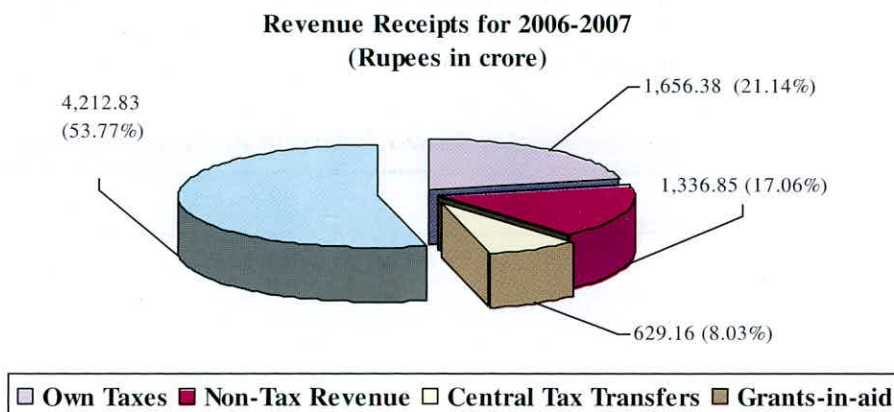
	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Receipts (RR) (Rupees in crore)	3,659	3,981	4,635	6,559	7,835
Own Taxes (<i>per cent</i>)	890 (24.32)	984 (24.72)	1,252 (27.01)	1,497 (22.82)	1,656 (21.14)
Non-Tax Revenue (<i>per cent</i>)	175 (4.78)	292 (7.33)	611 (13.18)	690 (10.52)	1,337 (17.06)
Central Tax Transfers (<i>per cent</i>)	346 (9.46)	450 (11.30)	537 (11.59)	493 (7.52)	629 (8.03)
Grants-in-aid (<i>per cent</i>)	2,248 (61.44)	2,255 (56.65)	2,235 (48.22)	3,879 (59.14)	4,213 (53.77)
Rate of Growth of RR (<i>per cent</i>)	(-) 1.53	8.80	16.43	41.51	19.45
RR/GSDP (<i>per cent</i>)	19.35	19.21	20.13	25.79	27.69
Revenue Buoyancy (ratio)³	(-) 0.149	0.916	1.479	3.965	1.727
State's own taxes Buoyancy (ratio)	(-) 0.28	1.10	2.45	1.87	0.94
Revenue Buoyancy with reference to State's own taxes (ratio)	(-) 0.53	0.83	0.60	2.12	1.84
GSDP Growth (<i>per cent</i>)	10.25	9.61	11.11	10.47	11.26

1.4.3 General Trends

Revenue receipts have shown a progressive increase over the period 2002-07 with noticeable changes in the share of non-tax revenue and grants-in-aid from GOI while the share of own taxes and Central transfers exhibited marginal variations over the period. While 38 *per cent* of the revenue receipts during

³ The negative buoyancy ratio is due to decline in the growth rate of revenue receipts over the previous year.

2006-07 have come from the State's own resources comprising taxes and non-taxes, the remaining 62 per cent is contributed in the form of Central transfers comprising State's share in Central taxes and duties and grants-in-aid from GOI.



1.4.4 Tax Revenue

The tax revenue has increased by 10.62 per cent from Rs 1,497 crore in 2005-06 to Rs 1,656 crore during 2006-07. The revenue from Sales tax not only contributed major share of tax revenue (81 per cent) but also increased by 26 per cent (Rs 187 crore) over the previous year. The sharp increase in sales tax revenue over the previous year has been on account of more receipts under Central Sales Tax Act. However, tax and duties on electricity declined from Rs 89 crore to Rs 30 crore over the previous year mainly on account of late receipt of electricity duty from the Electricity Board in April 2007 and therefore booked in the receipts for the next year. **Table-1.6** below shows the trend of Tax Revenue during 2002-07.

Table-1.6: Tax Revenue

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Sales Tax	383	437	542	727	914
State Excise	274	280	300	329	342
Taxes on Vehicles	82	78	108	102	106
Stamps and Registration	37	52	75	82	93
Electricity	--	17	88	89	30
Other Taxes ⁴	114	120	139	168	171
Total	890	984	1,252	1,497	1,656

⁴ Other Taxes include land revenue, taxes on goods and passengers and other taxes and duties on commodities and services.

1.4.5 Non-Tax Revenue

The non-tax revenue constituted 17 *per cent* of total revenue receipts and increased by Rs 647 crore recording a growth rate of 94 *per cent* over previous year. The increase was mainly in power sector (Rs 659 crore) partly set off by marginal decrease in other sectors on account of royalty, investment allocation of Power Projects and sale of electricity at higher rates. Besides, the debt relief of Rs 72.49 crore given by GOI under DCRF booked under 'Miscellaneous General Services' led to a sharp increase in non-tax revenue of the State. These increases were, however, off set by a fall in the receipts by Rs 104 crore from Forestry and Wildlife sector during 2006-07 on account of transfer of receipts from compensatory afforestation and catchment areas to the new agency Compensatory Afforestation Fund Management and Planning Authority.

The current levels of cost recovery (revenue receipts as a percentage of revenue expenditure) in supply of merit goods and services by Government are 1.38 *per cent* for health and family welfare, 0.39 *per cent* for minor irrigation and 4.30 *per cent* for university and higher education. The State Government has already established a State Electricity Regulatory Commission. Draft Bill for setting up the Himachal Pradesh Tariff Board for various services like Transport, Education, Health, Water and Irrigation for ensuring reasonable cost recovery from the users and for better targeting of latest subsidies is under consideration by the Government.

The actual Revenue receipts *vis-à-vis* assessments made by TFC and State Government for 2006-07 are given below:

Table-1.7: Comparative statement

(Rupees in crore)

	Assessments made by TFC	Assessments made by State Government in		Actuals
		Fiscal Correction Path	Medium Term Fiscal Plan Statement	
Tax Revenue	1,619	1,506	1,506	1,656
Non-Tax Revenue	415	683	554	1,337

The tax revenue increased by 2.29 *per cent* and the non-tax revenue by 222 *per cent* over the assessments made by the TFC. The actual realisation also exceeded the assessments made by the State Government.

1.4.6 Revenue receipts not credited to Government account

Article 266 of the Constitution of India lays down that all revenue received by the State Government shall be credited to the Consolidated Fund of the State and that no money out of the said fund shall be appropriated except in accordance with the law and in the manner provided under the Constitution. The State Government had also issued (June 2006) instructions that all taxes and fees fixed by the Government be credited to the Government account and in no case be retained by the societies, such as Hospital Welfare Society, Rogi Kalyan Samiti, etc.

Audit scrutiny (December 2006) of the records of the Principal, Dr. Rajendra Prasad Medical College, Tanda (Kangra district) and further information collected in March 2007 revealed that the tuition fee amounting to Rs 1.03 crore received from the non-resident Indian (NRI) students during the period between 2005-06 and 2006-07 was deposited in Student's fund account instead of crediting these receipts to the Government account.

On this being pointed out (May 2007) the entire amount of Rs 1.03 crore was deposited (June 2007) into Government account. The interest amounting to Rs 3.50 lakh had also been deposited (September 2007).

1.4.7 Central Tax Transfers

The Central tax transfers increased by Rs 136 crore over the previous year and constituted 8 *per cent* of revenue receipts. The increase was mainly under corporation tax (Rs 196.36 crore), customs duties (Rs 122.71 crore), Union excise duties (Rs 130.30 crore) and taxes on income other than corporation tax (Rs 119.24 crore).

1.4.8 Grants-in-aid

The Grants-in aid from GOI increased from Rs 3,879 crore in 2005-06 to Rs 4,213 crore in the current year. The increase was mainly under State plan scheme (Rs 292 crore), Centrally sponsored schemes (Rs 38 crore) and the State non-plan grants (Rs 4 crore). The Non-Plan grants (Rs 2,416 crore) to State constitute 57 *per cent* of the total grants during the year of which, 87 *per cent* (Rs 2,107 crore) were primarily for meeting the Non-Plan revenue

deficit due to the recommendation of TFC. Details of Grants-in-aid from GOI are given in **Table-1.8**

Table-1.8: Grants-in-aid from GOI

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Grants for State plan schemes	1,176	1,335	1,215	1,173	1,465
Non-Plan grants	874	760	830	2,412	2,416
Grants for Central Schemes/Centrally Sponsored Schemes	198	160	190	294	332
Total:	2,248	2,255	2,235	3,879	4,213
Percentage of increase/decrease over previous year	(-) 1.27	0.31	(-) 0.89	73.56	8.61

1.5 Application of Resources

1.5.1 Growth of Expenditure

Statement-12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State increased from Rs 6,029 crore in 2002-03 to Rs 8,780 crore in 2006-07. The total expenditure, its annual growth rate and its ratio to the State GSDP, to revenue receipts, and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table-1.9**.

Table-1.9: Total Expenditure – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07
Total Expenditure (TE) ⁵ (Rupees in crore)	6,029	6,393	6,471	7,301	8,780
Rate of Growth (<i>per cent</i>)	14.71	6.04	1.22	12.83	20.26
TE/GSDP Ratio (<i>per cent</i>)	31.89	30.85	28.11	28.70	31.03
Revenue Receipts/TE Ratio (<i>per cent</i>)	60.69	62.27	71.63	89.84	89.24
Buoyancy of total expenditure with					
GSDP (ratio)	1.435	0.629	0.110	1.225	1.799
RR (ratio)	(-) 9.614 ⁶	0.686	0.074	0.309	1.042

⁵ Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans and Advances.

⁶ The negative buoyancy ratio is due to decline in growth rate of the revenue receipts over the previous year.

The total expenditure during the current year has increased by Rs 1,479 crore over the previous year, of which, revenue expenditure shared Rs 1,178 crore, capital expenditure contributed Rs 289 crore and Rs 12 crore by repayment of loans and advances. During the current year, 89 *per cent* of total expenditure was met from revenue receipts and the remaining from capital receipts and borrowed funds. The buoyancy of total expenditure to GSDP picked up from 2005-06 and stood at 1.8 in 2006-07 indicating tendency to spend more than the increase in income and higher elasticity of total expenditure with respect to GSDP.

1.5.2 Trends in Total Expenditure by Activities

In terms of activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. The relative share of these components in total expenditure is indicated in **Table-1.10**.

Table-1.10: Components of Expenditure – Relative Share

(In per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07
General Services	35.53	39.21	42.54	39.31	38.28
Of which, Interest payments	19.44	23.04	25.36	21.41	19.01
Social Services	30.74	34.98	34.31	36.68	35.99
Economic Services	32.36	25.46	22.73	23.74	25.40
Grants-in-aid	0.91	0.05	0.05	0.08	0.03
Loans and Advances	0.47	0.31	0.37	0.19	0.30

The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. But expenditure on General Services and interest payments, which is considered as non-developmental, together decreased slightly from 39.31 *per cent* in 2005-06 to 38.28 *per cent* in 2006-07. On the other hand, developmental expenditure i.e. on Social and Economic Services together accounted for 61.39 *per cent* in 2006-07 as against 60.42 *per cent* in 2005-06.

1.5.3 Incidence of Revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payments, for the past obligations, and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table-1.11**.

Table-1.11: Revenue Expenditure: Basic Parameters

(Rupees in crore)					
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Revenue Expenditure (RE) Of which,	5,141	5,588	5,793	6,466	7,644
Non-Plan Revenue Expenditure (NPRE)	3,755	4,748	4,815	5,284	6,319
Plan Revenue Expenditure (PRE)	1,386	840	978	1,182	1,325
Rate of Growth (per cent) NPRE	11.29	26.44	1.41	9.74	19.59
Rate of Growth (per cent) PRE	15.31	(-) 39.39	16.43	20.86	12.10
NPRE/GSDP (per cent)	23.13	26.29	23.96	23.60	22.33
RE/TE ⁷ (per cent)	85.67	87.68	89.86	88.73	87.32
NPRE as per cent of TE	62.28	74.27	74.41	72.37	71.97
NPRE as per cent of RR	102.62	119.27	103.88	80.56	80.65
Percentage NPRE to RE	73.04	84.97	83.12	81.72	82.67
PRE to RE	26.96	15.03	16.88	18.28	17.33
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.205	0.904	0.330	1.110	1.618
RRs (ratio)	(-) 8.072	0.988	0.223	0.280	0.937

The revenue expenditure increased by 49 per cent from Rs 5,141 crore in 2002-2003 to Rs 7,644 crore in 2006-2007. The NPRE has shown a consistent increase at an average rate of 14 per cent over the period and continued to share the dominant proportion varying in the narrow range of 73-85 per cent

⁷ Total expenditure excludes loan and advances.

of the revenue expenditure. The plan revenue expenditure on the other hand has displayed wild fluctuations varying from a decrease of 39 per cent in 2003-2004 to an increase of 21 per cent in 2005-2006 and the rate of growth further decreased to 12 per cent during the current year.

The increase in NPRE by Rs 1,035 crore during the current year was mainly due to increase in pension (Rs 242 crore), salaries (Rs 532 crore), assistance to Zilla Parishads (Rs 31 crore) and payment of subsidies (Rs 201 crore). The increase in PRE by Rs 143 crore over previous year was mainly due to increase in Rural Development (Rs 18 crore), General Education (Rs 45 crore) and Agriculture and Allied Activities (Rs 14 crore).

The actual Non-plan revenue expenditure vis-à-vis assessments made by TFC and State Government are given below:

Table-1.12: Actual NPRE vis-à-vis projections

(Rupees in crore)

	Assessments made by State Government in			Actual NPRE
	Assessments made by TFC	Fiscal Correction Path	MTFPS	
Non-plan revenue expenditure	4,688	5,616	5,538	6,319

NPRE during current year not only exceeded the assessment made by State Government, but also exceeded the normative assessment made by TFC by Rs 1,631 crore.

1.5.4 Committed Expenditure

1.5.4.1 Expenditure on Salaries and Wages

Table-1.13: Expenditure on Salaries

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Salaries and wages of which,	2,271	2,382	2,204	2,515	3,057
Non-Plan Head	Plan/Non-Plan-wise break up of salaries is not available for this period			2,115	2,577
Plan Head				400	480
<i>As per cent</i> of GSDP	12.01	11.50	9.57	9.89	10.80
<i>As per cent</i> of RR	62.07	59.83	47.55	38.34	39.02

Expenditure on salaries under Non-plan and plan during the current year is Rs 2,577 crore and Rs 480 crore respectively, recording a growth rate of 22 per cent and 20 per cent respectively. The salary expenditure during current year exceeded the projections made in MTFPS (Rs 2,714 crore) and the Fiscal Correction Path (Rs 2,294 crore). The salary expenditure is 60 per cent of revenue expenditure net of interest and pension payments, which is much higher than the norm of 35 per cent recommended by the TFC. The increase in expenditure under salaries was stated to be due to regularisation of about 10,000 daily wages staff in Public Works Department and booking of salary for March 2007 in accounts for 2006-2007 by various departments.

1.5.4.2 Pension Payments

Table-1.14: Expenditure on Pensions

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on pensions	490	533	591	670	912
Rate of growth	10.61	8.78	10.88	13.37	36.12
As per cent of GSDP	2.59	2.57	2.57	2.63	3.22
As per cent of RR	13.39	13.39	12.75	10.21	11.64
As per cent of RE	9.53	9.54	10.20	10.36	11.93

Source: From Finance Accounts.

Pension payments during the current year have increased by Rs 242 crore, recording a growth rate of 36 per cent over the previous year. The increase in expenditure under pensions was stated to be due to revision of pension, as a result of implementation of judgement of the Supreme Court relating to upgradation of pension on revision of pay scales. Besides, the increase was due to large number of retirements and release of dearness relief. The actual expenditure for the current year exceeded the projections made in the TFC, FCP and MTFPS respectively as shown below:

Table-1.15: Actual Pension Payments vis-à-vis Projections

(Rupees in crore)

	Assessments made by TFC	Assessments made by State Government in		Actual Expenditure on pensions
		Fiscal Correction Path	MTFPS	
Pension payments	800	698	753	912

The Government introduced Contributory Pension Scheme for employees recruited on or after May 2003 to mitigate the impact of rising pension liabilities in future.

1.5.4.3 Interest Payments

Table-1.16: Interest payments

Year	Total Revenue Receipts	Interest payments	Percentage of interest payments with reference to	
			Total Revenue Receipts	Revenue Expenditure
(Rupees in crore)				
2002-2003	3,659	1,172	32.03	22.80
2003-2004	3,981	1,473	37.00	26.36
2004-2005	4,635	1,641	35.40	28.33
2005-2006	6,559	1,563	23.83	24.17
2006-2007	7,835	1,669	21.30	21.83

The major source of borrowings is market loans at interest rates varying from 7.74 to 8.35 per cent. The marginal increase of 7 per cent over the previous year in interest payments was mainly due to payment of interest on special securities issued to the Reserve Bank of India, market loans, other internal debt, State provident funds, etc. It was more than that projected by TFC (Rs 1,450 crore) for the year 2006-07, but lower than the projections made in FCP (Rs 1,755 crore).

1.5.4.4 Subsidies

The State Government has been paying subsidies to various Corporations, etc., over the years. The subsidies given by the State Government during the last five years are given in Table-1.17.

Table-1.17: Subsidies

Year	Amount	Percentage increase (+)/ decrease (-) over previous year	(Rupees in crore)
			Percentage of subsidy in total expenditure excluding loans and advances
2002-2003	148.17	(+) 23.81	2.47
2003-2004	83.78	(-) 43.46	1.31
2004-2005	158.98	(+) 89.75	2.47
2005-2006	142.09	(-) 10.62	1.95
2006-2007	343.44	(+) 141.71	3.92

Source: VLC/Finance Accounts.

During the current year, subsidies constituted about 4 per cent of the total expenditure. The major components of subsidies were Horticulture and Vegetable Crops: Rs 24.89 crore; Transport: Rs 48 crore and Electricity Board: Rs 244.87 crore. The increase in subsidies (Rs 201 crore) during 2006-07 was mainly on account of increased subsidy to HPSEB to compensate roll back in tariff. The power subsidy at Rs 245 crore in 2006-07 was significantly higher than the projection made both in FCP (Rs 86.5 crore) and MTFPS (Rs 91 crore). Besides, general subsidy at Rs 98 crore was also higher than its projection in FCP (Rs 79 crore).

1.6 Expenditure by Allocative Priorities

1.6.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore, the ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running the existing social and economic services efficiently and effectively, would determine the quality of expenditure. The higher the ratio of these components is to total expenditure and GSDP, better is the quality of expenditure. **Table-1.18** gives these ratios during 2002-07.

Table-1.18: Indicators of Quality of Expenditure

(Rupees in crore)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Capital Expenditure	860	785	654	821	1,110
Revenue Expenditure	5,141	5,588	5,793	6,466	7,644
<i>Of which, Social and Economic Services</i>	2,955	3,102	3,067	3,642	4,341
<i>(i) Salary and Wage Component</i>	1,686 (32.80)	1,617 (28.94)	1,830 (31.59)	2,023 (31.29)	2,497 (32.67)
<i>(ii) Non-Salary and Wage component</i>	1,269 (24.68)	1,485 (26.57)	1,237 (21.35)	1,619 (25.04)	1,844 (24.12)
As per cent of total expenditure⁸					
Capital expenditure	14.33	12.32	10.14	11.27	12.68
Revenue expenditure	85.67	87.68	89.86	88.73	87.32
As per cent of GSDP					
Capital expenditure	4.55	3.79	2.84	3.23	3.92
Revenue expenditure	27.19	26.97	25.16	25.42	27.01

Though no specific norms were laid down for prioritisation of capital expenditure, there was increase in capital expenditure by Rs 289 crore during 2006-07 over the previous year which indicates improvement in the quality of expenditure and the impetus being given to asset formation. Water Supply and Sanitation, Irrigation and Flood Control, and Education were beneficiary sectors where capital expenditure was absorbed. The salary and wage component as well as non-salary and wage component of revenue expenditure on social and economic services almost remained stable during the period 2002-07.

⁸ Total expenditure excludes loans and advances. Figures in parenthesis indicate percentage.

1.6.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities, etc., have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion of and efficient provision of these services in the State. **Table-1.19** summarises the expenditure incurred by the State Government in expanding and strengthening social services in the State during 2002-07.

Table-1.19: Expenditure on Social Services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Education, Sports, Art and Culture					
Revenue expenditure	937	969	1,037	1,172	1,325
of which,					
(a) Salary and Wage component	827	861	907	1,004	1,154
(b) Non-Salary and Wage component	110	108	130	168	171
Capital expenditure	20	37	48	41	99
Total	957	1,006	1,085	1,213	1,424
Health and Family Welfare					
Revenue expenditure	278	296	311	345	397
of which,					
(a) Salary and Wage component	235	243	256	284	330
(b) Non-Salary and Wage component	43	53	55	61	67
Capital expenditure	20	50	61	48	44
Total	298	346	372	393	441
Water Supply, Sanitation, Housing and Urban Development					
Revenue expenditure	201	470	321	404	518
of which,					
(a) Salary and Wage component	66	69	73	94	181
(b) Non-Salary and Wage component	135	401	248	310	337
Capital expenditure	201	212	209	244	412
Total	402	682	530	648	930
Other Social Services					
Revenue expenditure	193	197	221	387	346
of which,					
(a) Salary and Wage component	40	35	37	42	50
(b) Non-Salary and Wage component	153	162	184	345	296
Capital expenditure	3	5	12	36	19
Total	196	202	233	423	365
Total (Social Services)					
Revenue expenditure	1,609	1,932	1,890	2,309	2,586
of which,					
(a) Salary and Wage component	1,168	1,208	1,273	1,425	1,715
(b) Non-Salary and Wage component	441	724	617	884	871
Capital expenditure	244	304	330	369	574
Total	1,853	2,236	2,220	2,678	3,160

Source: VLC/Finance Accounts

The allocation to Social Sector increased from Rs 1,853 crore in 2002-03 to Rs 3,160 crore in 2006-07 indicating the Government's commitment to improve social well being of the society. Expenditure on social sector during the current year (Rs 3,160 crore) accounted for 36 *per cent* of total expenditure and 59 *per cent* of developmental expenditure⁹. Expenditure on Education increased by Rs 211 crore over previous year while the expenditure on Health and Family Welfare has shown an increase of only Rs 48 crore over previous year. Recognising the need to improve the quality of education and health services, TFC recommended that the non-plan salary expenditure under education and health and family welfare should increase only by five to six *per cent* while non-salary expenditure under non-plan heads should increase by 30 *per cent* per annum during the award period. However, trends in expenditure reveal that the salary and wage component under education sector increased by 15 *per cent* over 2005-06 while non-salary and wage component increased by one *per cent*. Similarly under Health and Family Welfare sector, the salary and wage component increased by 16 *per cent* while non-salary and wage component increased by 10 *per cent*. The expenditure pattern both in education and health services has not been as per the norms of the TFC which needs correction in the ensuing years.

1.6.3 Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditure that promotes directly or indirectly, productive capacity within the State's economy. The expenditure on Economic Services (Rs 2,229 crore) accounted for 25 *per cent* of the total expenditure. Of this, Agriculture and Allied Activities, Irrigation and Flood Control, Energy and Transport consumed nearly 85 *per cent* as can be seen from **Table-1.20** given below:

Table-1.20: Expenditure on Economic Services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Agriculture and Allied Activities					
Revenue expenditure	585	394	386	470	498
of which,					
(a) Salary and Wage component	214	223	220	243	287
(b) Non-Salary and Wage component	371	171	166	227	211
Capital expenditure	23	17	12	10	25
Total	608	411	398	480	523
Irrigation and Flood Control					
Revenue expenditure	70	70	69	90	130
of which,					
(a) Salary and Wage component	32	34	36	46	88
(b) Non-Salary and Wage component	38	36	33	44	42
Capital expenditure	46	82	73	104	176
Total	116	152	142	194	306

⁹ Development expenditure is defined as the total expenditure on social and economic services.

Audit Report (Civil) for the year ended 31 March 2007

Power and Energy					
Revenue expenditure of which,	131	152	73	123	314
(a) Salary and Wage component	1	1	1	1	2
(b) Non-Salary and Wage component	130	151	72	122	312
Capital expenditure	359	94	2	--	--
Total	490	246	75	123	314
Transport					
Revenue expenditure of which,	360	363	400	412	512
(a) Salary and Wage component	211	91	236	238	325
(b) Non-Salary and Wage component	149	272	164	174	187
Capital expenditure	174	257	200	274	243
Total	534	620	600	686	755
Other Economic Services					
Revenue expenditure of which,	199	190	249	238	301
(a) Salary and wage component	59	60	64	70	80
(b) Non-Salary and Wage component	140	130	185	168	221
Capital expenditure	3	8	7	12	30
Total	202	198	256	250	331
Total (Economic Services)					
Revenue expenditure of which,	1,345	1,169	1,177	1,333	1,755
(a) Salary and Wage component	517	409	557	598	782
(b) Non-Salary and Wage component	828	760	620	735	973
Capital expenditure	605	458	294	400	474
Total	1,950	1,627	1,471	1,733	2,229

Source: VLC/Finance Accounts

Out of total expenditure on Economic Services during 2006-2007, 34 per cent was incurred on Transport, 14 per cent each on Irrigation & Flood Control and Power & Energy and 23 per cent on Agriculture and Allied Activities. As compared to 2002-2003, significant increases in 2006-2007 were observed in Irrigation and Flood control (163 per cent), and Transport services (41 per cent). The salary component in total expenditure on Economic Service ranged between 25 and 38 per cent during the period. The non-salary component consistently increased from Rs 620 crore in 2004-2005 to Rs 973 crore in 2006-2007 at an average rate of growth of 26 per cent per annum.

The trends in revenue and capital expenditure on Economic Services indicate that capital expenditure consistently decreased from Rs 605 crore in 2002-03 to Rs 294 crore (51 per cent) in 2004-05, while it increased to Rs 474 crore (61 per cent) in 2006-07 over the last two years. The revenue expenditure increased from Rs 1,169 crore in 2003-2004 to Rs 1,754 crore (50 per cent) in 2006-07. An increase of Rs 421 crore (32 per cent) during 2006-07 over the

previous year in revenue expenditure was mainly due to increase in Power and Energy (Rs 191 crore) and Irrigation & Flood Control (Rs 40 crore) and Transport (Rs 100 crore). Of the revenue expenditure, salary and wage component ranged from 35 per cent to 47 per cent during 2002-07. It increased from Rs 409 crore (35 per cent) in 2003-04 to Rs 782 crore (45 per cent) in 2006-07 whereas non-salary component decreased from Rs 828 crore (2003-03) to Rs 620 crore (2004-05) and increased to Rs 973 crore in 2006-07, indicating allocative priorities probably towards their maintenance and better quality of services.

1.6.4 Financial Assistance by State Government to local bodies and other institutions

1.6.4.1 Extent of assistance

The quantum of assistance provided by way of grants to different local bodies, etc., during the five years period 2002-07 is presented in **Table-1.21**.

Table-1.21: Financial Assistance

(Rupees in crore)					
Name	2002-03	2003-04	2004-05	2005-06	2006-07
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	78.44	94.58	103.24	132.81	117.50
Municipal Corporation and Municipalities	45.15	19.50	28.83	32.68	46.74
Zilla Parishads and Panchayati Raj Institutions	42.87	48.82	63.28	70.08	100.58
Development Agencies	10.45	77.47	52.62	112.10	93.44
Hospitals and other charitable Institutions	0.05	0.21	0.06	0.40	0.12
Other Institutions ¹⁰	8.73	32.83	27.50	31.56	41.11
Total	185.69	273.41	275.53	379.63	399.49
Assistance as a percentage of Revenue Expenditure	3.62	4.89	4.76	5.87	5.23

¹⁰ Other institutions include those institutions which received *ad hoc* or one time grants during the year.

The grants extended to local bodies and other institutions showed consistently increasing trend over the years 2002-07. It increased by Rs 20 crore (5 per cent) over the previous year. The share of grants in revenue expenditure indicated inter year variations from 4 per cent in 2002-03 to 6 per cent in 2005-06. Another important trend emerging from **Table-1.21** is that share of other institutions has sharply increased by about five times from Rs 8.73 crore in 2002-03 to Rs 41.11 crore in 2006-07 indicating that huge financial assistance is being given on *ad hoc* basis to various State Government institutions. The sharp increase under the different components during 2006-07 was mainly due to release of more grant to Municipal Corporation/Municipalities (Rs 14.06 crore) and to Zilla Parishads and Panchayati Raj Institutions (Rs 30.50 crore). Similarly, under the head 'Other Institutions', the increase was due to release of more grant (Rs 9.55 crore) as compared to 2005-06 mainly under Social Justice and Empowerment (Rs 7.5 crore).

1.6.5 Delay in furnishing Utilisation Certificates

Of the 4,796 utilisation certificates (UCs) due in respect of grants aggregating Rs 718.09 crore paid upto 2005-06, 3,277 UCs for an aggregate amount of Rs 444.30 crore were in arrears. Details of department-wise break up of outstanding UCs are given in **Appendix-VI**.

1.6.6 Non-submission of accounts

The accounts of Himachal Pradesh Electricity Regulatory Commission for audit under Section 19 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, due for the years 2001-02 to 2005-06, were not received.

1.6.7 Misappropriation, losses, defalcations, etc.

The State Government reported 61 cases of misappropriations, losses, defalcations, etc., involving Government money amounting to Rs 1.60 crore upto June 2007, on which final action was pending. The department-wise break up of pending cases is given in **Appendix-VII**.

1.6.8 Write off of losses, etc.

As reported to Audit, losses due to theft, fire and irrecoverable revenue, etc., amounting to Rs 1.23 lakh in three cases were written-off during 2006-07 by the competent authorities.

1.7 Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix-II** gives an abstract of such liabilities and the assets as on 31 March 2007. While the liabilities in this appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and the cash balances. **Appendix-V** depicts the time series data on State Government finances for the period 2002-07.

1.7.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2007 is given in **Table-1.22**:

Table-1.22: Department-wise Profile of Incomplete Projects

(Rupees in crore)

Department	Number of incomplete Projects	Initial Budgeted cost	Revised total cost of Projects	Cumulative Actual expenditure as on 31.03.2007	Cost over runs
Irrigation and Public Health	25	66.05	116.60 ¹¹	139.18	73.13
Public Works Department	5	16.22	15.93 ¹²	21.04	4.82
Total	30	82.27	132.53	160.22	77.95

The above table indicates that the State Government incurred Rs 160.22 crore against the budgeted cost of Rs 82.27 crore resulting in cost overrun of Rs 77.95 crore. These projects were lying incomplete due to dispute over site, non-availability of adequate funds, delay in finalisation of design/drawing, Court cases, limited working seasons, etc.

¹¹ Cost in respect of nine projects not yet revised.

¹² Cost of three projects not yet revised.

1.7.2 Investments and returns

As of 31 March 2007, the Government invested Rs 1,861 crore in its statutory corporations, rural banks, Government companies, joint stock companies and co-operatives (**Table-1.23**). The average return on this investment was less than 0.3 *per cent* in the last five years, while the Government paid interest at an average rate of 9.20 to 10.98 *per cent* on its borrowings during 2002-07. The increase in the return during 2006-07 was due to redemption of the share value of various Government companies, etc.

Table-1.23: Return on Investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowing	Difference between interest rate and return on investment
	(Rupees in crore)			(per cent)	
2002-2003	1,796	0.61	0.03	10.37	10.34
2003-2004	1,922	0.50	0.03	10.98	10.95
2004-2005	1,943	0.58	0.03	10.60	10.57
2005-2006	1,842	28.61	1.55	9.20	7.65
2006-2007	1,861	1.80	0.10	9.40	9.30

Major investments were made in six Statutory Corporations/Boards (Rs 596 crore), 19 Government Companies (Rs 157 crore) and a Central Government Company (Rs 1,027.20 crore). The two Statutory Corporations/Boards had incurred accumulated loss of Rs 644.51 crore (Himachal Pradesh Road Transport Corporation: Rs 405.34 crore and Himachal Pradesh State Electricity Board: Rs 239.17 crore) at the end of March 2007. The major recipients amongst Government Companies, which incurred accumulated losses upto 31 March 2007 were, Himachal Pradesh Agro-Industrial Packaging India Limited (Rs 57.29 crore), Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited (Rs 32.76 crore), Himachal Pradesh Forest Corporation (Rs 29.18 crore) and Himachal Pradesh Handicrafts and Handloom Corporation Limited (Rs 10.85 crore).

1.7.3 Loans and advances by State Government

In addition to investments in Co-operatives, Corporations and Companies, the Government has also been providing loans and advances to many of these institutions/organisations. The total outstanding loans and advances as on 31 March 2007 were Rs 237 crore (**Table-1.24**). Interest received against these loans was meagre and it decreased from 11.11 *per cent* in 2004-05 to 4.66 *per cent* during 2006-07.

Table-1.24: Average Interest Received on Loans advanced by the State Government

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Balance	253	252	244	242	234
Amount advanced during the year	28	20	24	14	26
Amount repaid during the year	29	28	26	22	23
Closing Balance	252	244	242	234	237
Net Addition (+)/Decrease (-)	(-) 01	(-) 08	(-) 02	(-) 08	(+) 03
Interest Received	08	09	27	10	11
Interest Received as <i>per cent</i> to outstanding Loans and Advances	3.31	3.63	11.11	4.20	4.66
Average interest rate (in <i>per cent</i>) paid on borrowings by State Government	10.37	10.98	10.60	9.20	9.40
Difference between average interest paid and received (<i>per cent</i>)	7.06	7.35	(-) 0.51	5.00	4.74

Major recipients of loans during 2006-07 were Government servants (Rs 12.91 crore) and Agriculture & Allied Activities (Rs 9.62 crore).

There were inter year fluctuations in the interest received over the years 2002-07, as seen from a sharp increase to Rs 27 crore in 2004-05 compared to the two previous years, and again declined to Rs 11 crore in 2006-07.

1.7.4 Management of cash balances

It is generally desirable that the State's flow of resources match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and

Means Advances and overdraft from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities. This limit was Rs 190 crore for Himachal Pradesh for Normal Ways and Means Advances. No limit was fixed for Special Ways and Means Advances during 2006-07.

Ways and Means Advances and Overdrafts availed, the number of occasions these was availed and interest paid by the State is detailed in **Table-1.25**.

Table-1.25: Ways and Means and Overdrafts of the State

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Ways and Means Advances					
Availed in the year	1,109.00	1,728.85	1,578.54	232.78	42.00
Number of occasions	92	133	93	13	1
Outstanding WMAs, if any	135.00	117.94	22.49	--	42.00
Interest paid	5.47	5.19	1.85	0.32	0.01
Number of days	92	133	93	13	1
Overdraft					
Availed in the year	1,634.05	1,145.28	319.80	--	--
Number of occasions	127	74	14	--	--
Number of days	179	117	27	--	--
Interest paid	2.18	1.94	0.49	--	--

As can be seen from the above table, the number of occasions when the Government took Ways and Means Advances has been coming down over the last four years. Similarly, the number of occasions when the State Government availed of overdraft facility has been declining progressively during 2002-03 to 2004-05. Infact, the Government had not availed of any overdraft during 2005-06 and 2006-07, since the financial position of the State was comfortable during the year due to a significant increase in grants-in-aid from the Central Government.

1.8 Undischarged liabilities

1.8.1 Fiscal liabilities – Public Debt and Guarantees

There are two sets of liabilities viz. public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund-Capital Accounts. It includes market loans, special securities issued by Reserve Bank of India and loans and advances from the Central Government.

The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of Public Account, include deposits under Small Savings Schemes, Provident Funds and other deposits.

Table-1.26 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-1.26: Fiscal Liabilities – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities (Rupees in crore)	12,393	14,437	16,533	17,432	18,071
Rate of Growth (per cent)	21.26	16.49	14.52	5.44	3.67
Ratio of Fiscal Liabilities to					
GSDP (per cent)	65.55	69.67	71.81	68.54	63.86
Revenue Receipts (per cent)	338.70	362.65	356.70	265.77	230.64
Own Resources (per cent)	1,163.66	1,131.43	887.44	797.07	603.78
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	2.074	1.716	1.307	0.520	0.326
Revenue Receipts (ratio)	(-) 13.895	1.874	0.884	0.131	0.189
Own resources (ratio)	(-) 4.832	0.832	0.316	0.313	0.100

Overall fiscal liabilities of the State increased from Rs 12,393 crore in 2002-03 to Rs 18,071 crore in 2006-07. Fiscal Liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liability (Rs 13,151 crore) comprised market loans (Rs 4583 crore), loans from GOI (Rs 1,020 crore) and other loans

(Rs 7,548 crore which includes Rs 3,694 crore on Special Security issued to NSSF of the GOI). The Public Account liabilities (Rs 4,920 crore) comprise of Small Savings, Provided Fund (Rs 3,613 crore), interest bearing obligations (and non-interest bearing obligations like deposits (Rs 1,131 crore) and reserve funds (Rs 176 crore). The growth rate of fiscal liabilities was 3.67 per cent during 2006-07 over the previous year. The ratio of fiscal liabilities to GSDP increased from 65.55 per cent in 2002-03 to 71.81 per cent in 2004-05 but decreased to 63.86 in 2006-07. These liabilities stood at 2.31 times the revenue receipts and 6.04 times of the State's own resources at the end of 2006-07. Buoyancy of fiscal liabilities to GSDP, and to own resources has decreased during 2006-07 over previous year. The State Government was required to set up the Consolidated Sinking Fund as recommended by the TFC for amortisation of market borrowings as well as other loans and debt obligation. Keeping in view its overall liquidity position with Reserve Bank of India, the State Government did not consider setting up a Sinking Fund (October 2007).

1.8.2 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State, in case of default by the borrower for whom the guarantee has been extended.

As per **Statement-6** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2002-03 are given in **Table-1.27**.

Table-1.27: Guarantees given by the Government of Himachal Pradesh

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees	Percentage of maximum amount guaranteed to total revenue receipts
2002-2003	5,436	4,503	148.57
2003-2004	6,144	4,682	154.33
2004-2005	6,409	4,751	138.27
2005-2006	5,526	3,587	84.25
2006-2007	6,347	2,976	81.01

As per the HPFRBM Act, 2005 the annual incremental risk weighted guarantees is to be limited to 80 per cent of revenue receipts in the year preceding the current year. The incremental guarantees given by the State

Government marginally crossed the above limit by 1 per cent. The Government has guaranteed loans raised by various corporations and others, which at the end of 2006-07 stood at Rs 2,976 crore. The State Government was required to set up the Guarantee Redemption Fund as recommended by the TFC to meet the contingent liabilities arising from the guarantees given by the State Government. However, the State Government has not set up such Fund so far.

1.8.3 Debt Sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilisation in terms of debt/GSDP ratio.

1.8.4 Debt Stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate–interest rate) and quantum spread (Debt x rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards debt stabilisation are indicated in **Table-1.28**.

Table-1.28 below gives the average interest rate, GSDP growth, interest spread, and Primary deficit/surplus over the last five years.

Table-1.28: Debt Sustainability–Interest Rate and GSDP Growth (in per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07
Average Interest Rate	10.37	10.98	10.60	9.20	9.40
GSDP Growth	10.25	9.61	11.11	10.47	11.26
Interest spread	(-) 0.12	(-) 1.37	0.51	1.27	1.86
Opening balance	10,220	12,393	14,437	16,533	17,432
Quantum Spread (per cent)	(-) 12.26	(-) 169.78	73.63	209.97	324.24
Primary deficit/surplus (Rs in crore)	(-) 1169	(-) 911	(-) 169	843	747

Table-1.28 reveals that quantum spread together with primary deficit has been consistently negative during 2002-05 indicating rising debt-GSDP ratios during the period. Debt- GSDP has increased steadily from 65.55 *per cent* in 2002-03 to 71.81 *per cent* in 2005-06. It was only from 2005-06, the quantum spread together with primary deficit turned positive, resulting in decline in debt/GSDP ratio to 63.86 in 2006-07. The ratio of fiscal deficit to GSDP also consistently declined during the period 2002-07. These trends indicate that the State is moving towards debt stabilisation, which in turn may improve the debt sustainability position of the State.

1.8.5 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. **Table-1.29** indicates the resource gap as defined for the period 2002-07.

Table-1.29: Incremental revenue receipts and revenue expenditure

(Rupees in crore)

Period	Non-debt Receipts	Incremental		Total expenditure	Resource Gap
		Primary expenditure	Interest payments		
2002-2003	(-) 57	643	130	773	(-) 830
2003-2004	321	63	301	364	(-) 43
2004-2005	652	(-) 90	168	78	574
2005-2006	1,920	908	(-) 78	830	1,090
2006-2007	1,277	1,373	106	1,479	(-) 202

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. Debt sustainability of the State in term of the resource gap oscillated between the negative and positive phases during the period 2002-07. The positive resource gap between the period of two years (2004-06) turned negative again in the current year mainly on account of steep increase in non-plan revenue expenditure (Rs 1,035 crore) requiring attention.

1.8.6 Net Availability of Borrowed Funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e. they are (a) not being used for financing revenue expenditure; and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table-1.30 gives the position of the receipts and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last five years.

Table-1.30: Net Availability of Borrowed Funds

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Internal debt					
Receipts	2,053	3,473	2,444	1,753	2,042
Repayments (Principal+Interest)	726	1,700	1,737	2,467	2,492
Net Funds Available	1,327	1,773	707	(-) 714	(-) 450
Net Funds Available (per cent)	64.64	51.05	71.07	--	--
Loans and Advances from Government of India					
Receipts	146	165	133	28	38
Repayments (Principal+Interest)	779	1,170	1,145	141	212
Net Funds Available	(-) 633	(-) 1,005	(-)1,012	(-) 113	(-) 174
Net Funds Available (per cent)	--	--	--	--	--
Other obligations					
Receipts	1,685	2,226	2,171	1,806	1,870
Repayments (Principal+Interest)	1,225	2,283	1,304	1,620	2,317
Net Funds Available	460	(-) 57	867	186	(-) 447
Net Funds Available (per cent)	27.30	--	39.94	10.30	--
Total liabilities					
Receipts	3,884	5,864	4,748	3,587	3,950
Payments (Principal+Interest)	2,730	5,153	4,186	4,228	5,021
Net Funds available	1,154	711	562	(-) 641	(-) 1,071
Net Funds Available (per cent)	29.71	12.12	11.84	--	--

The net funds available on account of internal debt and loans and advances from GOI and other obligations after providing for the interest and repayments varied from minus during the last two years to 29.71 *per cent* during 2002-03. The State Government raised the internal debt amounting to Rs 2,042 crore comprising of market loans (Rs 512 crore), securities issued to National Small Savings Fund (NSSF) (Rs 6.80 crore) and NABARD and other institutions (Rs 850 crore). Against these receipts, Government discharged the past debt obligations (principal+interest) amounting to Rs 2,492 crore resulting in negative net funds available under the debt account. During the current year the Government repaid GOI loans including interest amounting to Rs 212 crore¹³ and also discharged other obligations of Rs 2,317 crore along with interest obligations which were less than the total receipts resulting in negative net availability of funds during the year. During 2005-06 and 2006-07, the focus of the Government seems to be on discharging the past debt obligations both on account of principal and interest payment on loans raised from the market as well as from the GOI.

1.9 Management of Deficits

The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health.

1.9.1 Trends in Deficits

The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in **Table-1.31**.

Table-1.31: Fiscal Imbalances–Basic Parameters (Values in crore of rupees and ratios in per cent)

Parameters	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Deficit/Surplus	(-) 1,482	(-) 1,607	(-) 1,158	(+) 93	(+) 191
Fiscal Deficit	(-) 2,341	(-) 2,384	(-) 1,810	(-) 720	(-) 922
Primary Deficit/Surplus	(-) 1,169	(-) 911	(-) 169	(+) 843	(+) 747
RD/GSDP	(-) 7.84	(-) 7.76	(-) 5.03	(+) 0.37	(+) 0.67
FD/GSDP	(-) 12.38	(-) 11.51	(-) 7.86	(-) 2.83	(-) 3.26
PD/GSDP	(-) 6.18	(-) 4.40	(-) 0.73	(+) 3.31	(+) 2.64
RD/FD	63.31	67.41	63.98	(-) 12.92	(-) 20.72

(Negative figures indicate deficit).

Table-1.31 reveals that the revenue account experienced a situation of huge deficit during the period 2002-04 which hovered around an average of Rs 1,545 crore during these years. The deficit was reduced slightly to

¹³ Includes Rs 72.49 crore debt relief from GOI under DCRF to States.

Rs 1,158 crore during 2004-05 and revenue account turned into a surplus of Rs 93 crore in 2005-06 which further increased to Rs 191 crore during the current year. The improvement in revenue surplus during the current year was mainly on account of an increase of Rs 1,276 crore (19.5 per cent) in revenue receipts against the increase of Rs 1,178 crore in revenue expenditure (18 per cent) over the previous year. The increase in revenue receipts during 2006-07 was mainly on account of increase in non-tax revenue (Rs 647 crore) and in central transfers (Rs 470 crore) and a steep increase in the former was stated to be on account of enhancement in receipts from the power sector (Rs 659 crore) and booking of Rs 72.49 crore as receipts on account of debt waiver granted to State under DCRF, which to some extent was counterbalanced by a fall in receipts from forestry and wild life.

Even though there was an increase of Rs 98 crore in revenue surplus, the fiscal deficit increased by Rs 202 crore on account of a combined increase of Rs 301 crore in capital expenditure and loans and advances disbursed during 2006-07 over the previous year. This increase in fiscal deficit accompanied by an increase of Rs 106 crore in interest payments during 2006-07 over the previous year led to a decline in primary surplus by Rs 96 crore during the year.

1.10 Quality of Deficit/surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit¹⁴ and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. The ratio of RD to FD was around 64 per cent in 2004-05 indicating that significant portion of borrowed funds were being applied to meet the current expenditure requirements. The revenue deficit was completely wiped out in 2005-06 and it turned into a surplus during the year, which further increased, although marginally during the current year. This trajectory shows a consistent improvement in the quality of deficit during 2005-06 and 2006-07. All borrowings (fiscal liabilities) were used in activities resulting in expansion in the asset backup of the State.

The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2002-07 reveals (Table-1.32) that except (2002-04), the primary deficit was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure¹⁵

¹⁴ Primary revenue deficit defined as gap between non interest revenue expenditure of the state and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

¹⁵ Primary expenditure of the State defined as the total expenditure net of the interest payments, indicates the expenditure incurred on the transactions undertaken during the year.

requirements in the revenue account, rather left some receipts to meet the expenditure under the capital account except in 2002-04. But the surplus non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit during 2002-05. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure, which may be desirable to improve the productive capacity of the State's economy.

Table-1.32: Primary deficit/surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure	Primary revenue deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
1.	2.	3.	4.	5.	6. (3+4+5)	7. (2-3)	8. (2-6)
2002-2003	3,688	3,969	860	28	4,857	(-) 281	(-) 1,169
2003-2004	4,009	4,115	785	20	4,920	(-) 106	(-) 911
2004-2005	4,661	4,152	654	24	4,830	509	(-) 169
2005-2006	6,581	4,903	821	14	5,738	1,678	843
2006-2007	7,858	5,975	1,110	26	7,111	1,883	747

1.11 Fiscal ratios

The finances of the State should be sustainable, flexible and non-vulnerable. **Table-1.33** below presents a summarised position of Government finances over 2002-07, with reference to certain key indicators that help to assess the adequacy and effectiveness of the available resources and their applications, highlight areas of concern and capture its important facts.

Table-1.33: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07
I. Resource Mobilisation					
Revenue Receipts/GSDP	19.35	19.21	20.13	25.79	27.69
Revenue Buoyancy	(-) 0.149	0.916	1.479	3.965	1.727
Own tax/GSDP	4.708	4.749	5.438	5.886	5.852
II. Expenditure Management					
Total Expenditure/GSDP	31.89	30.85	28.11	28.70	31.03
Revenue Receipts/Total Expenditure	60.69	62.27	71.63	89.84	89.24
Revenue Expenditure/Total Expenditure	85.27	87.41	89.52	88.56	87.06
Salary and Wage expenditure on Social and Economic Services/Revenue Expenditure	32.78	28.94	31.59	31.29	32.73
Non-Salary and Wage expenditure on Social and Economic Services/Revenue Expenditure	24.68	26.56	21.35	25.04	37.78

Capital Expenditure/Total Expenditure ¹⁶	14.33	12.32	10.14	11.27	12.68
Development Expenditure/Total Expenditure ¹⁶	63.39	60.63	57.25	60.53	61.57
Capital Expenditure on Social and Economic Services/Total Expenditure	14.08	11.92	9.64	10.53	11.95
Buoyancy of TE with RR	(-) 9.614	0.686	0.074	0.309	1.042
Buoyancy of RE with RR	(-) 8.072	0.987	0.223	0.280	0.937
III. Management of Fiscal Imbalances					
Revenue deficit (Rs in crore)	(-) 1,482	(-) 1,607	(-) 1,158	93	191
Fiscal deficit (Rs in crore)	(-) 2,341	(-) 2,384	(-) 1,810	(-) 720	(-) 922
Primary deficit (Rs in crore)	(-) 1,169	(-) 911	(-) 169	(+) 843	(+) 747
Revenue deficit/Fiscal deficit	63.31	67.41	63.98	(-) 12.92	(-) 20.72
IV. Management of Fiscal Liabilities (FL)					
Fiscal liabilities/GSDP	65.55	69.67	71.81	68.54	63.86
Fiscal liabilities/RR	338.70	362.65	356.70	265.77	230.64
Buoyancy of FL with RR	(-) 13.895	1.874	0.884	0.131	0.189
Buoyancy of FL with Own Receipts	(-) 4.832	0.832	0.316	0.313	0.100
Net Funds Available	29.71	12.12	11.84	--	--
V. Other Fiscal Health Indicators					
Return on Investment	0.03	0.03	0.03	1.55	0.10
Balance from Current Revenue (Rs in crore)	(-) 1,470	(-) 2,262	(-) 1,585	(-) 191	(-) 281
Financial Assets/Liabilities	0.56	0.53	0.51	0.54	0.57

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP during the current year was 28 *per cent*, an increase of two percentage points over the previous year. The ratio of own taxes to GSDP improved in 2004-05 and thereafter indicated only marginal variations.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilisation efforts. The revenue expenditure as a percentage to total expenditure increased to 90 *per cent* till 2004-05 but indicates a declining trend thereafter. Though, the higher buoyancy ratio of total expenditure as compared to that of revenue expenditure with respect to revenue receipts during 2005-06 and 2006-07 indicates the propensity of the State Government to create assets by resorting to capital expenditure. Increasing reliance on revenue receipts to finance the total expenditure which amounts to 89 *per cent* during 2006-07 indicates decreasing dependence on borrowed funds. This is

¹⁶ Total expenditure does not include Loans and Advances.

also reflected by the decreasing ratio of financial liabilities to revenue receipts. Increasing proportion of plan expenditure and capital expenditure in the total expenditure also indicates improvement in both developmental and quality of expenditure.

Revenue surplus and significant decline in fiscal deficit during 2005-07 indicates an improvement in fiscal position of the State. The balance from current revenue (BCR), although remained negative during 2002-07 declined steeply during 2005-06 and 2006-07 from the level of (-) Rs 1,585 crore in 2004-05. The improved fiscal position and BCR is also reflected in the improvement in the asset back of the liabilities during the last two years.

1.12 Conclusion

The fiscal position of State viewed in terms of key fiscal parameters has indicated a significant improvement during 2005-06 and 2006-07. The State has eliminated the revenue deficit before the target date set in the HPFRBM Act 2005 and is on the trajectory of achieving the fiscal deficit target. During the current year, even though there was an increase of Rs 98 crore in revenue surplus, the fiscal deficit increased by Rs 202 crore mainly on account of increase in capital expenditure (Rs 289 crore) and loans and advances disbursed (Rs 12 crore) during 2006-07 over the previous year. Although fiscal position has shown improvement, the non-plan revenue expenditure (NPRE) at Rs 6,319 crore during 2006-07 was higher than the normatively assessed level of Rs 4,688 crore by the TFC and within NPRE, the ratio of salary expenditure to revenue expenditure (net of interest payments and pensions) at 60 *per cent* needs to be brought down to 35 *per cent* as recommended by the TFC. Furthermore, the salaries and wages, pensions and interest payments and subsidies continued to consume on an average 94 *per cent* of the NPRE as committed expenditure during the period 2002-07. The fiscal liabilities of the State have consistently increased and stood at as high as 64 *per cent* of GSDP in 2006-07 and appears to be quite high especially if compared with the TFC norm of 31 *per cent* to be achieved by all the States by the terminal year of its award period. Moreover, the level of contingent liabilities of State are also kept at relatively higher level of around 100 *per cent* of States' own resources during the year. The Government on the other hand has yet to set up the Sinking Fund and Guarantee Redemption Fund with RBI as recommended by TFC to mitigate the impact of these liabilities. Besides, the huge accumulated losses by Statutory Government Corporations and Government companies especially in power and transport sectors resulting in negligible rate of return (being less than one *per cent*) on Government's investment and inadequate interest cost recovery continued to be a cause of concern and need attention of the State Government.

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

APPROPRIATION ACCOUNTS 2006-2007 AT A GLANCE

Total No. of Grants: 31

Total provision and actual expenditure

Table: 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	9,331.00		
Supplementary	1,047.52		
Total gross provision	10,378.52	Total gross expenditure	11,056.79
<i>Deduct</i> -Estimated recoveries in reduction of expenditure	655.96	<i>Deduct</i> -Actual recoveries in reduction of expenditure	965.94
Total net provision	9,722.56	Total net expenditure	10,090.85

Voted and Charged provision and expenditure

Table: 2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	6,232.74	1,767.74	6,810.70	1,683.82
Capital	1,235.93	1,142.12	1,249.27	1,313.01
Total gross	7,468.67	2,909.86	8,059.97	2,996.83
<i>Deduct</i> -Recoveries in reduction of expenditure	655.96	--	965.94	--
Total net	6,812.71	2,909.86	7,094.03	2,996.83

2.1 Introduction

Appropriation Accounts are prepared every year indicating the details of amounts actually spent by the Government on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged as well as voted items of the budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2006-2007 against the 31 grants/appropriations was as follows:

Table: 2.3

(Rupees in crore)

		Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I Revenue	5,546.71	686.03	6,232.74	6,810.70	(+) 577.96
	II Capital	864.83	344.57	1,209.40	1,223.52	(+) 14.12
	III Loans and Advances	11.88	14.65	26.53	25.75	(-) 0.78
Total Voted		6,423.42	1,045.25	7,468.67	8,059.97	(+) 591.30
Charged	IV Revenue	1,765.60	2.14	1,767.74	1,683.82	(-) 83.92
	V Capital	1.80	0.13	1.93	1.82	(-) 0.11
	VI Public Debt	1,140.19	--	1,140.19	1,311.19	(+) 171.00
Total Charged		2,907.59	2.27	2,909.86	2,996.83	(+) 86.97
Grand Total		9,331.01	1,047.52	10,378.53	11,056.80	(+) 678.27

* These are gross figures inclusive of recoveries adjusted in reduction of expenditure *viz.*, Revenue expenditure: Rs 850.41 crore; Capital expenditure: Rs 115.53 crore.

Against the original grants and appropriations of Rs 9,331.01 crore, supplementary grants and appropriations of Rs 1,047.52 crore were obtained during 2006-2007. There was a net excess of Rs 678.27 crore which was the result of an overall excess of Rs 763.08 crore, partly offset by saving of Rs 84.81 crore.

2.3 Fulfilment of Allocative Priorities

2.3.1 Savings/excesses in grants/appropriations

The net excess of Rs 678.27 crore was the result of savings in 30 cases and excesses in 31 cases as shown below:

Table: 2.4

(Rupees in crore)

	Savings		Excesses		Net Saving (-)/ excess (+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted	102.79 (in 8 grants)	31.25 (in 18 grants)	680.74 (in 23 grants)	44.60 (in 5 grants)	(+) 577.95	(+) 13.35
Charged Appropriations	84.16 (in 3 appropriations)	0.11 (in 1 appropriation)	0.24 (in 2 appropriations)	171.00 (in 1 appropriation)	(-) 83.92	(+) 170.89

2.3.2 Appropriation by Allocative Priorities

Out of overall savings of Rs 218 crore, major savings of Rs 187 crore (86 per cent) occurred in four grants and one appropriation as mentioned below:

Table: 2.5

(Rupees in crore)

Grant No.	Original	Supplementary	Total	Actual expenditure	Saving
(Revenue Voted)					
15-Planning and Backward area sub plan	95.28	50.52	145.80	105.34	40.46
19-Social Justice and Empowerment	182.38	9.11	191.49	158.14	33.35
23-Power Development	145.46	187.44	332.90	317.90	15.00
Total	423.12	247.07	670.19	581.38	88.81
(Revenue Charged)					
29-Finance	1,753.56	0.17	1,753.73	1,669.60	84.13
Total	1,753.56	0.17	1,753.73	1,669.60	84.13
(Capital Voted)					
10-Public Works-Roads, Bridges and Buildings	178.58	30.56	209.14	194.75	14.39
Total	178.58	30.56	209.14	194.75	14.39
Grand Total	2,355.26	277.80	2,633.06	2,445.73	187.33

Areas in which major savings occurred in two of the above five grants/appropriations are shown in table below:

Table: 2.6

(Rupees in crore)

Grant number	Major head of account, etc.	Areas of major savings	Savings
10	4059-Capital outlay on Public Works	Other Administrative Services	5.45
29	2049-Interest Payments	7.77 per cent Himachal Pradesh State Development Loan 2005	15.50
29	2049-Interest payments	Loan from LIC	23.62
29	2049-Interest payments	Interest on loans from Road and Infrastructure Development	73.44

Reasons for savings were not intimated by the departments in respect of grant numbers 3, 8, 9, 10, 11, 12, 15, 19, 24, 29 and 31.

In seven cases, savings exceeding Rs three crore in each case and ranging between four and 28 per cent of the total provision amounted to Rs 205.49 crore as indicated in **Appendix-VIII**.

2.3.3 Excess over provision relating to previous years requiring regularisation

According to Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised from the State Legislature. Excess expenditure amounting to Rs 14,718.20 crore for the years 2001-2006, as detailed below, was yet to be

regularised (August 2007) from the State Legislature.

Table: 2.7

(Rupees in crore)

Year	No. of grants/ appropriations	Grant/Appropriation No(s)	Amount of excess
2001-02	16	1, 5, 9, 10, 11, 13, 15, 16, 17, 19, 23, 24, 28, 29, 30 and 31	2,965.36
2002-03	17	3, 5, 6, 7, 9, 10, 12, 13, 15, 17, 18, 20, 23, 27, 28, 29 and 31	3,295.75
2003-04	21	1, 2, 3, 4, 5, 7, 9, 10, 12, 13, 15, 16, 17, 19, 23, 25, 26, 28, 29, 30 and 31	4,515.60
2004-05	23	3, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 23, 25, 26, 28, 29, 30 and 31	3,095.14
2005-06	18	2, 3, 5, 7, 8, 9, 10, 11, 12, 14, 15, 16, 21, 25, 26, 28, 29 and 31	846.35
	Total:		14,718.20

2.3.4 Excess over provision during 2006-2007 requiring regularisation

During 2006-2007, there was a total excess of Rs 680.74 crore in 23 grants in the revenue section and Rs 0.24 crore in two appropriations while the excesses in the capital section amounted to Rs 44.60 crore in five grants and Rs 171 crore in one appropriation. The excess of Rs 896.59 crore as indicated in **Appendix-IX** requires regularisation under Article 205 of the Constitution of India.

Reasons for the excesses had not been furnished by the Government as of August 2007.

2.3.5 Original Budget and Supplementary Provision

The overall supplementary grants and appropriations obtained during 2006-2007 constituted 11 *per cent* of the original grants and appropriations.

2.3.6 Unnecessary/excessive/inadequate Supplementary Provision

Supplementary provision of Rs 11.50 crore* in the Revenue-Voted Section in three cases and Rs 0.17 crore in one case in the Revenue-Charged Section was wholly unnecessary as the expenditure in each case was less than the original provision, as indicated in the **Appendix-X**.

In six cases, against the additional requirement of Rs 234.06 crore (Revenue: Rs 182.51 crore and Capital: Rs 51.55 crore), supplementary grants of Rs 316.32 crore (Revenue: Rs 237.97 crore and Capital: Rs 78.35 crore) were obtained resulting in an overall savings of Rs 82.26 crore. The relevant details are given in **Appendix-XI**.

Supplementary provision of Rs 527.27 crore (Revenue: Rs 365.14 crore and Capital: Rs 162.13 crore) obtained in 12 cases, as detailed in **Appendix-XII**, proved inadequate by more than Rs three crore in each case leaving an aggregate uncovered excess expenditure of Rs 912.53 crore.

2.3.7 Persistent excesses

Expenditure was persistently in excess in two cases (Grant No. 10-Public Works-Roads, Bridges and Buildings and Grant No. 28-Urban Development, Town and Country Planning and Housing) during 2004-2007 which ranged between 0.66 and 83 *per cent*. Relevant details are indicated in **Appendix-XIII**.

2.3.8 Surrender of funds

Savings in a grant or appropriation are to be surrendered to the Government immediately after these are foreseen, without waiting till the end of the year, unless such savings are required to meet excesses under some other units. No savings should be held in reserve for possible future excesses.

* This includes Rs 11.47 crore in respect of Grant No. 19-Social Justice and Empowerment (Rs 9.11 crore) and Grant No. 12-Horticulture (Rs 2.36 crore).

It was, however, noticed that in five cases against the available savings of Rs 112.30 crore (savings of Rs one crore and above in each case), savings aggregating Rs 85.09 crore were either not surrendered fully or not surrendered at all. Further, in the case of three grants, Rs 27.28 crore were surrendered although expenditure exceeded the grants by Rs 47.41 crore and no savings were available for surrender. Relevant details are indicated in **Appendix-XIV**.

These instances were indicative of ineffective monitoring and control over expenditure.

2.3.9 Trend of recoveries

The demands for grants are for the gross amounts of expenditure to be incurred in a particular year and show recoveries to be taken in reduction of expenditure separately by way of footnotes thereunder. Similarly, the recoveries are also shown separately in the Appropriation Accounts in an appendix thereto.

Scrutiny of the Accounts for 2006-07 revealed that against the budget estimates of Rs 536.98 crore, actual recoveries were Rs 850.41 crore in the revenue section. In the capital section, against the budget estimates of Rs 118.98 crore, actual recoveries and adjustments were Rs 115.53 crore. Thus, recoveries in reduction of expenditure were underestimated by Rs 313.43 crore in the revenue section and overestimated by Rs 3.45 crore in the capital section. Details of major variations of five *per cent* and more of the original estimates and not less than Rs one crore in each case are given in **Appendix-XV**.

2.3.10 Injudicious reappropriation

A grant or appropriation is distributed by sub-heads or standard objects (called primary units) under which it is to be accounted for. Reappropriation of funds can take place between primary units of appropriation within a grant or appropriation before the close of the financial year. Reappropriation of funds should be made only when it is known or anticipated that the appropriation in respect of the unit from which the funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation of the said unit.

In three cases (sub-heads) involving three grants, the reappropriation of Rs 83 crore proved to be injudicious, as the original provisions under the sub-heads to which Rs 58.59 crore were transferred by reappropriation were

adequate and consequently, the amounts reappropriated remained unutilised. On the other hand, in seven cases involving seven grants, the heads from which Rs 29.53 crore were transferred did not have any savings available under them for reappropriation, as Rs 20.68 crore had already been spent in excess under these heads.

Relevant details are contained in **Appendix-XVI**.

CHAPTER-III

PERFORMANCE REVIEWS

		Pages
♣	Educational Development of Scheduled Castes and Scheduled Tribes	45-72
♣	Accelerated Rural Water Supply Programme	73-90
♣	National Highways	91-112
♣	Rural Roads in South Zone	113-130
♣	Implementation of Watershed Development Programmes	131-156
♣	Integrated Child Development Services	157-180
♣	Information Technology Audit of On Line Treasury Information System (OLTIS) and e_Pension software	181-196

CHAPTER-III

PERFORMANCE REVIEWS

Education, Social Justice and Empowerment and Tribal Development Departments

3.1 Educational Development of Scheduled Castes and Scheduled Tribes

Highlights

Scheduled Castes (SCs) and Scheduled Tribes (STs) constitute 25 and 4 per cent respectively of the State's population as per the 2001 census. The literacy rate of the SCs and STs was 70 and 66 per cent respectively, as against the State literacy rate of 77 per cent. The performance of the departments engaged in implementation of various Central/State schemes for the educational development of the SCs/STs, like Pre-matric scholarship scheme for the children of those engaged in unclean occupation, Post-matric scholarship scheme, construction of hostels for SCs/STs community students, etc., was deficient. The implementation of these schemes was affected by deficiencies such as short contribution of funds by the State, short coverage of eligible beneficiaries, delay in payment of scholarship, non-payment of scholarship at enhanced rates, unsatisfactory system of selection of beneficiaries, delay in completion of hostel building, poor performance of pre-examination coaching centre, etc. Some significant audit findings are as under:

- *Survey was not conducted for ascertaining the targeted population under each educational development scheme to assess the requirement of funds.*

(Paragraph 3.1.8.1)

- *The overall shortfall in coverage of beneficiaries under Pre-matric scholarship scheme in the State during 2002-2007 was 66 per cent. In test-checked districts, the percentage of uncovered beneficiaries was 59.*

(Paragraph 3.1.10.1)

- *In educational institutions of test-checked districts, shortfall in coverage of eligible SC students under PMS scheme during*

2002-2007 ranged between nine and 76 per cent whereas for ST students, it ranged between four and 76 per cent.

