The Report of
the Comptroller and Auditor General of India

on

Social, General and Economic Sectors

(Non-Public Sector Undertakings)

for the year ended 31 March 2012

Government of Himachal Pradesh

Report No. 2 of the year 2012

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PREFACE

1. This Report is prepared for submission to the Governor of the State of Himachal Pradesh under Article 151 of the Constitution of India.

2. Chapter-I of this Report covers profiles of audited entities, authority for audit, planning and conduct of audit and responses of the departments to audit. The highlights of audit observations included in this Report have also been shown in this Chapter.

3. Chapter-II deals with the findings of Performance audit of Hydro Power Development through Private Sector Participation.

4. Chapter-III contains thematic audit on Functioning of Himachal Pradesh Building and Other Construction Workers Welfare Board. Chapter-IV includes transaction audit paragraphs.

5. Chapter-V covers Chief Controlling Officer (CCO) based audit of the Department of Technical Education, Vocational and Industrial Training.

6. The Report containing audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the Government of Himachal Pradesh for the year ended 31 March 2012 is presented separately under the heading Report on State Finances for the year ended 31 March 2012.

7. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 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 2011-12 have also been included, wherever necessary.

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

CHAPTER-I
INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from compliance audit of the transactions of the departments and autonomous bodies in Social, General and Economic Sectors including performance/ thematic audit of selected schemes, departments, etc., of the Government of Himachal Pradesh.

The primary purpose of the Report is to bring to the notice of the State Legislature, the important results of audit. Auditing standards require that the materiality level of reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executives of the Government to take corrective actions as also to frame policies and directives that result in improved financial management of the organisations, thus contributing to better governance of the State.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance audit is an independent assessment or examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively.

Chapter-II of this Report deals with the findings of performance audit, Chapter-III contains a thematic audit paragraph, Chapter-IV contains observations on audit of transactions in Government Departments and Autonomous Bodies and Chapter-V covers the results of Chief Controlling Officer (CCO) based audit of the Department of Technical Education, Vocational and Industrial Training.

1.2 Profile of audited entities

There are 53 departments at the Secretariat level, headed by Chief Secretary/ Additional Chief Secretary/ Principal Secretaries/ Secretaries who are assisted by the Special Secretaries, Deputy Secretaries, Directors and Subordinates officers under them for 3638 units and 48 Autonomous Bodies of the State which are under the audit jurisdiction of the Principal Accountant General (PAG), Himachal Pradesh on behalf of the CAG. During 2011-12, 308 units of 27 departments were covered in Audit.

1.3 Expenditure profile of the State Government

The comparative position of expenditure incurred by the State Government during the year 2011-12 and in the preceding four years is given in **Table 1.1** below:

Table-1.1

Comparative position of expenditure for the period 2007-12

(₹ in crore)

Particular	2007-08			2008-09			2009-10			2010-11			2011-12		
	Non Plan	Plan	Total	Non Plan	Plan	Total	Non Plan	Plan	Total	Non Plan	Plan	Total	Non Plan	Plan	Total
Revenue expenditure															
General services	3406	23	3429	3887	31	3918	4335	42	4377	5249	30	5279	5655	35	5690
Social services	2147	728	2875	2898	434	3332	3307	595	3902	4081	898	4979	4209	938	5147
Economic services	1533	451	1984	1772	412	2184	2267	601	2868	2959	723	3682	2321	728	3049
Grants-in-aid and Contributions	3	---	3	4	---	4	4	---	4	6	--	6	12	--	12
Total (1)	**7089**	**1202**	**8291**	**8561**	**877**	**9438**	**9913**	**1238**	**11151**	**12295**	**1651**	**13946**	**12197**	**1701**	**13898**
Capital expenditure															
Capital Outlay (2)	**100**	**1313**	**1413**	**87**	**1992**	**2079**	**48**	**1895**	**1943**	**15**	**1774**	**1789**	**46**	**1764**	**1810**
Loans and Advances disbursed (3)	**3**	**11**	**14**	**76**	**14**	**90**	**3**	**67**	**70**	**4**	**223**	**227**	**15**	**478**	**493**
Repayment of Public Debt (4)	**937**	**---**	**937**	**885**	**---**	**885**	**867**	**---**	**867**	**--**	**870**	**870**	**--**	**1128**	**1128**
Total disbursement out of Consolidated Fund (1+2+3+4)	**8129**	**2526**	**10655**	**9609**	**2883**	**12492**	**10831**	**3200**	**14031**	**12314**	**4518**	**16832**	**12258**	**5071**	**17329**
Contingency Fund	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**--**	**--**	**--**	**--**	**--**	**--**
Public Account disbursements	**5737**	**---**	**5737**	**5690**	**---**	**5690**	**6421**	**---**	**6421**	**7162**	**--**	**7,162**	**8526**	**--**	**8526**
Total	**13866**	**2526**	**16392**	**15299**	**2883**	**18182**	**17252**	**3200**	**20452**	**19476**	**4518**	**23994**	**20784**	**5071**	**25855**

1.4 Authority for audit

Authority for audit by the CAG is derived from the Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The CAG conducts audit of expenditure of the departments of the Government of Himachal Pradesh under Section 13[1] of the CAG's (DPC) Act. The CAG is the sole auditor in respect of 14 Autonomous Bodies which are audited under Sections 19(3)[2] and 20(1)[3] of the CAG's (DPC) Act. In addition, the CAG also conducts audit of 34 other Autonomous Bodies, which are substantially funded by

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[1] Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.

[2] Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations.

[3] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

the Government, under Section 14[4] of the CAG's (DPC) Act. The principles and methodologies for various audits are prescribed in the Auditing Standards (March 2002) and the Regulations on Audit and Accounts issued by the CAG in 2007.

1.5 Organisational structure of the office of the Principal Accountant General (Audit), Himachal Pradesh

Under the directions of the CAG, the Principal Accountant General (Audit), Himachal Pradesh conducts audit of the State Government departments and Autonomous Bodies. The Government departments have been grouped in Social Sector, General Sector, Revenue Sector and Economic Sector (Non-PSUs) and Economic Sector (PSUs) for the purpose of audit. This Report covers audit observations on Social Sector, General Sector and Economic Sector (Non-PSUs). During 2011-12, 18 audit parties[5] conducted audit of the selected units from various departments of the State Government, autonomous bodies, externally aided projects, etc.

1.6 Planning and conduct of audit

Audit process commences with the assessment of risk of various Government departments/ organisations/ autonomous bodies and schemes/ projects, etc., based on expenditure, criticality/ complexity of activities, level of delegated financial powers, assessment of internal controls and the concerns of stakeholders. The previous audit findings are also considered as an input to this exercise.

After completion of audit of each unit, Audit Inspection Reports containing audit findings are issued to the Head of the unit/ Department. The units are requested to furnish replies to the audit findings within one month of receipt of the Audit Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Audit Inspection Reports are processed for inclusion in the CAG's Audit Report.

During 2011-12, 1952 party-days were utilised to carry out compliance audit of 308 units out of 3638 units of various departments/ organisations. The Audit Plan covered those units/ entities which were vulnerable to significant risk, as per the assessment.

1.7 Significant audit observations

A synopsis of the important audit findings relating to the performance audit of Hydro Power Development through Private Sector Participation, Thematic Audit of Himachal Pradesh Building and Other Construction Workers Welfare Board, CCO based audit of the Department of Technical Education, Vocational and Industrial Training and transaction audit paragraphs included in the Report are given as under:

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[4] Audit of all (i) receipts and expenditure of a body/ authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ one crore.

[5] Prior to restructuring of Audit Groups, 14 parties were under Civil Inspection Wing and four parties under Works Wing.

(a)	Performance Audit

Hydro Power Development through Private Sector Participation

Recognising the importance of Hydro Power as a key to the prosperity of the State, the State Government formulated its Hydro Power Policy in December 2006, in order to promote efficient, ecological and environment friendly hydro power generation. The policy stipulated a four pronged strategy through participation of State Sector, Central Sector, Joint Sector and Private Sector in the development of hydro power in the State. The performance audit of the implementation of hydro power projects through Private Sector participation revealed that out of 559 projects of 10131 Mega Watt (MW) capacity allotted to Independent Power Producers (IPPs) during November 1991 to 2011-12, only 55 (10 *per cent*) projects with 1805.45 MW were completed and made operational. The State Government had got identification of potential sites of small hydro power projects done on the basis of preliminary reconnaissance only and no system existed to conduct pre-feasibility studies to ensure realistic estimation of power potential. Execution of 40 hydro power projects having total capacity of 315.35 MW could not progress well and suffered due to reasons such as inadequate/ non-conducting of feasibility studies, non-approval of Detailed Project Reports (DPRs) by the Department and non-signing of Implementation Agreements (IAs) by the IPPs. Also, negligence of environmental concerns was quite visible as for the sustenance of aquatic ecosystem and nearby ground water aquifers, minimum water flow of 15 *per cent* immediately downstream was not kept by one IPP. In addition, plantation activities in sampled projects were found highly deficient. Implementation of hydro power projects through private sector participation was not efficient due to non-existence of a suitable monitoring mechanism at the Apex level of the Government. Apart from this, there were shortfall in providing employment opportunities to bonafide Himachalis to the prescribed extent of 70 *per cent*. On the whole, there was inefficiency on the part of the Government in ensuring power development through IPPs.

(Paragraph 2.1)

(b)	Thematic Audit

Functioning of Himachal Pradesh Building and Other Construction Workers Welfare Board (HPBOCWWB)

In pursuance of Sections 40 and 62 of Buildings and Other Construction Workers Welfare Act, enacted by the Government of India in August 1996, the State Government constituted the Himachal Pradesh Building and Other Construction Workers Welfare Board (Board) in March 2009. Audit noticed that the implementation of the aforesaid Act was not ensured expeditiously by the State Government and it took more than 12 years to constitute the Board. During 2009-12, the Board had receipts aggregating ₹ 107.46 crore which included ₹ 107.41 crore as cess and ₹ 0.05 crore as subscription. Of this, expenditure on Welfare Schemes for workers was only ₹ 0.04 crore (four *per cent*).

The crucial aspect of identification of beneficiaries and registration of establishments and implementation of welfare schemes for workers was not given due priority, and as a result huge funds remained unutilised with the Board in bank account. The implementation of the Act in the State was not done in an efficient way resulting in non-achievement of the objective of carrying out welfare measures for the workers.

(Paragraph 3.1)

(c)	**Audit of Transactions**

Excess/ overpayment/ wasteful/ unfruitful/ infructuous expenditure

Failure of Public Works Department to ensure timely completion of road and bridge work led to unfruitful expenditure of ₹ 4.67 crore.

(Paragraph 4.1)

Faulty planning and failure of the Public Works Department to ensure encumbrance free land for construction of a road alongwith two bridges resulted in unfruitful expenditure of ₹ 1.04 crore on incomplete works.

(Paragraph 4.2)

Due to casual approach of the Public Works Department, desired objective of providing proper road connectivity to seven villages could not be achieved despite incurring expenditure of ₹ 2.05 crore on road and incomplete bridge.

(Paragraph 4.3)

Failure of the Public Works Department to ensure viability of road alignment resulted in wasteful expenditure of ₹ 55.38 lakh on incomplete road and Government dues of ₹ 18.07 lakh also remained unrecovered from a contractor for more than three years.

(Paragraph 4.4)

Undue favour to contractor/ avoidable expenditure

Drawal of funds in anticipation of requirements and their retention in Public Works Deposits and deposits with Corporation during February 2008 and March 2011 led to falsification of accounts, undue aid to the Corporation and loss of interest of ₹ 1.26 crore to the Government.