(Paragraph 3.1.11.1)

➤ *For construction of hostels for SC and ST students, against the required 50 per cent share of Rs 22.52 crore, the State Government released only Rs 13.57 crore (60 per cent).*

(Paragraph 3.1.12)

➤ *Five hostels constructed for housing 280 SC and ST (SC boys and girls: 120; ST boys and girls: 160) students at a cost of Rs 4.21 crore remained unutilised rendering the expenditure infructuous.*

(Paragraph 3.1.12.3)

➤ *The performance of pre-examination coaching centre run by Himachal Pradesh University was quite unsatisfactory, as against the minimum prescribed success rate of 33 per cent, it ranged between zero and nine per cent.*

(Paragraph 3.1.13.1)

3.1.1 Introduction

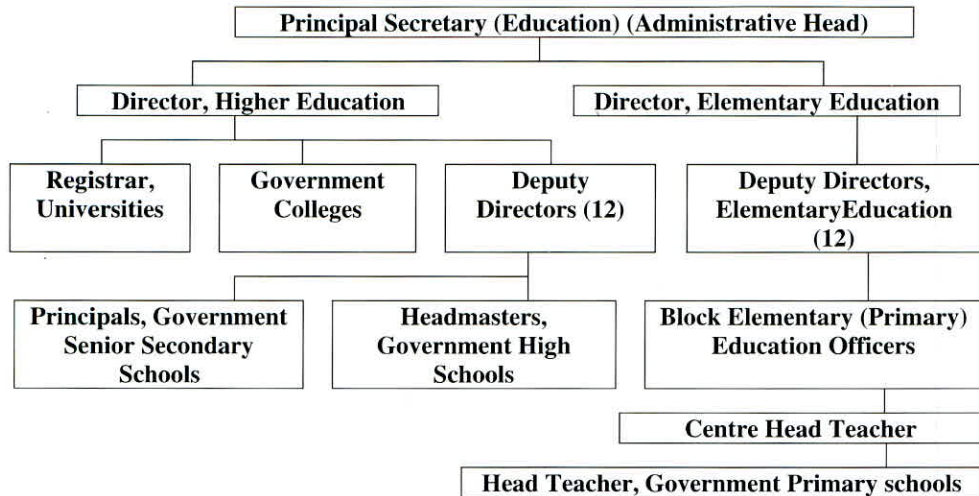
Education is public good which benefits society and the most effective instrument of social empowerment of the Scheduled Castes (SCs) and Scheduled Tribes (STs) population. As per 2001 census, the total population of the State was 60.78 lakh, of which, the SC and ST population comprised 15.02 lakh (25 per cent) and 2.45 lakh (4 per cent) respectively. In the State, eight¹ Centrally sponsored/Central Sector schemes and three² State Sector schemes for educational development of SCs and STs were being implemented since 1944-45 to 2000-2001. The main objective of these schemes was to increase enrolment and retention of SC and ST students in educational institutions, reduce drop out rates and increase their representation in jobs and higher educational and professional institutions.

¹ Pre-matric Scholarship Scheme; Post-matric Scholarship Scheme; Scheme for construction of hostels for SC and ST students; Coaching and allied schemes for weaker sections including SCs and STs; Grant-in-aid to voluntary organisations working for the welfare of SCs and STs; Educational Complex in Low-Literacy pockets; Upgradation of merit of SC and ST students and Scheme for the establishment of Ashram schools in tribal sub-plan areas.

² Dr. Ambedkar Medhavi Chhatravriti Yojna, Thakur Sen Negi Utkrisht Chhatravriti Yojna and Maharishi Balmiki Chhatravriti Yojna.

3.1.2 Organisational set up

The organisational set up for implementation of these schemes is as under:



The Education Department coordinates all the schemes for educational development of SCs and STs. The proposals for release of funds for schemes for the welfare of SCs are sent by the Education Department to Director, Social Justice and Empowerment and for schemes pertaining to the welfare of STs, to the Tribal Development Department.

3.1.3 Scope of Audit

A performance audit covering the period from 2002-2003 to 2006-2007 was conducted in June-September 2006 and February-May 2007 through a sample check of records in the offices of the Commissioner, Tribal Development, Director, Social Justice and Empowerment, Director, Higher Education (DHE), Director, Elementary Education (DEE) and 120³ implementing agencies/institutions of eight districts⁴ selected for test-check, out of 15,078 institutions in the State covering 84 *per cent* of the total expenditure of Rs 48.94 crore.

3.1.4 Audit objectives

The objectives of the performance audit were to verify, whether:

- planning for implementation of various schemes launched for the educational development of SCs and STs was efficacious and based on reliable and acceptable data;

³ Universities: 4; Colleges: 34 (Boys: 29, Girls: five); Primary Schools: 16; Middle Schools: 16; High Schools: 16; Senior Secondary Schools: 16; Hostels: 14 and NGOs: 4.

⁴ Bilaspur, Chamba, Hamirpur, Kangra, Lahaul and Spiti, Shimla, Sirmour and Solan.

- the allocation, release and utilisation of funds earmarked for various schemes were judicious, adequate and efficacious;
- the efforts of the Union Government/State Government resulted in improving the educational indicators i.e. literacy rate, gross enrolment ratio, gross drop out rate and gender parity index;
- the implementation of various programmes through NGOs was effective; and
- the monitoring system at various levels was functioning properly/effectively.

3.1.5 Audit criteria

The audit criteria used for assessing the performance of various schemes were:

- policy and guidelines of GOI and the State Government relating to educational development of SC and ST students;
- criteria fixed for selection of beneficiaries;
- guidelines and instructions of GOI and the State Government relating to financing of the schemes; and
- prescribed monitoring mechanism.

3.1.6 Audit Methodology

Before commencing audit, the audit objectives, criteria and scope were discussed (July 2006) with the Principal Secretary (Education) in an entry conference. Capital district and seven out of the remaining eleven districts were selected using random sampling method based on probability proportionate to size with replacement.

Records, data and information for the period 2002-2007 relating to schemes for educational development were examined in the departments of Social Justice and Empowerment, Tribal Development, Higher Education and Elementary Education apart from the records of the district level implementing agencies, educational institutions and NGOs. Information collected from the records, final replies furnished by the above units to questionnaires and audit memoranda were analysed to arrive at audit conclusions. The audit findings were discussed in June 2007 with the Principal Secretary, Education, in an exit conference and the views of the Government/departments were suitably included against the relevant paragraphs where found appropriate.

3.1.7 Audit Findings

Educational Indicators

Literacy rate, gross enrolment ratio, gross drop out rate and gender parity index are the important indicators of educational development. These rates indicate the extent of progress achieved in educational development by various sections of the community.

3.1.7.1 Literacy Rate

Literacy rate is an important educational indicator. Literacy rate of SC and ST communities in the State as per 2001 census was as under:

Table: 3.1.1

(In per cent)

State Literacy rate			Scheduled Castes literacy rate			Scheduled Tribes Literacy rate		
Male	Female	Overall	Male	Female	Overall	Male	Female	Overall
85	67	77	80	60	70	78	53	66

Source: 2001 census.

Against the overall State literacy rate of 77 per cent as per 2001 census, the literacy rate of SCs and STs in the State was 70 and 66 per cent, indicating a gap of seven per cent for SCs and 11 per cent for STs. Against the State's male and female literacy rate of 85 and 67 per cent, the literacy rate of SCs male and SCs female was 80 and 60 per cent and that of STs male and STs female was 78 and 53 per cent indicating a gap of seven per cent for SCs female and 14 per cent for STs female; five per cent for SCs male and seven per cent for STs male.

In the selected districts, the literacy rate of SCs ranged between 57 and 79 per cent and that of STs ranged between 52 and 82 per cent as given below:

Table: 3.1.2

(In percentage)

Name of district	Overall literacy rate	SC literacy rate		ST literacy rate	
		Male	Female	Male	Female
Bilaspur	79	70	56	67	48
Chamba	64	57	41	60	36
Hamirpur	73	74	63	54	20
Kangra	81	71	57	58	47
Lahaul and Spiti	73	77	56	75	55
Shimla	80	68	49	80	68
Sirmour	71	60	44	53	33
Solan	77	68	51	68	47

Source: 2001 census.

Audit Report (Civil) for the year ended 31 March 2007

As census after 2001 is yet to be conducted, the impact at the end of 2007 could not be verified in audit.

3.1.7.2 Gross Enrolment Ratio

As per guidelines, the gross enrolment ratio (GER) is the percentage of the enrolment in classes I-V and VI-VIII and/or I-VIII to the estimated child population in the age groups 6 to 11 years and 11 to 14 years and/or 6 to 14 years respectively.

The total number of children enrolled in the State during 2003-2007 and the number of SC/ST children enrolled was as given below:

Table: 3.1.3

Total number of children enrolled

(In lakh)

Year	General			Scheduled Caste			Scheduled Tribe			Overall		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Classes I-V												
2003-2004	1.85	1.77	3.62	0.99	0.95	1.94	0.17	0.17	0.34	3.01	2.89	5.90
2004-2005	1.76	1.68	3.44	0.97	0.93	1.90	0.17	0.17	0.34	2.89	2.79	5.68
2005-2006	1.66	1.61	3.27	0.93	0.91	1.84	0.17	0.16	0.33	2.76	2.68	5.44
2006-2007	1.58	1.54	3.12	0.91	0.88	1.79	0.17	0.16	0.33	2.65	2.58	5.24
Classes VI-VIII												
2003-2004	1.30	1.26	2.56	0.55	0.52	1.07	0.10	0.09	0.19	1.95	1.86	3.82
2004-2005	1.22	1.18	2.40	0.55	0.51	1.06	0.11	0.09	0.20	1.88	1.78	3.66
2005-2006	1.17	1.12	2.29	0.54	0.51	1.05	0.10	0.10	0.20	1.82	1.72	3.54
2006-2007	1.09	1.05	2.14	0.52	0.49	1.01	0.11	0.10	0.21	1.72	1.64	3.36

Source: Figures supplied by DEE.

Note: Data relating to 2002-03 was not maintained by the DEE.

The enrolment of SC students decreased from 1.94 lakh in 2003-2004 to 1.79 lakh in 2006-2007; enrolment of ST students decreased from 0.34 lakh in 2003-2004 to 0.33 lakh in 2006-2007 in primary classes.

In upper primary classes (VI to VIII), the enrolment decreased from 1.07 lakh in 2003-2004 to 1.01 lakh in 2006-2007 for SC students. There was slight increase in the enrolment of ST students.

The enrolment of SC students (I to VIII classes) decreased from 3.01 lakh in 2003-2004 to 2.80 lakh in 2006-2007 whereas the enrolment of ST students in I to VIII classes remained static during 2003-2004 to 2006-2007.

The overall enrolment of elementary classes (I to VIII) also decreased from 9.72 lakh in 2003-2004 to 8.60 lakh in 2006-2007. Thus, instead of effecting increase in enrolment from year to year, there was a declining trend, indicating that the schemes for educational development of SC and ST students had failed to boost enrolment. Reasons for the decreasing trend in enrolment called for (September 2007) from the Director, Elementary Education had not been intimated.

The position of gross enrolment ratio of SC and ST students in primary and upper primary classes in the State to the estimated child population as of March 2007 was as below:

Table: 3.1.4

(In percentage)

Year	Primary I to V (6-11 age group)			Upper Primary VI to VIII (11-14 age group)			Elementary I to VIII (6-14 age group)		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Scheduled Caste Students									
2003-2004	99	100	99	115	122	118	104	106	105
2004-2005	105	106	105	116	116	116	109	109	109
2005-2006	105	105	105	109	107	108	106	106	106
2006-2007	124	125	125	133	131	132	127	127	127
Scheduled Tribe Students									
2003-2004	96	98	97	127	119	123	106	104	105
2004-2005	106	107	106	111	113	112	108	109	108
2005-2006	108	110	109	110	106	108	109	108	108
2006-2007	121	120	121	128	120	124	124	120	122

Source: Figures supplied by DEE.

Note: Enrolment figures for 2002-2003 not maintained by DEE.

The enrolment figures for 2003-2007 appear abnormal as these have exceeded 100 *per cent* in most of the years. This was due to non-maintenance of data of repeaters, underaged/overaged children in each class. The enrolment for primary classes increased from 99 *per cent* in 2003-2004 to 125 *per cent* in 2006-2007 and in respect of upper primary classes from 118 *per cent* in 2003-2004 to 132 *per cent* in 2006-2007 for SC students. Similarly, in respect of ST students, the enrolment for primary classes increased from 97 *per cent* in 2003-2004 to 121 *per cent* in 2006-2007 and for upper primary classes from 123 *per cent* in 2003-2004 to 124 *per cent* in 2006-2007. The GER had exceeded 100 *per cent* during 2003-2004 to 2006-2007 for children of elementary classes (I to VIII). In the absence of data of repeater students and underaged/overaged children, the correctness of GER for the above period could not be vouchsafed in audit. The DEE admitted (August 2007) the fact, but advanced no reasons for non-maintenance of such data.

3.1.7.3 Gross Dropout Rate

As per guidelines, the gross dropout rate (GDR) represents the percentage of students who drop out from a given grade or cycle or level of education in a given cycle/school year.

GDR for SC and ST students had not been maintained separately at the State and district levels. In the absence of any appropriate data, Audit was unable to verify GDR for SC and ST students in the State as well as impact of the Central/State schemes and remedial action, if any, taken by the department.

The DEE admitted (August 2007) the omission.

3.1.7.4 Gender Parity Index

As per guidelines, the gender parity index (GPI) is calculated by dividing girls's GER by boy's GER of a given level of education. When the GPI shows a value equal to one at any level of education it indicates that there is no gender disparity and learning opportunities available for girls are equal to those for boys.

The data for GPI had not been maintained by the DEE at State level and the Deputy Directors Education (DDE) at the district level during 2002-03 to 2006-07. Hence the impact of the Central/State schemes on ensuring gender equality in education and remedial action, if any, taken by the department could not be verified in audit. The DEE stated (July 2007) that various types of data in respect of Elementary Education was being collected on District Information System for Education (DISE) format prescribed by GOI but the parameters of GDR and GPI had not been included in the said format and the

matter would be taken up with the GOI for inclusion of these parameters. The reply is not tenable as DISE format had been implemented from 1997-98 for I to V classes and from 2002-03 for VI to VIII classes and the matter regarding changes in format should have been taken up by the department with the GOI in the beginning of the programme.

Thus, the department failed to include educational indicators like dropout rates, GPI, the data of repeaters and underaged/overaged children in the DISE format, which will impact the evaluation of the implementation of the GOI and State sponsored schemes for development of education of SC and ST students.

3.1.8 Planning

3.1.8.1 Planning for implementation of various schemes

As per guidelines, the requirement of funds for implementation of various schemes was to be assessed and projected each year on the basis of the number of beneficiaries to be covered under various schemes. The year-wise and gender-wise disaggregated data of SC and ST children in the age group of 6-11 (Primary classes), 11-14 (Middle classes) and those in High school (upto 10th class) was to be collected and documented. A survey for ascertaining the targeted population under each scheme for implementation was to be conducted and the data documented/published.

It was noticed that

- survey for ascertaining the targeted population under each scheme had not been conducted;
- there was no system for assessment of requirement of funds and number of beneficiaries to be covered under each scheme; and
- the disaggregated data regarding GDR and GPI was not collected/documented and maintained age-group/year-wise for 2002-03 to 2006-07 for those SC and ST students who had been studying in classes I to X as required.

Hence audit was unable to ascertain whether the Education Department was able to get optimum benefit of the Central/State schemes for the SC/ST population of the State.

Further, in the absence of the complete information, the impact of the Central/State schemes on the targeted SC/ST population and remedial action, if any, taken by the department could not be verified.

DHE stated (June 2007) that the Department had issued (June 2007) necessary directions to all the DDEs/concerned institutions for maintaining the records properly.

3.1.8.2 Publicity of schemes for public awareness

As per guidelines, sufficient publicity was to be given to all the schemes by the DEE and the DHE for maximising enrolment of SC and ST students and for generating public awareness through print/electronic media/issue of circulars, initiating special drives in schools, blocks, colleges and other educational institutions, etc.

The Department informed that it had incurred an expenditure of Rs 1.15 lakh during 2005-06 and 2006-07 on publicity through newspapers. It was, however, noticed that sufficient publicity had not been given to the above schemes among the target groups, as there was no evidence of special drives awareness camps or use of electronic media for giving publicity.

It was observed, that 2,775 students (SCs: 2,023 and STs: 752) have been deprived of the intended benefits of the post-matric scholarship scheme in 10⁵ educational institutions in the test-checked districts as admitted by the Principals/Headmasters of the concerned institutions.

3.1.9 Allocation, Release and Utilisation of Funds for implementation of various schemes

In the beginning of each year the DEE and DHE should collect data of eligible beneficiaries under each scheme from all the educational institutions in the State through the respective DDE of each district.

⁵ Baba Balak Nath PG College, Chakmoh (Hamirpur district); Baba Kripal Dass Degree College (Girls), Paonta Sahib (Sirmour district); BTC DAV College, Banikhet (Chamba district); Gautam Girls College, Hamirpur; Goswami Ganesh Dutt Sanatan Dharam College, Subathu (Solan district); Goswami Ganesh Dutt Sanatan Dharam College, Rajpur (Kangra district); Kunj Biharilal Butail DAV College (Girls), Palampur (Kangra district), Sanatan Dharam College, Baroh (Kangra district); Sri Naina Devi Ji College; Naina Devi (Bilaspur district) and St. Bedes College (Girls), Shimla.

The scheme-wise position of allocation and grants released by the GOI and State Government *vis-a-vis* expenditure incurred thereagainst during 2002-07 is given below.

Table: 3.1.5

(Rupees in lakh)

	Grant released			Expenditure	Savings
	Central share	State share	Total		
Centrally sponsored schemes					
Pre-matric scholarship scheme	9.74	57.10	66.84	66.84	--
Post-matric scholarship scheme	214.42	427.50	641.92	641.92	--
Hostels for SC and ST students	2,251.72	1,356.59	3,608.31	3,608.31	--
Coaching and Allied schemes for weaker sections	2.90	13.00	15.90	15.90	--
Upgradation of merit of SC and ST students	--	--	--	--	--
Educational Complex in low literacy pockets	11.43	--	11.43	11.43	--
Total (A)	2,490.21	1,854.19	4,344.40	4,344.40	
State sponsored schemes					
Dr. Ambedkar Medhavi Chhatravriti Yojna	--	580	580	347.00	(-) 233.00
Maharishi Balmiki Chhatravriti Yojna	--	64	64	37.71	(-) 26.29
Thakur Sen Negi Utkrishata Chhatravriti Yojna	--	100	100	57.20	(-) 42.80
Total (B)	--	744	744	441.91	
Grand Total (A+B)	2,490.21	2,598.19	5,088.40	4,786.31	

Source: Departmental figures.

The grants from GOI were made available to the State Government through the budgetary process and grants to the non-Government Organisations (NGOs) were released directly to them by GOI.

Audit scrutiny revealed the following:

The assessment of requirement of funds for implementation of various scholarship schemes for SC/ST students was done by the DEE and DHE on tentative basis keeping in view the actual expenditure incurred during the previous year. There was no linkage between the eligible beneficiaries and allocation made/amount released due to non-availability of the exact number of beneficiaries as mentioned later in the review in paragraphs 3.1.10, 3.1.10.1 and 3.1.11.1 at the time of making budget provisions.

The Department did not maintain separate accounts of expenditure incurred out of State and Central share of grants released for CSS. Savings of Rs 3.03 crore occurred under State schemes as assessment of requirement of funds was done by the DEE and DHE on tentative basis.

The GOI released Rs 9.74 lakh as Central share under pre-matric scholarship scheme to State Government in March 2003 which was not utilised during 2003. The Directorate of Social Justice and Empowerment (DSJE), however, got the sanction revalidated from GOI in December 2005 and released to the DEE (Rs 6 lakh) and DHE (Rs 3.74 lakh) in March 2006 to clear the past liabilities of scholarship for the years 2002-03 and 2003-04. The DSJE thus failed to extend timely benefits to the students.

3.1.9.1 Non-provision of funds out of Special Component Plan for development of educational infrastructure

Under the Central sector scheme of Special Central Assistance (SCA) to special component plan, 10 *per cent* of the Central funds released in a year were to be utilised for infrastructure development programmes, like establishment and running of residential schools in areas that have low literacy levels and for repairs and proper upkeep of existing schools/hostels meant for SCs in the villages which have 50 *per cent* or more of SC population.

The year-wise release of SCA to special component plan during 2002-07 was as under:

Table: 3.1.6

(Rupees in crore)

Year	Central assistance as special component plan	10 <i>per cent</i> amount required for allocation and utilisation on infrastructure development programmes
2002-2003	3.75	0.37
2003-2004	4.00	0.40
2004-2005	4.70	0.47
2005-2006	6.00	0.60
2006-2007	6.00	0.60
Total	24.45	2.44

Source: Scheduled Caste Sub-Plan for 2006-07.

Scrutiny of records of the DSJE revealed (April 2007) that 10 *per cent* of funds which worked out to Rs 2.44 crore of the total central assistance of Rs 24.45 crore released to special component plan during 2002-07 were not provided for any educational infrastructure development activities. These funds were utilised on Agriculture, Horticulture, Animal Husbandry, Fisheries, Cooperation, Industries, etc. The DSJE stated (August 2007) that Education Department had no scheme under SCA. The reply is not tenable as Education sector was also included by GOI for funding out of SCA.

Implementation of Centrally Sponsored Schemes

3.1.10 Pre-matric scholarship to the children of those engaged in unclean occupation

As per the Centrally sponsored scheme (CSS) “Pre-matric scholarship to the children of those engaged in unclean occupation” introduced in 1992-93, financial assistance is provided to the parents, traditionally engaged in unclean occupations like scavenging, flaying, and tanning to enable their children to pursue education upto matric level. The assistance includes payment of scholarship at rates varying between Rs 25 and Rs 75 per month for 10 months of an academic year and annual *ad hoc* grant of Rs 500 (revised to Rs 550 from 2003-04). The expenditure under the scheme is shared on 50:50 basis between the GOI and the State Government. Applications of beneficiary students for grant of scholarship are received in the Directorate through the Head of the Institution alongwith occupation certificate in respect of parents. The scheme was being implemented by DSJE upto 2005-06 and was transferred for implementation to DEE during 2006-07. The scheme was not being implemented in the two tribal districts of Kinnaur and Lahaul and Spiti.

The year-wise position of budget allocation, amount released by the Central and State Governments and expenditure incurred thereagainst during 2002-07 was as under:

Table: 3.1.7

(Rupees in lakh)

Year	Budget allocation			Amount released			Expenditure incurred		
	Central share	State share	Total	Central share	State share	Total	Central share	State share	Total
2002-2003	-	-	-	-	-	-	-	-	-
2003-2004	-	9.93	9.93	-	9.93	9.93	-	9.93	9.93
2004-2005	-	-	-	-	-	-	-	-	-
2005-2006	9.74	47.17	56.91	9.74	47.17	56.91	9.74	47.17	56.91
2006-2007	-	-	-	-	-	-	-	-	-
Total	9.74	57.10	66.84	9.74	57.10	66.84	9.74	57.10	66.84

Source: Figures for 2003-04 supplied by the DSJE and for 2005-06 by the DHE.

Audit observed that during the years 2002-05, GOI did not release any assistance. The State Government also neither made budget provision nor released any assistance during 2002-03, 2004-05 and 2006-07 for implementation of the scheme though 13,309⁶ applications were received from the beneficiary students during these years. It was, further, noticed that Rs 56.91 lakh provided by DSJE during 2005-2006 remained unutilised. The amount was drawn (March 2006) and remitted (May 2006) to the Deputy Directors, Primary and Secondary Education (now Deputy Directors, Elementary Education and Higher Education) of 10 districts (excluding two

⁶ 2004-05: 4,867; 2005-06: 3,575 and 2006-07: 4,867.

tribal districts) of the State for disbursement amongst 7,401 beneficiaries for the academic years 2002-03 (4,066 beneficiaries) and 2003-04 (3,335 beneficiaries). Such delays not only negate the objectives of the scheme but also have an adverse effect on increasing enrolment.

The DHE stated (May 2007) that the budget for the years 2004-06 was to be released by the DSJE as he was implementing the scheme upto 2005-06 whereas, budget for the year 2006-07 proposed by DHE had not been received. The reply indicates that coordination between the two departments was lacking, which resulted in non-payment of scholarships to students in the respective academic years.

Further, records of the DD's of seven⁷ test-checked districts revealed that out of Rs 41.85 lakh remitted (May 2006) to them for making disbursement amongst 5,284 beneficiaries as scholarship for academic years 2002-03 and 2003-04, Rs 2.86 lakh remained undisbursed to 284 beneficiaries since their whereabouts were not known. The DD, EE stated (May 2007) that the whereabouts of the students were being ascertained for disbursement. This is indicative of lackadaisical approach of the DD, EE and DD, HE in extending the benefits of the scheme to the needy students inspite of availability of funds. The possibility of students having left the concerned institutions as well as misappropriation of scholarship funds in these cases cannot be ruled out.

3.1.10.1 Coverage of beneficiaries

The year-wise position of eligible beneficiaries from whom applications were received for assistance under the scheme, beneficiaries actually covered and those remained uncovered in the State during 2002-07 was as under:

Table: 3.1.8

(In numbers)			
Year	Total number of eligible students from whom applications were received (Class-I to X)	Total number of students covered (Class-I to X)	Number of students left uncovered
2002-2003	4,066	3,949	117
2003-2004	3,335	3,168	167
2004-2005	4,867	Nil	4,867
2005-2006	3,575	Nil	3,575
2006-2007	4,867	Nil	4,867
Total	20,710	7,117	13,593

Source: Figures supplied by DE and HE.

⁷ Bilaspur, Chamba, Hamirpur, Kangra, Shimla, Sirmour and Solan. The scheme was not implemented in Lahaul and Spiti district.

From the above details it would be seen that during 2002-07, out of 20,710 eligible students in the State, 13,593 (66 per cent) students remained uncovered. Similarly, in test-checked districts, out of 12,340 eligible students, 7,340 (59 per cent) students were left uncovered. Audit scrutiny revealed that the scholarships were not paid to the beneficiary students in the respective academic year in which they were studying and in the year for which the scholarships were sanctioned. The DHE attributed (August 2007) non-coverage of eligible students to non-availability of whereabouts of students after they left the institutions. The reply is not acceptable, because funds were not released in time although addresses of the beneficiaries were available both in the scholarship application forms as well as admission records.

This indicated lack of adequate efforts and concern on the part of the State Government to implement the scheme in an effective manner.

3.1.10.2 Non-payment of scholarships at enhanced rates

GOI revised (April 2003) the rates of monthly scholarship from Rs 40 to Rs 60 and from Rs 50 to Rs 75 in respect of classes 6th to 8th and 9th to 10th respectively. The rates of annual *ad hoc* grant were also revised (April 2003) to Rs 550 from Rs 500. The total amount on the basis of revised rates of scholarship and *ad hoc* grant worked out to Rs 1,150 and Rs 1,300 from April 2003 for students of classes 6th to 8th and 9th to 10th respectively.

Audit scrutiny of records in the office of the DHE revealed that in five⁸ districts out of 10 districts in the State where the scheme was being implemented, against Rs 17.32 lakh due for 1,447⁹ identified beneficiaries of classes 6th to 10th on the basis of revised rates, for 2003-04 only Rs 14.81 lakh were released (May 2006) resulting in short release of Rs 2.51 lakh. While admitting the facts (August 2007) the DHE stated that the rates were applied by the DSJE. The reply is not tenable as being the implementing agency of the Government, the matter for release of funds at enhanced rates should have been taken up with the DSJE to ensure payment of scholarship at enhanced rates.

3.1.11 Post-matric scholarship (PMS) scheme

PMS scheme was in operation since 1944-45 to provide financial assistance to SC and ST students studying at post-matriculation level to enable them to complete their education without economic constraints. The scheme is open to all SC and ST students whose parental income is less than Rs one lakh per annum and who are bonafide residents of the State. From September 2004 the assistance of Rs 90 and Rs 120 per month was revised to Rs 140 and

⁸ Bilaspur, Mandi, Shimla, Sirmour and Una.

⁹ 6th to 8th: 995 and 9th to 10th: 452.

Audit Report (Civil) for the year ended 31 March 2007

Rs 185 per month for under graduate classes for day scholars and Rs 150 and Rs 230 per month were revised to Rs 235 and Rs 355 per month for hostellers for academic year 2004-05 to be paid for 10 months. For postgraduate classes, the assistance of Rs 190 per month for day scholars revised to Rs 330 per month from September 2004 and Rs 290 to Rs 510 per month for bachelor courses and Rs 425 to Rs 740 for PG courses was to be paid to hostellers. Under the scheme, the State Government was entitled to receive cent *per cent* assistance from the GOI over and above the committed liability which is the actual expenditure incurred in the terminal year (2001-02) of Ninth Five Year Plan period (1997-02).

The committed liability of the State as per terminal year (2001-02) of Ninth Five Year Plan was Rs 81.10 lakh per year. The grant received from GOI and expenditure incurred by the State Government under the scheme during 2002-07 was as given below:

Table: 3.1.9

(Rupees in lakh)					
Year	Committed liability of the State	Total expenditure incurred on the scheme	Grant due from GOI	Grant received from GOI	Remarks
1.	2.	3.	4.	5.	7.
2002-2003	81.10	78.50	Nil	Nil	Expenditure less than committed liability hence no assistance from GOI was received.
2003-2004	81.10	103.37	22.27	13.13	
2004-2005	81.10	118.44	37.34	35.52	
2005-2006	81.10	149.40	68.30	66.48	
2006-2007	81.10	192.21	111.11	99.29	
Total	405.50	641.92	239.02	214.42	

Source: Figures supplied by the DHE.

During 2003-04 to 2006-07 amount aggregating Rs 24.60 lakh spent by the Department over and above the committed liability had not been claimed by the DHE from the GOI as required.

Audit scrutiny revealed that the budgetary demands were sent without assessing the total number of beneficiaries under the scheme. The DHE stated (August 2007) that proposals of demand for funds for various scholarships are sent to GOI during July-August every year and due to non-availability of exact number of students by this period, the actual demand of budget could not be ascertained. The reply is not tenable as it is the Department's responsibility to collect data from the field functionaries before sending the proposals for funds to GOI.

3.1.11.1 Coverage of beneficiaries

State level data regarding total number of students enrolled in the post-matric classes/courses and number of applications received for scholarships from eligible students was not available with DHE. In the absence of State level data, audit could not ascertain the number of students who remained uncovered in the State and the overall impact of the scheme. The DHE had, however, not monitored the actual disbursement of scholarships to the beneficiaries. The funds were released without assessing the actual coverage by the heads of institutions.

In the educational institutions of eight selected districts¹⁰, the position of SC and ST students actually covered under the scheme during 2002-2007 was as under:

Table: 3.1.10

(In numbers)

Year	Number of eligible students from whom applications were received			Number of students covered/awarded scholarship			Shortfall		
	SC	ST	Total	SC	ST	Total	SC	ST	Total
2002-2003	775	179	954	520	59	579	255 (33)	120 (67)	375
2003-2004	998	221	1,219	751	190	941	247 (25)	31 (14)	278
2004-2005	979	123	1,102	892	118	1,010	87 (9)	5 (4)	92
2005-2006	1,449	174	1,623	1,247	158	1,405	202 (14)	16 (9)	218
2006-2007	1,121	334	1,455	270	81	351	851 (76)	253 (76)	1,104
Total	5,322	1,031	6,353	3,680	606	4,286	1,642	425	2,067

Source: Figures supplied by test-checked units. Figures in parenthesis indicate percentage.

Shortfall in coverage of eligible SC and ST students during 2002-2007 ranged between nine and 76 per cent in respect of SC students and four and 76 per cent in respect of ST students. The DHE admitted (August 2007) the facts and stated that the whereabouts of students who had left the institutions, could not be ascertained inspite of best efforts.

The reply is evasive as neither any returns calling for details of disbursement of scholarship amount had been prescribed nor any such reports were being submitted by the DDs, HE/heads of institutions to the DHE indicating inadequacy of monitoring.

¹⁰ Bilaspur, Chamba, Hamirpur, Kangra, Lahaul and Spiti, Shimla, Sirmour and Solan.

3.1.11.2 Non-payment of scholarship at enhanced rates

The rates of maintenance allowance for post matric SC and ST students were revised (September 2004) from Rs 90 and Rs 120 to Rs 140 and Rs 185 per month for 10+1, 10+2 and undergraduate classes respectively from the academic year 2004-2005. It was noticed that against Rs 5.68 lakh payable on the basis of revised rates for the academic years 2004-2005, 2005-2006 and 2006-2007, only Rs 4.03 lakh was paid by seven¹¹ educational institutions to 316 beneficiaries in Kangra, Sirmour and Shimla districts resulting in short payment of Rs 1.65 lakh to them. The heads of these institutions stated (February-April 2007) that the amount was paid as per budget allocation. The reply is not acceptable as the fact is that revised demands were not prepared and sent. As a result, the beneficiaries were deprived of the enhanced amount.

3.1.12 Hostels for SC and ST students

To enable the SC and ST students studying in middle, high, senior secondary schools, colleges and universities to pursue their studies, GOI provided Central assistance to the State Government on 50:50 basis for providing hostel facilities to SC and ST girls and boys.

The details of hostels sanctioned, budget allocated and funds released during the period 2002-2007 are as under:

Table: 3.1.11

(Rupees in crore)

Year	Number of hostels sanctioned			Housing capacity	Estimated cost	Budget allocation	Amount released		Total
	SC	ST	Total				Central Share	State Share	
2002-2003	-	-	-	-	-	-	-	-	-
2003-2004	5	-	5	295	5.80	5.80	2.90	2.90	5.80
2004-2005	-	-	-	-	-	-	-	-	-
2005-2006	27	-	27	2,601	39.53	39.53	19.62	10.67	30.29
2006-2007	-	-	-	-	-	-	-	-	-
Total	32	-	32	2,896	45.33	45.33	22.52	13.57	36.09

Source: Figures supplied by the DSJE and Commissioner, Tribal Development Departments.

Against the required share of Rs 22.52 crore, the State Government released only Rs 13.57 crore. Out of 32 hostels sanctioned for SC students by DSJE, five hostels were lying incomplete and the status of 27 hostels was not

¹¹ Government Degree Colleges, Chaura Maidan, Sanjauli, Nahan, Palampur, Paonta Sahib, RKMV Shimla and Government Senior Secondary School, Bogdhar.

available with the DSJE as intimated (August 2007) to audit. This shows that though required to do so the Department is not monitoring the physical and financial progress of these hostels to ensure timely availability of hostel facilities to the beneficiaries.

3.1.12.1 Non-commencement of construction of hostel buildings

GOI sanctioned (March 2004/September 2005) two hostel buildings for 160 SC boys of Government Degree Colleges at Paonta Sahib and Nahan (both in Sirmour district) for Rs 2.75 crore (Nahan: Rs 1.65 crore and Paonta Sahib: Rs 1.10 crore) for completion within two years. The DSJE released (March 2005/March 2006) Rs 1.92 crore (Central Share: Rs 1.37 crore and State Share: Rs 0.55 crore) to Chief Executive Officer, Himachal Pradesh Urban Development Authority (HIMUDA). It was observed that construction work of these buildings had not been taken up as of April 2007 due to non-transfer of land. Thus, the entire amount of Rs 1.92 crore remained unspent with the executing agency as of April 2007. This indicated lack of urgency on the part of the State Government to ensure adequate action for timely construction of hostels for the beneficiaries.

3.1.12.2 Delay in completion of hostel buildings

As per guidelines, the construction of hostel buildings was required to be completed within a period of two years. It was, however, noticed that five hostel buildings¹² with capacity for housing 300 students sanctioned by GOI during 2003-2004 at an estimated cost of Rs 5.57 crore (Central share: Rs 2.79 crore and State share: Rs 2.78 crore) and required to be completed by March 2006 had not been completed as of April 2007 though the entire amount had been released to the concerned executing agencies¹³ in the respective years. The completion of these buildings had been delayed by 13 months. The physical and financial progress of construction of hostels, had not been monitored by the DSJE. As such, the status of building works could not be verified. The DSJE attributed (August 2007) non-completion of these hostels in time due to delay in transfer of land. The reply is not tenable as the process of transfer of land for hostels should have been initiated at the time of processing of proposal and before release of funds.

3.1.12.3 Unfruitful expenditure on unutilised hostel buildings

Five hostel buildings¹⁴ (two for SC students and three for ST students) for providing housing facilities to 120 SC boys and girls and 160 ST boys and girls were sanctioned by the State Government between 1998-99 and 2001-02

¹² SC Boys Hostel: Nurpur; SC Boys Hostel: Government Senior Secondary School, Tissa; SC Boys Hostel: Government Senior Secondary School, Ani; SC Boys Hostel: Government Degree College, Basa (Gohar) and ST Boys Hostel: Government Degree College, Dharamshala.

¹³ CEO HIMUDA: four hostels; EE, HPPWD Dharamshala: one hostel.

¹⁴ ST Boys hostel, Dharamshala; ST Boys hostel, Kukumseri; ST Girls hostel, Kukumseri; SC Boys hostel, Solan and SC Girls hostel Government Senior Secondary School, Karsog.

at an estimated cost of Rs 4.19 crore for completion within two years. These hostels were completed between August 2001 and March 2006 by incurring an expenditure of Rs 4.21 crore.

It was noticed that though these buildings were handed over (August 2001 and March 2006), the same had not been utilised as of April 2007. The DSJE and the Principals of the concerned institutions attributed (February-May 2007) non-utilisation of hostels to non-availability of electricity supply, non-provision of residential accommodation for warden and non-provision of basic amenities like utensils, furniture, etc. This resulted in idling of assets amounting to Rs 4.21 crore, besides, depriving 280 SC and ST students of the intended benefits. Fact is that DSJE had sufficient time to provide all facilities.

3.1.13 Coaching and allied schemes for weaker sections including SC and ST, OBC and Minorities

Coaching and allied scheme for weaker sections including SC and ST, OBC and Minorities was in operation since 4th Five Year Plan period (1969-74). The objective of the scheme was to provide pre-examination coaching to the students of SC/ST/OBC/Minority communities for improving their representation and performance in competitive examinations held by the Union Public Service Commission and other Recruitment Boards. The scheme was open only for such SC students whose family income was less than Rs one lakh per annum and for those ST students whose family income was less than Rs 44,500 per annum. The funding pattern was 50:50 between the Central and the State Governments. Assistance to universities was also admissible for running the coaching centres and 90 *per cent* expenditure incurred was to be borne by the Central Government whereas remaining 10 *per cent* by the State Government.

The scheme was being implemented in the State through the Himachal Pradesh University (University). The year-wise details of assistance received from the GOI and State Government under the scheme are as under:

Table: 3.1.12

(Rupees in lakh)

Year	Assistance released			Expenditure incurred		
	Central share	State share	Total	Coaching fee and stipend	Salary of staff and other office expenses	Total
2002-2003	2.90	-	2.90	1.75	1.15	2.90
2003-2004	-	13.00	13.00	2.63	10.37	13.00
2004-2005	-	-	-	--	--	--
2005-2006	-	-	-	--	--	--
2006-2007	-	-	-	--	--	--
Total	2.90	13.00	15.90	4.38	11.52	15.90

Source: Figures supplied by the University.

Following points were noticed:

- The GOI had not released any assistance to the Pre-examination coaching Centre (PECC) during 2003-2007. However, in 2003-2004 the State Government had provided Rs 13 lakh from its own resources. 90 per cent of this grant (Rs 11.70 lakh) being Central share, had not been claimed by the State Government from the GOI.
- Neither the GOI nor the State Government had released any funds during 2004-2007.
- As per instructions of the GOI, the expenditure was required to be incurred for payment of coaching fee and stipend to the students. It was, however, noticed that of the expenditure of Rs 15.90 lakh incurred by the University during 2002-2004, only Rs 4.38 lakh was spent on payment of coaching fee and stipend. The balance amount of Rs 11.52 lakh was diverted for meeting expenditure on salary of staff engaged in the coaching centre and other office expenses such as electricity, water, telephone, stationery, advertisements, etc.

The Honorary Director, PECC while admitting (June 2007) the facts stated that the expenditure incurred on other than coaching fee and stipend was inevitable for smooth functioning of the centre. The reply is not tenable as the guidelines for incurring expenditure out of the scheme had not been adhered to.

3.1.13.1 Unsatisfactory performance of PECC

The year-wise performance of the coaching centre is as under:

Table: 3.1.13

Year	Number of courses	Name of course (s)	Number of SC and ST students coached	Number of students who cleared the entrance examination	Percentage of success
2002-2003	6	PMT, PET, HAS, IAS, NET and SET	144	5	3
2003-2004	6		91	8	9
2004-2005	6		115	Nil	Nil
2005-2006	6		98	7	7
2006-2007	6		99	Nil	Nil
Total			547	20	

Source: Data supplied by the University.

As per guidelines, the institution was to achieve a minimum success rate of 33 per cent.

It was noticed that the success rate of students during 2002-2007 in different courses ranged between zero and nine per cent. The Honorary Director, PECC stated (April 2007) that the best coaching was imparted to the students and the success rate depended on their performance in respective examinations. The reply is not acceptable as had the coaching been good the results would have spoken for themselves.

3.1.14 Scheme for upgradation of merit of SC and ST students

To upgrade the merit of SC and ST students by providing them remedial and special coaching in classes IX to XII, the GOI started the scheme for upgradation of merit of SC and ST students. The scheme provided for 100 per cent Central assistance to the State and a package grant of Rs 15,000 per student per year. Under the scheme, 1,045 awards (scholarships) each for classes IX to XII had been sanctioned by the GOI. The State Government had identified Government Senior Secondary School, Sarahan (Sirmour district) for providing special coaching to SC and ST beneficiaries under this scheme. Six SC and One ST student were to be provided coaching each year.

It was noticed that the DHE had not implemented this scheme during 2002-2007. This had resulted in loss of grant-in-aid of Rs 21 lakh¹⁵ besides depriving 35 students (SCs: 30 and STs: five) of the intended benefits. The DHE stated (May 2007) that no student had opted for the scheme from 2002-2003 onwards because the parents of the concerned selected students were not willing to send their wards for admission to Government Senior Secondary School, Sarahan which is located at a far off distance from other SC and ST dominated areas. The reply is not acceptable, as the State Government had itself identified the school which was not accessible and the accessibility factor should have been looked into before selection. Thus, the Department failed to implement the scheme depriving 35 students of the intended benefits during 2002-2007.

3.1.15 Educational complexes in low literacy pockets

3.1.15.1 Unfruitful release of assistance to a Non-Government Organisation

As per guidelines, the State Government was to introduce a scheme titled, educational complexes in low-literacy pockets, to promote education among

¹⁵ Rs 15,000 x 7 students x 4 classes x 5 years = Rs 21 lakh.

tribal girls in the identified districts with less than 10 *per cent* literacy rate. The GOI is funding the scheme on cent *per cent* basis.

For running an educational complex at Salogra (Solan district), the GOI released grant-in-aid of Rs 11.43 lakh during 2002-2006 (2002-2003: Rs 1.89 lakh; and 2003-2004 to 2005-2006: Rs 3.18 lakh each) to a Delhi based NGO¹⁶ directly.

Audit scrutiny of records of the NGO revealed that during 2002-2007, 156 ST girls were enrolled. Of these, 27 girl students belonged to other States (Jharkhand: 14, Uttar Pradesh: 11 and Manipur: 2) and 22 girl students belonged to other than ST category. As such, during 2002-2006, expenditure of Rs 3.77 lakh (2002-2003: Rs 1.00 lakh; 2003-2004: Rs 0.21 lakh; 2004-2005: Rs 0.21 lakh and 2005-2006: Rs 2.35 lakh) incurred on their boarding/lodging, uniform and books lacked justification. For the year 2006-2007 the GOI had not released grant-in-aid to the above NGO.

Opening of this NGO in Solan district lacked justification because as per 2001 census, female literacy rate in Solan district was 67 *per cent* and female tribal population in the district was 1,590 persons i.e. one *per cent* only. On the other hand, tribal population dominated districts, viz. Chamba, Kinnaur and Lahaul and Spiti, where the literacy rate among females was below that of Solan district (i.e. between 49 and 64 *per cent*) had not been identified and covered. Thus, the objective of improving the socio-economic status of the poor and illiterate tribal girls had not been achieved. The organiser of the NGO admitted the facts and stated (May 2007) that in future, girls from tribal areas of the State would be enrolled in the complex.

Implementation of State sponsored scholarship schemes for educational development of SC and ST students

3.1.16 Dr. Ambedkar Medhavi Chhatravriti Yojna

The State Government started Dr. Ambedkar Medhavi Chhatravriti Yojna from the academic session 1998-99 for brilliant students of SC category who secured 50 *per cent* or above marks in matriculation examination. From the academic year 2002-03, the percentage of marks secured was enhanced to 72 for matriculation and 10+1 examinations to become eligible for award of scholarship in 10+1 and 10+2 classes respectively. Under the scheme, scholarship of Rs 10,000 per annum was payable to 1,000 eligible SC students who attended 10+1 and 10+2 classes in Government/Government recognised senior secondary schools of the State for full academic year.

¹⁶ Bhartiya Adimjati Sevak Sangh, Thakkar Bapa Samark Sadan, New Delhi.

Audit Report (Civil) for the year ended 31 March 2007

The position of budget provision and expenditure incurred thereagainst during 2002-07 was as under:

Table: 3.1.14

(Rupees in crore)

Year	Budget provision	Expenditure	Percentage of utilisation	Number of beneficiaries awarded scholarships		
				10+1 Class	10+2 Class	Total
2002-2003	2.00	1.47	73	Not maintained	Not maintained	1,467
2003-2004	1.00	0.30	30			301
2004-2005	1.00	0.40	40			399
2005-2006	0.90	0.56	62			559
2006-2007	0.90	0.74	Scholarships for 2006-2007 to be awarded after stipulated date of 30 th September 2007.			
Total	5.80	3.47				2,726

Source: Figures supplied by the DHE.

As per the scheme guidelines, all the DDs HE were required to collect the information alongwith full details of SC students from the Principals/heads of the Institutions within their district and applications of such students in the prescribed proforma were to be submitted by 30th September each year to the DHE.

In eight test-checked districts, the DD's HE did not obtain a copy of merit list of SC students securing 72 per cent or more marks in 10th and 10+1 classes from the State Board of School Education (Board) during 2002-2006. Instead, the applications received from High/Senior Secondary schools were forwarded to the DHE for grant of scholarships. In the absence of complete data of all SC students securing 72 per cent or more marks in matriculation and 10+1 classes not being obtained from the Board each year, the possibility of some students left uncovered cannot be ruled out. The DHE intimated (August 2007) that it was not practically possible to obtain the data from the Board and compile the same at Directorate level. The reply is not acceptable, as maintenance of such data is necessary to ensure effective implementation of the scheme.

3.1.17 Thakur Sen Negi Utkrisht Chhatravriti Yojna

Thakur Sen Negi Utkrisht Chhatravriti Yojna was meant for 100 meritorious boys and 100 girls belonging to the ST community of the State. The State Government had started this scheme from the academic year 2000-2001. Under the scheme, those ST students who obtained 72 *per cent* or more marks in matriculation and 10+1 examinations of the Board held in March/April each year and who were studying in Government/Government recognised private schools in the State were eligible for grant of scholarship. The scholarship award per year per student was Rs 11,000.

The position of budget provision and expenditure thereagainst during 2002-07 was as under:

Table: 3.1.15

(Rupees in lakh)

Year	Budget provision provided by State Government	Expenditure	Number of beneficiaries covered (boys/girls)
2002-2003	30.00	29.70	270
2003-2004	10.00	6.93	63
2004-2005	20.00	10.01	91
2005-2006	20.00	10.56	96
2006-2007	20.00	Yet to be finalised after 30 th September 2007	
Total	100.00	57.20	520

Source: Figures supplied by DHE.

It would be seen from the above table that in the year 2002-2003, 70 students were granted scholarship over and above the prescribed ceiling. On this being pointed out (May 2007) DHE stated that there was no ceiling on number of students upto 2002-2003. The reply could not be confirmed as no documentary proof was furnished to audit.

In eight test-checked districts, the DD's HE did not obtain a complete list of all ST students (boys and girls) securing 72 *per cent* or more marks in matriculation and 10+1 classes from the Board each year. Instead, the applications received from High/Senior Secondary schools were forwarded to the DHE for grant of scholarships. In the absence of complete data the possibility of some students being left uncovered cannot be ruled out. The DHE intimated (August 2007) similar reasons as mentioned in para 3.1.16

supra which showed laxity on the part of the Department in proper implementation of the scheme.

3.1.18 Maharishi Balmiki Chhatravriti Yojna

The State Government started Maharishi Balmiki Chhatravriti Yojna from the academic year 2000-01. Under the scheme, all girl students belonging to Balmiki community whose parents were engaged in unclean occupations and who were bonafide domiciles of the State studying in Government/Government recognised schools after 10th class upto college level were eligible for grant of scholarship at the rate of Rs 9,000 per annum.

The position of budget provision and expenditure thereagainst during 2002-07 was as under:

Table: 3.1.16

(Rupees in lakh)

Year	Budget provision provided by the State Government	Expenditure incurred	Percentage utilisation of budget	Number of beneficiaries covered
2002-2003	10	8.73	87	97
2003-2004	10	8.10	81	90
2004-2005	10	6.66	67	74
2005-2006	17	7.20	42	80
2006-2007	17	7.02	41	78
Total	64	37.71		419

Source: Figures supplied by DHE.

The percentage utilisation of budget provided declined from 87 during 2002-2003 to 41 per cent during 2006-2007. The reasons for decline in utilisation of budget were not furnished (June 2007).

It was noticed that year-wise list of identified beneficiaries who fulfilled eligibility conditions had not been prepared at the Directorate or district levels and the scholarships had been granted to the beneficiaries whose applications were received complete with certificates in the Directorate. In the absence of complete data at district or State level, the possibility of some of the eligible girl students being left uncovered cannot be ruled out.

3.1.19 Internal control mechanism

3.1.19.1 Monitoring and evaluation

Audit scrutiny revealed that Management Information System (MIS) was not in place as neither any returns had been prescribed by the concerned departments for ascertaining the financial and physical progress and impact of various schemes nor were such returns sent by the implementing agencies to district or State authorities.

As per the guidelines for Centrally sponsored schemes, evaluation study was to be got conducted through an independent agency to rectify the shortcomings. It was noticed in audit that no such evaluation had been conducted either in respect of Centrally sponsored schemes or State schemes to gauge their impact.

The Director, Higher Education admitted (August 2007) the facts and also stated that for monitoring, evaluation and internal audit of scholarship schemes, a committee had been constituted.

3.1.20 Conclusion

Planning for implementation of schemes was not based on any reliable data as the basic indicators like gross enrolment ratio, gross drop out rate and gender parity index, etc., had not been maintained at district/State level for all classes. Scholarships were not drawn and disbursed in the same academic year to which these pertained. Sufficient publicity was not given to the schemes among the target groups for generating public awareness. Coaching to SC and ST students was not effective as the success rate of students during 2002-07 in different courses ranged between zero and nine *per cent*. No monitoring system was established to ensure proper implementation of the schemes and follow-up action. Consequently, there were inordinate delays in payment of scholarships to the target groups, construction of hostels had been delayed and no remedial action was taken to improve the success rate of coaching centre. The benefits envisaged in the schemes had, therefore, not reached the targeted beneficiaries.

3.1.21 Recommendations

- **The State Government should formulate an efficient and accurate system for identification of beneficiaries for success of the scheme.**
- **A time schedule should be prescribed and enforced strictly for sending proposals, processing the cases for approval, sanction of budget and remittance of amount to every educational institution for timely disbursement of scholarships.**
- **Effective campaign should be carried out throughout the state so that the targeted groups benefit fully from these schemes.**
- **An MIS should be developed and prescribed by all the departments executing the schemes for educational development of SCs and STs at the State/district levels for keeping effective watch on the progress in implementation of schemes and proper utilisation of funds.**

The findings were intimated to the Government in June 2007; reply had not been received (August 2007).

Irrigation and Public Health Department

3.2 Accelerated Rural Water Supply Programme

Highlights

The objectives of Accelerated Rural Water Supply Programme (ARWSP) were to accelerate the coverage of uncovered habitations in rural areas to promote sustainability of potable drinking water systems besides revival of traditional water sources. The survey to identify and ascertain the status of habitations regarding availability of safe drinking water in rural areas required to be completed by March 2003 was completed only in December 2005. As per this survey, out of total targeted rural habitations, 50 per cent were fully covered with drinking water facilities and 37 per cent partially covered while 13 per cent were yet to be covered. The performance audit of ARWSP revealed cases of financial mismanagement, irregular stock adjustments, lapses in internal control, monitoring and evaluation. Some of the audit findings are as under:

- *In five divisions, funds of Rs 3.50 crore allocated under ARWSP were spent on the execution of 68 water supply schemes which were not approved under ARWSP resulting in diversion of funds.*

(Paragraph 3.2.7.3(i))

- *Rs 87.86 lakh earmarked for SC/ST sectors were diverted by two divisions to other sectors in contravention of the ARWSP guidelines.*

(Paragraph 3.2.7.3(ii))

- *In three divisions material worth Rs 1.88 crore was booked to seven water supply schemes in March 2007 without any requirement/provision in the approved estimates where the same was lying unutilised.*

(Paragraph 3.2.7.4(ii))

- *1,407 partially covered habitations though identified during 1993-94 were awaiting full coverage as of March 2007.*

(Paragraph 3.2.8.2)

- *34 schemes for 255 habitations, approved (August 1999 to October 2004) and estimated to cost Rs 13.92 crore, were completed (April 2002 to April 2007) at a cost of Rs 21.46 crore after a delay of six to 52 months involving cost overrun of Rs 7.54 crore.*

(Paragraph 3.2.9.5(i))

- **Water supply scheme for Deotsidh started in July 2001 and required to be completed by July 2005 was lying incomplete after incurring Rs 3.98 crore due to poor planning by the Department.**

(Paragraph 3.2.9.6)

3.2.1 Introduction

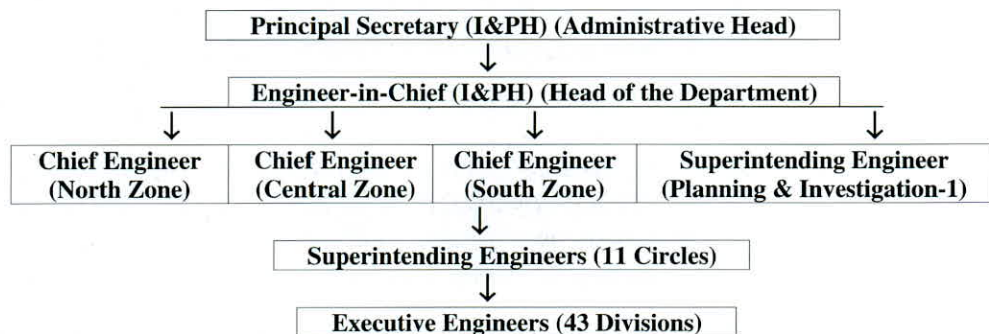
The GOI introduced (1977-78) the Accelerated Rural Water Supply Programme (ARWSP) with the following objectives:

- to ensure coverage of all rural habitations with access to safe drinking water;
- to ensure sustainability of drinking water system and sources;
- to tackle the problem of water quality in affected habitations and
- to institutionalise the reforms initiative in the rural drinking water supply sector.

To achieve these objectives, the GOI prepared (1999) a Comprehensive Action Plan by identifying the Not Covered (NC) and Partially Covered (PC) habitations. In Himachal Pradesh, the State Government had identified 45,367 habitations during 1993-94 of which 43,960 had been fully covered as of March 2007 and only 1,407 habitations were left partially covered. However, the latest survey to identify the status of coverage of habitations, which was required to be sent to the GOI by March 2003 had not been finalised as of August 2007.

3.2.2 Organisational set up

The Irrigation and Public Health (I&PH) Department is responsible for implementation of the programme. The organisational set up of the Department is as under:



3.2.3 Scope of Audit

The performance audit covered the activities taken up under ARWSP between 2002-03 and 2006-07. Records of 12¹ out of 43 divisions implementing the programme were test-checked in six districts² (out of 12 districts) covering an expenditure of Rs 138.62 crore. The sample check in terms of divisions was 28 per cent covering 29 per cent of the total expenditure (Rs 480.46 crore).

3.2.4 Audit objectives

The audit objective was to assess the implementation of the ARWSP to ascertain whether;

- all the rural habitations were provided safe drinking water;
- survey of habitations was conducted effectively for authentic and reliable data;
- process of planning for ARWSP was effective;
- financial control was adequate and effective;
- execution of schemes was done economically, efficiently and effectively and
- mechanism for monitoring and evaluation was adequate and effective.

3.2.5 Audit criteria

The main criteria used for the performance audit were:

- Guidelines for Implementation of Rural Water Supply Programme (August 2000).
- Guidelines on survey of Drinking Water Supply Status in Rural Habitations (February 2003).
- Guidelines for implementation of Schemes and Projects on sustainability under ARWSP.
- Project Implementation Plans.

¹ Barsar, Bilaspur, Dehra, Ghumarwin, Hamirpur, Nahan, Nurpur, Paonta Sahib, Rampur, Rohru, Shimla-I and Solan.

² Bilaspur, Hamirpur, Kangra, Shimla, Sirmour and Solan.

3.2.6 Audit methodology

Before taking up the performance audit, an apex level entry conference was organised (June 2007) in which the Principal Secretary (I&PH) was apprised of the audit objectives, criteria and scope concerning the review of ARWSP. Selection of units for audit examination was done by following simple random sampling without replacement methodology. The audit findings were discussed with the Principal Secretary (I&PH) in an exit conference held in September 2007. The replies of the Department have been incorporated in the review at appropriate places.

3.2.7 Audit findings

3.2.7.1 Financial outlay and expenditure

ARWSP is fully financed by the GOI. The State Government is required to match funds released by the GOI on 1:1 basis under Minimum Needs Programme (MNP).

The year-wise position of availability of funds during 2002-07 and expenditure thereagainst is as under:

Table: 3.2.1

(Rupees in crore)

Year	Central funds released under ARWSP					State funds released under MNP	
	Opening balance	Released during the year	Total funds available	Expenditure	Unspent balance	Provision	Expenditure
2002-2003	0.89	82.31	83.20	77.72	5.48	87.95	98.02
2003-2004	5.48	55.90	61.38	60.52	0.86	100.78	102.09
2004-2005	0.86	60.62	61.48	59.17	2.31	100.27	113.66
2005-2006	2.31	122.24	124.55	121.00	3.55	122.80	126.09
2006-2007	3.55	158.75	162.30	162.05	0.25	112.39	159.60
Total		479.82	492.91	480.46		524.19	599.46

Source: Departmental figures.

The ARWSP guidelines envisage that State Government shall release the entire amount of Central assistance received to the executing agencies without any delay and in any case not later than 15 days after receipt. It was noticed that Rs 4.52 crore released (July 2003) by GOI was passed on to the Engineer-in-Chief (E-in-C) after a delay of about 2 months. Similarly,

Rs 0.43 crore released (February 2006) was passed on after a delay of over 12 months.

It was further noticed that in four cases E-in-C took 27 days to 138 days to release Rs 84.98 crore to the executing agencies during 2002-03 (Rs 11.52 crore), 2003-04 (Rs 24.59 crore) and 2006-07 (Rs 48.87 crore). The E-in-C stated (August 2007) that the delays were on account of delay in finalisation of targets by his Department due to late receipt of details about schools where drinking water was to be supplied. The reply is not acceptable as proper planning and coordination in finalising the annual targets could have eliminated delays.

3.2.7.2 Irregular drawal of funds

As per rules no money should be drawn unless it is required for immediate disbursement. It is also not permissible to draw advances from the treasury for the execution of works, the completion of which is likely to take considerable time.

(i) It was noticed in seven divisions³ that Rs 13.27 crore⁴ were drawn (March 2006 and March 2007) by the concerned Executive Engineers (EE) and advanced to the I&PH Division Shimla-I, which was the Nodal Agency (Rs 12.09 crore⁵) and Himachal Pradesh State Civil Supplies Corporation (HPSCSC), Shimla (Rs 1.18 crore⁶) for procurement of galvanised iron (GI) pipes and cement. The advance payments were irregularly charged as expenditure to functional capital head (Rs 13.06 crore) and revenue head (Rs 0.21 crore) instead of debiting the same to the suspense head "Misc. Works Advances" pending receipt of material.

It was further noticed that the material valuing Rs 8.98 crore had only been received upto June 2007 and the balance material for Rs 4.28 crore was still (July 2007) to be received.

The concerned EEs, while confirming the facts stated (June-July 2007) that the funds were received at the fag end of the concerned years and advance payments were made accordingly. Reasons for charging the advance payments as final expenditure were not furnished. The action of the EEs was irregular and against the canons of financial rules.

³ Barsar, Bilaspur, Dehra, Ghumarwin, Hamirpur, Paonta Sahib and Solan.

⁴ March 2006: Rs 2.44 crore (I&PH division, Shimla-I: Rs 2.26 crore and HPSCSC: Rs 0.18 crore) and March 2007: Rs 10.83 crore (I&PH division, Shimla-I: Rs 9.83 crore and HPSCSC: Rs one crore).

⁵ March 2006: Rs 2.26 crore and March 2007: Rs 9.83 crore.

⁶ March 2006: Rs 0.18 crore and March 2007: Rs one crore.

(ii) Similarly, Shimla-I division, withdrew (March 2007) and advanced Rs 1.17 crore to HPSCSC for the procurement of GI pipes. The entire amount was withdrawn (April 2007) from HPSCSC and deposited under the "Public Works Deposit Head". Though the expenditure was initially charged to the final head of account under ARWSP, it was not credited to ARWSP account after getting the refund subsequently. The EE stated (June 2007) that the amount was debited to final head to utilise the funds received in March 2007. It was further stated that the poor State of Himachal Pradesh could not afford to surrender the funds allocated under ARWSP. The reply is not tenable, as the action of the division violates the provisions of Financial Rules and resulted in misrepresentation of expenditure under ARWSP.

3.2.7.3 Diversion of funds

(i) In five divisions⁷, Rs 2.06 crore incurred on works other than ARWSP during 2002-07 were accounted for (March 2003 to March 2007) under ARWSP. In five other divisions⁸, Rs 3.50 crore allocated under ARWSP were diverted and spent (2005-07) on 68 works of other water supply schemes, which were not part of ARWSP.

The EEs while confirming the facts stated (June-August 2007) that expenditure was debited to other works to utilise the available funds under ARWSP.

(ii) As per ARWSP guidelines, diversion of funds earmarked for SC/ST sectors to other sectors is not permitted. It was noticed that Rs 87.86 lakh allocated (March 2001 to July 2005) under SC/ST sector were diverted (February 2004 to March 2006) by two divisions⁹ to other sectors of the programme. No cogent reasons for diversion of funds were advanced by the concerned EEs.

(iii) As per State Government instructions (October 2003) regarding distribution of funds under "Rajiv Gandhi National Drinking Water Mission, ARWSP-Prime Minister's announcement-Release of grants-in-aid to State Government for revival of traditional sources of water", the programme was to be implemented by the Deputy Commissioner (DCs) and proposals in this regard were to be finalised in co-ordination with the concerned EEs.

Test-check (June-August 2007) of records of seven divisions¹⁰ revealed that Rs 79.33 lakh were released through letter of credit (January 2004 to March 2005) to these divisions for the revival of traditional resources. Of

⁷ Ghumarwin, Hamirpur, Paonta Sahib, Rampur and Rohru.

⁸ Barsar, Paonta Sahib, Rampur, Rohru and Solan.

⁹ Ghumarwin and Hamirpur.

¹⁰ Barsar, Bilaspur, Ghumarwin, Hamirpur, Rampur, Rohru and Solan.

these, Rs 45 lakh were further transferred (January 2004 to March 2005) to four DCs¹¹ by four divisions¹² without finalising any proposal, as required. Against this amount utilisation certificates (UCs) for only Rs 10.15 lakh had been received from DC Solan and UCs for Rs 34.85 lakh were awaited. The remaining funds amounting to Rs 34.33 lakh were utilised on various other ARWSP works not covered under the sector 'Revival of Traditional Sources'.

3.2.7.4 Irregular stock adjustments

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

(i) In five divisions¹³, GI pipes and steel valuing Rs 2.69 crore was fictitiously booked against 48 works between June 2003 and March 2007. The entire material was written back to stock in the succeeding financial year as the same was not required for consumption on these works. The stock adjustments were carried out merely to avoid surrender of funds at the end of the financial year, which is irregular.