(Paragraph 4.5)

Unproductive expenditure/ idle investment/ blocking of funds/ diversion of funds

Expenditure of ₹ 1.81 crore incurred on the construction of hostel for Scheduled Castes (SC) students at Netaji Subhash Chandra Bose Memorial Government College, Hamirpur proved unproductive as it could not be utilised for want of electricity connection.

(Paragraph 4.6)

Failure of the Health and Family Welfare Department for non-setting up of Special new born care units resulted in locking up of ₹ 1.50 crore and denial of intended medical facilities in health institutions.

(Paragraph 4.7)

Failure of the Health and Family Welfare Department in timely finalisation of tender for procurement of Trauma Vans resulted in denial of initial trauma aid to accident victims and locking up of ₹ 1.75 crore in bank for four years.

(Paragraph 4.8)

An amount of ₹ 2.90 crore drawn for construction of Community Health Centre at Shri Naina Devi Ji and Administrative Block at Indira Gandhi Medical College, Shimla remained unutilised for two to three years for want of encumbrance free sites.

(Paragraph 4.9)

Imprudent decision of the Public Works Department to entrust road works under *Pradhan Mantri Gram Sadak Yojana* (PMGSY) to inexperienced legal heir of the contractor without any provision in the Standard Bidding Documents led to abandonment of works and rendered the expenditure of ₹ 1.92 crore as unproductive on incomplete roads. Besides, financial benefits of ₹ 1.44 crore were also extended to the contractor by way of non-recovery of Government dues.

(Paragraph 4.12)

Imprudent decision of the Public Works Department in awarding bridge work to a firm without ensuring techno-feasibility led to an unproductive expenditure of ₹ 21.31 crore.

(Paragraph 4.13)

Regularity and other issues

Failure to enforce the provisions of Member of Parliament Local Area Development Scheme (MPLADS) guidelines resulted in less release of scheme funds amounting to ₹ 3.10 crore for areas inhabited by Scheduled Castes population.

(Paragraph 4.16)

(d) Chief Controlling Officer based Audit of a Government Department

Department of Technical Education, Vocational and Industrial Training

Technical education plays a vital role in the socio-economic development of a State. The Department of Technical Education, Vocational and Industrial Training is responsible for developing competent technical manpower for catering to the needs of various industries and organisations within the State and Country. The Chief Controlling Officer (CCO) based audit covering the overall working of the Department including performance audit of the implementation of State sponsored and Centrally Sponsored Schemes (CSSs) revealed that the Department could not provide an expected level of infrastructure despite receiving substantial funds from Government of India (GOI) for implementation of CSSs.

There was inadequacy of proper infrastructure as 42 out of 84 Industrial Training Institutes (ITIs) and seven out of 10 polytechnics did not have adequate infrastructure facilities, 67 ITIs had no hostel facilities for students and no facility of residential accommodation for the staff. Besides, there was also an acute shortage of staff, especially in teaching and teaching supporting staff. The percentage of shortages of above staff in various institutions was 23 to 72 and 45 to 70 *per cent* respectively as of March 2012. Execution of civil works such as buildings of Engineering and Pharmacy colleges, Polytechnics, ITIs hostels, etc., was being done without proper planning and definite timeframe. As a result, only four out of 29 works were completed during 2009-12 with cost overrun of ₹ 2.11 crore and time overrun of two to seven years. Besides, execution of eight works sanctioned at a cost of ₹ 15.27 crore and stipulated to be completed between March 2002 and March 2011 could not be taken up due to non-availability of sites and non-finalisation of drawings, etc. The remaining 17 works (estimated cost ₹ 135.96 crore) even after incurring an expenditure of ₹ 93.06 crore were lagging behind their schedule of completion by two to more than 12 years as of June 2012.

Against the total receipt of ₹ 85.71 crore, directly from Government of India (GOI) for the implementation of four CSSs during 2007-12, the Department could not spend ₹ 19.87 crore on infrastructure and equipment in the technical institutions as of March 2012. Thirty three ITIs were selected for upgradation through PPP mode in the State. In nine test-checked ITIs, envisaged upgradation remained incomplete as of March 2012 due to non-completion of civil works. As a result, the concerned institutes could utilise only ₹ 6.95 crore against availability of loan assistance of ₹ 11.25 crore.

(Paragraph 5.1)

1.8 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the State Government were referred to the Departments/ State Government through Audit Inspection Reports for further investigation and in case of overpayments/ excess payment recovery of the same under intimation to audit.

On being pointed out by audit, the Department/ State Government initiated corrective action in one case involving overpayment/ excess payment as tabulated below:

Department	Particulars of recoveries noticed	Amount involved	Corrective action taken by the Department/ State Government
Agriculture	Double payment of leave encashment	₹ 3.76 lakh	The Sub-Divisional Soil Conservation Officer (SDSCO) Fatehpur (Kangra district) drew and disbursed (March 2010 and November 2010) leave encashment claim of ₹ 3.76 lakh twice to a retired Agriculture Development Officer by falsely recording a certificate on the second bill to the effect that the same was first claim. This resulted in overpayment of ₹ 3.76 lakh to the retiree. On this being pointed out in audit (February 2011), the SDSCO recovered (March 2011) the excess paid amount of ₹ 3.76 lakh along with penal interest from the retiree and deposited in the Government Treasury.

1.9 Lack of responsiveness of Government to Audit

The Principal Accountant General (Audit), Himachal Pradesh (HP) conducts periodical inspection of Government Departments by test-check of 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 Audit Inspection Reports (IRs). When important irregularities, etc., detected during audit 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 report their compliance to the PAG (Audit) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the departments by the office of the PAG (Audit), HP through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the results of test audit, 17552 audit observations contained in 6587 IRs outstanding[6] as on 31st March 2012 are given in **Table 1.2** below:

Table-1.2

Outstanding Inspection Reports/ Paragraphs

Sr. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved (₹ in crore)
1.	Social Sector	3775	10293	3208.19
2.	General Sector	1173	3484	4252.74
3.	Economic Sector (Non PSUs)	1639	3775	4392.33
	Total:	**6587**	**17552**	**11853.26**

During 2011-12, 39 meetings of the Adhoc Committee were held in which 342 IRs and 1347 paragraphs were settled.

6 Including IRs and paragraphs issued upto 30 September 2011 and outstanding as on 31 March 2012.

A detailed review of the IRs issued to 382 Drawing and Disbursing Officers[7] (DDOs) upto September 2011 pertaining to Health and Family Welfare and Food and Civil Supplies departments revealed that 1046 Paragraphs having financial implications of ₹ 345.47 crore relating to 382 IRs remained outstanding at the end of 31 March 2012. Of these, oldest items pertain to IRs issued during the year 1970-71 and 368 paragraphs having financial implication of ₹ 25.12 crore had not been settled for more than 10 years. The year-wise position of these outstanding 382 IRs and 1046 paragraphs is detailed in ***Appendix-1.1*** and types of irregularities in ***Appendix-1.2***.

The departmental officers failed to take action on observations contained in IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

1.10 Response of departments to Audit Report material

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2012, one performance audit of Hydro Power Development through Private Sector Participation, one thematic audit paragraph on Functioning of Himachal Pradesh Building and Other Construction Workers Welfare Board, one CCO Based Audit of Department of Technical Education, Vocational and Industrial Training and 18 audit paragraphs were issued to the Government. The draft performance reviews, thematic paragraphs and audit paragraphs were forwarded to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries of the concerned departments with the request to furnish replies within one month. However, in respect of thematic paragraph and 16 paragraphs included in the report, no reply was received from the State Government. The matter was also brought to the notice of the Chief Secretary in October 2012 to expedite replies from the concerned Administrative Heads but replies from them are still awaited (November 2012).

1.11 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo motu* action on all Audit Paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the ARs to the State Legislature.

The position regarding receipt of Action taken Notes (ATNs) on the paragraphs included in the ARs upto the period ended 31 March 2011 as on 31 August 2012 is given in **Table 1.3** below:

[7] Health and Family Welfare: 335 and Food and Civil Supplies: 47.

Table-1.3
Position regarding receipt of ATNs on the paragraphs included in the ARs

Audit Report	Year	Department(s)	ATNs pending as of 31 August 2012	Date of presentation of ARs in the State Legislature	Due date for receipt of ATNs
Civil	2006-07	Home	01	10 April 2008	09 July 2008
	2007-08	Revenue	02	27 February 2009	26 May 2009
	2008-09	Revenue	01	13 April 2010	02 July 2010
	2009-10	Ayurveda	01	08 April 2011	07 July 2011
	2010-11	Miscellaneous departments	22	06 April 2012	05 July 2012
State Finances	2009-10	Finance and Miscellaneous departments	All Chapters	08 April 2011	07 July 2011
	2010-11	Finance and Miscellaneous departments	All Chapters	06 April 2012	05 July 2012
Mandi District	2010-11	Miscellaneous departments	All Chapters	06 April 2012	05 July 2012

1.12 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

Several Autonomous Bodies have been set up by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedures, etc. The audit of accounts of 14 bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report (SAR) and its placement in the State Legislature are indicated in ***Appendix-1.3.*** The frequency distribution of Autonomous Bodies on the delays in submission of accounts to Audit and placement of Separate Audit Reports in the State Legislature after the entrustment of Audit to the Comptroller and Auditor General of India is summarised in **Table 1.4** below:

Table-1.4
Delays in Submission of Accounts and tabling of Separate Audit Reports

Delay in submission of Accounts (In Months)	Number of Autonomous Bodies	Reasons for the Delay	Delay in submission of SARs in Legislature (In Years)	Number of Autonomous Bodies	Reasons for the delay
0 – 1	08	Shortage of staff	0 – 1	-	-
1 – 6	03	-do-	1 – 2	-	-
Total	**11**				

The accounts of 10 Autonomous Bodies for the year 2011-12 were submitted late ranging between three to 37 days and the accounts of Himachal Pradesh Building and Other Construction Workers Welfare Board for the year 2011-12 have not been rendered as of November 2012. Delay in finalisation of accounts carries the risk of financial irregularities remaining undetected and, therefore, the accounts need to be finalised and submitted to audit at the earliest.

CHAPTER-II
PERFORMANCE AUDIT

Multipurpose Projects and Power Department

2.1 Hydro Power Development through Private Sector Participation

Recognising the importance of Hydro Power Sector as a key to the prosperity of the State, the State Government formulated its Hydro Power Policy in December 2006 in order to promote efficient, ecological and environmental friendly hydro power generation. The policy stipulated four pronged strategy through participation of State Sector, Central Sector, Joint Sector and Private Sector in the development of hydro power in the State.

A performance review of the implementation of hydro power projects through Private Sector participation covering the aspects of allotment, implementation, environment and monitoring of the projects revealed that there are many areas of concern and issues requiring urgent attention of the State Government.