(ii) In three divisions¹⁴ GI pipes costing Rs 1.88 crore were booked (March 2007) to seven water supply schemes. It was noticed that GI pipes worth Rs 92.98 lakh were booked by the EE, Solan division against two completed schemes, while the remaining pipes were booked to the works without any requirement, as there existed no provision for the same in the sanctioned estimates of those works. The entire material, was lying in the relevant 'material at site account' registers of the works as of August 2007.

The EEs stated (June-August 2007) that the material was fictitiously booked to utilise the funds received at the fag end of the year. The action of the EE was in contravention of the financial rules and resulted in misrepresentation of utilisation of stocks.

3.2.8 Planning and physical performance

3.2.8.1 Annual Action Plans

The State Government was required to prepare Annual Action Plans (AAPs), based on CAP-99 of GOI six months before the commencement of the financial year and submit to GOI. While AAPs for 2002-05 were not sent, the AAPs for 2005-06 and 2006-07 were sent only in May 2005 and

¹¹ Bilaspur (Rs 10.50 lakh), Hamirpur (Rs 13.15 lakh), Shimla (Rs three lakh) and Solan (Rs 18.35 lakh).

¹² Bilaspur, Hamirpur, Rohru and Solan.

¹³ Dehra, Ghumarwin, Hamirpur, Nahan and Rohru.

¹⁴ Nahan, Rohru and Solan.

May 2006 respectively, instead of in October of the preceding year. The demand for funds relating to these years were sent on an *ad hoc* and unplanned basis in complete disregard of the guidelines.

3.2.8.2 Coverage of habitations

All 16,807 villages in the State as per 1981 census were provided drinking water facilities by March 1994. Thereafter, Department shifted its focus from villages to habitations. 45,367 habitations were identified during 1993-94, which were to be provided drinking water facilities. Out of these, 34,041 habitations were fully covered (FC) upto March 2002. Out of the remaining 11,326 habitations (Partially Covered (PC): 10,252 and Not Covered (NC): 1,074), 10,046 habitations (PC: 8,972 and NC: 1,074) were targeted for coverage during 2002-07, while the remaining 1,280 habitations were not targeted. Of the total targeted 10,046 habitations, 9,919 habitations were covered as of March 2007, while 127 habitations still remained to be covered. Thus, in all 1,407 PC (1,280 plus 127) habitations out of 11,326 habitations left at the end of March 2002 were still (March 2007) to be covered. Year-wise break up of targets and achievements in this regard is given below:

Table: 3.2.2

(Number of habitations)

Year	Target			Achievement			(-) Shortfall/ (+) Excess
	Partially Covered	Not Covered	Total	Partially Covered	Not covered	Total	
1.	2.	3.	4.	5.	6.	7.	8.
2002-2003	1,350	500	1,850	1,375	500	1,875	(+) 25
2003-2004	926	574	1,500	1,077	574	1,651	(+) 151
2004-2005	1,760	-	1,760	1,770	-	1,770	(+) 10
2005-2006	1,936	-	1,936	1,950	-	1,950	(+) 14
2006-2007	3,000	-	3,000	2,673	-	2,673	(-) 327
Total	8,972	1,074	10,046	8,845	1,074	9,919	(-) 127

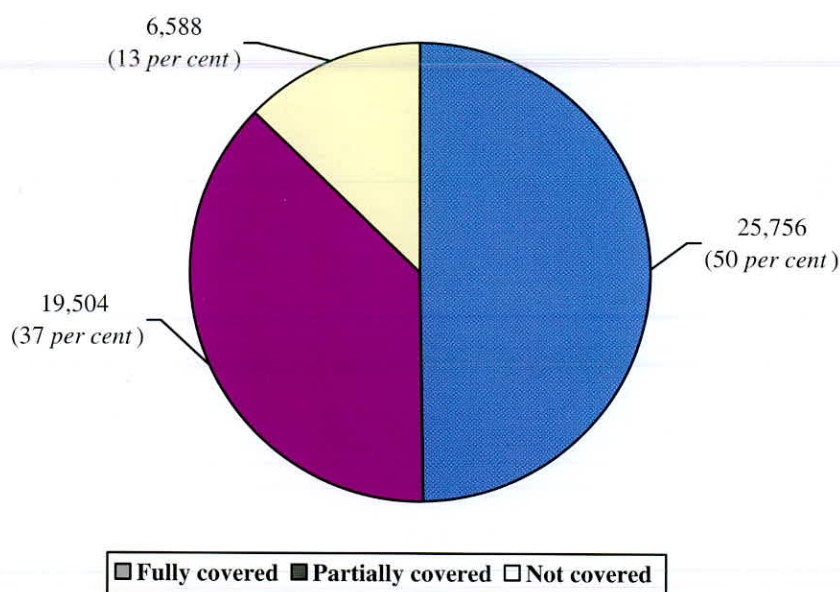
Source: Departmental figures.

3.2.8.3 Coverage of habitations as per 2003 survey

To ascertain the exact position of rural habitations with regard to the availability of safe drinking water, the GOI decided (October 2001) to conduct a fresh survey in all the States. The results of survey were to be submitted to the GOI in March 2003. In the guidelines, it was stressed that timely submission of the survey data would be prerequisite for future funding under ARWSP from 2003-04 onwards and that utmost care was to be taken while conducting survey to avoid discrepancies as the survey results were to be checked by the independent evaluators of the GOI.

It was noticed that the survey work in the State was started only in August 2003 and completed in December 2005 and submitted (January 2006) to the GOI after a delay of 34 months. As per this survey there are 51,848 habitations in the State under the categories FC: 25,756; PC: 19,504 and NC: 6,588. Further action plan based on the latest survey results was yet to be framed by the Department (September 2007).

Status of Coverage of Habitations as per 2003 survey
Total: 51,848 Habitations



The details of habitations that have slipped back over the years could not be ascertained, since the details are not maintained by the Department.

3.2.9 Execution of works

3.2.9.1 Status of execution of schemes

During 2002-2007, 834 rural water supply schemes (WSS) for 3,953 habitations (PC: 3822, NC: 131) were approved by the State Water and Sanitation Mission (SWSM) under ARWSP for Rs 238.33 crore with the stipulation to complete in one to four years. Information relating to the status of these schemes was not available with the E-in-C. In the 12 test-checked divisions, out of 372 schemes covering 3,647 habitations¹⁵ estimated to cost Rs 156.82 crore and taken up for execution during 2002-2007, 178 schemes covering 1,006 habitations¹⁵ had been completed upto March 2007 at a cost of Rs 48.55 crore. The remaining 194 schemes for 2,641 habitations¹⁵ were in progress as of August 2007 after incurring an expenditure of Rs 90.07 crore.

3.2.9.2 Irregular expenditure on works

It was observed during test-check of divisions that numerous works were taken up without obtaining technical sanctions (detailed estimates). Some of these are detailed below:

(i) In nine test-checked divisions¹⁶, Rs 83.46 crore was spent during 2002 to 2007 on the execution of 237 WSS without preparing the detailed estimates and getting them technically sanctioned from the competent authority. The expenditure incurred on these works without obtaining requisite technical sanction was, thus, irregular.

(ii) In eleven divisions¹⁷ in respect of 106 WSS, estimated to cost Rs 40.41 crore, an expenditure of Rs 59.60 crore was incurred during 2002-07 but the revised estimates were not prepared and got sanctioned as of August 2007. This has resulted in irregular expenditure of Rs 19.19 crore incurred over and above the approved provisions.

(iii) In 10 test-checked divisions¹⁸, proforma approvals for the execution of 58 WSS were accorded (March 1999 to March 2004) by the SWSM for Rs 16 crore. All the schemes had been completed (March 2003 to June 2007) at a cost of Rs 24.35 crore resulting in excess expenditure of Rs 8.35 crore.

¹⁵ Information supplied by the divisions.

¹⁶ Barsar, Bilaspur, Ghumarwin, Hamirpur, Nahan, Rampur, Rohru, Shimla and Solan.

¹⁷ Barsar, Bilaspur, Dehra, Ghumarwin, Hamirpur, Nahan, Paonta Sahib, Rampur, Rohru, Shimla and Solan.

¹⁸ Barsar, Bilaspur, Ghumarwin, Hamirpur, Nahan, Paonta Sahib, Rampur, Rohru, Shimla and Solan.

The excess expenditure was met out of the ARWSP funds which was in contravention of the programme guidelines.

The EEs while confirming the facts stated (June-August 2007) that irregular expenditure in above cases would be regularized by obtaining sanctions of the competent authorities. Reply of the EEs indicates lack of proper planning before taking up the schemes.

3.2.9.3 Infructuous expenditure on held up works

In four divisions¹⁹, execution of six WSS were administratively approved (March 2002 to December 2003) for Rs 1.75 crore. These schemes, stipulated to be completed between two to four years were taken up for execution (April 2002 to March 2004) without obtaining technical sanction. An expenditure of Rs 1.81 crore had been incurred on them as of April 2007. It was observed that execution of schemes had been stopped (July 2003 to April 2007) due to disputes over sources of water and the private land required for construction of pump-house, sump-well, main storage tank and laying of the rising main.

The concerned EEs confirmed the facts and stated (June-July 2007) that efforts were being made either to resolve the disputes at sources or to acquire the disputed land.

Thus, faulty planning and failure of the Department to ensure dispute free sources of water and acquisition of land before starting the execution resulted in infructuous expenditure of Rs 1.81 crore on these incomplete works, besides denial of intended benefits to the beneficiaries.

3.2.9.4 Schemes not commissioned due to non-supply of power

In two divisions²⁰, execution of three WSS was approved (March 2001 to March 2002) for Rs 1.07 crore. These schemes, required to be completed within four years period were taken up for execution between March 2002 and November 2003.

It was noticed that all the three schemes had been completed between July 2005 and March 2007 after incurring an expenditure of Rs 1.63 crore (including Rs 9.30 lakh paid to HPSEB during March 2002 to August 2005 for

¹⁹ Bilaspur, Ghumarwin, Rohru and Shimla.
²⁰ Barsar and Bilaspur.

supply of power), but these schemes could not be commissioned (July 2007) due to non-supply of power.

The concerned EEs while confirming the facts stated (July 2007) that efforts were being made to get the provision of power expedited from HPSEB.

Thus, due to non-supply of power, the completed schemes remained un-commissioned and the beneficiaries deprived of the drinking water facility.

3.2.9.5 Time and cost overrun

(i) In all the test-checked divisions, 64 WSS for 630 habitations, estimated to cost Rs 29.69 crore and scheduled to be completed within two to five years, were taken up for execution between April 2000 to March 2007. Of these, 34 schemes for 255 habitations, approved (August 1999 to October 2004) and estimated to cost Rs 13.92 crore, were completed (April 2002 to April 2007) at a cost of Rs 21.46 crore after a delay of six to 52 months involving cost overrun of Rs 7.54 crore. The remaining 30 schemes for 375 habitations, approved (March 2000 to February 2007) and estimated to cost Rs 15.77 crore and stipulated to be completed within two to four years were in progress after incurring an expenditure of Rs 21.94 crore. There was cost overrun of Rs 6.18 crore and time overrun of five to 30 months.

(ii) In two divisions²¹ construction of three WSS were approved (March 2001 to October 2002) for Rs 1.19 crore with stipulated period of one to four years for completion. These works were not taken up for execution as of August 2007 due to disputes of sources whereas the material worth Rs 26.78 lakh had been booked to these works between March 2001 and February 2005 in anticipation of commencement of their execution which was still lying unutilised (August 2007).

The concerned EEs attributed (July-August 2007) the time overruns to the land disputes, hindrances by the local people etc. and cost overruns to increase in the rates of material and labour. The reply of the EEs indicates failure of the Department in proper planning and delay in acquisition of land before execution of the schemes.

²¹ Bilaspur and Rohru.

3.2.9.6 Infructuous expenditure on water supply scheme, Deotsidh

I&PH Department sanctioned (June 2001) Lift Water Supply Scheme to PC habitations of Deotsidh (District Hamirpur) for Rs 5.04 crore. The scheme was designed to provide water facilities to 66 villages having 124 PC habitations, as per 1991 census and was to be completed in four years. It was proposed to lift water from a source named Saryali *khad* by creating suitable infrastructure.

Test-check of records of Barsar division revealed (July 2007) that the work taken up for execution (July 2001) without obtaining technical sanction was lying incomplete (August 2007) after a lapse of over six years. An expenditure of Rs 3.98 crore had been incurred on execution of the scheme as of August 2007.

It was further seen that the work of construction of water treatment plant was awarded (February 2005) to a contractor for Rs 49.47 lakh with a stipulation to complete the work in 12 months. The design and drawings of the treatment plant were awaiting (August 2007) approval from higher authorities. As a result, the work had not been started by the contractor. Similarly, the work of providing/laying and jointing/testing of rising main was reawarded (February 2007) to a contractor after rescinding the earlier contract (November 2002) due to delays. Another key component of the scheme viz. construction of main storage tank, was reportedly not possible due to land dispute. The work for the supply of power (SOP) had also not been started by the HPSEB.

Thus, lackadaisical approach in planning and execution delayed the completion of the project. The expenditure of Rs 3.98 crore incurred on partial execution had not served the intended purpose and remained unfruitful.

The EE confirmed the facts and stated (July 2007) that component wise technical approval was obtained and that technical sanction for the whole work would be obtained after preparation of detailed estimates. The reply is not acceptable as technical sanction is required before commencement of the work. Further despite time overrun the work is incomplete. It is also still not known whether work will be completed within the required sanction.

3.2.10 Operation and maintenance

As per the guidelines, upto 15 *per cent* of the total funds allocated under ARWSP were to be spent on operation and maintenance (O&M) of the

existing water supply schemes. The funds earmarked for O&M were not permitted for use in creation of capital assets.

It was noticed that out of total Central release of Rs 479.82 crore under ARWSP during 2002-07, Rs 71.97 crore were required to be spent on O&M of the completed schemes. However, the Department had incurred an expenditure of only Rs 58.14 crore ranging between 10 to 13 *per cent* of the total allocation between 2002-07 instead of 15 *per cent*. Evidently, the funds required for O&M of existing water supply schemes were spent for taking up of new WSS in contravention of the guidelines.

3.2.11 Other deficiencies

3.2.11.1 Undue financial aid to contractor

As per contract agreement, the work awarded to a contractor is required to be completed within the stipulated period, failing which the contractor is liable to pay compensation at the rate of one *per cent*, per day, of delay subject to a maximum of 10 *per cent* of the tendered amount.

It was noticed in seven divisions²² that 76 works (completed: 30 works and in progress: 46 works) were awarded to various contractors between December 2002 and March 2007 at tendered cost of Rs 5.35 crore. The contractors were required to complete the works within 15 days to 6 months. However, the contractors neither completed the respective works within the stipulated period nor applied for extension of time. The EEs had also not taken any action to levy compensation, as required. This resulted in undue financial aid of Rs 53.53 lakh to the contractors.

The EEs confirmed the facts (June-August 2007) but did not furnish any cogent reasons for the lapse.

3.2.11.2 Awaited utilisation certificates

In nine divisions²³ Rs 7.32 crore were advanced (March 2002 to March 2007) to HPSEB for supply of power to 106 lift WSS for 1,717 habitations. The expenditure was charged as final expenditure by debiting to the final head of account of the schemes instead of keeping the same under the suspense head "Miscellaneous Works Advances", pending execution of works. Of the total

²² Barsar, Dehra, Ghumarwin, Hamirpur, Rohru, Shimla and Solan.

²³ Barsar, Bilaspur, Dehra, Ghumarwin, Hamirpur, Nahan, Rohru, Shimla and Solan.

106 schemes, power had been supplied by the HPSEB to 18 completed schemes for 348 habitations. The remaining 88 schemes for 1,369 habitations were still in progress. The utilisation certificates (UCs) in respect of advance payments had not been obtained as of July 2007.

The EEs stated (June-August 2007) that the advance payments were charged to the final head of account to exhibit utilisation of available budget allotment and efforts to obtain the UCs were underway. The contention is not tenable because action of the divisions was not in accordance with the provisions of Financial Rules and programme guidelines.

3.2.12 Quality Control

3.2.12.1 Shortfall in testing quality of water

As per departmental instructions, fortnightly testing of water samples of rural WSS to ensure safe drinking water during the rainy season and monthly testing thereafter is required to be conducted, in the State laboratories. The Public Accounts Committee in its 167th Report (Ninth Vidhan Sabha) had observed (March 2000) that the position regarding testing of drinking water was not satisfactory in the State and recommended that effective steps should be taken to avoid any serious disease.

Test-check of records of nine divisions²⁴ revealed that in respect of 130 schemes, against the required 3,930 water tests to be conducted during 2002-07, only 478 tests were actually done resulting in shortfall of 88 per cent.

It was further noticed in three other test-checked divisions²⁵ that 1,539 tests were required to be conducted in respect of 43 water supply schemes completed during 2002-07. Though the concerned EEs stated that water tests were being conducted as per norms, documentary evidence to this effect was not made available.

Thus, due to inadequate testing of water, the quality of water supplied to the beneficiaries could not be vouched.

²⁴ Bilaspur, Ghumarwin, Nahan, Nurpur, Paonta Sahib, Rampur, Rohru, Shimla and Solan.

²⁵ Barsar, Dehra and Hamirpur.

3.2.12.2 Undue financial benefit to the Himachal Pradesh State Civil Supplies Corporation

An amount of Rs 19.35 lakh was allocated (December 2005) to EE, Solan division for the improvement/upgradation of testing equipment of Water Testing Laboratory, Kandaghat under ARWSP. Scrutiny of records revealed (June 2007) that Rs 19.35 lakh were paid (March 2006) to the Managing Director, HPSCSC Shimla for the procurement of the laboratory equipment. However, neither the material was supplied nor the amount refunded by the Corporation as of June 2007.

The EE stated (October 2007) that Rs 19.35 lakh deposited with the HPSCSC would be got refunded, as fresh supply orders were being placed on other firms shortly. It was further stated that though water testing equipment were about to outlive their utility, water tests were being conducted as usual. Reply of the EE indicates that funds for the procurement of the equipment were advanced to the HPSCSC without adequate justification.

Failure of the division to procure the requisite equipments despite availability of funds during 2005-06 has resulted in non-improvement/upgradation of the water testing laboratory besides, undue financial benefit to the HPSCSC and blocking of Government funds.

3.2.13 Inventory of assets

As per guidelines, each village *panchayat*, block and district is required to maintain a complete inventory of drinking water sources created under ARWSP, indicating date of start and completion of the Project, cost of completion, depth in case of the spot sources, agency responsible for operation and maintenance and other relevant details. The inventory of assets created is also required to be available with the field functionaries of the implementing department. It was, however, noticed in test-checked divisions that no records of assets created had been maintained.

The SE, (Planning and Investigation-I) stated (September 2007) that the work of preparation of inventory was in progress.

3.2.14 Monitoring and Evaluation

(i) To ensure timely completion of ongoing works as per approved specification, the E-in-C issued instructions in June 1994 and April 2000 for

the inspection of works. As per these instructions, the EE was required to visit the construction site once a month and record the inspection note for onward transmission to the E-in-C and the Secretary of the department.

It was, however, noticed in 12 test-checked divisions that against the stipulated 4,116 inspections to be carried out by the EEs in respect of 343 ongoing works under ARWSP during 2002 to 07, only 502 inspections were conducted, resulting in shortfall of 88 *per cent*. Evidently, works were not inspected adequately.

(ii) 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 noticed that a State Monitoring and Investigation Unit (MIU), headed by the SE had been set up at State headquarters to collect information regarding implementation of water supply schemes. However, the MIU did not have the details of inspection of works and progress reports/returns regarding implementation of the programme.

(iii) As per ARWSP guidelines (August 2000), the State Government was to conduct the evaluation studies on the implementation of the rural water supply programme. It was, however, noticed that no such studies had been carried out so far (August 2007) with a view to assess the impact of the programme with regard to supply of safe and adequate drinking water to the left out habitations in the rural areas.

3.2.15 Conclusion

The survey of rural habitations, started in August 2003 was still (September 2007) awaiting approval from GOI. Further action plan based on the latest survey results is yet to be framed by the Department (September 2007). Some of the funds released by the GOI for implementation of the programme were either irregularly utilised or diverted to other schemes not approved under ARWSP. Irregular stock adjustments were carried out just to utilise the available funds. There were time and cost overruns in the execution of the schemes. Despite spending crores of rupees on the programme during the earlier years, no evaluation studies had been carried out to ascertain the extent of achievement of the objectives. Monitoring was ineffective and inadequate.

3.2.16 Recommendations

- **A strategic Action Plan to cover all the NC and PC habitations as per the latest survey of 2003 should be framed and implemented forthwith to provide drinking water to them within a fixed time frame.**
- **Proper utilisation of funds provided by the GOI under ARWSP should be ensured to achieve the intended objectives.**
- **Internal control mechanism should be strengthened for efficacious and efficient implementation of the programme.**
- **Water quality testing system should be improved/upgraded to ensure supply of safe drinking water.**
- **Evaluation studies should be conducted periodically to ascertain the extent of achievement and impact of the programme.**

The Principal Secretary accepted (September 2007) the audit findings and assured that compliance would be reported soon.

Public Works Department

3.3 National Highways

Highlights

National Highways are important roads conforming to the latest road safety norms between the State capitals, industrial towns, places of tourist attraction and other places of historical and religious importance. Performance audit of National Highways revealed that central funds were underutilised by the State Government, while various claims of reimbursement were either withheld or disallowed by the GOI for violation of prescribed norms. Labour was deployed for maintenance of national highways in excess of the norms. Lack of proper survey and estimation resulted in time and cost overruns, non-completion of works and delay in award of works. Monitoring of programmes of the national highways was not adequate. Significant audit findings are given below:

- *Against the allocation of Rs 45 crore for original works during 2004-05, Department could utilise Rs 39.56 crore only. Resultantly, allocation for the year 2005-2006 was reduced by the GOI to Rs 39 crore.*

(Paragraph 3.3.7.3)

- *The GOI withheld Rs 16.08 crore, while Rs 9.73 crore were disallowed on account of expenditure on non-permissible items. The State Government had to suffer a loss of Rs 1.45 crore on account of nine per cent agency charges on withheld claim of Rs 16.08 crore.*

(Paragraph 3.3.7.4)

- *The State Government deployed labour for maintenance of national highways during 2002-07 in excess of the norms prescribed by the GOI, which resulted in unauthorised expenditure of Rs 17.97 crore. Further, labour deployed by the State Government was in excess of its own norms, which resulted in avoidable expenditure of Rs 7.26 crore.*

(Paragraph 3.3.9.1)

- *There was time overrun of 75 months and cost overrun of Rs 1.02 crore in construction of bridge across Solding khad. The excess expenditure was irregularly met out of Calamity Relief Fund.*

(Paragraph 3.3.8.1)

➤ *A bye pass to Kullu town completed (September 2004) at a cost of Rs 25.26 crore could not be put to use due to non-completion of a bridge at Jia, which was to be completed by September 2004. A sum of Rs 14.06 crore had been spent on the latter bridge upto March 2007.*

(Paragraph 3.3.8.2)

3.3.1 Introduction

The National Highways (NHs) Act, 1956 empowers the GOI to declare certain highways as NHs. National highways are important roads conforming to the latest road safety norms between the State capitals, industrial towns, places of tourist attraction and other places of historical and religious importance. The Ministry of Shipping, Road Transport and Highways (MOSRT&H) is primarily responsible for development and maintenance of NHs and is entrusted with the overall planning, sanctioning of projects and the provisioning of funds from the central budget outlays on NHs. The activities of NHs in HP are monitored by the regional office of MOSRT&H, headed by a Superintending Engineer at Chandigarh. The actual work of construction and maintenance of NHs is entrusted to the State Governments on agency basis under the provisions of Article 258 of the Constitution for which nine *per cent* agency charges are claimed by the State Government from the MOSRT&H. There are currently seven NHs in the State with a total length of 1,226.781 kms. Besides, two bye passes¹ with a total length of 15.065 kms are also under construction in the State. The role of the State Government is mainly to maintain, upgrade and improve the riding quality of existing NHs and carry out ordinary annual repairs. The seven NHs are:

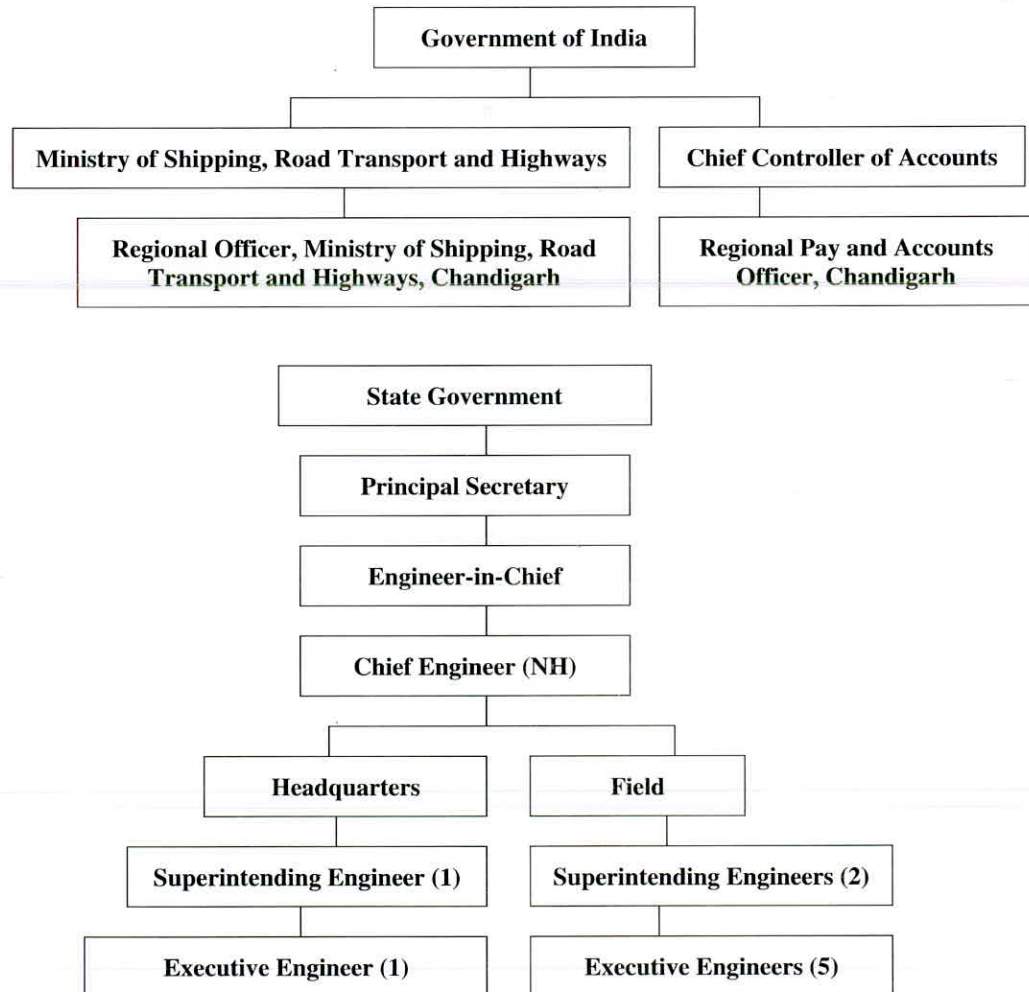
- (i) NH-20-Pathankot-Chakki-Mandi road (196.8 kms.)
- (ii) NH-21-Chandigarh-Mandi-Manali road (228 kms.)
- (iii) NH-21A-Pinjore-Nalagarh-Swarghat road (48.875 kms.)
- (iv) NH-22-Ambala-Kalka-Shimla-Wangtoo-Kaurik road (293.276 kms.)
- (v) NH-70-Jalandhar-Hoshiarpur-Gagret-Mubarakpur-Amb-Nadaun-Hamirpur-Tauni Devi-Awahdevi-Tihra-Dharampur-Kotli-Mandi road (205.130 kms.)
- (vi) NH-72- Ambala- Naraingarh-Kala Amb-Paonta –Dehradun -Rishikesh - Haridwar road (57 kms.)
- (vii) NH-88-Shimla-Brahmpukhar-Ghagas-Hamirpur-Nadaun-Ranital-Matour road (197.7 kms.)

¹ Kullu Bye pass (12.835 kms) and Realignment of NH-22 between Wangtoo and Kaksthal (2.230 kms).

3.3.2 Organisational set up

The Regional Officer at Chandigarh acts as the local representative of MOSRT&H in order to render effective help to the State Public Works Department (PWD) in the areas of planning, field investigations, preparation of detailed project estimates and execution of NH works. He also acts as Drawing and Disbursing Officer for the purpose of making payments under the Direct Payment Procedure (DPP) to contractors through the divisions executing NH works, except for the works executed under Flood Damage Repairs (FDRs) and Ordinary Repairs (ORs) for which reimbursement of expenditure is claimed by the State Government.

The organisational set up of the State PWD in relation to NHs is as under:



3.3.3 Scope of Audit

Records of the Chief Engineer (CE), both the Superintending Engineers (SEs)² in the field and Executive Engineers (EEs) of all the five NH divisions³ covering the period from 2002-03 to 2006-07 were reviewed in audit during the period October 2006 to February 2007 to scrutinise the execution of works pertaining to development, maintenance and improvement of riding quality of NHs.

3.3.4 Audit objectives

The audit objectives were mainly to assess whether the:

- funds received from the GOI were utilised for the purpose in an economic, efficient and effective manner;
- claims were preferred on time with the GOI and reimbursement thereof received;
- labour norms were followed for maintenance of roads;
- planning to optimise the use of available resources was adequate;
- works were awarded and executed as per norms;
- internal control system, monitoring system for implementation including quality control of various works existed.

3.3.5 Audit criteria

The audit criteria used for assessing the performance of NHs programme were:

- Guidelines, instructions and orders of the GOI/State Government.
- Provisions of the NHs Act.
- Annual plans.
- Action plans for execution of jobs.
- Norms for deployment of labour for maintenance of NHs.
- Guidelines for quality control and monitoring of works.

² Shahpur and Shimla.

³ Hamirpur, Jogindernagar, Pandoh, Rampur and Solan.

3.3.6 Audit Methodology

Before commencing audit, the audit scope, objectives and criteria were discussed (November 2006) with the Principal Secretary of the Department in an entry conference. Both the circles and five divisions of the State PWD, responsible for development and maintenance of NHs were selected for test-check. Audit conclusions were drawn after scrutiny of records, analysis of available data by issuing audit memos and questionnaires and obtaining the response of departmental functionaries at various levels. The audit findings were discussed with the Principal Secretary in an exit conference (June 2007), and the views of the Government were incorporated at appropriate places in the review.

3.3.7 Audit Findings

3.3.7.1 Funding Pattern

Upto 31 March 2004, the State Government was to initially incur expenditure on construction and maintenance of NHs and then get it reimbursed from MOSRT&H. With effect from 1st April 2004, the system was changed to DPP by the MOSRT&H for NHs works on special repairs, periodical renewals, construction of new works and improvement of riding quality programme (IRQP) under major head 5054-Original Works and 3054-Maintenance and Repair. The transactions under DPP therefore, do not involve the State Government budgetary system. For ORs and FDRs, the previous system of reimbursement is continuing.

3.3.7.2 Financial Outlay and Expenditure

As per the procedure prescribed, the State Government is to prepare an Annual Action Plan (AAP) indicating its annual requirement of funds for any original work or maintenance of NH during any financial year. The AAP is scrutinised and approved by the MOSRT&H, after which, funds are allocated. The size of AAP is limited to 3.5 times the allocated funds minus the spilled over bank of sanctions⁴ from the preceding year. However, as a matter of fact allocation of funds depends on availability of funds with the MOSRT&H and performance of the State Government during the previous year. Based on approved AAP the estimates for obtaining administrative, financial and technical approvals are submitted separately by the State Government to the MOSRT&H for approval throughout the year. No unspent balances are allowed to be utilised in the succeeding year.

⁴ Available sanctions of the GOI at the start of the financial year.

The details of funds allocated by the GOI and those utilised by the State Government during 2002-07 were as follow:

Table: 3.3.1

(Rupees in crore)

Year	Funds allocated by GOI	Funds utilised by the Department	Variation in utilisation (+) Excess (-) Shortfall	Percentage of excess/less utilisation
Original Works				
2002-03	30.00	29.81	(-) 0.19	(-) 0.63
2003-04	32.00	25.87	(-) 6.13	(-) 19.16
2004-05	45.00	39.56	(-) 5.44	(-) 12.09
2005-06	39.00	38.99	(-) 0.01	(-) 0.03
2006-07	39.50	39.91	(+) 0.41	(+) 1.04
Total	185.50	174.14		
Maintenance Works				
2002-03	12.51	14.30	(+) 1.79	(+) 14.31
2003-04	13.45	13.49	(+) 0.04	(+) 0.30
2004-05	17.75	13.97	(-) 3.78	(-) 21.30
2005-06	23.27	18.18	(-) 5.09	(-) 21.87
2006-07	18.90	18.24	(-) 0.66	(-) 3.49
Total	85.88	78.18		
Grand Total	271.38	252.32		

Source: Departmental figures.

The following points were noticed:

- The State Government failed to utilise Central allocations (original and maintenance) to the extent of Rs 19.06 crore during 2002-07. The short utilisation was attributed by the Department to late receipt of sanctions from the GOI, limited working season, difficult terrain and shortage of professional contractors for specialised jobs. The contention of the Department regarding

late receipt of sanctions is not tenable as sufficient bank of sanctions⁵ was available.

➤ Against original works of the NHs there were major savings during 2003-04 (Rs 6.13 crore) and 2004-05 (Rs 5.44 crore). Similarly under maintenance works there were major savings during 2004-05 (Rs 3.78 crore) and 2005-06 (Rs 5.09 crore) indicating non-execution of original works/maintenance works to that extent.

➤ Physical targets for the execution of NH works had not been fixed. The CE attributed (June 2007) non-fixation of targets to involvement of a number of components in the scope of work. The contention is not tenable as due to several components it is all the more necessary to have a target oriented plan for physical progress and timely implementation of the programme. In the absence of any mechanism to monitor the physical progress of works at the State level, the possibilities of misappropriation, diversion and irregular execution of works cannot be ruled out.

3.3.7.3 Reduction in allocation due to poor performance

➤ The States with poor performance were to get proportionately lower allocation. It was decided (March 2005) by the GOI that the next year's allocation of funds to individual States would depend on their actual performance during the current year. During 2004-05, against the allocated funds of Rs 45 crore, the Department could spend Rs 39.56 crore (87.91 per cent) resulting thereby in shortfall in its financial performance by 12.09 per cent. As a result, the State's allocation for the year 2005-06 was reduced to Rs 39 crore which was 13.33 per cent less than 2004-05.

➤ Similarly, due to failure of the Department to finalise contract for "construction of a Bridge over Chakki *khad* on NH-20" the allocation for 2006-2007 was reduced (March 2007) from Rs 45 crore to Rs 39.50 crore.

The Principal Secretary attributed (June 2007) the poor financial performance to low bank of sanctions, limited working season and poor capacity of the contractors in the State. The reply is not tenable, considering the bank of sanctions available and the Department's knowledge regarding limited working season, topography of the State and working capacity of the contractors.

⁵ 2003-04: Rs 57.60 crore; 2004-05: Rs 57.90 crore; 2005-06: Rs 68.14 crore and 2006-07: Rs 84.71 crore.

Thus, lack of effective planning and management for better performance resulted in lesser allocation during 2005-07 besides depriving the public of quality communication facilities.

3.3.7.4 Non-reimbursement of expenditure

As mentioned in paragraph 3.3.7.1, until 31 March 2004, the State Government incurred expenditure on the construction and maintenance works of NHs upfront and claimed reimbursement from the GOI later.

As of 1st April 2004, the claim of the State Government outstanding with the GOI was Rs 16.06 crore in respect of five NH divisions.

A reference regarding outstanding claims for reimbursement was made in paragraph 4.2 of the Report of the Comptroller and Auditor General of India (Civil) for the year 2001-02. The Public Accounts Committee (PAC) in its meeting in October 2006 desired the latest position of withheld and disallowed claims along with steps taken towards immediate settlement of the same. The Principal Secretary in response informed the PAC that the orders for regularisation of expenditure would be issued immediately. However, no such orders had been issued as of February 2007.

The details of outstanding, withheld and disallowed claims for the period from 1979-80 to March 2007 in respect of all the 5 NH divisions is as shown in the following table:

Table: 3.3.2

(Rupees in crore)

Year	Withheld amount		Disallowed amount		Total	
	Original works	Maintenance and repair	Original works	Maintenance and repair	Withheld	Disallowed
1979-2002	7.87	6.46	0.56	0.37	14.33	0.93
2002-2003	4.69	1.12	0.02	1.38	5.81	1.40
2003-2004	(-) 4.88	0.80	1.00	7.20	(-) 4.08	8.20
2004-2005	--	--	--	0.05	--	0.05
2005-2006	--	0.02	--	0.06	0.02	0.06
2006-2007	--	--	--	0.02	--	0.02
Total	7.68	8.40	1.58	9.08	16.08	10.66

Source: Departmental figures.

Due to introduction of direct payment procedure with effect from 1st April 2004, withheld/disallowed claims during 2004-07 mainly pertained to maintenance and repair works only.

During the period from 2002-03 to March 2007, the MOSRT&H withheld Rs 1.75 crore in respect of existing five NH divisions on account of expenditure which was either in excess of sanctioned estimates or was not supported by proper documents etc. Besides, the State Government had suffered a loss of Rs 1.45 crore on account of agency charges (9 *per cent*) on withheld claims of Rs 16.08 crore. Rupees 9.73 crore were disallowed during 2002-07 on account of expenditure on non-permissible items such as stationery, storage charges, expenditure incurred on unsanctioned works, outturns/vouchers of the previous years, etc.

The Principal Secretary admitted (June 2007) the facts and stated that efforts were being made for getting the withheld/disallowed claims released from the GOI.

3.3.7.5 Financial indiscipline and impropriety

The MOSRT&H clarified (October 2001) that expenditure on NHs sanctioned prior to January 2000, should not exceed 15 *per cent* of the original sanctioned cost of the project or Rupees one crore, whichever was less. If the total expenditure was beyond these limits, fresh approval on revised cost estimate was required to be taken from the Ministry.

➤ In Jogindernagar division, 34 jobs of original works sanctioned (April 1991 to January 2000) at an estimated cost of Rs 17.36 crore were completed (July 1997 to May 2003) after incurring an expenditure of Rs 21.67 crore. The total expenditure had exceeded the permissible limit of Rs 19.96 crore (original sanctioned cost: Rs 17.36 crore plus 15 *per cent* of original sanctioned cost: Rs 2.60 crore), resulting thereby in unauthorised expenditure of Rs 1.71 crore, which was withheld by the MOSRT&H. The SE, NH, circle, Shahpur attributed (January 2005) the excess expenditure to engagement of labour in excess of the norms of the MOSRT&H. Taking a serious view of the financial indiscipline and impropriety, the EE responsible was charge sheeted (January 2005).

The Principal Secretary stated (June 2007) that the inquiry was still in progress with the Commissioner (Departmental Enquiries).

Transferring of any expenditure from original works to repair and maintenance and vice versa without any cogent reasons tantamounts to concealment of correct picture of pending claims.

➤ In Jogindernagar division, 13 original works sanctioned (March 1992 to March 2001) for Rs 17.21 crore were completed (June 1999 to March 2005) by incurring an expenditure of Rs 23.25 crore. Instead of preparing the revised estimates, the EE transferred (March 2004) expenditure of Rs 6.20 crore from aforesaid jobs to annual repairs and maintenance works which was not accepted by the MOSRT&H. The amount was withheld till the revised estimates were prepared and got approved. The irregular action of the division resulted in reduction of the withheld claims by Rs 6.20 crore besides forfeiting the agency charges of Rs 55.80 lakh during 2003-04. As the excess expenditure over allocation under M&R had already been incurred by the Division during 2003-04, the MOSRT&H did not allow charging of this expenditure to M&R.

The Principal Secretary stated (June 2007) that efforts were being made to get the amount regularised.

3.3.7.6 Pending reimbursement claims for want of funds

Reimbursement claims of Rs 9.54 crore on account of expenditure incurred (April 1998 to February 2003) by the State Government for development/up gradation and maintenance of NHs though cleared by the MOSRT&H had not been reimbursed by the GOI for want of funds as of June 2007. The State Government did not pursue the matter regarding reimbursement of claims effectively with the Regional Office. The delay in obtaining the reimbursement had resulted in unnecessary burden on the State Government, besides delaying receipt of Rs 85.86 lakh on account of agency charges.

The Principal Secretary stated (June 2007) that the matter was being taken up with the Ministry for allocation of additional funds.

3.3.7.7 Non-acknowledgement of payments and non-reconciliation of expenditure

As per DPP for execution of NH works, the EE on receipt of cheque from the RPAO is required to enter the same in the "cheque delivered register" and ensure proper acknowledgement of payment released to the contractors/parties/individuals. Further, the EE is required to send a monthly statement of bills and payments received from the RPAO to the State

Accountant General so as to enable him to calculate the amount of agency charges payable to the State. The EE is also required to reconcile the details of expenditure booked in his office with those in the Regional Office on a monthly basis. The reconciliation should not be postponed and in case of discrepancy between the two sets of figures, the Division is to depute an official to personally reconcile the same with the RPAO.

In three Divisions⁶, cheques amounting to Rs 63.03 crore were delivered (April 2004 to December 2006) to various parties, but neither 'cheques delivered register' had been maintained nor acknowledgements obtained. The other two Divisions⁷ did not supply the information. Similarly, neither monthly statements of bills and payments received from the RPAO were being prepared and submitted to the State Accountant General by any of five Divisions nor necessary reconciliation with the records of the Regional Office was being carried out every month. Thus, the correctness of the expenditure, agency charges and delivery of cheques to the concerned parties could not be authenticated and the possibility of fraud and misappropriation cannot be ruled out.

The Principal Secretary stated (June 2007) that the register of cheques is now being maintained and instructions were being issued to prepare monthly statements of bills and payments as required and carry out reconciliation with the records of the Regional Officer regularly.

3.3.8 Planning and Physical Performance

Planning mainly covers survey and estimation with reference to time and cost, prioritisation, convergence with other agencies working on NHs, proper allotment and utilisation of funds, etc., so as to complete the work within the stipulated time and estimated cost. As per the policy of the MOSRT&H, the existing NHs were to be widened and strengthened to double lane in a phased manner depending on availability of funds. However, there was no master plan for the upgradation and maintenance of NHs. The following points were noticed in this regard.

3.3.8.1 Time and cost overrun in construction of Solding bridge

MOSRT&H accorded financial sanction and technical approval for Rs 4.53 crore for the construction of a bridge over Solding *khad* at km 322 of NH-22 in Kinnaur district. Due to provision of an innovative steel arch bridge alongwith curved viaduct, the award of work was delayed and was finally awarded (July 1997) to a contractor on lump sum contract basis. However,

⁶ Jogindernagar, Rampur and Solan.

⁷ Hamirpur and Pandoh.

due to increase in the cost of material, labour, etc., the estimate was revised (January 1998) by the MOSRT&H to Rs 8.62 crore for completion by March 2000.

Test-check of records of Rampur Division revealed that the work was completed (July 2006) at a cost of Rs 9.64 crore despite the fact that the division knew that MOSRT&H does not allow cost overrun. Thus, the bridge was completed with time overrun of 75 months and cost overrun of Rs 1.02 crore. Since the MOSRT&H disallows cost overrun, the extra expenditure was irregularly met from the deposits received by the State Government under Calamity Relief Fund (CRF). Thus, the State Government had been put to an extra burden of Rs 1.02 crore and loss of agency charges of Rs 9.18 lakh. Besides, escalation charges of Rs 51.54 lakh paid to the firm after August 2000 were avoidable.

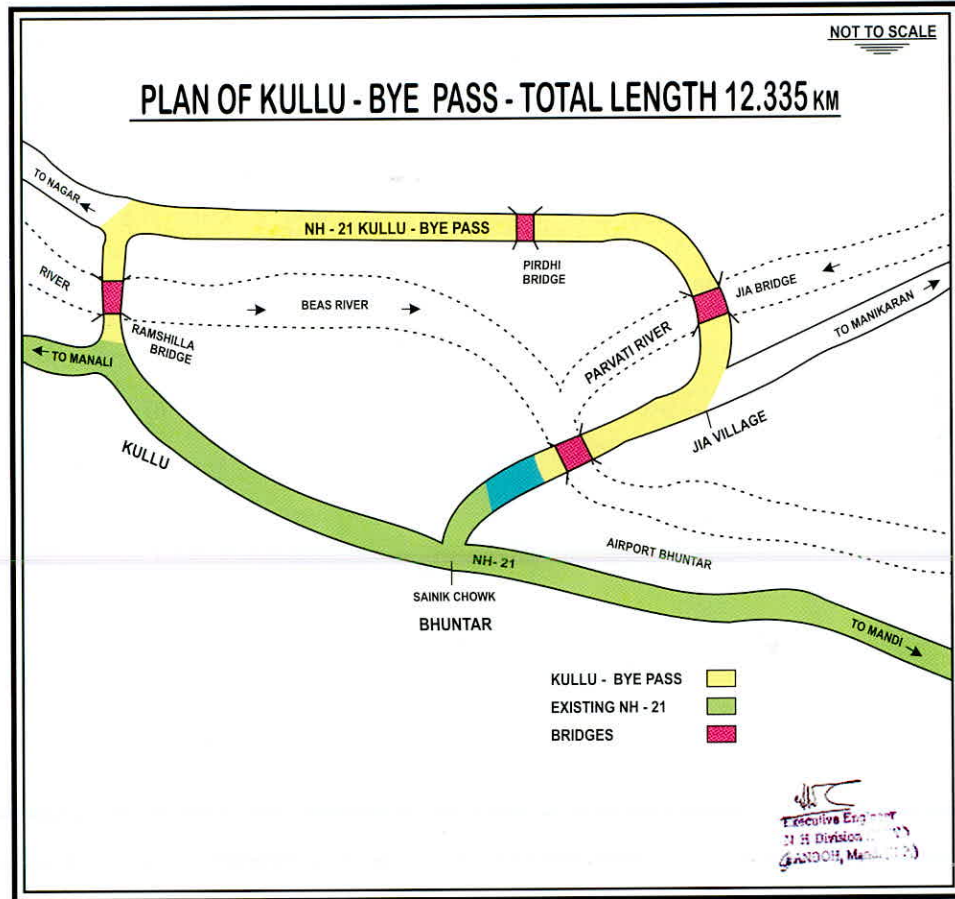
The Principal Secretary attributed (June 2007) time overrun and resultant cost overrun to (i) delay in appointment of consultant and finalisation of design/drawings (ii) flash floods in Solding *khad* (iii) tough topography and limited working season. He further stated that second revised estimate was not prepared as MOSRT&H does not allow cost overrun and without payment of escalation charges, the firm was not willing to continue with the work, completion of which had been considerably delayed. The reply is not tenable as all the reasons mentioned by the Government were known as far back as December 1990 and MOSRT&H should have been kept informed so that burden of extra cost is not borne by the State Government.

3.3.8.2 Delay in completion of Kullu bye pass

In view of heavy traffic on NH-21, a proposal to provide a 12.335 kms bye pass to Kullu town was approved (March 2001) by the MOSRT&H for Rs 46.40 crore for completion by March 2002. The estimate included provision for the construction of road and three bridges. The bye pass including one major bridge at Ramshilla over river Beas and one minor bridge over Pirdhi *nallah* was completed (September 2004) after a delay of 29 months at a cost of Rs 25.26 crore. However, this huge investment could not be made fruitful due to non-completion of the third major bridge over river Parvati at Jia. The bridge at Jia was initially targeted for completion by August 2001 but due to frequent revision in schedule the target date for completion was revised to September 2004. The contractor however, failed to complete the bridge work (December 2006). The MOSRT&H issued instructions (July 2006) that in case of failure of the contractor to complete the work by February 2007, the Department may propose penal action against the contractor. It was, however, noticed that no penal action had been proposed even though clause 64 of the contract provides for 5 per cent penalty in case of

delay. An expenditure of Rs 14.06 crore had been incurred on construction of 252 Rmt viaduct and 35 Rmt deck slab upto March 2007, whereas 85 Rmt deck slab, 120 x 2 Rmt foot path, crash barrier for deck slab and furnishing, etc., were yet to be constructed.

Map: 3.3.1



Thus, the bye pass including two bridges (Ramshilla and Pirdhi) completed (September 2004) at a cost of Rs 25.26 crore could not be opened for public use due to an abnormal delay in completion of the bridge at Jia by more than five years. The purpose of construction of bye pass to allow uninterrupted traffic and diversion of heavy traffic to ease out congestion in Kullu town was also not achieved. Besides, escalation charges of Rs 60.04 lakh paid to the firms⁸ due to non-completion of major bridges within the stipulated time were avoidable and undue benefit of Rs 61.36 lakh extended to the contractor due to non-levy of compensation.

⁸ M/s Gamon India Ltd., Mumbai and M/s V.K. Sood, Chandigarh.

The Principal Secretary stated (June 2007) that for the construction of Jia bridge, the technology and methodology was adopted for the first time in India by importing the same from Switzerland. It was further stated that the Department as well as the executing agency did not have any prior experience of time span involved in the execution of such altogether new technology. The reply is not acceptable as the contractor had prior experience of constructing similar arch type bridge in Anandpur Hydel Channel and had agreed to complete the bridge by August 2001. The technology and methodology of the bridge was in the knowledge of the contractor at the time of tendering. Further, the contractor had assured (July 2003) the completion of the bridge by May 2004. The bridge is now targeted for completion by September 2007. Evidently, undue benefit is being given to the contractor.

3.3.8.3 Delay in award of works resulted in loss of agency charges and lapse of sanctions

To ensure expeditious tendering of the sanctioned works and also to avoid time and cost overruns, the MOSRT&H decided (July 2001) that the works costing less than Rs 5 crore be awarded within a period of five months. However, the MOSRT&H could condone the delay on justified grounds.

The following points were noticed in this regard:

- In three divisions⁹, four¹⁰ original works, each estimated to cost less than Rs 5 crore (sanctioned between November 2002 and September 2003) were not awarded within five months, resulting in withholding of agency charges of Rs 24.76 lakh. The delay in award of work was attributed (January 2007) by the EEs to time consumed in finalisation of tenders. The reply is not tenable as awarding of works estimated to cost less than Rs five crore should have been ensured within five months as required.

- The MOSRT&H accorded (March 2005) sanction for Rs 49.33 lakh including agency charges of Rs 3.98 lakh for providing boundary pillars, hactometer stones, signage, etc., on NHs falling under five NHs divisions. The sanction was valid upto March 2006. As five divisions were involved, split up sanction was required to be obtained from the MOSRT&H immediately. However, the CE applied for split up sanction as late as in October 2005, which was received in November 2005. The Divisions, however, failed to take up the works within the currency (March 2006) of the sanction. Consequently, its validity lapsed and the State Government was deprived of the Central assistance of Rs 49.33 lakh.

⁹ Jogindernagar, Pandoh and Rampur.

¹⁰ Improvement of riding quality of NHs: three works and stabilisation of Hill slope: one work.

The Principal Secretary stated (June 2007) that the delay in one out of four cases referred in sub-para above had been condoned (September 2005) by the Ministry and that the matter to get the agency charges in this case and condonation of delay in the remaining three cases was being taken up. As regards lapsing of validity of Rs 49.33 lakh, the Principal Secretary stated that the work could not be executed due to some technical flaw. The reply is not tenable as the Department had sufficient time to obtain split up sanction and to remove technical flaw before lapse of sanction.

3.3.8.4 Avoidable application of tack coat

Under the MOSRT&H specification, bituminous macadam (BM) shall be provided with final surfacing without any delay or shall be covered by a seal coat¹¹ before allowing traffic over it. The seal coat in such cases shall be considered incidental and shall not be paid for separately. The objective of covering the BM with seal coat is to save it from damages by traffic and contamination from dust. Further, tack coat¹² is not needed on a freshly laid black top layer if it is immediately followed by another black top layer within two days. The contractor shall provide and maintain during execution of work, a passage for traffic either along a part of the existing carriageway under improvement or along a temporary diversion constructed close to the highway.

In three¹³ NH divisions bituminous works for improvement of riding quality were done (February 2001 to October 2006) at an expenditure of Rs 28.26 crore. These works included an item of BM laid over an area of 10,20,400 sqm double laned NHs at a cost of Rs.13.51 crore which was opened to traffic before providing final surface or seal coat. The total expenditure of Rs 13.51 crore included Rs 0.37 crore on account of cost of tack coat, necessitated due to non-providing of final surfacing simultaneously. Non-provision of final surface immediately after BM led to application of tack coat costing Rs 0.37 crore, which was avoidable.

The Principal Secretary stated (June 2007) that it was practically not possible to detain and divert traffic during execution of work on a single lane or even on double lane in view of the high intensity of traffic. The reply is not tenable as the Department had not provided in the agreements for regulation/diversion of traffic by the contractors even in the double laned NHs as required under MOSRT&H specifications.

3.3.8.5 Avoidable expenditure due to delay in cancellation of awarded job

The EE, Pandoh division invited (January 2003) tenders for execution of original work "Improvement of Riding Quality of NH-21 from kms 156/750 to

¹¹ Seal coat: Mixture of sand and bitumen.

¹² Tack coat: Bitumen only.

¹³ Jogindernagar, Pandoh and Solan.

163/0". The work was awarded (June 2003) to the lowest firm for Rs 1.06 crore and was stipulated for completion by December 2003. Since the contractor failed to commence the work, the contract was rescinded (November 2003) after forfeiting the earnest money. The EE attributed (February 2006) rescission of the contract to low rates quoted by the contractor which were reportedly not workable. Instead of inviting the second lowest contractor for negotiation, tenders were re-invited (November 2003) and the work was awarded (March 2004) to another contractor for Rs 1.07 crore for completion latest by September 2004. The second contractor also failed to start execution of the awarded job. Consequently, this contract was also cancelled (June 2004). Tenders were invited for a third time (June 2004) and the job was awarded (October 2004) for Rs 1.25 crore. The third contractor completed the work in April 2006.

Scrutiny of records of the division revealed (February 2006 and January 2007) that the contractor who completed the job was the second lowest for Rs 1.08 crore at the first call. Had the division acted prudently for timely award and cancellation of first contract and awarded the work to the second lowest contractor at risk and cost of first contractor by holding negotiation within the validity of the tender, an extra expenditure of Rs 17.68 lakh besides time overrun of 12 months in awarding the work could have been avoided.

The Principal Secretary stated (June 2007) that point had been noted for future and that instructions were being issued to the staff.

3.3.8.6 Change in design and scope after awarding of work

Designing should be based on adequate field data to avoid subsequent changes in work causing cost overrun.

The original work "Improvement of riding quality on NH-20 (Pathankot-Chakki-Mandi road)" kms 106/0 to 115/0 approved (May 2003) by MOSRT&H was awarded (September 2003) to a contractor for Rs 1.01 crore for completion by March 2006. As per condition of technical note, no work beyond the scope of sanctioned estimate should have been undertaken without obtaining prior written approval of the MOSRT&H.

However, during execution, the EE Jogindernagar division allowed (December 2003) change in specification of bituminous items and also increase in scope of work of certain items without the approval of the MOSRT&H which resulted in extra financial implication of Rs 23.50 lakh. Consequently, MOSRT&H withheld (March 2004) Rs 23.87 lakh including agency charges of Rs 1.97 lakh.

The Principal Secretary confirmed (June 2007) the facts and stated that the matter would be taken up with the MOSRT&H to get the amount released soon. Recovery appears remote as there was a delay of over three years in claim.

3.3.9 Other deficiencies

3.3.9.1 Deployment of labour for maintenance of National Highways in excess of norms

As per norms fixed by the MOSRT&H for deployment of labour for maintenance of NHs, 0.3 labour per km was to be deployed. Any expenditure incurred on the wages of labour in excess of the norm was an extra burden on the State Government because such unauthorised expenditure was not being reimbursed by the MOSRT&H. The following points were noticed:

➤ The State Government decided (June 2004) to fix labour norms for maintenance of NHs @ one person per km in general and @ 1.3 persons per km in particular for NH-22 beyond Shimla upto Wangtoo (Kinnaur district). The decision was taken without approval from the GOI to relax the existing norms.

Test-check of records of all the five divisions revealed that for the maintenance of seven roads (length ranging between 666 kms and 1243 kms), against the prescribed norms of 200 to 374 labour, 1,245 to 1,656 people were deployed between April 2002 and September 2006, which resulted in unauthorised expenditure of Rs 17.97 crore on the excess deployment of labour.

➤ It was also decided (June 2004) that surplus labour over and above the revised norms (fixed by the State Government) be transferred from the concerned NH divisions to other non-NH divisions of the Department.

However, labour ranging between 111 and 823 remained deployed even in excess of norms/policy of the State Government for the maintenance of four NHs under four divisions¹⁴, thereby, resulting in avoidable expenditure of Rs 7.26 crore between April 2002 and September 2006.

The Principal Secretary stated (June 2007) that the details of extra labour was being worked out and that the extra labour would be transferred to the needy civil divisions. The reply of the Principal Secretary is indicative of the fact that the Government has yet to implement its own decision even after three years.

¹⁴ Jogindernagar, Pandoh, Rampur and Solan.

3.3.9.2 Overpayment to firms due to allowing payment of inadmissible item

In Rampur and Solan divisions, improvement of riding quality works awarded (October 2002) to two firms at tendered amount of Rs 7.31 crore were completed between March 2003 and November 2003. Total payments of Rs 7.40 crore were made to the firms.

Test-check of records of these divisions revealed (November-December 2006) that an item "Laying of Bituminous Macadam" included the component of profile correction course also. Thus, this item was not to be measured and paid for separately. However, profile correction course in an area of 20,920 square metres was measured and paid extra, which resulted in overpayment of Rs 27.70 lakh (Solan: Rs 24.77 lakh and Rampur: Rs 2.93 lakh) to the firms.

The Principal Secretary stated (June 2007) that in respect of Solan division, recovery of extra item had been shown in the final bill, which was in minus and the case of which was under arbitration. As regards Rampur division, it was stated that due to heavy rains a number of pot holes had developed and it was necessary to fill them. The reply is not tenable as the item of profile correction had already been taken into account and added in the item of BM while finalising the estimates and entering into agreements. Hence there has been extra payment of Rs 27.70 lakh to the contractors.

3.3.9.3 Non-renewal of licence deed

As per MOSRT&H instructions (July 1999 and August 2000) the licence deed for use of NHs land for approach road to the retail outlet of oil companies is valid for three years and is to be renewed thereafter. EEs were required to maintain a record of retail outlets in a prescribed format so as to take up the case four months before the lapse of the licence deed. Further, as per instructions (October 2003) of the MOSRT&H, the oil companies or the owners installing fuel stations from the above date were required to enter into an agreement with the MOSRT&H according to which there would be a one time fee of Rs one lakh in consideration of the agreement with a validity period of 15 years.

The scrutiny of records of NH divisions in respect of 134 fuel stations/petrol pumps (67 each installed prior to and after October 2003) installed along seven NHs in the State, disclosed the following:

- No record of outlets either in the prescribed format or in any other form had been maintained by any of the divisions.

- Out of 67 outlets installed before October 2003, the EEs did not know the date of expiry of the last licence deed in respect of 65 outlets. Only two owners who had installed their outlets along NH-22 under Rampur division had been depositing licence fee of Rs 1,500 each per annum.
- Of the 67 pumps/outlets installed between 2003 and 2007, the owners of 24 outlets only had entered into agreements with the MOSRT&H and deposited one time fee of Rs one lakh each. The requisite fee aggregating to Rs 43 lakh in respect of remaining 43 cases had not been deposited.

The Principal Secretary stated (June 2007) that dates of expiry of licence deeds in respect of petrol pumps installed before October 2003 were being worked out. As regards 43 cases sanctioned after October 2003, it was stated that the cases were under process. Reply indicates that the instructions of the MOSRT&H were not adhered to by the Department.

3.3.9.4 Non-recovery of compensation from contractors

As per penal clause of the agreement, if a contractor fails to complete the work within the stipulated time for reasons not attributable to the Department, compensation at the prescribed rate for delay in completion of awarded work is levied and recovered from him.

In three divisions,¹⁵ four sanctioned jobs of special repairs and improvement of riding quality (IRQ) on three NHs were awarded to four contractors between July 2001 and June 2005 at tendered amount aggregating Rs 4.09 crore for completion between three and six months. Since the contractors had failed to complete the jobs within the stipulated time, compensation of Rs 27.19 lakh was levied on them between April 2003 and March 2006. Department has not taken adequate steps to recover the dues.

The Principal Secretary stated (June 2007) that in one case (Solan division) the contractor had filed a suit (March 2005) against levy of compensation and forfeiture of security in the court, while efforts were afoot to recover the amount of compensation from the remaining three contractors.

3.3.9.5 Concealment of receipts

Due to flash floods (August 2003) a 6.50 metre span RCC slab culvert over Barooni *nallah* (district Shimla) at km 284/660 of NH-22 was washed away. Both side approaches in a length of 400 metres and portion of the same road in a length of 220 metres were also washed away. Resultantly, the link to the tribal areas and to the international border with China was disrupted. To restore the damages, Rs 0.82 crore were spent (August 2003) by the Rampur

¹⁵ Jogindernagar, Rampur and Solan.

division which was reimbursed (March 2005) by MOSRT&H. On receipt of funds from the MOSRT&H, the EE remitted the amount into the treasury under deposit head of account. Of this, an expenditure of Rs 60.01 lakh had been incurred for clearance of old liabilities relating to NH and the balance of Rs 22.13 lakh was lying unutilised as of June 2007.

Similarly, the EE, Karchham division had incurred (2001-2005) an expenditure of Rs 1.76 crore for the construction of bridges over Panvi *khad* and Satluj river at Kaksthal including approaches and realignment of NH-22 across Wangtooo to Kaksthal out of State funds. The MOSRT&H released (December 2004) Rs 1.76 crore to the division which was kept under deposit head of account. Of this, an amount of Rs 75.96 lakh was spent for clearance of old liabilities of the bridges. The balance amount of Rs one crore which was required to be credited to the Government account, had been lying unutilised in deposits as of June 2007.

The Principal Secretary while confirming the facts stated (June 2007) that the amount was kept in deposit to clear the liabilities of State funds. The reply is not tenable as even after clearance of old liabilities Rs 1.22 crore is still lying unutilised for more than two years in deposit head.

Thus, due to non-crediting of Rs 1.22 crore into public exchequer, the Government receipt was concealed to that extent.

3.3.9.6 Delay in utilisation of Calamity Relief Fund

It was noticed (November 2006-January 2007) that the State Government had provided (2004-07) Rs 13.56 crore (2004-05: Rs 3.85 crore; 2005-06: Rs 6.71 crore and 2006-07: Rs 3.00 crore) under Calamity Relief Fund (CRF) to four NH divisions¹⁶ for restoration of damaged roads due to natural calamities. Of this, only Rs 7.77 crore had been utilised (December 2006) and the balance of Rs 5.79 crore remained unutilised (December 2006).

The EEs while admitting the facts stated (November 2006-January 2007) that the works on which unutilised funds of Rs 5.79 crore were to be spent were under progress. Replies of the EEs were not tenable as these funds were required to be utilised immediately on their receipt to restore the damages caused due to natural calamities.

¹⁶

Jogindernagar, Pandoh, Rampur and Solan.

3.3.9.7 Non-finalisation of contracts of completed works

In four divisions¹⁷, 26 works/jobs undertaken for execution between 1997-98 and 2005-2006 at tendered amount of Rs 38.11 crore were completed between March 2004 and December 2006. Gross payment of Rs 39.63 crore had been released to the contractors but completion report of roads had not been prepared as required under rules. The divisions were, thus, not aware of the unadjusted liabilities of completed jobs. This is fraught with the risk of accommodating fraudulent accounting adjustments.

The Principal Secretary stated (June 2007) that all the EEs had been directed to finalise the pending bills on priority basis and to submit the deviations to the competent authority immediately.

3.3.10 Lack of internal control and quality assurance

Guidelines of the MOSRT&H provide for three levels of supervision *viz.* (i) an independent test by the concerned Engineer-in-Charge (E-in-C), (ii) 10 *per cent* of such tests in the presence of the concerned EE and (iii) quarterly visit by the concerned SE to ensure quality of road works.

It was noticed that no independent tests were conducted by the E-in-C. 10 *per cent* of required tests in the presence of EE had not been ensured. The concerned SEs were required to issue at least 87 inspection notes between April 2002 and December 2006 but these were issued in only exceptional cases. These deficiencies were also pointed out (November 2006) by the State Quality Monitor during inspection of two divisions¹⁸.

The Principal Secretary stated (June 2007) that all out efforts were being made to improve quality in the execution of NH works.

3.3.11 Monitoring and evaluation

As per guidelines, the contractors are required to furnish a programme of execution of every contract work to the division for monitoring and necessary action for removal of bottlenecks, slippages, etc., if any by the EE/SE. A consolidated statement in this regard is further required to be sent to the Regional Officer by the respective SE of the Department. No consolidated statements with regard to action taken for removal of bottlenecks, slippage etc., were submitted to the RO. Besides, failure to take roughness measurements and photographs as an aid to more effective monitoring of road construction and maintenance operations and to remove encroachments and

¹⁷ Hamirpur, Jogindernagar, Pandoh and Rampur.