Highlights:

- ***Out of total 559 projects of 10131 Mega Watt (MW) capacity allotted during November 1991 to 2011-12, only 55 (10 per cent) projects with 1805.45 MW were completed and made operational during 1992 to 2011-12.***

  (Paragraph 2.1.7.1)

- ***Execution of 40 projects having total capacity of 315.35 MW could not progress well and suffered due to the reasons such as non-conducting of feasibility studies, non-approval of Detailed Project Reports by the department and non-signing of Implementation Agreements by Independent Power Producers within the prescribed time frame. Besides, there were delays ranging between 13 and 113 months in completion of 27 small hydro power projects of 95.80 MW due to non-resolution of local issues.***

  (Paragraph 2.1.8.1 to 2.1.8.2 (i))

- ***The plantation activity was highly deficient as 58 per cent of test-checked projects reported no plantation; posing severe hazard both for natural ecology and stabilisation of hill slopes.***

  (Paragraph 2.1.9.1)

- ***Negligence of environmental concern was quite visible as for the sustenance of aquatic eco system and nearby ground water aquifers, minimum water flow of 15 per cent immediately downstream was not kept by one Independent Power Producer.***

  (Paragraph 2.1.9.2)

- ***Though in 12 out of 34 test-checked projects, employment opportunities to bonafide Himachalis were provided to the prescribed extent of 70 per cent, in 19 projects there was no evidence of employment opportunities actually provided and in the remaining three projects employment provided ranged between 44 and 49 per cent only.***

(Paragraph 2.1.12)

- ***Prescribed monitoring mechanisms for ensuring effective implementation of projects and project safety, quality control and other management systems were non-existent in the Department.***

(Paragraph 2.1.15)

2.1.1 Introduction

Power is a critical infrastructure for the socio-economic development of the State and the country as a whole. Accelerated pace of hydro power development gives an impetus to economic growth in the new globalised economic scenario. The basic responsibility of 'Electricity Industry' is to provide adequate power at economical cost, while ensuring reliability and quality of supply. Hydro power potential has been recognised as the key to the development of Himachal Pradesh. The five[1] major rivers which flow through the State have identified hydro power potential estimated around 23000 Mega Watt (MW) as depicted in **Map 2.1** below:

Map-2.1

Source: Website of Directorate of Energy.

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1 Beas, Chenab, Ravi, Satluj and Yamuna.

As per National Electricity Policy of 2005, Government of India (GOI) had laid maximum emphasis for full development of the feasible hydro power potential in the country and launched 50,000 MW hydro initiatives to be pursued vigorously. The GOI has further emphasised that the States with hydro potential, need to focus on the full development of this potential at the earliest. Pursuant to this, the State Government had identified power potential of 23,000 MW through the hydro power sector. Against this, hydro power generation projects having capacity of 10131 MW were sanctioned for execution through Private Sector during 1991-92 to 2011-12.

2.1.1.1 Hydro Power Policy

The State Government notified (December 2006) Hydro Power Policy with the following main principal objectives:

- Speeding up power development in the State and to achieve capacity addition of 9000 MW through hydro power sector by the end of 11th Five Year Plan (2011-12);
- Making power sector a major source of revenue to the State;
- Generating and providing employment opportunities to the people of the State; and
- Achieving development of local area by creation of Local Area Development Committees financed through power projects.

As per the Hydro Power Policy, projects upto 5 (five) MW shall be allotted through the Memorandum of Understanding (MOU) route. Upfront premium is exempt for projects upto 2 (two) MW. For projects above 2 (two) MW and upto 5 (five) MW, the rate of upfront premium is ₹ 45000 per MW with the ceiling of ₹ 75000 per MW. Projects above 5 (five) MW shall be allotted through the competitive bidding route with fixed upfront premium/ charges of ₹ 20 lakh per MW capacity of the project.

As per the policy *ibid*, in respect of private sector participation (independent power producer (IPP)) the offer period of projects is as under:

Projects upto 5 (five) MW	:	40 years after 30 months from the date of signing of the Implementation Agreement (IA). Thereafter the project is to be transferred to the State Government free of cost and free from all encumbrances.
Projects above 5 (five) MW	:	40 years from the scheduled commercial operation date of the project. Thereafter the project is to be transferred to the State Government free of cost and free from all encumbrances.

As per amended (January 2008) provisions of the Hydro Power policy, royalty on usage of water in the shape of free power ranging from six to 30 *per cent* of the deliverable energy[2] is chargeable in three time bands[3] from the Independent Power Producers (IPPs).

2.1.2 Organisational Set-up

The Additional Chief Secretary (Power) to the Government of Himachal Pradesh is the administrative head in the Government for formulating policies relating to hydro power development. The Director of Energy and Himachal Pradesh Energy Development Agency (HIMURJA), a Government owned agency, has been designated as nodal agency for hydro power development involving IPPs. While the Director of Energy is responsible for monitoring and implementation of power projects above 5 (five) MW, HIMURJA has been entrusted with the responsibility of implementation of projects upto 5 (five) MW as per directions given by the State Government from time to time.

2.1.3 Scope of Audit

Between November 1991 and January 2012, 559 projects with a total installed generation capacity of 10,131 MW were allotted to the IPPs in the State. These have been classified in the following categories:

Small Hydro Power Projects upto 5 (five) MW;

Hydro Power Projects above 5 (five) MW and upto 100 MW; and

Hydro Power Projects above 100 MW.

As of March 2012, 55 out of 559 projects were operational and the remaining were in various stages of implementation.

<u>Selection of sample for performance audit:</u>

For the purpose of performance audit, the following audit sample was selected by adopting Simple Random Sampling Without Replacement (SRSWOR) method after stratifying the entire projects into five categories. The details of the audit sample selected for test-check is detailed in ***Appendix-2.1.***

Stratum-I Projects upto 5 (five) MW: Out of 466 projects, 117 projects (operational: 12; under construction: 13 and under investigation: 92) selected;

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2 The energy generated at the station as measured at generator(s) terminal less auxiliary consumption and transmission losses upto power station.

3

Category of Project	Rate of royalty (*Per cent*)		
	First 12 years	Next 18 years	Remaining 10 years
Upto 5 (five) MW	6	15	24
From 5 (five) MW to 25 MW	15	21	33
Above 25 MW	12	18	30

Stratum-II	Projects above 5 (five) MW and upto 10 MW: Out of 30 projects, eight projects (operational: one; under construction: two and under investigation: five) selected;
Stratum-III	Projects above 10 MW and upto 25 MW: Out of 26 projects, seven projects (operational: one; under construction: one and under investigation: five) selected;
Stratum-IV	Projects above 25 MW and upto 100 MW: Out of 15 projects, five projects (operational: one; under construction: one and under investigation: three) selected; and
Stratum-V	Projects above 100 MW: Out of 22 projects, seven projects (operational: one; under construction: one and under investigation: five) selected.

The sample check was, thus, 26 *per cent* of the total projects allotted to the IPPs by the State Government.

The performance audit was conducted during February-June 2012 by test-check of records in the offices of the Director of Energy, the Chief Executive Officer, Himachal Pradesh Energy Development Agency (HIMURJA), Himachal Pradesh State Environment Protection and Pollution Control Board, Deputy Commissioners/ Sub-Divisional Officers, District Labour Officers and Divisional Forest Officers of six[4] out of 12 districts in the State where the selected projects were located. Besides, information relating to generation and purchase of power and Fisheries development was also obtained from the Himachal Pradesh State Electricity Board Limited (HPSEBL) and the Chief Warden-cum-Director of Fisheries respectively.

2.1.4 Audit Objectives

The audit objectives were to ascertain whether:

- planning, identification of project sites; estimation of potential capacity; selection of IPPs and allotment procedures was efficient and effective;
- the implementation of IPP projects was efficient and effective;
- effective monitoring mechanism at all levels i.e. State, district and sub-division was in place to monitor the issues arising during the implementation of the projects, review of environment plans, local area development schemes and relief and rehabilitation activities in the project areas.

[4] Chamba, Kangra, Kinnaur, Kullu, Mandi and Shimla.

2.1.5 Audit Criteria

The criteria used for assessing the performance of hydro power development through private sector participation covering the aspects of allotment, implementation and hydro power generation included:

- Procedures and impact parameters prescribed in the guidelines issued by the Union Ministry of Power, Union Ministry of Environment and Forests (MoEF), Central Electricity Authority (CEA) and the Central Water Commission from time to time relating to development of hydro power projects.
- The system of allotment of projects as outlined in State's Hydro Power Policy of 2006.
- Adequacy of system of monitoring of the IPP projects and its effectiveness.

2.1.6 Audit Methodology

An entry conference was held (April 2012) with the Principal Secretary (Power) wherein scope of audit, objectives, criteria and sampling methodology adopted for selection of projects were discussed.

Records relevant to identification, approvals, allotment, execution and environmental impact were scrutinised. Audit also conducted spot inspection of 34 out of 144 projects selected for detailed audit scrutiny.

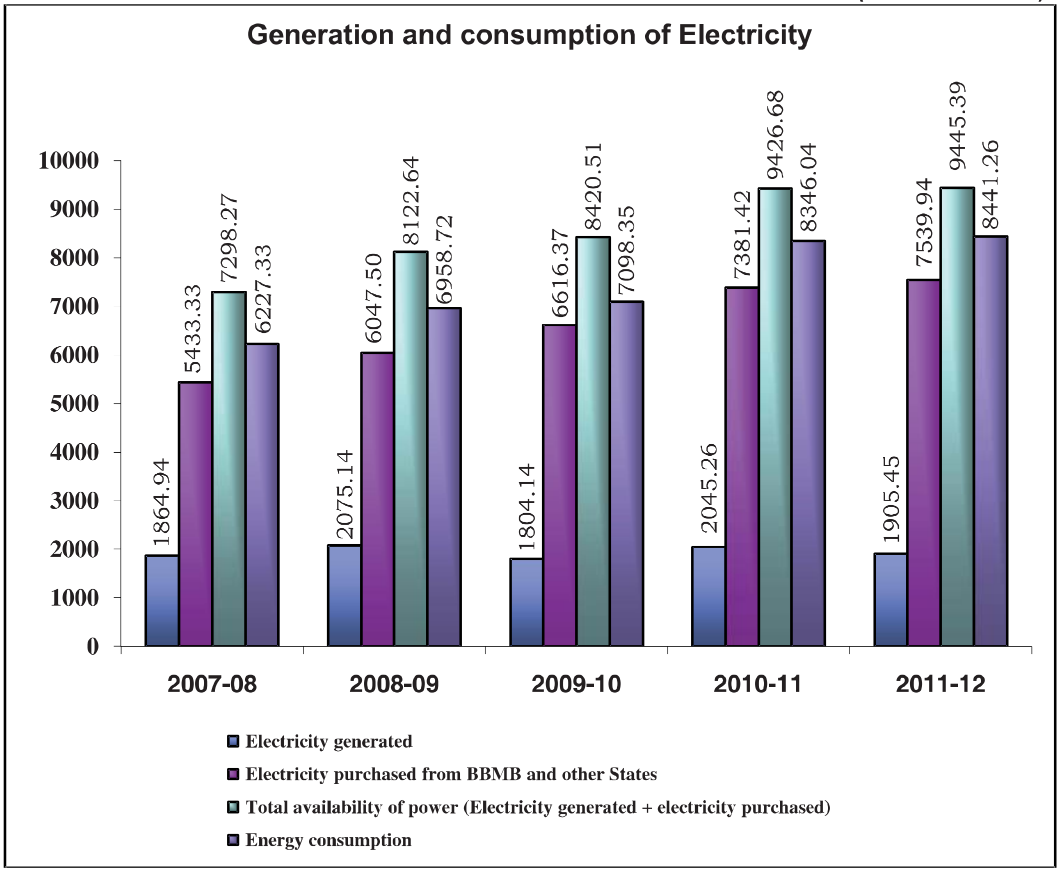
Audit conclusions were drawn after scrutiny of available data by issuing audit memos and obtaining response of departmental functionaries such as Director of Energy, Chief Executive Officer, HIMURJA, Himachal Pradesh State Environment Protection and Pollution Control Board, Director of Fisheries, Deputy Commissioners/ Sub-Divisional Officers in the concerned districts, District Labour Officer in the concerned districts and Divisional Forest Officer in whose territories projects were located at various levels and authorised representatives of IPPs. Photographic evidence and physical verification were also taken into consideration to substantiate audit observations. The audit findings were discussed with the Additional Chief Secretary (Power) in the exit conference held on 12 November 2012. Views of the Government have been incorporated at appropriate places in the report.