¹⁸ Hamirpur and Jogindernagar.

unauthorised constructions along NHs were other indicators of inadequate monitoring system.

The Principal Secretary stated (June 2007) that the monitoring system was being strengthened and that the progress of all the works would be monitored closely to ensure timely completion of works.

3.3.12 Conclusion

As discussed in the foregoing paragraphs, the State Government failed in the area of effective planning, financial management, coordination and monitoring of works compounded by shortcomings of the Department in execution of construction and maintenance works.

The State Government could not ensure full utilisation of the funds released by the GOI resulting in curtailment in subsequent allocations. Inadequate supervision, financial indiscipline and impropriety led to withholding of claims and increase in disallowed claims. Inadequate monitoring to ensure completion of works within fixed time schedule resulted in time and cost overrun. Failure to award works within prescribed time frame resulted in lapse of sanctions and withholding of agency charges by GOI.

3.3.13 Recommendations

- **Effective planning and better financial management need to be ensured to utilise the allocated funds economically and effectively by close monitoring of works approved for execution.**
- **The areas of estimation needs to be given more attention to avoid changes in scope of work at later stage.**
- **Contractual clauses and instructions issued by MOSRT&H need to be followed in letter and spirit to manage the execution of works effectively in an economical and efficient manner.**
- **Quality of works should be checked during execution so as to avoid defective and sub-standard works.**

The Principal Secretary accepted (June 2007) the recommendations and assured that compliance would be reported soon.

3.4 Rural Roads in South Zone

Highlights

A core network forming part of a long term Master Plan to identify and provide connectivity to all census villages in a time bound manner had not been formulated. Roads were constructed without obtaining technical sanctions and there were huge excesses over the administratively approved funds. A large number of road works remained incomplete due to various reasons resulting in idle investment. Despite limited resources, physical achievement of construction of roads in terms of Kms was abnormally on higher side, whereas about 75 per cent rural roads were awaiting completion. Annual repair and maintenance estimates had not been prepared. Adequate monitoring of execution of road works had not been done. The main points noticed in audit were as under:

- *Annual targets for construction of rural roads had not been fixed on realistic basis. Physical and financial progress did not match, as there was huge gap between the two during 2002-07.*

(Paragraph 3.4.7.2)

- *Department had not formulated long term plan for providing a phase-wise connectivity through rural roads to all census villages in the State.*

(Paragraph 3.4.8)

- *Out of 770 road works taken up for execution by 14 divisions, only 189 works had been completed as of March 2007. Of these 28 works costing Rs 26.11 crore were completed after delays ranging between 10 months and 18 years.*

(Paragraph 3.4.8.1)

- *In 10 divisions 36 road works costing Rs 21.11 crore were taken up for construction between 2002-03 and 2006-07 without obtaining technical sanction.*

(Paragraph 3.4.8.3)

- *Expenditure of Rs 93.23 lakh incurred on construction of a bridge remained unfruitful as it could not be put to use due to non-construction of road.*

(Paragraph 3.4.8.4)

- *Deviation from the approved specification resulted in sub-standard execution of road work costing Rs 2.14 crore.*

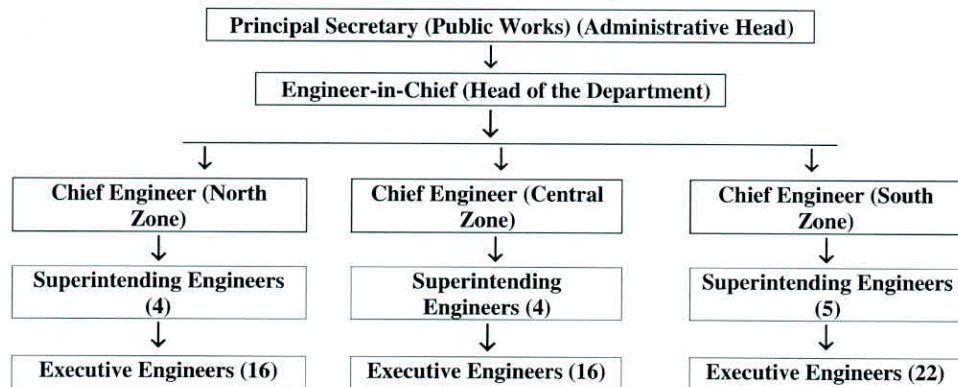
(Paragraph 3.4.8.7)

3.4.1 Introduction

Rural roads are the main means of connectivity in the predominantly hilly State of Himachal Pradesh, where 90.19 per cent of the total population resides in rural areas. The villages are scattered on hill slopes and in order to cater to the socio-economic and cultural needs of rural population, the State Government laid emphasis on the development of good and efficient all weather road network. Physical targets are fixed for construction of roads in terms of kilometres and not in number of roads to be completed. At the end of the 9th Five Year Plan period (March 2002), there were 17,433 kms rural roads in the State which increased to 22,033 kms at the end of 10th Plan period (upto March 2007). The Public Works Department (Department) is responsible for construction and maintenance of roads in the State. Of the total 17,495 villages in the State, 8,531 villages have been covered through rural roads as of March 2007.

3.4.2 Organisational set up

The organisational set up of the Public Works Department is as under:



3.4.3 Scope of audit

The activities of the South Zone (SZ) of the Department in the sphere of construction and maintenance of rural roads under State Plan for the period 2002-03 to 2006-07 were reviewed during November 2006-April 2007. The SZ of the Department accounted for 4,504 kms rural roads in March 2002 and 6,694 kms at the end of March 2007. This Zone has five circles and 22 divisions under its control to handle the construction and maintenance of rural roads. Records of 14 divisions¹ constituting 71.31 per cent of roads constructed and 67.14 per cent of total expenditure (Rs 312.56 crore) incurred on rural roads in this period were test-checked. This was supplemented by the

¹ Arki, Chopal, Jubbal, Karchham at Bhawanagar, Kasauli, Nalagarh, Nirmand, Paonta Sahib, Rajgarh, Rampur, Rohru, Shimla-I, Solan and Theog.

information obtained from the respective circles and office of the Engineer-in-Chief (E-in-C).

3.4.4 Audit objectives

The performance audit was conducted with a view to assessing:

- whether the objective of establishing connectivity to rural areas was achieved;
- efficiency, effectiveness and economy in execution of rural roads;
- adequacy of planning in identifying the locations and prioritizing them for optimal use of resources;
- adequacy of financial arrangements with reference to annual targets fixed for construction and maintenance of rural roads;
- adherence to prescribed norms and rules by the executing agencies;
- internal control and quality control mechanism in the Department.

3.4.5 Audit criteria

The audit criteria used for assessing the performance of PWD, SZ in the execution of rural road works were:

- Guidelines and departmental instructions for planning, identification and prioritising the execution of rural roads.
- Terms and conditions of contracts.
- System prescribed for internal control, quality control and monitoring of works.

3.4.6 Audit Methodology

Before commencing audit, the audit scope, objectives and criteria were discussed (November 2006) with the Principal Secretary and E-in-C in an entry conference. The selection of divisions for test-check was based on multistage stratified sampling methodology. Audit conclusions were drawn after scrutiny of records, analysis of available data by issuing audit memos and questionnaire and obtaining the response of Departmental functionaries at various levels. The audit findings were discussed with the Principal Secretary in an exit conference (June 2007), and the views of the Government have been incorporated at appropriate places in the report.

3.4.7 Audit Findings

3.4.7.1 Financial Outlay and Expenditure

Funding for the construction and maintenance of rural roads is made through Departmental budgetary system which includes loans from NABARD. The position of funds allotted for the construction and maintenance of rural roads and expenditure incurred thereagainst for all the three PWD Zones in the State during 2002-07 is as under:

Table: 3.4.1

(Rupees in crore)

Year	Construction			Maintenance		
	Budget Allotment	Expenditure	Variation (+) Excess/ (-) Savings	Budget Allotment	Expenditure	Variation (+) Excess/ (-) Savings
2002-03	115.80	121.69	(+) 5.89	159.62	160.49	(+) 0.87
2003-04	183.75	187.84	(+) 4.09	191.94	192.60	(+) 0.66
2004-05	144.52	142.95	(-) 1.57	200.53	206.23	(+) 5.70
2005-06	192.96	202.00	(+) 9.04	192.66	184.39	(-) 8.27
2006-07	173.39	173.95	(+) 0.56	253.55	320.96	(+) 67.41
Total	810.42	828.43		998.30	1,064.67	

Source: Departmental figures

3.4.7.2 Achievement of physical and financial targets

The physical and financial targets set for the construction of rural roads in the SZ and achievement thereagainst during 2002-07 was as under:

Table: 3.4.2

(Rupees in crore)

Period	Physical targets (In kms)	Total length of rural roads constructed (In kms)	Budget provision	Expenditure	Variations (+) Excess/ (-) Savings
2002-03	99	192	35.94	37.55	(+) 1.61
2003-04	186	226	75.52	75.47	(-) 0.05
2004-05	172	241	53.53	53.86	(+) 0.33
2005-06	185	324	70.70	75.06	(+) 4.36
2006-07	170	322	72.07	70.62	(-) 1.45
Total	812	1,305	307.76	312.56	

Source: Departmental figures

Status of budget provision for repair and maintenance of rural roads and actual expenditure thereagainst during 2002-07 in the SZ was as below:

Table: 3.4.3

(Rupees in crore)

Period	Budget	Expenditure	Variations (+) Excess/ (-) Savings
2002-2003	49.01	53.35	(+) 4.34
2003-2004	57.40	64.54	(+) 7.14
2004-2005	61.71	65.77	(+) 4.06
2005-2006	69.10	66.04	(-) 3.06
2006-2007	82.30	90.02	(+) 7.72
Total	319.52	339.72	

Source: Departmental figures

From the above details, it would be seen that physical achievements were substantially higher than the targets fixed and did not match the financial achievements for 2002-07, which indicates that low physical targets were fixed against higher financial provisions. The annual targets, thus, do not appear to have been fixed on a realistic basis.

The Principal Secretary stated (June 2007) that abnormal variation in achievement of physical and financial targets was due to different type of topography of SZ. Reply of the Principal Secretary is not tenable as physical achievement ranging between 122 *per cent* and 194 *per cent* against the actual expenditure ranging between 98 and 106 *per cent* indicates over budgeting by the Department.

The expenditure on account of repairs and maintenance continued to exceed the budget provision during 2002-07 except for the year 2005-06. Table-3.4.3 indicates that there was excess expenditure in all the years except 2005-06 over and above the budget provision, which indicated unrealistic estimation and lack of financial control.

The E-in-C attributed (August 2007) the excess expenditure to inadequacy of budget and savings during 2005-06 to transfer of work charged establishment to regular service head.

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

3.4.7.3 Irregular drawal of funds and fictitious booking

➤ State Financial Rules stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement. Nevertheless, the State Finance Department, directed (March 2006) the E-in-C to draw Rs 76.27 crore at the fag end of March 2006 and keep them under “Public Works Deposits” to avoid lapse of funds. Consequently, the concerned SEs released (March 2006) Rs 4.68 crore through letter of credit to six divisions² for the construction of rural roads with the direction to keep the amount under “Public Works Deposits” to avoid lapse of funds. The concerned EEs drew the amounts in March 2006 and fictitiously booked these to 54 rural road works without any physical execution. All the six divisions further transferred (30 and 31 March 2006) the amount to six other divisions simultaneously, who kept the funds under deposit head. It was further noticed that five divisions refunded (July 2006 and October 2006) Rs 4.43 crore to the former divisions while Rs 0.25 crore were still (March 2007) lying with EE, Mechanical Division, Rohru. Out of Rs 4.68 crore, Rs 2.81 crore was utilised as of August 2007 and the remaining Rs 1.87 crore was lying un-utilised with the concerned divisions.

Parking of the regular budgetary funds of the Department in Public Works Deposits and fictitious booking to the works was irregular. Moreover, drawal of funds at the fag end of the year to avoid its lapse and utilise the same in the next financial year is against financial canons. The Principal Secretary admitted (June 2007) that the funds were kept in deposit head in accordance with the instructions (March 2006) of the State Finance Department.

➤ Similarly, Rs 50.99 lakh received (May 2002 to March 2006) from DC Kullu during 2002-06 for execution of five rural roads under ‘Backward Area Sub-Plan’ scheme by the Nirmand division were irregularly kept in ‘Public Work Deposits’ for periods ranging between eight and 55 months. As of November 2006, neither these works had been taken up for execution nor unutilised funds surrendered by the EE, as required. The EEs stated (March 2007) that these works could not be taken up for execution due to involvement of forest/private land in alignment of roads and local disputes.

The Principal Secretary stated (June 2007) that 3 works³ had been started between December 2006 and June 2007 after the disputes were settled and that, out of Rs 50.99 lakh, Rs 12.94 lakh had been utilised after November 2006 and Rs 38.05 lakh were yet to be utilised. The reply confirms

² Arki, Chopal, Kasauli, Nalagarh, Paonta Sahib and Rohru.

³ (i) Road from Pigenda Kainchi to Shalat Shamani (ii) Motorable road from Soidhar to Beungal (iii) Link road to village Gungi.

the audit observation that financial propriety had been completely disregarded by the Department.

3.4.8 Planning and physical performance

As per the PMGSY guidelines relating to rural roads a core network plan is to be prepared before taking up rural road works. This network is to connect all the unconnected habitations to the existing road network and form the basis for formulating Master Plan for rural roads sector. Out of this plan, a core network connecting some of the existing roads as well as roads proposed for new connectivity under rural roads, in order to provide atleast single access to all eligible habitations is also required to be framed. The core network is the basis for formulating a long term Master Plan for planning in the rural roads sector. Annual proposals for the construction of rural roads are to be finalised in accordance with the funds allocated by the State Government.

Test-check however, revealed that the Department had not formulated any long term plan or Master Plan for providing connectivity to all villages through rural roads. In the absence of a network plan/Master Plan the target and achievement of the Department could not be verified. The E-in-C stated (April 2007) that a core network is currently being finalised for the purpose. The Department had assessed the requirement of motorable roads to connect all the 17,495 census villages of the State on the basis of a detailed survey conducted in 1999-2000. In the SZ, out of 6,228 villages, 3,183 (51 per cent) villages were yet to be connected by roads as of March 2007.

Annual plans of the State Government for the years 2002-07 provided for the construction of 2,575 kms new rural roads, linking 190 census villages with motorable roads. As per the details supplied by the Department, it actually constructed 2,749 kms (107 per cent) rural roads linking 349 census villages (184 per cent) during 2002-07. In respect of SZ, against the proposal of linking 88 census villages by constructing 812 kms roads, the Department linked 184 (209 per cent) census villages by constructing 1,305 kms (161 per cent) roads. Despite the over achievement reported by the Department against the targets, in the absence of a long term plan, 8,964 (51 per cent) villages in the State and 3,183 villages in the SZ remained to be connected by motorable roads as of March 2007. Similarly, about 75 per cent road works were lying incomplete in the test-checked divisions.

3.4.8.1 Status of rural road works

Zone-wise consolidated records of road works taken up for execution, completed and those remaining incomplete during 2002-07 had not been maintained by the Department. However, the status of works taken up for execution, actually completed between April 2002 and March 2007 and those

Audit Report (Civil) for the year ended 31 March 2007

remaining incomplete as of March 2007 in the 14 test-checked divisions is given in the table below:

Table: 3.4.4

(Rupees in crore)

Period	Number of works taken up	Estimated cost	Works completed		Works yet to be completed as of 31 March 2007	
			Number	Expenditure	Number	Expenditure
Upto 2001-2002	539	154.20	121	40.81	418	88.12
2002-2003	38	35.64	12	13.52	26	7.90
2003-2004	32	31.64	13	14.16	19	12.73
2004-2005	35	20.90	17	5.91	18	7.24
2005-2006	59	44.41	16	2.98	43	12.76
2006-2007	67	50.38	10	4.24	57	9.26
Total	770	337.17	189	81.62	581	138.01

Source: Departmental figures

Audit scrutiny revealed the following points:

(a) Of the 189 works completed as of March 2007, 28 works were taken up (January 1981 to January 2005) at an estimated cost of Rs 19.23 crore and completed at a cost of Rs 26.11 crore. The delay in completion of these works ranged between 10 months and 18 years which was attributed to delay in acquisition of land, involvement of forest lands along the proposed alignments of the roads and paucity of funds. The excess expenditure over the estimated cost had not been regularised as of March 2007.

(b) In respect of 581 incomplete works, taken up (March 1985 to October 2004) for execution at a cost of Rs 138.01 crore the stipulated period of completion ranging between one and five years, had expired in respect of 216 works. The time overrun in these 216 works ranged from one year to 19 years. The delay was mainly attributed to paucity of funds, land disputes and lengthy process involved in transfer of forest land.

The Principal Secretary confirmed (June 2007) the facts and stated that time overrun was due to lengthy procedure for seeking approvals. The reply is not tenable as the analysis of physical achievement *vis-a-vis* the actual expenditure reveals that while the Government has been showing increased performance in

terms of kilometres of rural roads laid, in actual terms, the road works are not being completed within the stipulated time and cost upto the entire approved length.

Taking up road works for execution without ensuring encumbrance free land and adequacy of funds indicated poor planning by the Department.

(c) Forest (Conservation) Act, 1980 provides for prior approval of GOI for the use of forest land for non-forestry purposes. The Department has to ensure encumbrance free land before starting execution of work.

Test-check of records of six divisions⁴ revealed that nine road works were sanctioned (July 1987 to July 2000) for Rs 4.27 crore for completion by July 1990 and July 2003. These works on which Rs 0.83 crore had been spent, were held up for about four to 16 years (upto March 2007) for want of permission of GOI for the use of forest land (6 works: Rs 0.63 crore) and dispute over private land (3 works: Rs 0.20 crore).

The Principal Secretary stated (June 2007) that cases had been submitted (December 2003 and August 2006) to the GOI and in some cases, the work had been started after receiving clearance from the GOI. As regards works held up due to dispute over private land, the Principal Secretary stated that as per policy for construction of rural roads, the people of the area had to give their land free of cost. The reply is not tenable, since the Department had not initiated action for obtaining GOI's approval on a timely basis for transfer of forest land.

Thus, failure of the Department to ensure encumbrance free land before starting the works resulted in an idle investment of Rs 0.83 crore besides depriving the beneficiaries of the intended benefits. There is also a possibility of this investment proving infructuous since these incomplete roads could be damaged due to passage of time.

3.4.8.2 Cost overrun

Delay in completion of works has an inevitable impact on costs. The Public Accounts Committee (PAC) in its 76th Report (Ninth Vidhan Sabha) had recommended (August 1999) action to regularise the cases where expenditure had been incurred in excess of the estimated cost. It was noticed that 17 rural road works (estimated cost: Rs 1.90 crore) taken up for execution by nine

⁴ Arki, Jubbal, Kasauli, Rajgarh, Rohru and Solan.

the execution had not been taken up as of November 2006. Consequently, the bridge and 300 metres approach road could not be utilised and the targeted beneficiaries were deprived of the intended benefits of connectivity with National highways and transportation of their horticulture and agriculture produce to the market. Thus, the expenditure of Rs 93.23 lakh remained unfruitful.

The Principal Secretary stated (June 2007) that work upto km 2/300 had been awarded (December 2006) and tenders for the remaining works had been invited. Thus, *ad hoc* planning of the Department lead to overall delay in achievement of intended benefits to the people of the area.

3.4.8.5 Idle expenditure due to non-construction of bridge

Administrative approval and expenditure sanction for the construction of 4.225 kms long Kiaroo-Nal-Sabhyal road (Shimla district) was accorded (May 2004) for Rs 1.21 crore. The estimate included construction of 20 metres span steel truss bridge over Dargula *nallah* at km 0/975. The road was envisaged to benefit 2000 persons. The work of road component was taken up for execution (January 2005) and completed (December 2005) at a cost of Rs 67.16 lakh.

Test-check of records of Theog division revealed (April 2007) that while according technical sanction for the estimates, provision for construction of the bridge at km 0/975 was not included due to non-finalisation of drawings. However, the working estimate for the construction of 22 metres span RCC-T-Beam bridge was technically approved for Rs 36.39 lakh in July 2006 and the work was awarded (September 2006) to a contractor at a tendered cost of Rs 55.64 lakh. The construction of sub-structure of the bridge was taken up only in January 2007 and an expenditure of Rs 82.46 lakh (Road: Rs 67.16 lakh and Bridge: Rs 15.30 lakh) had been incurred as of August 2007.

Thus, lack of proper planning for simultaneous provision for the technical approval of the bridge resulted in idle expenditure of Rs 82.46 lakh on the construction of road including bridge, besides depriving the public of the intended benefits till such time the bridge is built. The date of completion of the bridge had not been fixed.

The Principal Secretary stated (June 2007) that the construction of bridge could not be taken up simultaneously as the design of bridge was approved (July 2006) after technical investigation. The reply of the Principal Secretary is not tenable, as adequate steps should have been taken to carry out technical

investigations so that the intended objectives of taking up the work are achieved without time and cost overrun.

3.4.8.6 Wasteful expenditure on a bridge

Construction of a road to Dodra Kwar (a backward area of Shimla district) was administratively approved (April 1997) by the Financial Commissioner-cum-Secretary, PWD for Rs 5.82 crore. The estimate of the road included provision for construction of 33.53 metres span bailey bridge at Kimwali over Rupin *khad* at km 1/600 by providing *pucca* sub-structure of reinforced cement concrete (RCC) abutments.

Test-check of records of Dodra Kwar division and Rohroo Circle revealed (March 2007) that instead of constructing sub-structure of RCC abutment as per approved drawing, the division on the approval of the Superintending Engineer constructed (April 2004) wire crate abutments. It was further noticed that against the designed 33.53 meters span, bailey bridge of 30.50 meters span was launched (June 2004) on wire crate abutments at a cost of Rs 30 lakh. The bailey bridge was washed away in the flash floods in July 2005.

The Principal Secretary stated (June 2007) that the Tribal Development Committee⁸ (Committee) had decided (November 2003) to construct the bailey bridge on wire crate abutments as a temporary arrangement to provide road connectivity to the area, as construction of RCC abutments was not techno-economically feasible. The reply is not tenable, as the Committee had neither recommended construction of wire crates abutments nor was it technically competent to do so. Moreover, Hill Road Manual envisages that care is required in locating firm foundation for the construction of temporary bridges to avoid damages during floods. Thus, the unauthorised deviation by the Department from the approved estimate and Hill Road Manual resulted in wasteful expenditure of Rs 30 lakh.

3.4.8.7 Execution of below specification work

The State Government accorded (December 1997) administrative approval for Rs 4.71 crore under NABARD for the balance work (33 kms) out of total 47 kms long Tikkar-Jarol-Gahan-Nankhari-Khamadi road in Shimla district. The sanctioned estimate included providing of crust of 253 mm on 33 kms length of the road. The work stipulated to be completed in two years was actually completed in June 2003 after a delay of 3 years and six months.

⁸ A committee headed by the Principal Secretary (Tribal Development) to review the physical and financial progress of ongoing work in the tribal areas.

Test-check of the records of Rampur division revealed (December 2006) that in a length of 28 kms of road, the division provided crust of 195 mm thickness instead of the approved thickness of 253 mm at a cost of Rs 2.14 crore. Subsequently, (September 2002) the NABARD team observed that the road surface had settled at many locations and crust thickness was found to be less than the prescribed thickness. The team observed that additional 75 mm thick layer of water borne macadam (WBM) with grade-III metal was necessary to improve riding quality of the road and recommended to carry out California bearing ratio (CBR) test to fix the crust thickness for the remaining length of five kms to lay pavement accordingly. It was noticed that the second layer of wearing coat of 75 mm thickness was provided and laid by the division during November 2002-July 2003, in the remaining length of 5 kms but no treatment was given to 28 kms of road on which first layer of 195 mm had already been laid. The departure from the approved specification (by the Chief Engineer, South Zone) for laying the crust of approved thickness in 28 kms length of the road, thus, resulted in execution of below specification work costing Rs 2.14 crore and non-providing of safe and quality communication facility.

The Principal Secretary stated (June 2007) that reduction in thickness of crust was made in view of the prevailing practice for providing one layer each of soling and wearing in respect of rural roads. It was further stated that the settlement of road surface was due to high altitude and shady portion of road which mostly remained snow bound. The reply is not tenable as road on high altitude and shady portions actually needed to be provided with thicker crust to avoid its settlement. This had also been observed by the representative of NABARD during the monitoring visit.

3.4.8.8 Avoidable expenditure due to adoption of uneconomical specification

Mention was made in paragraph 4.12 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil) Government of Himachal Pradesh regarding avoidable expenditure on providing of renewal coat to roads owing to adoption of conventional method of premix carpet (PC) and seal coat (SC) separately instead of mixed seal surface (MSS) or PC treatment of one time laid one layer.

Test-check of records of eight divisions⁹ revealed (November 2006-April 2007) that renewal coat over an area of 2,62,850 sqm of road surface was executed in 29 cases between June 2002 and November 2006 with the conventional method of PC and SC at a cost of Rs 2.68 crore. Had the renewal coat executed with MSS, the same would have

⁹ Arki, Kasauli, Nalagarh, Nirmand, Rajgarh, Rampur, Rohru and Solan.

costed Rs 1.99 crore¹⁰. Failure to adopt proper specifications in these cases resulted in extra expenditure of Rs 0.69 crore (Rs 2.68 crore minus Rs 1.99 crore).

The Principal Secretary admitted (June 2007) that provision of MSS existed in the specifications of the department but could not be applied in the entire State due to varied topography. Reply is not tenable unless specifications are modified as per topography of different places in the State.

3.4.8.9 Government dues not recovered from the contractors

As per the contract, the time allowed for carrying out the work shall be strictly observed by the contractor. 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 of the work shall be levied.

In seven divisions¹¹, 11 road works were awarded to 13 contractors between February 2001 and December 2005 at a total tendered cost of Rs 4.18 crore and were stipulated to be completed between 3 and 18 months. As the contractors failed to complete the work within the stipulated time, the concerned divisions levied (May 2003-October 2006) compensation of Rs 27.88 lakh for delay in completion of works. It was, however, noticed that none of the seven divisions had recovered the amount of compensation from the contractors as of March 2007.

The Principal Secretary stated (June 2007) that the compensation levied on various contractors has not been recovered, as the bills of the contractors were yet to be finalised. The recovery should have been effected from the running account bills of the contractors instead of keeping the same pending till finalisation of bills.

3.4.8.10 Uneconomical execution of works

According to the State Financial Rules, the power delegated to accept tender/technical sanction was Rupees six lakh for selected EEs with 12 years experience as EEs and Rupees three lakh for EEs with three years experience as EEs.

¹⁰ Based on schedule of rates plus premium of the contractors which varied from work to work in respect of 29 different works.

¹¹ Arki, Kasauli, Nirmand, Paonta Sahib, Rajgarh, Rampur and Shimla-I.

Test-check of seven divisions¹² revealed (November 2006 to March 2007) that the EEs had awarded (April 2002 to March 2006) major portion of 25 works (Estimated cost: Rs 4.11 crore) by splitting them up in 362 parts/agreements, to 144 contractors at a cost of Rs 4.49 crore. The tendered rates quoted by the contractors ranged between 58 *per cent* below to 144.90 *per cent* above the amount put to tender. Benefit of competitive rates was thus not derived by floating single tender for each work. Approval of the competent authority to split the works had also not been obtained.

The Principal Secretary stated (June 2007) that works under south zone fell in remote localities where contractors of appropriate class were not willing to work and that works had to be split to achieve progress. The contention is not tenable as sanction should have been obtained from the competent authority before splitting and awarding the works to contractors.

3.4.9 *Non-existing quality control test for material used on road works*

As per departmental specifications the material used for construction of roads was required to be tested to assure quality control. It was noticed in audit that testing of materials used in construction of rural roads under State plan had not been done in any of the test-checked divisions.

The Principal Secretary admitted (June 2007) the facts and stated that efforts were being made to improve the level of quality in execution of rural roads.

3.4.10 *Internal control*

There is no internal audit wing in the Department. Norms for periodicity of inspection of works by the CEs, SEs and EEs to ensure quality of the works, adherence to the specifications and schedules, etc., had not been prescribed for rural roads. Out of 14 test-checked divisions, only four divisions¹³ were inspected on eight and 42 occasions by the CE and SEs respectively during 2002-2007. In the case of EEs, the number of inspections of works conducted by them was not intimated. It was stated (November 2006 to April 2007) that inspections had been conducted frequently but the inspection notes were not recorded due to rush of work. Without inspection notes, instances of non-compliance with instructions, rules, etc., will not be adequately addressed.

¹² Chopal, Nirmand, Paonta Sahib, Rajgarh, Rampur, Rohru and Shimla-I.
¹³ Arki, Jubbal, Karchham and Paonta Sahib.

The Principal Secretary accepted (June 2007) the audit view and stated that inspection notes would be issued in order to have a proper record.

3.4.11 Monitoring

A monitoring cell was created in the office of the E-in-C to monitor the periodical reports on physical and financial achievements received from the SEs. It was, however, noticed that periodical progress reports received from the field officers were not scrutinised for suitable direction and necessary follow up action. The reports did not even indicate the time frame fixed for completion of road works, despite 418 road works taken up for construction more than five years back remained incomplete.

The Principal Secretary accepted (June 2007) the audit finding and stated that the monitoring cell would be advised to monitor the schemes adequately.

3.4.12 Conclusion

The State Government had not formulated core network to identify and provide connectivity to all census villages in a time bound manner. Financial and physical targets showed a mis-match and were not realistic. Funds allocated were shown utilised fictitiously without actual execution of road works. A number of road works remained incomplete resulting in idle investment. There were cost and time overruns in several road works. Norms fixed for repair and maintenance of roads had not been revised. There were instances of deviation from approved specifications of works resulting in execution of sub-standard works and wasteful expenditure. Internal control and monitoring of the execution of rural road works was weak.

3.4.13 Recommendations

- *The Government should formulate a Master Plan expeditiously indicating time schedule to be followed and milestones to be achieved for providing connectivity to all census villages in the State.*
- *Financial and physical targets for road construction should be fixed on a realistic basis with the prime objective of providing road connectivity to villages rather than in terms of road lengths.*
- *Adequate funds need to be provided to accelerate connectivity of census villages and also to complete the pending works.*

- *A system needs to be evolved to ensure adequate inspection and monitoring of ongoing road works with reference to approved guidelines and specifications.*

- *A quality control mechanism to ensure quality of the construction of roads needs to be evolved and implemented.*

The Principal Secretary accepted (June 2007) the recommendations and assured that compliance would be reported soon.

Rural Development Department

3.5 Implementation of Watershed Development Programmes

Highlights

The main objectives of all the three programmes viz Desert Development Programme, Drought Prone Area Programme and Integrated Wasteland Development Programme are development of waste/degraded lands, restoration of ecological balance by harnessing, conserving natural resources such as land, water and vegetative cover and promoting overall economic development and improving the socio-economic conditions of resource poor and disadvantaged sections of the people inhabiting the project areas.

A performance review of implementation of above programmes revealed that funds provided for these programmes were not fully utilised, evidence of area treated had not been maintained in some cases, Watershed Development Teams were not formed to the prescribed extent and did not have qualified members. No Self Help Groups were formed in nine selected Project Implementing Agencies (PIAs) comprising 165 watersheds. Funds provided for capacity building and training were not fully utilised. No mechanism for proper exit protocol had been evolved. Some significant audit findings are as under:

- *The State Government had not prepared a long term perspective plan for treatment of waste/degraded lands, drought prone and desert areas.*

(Paragraph 3.5.8.1)

- *Shortfall in achievement of treatment of area during 2002-07 in the State under Drought Prone Area Programme, Desert Development Programme and Integrated Wasteland Development Programme ranged between 31 and 52; 50 and 85 and 16 and 53 per cent respectively.*

(Paragraph 3.5.10.1)

- *Due to non-adherence to cost norms for watersheds, District Rural Development Agency, Kinnaur and Una spent Rs 9.97 crore under Desert Development Programme and Drought Prone Area Programme in excess of the permissible limit.*

(Paragraph 3.5.10.4)

- *Against an area of 2,24,064 hectares to be developed during 2004-07 only 98,127 hectares of area (44 per cent) was actually treated as of March 2007 after incurring an expenditure of Rs 73.71 crore (53 per cent) resulting in shortfall in physical achievement of 1,25,937 hectares.*

(Paragraph 3.5.11.1)

- *Four selected Project Implementing Agencies spent Rs 6.06 crore on treatment of waste/degraded lands under Drought Prone Area Programme (Rs 1.69 crore) and Integrated Wasteland Development Programme (Rs 4.37 crore) during 2002-07 but no evidence of area actually developed/treated was kept in Measurement Books/Muster Rolls. The expenditure of Rs 6.06 crore was, thus doubtful.*

(Paragraph 3.5.12.1)

- *Four selected Project Implementing Agencies paid wages aggregating Rs 1.04 crore for 1,22,189 mandays (Desert Development Programme: 1,06,050; Integrated Wasteland Development Programme: 16,139) during 2002-07 to outside labourers resulting in non-providing of employment opportunities to resource poor and disadvantaged sections inhabiting the programme areas.*

(Paragraph 3.5.12.5)

3.5.1 Introduction

The GOI launched three Centrally sponsored programmes viz. Drought Prone Area Programme (DPAP), Desert Development Programme (DDP) and Integrated Wasteland Development Programme (IWDP) between 1973-74 and 1989-90 for sustainable development of natural resources through watershed development and community empowerment. The main activities involved in watershed development plan are land development including *in-situ* soil and moisture conservation measures within watershed approach¹ like:

- afforestation including block plantation, agro-forestry and horticulture development;

¹ A watershed is a geo-hydrological unit which drains into common point and watershed approach is ridge to valley approach for development of land and water, afforestation, etc.

- development of small water harvesting structures such as low cost farm ponds, check dams and *nallah* bunds, etc.;
- pasture development, renovation and augmentation of water resources;
- crop demonstration for popularising new crops; and
- promotion and propagation of non-conventional energy saving devices.

The benefits to be derived from watershed development works include increase in water table, yield of crops and milk besides mitigating the adverse effects of extreme climatic conditions such as drought, desertification, etc.

The three programmes were brought under a common set of guidelines for watershed development with effect from 1st April 1995 which was subsequently revised in 2001 to ensure improved role for Panchayati Raj Institutions (PRIs). To further simplify procedures and involve PRIs more meaningfully in planning, implementation and management of economic development activities, GOI brought out (April 2003) new guidelines called "Hariyali". The projects sanctioned prior to this date were, however, allowed to be continued as per guidelines of 2001.

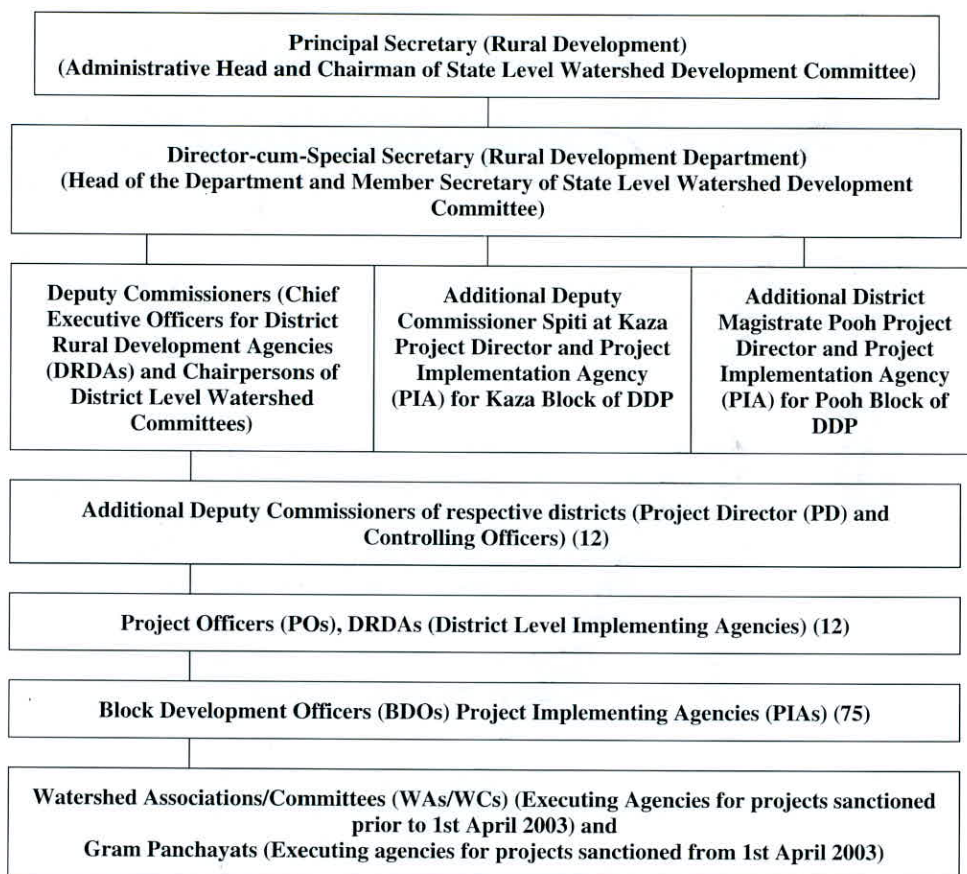
3.5.2 Implementation in Himachal Pradesh

In Himachal Pradesh, DDP has been in operation from 1977-78 in three Development Blocks of Kinnaur and Lahaul and Spiti districts and IWDP has been in operation from 1992-93 in 62 Blocks of nine districts², whereas DPAP has been in operation from 1994-95 in 10 Development Blocks of Bilaspur, Solan and Una districts in a phased manner. DPAP was launched in those areas which were constantly affected by severe droughts and DDP in cold desert areas. IWDP was launched for the development of waste/degraded lands in those areas which were not covered under DDP and DPAP.

² Chamba: Seven; Hamirpur: Six; Kangra: 14; Kinnaur: Two; Kullu: Five; Mandi: 10; Shimla: Nine; Sirmour: Six and Solan: Three.

3.5.3 Organisational set up

The organisational set up for implementation of all the three programmes in the State is as under:



3.5.4 Scope of audit

The performance review covered the period from 2002-07 and was carried out during September 2006-January 2007 through a sample check of the records in the Directorate of Rural Development, offices of seven³ out of 12 Project Officers (POs), District Rural Development Agencies (DRDAs), 23 Project Implementing Agencies (PIAs)⁴ and 65 Watershed Committees/panchayats under the selected PIAs. Out of the total expenditure of Rs 154.05 crore incurred on three programmes during 2002-07, expenditure of Rs 84.68 crore

³ Bilaspur, Hamirpur, Kangra, Kinnaur, Lahaul and Spiti, Solan and Una.

⁴ BDOs of Amb, Bamsan, Bangana, Bilaspur, Bijhari, Bhoranj, Dehra, Dharampur (Solan), Gagret, Ghumarwin, Haroli, Jhandutta, Kalpa, Keylong, Kunihar, Nagrota Bagwan, Nadaun, Nichar, Nurpur, Pragpur and Una Blocks and Project Directors of Kaza and Pooh (Sub-DRDA Blocks).

(55 per cent) was audited. Audit findings as discussed in the succeeding paragraphs are based on analysis of records, data, information and replies furnished to questionnaire/audit memoranda by the aforementioned units.

3.5.5 Audit objectives

The audit objectives of the review were to verify whether:

- planning for implementation of various watershed development programmes was adequate and identification procedure under all the three programmes was appropriate with regard to benchmarks;
- allocation, release and utilisation of funds provided for various programmes was judicious, adequate and effective;
- criteria for selection of watersheds and norms prescribed in the guidelines for execution of works were followed;
- role of Panchayati Raj Institutions (PRIs) in the implementation of watershed development programmes was adequate and effective;
- the monitoring system at various levels was functioning effectively.

3.5.6 Audit criteria

The audit criteria applied for assessing the performance of all the three programmes were:

- benchmarks for identification of area;
- the GOI guidelines, supplementary guidelines issued by State Government and instructions issued by the Central and State Governments from time to time;
- guidelines for watershed projects; and
- mechanism laid down for monitoring and evaluation.

3.5.7 Audit Methodology

An entry conference was held (December 2006) with the Secretary and Director Rural Development Department (RDD) wherein the audit objectives, audit criteria and scope of audit were explained and suggestions/perceptions of the Department relating to implementation of the programmes were discussed. Five POs (Project Officers) and 13 Project Implementation Agencies (PIAs)

(DPAP: 10⁵ and DDP: three⁶) were selected cent *per cent* whereas for IWDP: three⁷, districts were selected on the basis of PPSWR⁸ method and 10 PIAs on the basis of SRSWOR⁹. The audit findings were discussed (May 2007) with the Secretary (RDD) in an exit conference and the views of the Government wherever offered, have been incorporated at appropriate places in the report.

3.5.8 Audit Findings

3.5.8.1 Planning for implementation of the programmes

The guidelines (2001) for implementation of all the three programmes provided for preparation of a long term perspective plan by the State Government for treatment of waste/degraded lands, drought prone and desert areas over a period of 15 years, keeping in view the availability of funds under DPAP, DDP and IWDP and other such programmes being implemented through national and international cooperation in a phased manner. It was noticed (January 2007) that the Department had not prepared requisite perspective plan for proper and effective implementation of these programmes.

The Secretary (RDD) contended (May 2007) that preparation of a long term perspective plan was not possible due to topography of the area but informed (August 2007) that the Department has already taken initiative in this regard.

3.5.8.2 Identification of Areas

The Department informed (September 2007) that under DDP and DPAP, the GOI sanctioned projects to the districts/blocks declared to be covered under respective programmes on the basis of available data of waste/degraded lands identified by the High Level Technical Committee of GOI and National Remote Sensing Agency (NRSA). After receipt of funds from GOI, the area is identified by the district authorities with community participation and local needs of the public. Under IWDP, the concerned districts prepare the project proposal on the basis of remote sensing data available with the State Council for Science, Technology and Environment and wasteland Atlas of GOI after conducting proper survey.

As per GOI Atlas, the area of waste/degraded lands in the State was 31,659 square kilometres (31,65,900 hectares) against the total area of

⁵ Amb, Bangana, Bilaspur, Dharampur, Gagret, Ghumarwin, Haroli, Jhandutta, Kunihar and Una.

⁶ BDO Lahaul at Keylong, PD DDP, Kaza and PD DDP, Pooh.

⁷ Hamirpur, Kangra and Kinnaur.

⁸ Probability Proportionate to Size With Replacement.

⁹ Simple Random Sampling Without Replacement.

55,673 square kms (55,67,300 hectares) of the State. The State Government identified 8,52,975 hectares¹⁰ area (DDP: 1,93,831 hectares; DPAP: 2,05,833 hectares and IWDP: 4,53,311 hectares) for treatment upto March 2007 since inception of the programmes.

As of March 2006, 59 out of 62 blocks of IWDP were included for treatment of waste/degraded lands. The remaining three blocks of Chamba (Chamba district), Seraj (Mandi district) and Narkanda (Shimla district) were also included under the programme between March 2006 and July 2006.

DDP is being implemented in arid blocks, including cold desert blocks of the State and DPAP in semiarid and dry subhumid blocks based on the Moisture Index.

3.5.8.3 Status of Projects

After bringing all the three programmes for implementation under a common set of guidelines from Ist April 1995, the GOI sanctioned 109 Watershed Development Projects for the State, of which, 60 projects were sanctioned during 2002-07. The status of area to be treated under the three programmes and area actually treated upto March 2007 is indicated in **Appendix-XVII**.

As can be seen from **Appendix-XVII**, out of 109 projects, 49 projects were due for completion during 2002-07, of which only 11 projects¹¹ had been completed during the aforesaid period covering 62,640 hectares area against the targeted area of 68,000 hectares. In the remaining 38 projects only 2,45,438 hectares (61 *per cent*) area was treated against the targeted area of 4,05,635 hectares as of March 2007. Thus, there was delay in completion of these 38 projects ranging between five and 24 months as of August 2007. Therefore, only 65 *per cent* land was treated.

3.5.9 Financial Management

3.5.9.1 Funding Pattern

Funding pattern for implementing the three programmes was as under:

DDP	Prior to April 1999	100 <i>per cent</i> by the Central Government
	From April 1999 onwards	75:25 basis by Central and State Governments
DPAP	Prior to April 1999	50:50 basis by Central and State Governments
	From April 1999 onwards	75:25 basis by Central and State Governments
IWDP	Prior to April 2000	100 <i>per cent</i> by the Central Government
	From April 2000 onwards	11:1 basis by Central and State Governments

¹⁰ Prior to April 2002: 4,75,335 hectares and during 2002-2007: 3,77,640 hectares.

¹¹ 10 projects in seven test-checked districts and one project in non-test-checked district.

Audit Report (Civil) for the year ended 31 March 2007

GOI sanctioned the projects to be implemented over a period of five years and released Central share direct to DRDAs in seven instalments in case of projects sanctioned prior to April 2003 and in five instalments for projects sanctioned after April 2003 under *Hariyali* guidelines. Funds so received are kept in savings bank accounts. The cost norm per hectare was Rs 4,000 for the projects sanctioned prior to April 2000 and Rs 6,000 for those sanctioned thereafter under all the three programmes.

3.5.9.2 Financial Outlay and Expenditure

The details of funds provided for implementation of DPAP, DDP and IWDP in the State and expenditure incurred thereagainst during 2002-07 was as under:

Table: 3.5.1

(Rupees in crore)

Name of the programme	Year	Opening balance	Funds received			Total availability of funds	Expenditure incurred	Shortfall in utilisation
			Central share	State share	Interest			
DPAP	2002-2003	4.96	3.65	0.82	0.07	9.50	4.75 (50)	4.75 (50)
	2003-2004	4.75	5.30	2.21	0.07	12.33	4.51 (37)	7.82 (63)
	2004-2005	7.82	4.25	1.41	0.22	13.70	5.73 (42)	7.97 (58)
	2005-2006	7.97	6.60	1.01	0.39	15.97	6.67 (42)	9.30 (58)
	2006-2007	9.30	3.69	1.98	0.28	15.25	6.61 (43)	8.64 (57)
Total			23.49	7.43	1.03	66.75	28.27	
DDP	2002-2003	4.90	7.08	1.62	0.81	14.41	7.21 (50)	7.20 (50)
	2003-2004	7.20	7.01	1.68	0.42	16.31	5.01 (31)	11.30 (69)
	2004-2005	11.30	3.35	2.27	0.52	17.44	7.58 (43)	9.86 (57)
	2005-2006	9.86	3.88	1.51	1.07	16.32	8.56 (52)	7.76 (48)
	2006-2007	7.76	10.41	2.58	1.06	21.81	10.57 (48)	11.24 (52)
Total			31.73	9.66	3.88	86.29	38.93	
IWDP	2002-2003	13.65	15.22	0.88	0.47	30.22	13.22 (44)	17.00 (56)
	2003-2004	17.00	13.50	0.96	0.75	32.21	15.69 (49)	16.52 (51)
	2004-2005	16.52	13.45	0.75	1.37	32.09	16.66 (52)	15.43 (48)
	2005-2006	15.43	26.62	1.91	0.74	44.70	18.49 (41)	26.21 (59)
	2006-2007	26.21	18.23	1.82	0.61	46.87	22.79 (49)	24.08 (51)
Total			87.02	6.32	3.94	186.09	86.85	

Source: Figures supplied by the Director, RDD. Figures in parenthesis indicate percentage.

Funds ranging between Rs 4.75 crore and Rs 26.21 crore were not utilised during 2002-07. The percentage of shortfall in utilisation of available funds during the period ranged between 48 to 69 per cent. Moreover, the Department had failed to adhere to the prescribed schedule of incurring 15 per cent expenditure in the first year; 30 per cent in the second year; 30 per cent in the third year; 15 per cent in the fourth year and 10 per cent in the last year of the project period.

It was noticed that there was difference of Rs 20.61 crore¹² between the total expenditure intimated by the Department and the expenditure shown against the financial achievements during 2002-2007 under the three programmes. The Deputy Director intimated (September 2007) that only the expenditure incurred on work component had been given in the statement of financial targets and achievements whereas in the other statement total expenditure of the programme i.e. expenditure on work activities, community organisation/entry point activities, training and administrative overheads was included. The contention is not tenable, as the targets fixed and achievements made thereagainst should include the expenditure incurred on all the components because per hectare cost norm of Rs 6,000 fixed by the GOI for treatment of waste/degraded land includes all these components.

The Director-cum-Special Secretary (RDD) attributed (March 2007) carry forward of unspent amount from year to year and shortfall in financial achievements to preparatory works done in first year, training of PRIs, topography of the State and limited working season in the snow bound areas. The contention lacked justification as out of 75 blocks, only seven blocks¹³ under all the three programmes were snow bound. Moreover, planning for execution of development works in the watershed areas and utilisation of financial resources should have been made keeping in view all such factors. The lackadaisical approach of the Department to take appropriate steps for timely utilisation of funds had, thus, adversely affected the implementation of the programmes.

3.5.9.3 Non-refund of unspent balances of completed projects

Three projects (DDP-one and DPAP-two) taken up (March 1995 to March 1997) against provision of Rs 14.60 crore were completed between 2002-03 and 2003-04, but the unspent balance of Rs 68.54 lakh was not refunded to the GOI by PO, DRDA, Lahaul and Spiti (Rs 63.79 lakh) and Solan (Rs 4.75 lakh) as of March 2007 as required. The PO, DRDA, Lahaul and Spiti stated (September 2006) that due to non-receipt of utilisation certificate from PIA Kaza the unspent amount could not be refunded. The

¹² Rupees 154.05 crore (as per expenditure column of Table-3.5.1) - Rs 133.44 crore.

¹³ Bharmour, Kalpa, Lahaul at Keylong, Nichar, Pangi, Pooh (Kinnaur district) and Spiti at Kaza.

Joint Secretary (RDD) intimated (May 2007) that the matter was being taken up with the DRDAs concerned for taking necessary steps to refund the balance amount as per guidelines.

3.5.9.4 Diversion of funds

As per guidelines, even temporary diversion of funds from one project to another under the three programmes is not permissible. Records of PO, DRDA, Bilaspur and PD-cum-PIA Pooh (Kinnaur district) revealed that out of Rs 9.98 crore received for implementation of six projects (DDP: two and DPAP: four), Rs 81.86 lakh¹⁴ were diverted between 2002-07 from one project to another for execution of other watershed works in contravention of guidelines and the amount had also not been got refunded subsequently. The PO, DRDA, Bilaspur stated (February 2007) that diversion of funds was made to complete the ongoing works and necessary refund would be made on receipt of funds from GOI and the State Government. The PD-cum-PIA, DDP, Pooh stated (September 2006) that keeping in view the working season in the tribal areas, funds were diverted for ongoing works. The replies are not tenable as funds for these projects were provided keeping in view the working season in tribal areas from April to October. Further, despite diversion of funds, five projects¹⁵ stipulated to be completed by March 2007 were still in progress as of August 2007.

3.5.9.5 Inadmissible expenditure

As per guidelines, the DRDAs/PIAs were not authorised to incur expenditure on items like furniture, vehicles, computers or any other kind of machinery items. It was noticed that PO, DRDA, Una and five PIAs¹⁶ spent Rs 29.15 lakh¹⁷ during 2002-07 irregularly for the purchase of computers, cameras, LCD projectors, furniture, utensils and gas connection. The PDs DDP Pooh and Kaza stated (September 2006) that these purchases were made to run the project activities smoothly. PO, DRDA, Una stated (February 2007) that these purchases were made from administration part of the scheme. The contention is not tenable as the purchase of these items is not permissible under the guidelines.

¹⁴ PO, DRDA Bilaspur: Rs 11.36 lakh; PD-cum-PIA Pooh: Rs 70.50 lakh.

¹⁵ DDP: two projects (VI and VII) and DPAP: three projects (V, VI and VII).

¹⁶ BDOs of Bamsan, Bhoranj, Nichar Blocks, PD-cum-PIA, DDP Pooh and Kaza.

¹⁷ PO, DRDA Una: Rs 4.55 lakh; Five PIAs: Rs 24.60 lakh.

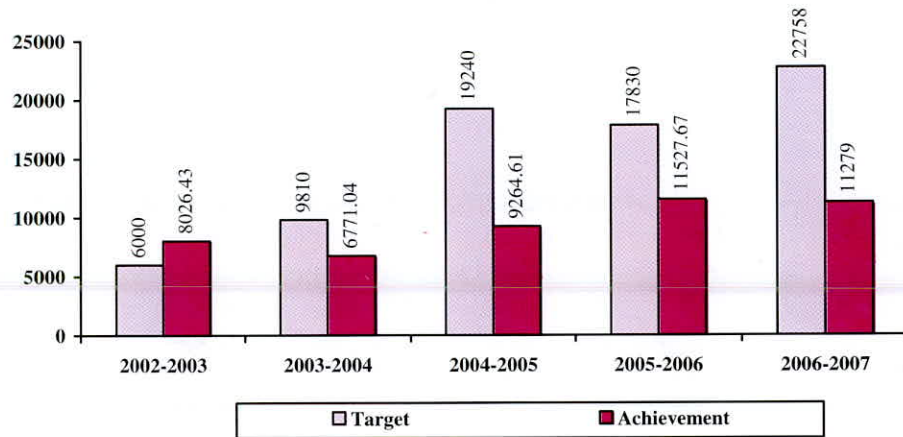
Implementation of programme

3.5.10 Planning

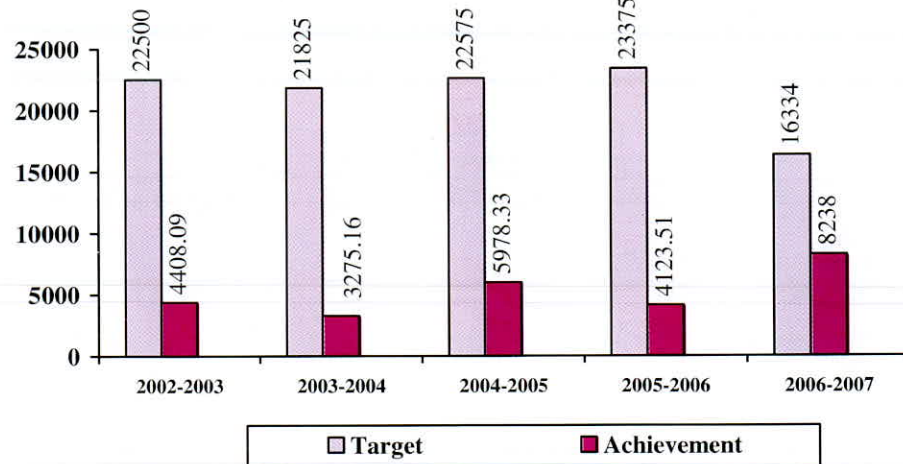
3.5.10.1 Targets and achievements

During 2002-07, 3,94,012 hectares¹⁸ were targeted to be treated through 60 projects under the three programmes, against which, only 2,17,372 hectares¹⁹ were treated resulting in shortfall of 1,76,640 hectares (45 per cent). The shortfall in achievement of treatment of area during 2002-07 ranged between 31 and 52 per cent under DPAP, 50 and 85 per cent under DDP and between 16 and 53 per cent under IWDP as can be seen below.

Targets and achievements for DPAP (In hectares)

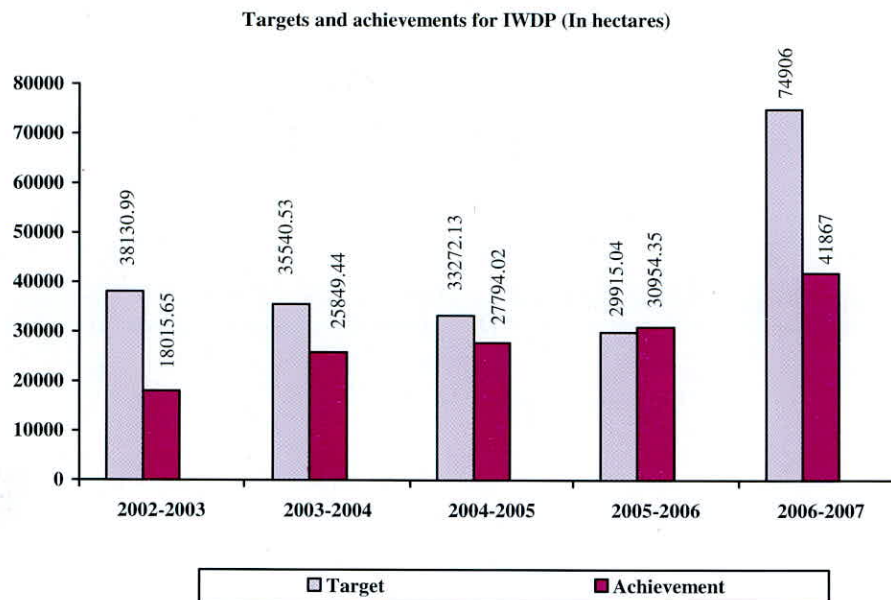


Targets and achievements for DDP (In hectares)



¹⁸ DPAP: 75,638 hectares; DDP: 1,06,609 hectares and IWDP: 2,11,765 hectares.

¹⁹ DPAP: 46,869 hectares; DDP: 26,023 hectares and IWDP: 1,44,480 hectares.



The Director-cum-Special Secretary, (RDD) attributed (March 2007) shortfall in achievement of targets to initiation of preparatory work such as imparting training to PRIs, awareness camps, identification of watershed area and time taken for obtaining approval for the annual action plan from the respective Gram Sabhas in the Ist year. He further stated that the topography of the State is tough, mountainous and snow bound, with limited working season. The contention of the Director is not acceptable, as the above constraints should have been taken into account at the time of initial planning. Also, out of 75 blocks, only seven blocks are snow bound.

In respect of seven DRDAs²⁰, the year-wise position of area targeted to be treated and achievement thereagainst under DPAP, DDP and IWDP during 2002-03 to 2006-07 is given in **Appendix-XVIII**. It will be observed that shortfall in achievement of treatment of area during the above period ranged between 31 and 52 per cent under DPAP, 50 and 85 per cent under DDP and three and 62 per cent under IWDP respectively. The PO, DRDA, Solan intimated no reasons for shortfall in achievements. The POs of remaining six DRDAs²¹ attributed (September 2006-January 2007) shortfall in achievement to slow pace of work on the part of executing agencies, receipt of funds at fag end of year, late conducting of mid-term evaluation and lack of interest by the public.

²⁰ Bilaspur, Hamirpur, Kangra, Kinnaur, Lahaul and Spiti, Solan and Una.

²¹ Bilaspur, Hamirpur, Kangra, Kinnaur, Lahaul and Spiti and Una.

3.5.10.2 Execution of works without preparation of detailed action plan

As per guidelines, a detailed action plan (DAPs) in the form of an integrated project was to be prepared by the WDT in consultation with watershed community and got approved from the DRDA/ZP.

Test-check of the records of PO, DRDA, Lahaul and Spiti at Keylong and PD-cum-PIA, DDP, Pooh revealed that during 2002-07 against allocation of Rs 118.80 crore for treatment of 1,64,423 hectares, Rs 41.26 crore (DRDA, Keylong: Rs 33.50 crore as of June 2006 and DDP Pooh: Rs 7.76 crore as of March 2005) were spent on carrying out watershed development activities such as soil and moisture conservation, water harvesting structures, afforestation, agriculture and horticulture plantation, etc., in an area of 49,655 hectares but the requisite action plan setting forth the aforementioned goals was not prepared so as to ensure timely delivery of benefits to the beneficiaries concerned. The PO, DRDA, Lahaul and Spiti had not prepared any such action plans for 2002-07. The PD-cum-PIA DDP, Pooh had, however, started preparing action plans since 2005-06. This indicated implementation of programme without proper planning. The PO, DRDA, Lahaul and Spiti at Keylong admitted the fact and stated (August 2006) that the DAPs were not prepared due to shortage of staff and expert personnel. The PD-cum-PIA DDP, Pooh also admitted the facts (September 2006). Thus, at Directorate level monitoring of implementation of the programme was also poor as due to non-preparation of the requisite detailed action plan three projects sanctioned during 1999-02 in Lahaul and Spiti district and stipulated to be completed between 2004-05 and 2006-07 remained incomplete as of March 2007.

3.5.10.3 Non-adherence to criteria for selection of watersheds

As per the guidelines of 2001 (revised and renamed as *Hariyali* from 1st April 2003), area of a selected watershed was to be about 500 hectares. The cost norm for treatment of area had been fixed at Rs 6,000 per hectare from 1st April 2000. During 2002-07 GOI sanctioned five projects for development of 99 watersheds in Pooh block (Kinnaur district) under DDP at a cost of Rs 29.70 crore. In addition, two projects for 70 watersheds sanctioned during 2000-02 at a cost of Rs 21 crore were also being implemented in the aforesaid block. Accordingly, for 169 watersheds 84,500 hectares (500 hectares per watershed) of area was required to be identified and included in the treatment plan of respective watersheds.

It was noticed that in respect of three projects of 54 watersheds sanctioned between 2004-05 and 2006-07, the required area of 27,000 hectares was not identified and in the remaining four projects, against 57,500²² hectares area

²² 115 watersheds x 500 hectares = 57,500 hectares.

required to be identified for 115 watersheds, only 27,903 hectares area was identified. Thus, identification of area fell short by 56,597 hectares.

The Joint Secretary (RDD) intimated (December 2006) that due to sandy loam soil, water carrying capacity is considerably low and in view of the available resources, the target area is comparatively less as compared to hot desert of the DPAP area. The reply is not acceptable as the Department should have obtained relaxation in this regard from GOI before undertaking the works.

3.5.10.4 Excess expenditure on watershed projects

For treatment of degraded/wastelands, cost norm per hectare was Rs 4,000 for watershed projects sanctioned prior to April 2000. For treatment of an area of 11,501 hectares under DPAP in Una district, GOI sanctioned two projects comprising 23 watersheds during 1995-96 (16 watersheds for 8,001 hectares) and 1996-97 (seven watersheds for 3,500 hectares) at a cost of Rs 4.60 crore (11,501 hectares at the rate of Rs 4,000). These projects were required to be completed over a period of five years reckoned from the date of sanction i.e. by 1999-00 and 2000-01 respectively.

It was noticed that against watershed area of 11,501 hectares, only 10,882 hectares were treated and projects were shown as completed (October 2002).

According to the approved cost norm, expenditure on treatment of 10,882 hectares should have been restricted to Rs 4.35 crore. As against this, Rs 4.79 crore had been spent. This resulted in excess expenditure of Rs 0.44 crore over and above the approved cost norms which was met from interest accrued on savings bank account and less area treated.

Similarly, the PD-cum-PIA Pooh block under DDP had incurred an expenditure of Rs 12.53 crore on treatment of only 5,004 hectares of land as of June 2006 against the permissible limit of Rs 3 crore as per the prescribed cost norm resulting in excess expenditure of Rs 9.53 crore.

The PO, DRDA, Una stated (December 2006) that excess expenditure was incurred due to hike in price of raw material whereas Joint Secretary (RDD) in case of DDP intimated (December 2006) that the topography of the area under cold desert is tough due to which the treatment area is less and treatment expenses were more. The replies confirm that there is a need for better coordination and financial management and wherever necessary, relaxation for incurring expenditure over and above the cost norms need to be obtained from GOI.

3.5.11 Physical and Financial performance

3.5.11.1 Spill over of projects

GOI sanctioned (1999-2000 and 2001-02) 19 projects in selected DRDAs for the development of 475 watersheds at a cost of Rs 138.91 crore for the treatment of an area of 2,24,064 hectares to be completed²³ during 2004-07. Against this, only 98,127 hectares of area (44 per cent) was actually treated as of March 2007 after incurring an expenditure of Rs 73.71 crore (53 per cent) resulting in shortfall in physical achievement of 1,25,937 hectares. The shortfall in physical progress of these projects ranged between eight and 95 per cent. Additional Director-cum-Joint Secretary (RDD) stated (March 2007) that the targets could not be achieved due to the project preparatory works done in the first year and tough topography of the State. The reply is not acceptable as project preparatory works should have been done before commencement of projects and the factor of topography was already in the notice of the Department. Thus, the Department failed to complete the projects in time.

3.5.11.2 Non-commencement of special project

As per guidelines, the GOI may sanction special projects for treatment of wastelands in special problem areas such as high altitude regions, land sliding areas, slopes having more than 30 degree gradient or for any other specified technical reasons.

Test-check of records of PO, DRDA, Lahaul and Spiti revealed (September 2006) that special project "Tandi Sumnam *kuhl*²⁴" for treatment of 5,500 hectares (11 watersheds) was sanctioned under DDP by the GOI during 2003-04 for Rs 3.30 crore for completion in five years. Rs 37.13 lakh were released (February 2004) by the GOI and Rs 12.38 lakh by the State Government (March 2004). The project had not started so far (March 2007) and the entire amount remained unutilised. Rs 3.07 lakh was earned as interest on this amount. Perusal of records revealed that the inhabitants did not agree to flow irrigation scheme due to fears that it would lead to soil erosion. The Joint Secretary (RDD) stated (May 2007) that as the inhabitants of the area did not agree for flow irrigation, a revised proposal for lift irrigation scheme had been sent (May 2007) to GOI.