2.1.7 Availability and consumption of power

The year-wise position of availability of power and consumption thereagainst in the State during 2007-12 is depicted in **Chart 2.1** below:

Chart-2.1

(In Million Units)



Source: Economic survey 2011-12 (Economics and Statistics Department of Himachal Pradesh).
Note:1 BBMB: Bhakra Beas Management Board.
Note:2 Electricity generated indicates, generation of power by the HPSEBL.
Note:3 Total availability of power is inclusive of Transit and Distribution losses.

As is seen from Chart-I, during the past five years 2007-12, the position of power generation through HPSEBL remained almost constant. However, to meet energy requirement within the State, HPSEBL also purchased power from other sources during the above period but consumption of power in the corresponding period was less than the total availability of power due to seasonal variations in generation and consumption of power. The HPSEBL, after meeting energy requirements in the State, sold the balance energy (after deduction of 'Transmission and Distribution' losses) outside the State. The Department attributed (May 2012) low generation of power to less discharge of water.

- **Revenue to State Government from sale of free power**

Position of revenue earned by the State Government during 2007-12 from sale of free power from Hydro Power Projects is given in **Table 2.1** below:

Table - 2.1

Position of revenue received by the State Government from sale of free power

Year	Revenue received (₹ in crore)	Decrease in revenue (in *per cent*) with reference to 2007-08
2007-08	1569.94	--
2008-09	1543.60	02
2009-10	1550.95	01
2010-11	1075.00	32
2011-12	1000.00	36

Source: Figures supplied by the HPSEBL and Directorate of Energy.

It would be seen from the above table that the revenue earned through overall sale of free power by the State Government has decreased from ₹ 1569.94 crore in 2007-08 to ₹ 1000 crore in 2011-12 and the percentage of decrease during the last five years ranged between one and 36. However, separate data in respect of revenue earned from the private sector projects was not being maintained by the Department. The Department attributed (November 2012) the reasons for decrease in revenue to changed market scenario, significant increase in generation capacity, additions and strengthening of transmission system leading to increase in corridor availability for inter-State and inter-regional transference of power.

2.1.7.1 Hydro Power Potential Harnessed

The State had harnessed power potential of 6067 MW upto the end of 10th Five Year Plan (2002-07). The Hydro Power Policy, 2006 envisaged harnessing of 15,000 MW upto the end of 11th Five Year Plan (2011-12) by achieving capacity addition of 9000 MW. As against the target of 9000 MW, the State Government had harnessed 7922 MW (88 *per cent*) through collective efforts (State: 473 MW, Central/ Joint: 5644 MW and Private Sectors: 1805.45 MW respectively) till the terminal year of 11th Five Year Plan i.e. 31st March 2012.

In respect of IPPs, as against the target of generation of 10,131 MW power through 559 projects allotted to Independent Power Producers, the achievement was to the extent of 1805.45 MW during 1991-92 to 2011-12.

The Director, Energy stated (November 2012) that most of the un-achieved generation of power was due to delays incurred in Central Sector Projects which were beyond the control of the State Government.

2.1.7.2 Basics of Hydro Power

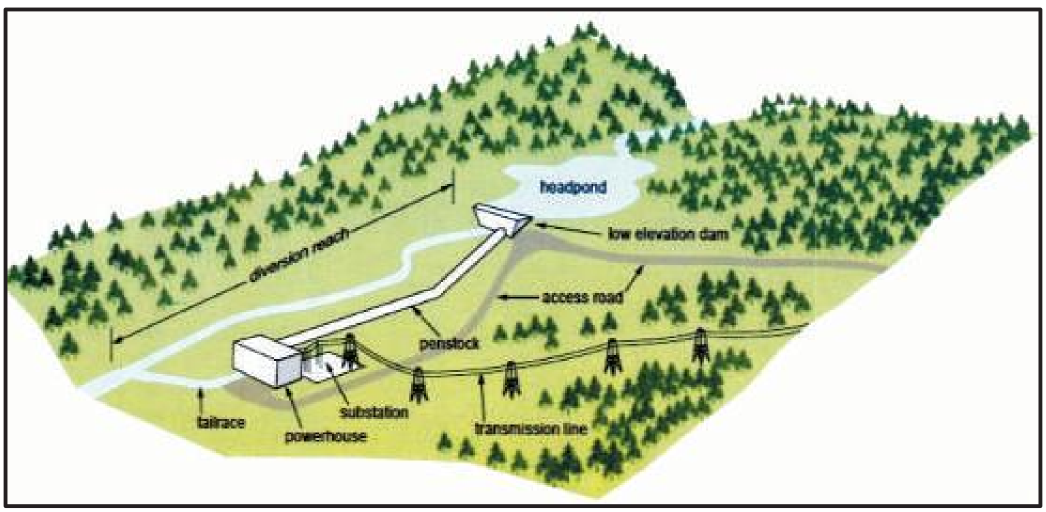
Hydro power, also known as hydroelectric power, uses water to generate electricity. When water is at a high point, it has potential energy and as it flows to a lower level, the potential energy gets converted into kinetic energy. This water flows through a turbine making it spin and that turbine turns an electric generator, producing electricity. The hydroelectric projects could be "run of river" or "reservoir" based.

2.1.7.3 Run of river (ROR) hydro power projects

Run of river projects are different from conventional reservoir based hydroelectric projects in design, appearance and impact. These power projects simply divert a portion of the flow of a stream into a turbine that generates electricity; there is no water storage other than the limited amount required to submerge the intake pipe. The water is then returned downstream without alteration. A typical run of river project consists of a weir or small dam to create a small headpond. This headpond does not store water; it merely floods an area sufficient to ensure that the intake of the penstock is under water. A pipe known as *penstock,* carries water from the headpond to the turbines at a lower elevation. A power house building containing the turbines generates electricity from the flow of water. The diverted water is returned to the river downstream of the power house through a *tail race* channel. Transmission lines are connected from the power house to the nearest transmission system. The section of river between the dam and power house is called the diversion reach because significant quantities of water are diverted from this section of river.