Action of the Department to initially build a flow irrigation scheme indicates that the aspect of land erosion at the proposed site was not taken into account and also participatory rural appraisal was not done before preparation of action

²³ 2004-2005: four projects; 2005-2006: seven projects and 2006-2007: eight projects.

²⁴ *Kuhl*: Irrigation channel in hilly areas.

plan and the scheme was framed without keeping in mind the whole objective of land preservation.

3.5.12 Execution of watershed development works

3.5.12.1 Doubtful expenditure on watershed development works

For post evaluation of watersheds completed (October 2002) in Una block, the State Government appointed (September 2004) an evaluator²⁵. The evaluator in his report pointed out that there was no supporting record/ground measurement done and no revenue papers collected in support of watershed development works executed.

Audit also noticed that six watershed projects (Kangra: two and Una: four) were sanctioned (December 1999 to July 2003) by the GOI at a cost of Rs 38.81 crore to be implemented by four PIAs²⁶. The works were started between December 1999 and July 2003 and stipulated to be completed between December 2004 and July 2008. An expenditure of Rs 6.06 crore was incurred during 2002-07 on treatment of waste/degraded lands under DPAP (Rs 1.69 crore) and IWDP (Rs 4.37 crore) but there was no evidence of area of land actually developed/treated in the basic records such as measurement books and muster rolls in support of the expenditure.

It was further seen that while sending periodical reports on physical progress of watershed development works to the POs, DRDAs (Kangra and Una), PIAs worked out the area developed under various activities of watershed by dividing the whole expenditure as per the prescribed cost norms of Rs 4,000/6,000 per hectare. In the absence of any record of measurement, the authenticity of expenditure could not be verified and the possibility of misappropriation and expenditure proving doubtful cannot be ruled out.

The PIAs concerned admitted the facts and assured (December 2006-March 2007) that in future watershed committees (WCs) would be instructed to maintain the records properly as per guidelines.

The reply is not acceptable, as it is not just a matter of non-maintenance of records but depiction of expenditure without any proof of its occurrence, which tantamounts to fraud and needs investigation.

²⁵ Shri Prakash Mehta, Retd. Professor.

²⁶ Dehra, Nagrota Bagwan, Pragpur and Una.

3.5.12.2 Non-commencement of watershed development works

Six²⁷ PIAs entrusted (May 2002-June 2006) execution of soil and moisture conservation and water harvesting structure works in 14 watershed areas to the respective WCs and released (March 2002-June 2006) Rs 8.42 lakh to them in piecemeal against the sanctioned (2002-07) cost of Rs 17.13 lakh. It was noticed that the WCs concerned had not commenced (March 2007) the execution of such works and the whole amount remained deposited in bank accounts of WCs and PIAs.

The PIAs concerned stated (November 2006-January 2007) that efforts were being made to get the amount refunded from the concerned WCs. The replies of the PIAs are not acceptable as timely execution of works should have been ensured for providing intended benefits to the beneficiaries of the respective areas. The Joint Secretary (RDD) stated (May 2007) that the instructions were being issued to all the DRDAs to start development activities as pointed out in audit.

3.5.12.3 Misuse of funds under Integrated Wastelands Development Programme

Expenditure on installation of pumping machinery for lift irrigation schemes is not a permissible activity for watershed development. Records of the PO, DRDA, Kangra revealed that the BDO, Fatehpur undertook execution of two pump houses for lift irrigation schemes in villages Charuri-Tohud and Ganoh in Kangra district (not covered under watershed development) unauthorisedly and spent Rs 12.15 lakh received from DRDA Kangra for the implementation of IWDP-III project between February-June 2002 out of IWDP allocations on construction (Rs 6.41 lakh) and purchase of pumping machinery and GI pipe fittings (Rs 5.74 lakh) respectively. The Deputy Commissioner-cum-CEO, DRDA, Kangra also objected (March 2002) to the execution of above pump houses as the PIA had not submitted the annual action plan and incurred expenditure without approval of the CEO. The works were lying incomplete as of March 2007. This resulted in wastage of programme funds. The Joint Secretary (RDD) intimated (May 2007) that the matter was still under investigation.

3.5.12.4 Excessive failure of plantation and failure to establish own nurseries

For the achievement of long term objective of checking land degradation and fulfilling the broad objectives of sustainability, equity and environmental conservation, good survival rate of plantation was a crucial parameter.

²⁷

Bamsan, Bhoranj, Bijhari, Dehra, Narpur and Pragpur.

Test-check of records revealed that seven²⁸ out of 23 PIAs, incurred an expenditure of Rs 56.62 lakh out of IWDP during 2002-07 for horticulture (Rs 38.69 lakh) and forestry plantation²⁹ (Rs 17.93 lakh) in an area of 1,573 and 185 hectares respectively. It was noticed that survival of plantation in case of horticulture was between five and 32 *per cent* whereas in respect of forest plantation, it ranged between 40 and 47 *per cent*. The PIAs concerned attributed (December 2006-January 2007) the failure of plantation to scarcity of water and climatic factor, etc., and nurseries were not raised due to non-availability of skilled/technical personnel and lack of interest on the part of beneficiaries. The replies are not tenable as these factors should have been taken into consideration before selection of site for plantation work. The mortality of horticulture (68 to 95 *per cent*) and forestry (53 to 60 *per cent*) plantation being so high, the State Government should have devised a system/method to improve survival percentage of plantation to achieve the objective of environmental conservation.

As per guidelines, activities for watershed development included nursery raising for fodder, timber and fuel wood, etc. It was noticed that instead of raising their own nurseries, 17 PIAs purchased plants for plantation valuing Rs 1.75 crore during 2002-07. The very purpose of providing short term benefits of employment to the people of watershed area by raising of such nurseries was thus defeated.

3.5.12.5 Non-deployment of local labourers

The guidelines envisaged creation of wage employment opportunities to poor and disadvantaged sections inhabiting the programme areas to promote their overall socio-economic development. It was noticed that four selected PIAs³⁰ had paid Rs 1.04 crore under DDP (Rs 0.92 crore and IWDP: Rs 0.12 crore) as wages for 1,22,189 mandays (DDP: 1,06,050; IWDP: 16,139) to labourers from other States engaged on works during 2002-07.

The PD-cum-PIA, Pooh intimated (September 2006) that due to non-availability of local labour in the area, outside labourers were engaged. The contention is not tenable as according to 2001 census 47,811 workers were available in Kinnaur district. While confirming the facts the PO, DRDA, Hamirpur stated (April 2007) that in respect of three PIAs (Bamsan, Bhoranj and Nadaun) under its jurisdiction labourers from other States were engaged as the local labourers were busy in agriculture activities.

Reply of the PO is not tenable as wage employment was to be provided only to resource poor and disadvantaged sections inhabiting the programme areas.

²⁸ Bamsan, Bijhari, Dehra, Nadaun, Nagrota Bagwan, Nurpur and Pragpur.

²⁹ Khair, Kinoo, Mango, Orange, Pine, etc.

³⁰ BDOs of Bamsan, Bhoranj, Nadaun Blocks and PD-cum-PIA, Pooh.

The objectives of providing employment opportunities to target groups of beneficiaries in the respective watershed area for improving their overall economic conditions, thus, remained unachieved and the provision of guidelines were not followed. Further, for smooth implementation of the projects within stipulated period, the works are to be taken up during off season by local labour so that they are engaged in some activity.

3.5.12.6 Irregular execution of works through machinery

As per guidelines, emphasis should be on vegetative measures in watershed development works and costly masonry/cement works, use of machinery should be discouraged.

It was noticed that contrary to the provisions of the guidelines 43 works (DPAP-16 and IWDP-27) sanctioned at a cost of Rs 53.28 lakh were executed (April 2002 to December 2005) by three PIAs³¹ through machinery (JCB³²) at a cost of Rs 20.54 lakh resulting in non-providing of wage employment for 31,593 mandays. The PIAs, stated (January 2007) that the works were executed through JCB where the execution was difficult manually. The replies are not tenable as works were executed in similar reaches of adjacent areas by the people of the watershed area. Thus, the local people of the area had been deprived of the intended benefits of employment.

3.5.13 Role of Panchayati Raj Institutions

3.5.13.1 Non-involvement of user community

As per guidelines, watersheds were to be selected after due participatory rural appraisal (PRA) and the watersheds with greater participatory response were to be preferred.

Under DPAP, the GOI sanctioned (July 2000 to June 2002) two watershed development projects (DPAP: VI and VIII) comprising 65 watersheds at a cost of Rs 19.50 crore. Of 65 watersheds, treatment of 2,000 hectares of area in four watersheds of Una block was entrusted (January 2002 to November 2004) to WCs. The sanctioned cost of these four watersheds was Rs 1.20 crore and the PIA Una released Rs 40.90 lakh to WCs concerned against the availability of Rs 57.76 lakh. These watersheds were stipulated to be completed in July 2005 (three) and June 2007 (one).

Test-check of the records (December 2006) and further information obtained (September 2007) from the BDO concerned revealed that the development activities in these watersheds were taken up without the active involvement of

³¹ BDO Fatehpur, Gagret and Pragpur.

³² Heavy earth cutting machine.

the user community of the area. As a result, activities in the respective watersheds were suspended after incurring an expenditure (June 2004 to May 2006) of Rs 38.16 lakh due to lack of coordination and personal disputes amongst WC members. Watershed development activities for balance sanctioned cost of Rs 81.84 lakh had not been taken up as of March 2007. Besides, out of unspent funds of Rs 19.60 lakh, Rs 14.61 lakh were transferred to other watersheds of the same projects for utilisation and Rs 4.99 lakh remained unspent with the PIA in a savings bank account as of September 2007. The BDO concerned admitted (December 2006) the facts. The Joint Secretary (RDD) stated (May 2007) that the PO, DRDA, Una was being directed to settle the dispute.

Thus, due to non-involvement/participation of local user community, the desired benefits of watershed development to the people of the respective watershed area could not be achieved.

3.5.14 Formation of watershed development teams

3.5.14.1 Inadequate formation of watershed development teams

The guidelines envisaged that each PIA shall carryout its duties through a multi disciplinary team designated as watershed development teams (WDTs), consisting of at least four members, one each from the disciplines of forestry/plant science, animal science, civil/agriculture engineering and social sciences and should include one woman member. These teams may handle developmental activities relating to agriculture, horticulture, afforestation, etc., in 10-12 watersheds.

Test-check of records revealed the following points:

- 646 watersheds were carried out through 26 WDTs³³ against the required 54 WDTs³⁴. Thus, handling of 646 watersheds with shortage of 28 (51 per cent) WDTs had affected the implementation of watershed development as 475 watershed³⁵ works due for completion during 2004-07 out of 646 had not been completed as of March 2007;
- these teams had only 85 members against the required 104 members resulting in under representation of 19 members;
- these teams had only 10 women members against the required number of 26, resulting in non-provision of required representation to the women;

³³ DRDA, Bilaspur: three; Hamirpur: four; Kangra: four; Kinnaur: five; Lahaul and Spiti: three; Solan: two and Una: five.

³⁴ DPAP: 25 WDTs; DDP: 18 WDTs and IWDP: 11 WDTs.

³⁵ 2004-2005: 98; 2005-2006: 203 and 2006-2007: 174.

➤ seven PIAs³⁶ had appointed (December 2000-September 2006) 26 WDT members (IWDP: 11 and DDP: 15) without having requisite qualifications and were paid honorarium of Rs 20.36 lakh³⁷. Thus, the concerned PIAs had not ensured execution and supervision of watershed development activities through qualified multi-disciplinary teams envisaged in the guidelines. The expenditure incurred on engagement of unqualified WDT personnel was, thus, injudicious and resulted in delayed completion of projects.

The PIAs concerned stated (September 2006-January 2007) that qualified personnel did not join WDTs due to low rate of honorarium. The contention of these PIAs is not acceptable as the other PIAs had engaged full strength of WDT members as prescribed in the guidelines. This was indicative of lack of efforts on the part of PIAs, to engage requisite strength with requisite qualifications.

3.5.14.2 Non-constitution of Self Help Groups

As per guidelines of 2001 and Hariyali guidelines of 2003, PIAs (in respect of projects sanctioned upto March 2003) and gram panchayats (in respect of projects sanctioned from April 2003 onwards) respectively were to constitute Self Help Groups (SHGs) and User Groups (UGs) in the watershed area with the help of WDTs from amongst landless/assetless poor, agricultural labourers, women, shepherds and scheduled castes/scheduled tribes persons. Around 50 *per cent* of villagers, who are directly or indirectly dependent on the watershed should generally be enrolled as members of at least one SHG. Besides, formation of separate SHGs for women, SHGs for scheduled castes/scheduled tribes were also required to be formed for undertaking the watershed development activities.

It was noticed that during 2002-07 nine selected PIAs³⁸ took up execution of 19 projects comprising 165 watersheds under DPAP (134 watersheds), DDP (18 watersheds) and IWDP (13 watersheds) respectively at a cost of Rs 116.50 crore but no SHGs were formed (March 2007) to ensure delivery of benefits to the above categories of beneficiaries. Of these, nine projects stipulated to be completed between 2004-07 remained incomplete as of March 2007. As of March 2007, the physical achievement against these projects in term of area treated was 52,224 hectares (47 *per cent*) against the target of 1,10,964 hectares whereas expenditure incurred was Rs 36.46 crore against the sanctioned cost of Rs 64.90 crore. User Groups were also not formed during 2002-07.

³⁶ Bamsan, Bhoranj, Bijhari, Dehra, Kaza, Pragpur and Nurpur.

³⁷ At the rate of Rs 2,500 per month with gradual annual increase of upto Rs 250 per year subject to maximum of Rs 3,500 per month.

³⁸ Bangana, Dharampur (Solan district), Ghumarwin, Haroli, Jhandutta, Keylong, Kunihar, Nadaun and Una.

Seven PIAs attributed (September 2006-January 2007) non-formation of SHGs/UGs to shortage/non-availability of staff/WDTs and lack of interest of local people whereas two PIAs (Kunihar and Nadaun) attributed non-formation of SHGs to formation of SHGs under other programmes such as Sampooran Grameen Rozgar Yojna (SGRY). The contention of these PIAs is not tenable as the SHGs of other programmes participated in watershed development activities. This was indicative of lack of efforts on the part of PIAs to motivate the people in the watershed area concerned.

3.5.15 Capacity Building and Training

3.5.15.1 Short utilisation of earmarked financial resources

For successful implementation of watershed development programmes, the DRDAs/ZPs were required to ensure that relevant training programmes were organised for all the functionaries involved in watershed development. For this purpose, five *per cent* of the grant sanctioned for a watershed development project was to be utilised.

Records of seven selected DRDAs revealed that during 2002-07, 19 watershed development projects having 472 watersheds sanctioned for Rs 136 crore were in operation, but expenditure incurred on training was only Rs 2.65 crore i.e. two *per cent* of total sanctioned cost, against the required limit of Rs 6.80 crore. PIAs concerned stated (September 2006-January 2007) that due to shortage of staff, expenditure on training could not be incurred as required in the guidelines. The contention of PIAs is not acceptable, as most of the personnel concerned with the planning, execution and maintenance of watershed projects remained untrained inspite of provision of adequate funds.

3.5.16 Exit protocol

3.5.16.1 Non-evolving of exit protocol for completed works

The DRDAs/ZPs are to evolve proper exit protocol for the watershed development projects by motivating panchayats to takeover the assets created in the completed watershed projects for the purpose of operation and maintenance. In exit protocol, a locally acceptable, proper mechanism for equity and sustainability of the benefits of the assets created should be clearly spelt out by PIA before its exit from the area. Besides, the protocol should also specify utilisation of watershed development funds for post project maintenance and its regular augmentation.

In five DRDAs³⁹ out of the seven test-checked⁴⁰ it was noticed that no such mechanisms of exit protocol had been evolved for the purpose of operation

³⁹ Bilaspur, Kinnaur, Lahaul and Spiti, Solan and Una.

⁴⁰ In Kangra and Hamirpur no projects completed during 2002-2003 to 2006-2007.

and maintenance of seven projects containing 123 watersheds under DDP (two projects: 80 watersheds) and DPAP (five projects: 43 watersheds) completed at a cost of Rs 28.89 crore during 2002-2004. The POs concerned had thus not taken any effective steps to persuade the PIAs to hand over the completed assets to the concerned panchayats for proper operation and maintenance as of March 2007⁴¹.

While admitting the facts, the POs of DRDAs, Solan and Una stated (January 2007) that steps were being taken to hand over the assets to the panchayats. The POs of remaining three DRDAs intimated no reasons for non-handing over of completed watersheds through exit protocol. Hence audit was unable to verify whether panchayats were satisfied with the workmanship of watersheds.

Thus, in the absence of any exit protocol for handing over of completed assets proper upkeep and operation of assets is likely to be affected and might result in non-delivery of intended benefits to the people of the area.

3.5.17 Monitoring and supervision

3.5.17.1 Non-holding of meetings of State Watershed Development Committee

To oversee the implementation of watershed development programmes and to ensure co-ordination among various Government departments/institutions and voluntary agencies, the State Government constituted a State Watershed Development Committee (SWDC) consisting of 27 members. The SWDC however, does not have representation from all the groups specified in the guidelines. The SWDC was required to meet twice a year.

It was noticed that SWDC had not convened any meeting during 2002-07 to monitor and evaluate the progress of watershed projects. As a result of non-constitution of SWDC according to the revised guidelines and non-holding of its meetings, the execution of works under all the three programmes could not be monitored effectively.

It was noticed in seven⁴² selected districts that only 39 meetings (28 per cent) were held during 2002-07 against the required number of 140 meetings of the district level watershed development committees.

The mechanism of State/district level Vigilance and monitoring committee as required under the guidelines had not been created as of September 2007. Although all the three programmes were being implemented on watershed approach under a common set of guidelines since April 1995 and an

⁴¹ No projects completed during 2004-2007.

⁴² Bilaspur, Hamirpur, Kangra, Kinnaur, Lahaul and Spiti, Solan and Una.

expenditure of Rs 224.12 crore⁴³ had been incurred on the implementation of these programmes as of June 2007 yet the department had not conducted any overall assessment studies of implementation of these programmes to ascertain the impact by way of benchmarks like increase in water table, yield of crops and milk, etc., *vis-à-vis* the decrease in desertification, drought prone and waste/degraded lands.

The Director (RDD) stated (September 2007) that a meeting of the SWDC was held in July 2001 and no meeting was held thereafter as there was no provision of SWDC in Hariyali guidelines. The reply is not acceptable as the projects sanctioned prior to issue of Hariyali guidelines in April 2003, were required to be implemented according to guidelines issued in 2001 and required monitoring by SWDC.

3.5.17.2 Non-submission/delayed submission of quarterly progress reports (QPR)

The guidelines provided that gram panchayat/watershed association/committee should submit a QPR to PIA after its scrutiny and approval by WDT. The PIAs were also required to submit the QPR to ZP/DRDA for further submission to the GOI through the State Government. The guidelines were silent regarding due date of submission of QPR by State Government to GOI.

Following points were noticed:

- The State Government furnished these reports during 2002-07 to GOI, 37 to 199 days after the end of relevant quarter. The Additional Director, RDD intimated (April 2007) that the QPRs could not be submitted in scheduled time due to non-receipt of the same from field functionaries.
- Audit scrutiny of QPRs furnished by the PIAs to DRDAs revealed that while submitting QPRs, ending September 2006 POs, DRDAs, Hamirpur and Kangra had reported (October 2006) achievement of 30,611.88 hectares treated (September 2006) under IWDP against actual achievements of 29,116.41 hectares. An area of 1,495.47 hectares treated (September 2006) was shown as achievement under Entry Point Activities (EPAs) without any details and expenditure on works executed under EPAs.
- The Director-cum-Special Secretary (RDD) (September 2001) prescribed regular submission of QPRs by PIAs to DRDAs by 5th and DRDAs to Director (RDD) by 10th of a month succeeding the relevant quarter. It was

⁴³ IWDP: Rs 116.42 crore; DDP: Rs 65.92 crore and DPAP: Rs 41.78 crore.

noticed in audit that there was a delay of 10 to 150 days in submission of such reports at DRDA level. The PO DRDAs, attributed the delay to late receipt of reports from PIAs.

➤ Further, out of 23 selected PIAs, two PIAs (Dharampur and Kunihar) had not prepared or submitted any QPR to DRDA concerned during 2002-07 in respect of watershed projects sanctioned under DPAP. In case of remaining 21 PIAs, 13 PIAs⁴⁴ ensured timely submission of these reports whereas eight PIAs⁴⁵ had delayed submission of such reports by 10 to 123 days.

The BDOs, Dharampur and Kunihar admitted the facts and attributed (January 2007) non-preparation of reports to non-posting/shortage of staff. In respect of delayed submission of reports, the BDOs concerned intimated (September 2006-January 2007) that due to late receipt of report from watershed committees, the same were not sent on the prescribed date. The contention is not acceptable as the BDOs should have ensured timely receipt of reports from the watershed committees. Thus, at State level monitoring mechanism was in fact non-existent.

3.5.17.3 Inspection of works

For effective implementation of the programme, the Director-cum-Special Secretary (RDD) prescribed (September 2001) the following yearly inspection schedule:

Table: 3.5.2

Level of Inspection	Percentage of works to be inspected
WDT Members	100
PIA	50
PO	25
PD	15
CEO	10

It was noticed that no record of inspections had been maintained either at DRDA or at PIA level.

3.5.18 Conclusion

The State Government had not prepared a long term perspective plan for treatment of waste/degraded lands, drought prone and desert areas. Implementation of programmes was not satisfactory as out of 49 watershed

⁴⁴ Amb, Bamsan, Bangana, Bijhari, Bilaspur, Dehra, Ghumarwin, Haroli, Jhandutta, Kalpa, Keylong, Nadaun and Nagrota Bagwan.

⁴⁵ Bhoranj, Gagret, Kaza, Nichar, Nurpur, Pooh, Pragpur and Una.

projects due for completion during 2002-2007, only 11 projects were completed as of August 2007. 38 projects were still lying incomplete though stipulated time for completion had already expired.

Evidence of area treated had not been maintained in some cases, norms/system to reduce the high mortality of plants had not been devised and there was inadequate employment generation. WDTs were not formed to the prescribed extent and did not comprise qualified personnel to ensure proper technical supervision and timely completion of watershed works. Funds provided for capacity building and training were not fully utilised. Mechanism for proper exit protocol had not been evolved so as to ensure operation and maintenance of watershed projects by beneficiaries. Monitoring mechanism to oversee the implementation of the programmes was also inadequate and ineffective. In the absence of proper benchmarks, the impact of the programme in terms of increase in water table, yield of crops and milk, etc., *vis-a-vis* the decrease in desertification, drought prone area and waste/degraded lands could not be assessed by the State Government.

3.5.19 Recommendations

- **The State Government should consider preparation of long term Master plan for treatment of waste/degraded land, drought prone and desert area in a time bound manner.**
- **Strict adherence to the time schedule prescribed by the GOI for completion of projects will ensure speedy implementation of the programme and optimum utilisation of funds and timely benefits to the people.**
- **Greater participation of beneficiaries should be ensured in the programmes to avoid disputes over work sites and transfer of assets to the community.**
- **Capacity building and training need to be strengthened and State Government should ensure full utilisation of grants.**
- **Internal control mechanism needs to be strengthened by setting up Vigilance Committees at State and district levels on priority basis.**
- **Proper system needs to be evolved for exit protocol so that completed projects are transferred to the beneficiaries.**
- **Benchmark for gauging impact of the programme activities need to be devised by the State Government.**

The Secretary accepted (June 2007) the recommendations and assured that compliance would be reported soon.

Social Justice and Empowerment Department
3.6 Integrated Child Development Services*Highlights*

A performance review of the implementation of Integrated Child Development Services revealed that substantial funds remained unutilised year after year. The programme coverage of identified beneficiaries under health check up and referral services, nutrition and health education and Kishori Shakti Yojna was deficient. The State Government did not provide adequate funds from its own resources for assisting identified beneficiaries under supplementary nutrition component of the scheme and the beneficiaries covered were not provided supplementary nutrition as per norms. Large number of Anganwadi Centres were running in unhygienic conditions. The training and orientation of personnel was deficient. At State level, monitoring of the programme was not done as prescribed. Some significant audit findings are as under:

- *While the staff costs and administrative expenses increased from 57 to 70 per cent of the total expenditure, the expenditure on programme implementation correspondingly decreased during 2002-05.*

(Paragraph 3.6.7.2)

- *During 2002-07 coverage of identified beneficiaries under supplementary nutrition in five selected districts fell short by 20 to 30 per cent for children and 22 to 30 per cent for expectant and nursing mothers whereas at the State level overall shortfall ranged between 41 to 46 per cent and 26 to 42 per cent respectively during the same period.*

(Paragraph 3.6.9.2)

- *To dovetail the activity of Early Childhood Care and Education, Rs 1.44 crore provided out of Sarva Shiksha Abhiyan during 2003-06 remained unutilised as of March 2007.*

(Paragraph 3.6.10.2)

- *The intervention of Kishori Shakti Yojna was not effectively implemented as 33 to 90 per cent identified adolescent girls (11-18 years of age) were not covered during 2002-07.*

(Paragraph 3.6.15.1)

- *The programme was not effectively monitored at State level as follow-up of implementations was not noticeable at higher level. As against holding of 20 meetings of State level coordination committee during five years, only one meeting was held.*

(Paragraph 3.6.18.1)

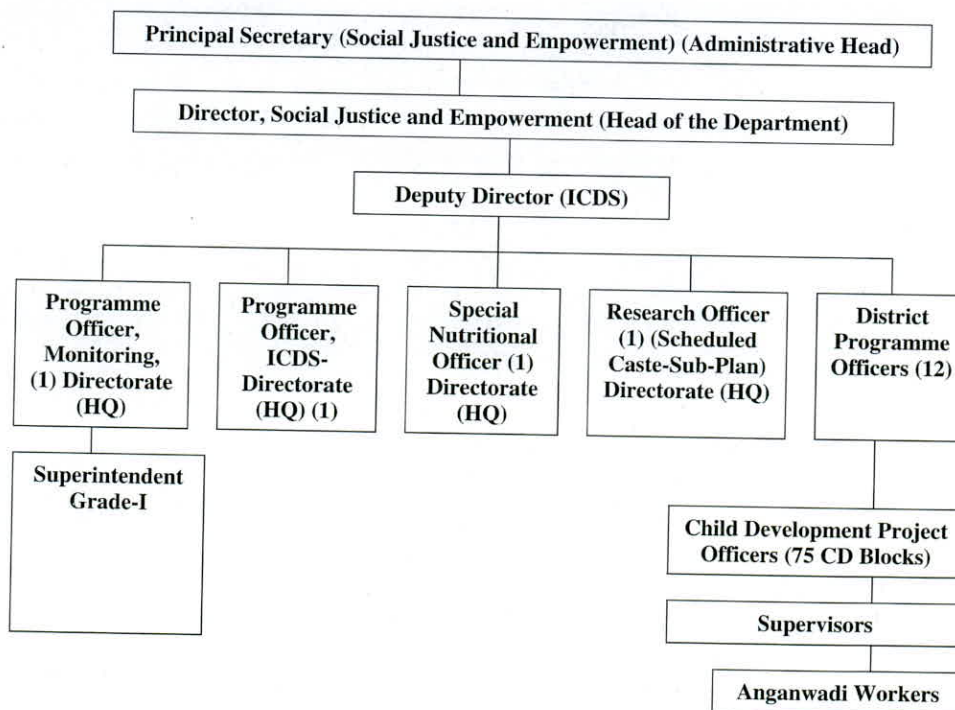
3.6.1 Introduction

The Integrated Child Development Services (ICDS) programme is a centrally sponsored scheme and has been in operation in the State since 1975-76. The programme aimed at the holistic development of children in the age group of 0-6 years, expectant and nursing mothers belonging to most deprived sections of the society. Under the programme, a package of services consisting of supplementary nutrition, immunisation, health check up, referral services, non-formal pre-school education to children (in the age group of 3-6 years) is delivered.

In Himachal Pradesh, the above programme is in operation in all the 12 districts and is being implemented through 76 Child Development Project offices (75 ICDS Projects run by Child Development Project Officers of State Government and one ICDS Project run through an NGO¹) and 7,354 Anganwadi Centres falling under the jurisdiction of these projects.

3.6.2 Organisational set up

The ICDS programme is handled by the Department of Social Justice and Empowerment (DSJE) in the State. The organisational set up of the Department is as under:



¹ Ankur Welfare Association, ICDS Gagret.

3.6.3 Scope of Audit

Implementation of the programme for the period 2002-07 was reviewed (December 2006-April 2007) by a test-check of records in the offices of Director, Social Justice and Empowerment (Director), five² out of 12 District Programme Officers (DPOs), five out of 12 Chief Medical Officers (CMOs), 17³ out of 76 Child Development Project Officers (CDPOs) and 170 Anganwadi centres (AWCs) falling in the jurisdiction of selected CDPOs. This was supplemented by information obtained from the Director of Health Services (DHS). Out of the total expenditure of Rs 201.55 crore incurred on the scheme during 2002-2007, an expenditure of Rs 111.97 crore constituting 56 per cent of the total expenditure was scrutinised in audit.

3.6.4 Audit objectives

The audit objectives were to assess whether:

- budgeting, release and utilisation of funds for each intervention/component of the scheme was adequate and timely;
- an effective system for identification of beneficiaries has been put in place;
- the ICDS programme was implemented effectively and efficiently and monitored as per guidelines;
- the efforts of the State/Union Government for reducing malnutrition amongst children (0-6 years of age group) and nursing mothers were effective;
- convergence with other ongoing schemes of Early Child Development, adolescent girls and Reproductive Child Health (RCH) was considered;
- community mobilisation activities under Information Education and Communication strengthened;
- training/orientation to various functionaries of the programme was arranged for effective delivery of packages of services under the programme.

² DPOs and CMOs: Kangra, Kullu, Mandi, Shimla and Sirmour.

³ Ani, Baijnath, Banjar, Bhawarna, Chauntra, Fatehpur, Gagret, Jubbal, Mashobra, Nagrota Surian, Neethar, Pachhad, Paonta Sahib, Rewalsar, Rohru, Sangrah and Sundernagar.

3.6.5 Audit criteria

The criteria used for assessing the performance of various interventions of the programme were:

- manual on ICDS issued by the GOI;
- instructions issued by the GOI from time to time; and
- ICDS compendium of Guidelines-2000 issued by the GOI.

3.6.6 Audit Methodology

An entry conference was held with the Principal Secretary, DSJE in March 2007 wherein the audit objectives, criteria and scope of audit were discussed. Capital district and four other districts were selected based on statistical sampling method of Probability Proportionate to Size With Replacement (PPSWR). CDPOs and AWCs were selected by Simple Random Sampling Without Replacement (SRSWOR) method. Audit conclusions were drawn after scrutiny of the records relating to the implementation of various interventions of the programme for the period 2002-07, analysis of available data, issue of questionnaire and audit memoranda and examination of the replies received from various functionaries. The audit findings were discussed with the Principal Secretary (Social Justice and Empowerment) in an exit conference (June 2007) and the views of the Government/Department were suitably included in the review where appropriate.

3.6.7 Audit Findings

3.6.7.1 Financial Outlay and Expenditure

The scheme is fully financed by the GOI (since 1975-76) excluding supplementary nutrition, which the State Government has to provide out of its own resources. Further, the Pradhan Mantri Gramodaya Yojna (PMGY) was introduced during 2000-01 to achieve the objective of sustainable human development at the village level. The PMGY envisages allocation of Additional Central Assistance (ACA) by GOI for the supplementary nutrition component of the ICDS programme for children upto six years of age and for expectant and nursing mothers. The allocation under PMGY is meant to bridge the under provisioning of funds for supplementary nutrition by the State Government.

The budget allotment for implementation of all the interventions of the ICDS programme and expenditure incurred thereagainst during 2002-07 was as under:

Table: 3.6.1

(Rupees in crore)

Year	Opening Balance		Budget Allocation		Total funds available	Expenditure		Funds not utilised and surrendered	Unspent Balance kept in Savings Bank Account	
	Centre	State	Centre	State		Centre	State		Centre	State
2002-2003	11.89	--	35.90	--	47.79	30.00	--	6.89	10.90	--
2003-2004	10.90	--	39.84	--	50.74	39.77	--	0.21	10.76	--
2004-2005	10.76	--	38.57	--	49.33	34.97	--	0.78	13.58	--
2005-2006	13.58	--	39.27	4.72	57.57	43.64	4.32	2.61	6.60	0.40
2006-2007	6.60	0.40	67.89	8.28	83.17	52.06	5.91	22.43	--	2.77
Total	53.73	0.40	221.47	13.00	288.60	200.44	10.23	32.92	41.84	3.17

Source: Departmental figures (Budget allotments under Grant Numbers 19 and 31).

Funds surrendered during the above period ranged between Rs 0.21 crore (0.41 per cent) and Rs 22.43 crore (27 per cent). The Director attributed (June 2007) the savings in 2006-07 to non-operationalisation of AWCs and stay orders granted by the State Administrative Tribunal on recruitment of Anganwadi workers/helpers against newly sanctioned (2005-06) 10,894 AWCs and some posts remaining vacant. The reply is not tenable as the additional AWCs were sanctioned by the GOI during 2005-06 and the Department should have drawn funds only after the AWCs were made fully functional. As regards the savings due to vacant posts, the action of Department to make budget provision against vacant posts was against the canons of the Himachal Pradesh budget manual. The savings of Rs 6.89 crore during 2002-03 were due to non-payment of honorarium to Anganwadi workers/helpers which was paid during 2003-04.

3.6.7.2 Establishment and Other Administrative Costs

It was noticed that the staff costs and other administrative expenses continued to be on the higher side during 2002-07 resulting in diluting of resources for implementation of various interventions/activities of the programme. The

ratio of staff costs⁴ as compared to other costs on delivery of services during 2002-07 was as under:

Table: 3.6.2

(Rupees in crore)

Year	Total expenditure on ICDS	Expenditure on salary, wages and other administrative expenses	Expenditure on programme implementation	Percentage of establishment and administrative expenses
2002-2003	29.01	16.56	12.45	57
2003-2004	39.63	27.57	12.06	70
2004-2005	37.79	26.16	11.63	69
2005-2006	41.38	27.86	13.52	67
2006-2007	53.74	36.49	17.25	68

Source: Departmental figures.

While staff costs and administrative expenses increased from 57 to 70 per cent of the total expenditure, the expenditure on programme implementation correspondingly decreased during 2002-05. Hence to that extent the programme was not extended to all the beneficiaries. The Director stated (June 2007) that the expenditure on wages, salaries, etc., was essentially part and parcel of the programme. Fact is that more funds are required for the programme hence, the Department must cut down its staff and administrative costs.

3.6.7.3 Identification of Beneficiaries

ICDS guidelines envisages a quick and simple census survey of all families especially mothers and children by the Anganwadi workers at grass root level. For providing integrated delivery of services, the Department is getting the survey conducted through Anganwadi workers. The beneficiaries are identified for different components of ICDS schemes on the basis of age group of children and detection of pregnancy in women and lactating mothers whose children are less than six months of age. In areas which are not covered through AWCs due to long distance from the AWCs, package of services of supplementary nutrition is provided to these beneficiaries through mobile

⁴ The Directorate staff; District Programme Officers staff; Child Development Project Officers staff; Supervisors, anganwadi workers and helpers.

concept. The number of beneficiaries identified for various components of ICDS during 2002-07 was as under:

Table: 3.6.3

(Numbers in lakh)

ICDS Components		Beneficiaries identified					Total
		2002-03	2003-04	2004-05	2005-06	2006-07	
Supplementary Nutritional Health and Referral Check up.	Expectant and Nursing mothers.	0.92	1.18	0.99	1.04	1.00	5.13
	Children below the age of 6 years.	5.11	5.35	5.51	5.89	5.76	27.62
Non-formal pre-school Education.	Children in the age group of 3-6 years.	2.15	2.23	2.33	2.58	2.54	11.83
Nutritional and Health Education.	Women in the age group of 15-44 years.	6.61	6.92	7.24	7.51	7.29	35.57
Kishori Shakti Yojna.	Adolescent Girls (11-18 years of age).	0.46	0.46	0.56	3.57	3.57	8.62

Source: Departmental figures.

The intervention wise performance is discussed in the succeeding paragraphs.

3.6.8 Establishment of Anganwadi Centres

3.6.8.1 Non-opening of Additional Anganwadi Centres (AWCs)

As per guidelines, AWCs were to be opened in hilly areas where the population is 300 or more. The Department had, however, determined (2004-05) requirement of 18,248 AWCs for the State. It was noticed that the State Government sanctioned 10,894 additional AWCs during 2005-06 in addition to 7,354 AWCs functioning in 76 projects, which are yet to be set up (March 2007). Non-opening of AWCs resulted in programme savings as mentioned in paragraph 3.6.7.1.

The Director stated (June 2007) that the process of establishment of additional AWCs was underway.

3.6.8.2 Inadequate facilities in Anganwadi Centres

Under ICDS programme, AWCs were to be established in buildings with proper facilities for safe drinking water and sanitary conditions. It was noticed that out of 7,354 AWCs operating in the State, 1,783 AWCs (24 per cent) had

no facilities of safe drinking water and 6,885 (94 *per cent*) had no toilet facility.

These basic facilities should have been provided for ensuring hygienic conditions in AWCs especially when the AWCs were catering to children below six years. While confirming the facts, the Director stated (June 2007) that this issue was on the agenda of the Department and it was expected that there would be positive progress in this regard.

3.6.8.3 Non-Establishment of model Anganwadi Centres

According to GOI sanction (April 2005) 253 AWCs were to be developed as Model AWCs during 2005-06 where all type of facilities required for overall development of a child were to be made available. The expenditure on construction of these buildings at the rate of Rs 1.25 lakh per unit was to be borne by the Central and State Governments in the ratio of 75:25. Funds aggregating Rs 2.53 crore (GOI: Rs 1.90 crore; State: Rs 0.63 crore) were released during 2005-06 to the Department for construction of these buildings.

It was noticed that against 253 sanctioned (April 2005) model AWCs, the Department took up execution of 209 centres during 2005-06 and had completed construction of 106 buildings leaving 103 buildings incomplete as of March 2007. The execution of 44 AWCs was not taken up by the Department. The funds provided were to be utilised during 2005-06 as per terms and conditions laid down by the GOI at the time of release. The Department failed to ensure construction of 147 buildings by the end of March 2007 though 80 *per cent* amount of Rs 2.53 crore stood released to the executing agencies. As a result of non-completion of AWCs in time and non-utilisation of funds provided by the GOI (Rs 1.90 crore), second instalment of Rs 47.44 lakh (20 *per cent*) was also not released. Thus due to lack of effective steps by the Department, intended infrastructure facilities could not be created for delivery of intended benefits to the beneficiaries concerned.

The Director stated (June 2007) that the buildings could not be completed due to severe winter season and shortage of water. The contention is not acceptable as all these facts were known when proposals were sent to the GOI. Further, no extension was sought from GOI for complying with the requirement.

3.6.9 Supplementary nutrition

3.6.9.1 Planning for implementation of the scheme

As per an interim order (November 2001) passed by the Apex Court, every child upto the age of 6 years was to be provided nutrition of 300 calories and

8-10 grams of proteins per day. The Department had not prepared any Annual Action Plan in this regard, nor worked out the requirement of funds for supplementary nutrition as discussed in the succeeding paragraphs.

3.6.9.2 Coverage of beneficiaries

The year-wise position of coverage of beneficiaries against the identified numbers during 2002-07 in the State was as under:

Table: 3.6.4

(Numbers in lakh)

Year	Expectant and nursing mothers			Total population of children below 6 years		
	Identified	Assisted	Percentage of shortfall	Identified	Assisted	Shortfall
2002-2003	0.92	0.60	35	5.11	2.75	2.36 (46)
2003-2004	1.18	0.69	42	5.35	3.10	2.25 (42)
2004-2005	0.99	0.71	28	5.51	3.20	2.31 (42)
2005-2006	1.04	0.77	26	5.89	3.50	2.39 (41)
2006-2007	1.00	0.73	27	5.76	3.33	2.43 (42)
Total	5.13	3.50		27.62	15.88	

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

Thus, 26 to 42 *per cent* expectant and nursing mothers and 41 to 46 *per cent* children were denied benefits of supplementary nutrition.

As per 2001 census, the children below 6 years in the State were 7.93 lakh. There was short identification of children by the Department which ranged between 2.04 lakh and 2.82 lakh during 2002-03 to 2006-07. Differences between the census figures and departmental figures are yet to be reconciled by the Department (April 2007).

In the five selected districts, 22 to 30 *per cent* expectant and nursing mothers and 20 to 30 *per cent* children respectively were deprived of the nutritional support during 2002-07. Thus, large number of beneficiaries remained deprived of the benefits of the programme mainly due to inadequate number of required AWCs. The Director stated (June 2007) that actual number of children below 6 years in the localities which have AWCs was determined through half yearly family surveys got conducted through the AW workers of ICDS. The fact remains that it is the responsibility of the Department to ensure that the identified target group is provided assistance under the scheme.

3.6.9.3 Inadequate budget provision for assisting identified beneficiaries

As per the ICDS guidelines, supplementary nutrition was required to be provided to the children in the age group of 6 months to 6 years of age and expectant and nursing mothers for 300 days in a year. The table below indicates the status of identification of beneficiaries and the extent of physical and financial coverage under the programme during 2002-07.

Table: 3.6.5

(Numbers in lakh and Rupees in crore)

Year	Number of identified beneficiaries for daily coverage	Funds required for identified beneficiaries	Total funds available	Actual expenditure	Shortfall in expenditure
2002-2003	6.03	25.44	22.79	11.89	13.55
2003-2004	6.53	27.95	21.66	10.90	17.05
2004-2005	6.50	27.41	21.26	7.68	19.73
2005-2006	6.93	35.08	24.90	17.90	17.18
2006-2007	6.76	45.99	21.58	18.81	27.18
Total	32.75	161.87	112.19	67.18	94.69

Source: Data supplied by the Directorate of Social Justice and Empowerment.

It was observed that:

- Against the requirement of Rs 161.87 crore for providing supplementary nutrition to 32.75 lakh beneficiaries, funds amounting to Rs 112.19 crore were made available resulting in short provisioning of funds of Rs 49.68 crore. The Department however, failed to utilise even these funds.
- During 2002-07, supplementary nutrition to 19.38 lakh beneficiaries (children: 15.88 lakh; mothers: 3.50 lakh) was also not provided according to the prescribed norms⁵ as the Department spent only

⁵

Norms per day	Upto 30-11-2005	(In rupees)	After 1-12-2005
Children below six years	0.90		1.60
Pregnant Mothers	1.35	Calculated on average basis at the	2.70
Nursing Mothers	1.85	rate of Rs 1.60 upto 30-11-2005	2.70

Rs 67.18 crore against the required expenditure of Rs 72.36 crore during the above period as per details given below:

Table: 3.6.6

Year	Total number of beneficiaries covered under supplementary nutrition		Expenditure required to be incurred as per norms			Actual expenditure on supplementary nutrition	Excess (+) Less (-)
	Children	Mothers	Children	Mothers	Total		
	(Number in lakh)		(Rupees in crore)				
2002-2003	2.75	0.60	7.42	2.88	10.30	11.89	(+) 1.59
2003-2004	3.10	0.69	8.37	3.31	11.68	10.90	(-) 0.78
2004-2005	3.20	0.71	8.64	3.41	12.05	7.68	(-) 4.37
2005-2006	3.50	0.77	11.90	4.54	16.44	17.90	(+) 1.46
2006-2007	3.33	0.73	15.98	5.91	21.89	18.81	(-) 3.08
Total	15.88	3.50	52.31	20.05	72.36	67.18	

Source: Departmental figures.

As can be seen from the table above, the beneficiaries had not been provided supplementary nutrition as per norms.

3.6.9.4 Non-provision of funds for Supplementary Nutrition and Non-Utilisation of Available Funds

As per guidelines, the State Government was required to provide funds for the supplementary nutrition on cent *per cent* basis. For the years 2002-05, State Government did not provide any funds for supplementary nutrition. However, it allocated funds for 2005-07 from its own resources and also allocated funds received from GOI under PMGY. The year-wise position of funds allocated under State and Central Sectors and expenditure incurred thereagainst during 2002-07 was as given in **Appendix-XIX**.

The Department failed to utilise the Central assistance and State funds fully and carried forward unspent amount ranging between Rs 6.60 crore and Rs 13.58 crore (28 to 64 *per cent*) during 2002-07. The funds remained unutilised due to non-operationalisation of additional Anganwadis and non-following of norms of supplementary nutrition to the beneficiaries. The State Government furnished no justification for non-allocation of funds for SNP during 2002-05.

3.6.9.5 Delay in Supply of Supplementary Nutrition

Supply order was placed (1st March 2005) on HPSCSC for the purchase of supplementary nutrition⁶ for the first four months of 2005-06 by the Directorate for supplies within one week to the concerned CDPOs from the date of placing supply order. No penal clause was incorporated in the supply order for delay in supply.

The records of DPO, Mandi revealed that the supply of the above nutritional items was made to the ICDS projects of the district after a delay ranging between two weeks to two months. As a result, the requirement of anganwadis was met from the old balances of nutrition items in the centres. The Department, however, took up the matter for delayed supply of nutrition items only in February-March 2007 with the HPSCSC which, in turn intimated that liquidity charges of Rs 18.27 lakh were realised from the firm engaged by HPSCSC during 2002-07 for delayed supply of nutrition items to the concerned ICDS projects. On this being pointed out (February 2007) in audit, the Director took up (March 2007) the matter with the HPSCSC to recover the above amount. However, final outcome was awaited (August 2007).

3.6.9.6 Distribution of Nutrition under 'take home food' system without Acknowledgement of Beneficiaries

As per guidelines, there is an urgent need to evolve a delivery system for reaching the inaccessible, hut-bound children below three years of age and tradition and superstition bound pregnant women on the basis of "take home food" system for wider coverage of the target groups. The State Government instructions further provided (May 2005) that signatures of beneficiaries be taken in the presence of 2-3 village Level Coordination Committee (VLCC) members.

It was noticed that three CDPOs⁷ supplied nutrition items valued at Rs 36.81 lakh to 20,668 beneficiaries (children: 17,456 and expectant mothers: 3,212) of inaccessible areas during 2003-07 through mobile AWCs as "take home food" but acknowledgement of the recipients or their representatives was not obtained. In the absence of any acknowledgement, the authenticity of food items having been supplied could not be vouchsafed in audit. The concerned CDPOs stated (February-March 2007) that there was no such directions from higher authorities. The Director stated (June 2007) that clear

6

(Material in quintals)								
Pea	Rice	Moong	Channa	Milk	Sugar	Ghee	Salt	Dalia
242	1303	226	1022	70	142	220	34	796

7

Ani, Neethar, Pachhad.

instructions had been issued (July 2005) to all the officers in the field to observe all formalities as required under the financial rules. The replies of the CDPOs indicate that there was inadequate coordination and monitoring of the implementation of the scheme.

3.6.9.7 Non-provision of Special Nutrition to Malnourished Children

As per guidelines, severely malnourished children should be given therapeutic nutrition (special nutritious food or double the amount of supplementary food). Children whose weight fell below curves IV (Grade-IV malnutrition) should be immediately referred for medical attention. For children falling in curve I and II, supplementary feeding was recommended in anganwadis.

It was noticed that 389 children in the State fall in grade-III and 25 in grade-IV category in ICDS areas and 2,177 children in grade-III and 227 in grade-IV in non-ICDS areas and were severely malnourished. These children were not provided any therapeutic nutrition as envisaged in the ICDS guidelines. While confirming the facts, the Director stated (June 2007) that prevalence of severely malnourished children (Grade-III and IV) is far less as compared to areas not so far covered under ICDS. The Director further stated that the operationalisation of additional AWCs had been proposed and with the coordination of all the agencies, best results will be achieved.

3.6.10 Non formal pre-school education

3.6.10.1 Non-coverage of Identified Children

The children of 3-6 years of age in ICDS were to be provided non-formal pre-school education through AWCs. Test-check of the records in the Directorate revealed that while 11,82,979 children in the age group of 3-6 were identified during 2002-07, only 7,88,653 children were targeted for providing pre-school education during the above period. It was, however, noticed that only 5,59,575 children were actually covered and 2,29,078 children (29 per cent) were deprived of the intended benefits of pre-school education under AWCs.

The Director stated (June 2007) that the shortfall in coverage under this component was due to children attending private schools in anganwadi areas, but no records in support of this contention were furnished to audit.

3.6.10.2 Non-utilisation of funds received from *Sarva Shiksha Abhiyan* for pre-school education

For dovetailing the activities of Early Childhood Care and Education (ECCE) with the existing components of ICDS, the State Project Director (SPD) of SSA advanced Rs. 5.14 crore to the Department during 2003-2006 for opening

of ECCE centres for covering children in the age group of 3-6 years in left out areas where AWCs were not functioning, for providing non-formal pre-school education.

Scrutiny of records in the Directorate revealed that 2,906 additional ECCE centers were opened in the State during 2004-06 for a period of only 10 months and Rs 3.70 crore⁸ were spent (April 2006 to February 2007) leaving an amount of Rs 1.44 crore unspent as of March 2007. Incurring of expenditure after close of ECCE centres was injudicious. While confirming the facts, the Director stated (April 2007) that ECCE centres were ordered to be closed with effect from 1st April 2006 due to sanction (2005-06) of 10,894 additional AWCs by GOI to the State but due to unavoidable administrative reasons, these AWCs could not be made operational in stipulated time. The action of closing ECCE centres without waiting for operationalisation of additional AWCs was not prudent as it resulted in depriving 6,23,404 children of non-formal pre-school education out of total population of 11,82,979 children.

3.6.11 Procurement of Pre-school Education Kits for Anganwadi Centres

3.6.11.1 Non-adherence to the norms for supply of pre-school kits in Anganwadi Centres

The pre-school education in AWCs is provided through non-formal and play way method to children in the age group of 3-6 years. GOI, through a new initiative from 2000-01 made a regular provision of pre-school material to the eligible children under this component of ICDS and approved the norms for each kit for each anganwadi at Rs 500 per year. As per guidelines experts of Early Childhood Education/State Council of Education, Research and Training were to be consulted for finalisation of items in the pre-school kits.

Test-check of records in the Directorate revealed that for 7,354 AWCs in the State, pre-school kits comprising picture charts, education and play materials were procured every year during 2002-05 at varying rates of Rs 225 to Rs 411 without consulting these experts. The purchase of kits at rates lower than the approved rate of Rs 500 per kit indicated that either complete items were not provided or the items were not as per approved specification.

Kits were purchased at the rate of Rs 504 per kit during 2005-06 and no kits had been purchased during 2006-07 as the tenders were yet (June 2007) to be finalised.

⁸ Payment of honorarium to workers: Rs 1.51 crore; purchase/publication of books: Rs 0.32 crore; training of Anganwadi Workers: Rs 0.12 crore, furniture: Rs 1.04 crore; pre-school education kits: Rs 0.66 crore and other miscellaneous expenditure: Rs 0.05 crore.

While confirming the facts, the Director stated (June 2007) that the rates became known only after the process of tendering was completed. The reply is not tenable, as the Department should have consulted experts of Early Childhood Education, State Council of Education, Research and Training (SCERTs), etc., for finalisation of items for the pre-school kit as prescribed in the guidelines relating to rates/items of kits.

3.6.12 Health check-up and Referral services

3.6.12.1 Non-coverage of identified population for health check-up and referral services

Health check up and referral services component of programme provided for ante-natal care of expectant mother, post-natal care of nursing mother, care of new born babies and care of all children under six year's of age.

Scrutiny of records revealed that the population of children and mothers for health check-up identified on the basis of surveys conducted through anganwadi workers was not fully covered in the State during 2002-07. Shortfall in coverage during the above period ranged between 41 and 46 per cent for children and 23 and 42 per cent in respect of expectant and nursing mothers as under:

Table: 3.6.7

Year	Identified		Covered		Shortfall in coverage/percentage	
	Children	Mothers (expectant and nursing)	Children	Mothers (expectant and nursing)	Children	Mothers (expectant and nursing)
2002-2003	5,10,866	92,061	2,74,905	60,337	2,35,961 (46)	31,724 (34)
2003-2004	5,35,116	1,18,071	3,09,590	68,898	2,25,526 (42)	49,173 (42)
2004-2005	5,51,348	98,611	3,19,945	71,183	2,31,403 (42)	27,428 (28)
2005-2006	5,89,178	1,04,202	3,49,545	77,827	2,39,633 (41)	26,375 (25)
2006-2007	5,75,889	1,00,534	3,40,250	77,170	2,35,639 (41)	23,364 (23)

Source: Figures supplied by the Directorate and figures in parenthesis indicate percentage.

Out of 17 selected ICDS projects, the coverage of identified beneficiaries in six⁹ projects was complete. In remaining 11 projects¹⁰ the shortfall in coverage of children during 2002-07 ranged between 36 and 40 per cent

⁹ Ani, Banjar, Gagret, Jubbal, Neethar and Rohru.

¹⁰ Baijnath, Bhawarna, Chauntra, Fatehpur, Mashobra, Nagrota Surian, Paonta Sahib, Pachhad, Rewalsar, Sangrah and Sundernagar.

whereas in respect of mothers it ranged between 29 and 33 *per cent* as given below:

Table: 3.6.8

(In numbers)

Year	Identified		Covered		Shortfall in coverage	
	Children	Mothers (expectant and nursing)	Children	Mothers (expectant and nursing)	Children	Mothers (expectant and nursing)
2002-2003	68,206	14,595	40,891	10,347	27,315 (40)	4,248 (29)
2003-2004	71,188	16,090	45,215	11,071	25,973 (36)	5,019 (31)
2004-2005	81,564	16,145	49,728	11,385	31,836 (39)	4,760 (29)
2005-2006	78,379	15,420	49,550	10,468	28,829 (37)	4,952 (32)
2006-2007	76,994	15,138	48,167	10,195	28,827 (37)	4,943 (33)
Total	3,76,331	77,388	2,33,551	53,466	1,42,780	23,922

Source: Figures supplied by the CDPOs and figures in parenthesis indicate percentage.

Six CDPOs¹¹ attributed (January-March 2007) shortfall in coverage of beneficiaries to shortage of staff and remoteness of areas. No reasons were, however, intimated by remaining five CDPOs¹² test-checked. The Director stated (June 2007) that once the additional AWCs become operational health check up of all children and mothers will be ensured. The reply is not tenable as the identified beneficiaries in the existing AWCs of the projects were not covered for health check up as can be seen from the above table. This was indicative of inadequate efforts by the Department to ensure full coverage of identified beneficiaries.

3.6.12.2 Procurement and supply of medicine kits

As a vital input to provide the essential services of health check up and referral services, each anganwadi centre is required to be provided every year, a medicine kit at a cost of Rs 600, consisting of easy to use and dispensable medicines for common ailments like cough, common cold and skin infection, etc.

Scrutiny of records revealed that for 7,354 anganwadis, expenditure for procurement of medicine kits for the period 2003-06 was made at the prescribed cost norms and for 2006-07 the tenders were yet (June 2007) to be finalised. During 2002-03 procurement and supply of medicine kits to 7,354 anganwadis was not done in accordance with the prescribed cost norms as against the required expenditure of Rs 44.12 lakh, only Rs 33.70 lakh were spent on medicine kits. This resulted in under replenishment of kits to the

¹¹ Chauntra, Pachhad, Paonta Sahib, Rewalsar, Sangrah and Sundernagar.

¹² Bajinath, Bhawarna, Fatehpur, Mashobra and Nagrota Surian.

extent of Rs 10.42 lakh. The Director stated (June 2007) that the procurement of medicines for medicine kits as prescribed by the GOI is done keeping in view the actual demand in the field. The reply is not tenable as out of 5,725 AWCs in the 11 projects¹³ (out of 17 test-checked) only 3,930 AWCs were provided medicine kits and no medicine kits were provided to 1,795 AWCs.

3.6.12.3 Convergence of Integrated Child Development Services with Reproductive Child Health Programme

To improve the infant and maternal status, the Reproductive Child Health (RCH) services (a scheme of the Health and Family Welfare Department under the National Rural Health Mission launched by GOI on 12 April 2005) envisaged providing of referral transport, 24 hours delivery services, Janani Suraksha Yojna, Pulse Polio Programme (PPP) and the tribal RCH services in tribal areas.

Health Department was to provide Reproductive Child Health care services through the network of anganwadi workers with active support from Accredited Social Health Activists (ASHAs), Auxilliary Nurse-cum-Midwives (ANMs) and Self Help Groups, by facilitating preparation and implementation of Village Health Plan under the leadership of the Village Health Committees of the Panchayats.

Scrutiny, however, revealed that though a sum of Rs 3.42 crore was spent by the Director, Health and Family Welfare during 2005-06 to 2007-08 (upto June 2007) (2005-06: Rs 0.61 crore; 2006-07: Rs 2.19 crore and 2007-08 (upto June 2007): Rs 0.62 crore) on RCH yet no convergence could be established between the Social Justice and Empowerment Department and Health and Family Welfare Department in providing healthcare services to the target groups which were common to both the programmes.

3.6.13 Nutrition and health education

3.6.13.1 Less coverage of identified women

Under ICDS programme, nutrition and health education were required to be given to all women in the age group of 15-44 years with priority to expectant and nursing mothers.

Scrutiny of records revealed that identified women beneficiaries in the State (except Chamba and Sirmour districts) ranged between 6.61 lakh and 7.51 lakh during 2002-07 for coverage under this component of the

¹³ Baijnath, Bhawarna, Fatehpur, Jubbal, Nagrota Surian, Neethar, Pachhad, Paonta Sahib, Rewalsar, Rohru and Sundernager.

programme whereas the requisite nutrition and health education was provided only to 4.90 lakh and 6.13 lakh beneficiaries during the above period. The shortfall in providing health education during the above period ranged between 18 and 33 *per cent* as given below:

Table: 3.6.9

(In lakh)

Year	Number of identified women beneficiaries	Actual coverage	Shortfall in coverage	Percentage of shortfall
2002-2003	6.61	5.16	1.45	22
2003-2004	6.92	5.42	1.50	22
2004-2005	7.24	5.87	1.37	19
2005-2006	7.51	6.13	1.38	18
2006-2007	7.29	4.90	2.39	33

Source: Figures supplied by the department.

In nine¹⁴ out of 17 selected ICDS projects, all identified women beneficiaries were provided nutrition and health education. In the remaining eight projects¹⁵ out of 8.30 lakh identified women 7.02 lakh were covered leaving 1.28 lakh (15 *per cent*) women uncovered during 2002-07 in five years.

The Director while confirming the facts stated (June 2007) that the reason for less coverage was that some of the women do not turn up during special camps organised for such purposes. The reply is not tenable as the field functionaries of the department needed to spread awareness and motivate all the women in the age group of 15-44 as envisaged in the ICDS Manual.

3.6.14 Coverage of beneficiaries under immunisation

Out of 17 selected ICDS projects the coverage for immunisation of children and pregnant mothers for BCG, DPT, Polio, Measles and Tetanus was fully achieved in four projects¹⁶ whereas in remaining 13 projects¹⁷ overall shortfall in achievement of immunisation was around five *per cent*.

¹⁴ Ani, Baijnath, Banjar, Bhawarna, Fatehpur, Gagret, Jubbal, Pachhad and Rohru.

¹⁵ Chauntra, Mashobra, Nagrota Surian, Neethar, Paonta Sahib, Rewalsar, Sangrah and Sundernagar.

¹⁶ Ani, Gagret, Jubbal and Rohru.

¹⁷ Baijnath, Bhawarna, Banjar, Chauntra, Fatehpur, Mashobra, Nagrota Surian, Neethar, Pachhad, Paonta Sahib, Rewalsar, Sangrah and Sundernagar.

3.6.15 Kishori Shakti Yojna

3.6.15.1 Non-coverage of beneficiaries

Kishori Shakti Yojna (KSY) component of ICDS aimed at empowering the nutritional and health status of all adolescent girls (11-18 years) and promoting self development, awareness of health, hygiene, nutrition, family welfare and management and decision making capability of women. The State Government was required to implement the KSY as per guidelines of GOI issued in 2000. The objectives of the scheme were to organise training programmes for skill development, awareness camps, legal literacy camps and health education camps, etc., for adolescent girls. The intervention for this purpose was to be limited to the approved amount of Rs 1.10 lakh per block/ICDS project and expenditure was required to be met from grant released by GOI to the State Government through funds released for implementation of ICDS scheme.

During 2002-05 KSY was implemented in 15 out of 76 blocks/ICDS projects of the State. From 2005-06, its implementation has been extended to all the 76 blocks. It was observed that the scheme was implemented without any approved Annual Action Plan (AAP) during 2002-06. The annual action plan for 2006-07 was circulated in December 2006 when only one quarter of the year remained for implementation. Also, against the availability of Rs 2.17 crore, only Rs 1.13 crore were spent on its implementation during 2002-07 resulting in unspent funds of Rs 1.04 crore on this component.

The position of identified number of beneficiaries and coverage thereagainst during 2002-07 was as under:

Table: 3.6.10

(In numbers)

Year	Number of Girls identified	Number of Projects	Beneficiaries covered					Total	Shortfall	Percentage of shortfall
			Trg ¹⁸	SNP ¹⁹	IFA ²⁰	NHE ²¹	Haemoglobin testing kits			
2002-2003	45,707	15	1,458	5,324	4,705	12,104	--	23,591	22,116	48
2003-2004	45,707	15	1,409	4,520	9,627	5,547	--	21,103	24,604	54
2004-2005	55,650	15	1,914	4,502	6,638	16,839	--	29,893	25,757	46
2005-2006	3,56,656	76	1,483	5,657	8,264	20,967	--	36,371	3,20,285	90
2006-2007	3,56,656	76	-	51,297	32,150	43,371	1,11,233	2,38,051	1,18,605	33

Source: Figures supplied by the Department.

¹⁸ Training.

¹⁹ Supplementary Nutrition Programme.

²⁰ Iron and Folic Acid Tablets.

²¹ Nutrition and Health Education.

From the above details it would be seen that 33 to 90 per cent of the adolescent girls (11-18 years) identified could not be covered under this component of ICDS.

The Director stated (June 2007) that the coverage for training, SNP, IFA and NHE was based on the AAPs which never stipulate coverage of all adolescent girls. The contention is not tenable as the available funds of Rs 2.17 crore for this component were not utilised fully and identified beneficiaries under the component remained uncovered. Further, action plan to cover all identified beneficiaries was not prepared as envisaged in the scheme guidelines. Moreover, against the prescribed limit of Rs 1.10 lakh per block to give benefit to adolescent girls, the average expenditure during 2005-07 was Rs 0.17 lakh²² per block in 14²³ out of 17 blocks selected for test-check as given below:

Table: 3.6.11

(Rupees in lakh)

Year	Financial targets	Achievements	Shortfall	Percentage of shortfall
2005-2006	3.30	0.36	2.94	89
2006-2007	15.73	4.42	11.31	72
Total	19.03	4.78	14.25	

Source: Figures supplied by the Department.

3.6.15.2 Non-procurement and supply of Haemoglobin Testing Kits and Iron Folic Acid Tablets

Scrutiny of records revealed that no provision was kept for purchase of Haemoglobin Testing kits during 2002-06. As per AAP, for 2006-07 circulated in December 2006, Rs 27.93 lakh of the total amount of Rs 83.60 lakh (at the rate of Rs 1.10 lakh per ICDS project per annum for 76 projects) was kept for the purchase of Haemoglobin Testing kits and Iron Folic Acid Tablets.

It was observed that the above mentioned inputs meant for healthcare of girls had not been procured as of March 2007. Therefore, the KSY was not implemented as per action plan approved for 2006-07 and the adolescent girls were deprived of these benefits in all project areas. The Director stated (June 2007) that out of 3,56,650 adolescent girls 1,11,233 were covered during 2006-07 for Haemoglobin testing by managing convergence with the local

²² Rs 4.78 lakh ÷ 14 blocks ÷ 2 years = Rs 0.17 lakh.

²³ Baijnath, Bhawarna, Banjar, Chauntra, Fatehpur, Jubbal, Mashobra, Nagrota Surian, Pachhad, Paonta Sahib, Rewalsar, Rohru, Sangarh and Sundernagar.

authorities and NGOs. However, the fact remained that department prepared and circulated the AAP when only the last quarter remained for achievement and thus failed to ensure availability of the requisite inputs for effective implementation of the scheme as per action plan for 2006-07. While during 2002-06 no expenditure was incurred for this component of the scheme.

3.6.16 Training and orientation of ICDS personnel

The achievement of the programme goals depends on the effectiveness of frontline workers for improved delivery of packages of ICDS and training was the most crucial element under the ICDS programme.

Targets were not fixed for imparting training to the ICDS field functionaries during 2002-07. The position of training imparted was as given below:

Table: 3.6.12

Year	Category of ICDS functionary	Total number of filled up posts	Number of functionaries to whom job training was imparted	Specialised training in Pre-School education and early childhood care
2002-2003	CDPO/ACDPO	78	--	--
	Supervisors	94	--	--
	Anganwadi workers	7,289	760 (10)	--
2003-2004	CDPO/ACDPO	81	-	--
	Supervisors	94	-	--
	Anganwadi workers	7,316	453 (6)	--
2004-2005	CDPO/ACDPO	77	8 (10)	--
	Supervisors	92	-	--
	Anganwadi workers	7,325	58 (1)	--
2005-2006	CDPO/ACDPO	85	19 (22)	--
	Supervisors	324	236 (73)	--
	Anganwadi workers	7,092	77 (1)	--
2006-2007	CDPO/ACDPO	86	2 (2)	76 CDPOs
	Supervisors	222	-	222
	Anganwadi workers	7,084	27 (0)	7,084

Source: Figures supplied by the Department. Figures in parenthesis indicates percentage.

From the above table, it would be seen that no job training to CDPOs during 2002-04 and to supervisors during 2002-05 were imparted. For Anganwadi workers job training imparted during 2002-07 also ranged between zero and 10 per cent. Similarly, specialised training in pre-school education was also provided only in 2006-07. The training and orientation of ICDS personnel was, thus, deficient.

3.6.17 Vacancies of ICDS field functionaries

There were large number of vacancies of supervisors and anganwadi workers as of March 2007 as shown below:

Table: 3.6.13

(In numbers)

Category of ICDS functionary	Sanctioned strength	In position	Vacant	Percentage of vacant posts
Supervisors	808	222	586	73
Anganwadi workers	18,248	7,084	11,164	61

Source: Departmental figures.

Against the prescribed ratio of 1:25 of supervisor and anganwadi workers, the actual ratio in respect of staff in position was 1:32.

The Director stated (June 2007) that the process of filling up the posts of anganwadi workers was likely to be completed soon and the supervisors would be recruited thereafter.

3.6.18 Monitoring and evaluation

3.6.18.1 Inadequate meetings of State Level Coordination Committee

For proper assessment, evaluation and monitoring of the programme, Coordination Committees at the block/project, district and State levels were required to be constituted. The meetings of Coordination Committees were required to be held monthly at block/project level and quarterly at district and State levels.

It was noticed that against 20 meetings of State level Coordination Committee required to be held in five years, only one meeting was held in April 2005. This indicated inadequate high level monitoring, evaluation and follow up in

implementation of the programme. Of 89 auditable units, internal audit of only 21 units (24 per cent) was done during 2002-07. The details of meetings of district and block level Coordination Committees at the prescribed intervals were not furnished by the test-checked units or by the Director.

As envisaged in the guidelines, community based monitoring mechanism in the form of village level coordination committees had also not been established in each AWC as of March 2007.

3.6.19 Conclusion

The persistent savings year after year showed that the ICDS programme funds were not utilised for maximum coverage of identified beneficiaries. Administrative costs were comparatively higher than the cost of implementation of the programme during 2002-07 resulting in thinning of resources for implementation of various components of the programme. The State Government failed to provide sufficient budget provision under nutrition during 2002-07 for feeding 300 days in a year. Under supplementary nutrition, non-formal pre-school Education, Health checkup and Referral Services, Nutrition and Health Education and KSY components of the programme, the coverage of identified beneficiaries was deficient. Establishment of anganwadi centres were not ensured as per prescribed criteria and 10,894 anganwadi centres had not been opened to meet the requirements. Out of 7,354 AWCs, 1,783 AWCs (24 per cent) had no facilities of safe drinking water and 6,885 (94 per cent) had no toilet facility. Model Anganwadi Centres were also not established in time and construction of only 106 anganwadi centres had been completed as of March 2007. There was inadequate monitoring of the programme by State Level Co-ordination Committee. Internal audit arrangement was also inadequate as only 24 per cent of the units were audited during 2002-07.

3.6.20 Recommendations

- **Full and proper utilisation of budget provision and other resources need to be ensured if the State has to benefit from full impact of the programme.**
- **Expenditure on staff and administration should be brought down so that maximum funds are available for the programme.**
- **Anganwadi centres should be opened according to prescribed criteria and the staff should be regularly trained and motivated.**

- **The State Government needs to strengthen the focus on results and accountability and ensure convergence of similar programmes to optimise the results.**

- **Monitoring of the programme by State Level Coordination Committee at regular intervals needs to be ensured for proper implementation and follow up of the programme.**

- **SLCC meetings should be held as per guidelines so that programme is regularly monitored.**

Finance Department

3.7 Information Technology Audit of On Line Treasury Information System and e_Pension software

Highlights

Online Treasuries Information System (OLTIS) aims at exercising control over expenditure as per budget allocation, prevention of diversion of funds and wrong booking of expenditure, etc. The e_pension system aims for computerised pension disbursement System. Audit observed that there was absence of documentation and user manuals to ensure trouble free operation of the systems. Besides, the absence of input controls has resulted in wrong booking of expenditure and allowing of inadmissible payments. The following main points were noticed in Information Technology Audit of Treasuries:

- *The User Manuals, Operational Manuals and System Manuals were not available in all the test checked treasuries.*

(Paragraph 3.7.9.1)

- *Department had not formulated and documented any Disaster Recovery Plan. There were no documented procedures indicating frequency for taking back up of data, its storage and restoration. The Treasury Officers were taking back ups on an adhoc basis.*

(Paragraph 3.7.9.2)

- *Due to absence of input controls, possibility of double drawal of bills in OLTIS and overpayment/ incorrect payment of pension existed.*

(Paragraphs 3.7.10.1, 3.7.10.3 and 3.7.11.1)

- *No checks were exercised to monitor expenditure vis-à-vis budget provisions by the Treasury Officer at the time of passing the bills.*

(Paragraph 3.7.10.2)

- *Allocation of payment of DA arrears to Punjab Government was not made in e_Pension software.*

(Paragraph 3.7.11.2)

- *There was no provision of revalidation of bills after expiry of the currency period in OLTIS module.*

(Paragraph 3.7.11.4)

- *Absence of validation checks resulted in DDOs operating head of accounts for which they are not authorised.*

(Paragraph 3.7.11.5)

3.7.1 Introduction

The Himachal Pradesh Finance Department is responsible for fostering fiscal discipline through the Director, Treasuries and Accounts Department. There are 15 district treasuries and 85 sub-treasuries in the State which are responsible for receipts and payment of money on behalf of Government and maintenance of accounts relating to these transactions. The treasuries maintain records of financial transactions and are required to exercise necessary checks on the flow of funds. In February 1989, the State Government decided to computerise the accounts in district treasuries and a software 'DISNIC-TREASURY' developed by the National Informatics Centre (NIC) using FOXBASE in XENIX/UNIX environment was implemented in 12 out of 15 district treasuries (except Keylong, Kaza and Pangi) in a phased manner by April 1991.

The present software 'Online Treasury Information System' (OLTIS) was designed by NIC as a web enabled application with Windows 2000 as operating system, MS SQL server at the back end and MS Visual Basic at the front end. The first version was developed and implemented in a phased manner from June 2003 onwards in all the district treasuries. The computerisation of sub-treasuries is still in process.

The e_pension software developed by NIC with Windows as operating system, MS SQL server at back end and MS Visual Basic at the front end was implemented in all the district treasuries (July 2006) to generate monthly bank-wise scrolls for payment of pension to the State pensioners through the designated banks.

Both the databases of OLTIS and e_pension applications are residing on the same server in all the treasuries.

The Department spent Rs 263.45 lakh (as of July 2007) on the purchase of hardware and software and site development for both the systems during the period between 1996-97 to 2006-07 which included Rs 20.00 lakh and Rs 50.00 lakh awarded by 10th and 11th Finance Commissions respectively for computerisation of treasuries.

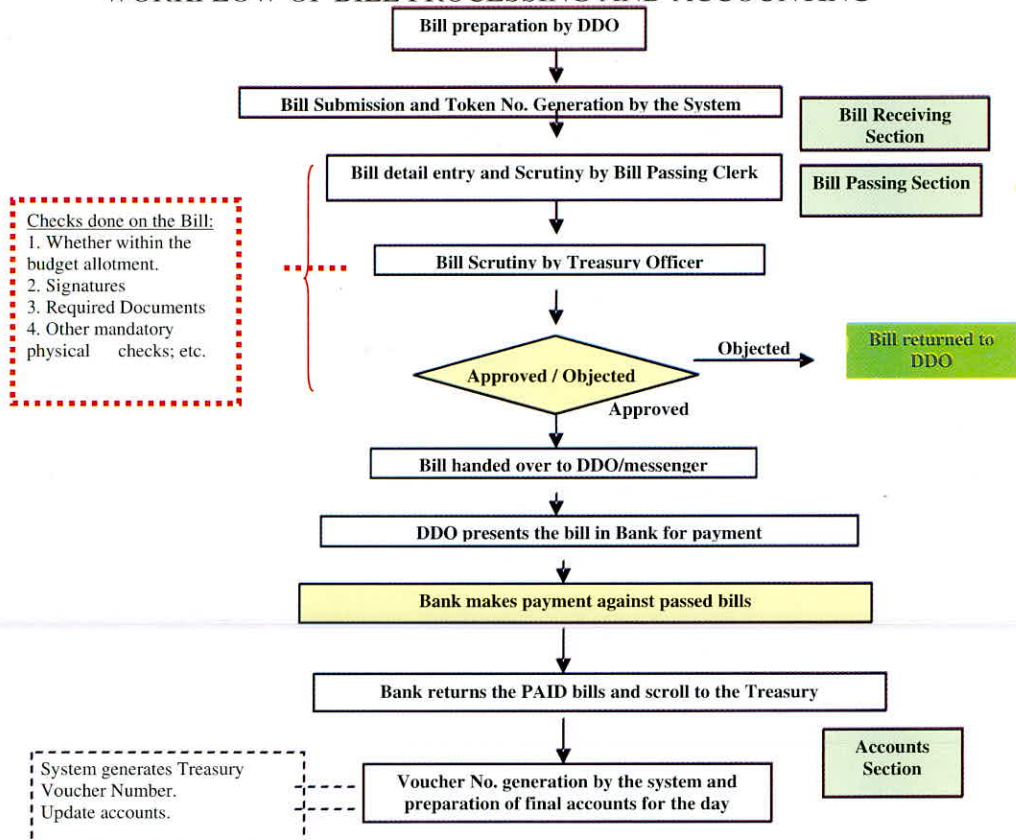
3.7.2 Organisational set up

The Department of Treasury, Accounts and Lotteries is headed by a Director under overall administrative control of Principal Secretary, Finance Department. The Director, Treasury, Accounts and Lotteries department is assisted by a Joint Director (Treasuries), Joint Controller (Accounts) and Deputy Directors. The Joint Director (Treasuries) is over all responsible for computerisation in the treasuries.

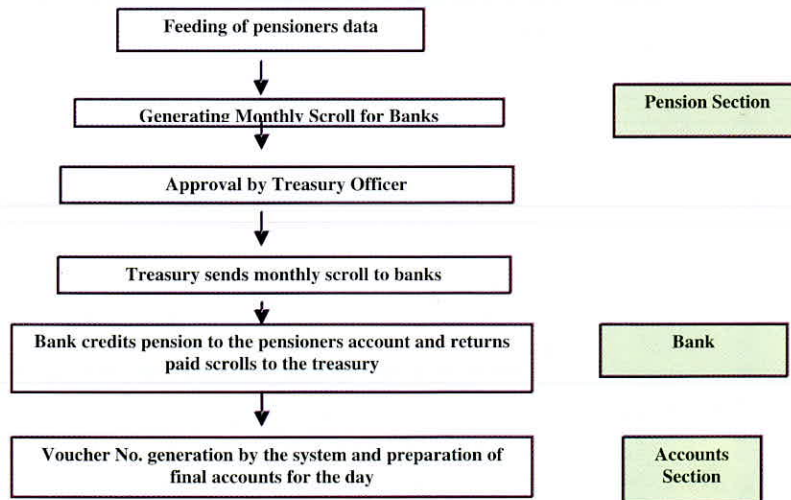
3.7.3 Workflow

The process flow diagram of the processing of bills in the treasury and its accounting is shown below:

WORKFLOW OF BILL PROCESSING AND ACCOUNTING



WORKFLOW OF PENSION PAYMENT



3.7.4 Objective of computerisation

The major objectives of the OLTIS and e_pension softwares inter alia include:

- Facilitating controls to be exercised by the Department to monitor financial transactions by rational allocation of budget to Drawing and Disbursing Officers (DDO), thereby enabling treasury officers to have a strict control over expenditure as per the budget allocation.
- To make flow of information up-to-date, authentic and consistent, and leaving no scope for excess or unauthorised drawals, diversion of funds, wrong booking, etc.
- Payment of monthly pension to State Government pensioners and political pensioners and to maintain database of pensioners at district level.

3.7.5 Scope of Audit

Out of 15 district treasuries, six district treasuries were covered in Audit. The sample comprised two big treasuries (Shimla and Dharamsala) and four small treasuries (Bilaspur, Nahan and Solan and Reckong Peo). The scope of audit included test check of data maintained in the treasuries for the year 2006-07.

3.7.6 Objectives of the Information Technology (IT) Audit

The objectives of the IT Audit were to evaluate:

- the adequacy and effectiveness of various controls in the developed system;
- reliability, integrity and authenticity of the data;
- the aspects relating to availability of the data and information security;
- extent of incorporation of treasury rules in the developed applications; and
- extent of availability of documentation necessary for smooth operation of the system.

3.7.7 Audit criteria

Application packages developed and implemented for the treasuries were evaluated with respect to Treasury Rules, planning of computerisation programme, methodology of development of application packages, data management and monitoring mechanism.

3.7.8 Audit Methodology

The data pertaining to six treasuries was analysed using IDEA, a Computer Assisted Auditing Tool. Before commencing audit, the audit objectives, criteria and scope were discussed (June 2007) with the Joint Director (Treasuries) in an entry conference. The audit findings were discussed in (September 2007) with the Joint Director (Treasuries) in an exit conference and the replies of the Department have been incorporated in the report where appropriate.

Audit Findings

3.7.9 Inadequate General Controls

3.7.9.1 Project proposal, planning and documentation

- IT Steering Committee comprising of the users and the top management is essential for overseeing development and implementation of any IT system. It was seen that an IT steering committee or any such organisational structure was not in place to guide the whole process of computerisation from the top management level.
- The Department had not conducted any feasibility study before taking up computerisation. Documentation with regard to User's requirements, specifications, testing etc. was not made available to audit. Documentation relating to various stages in the System Development Life Cycle (SDLC) was also not available. Thus, the system development methodology adopted could not be reviewed in audit.
- Proper documentation helps in trouble free operation and maintenance of the system. The user manuals, operation manual and system manual were not available in respect of both the softwares (OLTIS and e_pension) in all the test checked treasuries.

3.7.9.2 Lack of disaster recovery and business continuity plan

It was observed in audit that the Department had not formulated and documented any Disaster Recovery Plan. There were no documented

procedures indicating frequency for taking back up of data, its storage and frequency of testing/checking. Test-check of records of six treasuries revealed that the Treasury Officers were taking back up as per their convenience in an adhoc manner. The back up is not stored in fireproof cabinets/off site and is not tested for restoration. It was further observed that backup data was stored on the same server (Dharamsala Treasury) and the backup of data on Compact Disk (CD) was also stored at the same location where the server was located in other test checked treasuries.

3.7.9.3 Change Management procedures were not framed

Though the present OLTIS and e_pension softwares had been implemented since June 2003 and July 2006 respectively, the Department had not framed procedures to control changes in the software; record keeping of changes during entire project life cycle and impact analysis of changes incorporated till August 2007. Audit observed that the changes in the software are incorporated by the NIC at the request of users without proper approvals. It was also seen that at Dharamsala treasury different versions of e_pension software (Version Numbers 2.3 and 2.4) were running on different machines.

Thus, in the absence of a written policy/procedure, the Management is unable to ensure that the latest version of the software is being used simultaneously at all levels thereby increasing the risk of non-recovery and difficulty in data reconstruction in the event of data loss.

3.7.9.4 Important functions like Deposits, Letter of Credit (LOC), Personal Ledger Account (PLA) and Treasurer Section have not been covered under computerisation.

3.7.10 System design deficiencies

3.7.10.1 Analysis of the OLTIS system through data entry screens at test-checked treasuries revealed the following shortcomings:

- the system accepts duplicate bill number due to which the possibility of double drawal of a bill cannot be ruled out;
- the bill date in some cases was found to be later than token date, passing date was earlier than token date, voucher date was earlier than token date, etc. Thus, validations of data was absent and the input controls were inadequate; and
- the net amount does not tally with the gross amount minus deductions (Short withdrawal, Treasury deductions, AG deductions). For example, in one case of November 2006 of Shimla treasury (voucher number 13 of Major

Head 3054), the gross amount of the bill was Rs 3,02,231, treasury deductions Rs 8,372, AG deductions Rs 91,566 and net amount Rs 2,04,793. This was incorrect as there was a difference of Rs 2,500 (the net amount should have been Rs 2,02,293 after deductions).

3.7.10.2 Lack of expenditure control by Treasury Officer

One of the objectives of the OLTIS was to make flow of information up to date, authentic and consistent, leaving no scope for excess or unauthorised drawals, diversion of funds, wrong bookings, etc. The DDO-wise, Head wise [up to Standard Object of Expenditure (SOE)] allocation of budget is maintained in one of the database tables¹. Similarly cumulative expenditure thereagainst is also maintained in the same table to facilitate the treasury officers to have a tight control over expenditure as per the budget allocation. However, audit observed the following:

- in the OLTIS application, immediately after the Bill Passing, expenditure is booked against the budget provision without waiting for clearance by the Treasury Officer;
- when a revised bill is received from a DDO after corrections, it is given a new token number and passed by the bill passing Clerk and Treasury Officer as a fresh bill. As a result of this procedure, the bill is counted twice. This is because the software has no provision to accept a revised bill; and
- The software provides passing of bills in excess of budget/ without budget allotment. Audit Scrutiny in test-checked treasuries revealed that bills had been passed in excess of the budget allocation or without allotment in respect of Object Head other than 'Salary' and 'Wages' defeating the very purpose of the software.

The system design deficiencies mentioned above leads to booking of excess expenditure and expenditure without budget provision under a Chief Controlling Officer (CCO) by the treasury officer. When the monthly civil accounts received from the treasury officers are compiled by the office of the Senior Deputy Accountant General (A&E) – Himachal Pradesh, the A&E office on noticing the excess expenditure or expenditure without budget provision sends 'Warning Slips' to the CCOs informing them about the excess expenditure/expenditure without budget provision. However, the situation itself would not occur if the software does not allow passing of bills in excess of budget provision or where there is no budget provision, except for salary and wages heads. Therefore, the expenditure of Rs 2.63 crore incurred on the system is neither helping in achieving the objectives of expenditure control nor are any reports being generated for MIS purpose by the State Government.

¹ The 'annual budget master' table of the database.

3.7.10.3 Wrong booking of expenditure under Object Head code '00' in OLTIS database

As per classification of Major Heads, the expenditure under Revenue and Capital expenditure heads cannot be booked without SOE. The classification of Debt, Deposit and Remittance (DDR) heads is up to sub-head level. The master table of SOE heads contains '00' code without any nomenclature. It was noticed that in 2015 records under Revenue Expenditure heads and Capital Expenditure heads Rs 28.79 crore² has been booked under '00' code. However, proper SOE code was found recorded manually on these bills when checked in the A&E office. The treasury officers stated that the software is accepting booking under SOE '00' and the deficiency in the software would be got removed.

3.7.11 Non-mapping of business rules

Audit noticed that the OLTIS and e_pension softwares did not take care of the checks prescribed under Himachal Pradesh Treasury Rules and Pension Rules which are still being carried out manually at the treasuries. Few such cases are discussed below:

3.7.11.1 Inadmissible payment to re-employed pensioners—Rs 4.02 lakh

As per State Government orders, the employed/re-employed family pensioners who have been given appointment on compassionate grounds are not entitled to draw dearness pension /dearness relief on pension. Payment of dearness relief in these cases shall become admissible only from the date they cease to be re-employed. The pension disbursing authority shall require such a pensioner to produce a certificate of cessation of re-employment from the office in which he had been re-employed.

Audit scrutiny revealed that the software provides for entry of the date of re-employment but there is no provision in the software to record the type of re-employment as to whether the family pensioner has been appointed on compassionate grounds or not and date of receipt of prescribed certificates regarding cessation of re-employment.

Test check of e_pension database revealed that the system allowed payment of dearness pension/ dearness relief on family pension to the pensioners

² Bilaspur: 90 cases (Rs 0.38 crore), Dharamsala: 361 cases (Rs 0.44 crore), Nahan: 109 cases (Rs 0.28 crore), Reckong Peo: 30 cases (Rs 0.11 crore), Shimla: 1170 cases (Rs 27.25 crore) and Solan: 255 cases (Rs 0.33 crore).

re-employed on compassionate grounds resulting in in-admissible payment to the tune of Rs 4.02³ lakh during July 2006 to August 2007.

3.7.11.2 Non-allocation of DA arrears to Punjab Government—Rs 30.06 lakh

The allocation of pension and other retirement benefits are made separately for the period of service rendered before 1st November 1966 and after 1st November 1966 to Punjab and Himachal Pradesh Government respectively.

It was noticed that in the arrear bills prepared on account of increase in DA from 1st July 2006 and 1st January 2007 the allocation of the increased DA to the tune of Rs 30.06 lakh in 5,950 cases in five test-checked treasuries had not been made to the Punjab Government as detailed below:

Table: 3.7.1

Sl. No.	Name of Treasury	Number of cases	Amount
1	Bilaspur	126	30,086
2	Dharamsala	5,002	25,41,087
3	Nahan	107	24,051
4	Reckong Peo	3	1,148
4	Shimla	173	1,16,294
5	Solan	539	2,93,831
	Total	5,950	30,06,497

The District Treasury Officer, Dharamsala stated that due to non availability of procedure for calculation of arrears for pre 1966 period in the software, the figures could not be worked out.

3.7.11.3 As per State Government orders, on retirement prior to 1st January 1996, the restoration of commuted value of pension in the case of Group 'D' employee was 130 months or attaining the age of 70 years which ever was later and for other Group employees it was 138 months or attaining the age of 70 years which ever was later. After 1st January 1996 restoration of commuted value of pension is to be done after 15 years from the date of

³ Bilaspur (11 cases: Rs 0.86 lakh), Dharamsala (69 Cases: Rs 2.94 lakh) and Shimla (10 cases: Rs 0.22 lakh).

payment of commuted value of pension in respect of all the groups of employees. In the e_pension software there is no provision to capture the Group of an employee. In the absence of this provision, the actual date of restoration of commuted value of pension of those employees who retired before 1st January 1996 cannot be vouchsafed.

3.7.11.4 No provision in the OLTIS for revalidation of bills after expiry of the currency period

As per Treasury Rule relating to currency of payment orders the payment orders are valid only for a time not exceeding ten days. In case bills are not presented for payment within the currency period of the pay orders, these are to be revalidated by the Treasury Officer.

It was noticed that the system does not provide revalidation module and the bills were being revalidated manually. The system shows 6,292 cases (Bilaspur: 376, Dharamsala: 2,900, Nahan: 540, Reckong Peo: 88, Shimla: 2000 and Solan: 388) where payment was made by the banks after the initial period of more than 10 days of their passing to the tune of Rs 50.31 crore for which no audit trail existed in the OLTIS database.

Even if the bills are revalidated manually the picture as depicted in the database appears as if unauthorised payments have been made after lapse of the currency period. Thus non incorporation of the revalidation facility in the software restricts the usefulness of the software for controlling and monitoring of the expenditure.

The District Treasury Officers of test-checked districts stated that module for revalidation of bills is not available in the software and the bills are being revalidated manually. This shows that the Department has accepted and put into operation the software even though major user requirements were not incorporated in it.

3.7.11.5 Absence of validation check resulted in DDOs operating unauthorised Heads of Account

As per treasury rules, the DDOs are authorised to draw payments by presenting bills in a treasury only in respect of those Heads of Account which they are authorised to operate.

It was noticed in audit that validation checks did not exist in the application to prevent DDOs from operating heads which they are not authorised to operate.

Consequently, some DDOs operated those heads of accounts which they were not authorised to operate. Few illustrations are given as below:

Table: 3.7.2

Name of Treasury	Name of DDO	Unauthorised Major Heads operated
Bilaspur	Deputy Director of Fisheries, Bilaspur SE Xth Circle, Bilaspur	2014-Administration of Justice 2515-Other Rural Development
Solan	Chief Medical Officer, Solan	2058- Stationery and Printing
Dharamsala	Principal, GSSS Jasai Cattle Development Officer	2014-Administration of Justice 2014-Administration of Justice

3.7.12 Information System Security

➤ The Department had not framed any IT Security policy regarding the security of IT assets, software and data security even after four years of implementation of OLTIS.

➤ Audit scrutiny revealed that there was no documented password policy for OLTIS and e_pension softwares. Normal password control procedures like restriction on unsuccessful login attempts by the users or automatic lapse of password after a predefined period and enforcement by the system for periodical change of passwords after a certain period were not in existence. Moreover, the system did not generate any logs to record the number of failed login attempts. The test check of e_pension data revealed that the data was entered by non existent users⁴ as these users were not available in the master table of authorised users. Since no change logs are available the audit was unable to analyse the cases further.

➤ The OLTIS application provides for different roles for the users as per the functioning of the Treasury Office viz. token entry, bill passing by the bill passing clerk, bill passing by Treasury Officer, payment verification of bill and challan verification for receipt for which users have been created. However, it was observed in audit that the personnel of the treasuries were

⁴ Reckong Peo Treasury: User No. 99 entered 355 records and Nahan Treasury: User Kamlesh and Pension Clerk entered 2 and 23 records respectively.

performing the duties interchangeably mainly due to shortage of staff or when staff is on leave. This leads to non segregation of incompatible duties and dilutes the accountability for actions performed using the software. The instances noticed during test check were as follows:

- The Token clerk was found performing duties of Bill Passing Clerk and Treasury Officer at all the test-checked treasuries.
- The Bill Passing Clerks were found performing duties of Token Clerk, Bill Passing Clerk and Treasury Officer at all the test-checked treasuries.
- The Treasury Officer was performing duties of Token Clerk, Bill Passing Clerk in addition to his own duties at Shimla Treasury.
- Two officials at Shimla Treasury were using two users' codes each and were performing duties of Token Clerk, Bill Passing Clerk.

3.7.13 Failure to monitor Audit Trail

In district treasuries the first stage of processing a bill is to issue a token number and the last stage is assigning of voucher number for each bill paid by the treasury branch of designated bank(s). The OLTIS application allots token numbers and voucher numbers serially.

It was noticed in Shimla and Dharamsala treasuries that there were 22 and 70 gaps respectively in voucher numbers under Major Head 2202 during March 2007. These voucher numbers were missing in the data captured from the treasury accounts received in the Office of the Senior Deputy Accountant General (A&E) as well. Similar gaps were also noticed under other Major Heads in other test-checked treasuries.

The DTO Shimla stated that the gaps in voucher numbers were due to wrong entry of token numbers, and that transaction date and that the system does not retain the previous number and auto generates the next number.

As no trail for these missing voucher numbers is available, no further analysis was possible in audit.

3.7.14 Analytical Review of Data

Analysis of master data and transaction data for all treasuries for the period 2006-07 revealed the following inconsistencies:

3.7.14.1 Master data

(a) In all the test-checked treasuries, the DDO master table of OLTIS contains list of all the DDOs in the State instead of DDOs of that particular district only. Audit scrutiny revealed that in the DDO list of Shimla treasury Superintendent, Open Air Jail, Bilaspur, Superintendent, Sub Jail, Kullu, President, MC, Dalhousie, E.O. Panchayat Samiti, Nadaun are listed besides several others. Similar overlapping was found in the DDO list of other test checked District Treasury and its Sub-Treasuries. Thus, there was no clarity on the definition of master data and this substantially limited the usefulness of data for MIS purposes.

(b) In respect of e_pension, the system accepts erroneous values⁵ in master data. Some of the important fields like PPO No., Bank Account No., live certificate, commuted value of pension, last pay drawn, average emoluments etc., contains blank values in the designated fields. There were duplicate and dummy data in the master tables which lead to overpayment/incorrect payment of pension as commented in paragraph 3.7.15.

3.7.15 Other points of interest

3.7.15.1 Difference in booking of Treasury Deductions in OLTIS database

The total amount of deductions made on account of Group Insurance Scheme (GIS) through bills and received through challans are recorded in 'bt_entry' table whereas the cadre wise details viz. number of employees and recovery on account of Insurance and Saving Fund are kept in 'gisdiy' table. Thus, the amount in the two tables of the database should be equal over a period of time.

Scrutiny of OLTIS data revealed that there was difference in the figures of both the tables due to which actual receipt under GIS could not be verified in audit. It was further noticed that there was no attempt at treasury level for reconciliation or analysing these differences.

⁵ For example PPO No. 13073-A though PPO No. are only in numeric value, PPO No. 000 though PPO No. can not be zero.

3.7.15.2 Overpayment of pension – Rs 2.43 lakh

(i) The e_pension system accepts erroneous values in transaction data viz duplicate PPO numbers, alphanumeric values instead of numeric values for PPO numbers, etc. Audit scrutiny revealed that:

- Family Pension PPO Number 8904 was issued and paid in favour of one person but payment of family pension against PPO 8904-A was also made to Shri Abhinav Singh during the period from 1st July 2006 to 31st July 2007 resulting in over payment of Rs 36,119 (Dharamsala Treasury).
- Family Pension (PPO Number 13073) was issued and paid in favour of one person. Simultaneously, payment of family pension against PPO Number 13073-C and 13073-D was also made to two other persons resulting in overpayment of Rs 56,718 (Dharamsala Treasury).
- Superannuation PPO Numbers 76729 and 77807 were issued in favour of two retired employees. In addition to these PPOs, pension against PPO Number 73729 and 78707 was also drawn/paid to these pensioners during the period January 2007 to August 2007 which resulted in overpayment of Rs 44,346 (Rs 33,617+ Rs 10,729) at Solan Treasury.

It was further noticed that though the system provides for the verification of data in the master table by the next higher official, it had not been done in all the test checked treasuries.

The District Treasury Officers, Dharamsala and Solan stated that the payment has been made inadvertently and the pension has now been stopped from August 2007 and that the excess amount paid would be recovered from the concerned pensioner.

(ii) As per Pension Rules and orders issued by the Himachal Pradesh Government from time to time, if a pensioner who has retired after 1st January 1996 and before the implementation of the revised pay scale on the recommendation of the 5th Pay Commission and does not opt for commutation of pension in the revised pay scale, the commuted portion of pension already received in the pre-revised scale would be restored after 138 months or attaining the age of 70 years, whichever is later. For the pensioners who opt for revision of commutation of pension as per revised pay scale, the commuted portion would be restored after 15 years from the date of receipt of commutation value of pension including pension already commuted in the pre-revised scale. The e_pension software provides field for recording the date of

receipt of commuted value of pension on the basis of which, the system should calculate the actual date of restoration of commuted portion. It was noticed in three⁶ test-checked treasuries that the restoration date of commuted portion of pension had not been entered correctly, which resulted in difference of 2 to 22 months as compared to the actual date of restoration date as entered in the database. This has resulted in overpayment of Rs 1.06 lakh⁷ as of July 2007.

The DTOs stated that the position would be ascertained and recovery if any, would be made from the pensioners. Thus, the purpose of ensuring correct payments to pensioners through computerisation was not being achieved in all cases.

3.7.16 Post implementation review

It was noticed in audit that no post implementation review was conducted on the working of the OLTIS and the e_pension software to evaluate whether the system meets requirements and is fulfilling intended objectives.

3.7.17 Conclusion

The Department took up computerisation of the Treasury accounts and disbursement of pension but the systems were deficient in inbuilt application controls resulting in non exercise of control over expenditure resulting in overpayments. The data generated by the application has limitations to be useful for MIS purposes. The lack of audit trails makes it extremely difficult to ensure accountability and responsibility for actions performed using the software.

3.7.18 Recommendations

- **The software/applications need to be improved by incorporating necessary input/processing controls which will facilitate validation of data input into the system and revalidation of bills so that only authorised DDOs can operate the respective heads of accounts for payment of bills. The software also needs to be compliant with all the relevant rules governing the treasury transactions.**

⁶ Bilaspur, Dharamsala and Reckong Peo.

⁷ Bilaspur: 15 cases (Rs 0.23 lakh), Dharamsala: 68 cases (Rs 0.74 lakh) and Reckong Peo: 5 cases (Rs 0.09 lakh).

- **The Department may also formulate a system for checking correctness of data being received from its treasuries in the field so that it may be utilised for management information system and decision-making.**

- **The Department should formulate a well defined password policy, data back-up policy and a disaster recovery plan.**

CHAPTER-IV

AUDIT OF TRANSACTIONS

		Page
♣	Excess/overpayment/wasteful/unfruitful/ infructuous expenditure	197
♣	Undue favour to contractors/avoidable expenditure	217
♣	Idle investment/blocking of funds/diversion of funds	218
♣	Regulatory issues and other points	223
♣	General	235

CHAPTER-IV

AUDIT OF TRANSACTIONS

Excess/overpayment/wasteful/unfruitful/infructuous expenditure

Housing and Urban Development Department

4.1 Unfruitful expenditure

Non-assessment of actual requirement of shopping complex for Kullu town by HIMUDA resulted in unfruitful expenditure of Rs 25.09 lakh on 6 unsold halls

To develop Kullu town in a planned manner, a shopping complex was constructed (December 2002) by Himachal Pradesh Housing and Urban Development Authority (HIMUDA) at a cost of Rs 2.13 crore.

Test-check (February 2005) of the records of HIMUDA and further information obtained (February 2007) revealed that six out of seven commercial halls in the shopping complex (construction cost: Rs 25.09 lakh and reserve sale price: Rs 92.66 lakh) could not be sold as of June 2007.

The Chief Executive Officer-cum-Secretary (Secretary) HIMUDA stated (February 2005-June 2007) that the halls could not be sold as the shopping complex was much bigger than the actual requirement in a small town like Kullu and that there may not be adequate demand. HIMUDA has now proposed to convert these halls into shops and hold auction after completion of conversion work. Reply of the Secretary confirms that the construction of the commercial halls was done without assessing the actual requirement and without specified purpose, rendering the expenditure of Rs 25.09 lakh unfruitful.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

4.2 Excess payment

Payment of energy charges for water pumping supply scheme at commercial rates by HIMUDA to HPSEB resulted in excess payment of Rs 27.52 lakh

To provide potable water supply for domestic and commercial purposes, HIMUDA set up a water pumping supply scheme (WPSS) at Parwanoo.

Energy to WPSS is provided by Himachal Pradesh State Electricity Board (HPSEB), which had notified different and lower tariff for energy supplied to Government managed WPSS than that for other commercial consumers.

Test-check of the records of HIMUDA (March 2006) and further information obtained (February-May 2007) revealed that energy charges had been paid (December 2002 to December 2006) at commercial rates against four Water Pump Houses¹ instead of paying at concessional rates prescribed for Government establishments. This resulted in excess payment of Rs 27.52 lakh.

At the instance of audit, the Executive Engineer (EE), HIMUDA referred (September 2006) the case to HPSEB and the Commercial Officer, HPSEB issued instructions (October 2006) for charging rates applicable to Government establishments. Had HIMUDA been more vigilant, the overpayment of Rs 27.52 lakh to HPSEB could have been avoided. Adjustment or refund of the excess payment of Rs 27.52 lakh to HPSEB is still (June 2007) awaited.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Tourism and Civil Aviation and Forest Farming and Conservation Departments

4.3 Unfruitful expenditure on construction of boating lake

Inadequate planning by the Department for the construction of boating lake in Saurabh Kalia Van Vihar, Palampur in Kangra district resulted in unfruitful expenditure of Rs 29.31 lakh and blocking of Rs 27.34 lakh

To promote youth welfare and eco-tourism activities, the GOI sanctioned (March 2002) a project "Creation of boating lake in Saurabh Kalia² Van Vihar, Palampur" at a cost of Rs 49.69 lakh³. The project was to be executed by the Forest Department through Divisional Forest Officer (DFO), Palampur and completed by October 2004. On completion it was to be managed by Eco-Tourism Society. Due to inclusion of new items of work in the project, its cost was revised by the DFO (May 2003) to Rs 89.69 lakh to be shared by the GOI (Rs 84.73 lakh) and the State Government (Rs 4.96 lakh).

¹ K⁴ 1 Clear Water Pump House; K³ 2 Raw Water Pump House Kamli; WSI Sector-5 Pump House Parwanoo; PL² 3 Sector-6 Pump House Parwanoo.

² A Kargil Martyr.

³ Construction of boating lake, Chowkidar's hut, rain shelter, Cafeteria, street lights, etc.

Test-check of records of the Commissioner-cum-Director, Tourism and Civil Aviation (Commissioner) revealed (November 2006) that an amount of Rs 52.41 lakh (GOI Rs 47.45 lakh and State Rs 4.96 lakh) was released (March 2002 to July 2003) to the DFO, Palampur. The DFO incurred an expenditure of Rs 29.31 lakh upto March 2007 on various components of the project.

Despite the Commissioner's direction (May 2005) to defer the construction of certain components like cafeteria, musical fountain, etc., due to non-receipt of approval from GOI, the DFO went ahead with the project. In fact, the DFO proposed (February 2006) another revised estimate for Rs 74.58 lakh exclusively for the construction of lake and walking trail for which administrative approval was accorded (February 2006) by the Commissioner without obtaining revised sanction of the project from the GOI.

In the meantime the Principal Secretary (Tourism) ordered (May 2006) that no funds be released for the construction of lake unless Eco-Tourism Society was constituted to take care of the project. Since then, further execution of the project was held up as of April 2007. Rupees 27.34 lakh (including interest of Rs 4.24 lakh) and material costing Rs 5.56 lakh were lying unutilised with the DFO. The implementation of the project by the Department of Tourism and Civil Aviation is indicative of adhocism and improper planning, which had rendered the entire expenditure of Rs 29.31 lakh as unfruitful.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Finance Department

4.4 Overpayment of pensionary benefits

Overpayment of pensionary benefits aggregating Rs 55.33 lakh was made by Treasury Officers/Sub-Treasury Officers/Banks

Financial rules provide that the Treasury Officer should satisfy himself that the amount of pension paid is as per the authorisation in the pension payment order (PPO).

Test-check of records (2006-07) in 11 district treasuries and eight sub-treasuries revealed overpayment of pension and family pension to the extent of Rs 55.33 lakh in 326 cases pertaining to the period January 1998 to January 2007. The overpayment was due to non-observance of instructions such as reduction in family pension after the prescribed period, reducing commuted value of pension, etc., given on the PPO; (**Appendix-XX**).

On this being pointed (2004-05 to 2005-06) out, Rs 5.82 lakh was recovered (June 2006-March 2007). Non-adherence to the prescribed financial procedure by the Treasury Officers/Sub-Treasury Officers/Banks thus resulted in overpayment of Rs 55.33 lakh.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Irrigation and Public Health Department

4.5 Infructuous expenditure on Lift Irrigation Schemes

Lack of proper planning by the Department to revive the defunct LISs, Kiani, Rajnagar and Udaipur in Chamba district rendered an expenditure of Rs 78.37 lakh infructuous

➤ Two⁴ Lift Irrigation Schemes (LISs), designed to irrigate cultivable command area (CCA) of 155.89 hectares of land but submerged in the reservoir of Chamera Hydroelectric Project Stage-I in Chamba district, were rehabilitated in May-June 2005 at a cost of Rs 49.28 lakh⁵. Further, Rs 8.95 lakh was incurred on operation and maintenance of the schemes upto August 2007.

Test-check (March 2005) of records of Salooni division and further information collected from the division (August 2007) revealed that provision for remodelling of distribution systems of the defunct schemes was not made in the estimates for rehabilitation of both the schemes. Further the division commissioned (June 2005) the schemes and provided irrigation to 0.54 per cent CCA around the main distribution tank. No irrigation could be provided to remaining CCA for want of remodelling of the distribution system of the schemes. Failure of the Department to make provision for the remodelling of distribution system in the estimate resulted in non-provision of irrigation to 99.46 per cent CCA of both the schemes as of August 2007.

The EE admitted the facts and stated (December 2006) that the working estimates for remodelling of the defunct distribution systems were still under process of approval. The reply of the EE confirms the failure of the Department in proper planning of the recommissioning of the schemes, which resulted in infructuous expenditure of Rs 58.23 lakh, besides depriving the beneficiaries of the intended benefits.

➤ The LIS, Udaipur, designed to irrigate 29.45 hectares CCA became defunct due to change in the course of the river Ravi and reduction in water

⁴ LIS, Kiani: 102.02 hectares and LIS, Rajnagar: 53.87 hectares.

⁵ LIS, Kiani: Rs 23.46 lakh and LIS, Rajnagar: Rs 25.82 lakh.

level as a result of construction of a Hydroelectric Power project, on the upstream side of the river.

Test-check of records of Chamba division revealed (November 2006) that an expenditure of Rs 20.14 lakh had been incurred on the routine repair and maintenance⁶ of LIS of scheme as of August 2007, though the scheme had become defunct and had not provided any irrigation after 1995. The infructuous expenditure still continued to be incurred on operation and maintenance, even though no benefits were accruing from the LIS as of August 2007.

The EE while confirming the facts stated (November 2006) that survey and investigation to rejuvenate the scheme was being conducted and proposal for restoration of the scheme was under consideration. The reply of the EE confirms that the scheme had not been restored despite lapse of a period of over ten years since it became non-functional. Thus, failure of the division to take timely action to restore the scheme has rendered the expenditure of Rs 20.14 lakh (August 2007) infructuous. Besides, the beneficiaries who had been requesting for the rejuvenation of the scheme, as intimated by the EE, were deprived of irrigation facilities on their land.

The audit findings were referred to the Government in March 2007. Reply had not been received (August 2007).

4.6 Infructuous expenditure on Lift Water Supply Schemes

Expenditure of Rs 1.74 crore incurred on execution of two Lift Water Supply Schemes in Shimla district remained infructuous as pumping machinery was not installed

To provide safe drinking water to the inhabitants of five villages in Shimla district, two⁷ lift water supply schemes (LWSSs) were taken up in 2000-01 for completion by August 2003 and February 2004 respectively. While sanction was accorded for Rs 1.13 crore for the schemes, it was observed that detailed estimates were not prepared and technical sanction was not obtained for the works.

An expenditure of Rs 1.74 crore was incurred upto March 2005 (first scheme: Rs 0.39 crore) and November 2006 (second scheme: Rs 1.35 crore) on the

⁶ Repair and maintenance: Rs 10.50 lakh; energy charges: Rs 5.26 lakh and watch and ward charges: Rs 4.38 lakh.

⁷ (i) LWSS for left out hamlets of census villages Nohan and Lakhoti approved (September 1999) by the Chief Engineer (South Zone) for Rs 0.25 crore.
(ii) LWSS for left out hamlets of census villages Nehra, Kamalhi, Thund, etc., approved (March 2001) by the Financial Commissioner-cum-Secretary (I&PH) for Rs 0.88 crore.

construction of the schemes. The excess expenditure of Rs 0.61 crore was incurred out of regular budget of the division. It was further noticed that supply orders for the pumping machinery were placed (November 2002) on two firms for Rs 8.41 lakh. The pumping machinery was received (March 2003) against payment of Rs 7.40 lakh (about 90 per cent) but the machinery was awaiting installation as of May 2007. The EE did not intimate any cogent reasons for delay in installation of the pumping machinery and stated (May 2007) that the erection of the pumping machinery was in progress. Thus, the purpose of purchase of the pumping machinery was defeated despite an expenditure of Rs 1.74 crore till November 2006. Due to passage of time the working condition of the pumping machinery not installed for four years, cannot be guaranteed.

The audit findings were referred to the Government in March 2007. Reply had not been received (August 2007).

4.7 Infertuous expenditure on augmentation of Flow Irrigation Scheme

Expenditure of Rs 15.06 lakh incurred on augmentation of Flow Irrigation Scheme, Thangi (Kinnaur district) was rendered infertuous as the work had been held up due to ill planning of the scheme

Test-check of records of Reckong Peo division revealed (June 2006) that to provide irrigation to CCA of 50 hectares (Phase-II) of Thangi village (Kinnaur, a tribal district), augmentation of the existing Flow Irrigation Scheme (FIS) by constructing 4,005 metres long new *kuhl*, was taken up in July 2001. It was noticed that contrary to the instructions (March 1995) of the PAC to commence execution of the drinking water supply and irrigation schemes only from the source side (issued by E-in-C in March 1995), the construction of the *kuhl* was taken up by the division from tail end side and cutting work in 1478 metres length of the FIS was executed upto December 2004. At this stage, the inhabitants of Moorang village filed (December 2004) a petition in the court of Senior Judge, Kinnaur against the proposed tapping of water from Rakholang *nallah*, the source of the *kuhl* (Phase-II), on the plea that it would result in shortage of water for their use. The work was held up (August 2007) pending settlement of the dispute.

Audit observed that:

- The Department had not been able to convince the inhabitants about the availability of sufficient water at the source inspite of the survey report.

- The work was not inspected by any higher authority above the level of the Assistant Engineer.
- Permission of the competent authority to start execution from tail end side was not taken by the EE.

The EE confirmed (June 2006) the facts.

Had the instructions of the PAC been followed and work started from source side, the objection from inhabitants of Moorang village would have come up at the initial stage and thus, the infructuous expenditure of Rs 15.06 lakh could have been avoided.

The audit findings were referred to the Government in March 2007. Reply had not been received (August 2007).

4.8 Infructuous expenditure on construction of tubewell

Improper planning of execution of tubewell for irrigation resulted in infructuous expenditure of Rs 27.59 lakh

To irrigate 36 hectares of land, construction of a tubewell at Thanger (Dhan-III), stipulated to be completed in one and a half years was taken up for execution by the EE, Jawali division against the approved working estimates of Rs 39.30 lakh. The work also envisaged acquiring of land for the laying of rising main of the scheme. The technical sanctions for mechanical works (Rs 12.57 lakh) and Civil works (Rs 26.73 lakh) were approved during 1999. The five sub works were awarded to various contractors at tendered cost of Rs 25.30 lakh between March 1999 and October 1999. Expenditure of Rs 27.59 lakh (70 per cent) was incurred by the division upto October 2000, after which the work was stopped (October 2000), as the land owners did not allow laying of rising main through their land.

Test-check of records of Jawali division revealed (December 2006) that the private land coming in the alignment of the rising main of the scheme had not been acquired despite provision in the approved estimate. Action to acquire the land by issue of notification under Section 4 of the Land Acquisition Act was initiated only in December 2005, but, acquisition was not finalised and the work could not be resumed as of June 2007. The pumping machinery was not installed even after a lapse of seven years. Meanwhile the warranty expired. The work of providing the power connection to the tubewell had also not been taken up (August 2007).

The EE stated (June 2007) that initially the land owners had agreed to provide their land free of cost for the execution of scheme but later on created dispute

and stopped the work. Evidently, failure of the EE to get the land transferred in the name of the department immediately after the landowners had agreed to provide land free of cost resulted in denial of the intended irrigation facility to the beneficiaries rendering the expenditure of Rs 27.59 lakh as infructuous. Besides, due to time overrun of seven years, the cost escalation of the irrigation scheme and possibility of deterioration of the machinery and the work done cannot be ruled out.

The audit findings were referred to the Government in May 2007. Reply had not been received (August 2007).

4.9 Underutilisation of irrigation potential

Irrigation potential of two lift irrigation schemes constructed and maintained at a cost of Rs 1.35 crore was grossly underutilised

To augment agricultural production and income of farmers, construction of two lift irrigation schemes⁸ to provide irrigation facility to CCA of 136.50 hectares of Sadar tehsil in Mandi district were completed (February and March 2004) at a cost of Rs 1.27 crore. Further Rs 0.08 crore had been incurred on the running and maintenance of the schemes during 2004-07.

Test-check of records of Baggi division (Mandi district) revealed that against the targeted provision of irrigating 136.50 hectares of CCA, an average area of 8.25 hectares (*Rabi* crop) and 13.56 hectares (*Kharif* crop) of land was actually irrigated during 2004-07. Utilisation of irrigation potential created in these schemes ranged between zero and 11.15 *per cent* per crop during 2004-07.

The EE attributed (February-June 2007) underutilisation of irrigation potential of the schemes mainly to less demand of water for irrigation from the beneficiaries as a result of adoption of old cropping pattern. The reply of the EE confirms that the schemes were taken up without sufficient justification.

Taking up the execution of these schemes without ascertaining the demand and failure to educate the farmers for making optimum use of available irrigation facility thus resulted in underutilisation of the schemes. Consequently, the expenditure of Rs 1.35 crore on construction and maintenance of these schemes had largely remained (upto March 2007) unfruitful.

The audit findings were referred to the Government in May 2007. Reply had not been received (August 2007).

⁸ LIS, Jallah and LIS, Kangaroo-Padharoo.

4.10 Infructuous expenditure on augmentation of Lift Water Supply Scheme

Failure of the Department to acquire land for laying rising main before starting execution of augmentation of lift water supply scheme, resulted in infructuous expenditure of Rs 30.34 lakh

To provide drinking water facility to 1,941 persons of Barin, Lehra, Khalin and Daril (Darkoul) villages of Mandi district, augmentation of lift water supply scheme, Barin was taken up (March 2001) for completion by March 2004.

Test-check (January 2007) of the records of Sarkaghat division revealed that the work could not be completed due to objection from the landowners on laying of the rising main through their land. Meanwhile Rs 30.34 lakh was incurred upto May 2004. The landowners also filed (December 2003) a suit and further execution of the work was stayed (December 2003).

The EE stated (July 2007) that there was no objection from the land owners at the time of starting the execution of the scheme and that the landowners were already getting water from the existing scheme. The reply is not acceptable, as the Department should have ensured clear title of the land before taking up the scheme. No reasons were given for non-acquisition of land. The EE further stated that notification for the acquisition of the private land had been issued (June 2007) by the Government. The reply confirms the absence of proper planning for the execution of the scheme. As a result, the expenditure of Rs 30.34 lakh proved infructuous.

The audit findings were referred to the Government in May 2007. Reply had not been received (August 2007).

4.11 Wasteful expenditure on construction of Flow Irrigation Scheme

Poor planning of the Department in taking up Flow Irrigation Scheme, Kaurik (Lahaul and Spiti district) in danger zone of floods resulted in wasteful expenditure of Rs 65.43 lakh, as the scheme was washed away due to increase in discharge of Parchu lake

Flow Irrigation Scheme, Kaurik, designed to irrigate 41 hectares of land and estimated to cost Rs 36.17 lakh was technically sanctioned (July 2002) for Rs 31.84 lakh. The scheme taken up for execution (December 2002) was in progress till July 2004, after incurring an expenditure of Rs 30.76 lakh (85 per cent) of the estimated cost.

Test-check of the records of Kaza division (Lahaul and Spiti district) revealed (October 2006) that during execution of the scheme, a flash flood occurred

(July 2004) in Parchu *nallah*⁹ due to increase in the inflow of Parchu lake, which washed away the head-weir and a part of the channel. It was further observed that similar flash flood had occurred earlier in 2000 in the same *nallah* due to the same reason in which more than 200 people were killed and heavy loss of private and Government property was caused. The division, despite prior knowledge of floods and loss of lives, however, restored the damages and commissioned the scheme (June 2005) at a cost of Rs 34.67 lakh. However, another flash flood occurred (June 2005) and completely damaged the head works, the initial 1500 metres length of the channel and the entire CCA.

The EE stated (January 2007) that floods in Parchu *nallah* was a natural catastrophe, unpredictable and beyond human imagination. The reply is not tenable, as prior knowledge of flash floods and loss of lives in 2000 and July 2004 should have been an eye opener to the division. Even after the floods of July 2004, the perception of threat had continued. In view of the persisting threat of the floods, action of the division to design the scheme initially at the site which fell in danger zone and again to restore it after flash flood of July 2004 was not justified. Thus, ill planning of the Department put the State Government to loss of Rs 65.43 lakh.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

4.12 Delay in execution of tubewell based irrigation scheme for Harijan Basti

Lack of proper planning by the Department for the execution of tubewell based irrigation scheme, delayed the delivery of intended benefits to the Harijan Basti, Gangath (Kangra district) besides resulting in infructuous expenditure of Rs 48.52 lakh

To provide irrigation to CCA of 64 hectares land of Harijan Basti, Gangath (Kangra district), two tubewell based irrigation schemes were approved for completion by March 2002. However, due to paucity of funds, scheme could be taken up for execution (January 2003-January 2006) when the funds were arranged from NABARD.

Test-check (November 2006) of records of Indora division revealed that only the drilling and development works of both the schemes were completed

⁹ A tributary of the Satluj river. Parchu is an artificial lake in Tibet. It is 60 metres deep and has a total area of 230 hectares with 114 million cubic metres of water capacity. Outbursting of this lake has been posing a serious threat since the year 2000 to lives and private/Government property located in the danger zone along Satluj river. The discharge of the lake has been increasing due to melting of the glaciers.

(July 2005 and April 2006) respectively after incurring an expenditure of Rs 25.25 lakh. It was noticed that the remaining key components (laying of rising main, distribution system and providing/execution of pumping machinery) of the works were still in progress and Rs 48.52 lakh¹⁰ had been incurred as of May 2007.

The EE stated (May 2007) that the execution of work was delayed due to time taken in designing and seeking approval and resolving the objections of the farmers.

The reply indicates lack of proper planning in timely arrangement of funds and execution of key components of the two schemes.

The audit findings were referred to the Government in May 2007. Reply had not been received (August 2007).

Multipurpose Projects and Power Department

4.13 Non-reimbursement of expenditure

Expenditure beyond the norms resulted in extra burden of Rs 1.30 crore on the State

The Union Ministry of Non-Conventional Energy Sources (Ministry) and the State Government took up execution of Hilly Hydro Electric Demonstration Projects. Himachal Pradesh Energy Development Agency (HIMURJA) was the executing agency for this project, which was to be shared on a 50:50 cost basis by the Ministry and the State Government.

Test-check of records (July 2005) revealed that against the admissible expenditure of Rs 18.32 crore as per the norms of the Ministry, HIMURJA incurred Rs 20.93 crore on the project. Thus, the Ministry reimbursed only Rs 9.16 crore. This resulted in extra burden of Rs 1.30 crore on the State Government.

The Director, HIMURJA stated (December 2006) that the excess expenditure over the estimates was due to site conditions, which could not be apprehended and that the balance amount above the norms of the Ministry, had been met out of State Government budget. The reply is not tenable, as Rs 77.41 lakh was incurred in excess on 'Miscellaneous expenditure' (Salary, POL, Insurance, etc.) of the project which has nothing to do with the site conditions. This expenditure was to be kept at the minimum as per the directions of the Ministry. Further, the site conditions aspect should have been taken into

¹⁰ Expenditure on drilling and development: Rs 25.25 lakh and other components, such as, rising main, distribution system and providing and erection of pumping machinery: Rs 23.27 lakh.

account when technical sanction was obtained and Ministry approval taken. As a result the State had to bear extra burden of Rs 1.30 crore.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Planning Department

4.14 Mismanagement of funds

Absence of planning for execution of works and their non-monitoring by the DC had resulted in mismanagement of available funds amounting to Rs 68 lakhs

The State Government sanctioned (June 1999) Rs one crore out of Sectoral Decentralised Planning (SDP) funds to the Deputy Commissioner (DC), Kullu for construction of parking place, flood protection works and land reclamation on 1.9643 hectares of land near the slaughter house in Manali-III forest.

Test-check (January-February 2007) of records of DC Kullu revealed that out of Rs One crore, the DC released (June 1999) Rs 20.50 lakh and Rs 30 lakh to the Secretary, Nagar Panchayat (NP), Manali for construction of parkings at 'Octroi check post No. I' and at 'Fire Station' respectively. No design and detailed estimates were prepared for these works for obtaining technical sanction from competent authority.

Audit noticed that, out of Rs 20.50 lakh meant for construction of parking at Octroi check post, the Secretary, NP Manali spent only Rs five lakh on levelling of land when the Forest Department stopped the work (January 2003). Further, Rs 4.61 lakh was diverted (2001-02) for construction of parking at Hidimba temple without approval of the DC and Rs 10.89 lakh for metalling and tarring of roads in Manali town without any provision.

The construction of the parking at the fire station was completed out of Rs 30 lakh released for the purpose.

An amount of Rs 5 lakh was released (February-June 2002) to Sub-Divisional Officer (Civil), Manali for site levelling for parking at Manali, without specifying the location. Balance amount of Rs 44.50 lakh was released (December 2002) to EE, (I&PH) Division No. I, Kullu for providing flood protection works, land reclamation and development of parking at slaughter house, Manali. The SDO (Civil), Manali spent (2002-03) Rs five lakh released to him on levelling of land for parking at slaughter house in Manali-III forest without verifying the title of the land. The work was stopped (January 2003) by the Forest Department as the land was part of Manali-III forest.

Out of the funds of Rs 44.50 lakh released to the EE, I&PH Division No. I, Kullu, Rs two lakh were spent on payment for consultancy work to Senior Research Officer, Central Water and Power Research Station, Pune and the unutilised amount of Rs 42.50 lakh was refunded (January 2004) to DC Kullu after retaining it for two years. Thereafter, DC Kullu further released (September 2005) this amount to Secretary, NP Manali for providing flood protection work and development of parking at Manali. The entire amount of Rs 42.50 lakh also was lying unutilised (February 2007) with the Secretary, NP Manali.

The District Planning Officer stated (February 2007) that the issues relating to acquisition of land and grant of technical sanction related to the State Government. The Secretary, NP Manali stated (February 2007) that the funds were diverted due to dispute of site as the land belonged to Forest Department and the Forest Department had stopped the work.

The replies confirm the audit contention that the DC Kullu had not ensured acquisition of land and obtaining of proper design and detailed estimates before release of funds. Thereafter, neither the State Government nor the DC had monitored the utilisation of funds.

Thus, absence of planning for execution of works and their non-monitoring by the DC had resulted in mismanagement of available funds which included wasteful expenditure of Rs 10 lakh on levelling of land belonging to Forest Department, Rs 15.50 lakh on diversion of funds, retention and non-utilisation of funds amounting to Rs 42.50 lakh for almost five years.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Public Works Department

4.15 Infructuous expenditure on construction of roads

Expenditure of Rs 3.98 crore incurred on construction of two roads in Spiti Valley remained infructuous as the roads could not be opened for vehicular traffic due to loose strata and glacier points in the way

To provide motorable road to the tribals of Spiti Valley, two roads-one from Komic to Demul (18 kms) and another from Tenzit to Hikkam (13 kms) (Lahaul and Spiti district) were constructed (September 2000 and September 2001) at a cost of Rs 2.96 crore against the estimated cost of Rs 2.06 crore. An additional expenditure of Rs 1.02 crore was also incurred on these roads on improvement (Rs 0.81 crore) and repair and maintenance (Rs 0.21 crore) between September 2000 and October 2006.

Test-check of the records of Kaza division revealed (October 2006) that both the roads were constructed without obtaining technical sanction and had not

been opened for vehicular traffic (August 2007) due to loose strata and glacier points in the way. While Komic-Demul road was damaged at various reaches as a result of loose strata of soil and glacier points in the alignment of the road, the width of Tenzit-Hikkam road had been reduced from the standard width of 5-7 metres to 3-4 metres between km 5/215 and 5/420 km due to land slides.

The EE, Kaza while admitting the facts, stated (October 2006) that the detailed estimate for restoration of the work would be prepared in near future and technical sanction obtained. The reply confirms that the road work was taken up without conducting adequate survey and investigation of the strata and obtaining prior technical sanction to the detailed estimates. Besides, no provision for survey existed in the estimate and suitable protective measures to strengthen the unstable strata had also not been provided for. Failure to do so, rendered the entire expenditure of Rs 3.98 crore incurred on the roads infructuous.

The audit findings were referred to the Government in February 2007. Reply had not been received (August 2007).

4.16 Infructuous expenditure on incomplete road works

Failure of the Department to acquire private/forest land before taking up construction of five roads resulted in infructuous expenditure of Rs 1.70 crore

Test-check of five divisions¹¹ revealed (June-December 2006) that five¹² road works were taken up for construction without obtaining technical sanctions and acquiring the private/forest land falling in the alignment of the roads at different patches. During execution of these roads, the land owners objected to the construction of roads through their private land. Consequently, these works were held up since March 2005 and August 2006 after incurring an expenditure of Rs 1.70 crore. These roads were to provide link road facility to the residents of villages to carry their agriculture/horticulture produce to the market. Delay in individual cases from the stipulated date of completion upto March 2007 ranged between 24 and 120 months. These works included two works¹³ relating to Pradhan Mantri Gram Sadak Yojna (PMGSY) under which land free from encumbrances was to be ensured by the Department.

¹¹ Arki (Solan district); Bharmour and Salooni (Chamba district); Kullu II (Kullu district) and Kumarsain (Shimla district).

¹² (i) Shallaghat-Khair-ki-Ghatti-Jalana road in Arki division (1995-1996); (ii) Sathli-Chobia road in Bharmour division (July 1999); (iii) Ramshilla-Lurikot via Neoli Tharman road in Kullu-II division (1995-1996); (iv) Link road to village Bargal in Kumarsain division (November 2004) and (v) Pukhri to Bhumni road in Salooni division (November 2002).

¹³ Link road to village Bargal (Kumarsain) and link road from Pukhri to Bhumni (Salooni).

The concerned EEs stated (June-July 2007) that the land owners did not object to the construction of the roads at the time of starting the execution but raised objections when the works were in progress. It was further stated that though notification to acquire the land in respect of three roads¹⁴ had been issued (October 2003 to June 2006), awards were yet to be finalised. Action to issue notification for acquisition of land in respect of remaining two roads had not been taken as of July 2007. Replies of the EEs indicate that the land acquisition proceedings were not initiated before taking up execution of the roads as required under the provision of the Land Acquisition Act and PMGSY. It was further noticed that provision for land acquisition was also not made in the estimates of three¹⁵ works.

Thus, failure of the EEs to comply with the pre-requisite formalities before taking up the works resulted in an expenditure of Rs 1.70 crore remaining infructuous as the villagers remained deprived of the intended benefits.

The audit findings were referred to the Government in May 2007. Reply had not been received (August 2007).

4.17 Infructuous expenditure on construction of road and bridges

Lack of proper planning by the Department resulted in infructuous expenditure of Rs 5.61 crore on construction of Marhi-Kamlah-Tihra-Sandhole motorable road

Based on a re-estimate survey the estimate for the construction of 45.5 kms Marhi-Kamlah-Tihra-Sandhole motorable road including a 55 metre span bridge (Mandi district) was approved by the Commissioner-cum-Secretary (PWD) for Rs 7.15 crore and completion by March 2001.

Test-check (August 2006) of records of Dharampur division revealed that an expenditure of Rs 8.54 crore¹⁶ had been incurred on the construction of 46.655 kms road in patches and two bridges upto March 2005. The two bridges (other than one provisioned in the estimate) were constructed without any provision therefor in the approved estimate. It was also noticed, that, only 20.230 kms road in two¹⁷ patches had been opened for traffic as of August 2007. Remaining 26.425 kms road (costing Rs 3.83 crore) and two bridges (costing Rs 1.78 crore) could not be opened for traffic mainly due to non-construction of the road in continuous reach, non-construction of culverts

¹⁴ (i) Sathli-Chobia motorable road (Bharmour division); (ii) Ramshilla to Lurikot via Neoli Tharman road (Kullu-II division) and (iii) Link road to village Bargal (Kumarsain division).

¹⁵ (i) Sathli-Chobia motorable road (Bharmour division); (ii) Link road to village Bargal (Kumarsain division) and (iii) Link road from Pukhri to Bhumni (Salooni division).

¹⁶ Construction of 46.655 kms road in patches: Rs 6.76 crore and two bridges at km 43/2 and km 52/6: Rs 1.78 crore.

¹⁷ From km 0/0 to 10/0 and 21/0 to 31/230.

and a 16.75 metre span bridge at km 35/400. The 55 metre span bridge initially proposed in the estimate was not required as per revised estimate. Revised estimate for Rs 3 crore for the execution of remaining components and proposal to extend the road upto km 54/400, sent to the SE in March 2006 is yet to be approved (August 2007).

Thus, non-construction of the road in a continuous reach, non-provision of the culverts and bridge at km 35/400 in the original estimate and execution of work without a detailed survey and technical sanction indicated absence of proper planning which resulted in infructuous expenditure of Rs 5.61 crore incurred on unutilised road and the two bridges. There was also time overrun of 77 months as of August 2007. Besides, Rs 1.39 crore¹⁸ was irregularly incurred in excess of the approved estimated cost without specific budget provision and approval of competent authority.

The EE stated (August 2007) that the work was taken up in intermittent reaches due to land dispute and paucity of funds. Reply is not tenable, as there was no paucity of funds because Rs 1.78 crore was incurred by the division on the construction of two bridges, which were not provided for in the estimates. As regards non-provision for the construction of two bridges in the original estimate, the EE stated that provision could not be made due to an oversight.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

4.18 Infructuous expenditure on construction of roads

Expenditure of Rs 3.89 crore incurred on construction of Gurukund-Talli road in Solan district and Luna-Ohra road in Chamba district proved infructuous due to non-construction of bridges at take off point

➤ A 12.2 kilometres long road from Gurukund to Talli road was approved (March 2004) by the GOI under Pradhan Mantri Gram Sadak Yojna (PMGSY) for Rs 1.65 crore. The road was taken up for construction (January 2005) and was completed (December 2005) at a cost of Rs 1.55 crore.

Test-check of the records of Nalagarh division revealed (February 2007) that due to non-construction of a 30 metre span bridge at the take off point, the road could not be opened for vehicular traffic. The E-in-C observed (February 2006) that the road could not be put to use unless a pre-stressed concrete bridge at take off point is constructed over Chikni *khad* at RD '0/080'. It was however, noticed that this issue was not addressed, when the proposal of the road under PMGSY was got approved (March 2004) from the

¹⁸ Actual expenditure (Rs 8.54 crore) minus estimated cost (Rs 7.15 crore) =Rs 1.39 crore.

GOI. Fact is that there was no provision for construction of bridges above 25 metre span under PMGSY. The construction of bridge had, however, not been taken up as of February 2007.

The EE stated (July 2007) that detailed project report had been sent (April 2007) to the Chief Engineer for according necessary administrative approval and expenditure sanction and the bridge would be taken up for execution on receipt of funds. Thus, lack of proper planning by the Department rendered the expenditure of Rs 1.55 crore incurred on the construction of the unutilised road, infructuous.

➤ Conversion of existing 2.75 metres Luna-Ohra jeepable road to 5-7 metres motorable standard road in the initial five kilometres length (km 0/0 to 5/0) was approved (September 2000) by the Resident Commissioner, Bharmour for Rs 51.62 lakh. The conversion work, stipulated to be completed in three years, was taken up for execution in May 2001. The motorable road in a total length of 5.326 kms had been constructed upto November 2006 after incurring an expenditure of Rs 1.58 crore.

Test-check of records of Bharmour division revealed (December 2006) that:

- the work was taken up without technical sanction,
- expenditure of Rs 1.06 crore was incurred over and above the estimated cost,
- the road could not be opened for traffic as bridge at take off point had not been provided for in the project,
- no census of traffic density on the motorable road was conducted to justify the need for conversion of jeepable road to motorable road.

Delay in execution of work and excess expenditure of Rs 1.06 crore over the estimated costs were attributed (August 2007) by the EE to paucity of funds. The EE also stated that the revised estimate would be prepared after completion of the work. The contention is not acceptable, as no detailed estimate or technical sanction was obtained. Further action to revise the estimate should have been initiated soon after the necessity was noticed. The fact remains even after an expenditure of Rs 1.58 crore, the road could not be made operational due to non-construction of bridge at the take off point, rendering the expenditure infructuous. Earlier, the existing jeepable road, which was completed (November 1999) at a cost of Rs 76.03 lakh could also not be put to use for the same reason.

Thus, failure of Department to obtain technical sanction and synchronise the construction of the road and the bridge and also non-preparation of revised estimate of the road is indicative of defective planning of works which has rendered the expenditure on construction of the road largely infructuous.

The audit findings were referred to the Government in May 2007. Reply had not been received (August 2007).

4.19 Infructuous expenditure on incomplete foot bridges

Defective planning in the construction of foot bridges on Kunah and Salashi khads (Hamirpur district) resulted in infructuous expenditure of Rs 38.43 lakh

The Deputy Commissioner, Hamirpur sanctioned and released Rs 25 lakh (December 2000) and Rs 6 lakh¹⁹ (April 2002) to the EE, Hamirpur division for the construction of foot bridges over Kunah *khad* and Salashi *khad* respectively under the head 'Sectoral Decentralised Planning' (SDP). As per SDP guidelines, the works were required to be completed within one year. Technical sanctions for sub-structures of the two bridges were accorded²⁰ (September 2002 and December 2002). Whereas construction of sub-structure of Salashi bridge was completed (July 2004) for Rs 13.53 lakh, that of Kunah bridge was completed (June 2005) for Rs 24.90 lakh.

Test-check (September 2006) of records of Hamirpur division revealed:

- After completion of the sub-structures, (June 2005) execution of super-structures and approaches was yet to be taken up as of July 2007.
- Detailed estimates for super-structures of the two bridges were sent by the EE, Hamirpur to the SE for approval (July 2005 and May 2006). Approval of the SE has not been received as of March 2007.
- Due to non-construction of super-structure, the expenditure of Rs 38.43 lakh had been rendered infructuous.

The EE stated (February 2007) that estimate amounting to Rs 31.18 lakh for the construction of super-structure of Kunah *khad* bridge had been sent to the DC, Hamirpur in July 2005 for arranging funds. As regards construction of super-structure of Salashi *khad* bridge, the EE stated that the administrative approval and expenditure sanction of Rs 27.29 lakh had been received (February 2007) and that tenders were being invited to execute the work shortly.

¹⁹ Actual amount released: Rs 5.96 lakh.

²⁰ Kunah bridge: Rs 17.05 lakh and Salashi bridge: Rs 9.81 lakh.

Reply of the EE confirms defective planning as adequate funds were not ensured before taking up the works and designing the complete structure of the bridge. The splitting of the work will also result in time overrun and consequently, cost overrun. Thus, the purpose for which the work was sanctioned was defeated.

The audit findings were referred to the Government in March 2007. Reply had not been received (August 2007).

4.20 Infertuous expenditure on incomplete building of Kala Kendra

Failure of the Department to obtain complete drawings before start of work delayed the construction of *Kala Kendra* building at Kaza in Lahaul and Spiti for more than 30 months

To promote cultural activities and to facilitate celebration of the State level Ladercha fair, construction of a Kala Kendra (cultural centre) building at Kaza in Lahaul and Spiti (Tribal District) was approved (October 2001) for Rs 44.77 lakh by the Additional Deputy Commissioner, Kaza. The work was stipulated to be completed by October 2004.

Test-check of the records of Spiti division at Kaza (October 2006) revealed that execution of the structure was taken up in August 1999 in anticipation of administrative approval, expenditure sanction and technical sanction. The building was constructed upto the roof-beam level as of September 2004 after spending Rs 13.40 lakh (30 per cent). In addition, Rs 11.57 lakh relating to this work were diverted to other works²¹. Further execution was suspended due to non-availability of the structural drawings from the CE (South Zone) for the roof, beams and trusses. It was further noticed that technical sanction had not been obtained as of August 2007.

The EE while admitting the facts, stated (March 2007) that the drawings for the remaining work of the building called for (July 2004) from the CE were still awaited. Thus, the failure of the Department to obtain complete drawings before start of work rendered the expenditure of Rs 13.40 lakh unfruitful. Besides, the diversion of Rs 11.57 lakh to other works has resulted in incorrect depiction of utilisation of funds allotted for the work of Kala Kendra. Thus, despite a lapse of 30 months, the purpose for which Kala Kendra was sanctioned was not achieved.

The audit findings were referred to the Government in May 2007. Reply had not been received (August 2007).

²¹ Outdoor stadium, Kaza (Rs 7.77 lakh) and other general repair and maintenance (Rs 3.80 lakh).

4.21 Infructuous expenditure on construction of a helipad

Non-handing over of the completed helipad at Satrundi in Chamba district to the Tourism and Civil Aviation Department led to infructuous expenditure of Rs 30.09 lakh on its construction

The State Tourism Department, without any request from the Union Home Ministry or Defence Ministry, constructed (June 2003) a helipad at Satrundi (Chamba district) at a cost of Rs 30.09 lakh to provide unhindered and quick access to the army and police authorities to the bordering areas of Tissa, Bairagarh and Sanwal of Chamba district through helicopter service. Funds amounting to Rs 39.80 lakh were routed through the Deputy Commissioner (DC), Chamba for release to Chamba division as deposit for the construction of the helipad. The work was completed (June 2003) at a cost of Rs 30.09 lakh through five contractors after splitting the work into 19 agreements. Works of providing fencing and construction of toilets though included in the scope of work, were not executed, as the helipad was situated at a high altitude where these structures would not withstand heavy snow fall as intimated by the EE. Detailed estimates to obtain technical sanction were not prepared.

Test-check (December 2006) of records of Chamba division revealed that the sanction letter did not mention the final custodian of the helipad on its completion. It was further noticed that neither the Tourism Department had bothered to monitor the completion and taking over of the helipad, nor had the division taken any steps to hand it over for four years.

On this being pointed out (December 2006) by audit, the EE requested (January 2007) the Director, Tourism and Civil Aviation to take over the possession of the helipad who in turn requested (February 2007) DC Chamba to take over its possession.

The EE, Chamba division intimated (June 2007) that inspite of pursuance of the matter regarding handing over of helipad with the DC, Chamba/State Tourism Department, nothing concrete had come out.

Thus, construction of the helipad without ascertaining the requirement of any of the concerned departments led to the investment of Rs 30.09 lakh remaining idle for about four years besides proving infructuous. Further, in the absence of technical sanction, for which detailed estimates had not been prepared, the possibility of the helipad not being to the desired standards and specifications cannot be ruled out. The likelihood of using the helipad is therefore remote, as it was constructed (June 2003) without ascertaining actual demand for it.

The audit findings were referred to the Government in March 2007. Reply had not been received (August 2007).

Undue favour to contractors/avoidable expenditure

Multipurpose Projects and Power Department

4.22 Undue favour to Non-Government Organisation

Undue favour to Non-Government Organisation in the construction and maintenance of micro-hydel project at Bara Bhangal in Kangra district

Mention was made in paragraph 3.4.7 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 regarding delay in commissioning of micro-hydel project at Bara Bhangal in Kangra district. A further check (December 2006) of records revealed that a Shimla based Non-Government Organisation²² (NGO) had offered to HIMURJA to construct a micro hydel project to electrify the area of Bara Bhangal at a cost of Rs 49 lakh. The NGO later on (July 2000) agreed to execute this project with their own funds without any financial assistance from HIMURJA/Himachal Pradesh Government. They further stated that helicopter, if available, may be provided for lifting of electro-mechanical equipment and penstock. The project was to be operated and maintained by a cooperative society of the beneficiaries to be trained by HIMURJA. The work was started by the NGO in July 2000 and was completed in August 2004.

Contrary to the commitment made by the NGO to execute the project free of cost, HIMURJA not only provided helicopter service free of cost to the NGO but also constructed helipad for exclusive use on the project for which an expenditure of Rs 25.72 lakh was incurred by it.

It was further seen that instead of forming a cooperative society of the beneficiaries and imparting training to them to operate and maintain the project, HIMURJA assigned the work of operation and maintenance of the project to a sister concern of the NGO and paid (September 2004 to February 2006) Rs 4.86 lakh to the firm. Neither records of energy generation and power supplied to the consumers had been maintained by HIMURJA nor any energy charges were recovered from the consumers.

Thus, HIMURJA extended undue favour of Rs 25.72 lakh to the NGO, though the project was free of cost. Further, assigning of the operation and maintenance of project to a sister concern of the NGO was also not as per the provisions of the approved project. Further, electricity was being provided free to the consumers without any authority by the NGO. No action was taken by HIMURJA to recover its cost. HIMURJA admitted the facts (November 2006).

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

²²

Sai Engineering Foundation, New Shimla-9.

Idle investment/blocking of funds/diversion of funds

Planning Department

4.23 Diversion of MPLADS funds

Funds amounting to Rs 38.30 lakh under Member of Parliament Local Area Development Scheme were diverted by the Deputy Commissioner, Shimla in contravention of the provisions of the scheme

The Members of Parliament Local Area Development Scheme (MPLADS) provides that the works to be undertaken shall be developmental in nature, based on locally felt needs. Construction of office, residential and other buildings relating to the Central or State Government departments, agencies or organisations, works within places of worship and memorials were not permissible under the scheme.

Test-check of records (March 2006) of DC, Shimla revealed that on the recommendations (January 2004-December 2005) of three MPs²³, the DC sanctioned (July 2004 and January 2006) Rs 38.30 lakh for the construction of 11 Sarai Bhawans at religious places, renovation of one Kissan Bhawan, construction of two memorials named after individuals and five²⁴ other non-permissible works under the scheme. The action of the DC in authorising funds for construction of works not permissible under MPLADS was irregular and resulted in diversion of MPLADS funds of Rs 38.30 lakh.

The DC while admitting the facts, stated (February 2006) that MPLADS guidelines authorised the MPs to recommend works of their choice as per the demands of the area. The reply is not tenable, as the works sanctioned are not covered under the guidelines of the scheme.

The audit findings were referred to the Government in March 2007. Reply had not been received (August 2007).

4.24 Injudicious release of funds

Failure of the DC, Mandi to adhere to the financial provisions and guidelines of MPLADS resulted in injudicious drawal and blocking of Rs 50 lakh for the construction of Bus Stand at Mandi

The State financial rules provide that before taking up any work for execution, a properly detailed design and estimate should be prepared and administrative approval and technical sanction of the competent authority obtained. The

²³ One Lok Sabha and two Rajya Sabha MPs.

²⁴ Construction of Administrative Block and purchase of implements for a private Eye Hospital; Completion of Old Age Home, Salana; Repair of Rain shelter at Longwood; Construction of *Parisar*, Purana Jubbal Bhawan and Construction of office Block for Giri Vidya Gyan Jyoti Anathalya Trust, Kotkhai (Shimla District).

MPLADS guidelines further provide that the time limit for completion of works under the scheme should generally not exceed one year.

Test-check of records of the DC Mandi revealed (December 2006) that on the recommendations of a MP, the DC sanctioned (November 2003) Rs 50 lakh in contravention of the provisions of the scheme, for the construction of bus stand at Mandi without any estimate, administrative approval and expenditure sanction under MPLADS. The amount after its withdrawal was remitted (November 2003) through cheque to the Bus Stand Management and Development Authority (Authority). No work had been started as of June 2007 and the whole amount was lying unutilised in fixed deposits with the Authority.

The DC stated (May 2007) that the amount sanctioned for construction of Bus stand was diverted by the Board of Directors of Authority for the construction of Passenger Information Centre, to be part of new Bus Stand and that, an estimate for Rs 62 lakh had been prepared (December 2006) by the Authority for this purpose. The DC further stated that funds were required to be sanctioned within 45 days from the date of receipt of recommendations of the MP and that it was not practically possible to obtain approval of estimates in a short period. The reply is not tenable, as the DC neither prepared a proper detailed design and estimate nor the administrative approval and technical sanction of the competent authority was obtained before sanction of funds. This had resulted in injudicious drawal and blocking of Rs 50 lakh. Funds were sanctioned by the DC for a work not permissible under the MPLADS guidelines as it was not permissible to sanction funds for a commercial organisation. Moreover, change in the work from construction of bus stand for which, funds were initially sanctioned, to construction of Passenger Information Centre indicated that funds were drawn without any specific plan. Completion of the work within one year from the date of sanction had also not been ensured by the DC as envisaged in the MPLADS guidelines. The unutilised funds had also not been refunded by the Authority as of August 2007.

The audit findings were referred to the Government in March 2007. Reply had not been received (August 2007).

Public Works and Irrigation and Public Health Departments

4.25 Blocking of funds owing to non-execution of deposit works

Deposits of Rs 3.07 crore received from various departments remained unutilised in five divisions due to non-execution of works for want of completion of requisite formalities

The amounts received by the Divisional Officers from various departments/agencies for the execution of works on their behalf are

temporarily kept under the transitory head "Public Works Deposits". Such funds should not be allowed to remain unutilised for an indefinite period as their prolonged retention results in keeping the money outside the normal budgetary process and in blocking of Government funds.

It was noticed (October 2006-March 2007) in audit of five divisions²⁵ (Public Works: 3 divisions and Irrigation and Public Health: 2 divisions) that Rs 3.07 crore received (March 1997 to November 2005) from various departments/agencies for execution of 33 deposit works remained unutilised under 'Public Works Deposits'. The works had not been taken up for execution due to non-preparation of contour site plans, drawings and working estimates (five cases), non-availability of sites (seven cases), land disputes (three cases), non-finalisation of proposal (one case), dispute at source (one case) and non-completion of feasibility investigation (sixteen cases).

The concerned EEs admitted (October 2006-March 2007) the facts. Evidently, funds under deposit head were acknowledged by the respective divisions from different departments/agencies without ensuring the pre-requisite formalities, availability of land for the construction of sanctioned infrastructure and feasibility of the schemes.

Thus, the deposits amounting to Rs 3.07 crore remained unutilised with the departments for periods ranging between 12 and 121 months upto the dates of test-check besides non-achievement of the purpose for which these were sanctioned. Further, these amounts were kept outside the budgetary process for prolonged periods in contravention of rules, while on the other hand the State Government had been bearing the burden of interest on its borrowings at an average rate ranging between 8.83 and 11.06 *per cent* during 1998-1999 to 2006-07. In this case, the deemed amount of interest upto March 2007 works out to Rs 1.08 crore.

The audit findings were referred to the Government in May 2007. Reply had not been received (August 2007).

4.26 Diversion of funds

Rupees 43.63 lakh meant for operation and maintenance of works were diverted by the Public Works and Irrigation and Public Health divisions to meet office contingencies

Funds for the purchase of stationery articles, furniture, payments of telephone, electricity and photostat bills, etc., are provided under sub head 'Office Contingencies' and expenditure incurred on these items is required to be restricted to the allocation made thereunder. Funds provided for the operation

²⁵ Kalpa, Mandi-II and Chenab Valley Udaipur (Public Works Divisions); Dalhousie and Sundernagar (Irrigation and Public Health Divisions).

and maintenance (O&M) of works and schemes, if diverted unauthorisedly to office contingencies, result in concealment of expenditure. Besides, the O&M of the works and schemes is adversely affected due to the diversion of funds provided for the purpose.

➤ Test-check of records of nine divisions²⁶ (Public Works: 4 and Irrigation and Public Health: 5) revealed (August 2006-February 2007) that Rs 37.48 lakh (Public Works Divisions²⁷: Rs 14.55 lakh and Irrigation and Public Health Divisions²⁸: Rs 22.93 lakh) out of the funds meant for O&M of various road and building works and water supply and irrigation schemes were irregularly utilised (April 2005 to January 2007) by the divisions on office contingencies. It was further noticed (June 2007) that against the budget allotment of Rs 16.68 lakh (2005-06: Rs 7.11 lakh and 2006-07: Rs 9.57 lakh) under 'office contingencies', Rs 24.54 lakh (2005-06 and 2006-07: Rs 12.27 lakh each) were spent by these divisions. Thus, in addition to irregular utilisation of Rs 37.48 lakh for office contingencies out of O&M funds, Rs 7.86 lakh (Rs 24.54 lakh-Rs 16.68 lakh) were also spent in excess of the funds budgeted for office contingencies.

The EEs admitted (August 2006-February 2007) the facts and attributed the diversion of O&M funds to office contingencies to meagre budget allotment under the latter head. This was, however, contrary to the rules and obviously, had an adverse impact on operation and maintenance of the roads, buildings and water supply/irrigation schemes.

➤ Similarly, test-check (July 2007) of vouchers for the month of March 2007 in central audit further revealed that another amount of Rs 6.15 lakh was diverted out of O&M allocation to office contingencies by 14 divisions²⁹ (seven each of PWD and I&PH).

The audit findings relating to first sub-para above were referred to the Government in June 2007. Reply had not been received (August 2007).

²⁶ Bilaspur, Fatehpur, Palampur and Shillai (Public Works Divisions) and Kullu-I, Nalagarh, Paonta Sahib, Una-I and Una-II (Irrigation and Public Health Divisions).

²⁷ Bilaspur: Rs 3.59 lakh; Fatehpur: Rs 3.01 lakh; Palampur: Rs 5.71 lakh and Shillai: Rs 2.24 lakh.

²⁸ Kullu-I: Rs 7.15 lakh; Nalagarh: Rs 3.32 lakh; Paonta Sahib: Rs 4.86 lakh; Una-I: Rs 3.46 lakh and Una-II: Rs 4.14 lakh.

²⁹ I&PH: Anni (Rs 0.97 lakh); Arki (Rs 0.46 lakh); Bilaspur (Rs 0.46 lakh); Ghumarwin (Rs 0.21 lakh); Jawali (Rs 0.18 lakh); Kullu-II (Rs 0.10 lakh) and Shahnehar (Rs 0.28 lakh).

PWD: Arki (Rs 0.91 lakh); Killar (Rs 0.18 lakh); Kullu-I (Rs 0.15 lakh); Mandi-I (Rs 1.92 lakh); Nalagarh (Rs 0.15 lakh); Sunder Nagar (Rs 0.09 lakh) and Una (Rs 0.09 lakh).

Revenue Department

4.27 Diversion of calamity relief funds

Rupees 1.92 crore were irregularly diverted from calamity relief funds by Deputy Commissioners for works not related to natural calamities

GOI instructions (May 1987) provide that Calamity Relief Fund (CRF) should be utilised on works damaged during natural calamities and not on fresh works. The State Government impressed upon (January 1998) all the Deputy Commissioners (DCs) that diversion of CRF was injudicious. It was further clarified (March 2002) that it was obligatory for the field staff of the Revenue Department to make quick spot inspections and assess losses and report the same to the higher authorities in accordance with the provisions of the Relief Manual.

Test-check (April 2006-January 2007) of the records of the DCs Chamba, Kinnaur, Shimla and Solan revealed that against the sanctioned (2005-07) amount of Rs 51.42 crore, an expenditure of Rs 38.71 crore was incurred under CRF by the concerned DCs. Of this, Rs 1.92 crore³⁰ were diverted out of CRF for execution of 162 works during 2005-2007, though these works were not related to natural calamities. It was noticed that funds amounting to Rs 44.73 lakh³¹ were spent on fresh works like construction of path, link roads, retaining walls, panchayat Bhawans, school buildings, etc., by DCs Shimla and Solan. DCs Chamba, Kinnaur and Solan utilised Rs 35.34 lakh³² on repairs of residential buildings of district level officers/officials, Rs 58 lakh³³ on repairs of Government office buildings although funds are provided for repair of Government buildings under separate head of account. It was further noticed that Rs 53.83 lakh³⁴ were spent by DCs Chamba, Kinnaur, Shimla and Solan on repairs of playgrounds, paths, boundary walls, stores, etc., which in the absence of damage reports from the Revenue Department, were not covered under relief works.

The DC, Chamba stated (February 2007) that most of the buildings for which funds were sanctioned were important and life-line buildings. Diversion of funds was attributed (February 2007) by the DC, Shimla to generation of employment. The DC, Solan stated (March 2007) that the matter was being examined. The DC, Kinnaur attributed the diversion to inadequacy of funds.

³⁰ Chamba: Rs 56.57 lakh; Kinnaur: Rs 40.53 lakh; Shimla: Rs 57.58 lakh and Solan: Rs 37.22 lakh.

³¹ Shimla: Rs 21 lakh and Solan: Rs 23.73 lakh.

³² Chamba: Rs 17.56 lakh on 13 works; Kinnaur: Rs 11.74 lakh on 15 works and Solan: Rs 6.04 lakh on 8 works.

³³ Chamba: Rs 27.23 lakh on 16 works; Kinnaur: Rs 28.39 lakh on 31 works and Solan: Rs 2.38 lakh on 5 works.

³⁴ Chamba: Rs 11.78 lakh on three works; Kinnaur: Rs 0.40 lakh on one works; Shimla: Rs 36.58 lakh on 35 works and Solan: Rs 5.07 lakh on four works.

The contentions are not tenable, as the works cited above are not covered under the provisions of the CRF as stipulated by GOI and were carried out without obtaining damage assessment reports from the Revenue authorities.

Thus, the DCs misutilised funds of Rs 1.92 crore, meant for restoration and relief works by diverting the funds to the works not related to natural calamity, without approval of the Government.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Regulatory issues and other points

Public Works and Irrigation and Public Health Departments

4.28 Irregular drawal of funds to avoid lapse of budget

Rupees 19.28 crore were irregularly drawn/booked to final head without award/execution of work

State Financial Rules stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw advances from the treasury for execution of works, the completion of which is likely to take considerable time.

Test-check of records of 10 divisions (Public Works (PW): seven divisions³⁵ and Irrigation and Public Health (I&PH): three divisions³⁶) revealed (May 2006-March 2007) that Rs 19.28 crore (PW: Rs 13.47 crore and I&PH: Rs 5.81 crore) were released through Letter of Credit by the concerned SEs at the fag end of the financial year 2005-2006 with the directions that the amounts be drawn and kept under the transitory head "Public Works Deposits" to avoid lapse of funds at the close of the year. These funds were sanctioned (March 2006) for the construction of various roads, buildings, water supply, irrigation and sewerage schemes. Accordingly, the EEs drew the amounts at the fag end of March 2006 by debiting to final heads of account without actual award or execution of the works. The divisions kept an amount of Rs 10.47 crore (PW³⁷: Rs 4.66 crore and I&PH³⁸: Rs 5.81 crore) under deposit head and three divisions³⁹ transferred the remaining amount of Rs 8.81 crore to six other divisions⁴⁰ simultaneously, which also kept the same under deposit

³⁵ Bangana, Bilaspur-I, Dalhousie, Kangra, Kullu-II, Mandi-II and Shimla-I.

³⁶ Arki, Sunni and Sewerage Treatment Plant Division, Shimla.

³⁷ Bangana (Rs 1.70 crore), Bilaspur-I (Rs 1.38 crore), Dalhousie (Rs 0.47 crore) and Kangra (Rs 1.11 crore).

³⁸ Sunni (Rs 3.33 crore), Arki (Rs 2.03 crore) and Sewerage Treatment Plant Construction Division, Shimla (Rs 0.45 crore).

³⁹ Kullu-II (Rs 0.81 crore), Mandi-II (Rs 7.61 crore) and Shimla-I (Rs 0.39 crore).

⁴⁰ Karsog (Rs 0.99 crore), Kullu-I (Rs 0.81 crore), Mandi-I (Rs 2.94 crore), Sarkaghat (Rs 2.02 crore), Shimla-II (Rs 0.39 crore) and Sundernagar (Rs 1.66 crore).

head. This resulted in irregular drawal/booking of budget allocation on the one hand and incorrect depiction of works expenditure in accounts for the year on the other hand. Besides, this also resulted in keeping the money outside the normal budgetary process in contravention of the rules.

The concerned EEs admitted the facts (May 2006-March 2007).

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Animal Husbandry Department

4.29 Loss in sale of milk

Sale of milk below the cost price resulted in loss of Rs 75.27 lakh

➤ The Himachal Pradesh Cooperative Milk Producers Federation Limited (MILKFED) entered (December 2002) into an agreement with Mother Dairy, Delhi (MDD) to sell surplus milk at the rates fixed by the MDD for other milk Federations from time to time depending upon the type and quality of milk; date of delivery; the fat and SNF⁴¹ contents and temperature of milk.

The procurement price of the milk collected from milk producers is fixed by the State Government whereas selling price of milk to MDD by MILKFED depends upon the rates fixed by MDD.

Test-check of the records (January 2007) revealed that MILKFED procured milk from the producers at varied rates ranging between Rs 9.22 and Rs 12.86 per litre and sold it to MDD at rates lower than the purchase rates ranging between Rs 8.97 and Rs 12.20 per litre, except during 2006-07 when the sale rate of milk was higher than the purchase rate. This had resulted in loss of Rs 75.27 lakh to MILKFED during 2002-06 and April-May 2007.

The Managing Director MILKFED stated (May 2007) that their basic objective is to provide remunerative market to all the milk producers for their surplus milk at their door step irrespective of the fact that entire quantity of milk procured is sold locally in the State or not.

The reply is not tenable, as MILKFED should have first considered processing of the surplus milk into milk products like ghee, butter, etc., conducive for the promotion of dairy industry in the State, as envisaged in the objectives of MILKFED, before selling the same to MDD at lower rates.

⁴¹ Solid not fat.

➤ Mention was made in paragraph 3.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (Civil and Commercial) regarding underutilisation of the installed capacity of the milk plants and non-achievement of targets for production of milk products.

As per information supplied (September 2007) by MILKFED for 2005-07, it was observed that the targets in respect of ghee were reduced from 1,00,000 kgs in 2003-04 to 37,890 kgs in 2005-06 and increased marginally to 43,740 kgs in 2006-07. The targets for making butter were reduced from 11,000 kgs in 2003-04 to 8,410 kgs in 2005-07. No targets were fixed for making ice cream and sweetened flavoured milk during 2005-07. The basis for the fixation/non-fixation of annual targets were not forthcoming from the records.

The MILKFED thus failed to process the surplus milk into milk products to fulfill its objectives and preferred to sell the surplus milk at rates lower than the procurement rates to MDD. This not only resulted in loss of Rs 75.27 lakh, but also in non-achievement of the objectives of MILKFED.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Education Department

4.30 Injudicious expenditure

Injudicious retention of staff without any work resulted in irregular payment of Rs 20.35 lakh on pay and allowances

The Total Literacy Campaign (TLC) was started in Solan district in 1993. The staff of Project Officer (PO), Adult Education, Solan was attached with Zilla Saksharta Samiti, Solan and placed under the control of Deputy Commissioner (DC) Solan. After completion of TLC, Post Literacy Campaign (PLC) was launched in the State in March 1995. The programme was to be funded by the Central Government.

Test-check of records (January 2006) of PO, Adult Education, Solan revealed that PLC, stipulated to be completed in March 1998, was continued upto March 2003. Even after winding up the activities of PLC, the staff (Superintendent, Clerk and the Peon) were allowed to continue without any work. On this being pointed out (January 2006), the staff was transferred to other offices (July-September 2006). Continuation of activities of the project beyond the period of sanction and then retention of staff without any work resulted in irregular/injudicious expenditure of Rs 26.50 lakh (upto 2006) on their pay and allowances. The GOI reimbursed the expenditure of the project upto March 2003 except the extra expenditure of Rs 20.35 lakh irregularly spent by the State Government on the salary of the staff from April 2003 to September 2006.

The DC-cum-Chairman, Zilla Saksharta Samiti, Solan stated (May 2006) that after closure of the activities of the project, the staff had been deployed for the settlement of accounts, organising Saksharta Divas, World Literacy Day, pulse polio and Vishva Paryavaran Divas Programmes. The reply is not tenable, as the deployment of staff on activities not connected with PLC, beyond March 2003 had resulted in injudicious retention of staff without any work involving irregular payment of Rs 20.35 lakh on pay and allowances.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Forest Farming and Conservation Department

4.31 Execution of below specification wire crate works

Non-adherence to the approved norms for wire crate works resulted in execution of below specification wire works costing Rs 87.08 lakh

The State Technical Advisory Committee⁴² (STAC) decided, (June 2000) that, 5 mm galvanized iron (GI) wire crate, corresponding to grade Standard Wire Gauge-6, of 15 cm x 15 cm mesh be used in all wire crate works whether it is embankment or apron. Further, as per Himachal Pradesh Schedule of Rates (HPSR), 3.35 kg 5 mm thick GI wire is consumed on preparation of one square metre crate of mesh size 15 cm x 15 cm.

➤ Test-check (June 2006) of records of the Divisional Watershed Development Officer (DWDO) Solan, who held the charge of Integrated Watershed Development Project (Kandi Project), Parwanoo revealed that 8,832.69 cubic metre crate work was executed departmentally in the watershed area during 2002-03 and 2004-05 by using 37.75 MT of GI wire of 4 to 4.06 mm thickness valuing Rs 8.83 lakh against the approved thickness of 5 mm. Thus, the whole crate work, executed at a cost of Rs 61.93 lakh was below specification and had adverse impact on the durability of the wire crate structures.

The DWDO, Solan while confirming the facts (June 2006) stated (May 2007) that keeping in view the site condition and inspection by the technical staff of the Department, the strength of the wire of lesser thickness was found sufficient. The contention is not tenable, as it was contrary to the decision of the STAC which had recommended the use of only GI wire crate with 5 mm thickness for execution of all wire crate works.

⁴² Headed by the Engineer-in-Chief, Irrigation and Public Health Department.

➤ Test-check of records of four divisions⁴³ of Himachal Pradesh Mid Himalayan Watershed Development Project revealed (June 2006-August 2006), that 32 wire crate works measuring 8512.74 M² were executed (March 2006) at a cost of Rs 25.15 lakh. This cost included Rs 6.82 lakh as cost of 18.134 MTs, 5 mm GI wire of 20 cm x 20 cm mesh used for gripping boulders. As per prescribed norms, 28.518 MTs⁴⁴ of 5 mm GI wire was required for 8512.74 M² crate work. The divisions, however, short utilised 10.384 MTs of GI wire which was attributable to wider sized mesh of 20 cm x 20 cm than the required size of 15 cm x 15 cm. This resulted in execution of below specification work valuing Rs 25.15 lakh.

The DWDOs admitted (June 2006-August 2006) the facts and attributed the use of wider sized mesh to availability of boulders of bigger size. The reply of the DWDOs is not tenable, as this was in contravention of the instructions of STAC. Moreover, boulders of bigger size needed more strength in the shape of 15 cm x 15 cm sized mesh to hold them strongly.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Health and Family Welfare Department

4.32 Unauthorised occupation of General Pool Accommodation by doctors

Non-adherence to the allotment of Government residences (General Pool) Rules by the Department resulted in unauthorised occupation of quarters by the doctors and accumulation of damage charges of Rs 21.19 lakh

As per rules, unauthorised occupants of general pool accommodation are to be charged damages at the rate of Rs 12 per sq foot per month.

Test-check of the records in the office of the Principal, Indira Gandhi Medical College (IGMC), Shimla revealed (April 2007) that eight doctors of IGMC Shimla were transferred (February 2004 to June 2006) to Dr. Rajendra Prasad Government Medical College, Tanda (District Kangra). The transfer of these doctors was governed under the existing transfer policy of the State Government which was effective from 7th August 2004 in their case. Accordingly, these doctors were required to vacate the general pool accommodation within two months from the date of their transfer or by the effective date of transfer policy, whichever was later. The doctors, however, neither vacated the allotted accommodation at Shimla nor paid damage charges for unauthorised occupation, as required. The doctors retained the

⁴³ Bhattiyat at Chowari (Chamba district), Dehar at Nurpur (Kangra district), Mandi (Mandi district) and Nahan (Sirmour district).

⁴⁴ 8512.74 M² x 3.35 kg=28.518 MTs

accommodation unauthorisedly for periods ranging between eight and 29 months as of March 2007 without paying damages of Rs 21.19 lakh (excluding the amount recovered on account of licence fee of the accommodation retained by them at Shimla), as required under the provisions of the HPAGRR.

The Principal, IGMC Shimla stated (April 2007) that the factual position was being ascertained from the records. The reply is not tenable, as the Principal Secretary (Health) had already directed (October 2006) the Principal-cum-Chairman House Allotment Committee of the IGMC to get the damage charges recovered from the unauthorised occupants but no action had been taken to recover the same.

The audit findings were referred to the Government in May 2007. Reply had not been received (August 2007).

Home Department

4.33 Non-recovery of leave salary and pension contributions

Inaction of the Department in pursuing leave salary and pension contributions from commercial organisations resulted in non-recovery of Rs 14.63 crore

A test-check of the records of the Director General of Police, Himachal Pradesh revealed (December 2006) that leave salary and pension contributions of Rs 9.03 crore from April 1996 to June 2007 had accumulated against Bhakra Beas Management Board (BBMB) on account of police force provided by the Department to them. The Department filed (2000-2001) applications with the concerned District Magistrates under Police Act, 1861 for recovery of the amount as arrears of land revenue. The proceedings were, however, stayed (2002) by the Himachal Pradesh High Court with the condition that 50 per cent of the amount involved would be deposited by the BBMB by 31 March 2002. It was also ordered by the High Court that the respondents (State of Himachal Pradesh, etc.) were at liberty to file an application for the withdrawal of this deposited amount. A retired High Court judge was appointed (May 2003) as Conciliator by the High Court to sort out the matter. The Conciliator terminated (October 2004) the conciliation proceedings on the grounds that the State Government was not interested in conciliation. The Department had no information (December 2006) whether any amount had been deposited by the BBMB in the court. Further developments in this regard are awaited and Rs 9.03 crore is yet to be recovered (June 2007).

Similarly, an amount of Rs 5.60 crore was outstanding against other departments/Public Sector Undertakings⁴⁵ on account of leave salary and pension contributions of the police force provided to these organisations during 1990-1991 to 2006-2007. No action had been taken by the Department to recover the amount from the Tourism and Civil Aviation department, Railways, Nathpa Jhakri Power Corporation (NJPC), etc.

Thus, due to lackadaisical approach of the State Government in pursuing the matter effectively, an amount of Rs 14.63 crore had not been recovered from the commercial organisations.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Housing and Urban Development Department

4.34 Loss in supply of water

Failure of Himachal Pradesh Housing and Urban Development Authority to fix water charges based on cost of services resulted in loss of Rs 1.73 crore

To provide water supply to its 1,886 domestic and 416 commercial consumers, the Himachal Pradesh Housing and Urban Development Authority (HIMUDA), maintains water supply scheme at Parwanoo township. Water consumption rates are charged from the consumers on actual meter reading basis at variable rates for domestic and commercial consumers. Water is supplied at the rates fixed by HIMUDA in July 2001.

Test-check (March 2006) of records of HIMUDA revealed that during the period from 2001-07, an expenditure of Rs 6.72 crore was incurred by HIMUDA on supply of water to the residents and commercial units within its jurisdiction against which, an amount of Rs 4.99 crore was realised.

The expenditure on water supply increased year after year, but realisation of revenue had not increased to that extent. It was further noticed that the loss was due to non-revision of water rates by HIMUDA since July 2001 keeping in view the trend of expenditure. Non-revision of water rates periodically based on actual cost escalation in provision of services, resulted in loss of Rs 1.73 crore to HIMUDA.

⁴⁵ State Tourism and Civil Aviation: (1990-91 to June 2007: Rs 1.01 crore); Railways: (1992 to June 2007: Rs 1.23 crore); Yamuna Hydel Project: (1997 to June 2007 Rs 0.65 crore); NJPC (SJVNL): (1999 to June 2007: Rs 1.62 crore); PSEB: (2000-2001: Rs 0.60 crore); AIR, Shimla and Dharamshala: (2006-2007: Rs 0.10 crore); Banks: (2006-2007: Rs 0.35 crore) and IB: (2006-2007: Rs 0.04 crore).

The EE, HIMUDA while confirming the facts, (May-July 2007), stated that water supply scheme was being maintained by HIMUDA in public interest and the loss was due to non-revision of water rates since 2001 and that the competent authority of HIMUDA revises the rates on the expenditure/receipt basis when it is desired by the authority. The reply of the EE, HIMUDA confirmed that HIMUDA failed to take timely action to revise water rates and avoid loss to the organisation.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Planning Department

4.35 Irregular expenditure

Release of Rs 3.10 crore to Sri Sathya Sai Trust by Deputy Commissioner, Shimla was in contravention of Government Policy and guidelines for implementation of Vikas Main Jan Sehyog Scheme and MPLADS

The State Government decided (August 2003) that financial assistance would not be provided to non-Government educational institutions in view of the limited financial resources of the State.

Test-check of records (March 2007) of DC, Shimla revealed that the State Government sanctioned Rs 3 crore (Rs 1.5 crore each in March 2005 and September 2006) to Shimla based Sri Sathya Sai Trust (SSST) for the construction of playground, hostel building, link roads, etc., for the school without any design and estimates. The sanction is irregular on account of the following:

- Rupees 3 crore were released even though no financial assistance was to be provided to non-Government educational institutions as per the instructions of August 2003.
- The institution is not affiliated to any Education Board/University as required under Vikas Main Jan Sehyog.
- The title of the land on which the construction was being made had not been transferred in the name of the Government, again as required under the scheme.
- The SSST had already received financial assistance of Rs 10 lakh during September 2002 (Rs five lakh) and July 2003 (Rs five lakh) under MPLAD scheme. Therefore, the release of additional funds of Rs 3 crore is

not permissible. According to guidelines for the implementation of MPLADS, unaided but recognised institutions can be provided funds under this scheme provided the institution was in existence for not less than two years. Funds amounting to Rs 10 lakh were sanctioned to the SSST for the construction of rooms and library building although the institution was not in existence for the last two years as required under MPLADS.

The DC stated (February 2007) that the funds were sanctioned at Government level and the SSST had assured fulfilment of the conditions after completion of construction. The reply of the DC confirmed that Rs 3.10 crore had been released to the SSST in total disregard of the provisions of the VMJS and MPLAD schemes.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

Rural Development Department

4.36 Irregular expenditure on inadmissible works

Non-adherence to the provisions of Sampoorna Gramin Rojgar Yojna guidelines resulted in diversion and misuse of Rs 54.28 lakh

Guidelines for implementation of Sampoorna Gramin Rojgar Yojna (SGRY) provide that while formulating Annual Action Plan, priority shall be given to works of soil and moisture conservation, minor irrigation, rejuvenation of drinking water sources, etc., which are necessary for watershed development. Other priority works under the first stream of SGRY include construction of rural link roads, farm roads linking agriculture fields, drainage works and afforestation that result in creation of durable socio-economic assets. Construction of paths was not covered under the scheme.

Fifty *per cent* of the total resources under SGRY are to be utilised by the DRDA/Zilla Parishad for above purposes. The remaining 50 *per cent* are earmarked for the second stream and are to be distributed among the Gram Panchayats directly by the DRDA/Zilla Parishad which could be used for infrastructure required for supporting agriculture activities in the village Panchayats and other socio-economic community assets.

Test-check (March 2007) of records of the Project Officer (PO), DRDA, Una revealed that during 2005-06 the PO, DRDA, Una sanctioned an amount of Rs 54.28 lakh irregularly for execution of 168 village path works through Zilla Parishad and Panchayat Samities. Of these, 144 works were completed at a cost of Rs 47.33 lakh. The remaining 24 works were in progress as of May 2007.

The PO, DRDA, Una stated (March 2007) that localities in rural areas were scattered and it was difficult to construct rural link or farm roads and these works were taken up to generate rural employment. The reply is not tenable, as this tantamounts to diversion and misuse of funds. Further, the work relating to village paths could be taken up out of the 50 *per cent* funds earmarked to Gram Panchayats directly by DRDA/Zilla Parishad under the scheme. Audit scrutiny in 11 Gram Panchayats revealed that 22 village paths had been constructed under second stream during 2005-2006 by the village panchayats. Execution of village path works under the first stream of SGRY had thus resulted in irregular expenditure of Rs 54.28 lakh on inadmissible works.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

4.37 Irregular implementation of project

Irregular creation of corpus fund of Rs 35.71 lakh and improper transfer of project to a Society

The GOI sanctioned (November 2001) Milch Livestock Improvement Project (MLIP) for Solan district for Rs 7.15 crore to be completed in four years. The project was to be funded by the Union and State Governments in the ratio of 75:25 through DRDA, Solan. Besides, Rs 1.72 crore were to be contributed by the beneficiaries of the project for a corpus fund and interest received was to be used for future sustenance of the project. The activities of the project included extension and training, breeding efficiency and improvement, genetic improvement, fodder production improvement, milch livestock management, young stock rearing and marketing, etc. The GOI released (November 2001) Rs 2.15 crore and the State Government also released (April 2002) Rs 71.51 lakh directly to DRDA, Solan.

Test-check of records (November 2006) and further information received (September 2007) revealed that:

- The progress of the project was not found satisfactory (September 2004) by the State Government as there had been a delay of one year in commencing the work and only 40 *per cent* funds could be released by GOI/State Government for the project upto September 2004.

- The project was transferred (March 2005) to the Milch Livestock Improvement Society (Society) without approval of the GOI. The State Government authorised the society to implement the project further, as well as, to ensure its post sustenance.

➤ The monitoring of the project was, however, assigned to the DRDA, Solan whose work of implementation of the project had not been found satisfactory. The Society spent Rs 122.91 lakh on the project from April 2005 to June 2007.

It was also seen that even after the transfer of the project to the society the project could not be completed and balance funds could not be obtained from the GOI/State Government although more than two years had already elapsed after the transfer of the project to the society.

The financial and physical targets and achievements thereagainst both when it was under the DRDA upto March 2005 and thereafter upto June 2007 when it was being implemented by the society are discussed below:

➤ The shortfall in financial achievements under extension and training component upto March 2005 was 64 *per cent* and 47 *per cent* as of June 2007.

➤ The shortfall in financial achievements under the component 'Young stock rearing management' upto March 2005 was 85 *per cent* and 83 *per cent* as of June 2007.

➤ The shortfall in financial achievement under the component 'Marketing' was 90 *per cent* upto March 2005 and 67 *per cent* as of June 2007.

➤ The shortfall in physical achievements under the component 'Extension and Training' upto March 2005 was 96 *per cent* and it was 95 *per cent* as of June 2007.

➤ The shortfall under the component 'Young stock rearing and improvement' was 87 *per cent* upto March 2005 and it was 76 *per cent* as of June 2007.

➤ The shortfall in physical achievements under the component 'Genetic improvement' upto March 2005 was 69 *per cent* and it was 68 *per cent* as of June 2007.

Thus, there was not much improvement in the implementation of the project even after it was transferred to the society.

In the following cases there was also no co-relation between the financial and physical achievements:

Table: 4.1

(In per cent)

Component	Achievement	
	Physical	Financial
Extension and training	5	53
Improvement in fodder production	136	45
Milch livestock management	91	48

Test-check further revealed that corpus fund was being created irregularly out of the subsidised cost being realised from the beneficiaries on account of sale of feed, fodder, seeds, nutrient, mineral licks, etc., to them by the DRDA. Infact, this amount should have been deposited in the project account instead of corpus fund. As separate contribution for creation of corpus fund was not realised from the beneficiaries, the corpus fund was actually created out of project funds. An amount of Rs 35.71 lakh was lying in the corpus fund (November 2006) in bank.

The Project Officer, DRDA, Solan stated (November 2006) that Rs 1.72 crore was to be the indirect contribution of the beneficiaries in the shape of labour and materials to supplement the project activities. The reply is not tenable as the GOI, while releasing (November 2001) the first instalment of the project funds has clearly stated that Rs 1.72 crore would be the beneficiaries' contribution to the corpus fund for future sustenance of the project and would not form part of the financial implementation of the project.

Improper implementation of the project by DRDA, Solan and poor monitoring by the State Government resulted in irregular transfer of the project to the society, diversion of Rs 35.71 lakh irregularly to the corpus fund and non-release of further instalment of Rs 1.61 crore by the GOI.

The audit findings were referred to the Government in June 2007. Reply had not been received (August 2007).

General

Miscellaneous Departments

4.38 Erosion of accountability

Inadequate response to Audit findings and observations resulted in erosion of accountability

Accountant General (Audit) arranges to conduct periodical inspection of Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions within six weeks and report their compliance to the AG. Serious irregularities are also brought to the notice of the heads of departments by the office of the AG through a half yearly report of pending IRs sent to the Additional Chief Secretary (Finance).

A review of the IRs issued to 202 Drawing and Disbursing Officers (DDOs) during 1969-70 to December 2006 pertaining to Animal Husbandry (47 DDOs), Rural Development (107 DDOs), Tourism (06 DDOs) Food and Civil Supplies (31 DDOs) and Sainik Welfare (11 DDOs) departments, revealed that 1,252 paragraphs relating to 502 IRs remained outstanding at the end of June 2007. Of these, 170 IRs containing 235 paragraphs had not been settled for more than 10 years. The year-wise position of the outstanding IRs and paragraphs is detailed in **Appendix-XXI**.

Though initial replies were required to be received from the heads of offices within six weeks from the date of issue, such replies were not received in respect of one office of the Animal Husbandry Department for one IR; five offices of Rural Development Department for five IRs; three offices of Tourism Department for three IRs; Four offices of Food and Civil Supplies Department for four IRs and three offices of Sainik Welfare for three IRs issued upto December 2006. Action taken on the serious irregularities commented upon in the outstanding IRs of these departments as detailed in **Appendix-XXII**, has not been intimated to Audit.

A review of the pending IRs in respect of the Animal Husbandry, Rural Development, Tourism, Food and Civil Supplies, Sainik Welfare departments revealed that the concerned heads of the offices and heads of the departments did not send complete replies to a large number of IRs/Paragraphs.

It is recommended that the Government look into the matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/Paragraphs as per the prescribed time schedule, (b) action to recover losses/outstanding advances/overpayments is taken in a time bound manner and (c) the system is streamlined to ensure proper response to audit observations.

The position was intimated to Government in June 2007. Reply had not been received (August 2007).

CHAPTER-V

INTERNAL CONTROL SYSTEM

CHAPTER-V

INTERNAL CONTROL SYSTEM

Industries Department

5.1 Internal Control System

Highlights

Internal control system is an integral process by which an organisation governs its activities to effectively achieve its objectives. Such a system consists of methods and policies designed to prevent fraud, minimise errors, promote operating efficiency and achieve compliance with established policies and helps to protect resources against loss due to waste, abuse and mismanagement. An evaluation of internal control system in Industries Department during 2002-07 revealed significant weaknesses in financial management system and operational controls as evidenced by non-compliance with rules, manuals and codes in the areas of budget preparation, expenditure control, recovery of loans and implementation of various schemes. Some significant audit findings are as under:

- *Scheme funds of Rs 25.04 crore and departmental receipts amounting to Rs 9.44 crore received (2002-07) by six DDOs were remitted directly into the bank/treasuries without entering in the cash book.*

(Paragraph 5.1.8.1)

- *Wrong utilisation certificate for Rs 4 crore sanctioned for infrastructure development works at Sansarpur Terrace was furnished by the Superintending Engineer, HPSIDC though infact the amount had been diverted and used on other works by the State Government.*

(Paragraph 5.1.8.8)

- *Allotment of land for developing industrial areas/estates to prospective entrepreneurs had not been monitored at the Government level. Only 42 bighas (three per cent) land had been allotted by GMs DICs Lahaul and Spiti, Shimla and Solan as of March 2007 out of 1415.03 bighas transferred to the Industries Department.*

(Paragraph 5.1.9.7)

➤ *Infrastructure created at a cost of Rs 77.10 lakh for setting up of an industrial estate at Keylong (Lahaul and Spiti district) in August 2002 remained unutilised due to improper planning of the department for selection and development of industrial area.*

(Paragraph 5.1.9.7 (ii))

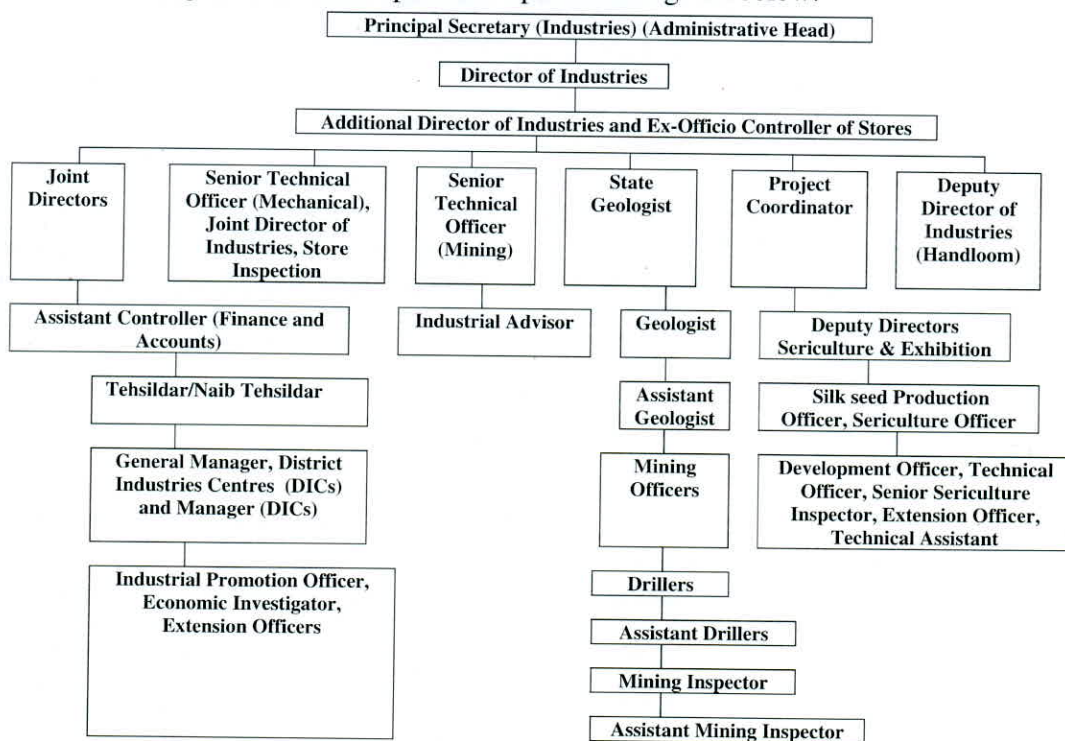
5.1.1 Introduction

Internal controls provide reasonable assurance that an organisation's objectives are achieved, assets are safeguarded and operations are carried out in an effective manner in compliance with the applicable laws, rules and regulations.

The functions of the Department of Industries include disbursement of loans to individuals, firms, cooperative societies or companies under the Himachal Pradesh State Aid to Industries Act, 1971. Seed/margin money loans are also given to small entrepreneurs under the State sector schemes for providing assistance to Small Scale Industries (cottage/village industries). In addition, sericulture activities for production of silk seed, industrial promotion and training, development of industrial estates, implementation of schemes such as Deen Dayal Hathkargha Protsahan Yojna, workshed to weavers, Prime Minister Rojgar Yojna and regulation and development of mines, etc., is carried out by the Department.

5.1.2 Organisational set up

The organisational set up of the department is given below:



5.1.3 Audit objectives

The review of internal controls of the Industries Department was conducted to assess whether these helped the Department in:

- fulfilling accountability obligations;
- ensuring orderly, ethical, economical, efficient and effective operations;
- identifying and minimising the risks faced by the organisation in achieving its objectives; and
- safeguarding resources against loss.

5.1.4 Audit criteria

The audit criteria used for assessing the internal controls were:

- provisions of the Himachal Pradesh Financial Rules;
- provisions of Subsidiary Treasury Rules;
- departmental Policies/Rules and regulations;
- Government notifications issued from time to time;
- procedure prescribed for monitoring and evaluation.

5.1.5 Scope of Audit

The Internal control system of the Department was reviewed in audit (February-April 2007) by a test-check of the records of 12 units/DDO's¹ out of 36 DDOs in the State including Directorate for the period 2002-07.

5.1.6 Audit methodology

Before commencing audit, an entry conference was held (February 2007) with the officers of the Department wherein audit objectives and scope were discussed. Units/DDOs were selected for audit on the basis of simple random

¹ State Geologist (Headquarters); 2. Assistant Controller (F&A) Directorate of Industries, Shimla; 3. The Deputy Director of Industries (Exhibition) Directorate of Industries, Shimla; 4. Project Coordinator, Directorate of Industries, Shimla; 5. General Manager (GM), DIC, Shimla; 6. GM, DIC, Solan; 7. GM, DIC, Dharamsala; 8. GM, DIC, Una; 9. Mining Officer, Dharamsala; 10. Mining Officer, Una; 11. Deputy Director of Industries (Sericulture), Palampur (Kangra district) and 12. Silk Seed Production Officer, Nadaun (Hamirpur district).

sampling method. Audit sample was drawn keeping in view the number² of industrial areas/estates in the respective districts and other activities being carried out by different units. The audit findings were discussed with the Director in exit conference (July 2007) and the views of the Department have been incorporated in the review at appropriate places.

5.1.7 Budgetary control

5.1.7.1 Unrealistic budget estimates

As of March 2007, the Industries Department was implementing 13 schemes. Of these, nine State Plan Schemes³ were being implemented with 100 per cent State budget. Two schemes⁴ were 100 per cent funded by GOI. One⁵ scheme was funded on 50:50 basis by the GOI and the State Government upto 2004-05. From 2005-2006 the funding pattern was 90:10 between GOI and the State Government. One scheme⁶ was funded in the ratio of 78:11:11 by GOI, State Government and the beneficiary handloom weavers respectively.

Original budget allotment, supplementary grants⁷ obtained and actual expenditure incurred thereagainst between 2002-07 was as under:

Table: 5.1

(Rupees in crore)

Year	Original budget	Supplementary grants	Total	Expenditure	Excess (+) Savings (-)
2002-2003	34.50	16.83	51.33	43.92	(-) 7.41
2003-2004	27.05	4.58	31.63	29.56	(-) 2.07
2004-2005	55.52	1.25	56.77	55.72	(-) 1.05
2005-2006	22.80	6.95	29.75	29.40	(-) 0.35
2006-2007	45.16	1.84	47.00	48.21	(+) 1.21
Total	185.03	31.45	216.48	206.81	

Source: Departmental figures

² Kangra: eight industrial areas and three estates; Shimla: four industrial areas and three estates; Solan: 10 industrial areas and three estates and Una: five industrial areas.

³ 1. Industrial Promotion and Training; 2. Industrial Estate; 3. District Industries Centre; 4. Sericulture; 5. Himachali Utpad Scheme; 6. Industrial Area Development and Promotion; 7. Subsidy to SSI units; 8. Arts and Exhibition; 9. Mineral Development.

⁴ Prime Minister's Rojgar Yojna and Transport/Freight subsidy.

⁵ Deen Dayal Hathkargha Protshan Yojna.

⁶ Workshed-cum-Housing for Handloom Weavers.

⁷ Grant 18: Industries, Minerals and supplies; Grant 31: Tribal Development.

5.1.8 Financial control

5.1.8.1 Non-accountal of Government receipts in the cash book

Himachal Pradesh Financial Rules, 1971 provide that all monetary transactions should be entered in the cash book as soon as they occur and attested by the head of office in token of check.

It was noticed in audit that four DDOs⁸ of test-checked units, who had received funds of Rs 25.04 crore from Director of Industries for execution of various works/schemes between 2002-07 through demand drafts remitted the DDs in banks without entering these in the cash books. The delay in remittance ranged between 10 and 37 days. Similarly, two DDOs⁹ who had collected receipts aggregating Rs 9.44 crore during 2002-07 on account of short term permits, mining lease and royalties, etc., remitted the same directly into the treasury without entering these in the cash book. It was further noticed that three DDOs (out of 12 test-checked units) had not conducted any physical verification of cash during 2002-07. This was indicative of lack of control by head of office besides non-observance of prescribed rules. The Director stated (July 2007) that instructions had been issued (June 2007) to all the field offices to comply with the financial control procedures as prescribed under the rules.

5.1.8.2 Late deposit of departmental receipts

State Financial Rules provide that at the close of the day while signing the cash book, the head of office should see that the departmental receipts collected during the day are deposited into the treasury on the same day or on the morning of the next day at the latest.

It was noticed in audit that in six¹⁰ test-checked units an amount of Rs 5.23 lakh realised in cash on account of miscellaneous departmental receipts during 2002-07 was deposited in the treasuries after a delay ranging between two and 52 days. The test-check thus revealed that the DDOs failed to exercise their control over prompt deposit of departmental receipts and in such cases, the possibility of temporary misappropriation of funds cannot be ruled out.

⁸ GMs, DICs, Kangra: Rs 1.43 crore; Solan: Rs 23.46 crore; Shimla: Rs 0.06 crore and Una: Rs 0.09 crore.

⁹ Mining Officers, Kangra: Rs 7.06 crore and Una: Rs 2.38 crore.

¹⁰ GM, DIC, Shimla: Rs 0.99 lakh; GM, DIC, Solan: Rs 0.12 lakh; GM, DIC, Kangra at Dharamsala: Rs 2.49 lakh; Mining Officer, Kangra at Dharamsala: Rs 0.49 lakh; Mining Officer, Una: Rs 0.37 lakh and Deputy Director, Sericulture, Palampur: 0.77 lakh.

5.1.8.3 Expenditure not incurred in controlled and phased manner

The State Financial Rules provide that to regulate the expenditure in a controlled and phased manner, the administrative department shall ensure that the budget allocation is spent in a phased manner during the year.

It was noticed in audit that the percentage of expenditure incurred in the last quarter of the respective financial years during 2002-07 ranged between 40 and 72 as detailed below:

Table: 5.2

(Rupees in crore)

Year	Total expenditure	Expenditure incurred in the last quarter	Percentage of expenditure incurred in the last quarter
2002-2003	43.92	17.57	40
2003-2004	29.56	12.42	42
2004-2005	55.72	40.22	72
2005-2006	29.41	12.05	41
2006-2007	48.21	20.73	43

Source: Departmental figures

The Director stated (July 2007) that due to receipt of sanctions in the last quarter of the financial year from the GOI and State Government, expenditure in excess over prescribed norms had to be incurred. The Department needs to pursue with the Government to ensure that funds are released in time so that its activities are carried out smoothly.

5.1.8.4 Irregular release of Grant-in-aid

To promote growth of handloom and handicrafts industries and to promote, encourage and assist in the development of Khadi and Village industries to carry on trade or business in the products, the State Government releases grants to two grantee institutions.

The State Budget Manual provides that the orders/sanctions for grant-in-aid should not be issued between 1st and 31st March in any financial year. It was, however, noticed that the State Government released grants of Rs 2.31 crore during 2002-07 to Himachal Pradesh State Handicrafts and Handloom Corporation Limited, Shimla (Rs 2 crore) and Himachal Pradesh Khadi and Village Industries Board, Shimla (Rs 0.31 crore) between 1st and 31st March every year for meeting administrative costs and implementation of two¹¹ schemes. Of these, grants of Rs 1.60 crore (69 per cent) were released between 15th and 31st March each year. The grants were to be utilised within one year.

¹¹ Promotion of Handloom activities 2. Development of Khadi and Village Industries.

The Director stated (April 2007) that the grants were released late due to late receipt of sanctions from the State Government. The fact, however, remains that the prescribed rules and procedures for releasing grants were not followed.

5.1.8.5 Non-recovery of rental charges of industrial sheds and plots

The State Financial Rules provide that departmental controlling officers should see that all sums due to Government are regularly and properly assessed, realised and duly deposited into the treasury.

Test-check of records of two GMs, DICs (Kangra and Una) who were responsible for effecting the recovery revealed that rental charges aggregating Rs 1.42 crore¹² on account of industrial sheds and plots rented/leased out to industrialists were not realised from 1979-80 to 2006-07.

The Department was required to intimate the fact of non-payment of dues by the concerned persons to the Collector of the area concerned for initiating action to effect recovery of Government dues as provided under State Finance Department order of May 1994. But no such action was taken in these cases. This indicated that the Department had not taken any concrete steps to liquidate the Government dues and also failed to ensure compliance with the orders of the State Finance Department.

5.1.8.6 Irregular drawal against proforma bills of supplier

As per Rules, the Treasury Officer should not allow drawal of funds on proforma bills in anticipation of receipt of goods unless the approval of the Finance Department has been obtained.

Test-check of records of the State Geologist revealed that during 2002-06, Rs 32.61 lakh¹³ were drawn against proforma bills of the suppliers and charged as expenditure to the final head of account. It was also noticed that the material was supplied after a delay of about 57 to 144 days from the stipulated date. For belated supply, penalty as required in terms of the supply order, had also not been imposed.

¹² More than five years; 736 cases : Rs 102.46 lakh.
More than ten years; 424 cases : Rs 18.68 lakh
More than fifteen years; 229 cases : Rs 12.34 lakh
More than twenty years; 184 cases : Rs 8.32 lakh
Total : Rs 141.80 lakh rounded to Rs 1.42 crore

¹³ 2002-03: Rs 8.25 lakh; 2003-04: Rs 10.99 lakh; 2004-05: Rs 7.28 lakh and 2005-06: Rs 6.09 lakh.

The Director stated (March 2007) that efforts were made to procure the material at the earliest but the supplies were not made in time by the concerned suppliers. The reply is not acceptable, as the Department should have imposed penalty on the supplier for delayed supply.

5.1.8.7 Loss of royalty due to tampering of documents and transportation of materials on fictitious form (Form 'M')

The State Government rules provide 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 the holder of a mining lease or mining permit or a person authorised by him in this behalf shall issue a pass in Form 'M' duly countersigned by the concerned Mining Officer/General Manager, DIC or any other officer authorised in this behalf to every person carrying a consignment of minor mineral by a vehicle, animal or any other mode of transport.

Test-check (March 2007) of records of Mining Officer, Kangra revealed that 155 Nos. Form 'M' were received (October 2004) from National Highway sub-division, Nurpur for verification as to whether these were issued by Mining Officer, Kangra or not. The Mining Officer intimated (November 2004) that out of 155 'M' forms, 39 were not issued by his office. Against these forms, 13860 MT minerals (stones) were transported (December 1999 to December 2000) for which royalty amounting to Rs 1,38,600 (at the rate of Rs 10 per MT) was not deposited with the Mining Officer.

Of the remaining 116 'M' forms issued by the Mining Officer for lifting 432 MT minerals, royalty of Rs 4,320 was deposited (August 1998-March 2001) by the contractor. Against this quantity, 34,605 MT minerals were lifted by the contractor after tampering by interpolating the quantity in these 'M' forms. The royalty amount of Rs 3,41,730 on 34,173 MT of minor minerals was recoverable from the contractor which has not been recovered as of April 2007. The Mining Officer while confirming with facts stated (March 2007) that the contractor was responsible for tampering with Form 'M'. He, however, did not initiate any action against the contractor as prescribed in the rules *ibid*.

Further, it was also observed that the Department had not printed its own form 'M' serially machine numbered for issuance to the mineral user agency specifying in it clearly, the quantity to be mentioned both in figures and words to exercise effective control over mineral exploitation and misuse of the form.

5.1.8.8 Diversion of funds earmarked for ‘Growth Centre’ at Sansarpur Terrace

GOI approved (February 1997) a project for the development of Industrial Growth Centre (IGC) at Sansarpur Terrace (Kangra district) for Rs 22.76 crore. Land measuring 464 hectares was proposed to be acquired for the project at three¹⁴ different locations.

Test-check of the records (March 2007) of GMDIC, Kangra revealed that the Divisional Forest Officer, Nurpur requested (January 2004) the Director of Industries to prepare a case under Forest Conservation Act, 1980 for transfer of land for development of industrial growth centre at Sansarpur Terrace in Kangra district. Administrative approval and expenditure sanction for the work was granted (March 1997) by the State Government. The GOI released (March 1997) Rs 4 crore for the purpose which was released (January 1998) to Himachal Pradesh State Industrial Development Corporation (HPSIDC). No such case was, however, prepared by the Department and the entire funds were diverted by the State Government for development of Raja-ka-bagh Phase-III, Gwalthai Phase-IV and Banalgai-Phase-V without approval of the GOI.

GM, DIC, Kangra stated (March 2007) that the diversion of funds has been done at Government level. The reply is not acceptable, as the Department should have obtained sanction from GOI before diverting the funds. Audit scrutiny further revealed that the SE, HPSIDC (executing agency) furnished (September 2007) wrong utilisation certificate (UC) that the amount of Rs 4 crore has been utilised for infrastructure development works at Sansarpur Terrace in Kangra district. The diversion of funds was thus irregular and unauthorised.

5.1.9 Operational Control

5.1.9.1 Non-recovery of loans granted under State Aid to Industries Act, 1971

The Department’s functions include implementation of schemes for industrial promotion and entrepreneurial development viz. disbursement of loans to person(s), firms, co-operative societies or companies for establishing industrial concerns and financial assistance in the form of seed/margin money loans to small entrepreneurs for establishing small industries. The period of complete repayment of loan with interest thereon is eight years which can be extended by the Director upto a maximum of 11 years. One post each of Tehsildar and

¹⁴ Sl. No.	Name of village	Area (In hectares)
1.	Village Muhal, Sansarpur Terrace Tehsil Jaswan, District Kangra	66.00
2.	Village Muhal, Sansarpur Terrace Tehsil Jaswan, District Kangra	130.70
3.	Village Muhal Badhal, Tehsil Dehra, District Kangra	267.03
		<u>463.73</u>

Naib Tehsildar (Recovery) had also been sanctioned to assist the Department for recovery of overdue loans where the same had become impossible through normal process.

Test-check of records relating to disbursement and recovery of loans in four¹⁵ selected units revealed that loans amounting to Rs 61.84 lakh (principal: Rs 14.53 lakh and interest: Rs 47.31 lakh) were lying un-recovered as of March 2007. It was further noticed that of the 687 cases, revenue recovery process in only 474 cases for recovery as arrears of land revenue was initiated whereas 22 loanees (DICs Shimla: 21; Una: 1) involving recovery of Rs 4.20 lakh had since died.

The Director stated (July 2007) that where the loanee has either died or his whereabouts are not known or the legal heirs are not available and recovery has become impossible, a proposal for waiving off recovery is being collected from the field offices. He also stated (August 2007) that the post of Tehsildar was lying vacant since October 2005 due to which pace of recovery was low. The reply is not acceptable as Naib Tehsildar was also posted in addition to Tehsildar for this purpose. Thus, the control mechanism established for ensuring timely realisation of Government dues was weak and ineffective as there was no regular system of periodical monitoring through reporting and analysis.

5.1.9.2 Non-recovery of margin money loan

Under the State sector scheme of margin/seed money loans financial assistance in the form of margin money loan is provided to small entrepreneurs for establishing small scale industries at 10 *per cent* of the investment (not exceeding Rs two lakh) on plant and machinery subject to a limit of Rs 20,000. For entrepreneurs belonging to scheduled castes and scheduled tribes the loan assistance was admissible at 15 *per cent* of investment subject to a limit of Rs 30,000. The recovery of margin money loan was to be made in six monthly installments and required to be commenced after the entrepreneurs obligations to discharge the debts and interest thereon to the financial institutions had been fully met or eight years whichever is earlier.

Test-check of records of four¹⁶ out of 12 selected units revealed that loans of Rs 85.17 lakh granted to 499 entrepreneurs remained unrecovered as of March 2007. The GMs of DICs concerned stated (February 2007) that notices were being served to the defaulters. The replies are not tenable as apart from sending notices to defaulters, further action including initiation of recovery as

¹⁵ GMs, DICs, Kangra, Shimla, Solan and Una.

¹⁶ GMs DICs, Kangra: Rs 21.03 lakh; Shimla: Rs 10.20 lakh; Solan: Rs 48.21 lakh and Una: Rs 5.73 lakh.

arrears of land revenue had not been taken. Moreover, GMs of DICs are also vested with the power of Assistant Collector grade-I for effecting recoveries of such loans. The GMs concerned thus failed to exercise effective control over recovery of loans in the above cases.

5.1.9.3 Slackness in industrialisation process

The State Government had formulated Industrial policy in December 2004 for speeding up the process of industrialisation with the following objectives:

- promotion of Industry based on local raw material;
- establishment of new industries in industrially backward areas;
- provision of employment to the people of the State; and
- to address environmental issues.

Upto Ninth Five Year Plan period (1997-02), 35 Industrial areas and 15 Industrial Estates were established.

- During the Tenth Five Year Plan (2002-07) the Department had not established any industrial estate in the State. However, six industrial areas were established in Solan and Una districts. The Department informed (August 2007) that no specific surveys are conducted before the declaration of an industrial estate/area and that potential of the proposed industrial estate/industrial area is examined by a district level committee headed by Additional Deputy Commissioner during the spot inspection of the area. On the recommendations of this committee, a final decision regarding the setting up of new industrial area is taken by a Standing Committee constituted under the Chairmanship of the Financial Commissioner-cum-Secretary (Industries) to the State Government. However, despite instituting the required mechanism, the State Government could not ensure speedy industrialisation in the State.

5.1.9.4 Non-preparation of Annual Action Plans

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

It was noticed in audit that physical targets were prepared only in respect of three¹⁷ out of ten schemes. The Director stated (February 2007) that the

¹⁷ Sericulture Production of cocoons; Prime Minister Rojgar Yojna; District Industries Centre (Rural Industries Programme/Rural Artisan Programme).

Department had prepared annual plans which reflected Departmental proposals and schemes to be executed during a particular year. The reply is not tenable, as the execution of the schemes was left to the implementing agencies without prescribing any physical targets/goals, to gauge the level of implementation of schemes/programmes and take appropriate remedial measures where necessary in a timely manner.

5.1.9.5 Lack of control over implementation of Centrally Sponsored and State Plan Schemes

The Department had been implementing four¹⁸ Centrally sponsored schemes and nine¹⁹ State Plan schemes for development of industries and employment generation in the State.

Out of 13 schemes, physical targets were fixed only in respect of three²⁰ schemes by the Department. Audit noticed that the Directorate of Industries did not fix annual physical targets for 2002-07 in respect of ten (three Centrally sponsored and seven State plan schemes) though the Department incurred an expenditure of Rs 114.07 crore during 2002-07 on these schemes:

Table: 5.3

(Rupees in crore)

Sl. No.	Name of Scheme	Budget allocation	Expenditure incurred	Excess (+) Savings (-)
A Centrally Sponsored				
1	Deen Dayal Hathkargha Protsahan Yojna	4.90	4.47	(-) 0.43
2	Workshed to weavers	1.17	0.22	(-) 0.95
3	Transport/Freight Subsidy	34.43	47.43	(+) 13.00
B State Plan				
4	Industrial Area Development and promotion	41.12	42.58	(+) 1.46
5	Arts and Exhibition	1.81	1.77	(-) 0.04
6	Subsidy to SSI Units	2.65	2.24	(-) 0.41
7	Mineral Development	1.24	1.41	(+) 0.17
8	Himachal Utpad	0.13	0.06	(-) 0.07
9	Industrial Estate	11.84	13.55	(+) 1.71
10	Industrial promotion and Training	0.36	0.34	(-) 0.02
Total		99.65	114.07	

Source: Departmental figures.

¹⁸ 1. Deen Dayal Hathkargha Protshan Yojna; 2. Workshed-cum-Housing for Handloom Weavers; 3. Transport/Freight Subsidy; 4. Prime Minister Rojgar Yojna.

¹⁹ 1. Industrial Promotion and Training; 2. Industrial Area Development and Promotion; 3. Arts and Exhibition; 4. Subsidy to SSI Units; 5. Mineral Development; 6. District Industries Centres; 7. Sericulture; 8. Himachali Utpad Scheme and 9. Industrial Estate.

²⁰ Sericulture Production of cocoons; Prime Minister Rojgar Yojna; District Industries Centre (Rural Industries Programme/Rural Artisan Programme).

The Director stated (September 2007) that owing to different activities under these schemes, it was not possible to fix/pre-determine the targets. The reply is not tenable, as the internal control required to be exercised through AAPs as discussed in the preceding paragraph was not ensured for achieving economical, efficient and effective implementation of schemes in these cases.

5.1.9.6 Shortfall in achievement of targets under Centrally sponsored and State schemes

Audit scrutiny revealed that there were shortfalls in achievement in two (Prime Minister Rojgar Yojna and Sericulture Production of cocoons) out of three²¹ schemes (one Centrally sponsored and one State scheme) in respect of which targets were fixed.

In both the schemes, the shortfall in achievement of physical targets during 2002-07 ranged between 10 and 44 *per cent*.

The Director attributed (April 2007) low achievement of targets under sericulture to non-sustainability of autumn crop. As regards the PMRY scheme, the Director stated that the disbursement of loans was made to less number of beneficiaries by the banks during 2002-04 and 2006-07 and unrealistic targets fixed under PMRY.

The Department should have investigated the reasons for non-sustainability of autumn crop for production of cocoons under sericulture and taken appropriate remedial measures. Regarding less disbursement of loans under PMRY, the Department should have analysed the reasons.

5.1.9.7 Establishment of Industrial areas not monitored

As per the State Government Industrial Policy guidelines, the industrial areas/estates developed/acquired and transferred to the Department were to be allotted by the Department on leasehold/rental basis for industrial units. In the guidelines *ibid*, time schedule was not prescribed for development and allotment of land in industrial areas/estates.

(i) Test-check of records in the office of the Director revealed that the GM, DIC Solan had developed 1,134.53 *bighas* land out of 1,243.53 *bighas* transferred by Revenue Department at a cost of Rs 30.23 lakh as of April 2007 and allotted (August 2004 and August 2006) only 42 *bighas* to 17 entrepreneurs. The remaining 1,092.53 *bighas* had not been allotted to the prospective industrialists/entrepreneurs as of March 2007. On this being pointed out (January 2007) in audit, the Director called for the reasons for

²¹ Sericulture Production of cocoons; Prime Minister Rojgar Yojna; District Industries Centre (Rural Industries Programme/Rural Artisan Programme).

non-allotment of acquired land to the entrepreneurs from the GMs of DICs concerned. The GM, DIC, Solan intimated (April 2007) that entrepreneurs were not coming up for establishment of industries. The reply is not tenable, as the GM should have made efforts to persuade the entrepreneurs to establish small units.

(ii) The Department constructed 10 sheds at Industrial Complex, Keylong in April 2002 by incurring an expenditure of Rs 77.10 lakh. Register of works maintained at the Directorate revealed that the sheds had not been allotted to the prospective beneficiaries as of April 2007. On this being pointed out (January 2007) in audit, the Director of Industries called for (January 2007) the reasons for non-allotment of sheds from the GM, DIC, Keylong who intimated (February 2007) that initially nine sheds had been allotted on provisional basis to the entrepreneurs but none of them was able to establish the units in the industrial estate. Subsequently, all the provisional allotments were cancelled (August 2006). He further stated that the working season being very short, very few entrepreneurs are interested in establishing their units in the industrial area and the Department was facing problem for allotment of these sheds. It is clear that the industrial infrastructure had been created without actual demand. Further, the above facts also confirm that there was no control mechanism in the Department to safeguard the resources against idling or loss.

The Department should have planned the development of industrial areas after proper survey and investigations so as to achieve the objective of providing employment opportunities in the area.

(iii) It was noticed in audit that administrative approval and technical sanction for the construction of five sheds alongwith approach road was accorded (September 2004) for Rs 22 lakh on 165.8 *bighas* land transferred by DC Shimla. The Director of Industries released (October 2004) the whole amount to GM, DIC Shimla. The construction of sheds was taken up in April 2005 through HPSIDC Shimla. Out of Rs 22 lakh the GM, DIC Shimla released Rs 20 lakh (March 2005 and August 2006) to HPSIDC and kept Rs 2 lakh with him in a bank account. It was, however, noticed that the sheds were still incomplete as of April 2007 though the work was stipulated to be completed in eight months by HPSIDC.

GM, DIC, Shimla stated (February 2007) that works could not be completed due to paucity of funds. The reply is not tenable as out of Rs 22 lakh he had released only Rs 20 lakh to the HPSIDC and retained Rs two lakh unutilised with him in a bank account. The Director stated (July 2007) that the construction of industrial area Jais has since been completed except electric connectivity and of the five sheds, two had been allotted and efforts are being made to allot the remaining three sheds to prospective entrepreneurs.

The reply of the Director was evasive as the two sheds allotted were without electric connectivity and three sheds were yet to be allotted. This is indicative of laxity and absence of monitoring by the Department to ensure fulfillment of the aims of industrial policy to spread and speed up the process of industrialisation.

5.1.9.8 Non-monitoring of impact of training imparted to educated youth for self employment

To provide self employment opportunities by setting up their own industries, the Department provides training under Entrepreneurship Development Programme (EDP), Industrial Awareness Programme (IAP) and Short Term Entrepreneurship Development Programme (STEDP) through the GMs of the respective districts.

Test-check of records of three²² selected DICs, revealed that during 2002-2007, 2,350 youths were imparted training under the above mentioned programmes at a cost of Rs 21.84 lakh but subsequent follow up for monitoring the establishment of industries/ventures set up by the trained youths was not ensured to ascertain the impact of operation and implementation of these programmes. Neither any reporting system existed nor any MIS/data base of trained youth had been maintained for the purpose.

5.1.10 Manpower control

5.1.10.1 Manpower management

Against 1,227 sanctioned posts of different categories of staff in the Department as of March 2007, there were 854 men in position leaving 373 posts of various categories vacant. These posts (177 functional and 196 non-functional) were lying vacant for five years or more as of March 2007 as given below:

Table: 5.4

Category	Sanctioned staff			Staff in position			Shortage		
	Functional posts	Non-functional posts	Total	Functional posts	Non-functional posts	Total	Functional posts	Non-functional posts	Total
Class-I	22	25	47	14	19	33	08	06	14
Class-II	87	34	121	64	30	94	23	04	27
Class-III	271	348	619	169	215	384	102	133	235
Class-IV	250	190	440	206	137	343	44	53	97
Total	630	597	1,227	453	401	854	177	196	373

Source: Departmental figures

²² GM, DIC, Kangra at Dharamsala; GM, DIC, Shimla and GM, DIC, Una.

The Director stated (May 2007) that the matter for filling up the posts was taken up with the Government during October 2005-December 2006 and only four posts of Managers were got filled up upto January 2007. The State Government thus failed to fill up vacant posts of critical functionaries like Managers, Silk Seed Production Officer, Assistant Geologists and Extension Officers, etc., which has a significant bearing on the functioning of the Department.

5.1.10.2 Office inspections not conducted

According to the Office Manual of the State Government, the Head of the Department was to draw up a calendar and either inspect the offices himself or depute an officer to inspect the office as per the time frame prescribed in the calendar.

It was noticed in audit that the Director had conducted inspection of only two out of 36 units during the period 2002-04 and 2006-07. The Director stated (February 2007) that required number of inspections could not be conducted due to non-filling up of vacant posts of inspecting officers. The reply is not acceptable, as more efforts should have been made by the Director to get the posts of inspecting officers filled up.

5.1.11 Inventory control

5.1.11.1 Non-preparation of store accounts

Finance Department issued instructions in July 1973 that the department/offices where the total value of stores had not fallen below Rs 5 lakh, should prepare accounts of such stores and submit the same by the end of June every year to the Accountant General.

It was noticed that the State Geologist procured computers (alongwith accessories), machinery and equipments, tents, etc., valued at Rs 32.62 lakh during 2002-06 but the requisite store accounts had not been prepared. He, however, stated (March 2007) that only two items above Rs 5 lakh were purchased during 2002-06. The reply is not tenable as item-wise value was not the consideration for preparation of store account but total value of all items of store was to be considered for this purpose.

5.1.11.2 Physical verification of stores

Financial Rules provide that physical verification of all stores should be done at least once every year by the Head of the Department.

It was noticed that out of 12 selected units, physical verification of stores such as office furniture and fixtures, LPG heaters, office equipments and miscellaneous consumable items in two units (GM, DIC, Una and Mining Officer, Una) was never done whereas, in six²³ units, annual verification of stores was found partially done during 2002-07. In the remaining four units, the physical verification had been carried out regularly. The value of stores where physical verification has either not been done or partially done worked out to Rs 40.58 lakh.

Non-conducting of proper physical verification of stores by the units at regular intervals as prescribed, reflected on the poor inventory management in the Department besides being fraught with the risk of pilferage of stores remaining undetected.

5.1.12 Internal audit arrangement

5.1.12.1 Non-establishment of internal audit wing

Internal audit system had not been introduced in the Department as of March 2007. The Director stated (February 2007) that this was due to imposition of ban on direct recruitment by the Government. The reply is not tenable, as it is for the management to ensure institution of requisite control mechanism by deployment of staff.

5.1.12.2 Pendency of Inspection reports

Audit observations by the Accountant General are required to be attended to by the Department within one month from the receipt of the Inspection Reports (IRs). It was, however, noticed that 70 IRs and 159 Paragraphs were

²³ Directorate of Industries, Shimla; GM, DIC, Kangra; GM, DIC, Shimla; GM, DIC, Solan; Mining Officer, Kangra; and SSPO, Nadaun.

pending for settlement as of March 2007 as detailed below:

Table: 5.5

Year	Opening balance		Addition		Settlement		Balance	
	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
Upto 2002-2003	87	232	12	100	25	131	74	201
2003-2004	74	201	05	31	18	90	61	142
2004-2005	61	142	19	105	11	89	69	158
2005-2006	69	158	05	26	09	44	65	140
2006-2007	65	140	27	114	22	95	70	159

Source: Departmental figures

The outstanding 70 IRs and 159 paras pertained to the period 1978-79 to 2006-07 and involved financial irregularities/implications of Rs 105.88 crore.

5.1.13 Conclusion

As brought out in the foregoing paragraphs, existence and enforcement of internal controls with regard to ensuring accountability obligations in respect of budgetary, financial and accounting functions were weak. There was inadequate control in implementation of schemes to ensure economical, efficient and effective operations and safeguarding resources against loss as also the recovery of loans and departmental revenue receipts. Besides, internal audit arrangements were also not instituted.

5.1.14 Recommendations

- *Internal control system should be strengthened to make the working of the Department more effective and efficient.*

- *Proper system needs to be evolved and enforced to monitor various operational activities of the Department.*
- *Monitoring of recovery of overdue loans needs to be made more effective so as to eliminate the chances of bad debts.*
- *Internal audit should be introduced in the Department so as to cover all the units at prescribed intervals. Timely corrective action on the Inspection Reports issued by the AG should also be ensured.*

The Principal Secretary accepted (June 2007) the recommendations and assured that compliance would be reported soon.

Shimla
The

26 DEC 2007



(Suman Saxena)
Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
The

12 8 DEC 2007



(Vijayendra N. Kaul)
Comptroller and Auditor General of India



APPENDICES

Part-B: Layout of Finance Accounts

Statement No. 1	Presents the summary of transactions of the State Government—receipts and expenditure, revenue and capital, public debt receipts and disbursements, etc., in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No. 2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of 2006-2007.
Statement No.3	Gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.
Statement No. 4	Indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.
Statement No. 5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in the arrears, etc.
Statement No. 6	Gives the summary of guarantees given by the Government for repayment of loans, etc., raised by the statutory corporations, local bodies and other institutions.
Statement No. 7	Gives the summary of cash balances and investments made out of such balances.
Statement No. 8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2007.
Statement No. 9	Shows the revenue and expenditure under different heads for the year 2006-2007 as a percentage of total revenue/expenditure.
Statement No. 10	Indicates the distribution between the charged and voted expenditure incurred during the year.
Statement No. 11	Indicates the detailed account of revenue receipts by minor heads.
Statement No. 12	Provides accounts of revenue expenditure by minor heads under non-plan, and plan separately and capital expenditure by major head-wise.
Statement No. 13	Depicts the detailed capital expenditure incurred during and to the end of 2006-2007.
Statement No. 14	Shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, cooperative banks and societies, etc., up to the end of 2006-2007.
Statement No. 15	Depicts the capital and other expenditure to end of the 2006-2007 and the principal sources from which the funds were provided for that expenditure.
Statement No. 16	Gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.
Statement No. 17	Presents the detailed account of debt and other interest bearing obligations of the Government of Himachal Pradesh.
Statement No. 18	Provides the detailed account of loans and advances given by the Government of Himachal Pradesh, the amount of loans repaid during the year, the balances as on 31 March 2007.
Statement No. 19	Gives the details of earmarked balances of reserve funds.

Part-C: List of terms used in Chapter-I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X)/Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount})-1]*100$
Development Expenditure	Social Services + Economic Services
Interest spread	GSDP growth – Weighted Interest Rates
Weighted Interest Rate (Average interest paid by the State)	$\text{Interest Payment}/[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})2]*100$
Quantum spread	Debt stock *Interest spread
Interest received as <i>per cent</i> to Loans outstanding	$\text{Interest Received} [(\text{Opening balance} + \text{Closing balance of Loans and Advances})2]* 100$
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts <u>minus</u> all Plan grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the major head 2048-Appropriation for Reduction or Avoidance of Debt

Part-D: Position of key indicators

Sl. No.	Fiscal indicator	Projected in the revised estimates for 2006-2007	Actual	Target achieved with reference to revised estimates Yes (Y) No (N)
1.	Revenue receipts (Rs in crore)	6,521.22	7835.22	Y
2.	Revenue expenditure (Rs in crore)	6,775.32	7,644.11	N
3.	Revenue deficit as percentage of revenue receipts	(-) 3.90	(+) 2.44	Y
4.	Fiscal deficit as percentage of Gross State Domestic Product	3.90	3.26	Y
5.	Tax revenue as percentage of Gross State Domestic Product	5.87	5.85	N
6.	Total outstanding debt as percentage of Gross State Domestic Product	73.22	63.86	Y
7.	Total outstanding guarantees as percentage of revenue receipts	72.85	37.98	Y

APPENDIX-II

(Refer paragraphs 1.3 and 1.7; pages 5 and 23)

Summarised financial position of the Government of Himachal Pradesh as on 31 March 2007
(Rupees in crore)

As on 31 March 2006		Liabilities	As on 31 March 2007		As on 31 March 2006		Assets	As on 31 March 2007	
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
11,230.74		Internal Debt (excluding overdrafts from Reserve Bank of India)		12131.88	9,112.04		Gross Capital Outlay		10,221.86
	4,115.58	Market Loans bearing interest	4583.05			1,842.23	Investment in shares of Companies, Corporations, etc.	1,860.74	
	0.20	Market Loans not bearing interest	0.21			7,269.81	Other capital expenditure	8,361.11	
	607.18	Loans from the Life Insurance Corporation of India	517.01		234.62		Loans and Advances		236.96
	2.91	Loans from the General Insurance Corporation of India	2.38			79.44	Loans for Energy	79.44	
	353.69	Loans from the National Bank for Agriculture and Rural Development	463.59			78.90	Other Development Loans	86.36	
	19.44	Loans from the National Co-operative Development Corporation	27.20			76.28	Loans to Government Servants and Miscellaneous Loans	71.16	
	3,107.67	Loans from other institutions	2802.28		--		Suspense and Miscellaneous Balances		0.14
	--	Ways and Means Advances from the Reserve Bank of India	42.00		0.20		Advances		0.25
	3,024.07	Special securities issued to National small savings Funds of the Central Government	3694.16		367.03		Cash		14.03
1,110.22		Loans and Advances from the Central Government		1019.64		29.86	Cash in Treasuries and Local Remittances	13.84	
	30.49	Pre 1984-85 Loans	0.13			0.29	Departmental Cash Balance including Permanent Advances	0.19	

Audit Report (Civil) for the year ended 31 March 2007

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
	81.33	Non-Plan Loans	16.36		--	336.88	Cash Balance Investment Account	--	
	903.30	Loans for State Plan Schemes	956.70		8,206.95		Deficit on the Government Account		8015.84
	0.23	Loans for Central Plan Schemes	0.20			8,283.29	Accumulated deficit upto 31 March 2005	(-) 8190.82	
	44.87	Loans for Centrally Sponsored Plan Schemes	46.25				Add		
	50.00	Ways and Means Advances	--			(+) 92.47	(i) Current year's deficit/surplus	(+) 191.11	
5.00		Contingency Fund		5.00		16.13	(ii) Other miscellaneous adjustment, etc.	(-) 16.13	
3,291.11		Small Savings, Provident Funds, etc.		3613.14					
6.93		Suspense and Miscellaneous Balances		--					
1,630.91		Deposits		1131.35					
--		Overdrafts from the Reserve Bank of India		--					
169.02		Reserve Funds		175.47					
175.77		Deposits with the Reserve Bank of India		38.17					
301.14		Remittance Balances		374.43					
17,920.84		Total		18,489.08	17,920.84		Total		18,489.08

APPENDIX-III

(Refer paragraph 1.3; page 5)

Abstract of Receipts and Disbursements for the year 2006-2007

(Rupees in crore)

(Rupees in crore)

Receipts					Disbursements					
2005-2006			2006-2007		2005-2006			2006-2007		
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
Section - A Revenue										
6,558.63		I-Revenue Receipts		7835.22	6,466.16	I-Revenue Expenditure				7644.11
	1,497.02	(i) Tax revenue	1,656.38		2,818.08	General Services	3,269.39	30.46	3,299.85	
	689.68	(ii) Non-tax revenue	1,336.85		2,308.51	Social Services	1,753.82	832.13	2,585.95	
	493.26	(iii) State's share of Union Taxes and Duties	629.16		1,172.64	Education, Sports, Art and Culture	1,101.13	223.37	1,324.50	
	2,411.94	(iv) Non-Plan Grants	2,415.77		344.85	Health and Family Welfare	172.20	225.26	397.46	
	1,173.20	(v) Grants for State Plan Schemes	1,465.10		404.25	Water Supply, Sanitation, Housing and Urban Development	309.61	209.09	518.70	
	293.53	(vi) Grants for Central Plan and Centrally Sponsored Plan Schemes	331.96		9.44	Information and Broadcasting	8.81	3.95	12.76	
					19.83	Welfare of Scheduled Castes, Scheduled Tribes and Other backward Classes	5.54	21.46	27.00	
--		II-Revenue Deficit carried over to Section-B		--	15.31	Labour and Labour Welfare	16.57	2.03	18.60	
					337.84	Social Welfare and Nutrition	135.20	146.63	281.83	
					4.35	Others	4.76	0.34	5.10	
					1,333.38	Economic Services	1,292.84	462.60	1755.44	
					469.89	Agriculture and Allied Activities	274.25	223.90	498.15	
					106.76	Rural Development	100.84	48.24	149.08	
					89.70	Irrigation and Flood Control	129.18	0.26	129.44	
					123.52	Energy	247.62	66.82	314.44	
					37.01	Industry and Minerals	15.64	25.57	41.21	
					412.30	Transport	506.67	5.67	512.34	
					2.35	Science, Technology and Environment	0.36	1.81	2.17	

Audit Report (Civil) for the year ended 31 March 2007

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
					91.85	General Economic Services	18.28	90.33	108.61	
					6.19	Grants-in-aid and Contributions	2.87	--	2.87	
					92.47	Revenue surplus carried over to Section-B				191.11
6,558.63		Total		7,835.22	6,558.63 ¹	Total	6,318.92	1,325.19	7,644.11	7,835.22
Section-B-Capital										
(-) 108.43		III-Opening cash balance including Permanent Advances and Cash Balance Investment Account, etc.		191.26	320.76 ²	Capital Outlay	66.70	1,043.11	1,109.81	1,109.81 ²
					51.73	General Services	--	61.25	61.25	
					368.99	Social Services	49.98	524.26	574.24	
					40.89	Education, Sports, Art and Culture	--	99.25	99.25	
					48.41	Health and Family Welfare	--	43.60	43.60	
					243.58	Water Supply, Sanitation, Housing and Urban Development	49.98	362.06	412.04	
					0.25	Information and Broadcasting	--	0.34	0.34	
					33.09	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	--	18.14	18.14	
					2.58	Social Welfare and Nutrition	--	0.44	0.44	
					0.19	Others	--	0.43	0.43	
					400.04	Economics Services	16.72	457.60	474.32	
					9.79	Agriculture and Allied Activities	11.49	13.66	25.15	
					3.50	Rural Development	--	4.50	4.50	
					104.39	Irrigation and Flood Control	--	176.31	176.31	
					--	Energy	--	--	--	
					7.62	Industry and Minerals	--	24.16	24.16	
					273.83	Transport	5.23	237.69	242.92	

¹ These are net figures exclusive of recoveries adjusted in reduction of Revenue expenditure.

² These are net figures exclusive of recoveries adjusted in reduction of Capital expenditure.

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
					0.91	General Economic Services	--	1.28	1.28	
21.97		IV-Recoveries of Loans and Advances		23.41	14.13	III-Loans and Advances disbursed				25.75
	0.54	From Power Projects	--		1.97	For Power Projects	--	--	--	
	18.24	From Government Servants	18.03		11.34	To Government Servants	1.20	11.71	12.91	
	3.19	From Others	5.38		0.82	To others	0.65	12.19	12.84	
92.47		Revenue surplus brought down		191.11		IV-Revenue deficit brought down				--
1,781.47		V-Public Debt Receipts		2,121.75		V-Repayment of Public Debt				1,311.19
	1,753.42	Internal Debt other than Ways and Means Advances and Overdraft	2,041.54		1,219.11	Internal debt other than Ways and Means Advances and Overdraft		1,182.41		
		Net transactions under Ways and Means Advances including Overdraft	42.00		22.49	Net transactions under Ways and Means Advances including Overdraft		--		
	28.05	Loans and Advances from the Central Government	38.21		66.43	Repayment of Loans and Advances to Central Government		128.78		
4,933.39		VI-Public Account Receipts		5,265.12	4,386.69	VI-Public Account Disbursement				5,370.04
	1,026.31	Small Saving and Provident Funds	1,112.29		716.22	Small Savings and Provident Funds		790.26		
	213.78	Reserve Funds	128.74		201.02	Reserve Funds		122.28		
	707.69	Deposits and Advances	789.71		604.87	Deposit and Advances		1,289.35		
	219.09	Suspense and Miscellaneous	147.74		214.14	Suspense and Miscellaneous		154.81		
	2,766.52	Remittances	3,086.64		2,650.44	Remittances		3,013.34		
					191.26	VII-Cash Balance at end				(-) 24.14
					29.86	Cash in Treasuries and Local Remittances			13.84	
					0.29	Departmental Cash Balance including Permanent Advances			0.19	
					(-) 175.77	Deposits with Reserve Bank			(-) 38.17	
					336.88	Cash Balance investment			--	
6,720.87				7,792.65	6,720.87					7,792.65

APPENDIX-IV

**(Refer paragraph 1.3; page 5)
Sources and application of funds**

(Rupees in crore)

2005-2006	Source		2006-2007
6,558.63	1.	Revenue Receipts	7,835.22
21.97	2.	Recoveries of Loans and Advances	23.41
473.44	3.	Increase in Public Debt* other than Overdraft	810.56
546.70	4.	Net receipts from Public Account	232.06
	310.09	Increase in Small Savings, Provident Funds, etc.	322.03
	102.82	Increase in Deposits and Advances	(-) 499.63
	12.76	Increase in Reserve Funds	6.46
	4.95	Net effect of Suspense and Miscellaneous transactions	329.90
	116.08	Net effect of Remittance transactions	73.30
		Decrease in closing cash balance	--
7,600.74		Total	8,901.25
2005-2006	Application		2006-2007
6,466.16	1.	Revenue expenditure	7,644.11
14.13	2.	Lending for development and other purposes	25.75
820.76	3.	Capital expenditure	1,109.81
--	4.	Decrease in Overdraft	--
299.69	5.	Increase in closing cash balance	121.58
7,600.74		Total	8,901.25

Explanatory Notes for Appendix-IV, V and VI:

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and others pending settlement, etc.
3. There was an unreconciled difference of Rs 79.86 lakh (debit) between the figures reflected in the accounts and that intimated by the RBI under "Deposits with Reserve Bank". A net difference of Rs 79.86 lakh (debit) was awaiting reconciliation (May 2007).

Includes Ways and Means Advances taken from Reserve Bank of India/Government of India.

APPENDIX-V

(Refer paragraphs 1.3 and 1.7; pages 5 and 23)
Time series data on State Government Finances

(Rupees in crore)

1.		2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
1.		2.	3.	4.	5.	6.
Part A. Receipts						
1.	Revenue Receipts	3,659	3,981	4,635	6,559	7,835
(i)	Tax Revenue	890 (24)	984 (25)	1,252 (27)	1,497 (23)	1,656 (21)
	Taxes on Sales, Trade, etc.	383 (43)	437 (44)	542 (43)	727 (49)	914 (55)
	State Excise	274 (31)	280 (29)	300 (24)	329 (22)	342 (21)
	Taxes on vehicles	82 (9)	78 (8)	108 (9)	102 (7)	106 (6)
	Stamps and Registration fees	37 (4)	52 (5)	75 (6)	82 (5)	93 (6)
	Taxes and duties on Electricity	--*	17 (2)	88 (7)	89 (6)	30 (2)
	Land Revenue	5 (1)	1 (-)	3 (-)	1 (-)	2 (-)
	Taxes on Goods and Passengers	32 (3)	34 (3)	38 (3)	43 (3)	50 (3)
	Other Taxes and Duties on Commodities and Services	77 (9)	85 (9)	98 (8)	124 (8)	119 (7)
(ii)	Non-Tax Revenue	175 (5)	292 (7)	611 (13)	690 (11)	1,337 (17)
(iii)	State's share in Union taxes and duties	346 (10)	450 (11)	537 (12)	493 (7)	629 (8)
(iv)	Grants-in-aid from Government of India	2,248 (61)	2,255 (57)	2,235 (48)	3,879 (59)	4,213 (54)
2.	Misc. Capital Receipts	--	--	--	--	--
3.	Total revenue and Non-debt capital receipts (1+2)	3,659	3,981	4,635	6,559	7,835
4.	Recovery of Loans and Advances	29	28	26	22	23
5.	Public Debt Receipts	2,199	3,762	2,677	1,781	2,080
	Internal Debt (excluding Ways and Means Advances and Overdraft)	2,053 (93)	3,473 (92)	2,444 (91)	1,753 (98)	2,042 (98)
	Net transactions under Ways and Means Advances and Overdraft	--	--	--	--	--
	Loans and Advances from Government of India ⁶	146 (7)	289 (8)	233 (9)	28 (2)	38 (2)
6.	Total receipts in the Consolidated Fund (3+4+5)	5,887	7,771	7,338	8,362	9,938
7.	Contingency Fund Receipts	--	--	--	--	--
8.	Public Account receipts	4,156	5,033	5,030	4,933	5,265
9.	Total receipts of the State (6+7+8)	10,043	12,804	12,368	13,295	15,203
Part B. Expenditure/Disbursement						
10.	Revenue expenditure	5,141	5,588	5,793	6,466	7,644
	Plan	1,386 (27)	840 (15)	978 (17)	1,182 (18)	1,325 (17)
	Non-Plan	3,755 (73)	4,748 (85)	4,815 (83)	5,284 (82)	6,319 (83)
	General Services (including interest payments)	2,131 (42)	2,483(44)	2,723 (47)	2,818 (43)	3,300 (43)
	Social Services	1,609 (31)	1,933 (35)	1,890 (33)	2,309 (36)	2,586 (34)
	Economic Services	1,346 (26)	1,169 (21)	1,177 (20)	1,333 (21)	1,755 (23)
	Grants-in-aid and Contributions	55 (1)	3 (-)	3 (-)	6 (-)	3 (-)
11.	Capital Expenditure	860	785	654	821	1,110
	Plan	862 (100)	781 (100)	630 (96)	820 (100)	1,043 (94)
	Non-Plan	(-) 2	(-) 4	24 (4)	1 (-)	67 (6)
	General Services	11(1)	23 (3)	30 (5)	52 (6)	61 (5)
	Social Services	244 (28)	304 (39)	330 (50)	369 (45)	575 (52)
	Economic Services	605 (71)	458 (58)	294 (45)	400 (49)	474 (43)

* Rs 25 lakh only.

Audit Report (Civil) for the year ended 31 March 2007

	1.	2.	3.	4.	5.	6.
12.	Disbursement of Loans and Advances	28	20	24	14	26
13.	Total (10+11+12)	6,029	6,393	6,471	7,301	8,780
14.	Repayment of Public Debt	684	1,855	1,659	1,308	1,311
	Internal Debt (excluding Ways and Means Advances and Overdraft)	146 (21)	763 (41)	581 (35)	1219 (93)	1,182 (90)
	Net Transactions under Ways and Means Advances and Overdraft	97 (14)	152 (8)	95 (6)	23 (2)	--
	Loans and Advances from Government of India [@]	441 (65)	940 (51)	983 (59)	66 (5)	129 (10)
15.	Appropriation to Contingency Fund	--	--	--	--	--
16.	Total disbursement out of Consolidated Fund (13+14+15)	6,713	8,248	8,130	8,609	10,091
17.	Contingency Fund disbursements	--	--	--	--	--
18.	Public Account disbursements	3,462	4,789	4,027	4,387	5,370
19.	Total disbursement by the State (16+17+18)	10,175	13,037	12,157	12,996	15,461
Part C. Deficits						
20.	Revenue Deficit (-)/surplus (+) (1-10)	(-) 1,482	(-) 1,607	(-) 1,158	(+) 93	(+) 191
21.	Fiscal Deficit (3+4-13)	(-) 2,341	(-) 2,384	(-) 1,810	(-) 720	(-) 922
22.	Primary Deficit (-)/surplus (+) (21-23)	(-) 1,169	(-) 911	(-) 169	(+) 843	(+) 747
Part D. Other data						
23.	Interest Payments (included in revenue expenditure)	1,172	1,473	1,641	1,563	1,669
24.	Arrears of Revenue ^φ (Percentage of Tax and non-tax Revenue Receipts)	181 (14)	405 (32)	365 (20)	397 (18)	430 (14)
25.	Financial Assistance to local bodies, etc.	186	273	275	380	399
26.	Ways and Means Advances and Overdraft availed (days)	271	250	120	13	01
27.	Interest on WMA and Overdraft	7.65	7.13	2.34	0.32	0.89
28.	Gross State Domestic Product (GSDP)**	18,905	20,721	23,024	25,435	28,298
29.	Outstanding Debt (year end)	12,393	14,437	16,533	17,432	18,071
30.	Outstanding guarantees (year end)	4,503	4,682	4,751	3,587	2,976
31.	Maximum amount guaranteed (year end)	5,436	6,144	6,409	5,526	6,347
32.	Number of incomplete projects	8	14	39	15	30
33.	Capital blocked in incomplete projects	17	46	58	25	160

Note: Figures in brackets represent percentages (rounded) to total of each sub heading.

[@] Includes Ways and Means Advances from Government of India.

^φ Source: Paragraph 1.6 of Audit Report (Revenue Receipts) of 2006-2007.

^{**} Source for GSDP figures: Economics and Statistics Department, Government of Himachal Pradesh. Figures for the years 2002-2003, 2003-2004, 2004-2005 and 2005-2006 have been revised by the State Government and figures for the year 2006-2007 are 'advance estimates' supplied by the State Government.

APPENDIX-VI

(Refer paragraph 1.6.5; page 22)

**Details of department-wise break up of outstanding utilisation certificates
as on March 2007**

(Rupees in crore)

Sr. No.	Department	Number of UCs outstanding	Amount	Earliest year of pendency
1.	Rural Development	2,365	198.10	2000-2001
2.	Education	99	65.54	2004-2005
3.	Urban Development/Local Self Government	11	38.53	2004-2005
4.	Animal Husbandry	7	4.01	1994-1995
5.	Cooperation	271	1.21	2003-2004
6.	Youth Services and Sports	4	1.16	2003-2004
7.	Tourism	5	1.85	1998-1999
8.	Industries	218	9.14	1998-1999
9.	Forests	1	0.15	2003-2004
10.	Art and Culture	126	1.97	2003-2004
11.	Medical and Public Health	20	0.54	1997-1998
12.	Other Administrative Services	13	1.92	2004-2005
13.	Vidhan Sabha	9	0.07	2004-2005
14.	General Administrative Services	13	0.62	2004-2005
15.	Social Justice and Empowerment	103	20.83	2004-2005
16.	Planning	3	1.92	2004-2005
17.	Excise and Taxation	4	0.95	2004-2005
18.	Power	4	94.99	2005-2006
19.	Science and Technology	1	0.80	2005-2006
	Total	3277	444.30	

APPENDIX-VII

(Refer paragraph 1.6.7; page 22)

Cases of misappropriation reported to Audit

(Rupees in lakh)

Sr. No.	Department	Upto 2002-2003		2003-2004		2004-2005		2005-2006		2006-2007		Total	
		N	A	N	A	N	A	N	A	N	A	N	A
1.	Public Works	22	60.42	--	--	--	--	--	--	01	6.59	23	67.01
2.	Irrigation and Public Health	06	28.65	--	--	--	--	--	--	01	0.89	07	29.54
3.	Forest	03	2.78	--	--	--	--	--	--	--	--	03	2.78
4.	Revenue	01	0.02	01	0.31	--	--	--	--	--	--	02	0.33
5.	Home Guard	03	25.42	--	--	--	--	--	--	--	--	03	25.42
6.	Animal Husbandry	03	1.36	--	--	--	--	--	--	01	0.17	04	1.53
7.	Director Planning	--	--	--	--	--	--	--	--	01	2.97	01	2.97
8.	Himachal Pradesh Public Service Commission	01	2.96	--	--	--	--	--	--	--	--	01	2.96
9.	Health Department	--	--	--	--	--	--	--	--	01	0.95	01	0.95
10.	Rural Development	02	6.00	--	--	--	--	--	--	--	--	02	6.00
11.	Education	06	2.43	--	--	--	--	01	1.27	01	0.93	08	4.63
12.	Agriculture	01	1.98	01	0.26	--	--	01	9.20	--	--	03	11.44
13.	Land Record	01	2.57	--	--	--	--	--	--	--	--	01	2.57
14.	Police	01	0.65	01	0.85	--	--	--	--	--	--	02	1.50
	Total	50	135.24	03	1.42	--	--	02	10.47	06	12.50	61	159.63

N: Number of cases.
A: Amount.

APPENDIX-VIII

(Refer paragraph 2.3.2; Page 40)

Details of significant savings alongwith main reasons

(Rupees in crore)

Sl. No.	Grant	Total Grant	Expenditure	Amount of savings (Percentage of savings)	Main reasons as furnished by the Government
Revenue – Voted					
1	15-Planning and Backward Area Sub-plan	145.80	105.34	40.46 (28)	Reasons for final savings are awaited.
2.	16-Forest and Wild Life	220.42	210.95	9.47 (4)	Reasons for final savings are awaited.
3.	19-Social Justice and Empowerment	191.49	158.14	33.35 (17)	Reasons for final savings are awaited.
4.	23-Power Development	332.91	317.91	15.00 (5)	Reasons for final savings are awaited.
Revenue – Charged					
5	29-Finance	1,753.73	1,669.60	84.13 (5)	Reasons for final savings are awaited.
Capital-Voted					
6.	10-Public Works - Roads, Bridges and Buildings	209.14	194.75	14.39 (7)	Reasons for final savings are awaited.
7.	28-Urban Development, Town and Country Planning and Housing	59.26	50.57	8.69 (15)	Reasons for final savings are awaited.
Total				205.49	

APPENDIX-IX

(Refer paragraph 2.3.4; page 41)

Excess over provision during 2006-2007 requiring regularisation

(In Rupees)

Grants	Total grant/ appropriation	Actual expenditure	Amount of excess
Revenue (Voted)			
01-Vidhan Sabha	8,91,70,800	9,36,69,034	44,98,234
02-Governor and Council of Ministers	4,17,25,000	4,43,96,304	26,71,304
04-General Administration	57,60,37,000	59,82,34,441	2,21,97,441
05-Land Revenue and District Administration	2,53,28,29,000	2,60,11,91,069	6,83,62,069
06-Excise and Taxation	18,57,56,000	19,03,14,356	45,58,356
07-Police and Allied Organisations	2,47,22,58,316	2,50,62,21,309	3,39,62,993
08-Education	12,08,89,48,000	12,48,19,20,267	39,29,72,267
09-Health and Family Welfare	3,43,70,84,000	3,75,70,59,727	31,99,75,727
10-Public Works-Roads Bridges and Buildings	7,68,38,15,000	9,29,81,66,426	1,61,43,51,426
11-Agriculture	81,72,91,000	89,46,88,794	7,73,97,794
13-Irrigation, Water Supply and Sanitation	6,80,68,29,000	9,49,65,95,372	2,68,97,66,372
14-Animal Husbandry Dairy Development and Fisheries	80,35,22,300	84,97,72,190	4,62,49,890
17-Election	6,69,30,000	6,95,39,726	26,09,726
18-Industries, Minerals and Supplies	37,28,08,806	37,84,45,564	56,36,758
20-Rural Development	1,47,71,59,000	1,50,61,85,002	2,90,26,002
21-Co-operation	14,92,28,000	15,53,59,374	61,31,374
22-Food and Civil Supplies	13,89,12,000	14,07,13,688	18,01,688
24-Printing and Stationery	12,60,68,000	13,06,42,618	45,74,618
26-Tourism and Civil Aviation	6,11,94,000	6,27,00,912	15,06,912
27-Labour Employment and Training	29,77,74,000	30,27,06,262	49,32,262
28-Urban Development, Town and Country Planning and Housing	49,09,21,300	49,41,44,547	32,23,247
29-Finance	8,20,74,80,760	9,36,23,23,810	1,15,48,43,050
31-Tribal Development	2,65,16,27,600	2,96,78,06,802	31,61,79,202
Total	51,57,53,68,882	58,38,27,97,594	6,80,74,28,712
Revenue (Charged)			
02-Governor and Council of Ministers	1,94,85,000	2,04,46,670	9,61,670
04-General Administration	3,19,75,000	3,34,40,622	14,65,622
Total	5,14,60,000	5,38,87,292	24,27,292
Capital (Voted)			
04-General Administration	5,00,000	14,00,000	9,00,000
07-Police and Allied Organisations	19,65,29,660	20,01,11,660	35,82,000
13-Irrigation, Water Supply and Sanitation	5,38,40,49,000	5,82,23,33,042	43,82,84,042
14-Animal Husbandry Dairy Development and Fisheries	3,36,16,000	3,36,37,883	21,883
19-Social Justice and Empowerment	18,07,84,000	18,39,68,000	31,84,000
Total	5,79,54,78,660	6,24,14,50,585	44,59,71,925
Capital (Charged)			
29-Finance	11,40,18,56,000	13,11,18,90,848	1,71,00,34,848
Total	11,40,18,56,000	13,11,18,90,848	1,71,00,34,848
Grand Total	68,82,41,63,542	77,79,00,26,319	8,96,58,62,777

APPENDIX-X

(Refer paragraph 2.3.6; Page 42)

Statement showing cases of unnecessary supplementary grants/appropriations

(Rupees in crore)

Sl. No.	Grant	Original grant	Supplementary grant	Expenditure	Saving
Revenue – Voted					
1.	12-Horticulture	52.66	2.36	52.42	2.60
2.	16-Forest and Wildlife	220.40	0.03	210.96	9.47
3.	19-Social Justice and Empowerment	182.38	9.11	158.14	33.35
	Total	455.44	11.50	421.52	45.42
Revenue – Charged					
4.	29-Finance	1,753.56	0.17	1,669.60	84.13
	Grand Total	2,209.00	11.67	2,091.12	129.55

APPENDIX-XI

(Refer paragraph 2.3.6; Page 42)

Statement showing cases where supplementary provision was made in excess of actual requirement

(Rupees in crore)

Sl. No.	Grant	Original provision	Expenditure	Additional requirement	Supplementary provision	Saving
Revenue – Voted						
1.	15-Planning and Backward Area Sub-Plan	95.28	105.34	10.06	50.52	40.46
2.	23-Power Development	145.46	317.91	172.45	187.45	15.00
	Total	240.74	423.25	182.51	237.97	55.46
Capital – Voted						
3.	10-Public Works-Roads, Bridges and Buildings	178.58	194.75	16.17	30.56	14.39
4.	15-Planning and Backward Area Sub-Plan	23.92	25.70	1.78	3.49	1.71
5.	28-Urban Development, Town and Country Planning and Housing	50.35	50.57	0.22	8.91	8.69
6.	31-Tribal Development	62.38	95.76	33.38	35.39	2.01
	Total	315.23	366.78	51.55	78.35	26.80
	Grand Total	555.97	790.03	234.06	316.32	82.26

APPENDIX-XII

(Refer paragraph 2.3.6; Page 42)

Statement showing cases where supplementary provision was inadequate

(Rupees in crore)

Sl. No.	Grant	Original provision	Supplementary provision	Total provision	Expenditure	Excess over total provision
Revenue - Voted						
1.	05-Land Revenue and District Administration	213.33	39.95	253.28	260.12	6.84
2.	07-Police and Allied Organisations	219.11	28.11	247.22	250.62	3.40
3.	08-Education	1,181.14	27.75	1,208.89	1,248.19	39.30
4.	09-Health and Family Welfare	327.47	16.24	343.71	375.71	32.00
5.	10-Public Works-Roads, Bridges and Buildings	755.07	13.31	768.38	929.82	161.44
6.	11-Agriculture	78.28	3.45	81.73	89.47	7.74
7.	13-Irrigation, Water Supply and Sanitation	558.38	122.30	680.68	949.66	268.98
8.	14-Animal Husbandry, Dairy Development and Fisheries	75.34	5.01	80.35	84.98	4.63
9.	29-Finance	718.00	102.75	820.75	936.23	115.48
10.	31-Tribal Development	258.89	6.27	265.16	296.78	31.62
Total		4,385.01	365.14	4,750.15	5,421.58	671.43
Capital – Voted						
11.	13-Irrigation, Water Supply and Sanitation	350.00	162.13	512.13	582.23	70.10
Total		350.00	162.13	512.13	582.23	70.10
Capital – Charged						
12.	29-Finance	1,140.19	--*	1,140.19	1,311.19	171.00
Total		1,140.19	--	1,140.19	1,311.19	171.00
Grand Total		5,875.20	527.27	6,402.47	7,315.00	912.53

* Rs 1,000 only.

APPENDIX-XIII

(Refer paragraph 2.3.7; Page 42)

Details of persistent excesses

(Percentage of excesses)

Sl. No.	Grant	2004-2005	2005-2006	2006-2007
Excesses				
Revenue-Voted				
1.	10-Public Works-Roads, Bridges and Buildings	56	73	21
2.	28-Urban Development, Town and Country Planning and Housing	79	83	0.66

APPENDIX-XIV

(Refer paragraph 2.3.8; Page 42)

Surrender of Funds

I. Details of major variations where savings were more than Rs 1 crore and were either not fully surrendered or not surrendered at all

(Rupees in crore)

Sl. No.	Grant	Total savings	Amount surrendered	Amount not surrendered
Revenue-Voted				
1.	12-Horticulture	2.60	2.59	0.01
2.	16-Forest and Wildlife	9.47	9.40	0.07
Total		12.07	11.99	0.08
Revenue-Charged				
3.	29-Finance	84.13	2.26	81.87
Total		84.13	2.26	81.87
Capital-Voted				
4.	10-Public Works-Roads, Bridges and Buildings	14.39	12.96	1.43
5.	15-Planning and Backward Area Sub-Plan	1.71	--	1.71
Total		16.10	12.96	3.14
Grand Total		112.30	27.21	85.09

II. Details of surrender of funds inspite of overall excess expenditure

Sl. No.	Grant	Amount of excess expenditure	Amount surrendered
Revenue-Voted			
1.	07-Police and Allied Organisation	3.40	0.89
2.	22-Food and Civil Supplies	0.18	0.12
Total		3.58	1.01
Capital-Voted			
3.	13-Irrigation, Water Supply and Sanitation	43.83	26.27
Total		43.83	26.27
Grand Total		47.41	27.28

APPENDIX-XV

(Refer paragraph 2.3.9; Page 43)

Major variation in recoveries

Details of major variations in recoveries and actual adjusted in reduction of expenditure

(Rupees in crore)

Sl. No.	Grant	Budget estimates	Actual recoveries	Variation	
				Amount	Percentage
Excess recoveries against budget estimates					
Revenue					
1.	10-Public Works-Roads, Bridges, and Buildings	295.35	410.66	115.31	39
2.	13-Irrigation, Water Supply and Sanitation	212.69	384.59	171.90	81
3.	31-Tribal Development	28.94	55.15	26.21	91
Capital					
4.	11-Agriculture	20.00	21.09	1.09	5
Less recoveries against budget estimates					
Capital					
5.	10-Public Works-Roads, Bridges and Buildings	4.17	1.52	2.65	64
6.	12-Horticulture	4.00	2.93	1.07	27
7.	31-Tribal Development	1.86	--	1.86	100

APPENDIX-XVI

(Refer paragraph 2.3.10; Page 43)

Cases of injudicious reappropriations

I. Cases of major reappropriations which turned out injudicious on account of non-utilisation

(Rupees in lakh)

Sl. No.	Grant	Major/ minor/ sub-head of account, etc.	Amount of reappropriation to the sub-head	Amount of final saving under the sub-head after reappropriation
1.	07-Police and Allied Organisations	2070-107-01	2.11	15.30
2.	13-Irrigation, Water Supply and Sanitation	2215-09	460.00	891.59
3.	29-Finance	2049-14	5,397.00	7,343.80
Total			5,859.11	8,250.69

II. Cases of major reappropriations to other heads which led to final excesses under the following sub-heads

Sl. No.	Grant	Major/minor/ sub-head of account, etc.	Amount of reappropriation from the sub-head	Amount of final excess under the sub-head after reappropriation
1.	07-Police and Allied Organisation	2055-108-01	839.26	32.66
2.	08-Education	2202-101-03	867.51	104.54
3.	10-Public Works-Roads, Bridges and Buildings	5054-04	646.00	258.55
4.	13-Irrigation, Water Supply and Sanitation	2702-80-001-01	282.88	962.91
5.	15-Planning and Backward Area Sub-Plan	2210-04-101-02	78.59	108.07
6.	29-Finance	2049-104-01	164.00	456.62
7.	31-Tribal Development	2210-03-796-02	74.97	144.74
Total			2,953.21	2,068.09

APPENDIX-XVII

(Refer paragraph 3.5.8.3; page 137)

Detail of projects sanctioned under IWDP/DDP/DPAP, area identified and treated and number of projects due for completion and actually completed with area to be treated and actually treated as of March 2007

(Area in hectares)

Name of Programme	Number of projects sanctioned as of March 2007	Total area identified to treatment	Area actually aerated as of March 2007	Number of projects due for completion as of March 2007	Area required to be treated	Area actually treated	Number of projects completed	Area required to be treated	Area actually treated	Number of projects due but not completed as of March 2007	Area due to be treated	Area actually treated
IWDP	67	4,53,311	1,86,551	28	2,62,636	1,85,672	03	12,543	10,726	25	2,50,093	1,74,946
DDP	16	1,93,831	51,851	07	1,17,098	58,987	02	28,428	25,072	05	88,670	33,915
DPAP	26	2,05,833	75,353	14	93,901	63,419	06	27,029	26,842	08	66,872	36,577
Total	109	8,52,975	3,13,755	49	4,73,635	3,08,078	11	68,000	62,640	38	4,05,635	2,45,438
		Shortfall: 5,39,220			Shortfall: 1,65,557			Shortfall: 5,360			Shortfall: 1,60,197	

APPENDIX-XVIII

(Refer paragraphs 3.5.10.1; page 141)

**Statement showing the details of physical Targets and Achievements under
IWDP/DPAP/DDP during 2002-2003 to 2006-2007 in respect of seven
test-checked DRDAs**

(Area in hectare)

Sl. No.	Name of programme	Year	Target	Achievement	Shortfall	Percentage of shortfall
1.	DPAP	2002-2003	6,000.00	8,026.43	(+) 2,026.43	(+) 34
		2003-2004	9,810.00	6,771.04	3,038.96	31
		2004-2005	19,240.00	9,264.61	9,975.39	52
		2005-2006	17,830.00	11,527.67	6,302.33	35
		2006-2007	22,758.00	11,279.00	11,479.00	50
		Total	75,638.00	46,868.75	28,769.25	38
2.	DDP	2002-2003	22,500.00	4,408.09	18,091.91	80
		2003-2004	21,825.00	3,275.16	18,549.84	85
		2004-2005	22,575.00	5,978.33	16,596.67	74
		2005-2006	23,375.00	4,123.51	19,251.49	82
		2006-2007	16,334.00	8,238.00	8,096.00	50
		Total	1,06,609.00	26,023.09	80,585.91	76
3.	IWDP	2002-2003	23,893.00	8,988.07	14,904.93	62
		2003-2004	21,179.00	16,568.85	4,610.15	22
		2004-2005	17,658.00	17,211.31	446.69	3
		2005-2006	16,125.00	19,794.75	(+) 3,669.75	(+) 23
		2006-2007	34,758.00	15,992.93	18,765.07	54
		Total	1,13,613.00	78,555.91	35,057.09	31
		Grand Total	2,95,860.00	1,51,447.75	1,44,412.25	49

Source: Figures supplied by the Director, Rural Development Department.

Audit Report (Civil) for the year ended 31 March 2007

1.	2.	3.	4.	5.	6.	7.	8.
8.	District Treasury, Keylong	1	2005-2006	Family Pension	1	75,741	5,208
		2	2005-2006	Commutation	2	2,978	--
9.	District Treasury, Mandi	1	2005-2006	Pension/DP/DA	3	1,08,772	--
		1	2005-2006	Family Pension DP/DA	4	70,726	--
		1	2005-2006	Family Pension	10	4,02,133	--
		1	2005-2006	Commutation	1	55,355	--
10.	Sub-Treasury, Dharmpur	1	2005-2006	Family Pension	1	--	3,986
11.	Sub-Treasury, Balichowki	1	2005-2006	DP/DA on Family Pension	4	--	20,637
12..	Sub-Treasury, Sarkaghat	1	2005-2006	Family Pension	1	--	469
13.	Sub-Treasury, Thunag	1	2005-2006	Family Pension	1	--	34,291
14.	District Treasury, Shimla	1	2005-2006	Family Pension	49	11,46,926	15,876
		2	2005-2006	Family Pension	2	1,63,954	--
		3	2005-2006	DP/DA	6	--	46,224
		3	2005-2006	DP/DA	1	3,317	--
		3	2005-2006	Commutation	7	--	18,667
		3	2005-2006	Commutation	7	38,340	--
		4	2005-2006	Pension Payment made without DTO Scroll	12	92,812	--
15.	Sub-Treasury, Nankhari	2	2005-2006	Family Pension	1	--	375
16.	Sub-Treasury, Nerwa	1	2005-2006	LTA (Pension)	1	--	3,661
17.	District Treasury, Nahan	1	2005-2006	Commutation	5	51,796	20,055
		1	2005-2006	Pension	1	--	9,210
		1	2005-2006	Family Pension	4	61,815	--
		2	2005-2006	Pension	2	--	57,109
		2	2005-2006	Family Pension	1	--	12,385
		3	2005-2006	DP/DA	1	55,584	--
		4	2005-2006	DP/DA	1	--	20,970
		5	2005-2006	Pension	1	19,085	1,035
18.	District Treasury, Solan	2	2005-2006	Family Pension	4	--	42,696
		3	2005-2006	Family Pension	2	--	7,257
		4	2005-2006	Commutation	2	--	35,563
19.	District Treasury, Una	2	2005-2006	Commutation	1	--	33,251
		2	2005-2006	DP/DA	--	--	4,580*
		3	2005-2006	Commutation	1	--	14,252
		4	2005-2006	DP/DA	1	--	11,266
Total						36,38,072	18,95,301
Grand Total					326		55,33,373

* Part item of Para-2. Hence case number not taken.

APPENDIX-XXI

(Refer paragraph 4.38; page 235)

**Year-wise break up of outstanding Inspection Reports/Paras upto
June 2007**

Period	Name of Departments									
	Animal Husbandry		Rural Development		Tourism		Food and Civil Supplies		Sainik Welfare	
	IRs	Para	IR	Paras	IRs	Paras	IRs	Paras	IRs	Paras
Upto March 1997	2	2	150	210	--	--	14	19	4	4
1997-98	--	--	12	42	--	--	--	--	--	--
1998-99	--	--	11	16	1	3	--	--	2	3
1999-2000	1	1	16	32	1	1	--	--	2	3
2000-2001	1	1	21	60	5	14	--	--	1	5
2001-2002	1	1	22	53	1	2	3	4	1	3
2002-2003	6	14	45	85	1	3	6	15	2	4
2003-2004	1	5	32	111	1	4	3	8	2	3
2004-2005	6	11	20	63	2	3	5	8	1	4
2005-2006	6	22	43	138	4	13	4	6	4	13
2006-2007	4	11	24	183	3	26	4	13	1	7
Total	28	68	396	993	19	69	39	73	20	49

APPENDIX-XXII

(Refer paragraph 4.38; page 235)

Statement showing serious irregularities commented upon in the outstanding IRs

Nature of irregularities	Animal Husbandry		Rural Development		Tourism		Food and Civil Supplies		Sainik Welfare		Grand total	
	Paragraphs	Amount (Rupees in lakh)	Paragraphs	Amount (Rupees in lakh)	Paragraphs	Amount (Rupees in lakh)	Paragraphs	Amount (Rupees in lakh)	Paragraphs	Amount (Rupees in lakh)	Total paragraphs	Total Amount (Rupees in lakh)
Drawal of funds in advance of requirement	1	102	72	3,241.92	5	2,045.92	--	--	1	3.45	79	5,393.29
Non-adjustment of contingent advances	3	172.71	21	16.22	2	0.34	2	27.87	--	--	28	217.14
Excess/irregular expenditure for want of sanctions	17	193.00	72	1,936.71	15	112.66	13	66.59	7	10.38	124	2,319.34
Wasteful/infructuous/unfruitful expenditure	1	4.18	57	613.92	12	485.92	2	15.86	3	5.82	75	1,125.70
Diversion of funds	1	109.14	40	540.60	2	47.94	1	200.00	--	--	44	897.68
Overpayments, non-recovery of rent, advances/miscellaneous recoveries	8	3.36	145	42.67	5	104.97	15	18.51	15	5.49	188	175.00
Non-production of actual payees' receipts	2	13.21	10	10.65	--	--	1	0.33	3	64.41	16	88.60
Outstanding loans	--	--	51	360.20	--	--	--	--	--	--	51	360.20
Idle machinery/equipment including vehicles off the road	1	6.97	1	0.14	--	--	1	0.20	--	--	3	7.31
Non-accounting/short-accounting of stores/cash, etc.	1	0.51	31	37.99	1	0.69	8	28.07	2	201.11	43	268.37
Non-recoupment of expenditure	--	--	1	1.00	--	--	--	--	--	--	1	1.00
Mis-appropriation of stores/cash/funds	--	--	53	75.32	1	0.31	6	4.86	1	1.53	61	82.02
Incomplete/abandoned works	10	576.80	76	2,447.38	4	177.33	2	21.40	2	8.62	94	3,231.53
Loss/theft/embezzlement/ defalcation, etc.	4	18.01	49	68.73	4	2,523.71	2	1.43	2	3.24	61	2,615.12
Non-production of utilisation certificates	1	61.29	8	126.86	4	434.92	--	--	2	132.43	15	755.50
Non-disposal of unserviceable articles of stores	1	0.41	37	113.37	1	0.20	2	1.29	--	--	41	115.27
Non-reconciliation with treasuries/banks	--	--	36	272.78	--	--	2	2.19	2	0.84	40	275.81
Non-utilisation of Grants-in-aid	--	--	4	606.67	1	53.20	--	--	--	--	5	659.87
Non-deposit of interest in treasuries	--	--	12	32.97	4	94.96	--	--	1	0.11	17	128.04
Miscellaneous irregularities	17	3,280.21	217	3,667.91	8	1,673.41	16	821.91	8	9.953	266	9,542.97
Total	68	4,541.80	993	14,214.01	69	7,756.48	73	1,210.51	49	53,6.96	1,252	28,259.76