The pictorial chart of ROR is given in **Chart-2.2** below:

Chart-2.2



The construction costs of ROR projects are significant, as are their terrestrial and aquatic impacts. When undertaken properly, with due care given to addressing environmental impacts, these projects can create sustainable green energy with minimal bearing on the surrounding environment and nearby communities.

2.1.7.4 Identification of ROR sites

Potential ROR sites must offer a significant elevation, drop and sufficient water flow. A key component of ROR plant's functionality is the height and pressure of falling water, known as 'head'. The power available at site is the product of the flow volume and the head. Therefore, higher the head, lesser the availability of water to produce power. ROR plants can be designed using large flow rates with low head or small flow rates with high head. By virtue of its topographical location, the State has a number of places endowed with substantial heights and perennial water flow. In the State, the ROR sites were identified by Alternate Hydro Energy Centre, University of Roorkee (Now IIT Roorkee).

Audit findings

2.1.8 Planning for harnessing of power potential

As per National Electricity Policy 2005, importance of planning capacity addition to assess demand of electricity was stressed. Section 3 (4) of the said Act requires the Central Electricity Authority to frame a National Electricity Plan once in five years and to revise the same from time to time. The State Government was also to undertake a similar exercise.

It was, however, noticed that the Department had not prepared any Perspective Plan or Annual Plans during 2007-12 for harnessing of hydro potential. The Department admitted the facts (November 2012) and assured that Annual Plans would be prepared in future.

2.1.8.1 Identification of project sites and allotment of projects to IPPs

In terms of the State's Hydro Power Policy, small hydropower projects (SHPs) upto 2 (two) MW capacity are exclusively reserved for bonafide Himachalis and the Co-operative Societies comprising of bonafide Himachalis. For projects above 2 (two) MW and upto 5 (five) MW, preferences would be given to bonafide Himachalis. If there are more than one Himachali (Applicants), preference shall be given to the person of the area or the District. All projects above 5 (five) MW are allotted through competitive bidding route. Projects offered for private sector participation includes projects identified by the IPPs and HIMURJA. After the project is allotted, MOU or pre-implementation agreement as the case may be is signed by the IPP and thereafter conveyance of feasibility/ non-feasibility of the projects is to be ensured within one year from the date of signing of MOU/ pre-implementation agreement.

The following deficiencies were noticed in planning, implementation and execution of projects:

- **Inadequate pre-feasibility studies**

(i) Potential sites of small hydro projects were identified on the basis of preliminary reconnaissance only and no system existed in the Department to conduct pre-feasibility studies and assess accurately power potential to obviate the chances of enhancement of capacity addition at a late stage by the IPPs, bypassing the system of open bidding process and consequent loss of royalty. Audit scrutiny revealed that due to inadequacies in pre-feasibility studies coupled with non-availability of institutional mechanism with HIMURJA to cross verify the basis of capacity addition after allotment of projects. The capacity addition ranging between 40 and 1300 *per cent* was done by IPPs after allotment of 29 small projects upto 5 (five) MW initially having capacity of 112.50 MW as detailed in ***Appendix-2.2.***

As per provisions of the State Hydro Power Policy, all projects above 5 (five) MW are required to be allotted through Competitive Bidding while projects below 5 (five) MW are allotted on the basis of applications received from the IPPs. Due to capacity additions after allotment of the projects by HIMURJA, the IPPs avoided the competitive bidding route and were thus benefitted to that extent.

(ii) In another case, M/s JP Karchham Hydro Corporation Ltd. and the State Government signed an IA in November 1999 for execution of 1000 MW (four units of 250 MW each) Karchham-Wangtoo project (Kinnaur district) after Techno-Economic Clearance (TEC) by the Central Electricity Authority (CEA). The project was commissioned in May 2011. Scrutiny of records in the office of the Director, Energy revealed that the IPP on its own had enhanced capacity to 1200 MW (four units of 300 MW) as brought to the notice of the State Government by the CEA during 2007-08. This showed that pre-feasibility study of potential site submitted by the IPP was not examined properly by the Department before seeking TEC from the CEA.

In the exit conference, the Additional Chief Secretary (Power) stated (November 2012) that a detailed basin-wise survey was afoot to assess the true potential of various hydro power sites in the State.

- **Non-conducting of survey/ feasibility study**

As per provisions of the State's Hydro Power Policy, IPP of a project above 5 (five) MW is required to conduct and convey feasibility/ non-feasibility of the project within a period of one year from the date of signing of MOU.

Audit noticed that MOUs of 10 projects exceeding 5 (five) MW each (total capacity 233.10 MW) were signed between June 2002 and February 2008 but the reports of requisite feasibilities, if conducted, were not submitted by the concerned IPPs within the time schedule. This was likely to impact the milestone prescribed in the MOUs for development of projects.

The Director of Energy in reply stated (November 2012) that these projects were initially allotted by HIMURJA and were transferred to the Director of Energy due to capacity enhancement resulting in delay in submission of the feasibility reports. The fact remains that failure of the Department to assess the power potential accurately at the initial stage itself led to delay in commencement of the projects.

In the exit conference, the Additional Chief Secretary (Power) stated (November 2012) that a detailed basin-wise survey was afoot to assess the true potential of various hydro power sites in the State.

- **Non-approval of Detailed Project Reports**

The State's Hydro Power Policy is silent on the vital issue of timeline for approval of Detailed Project Reports (DPRs) submitted by the IPPs. However, the State Government issued instructions (August 2009) for expeditious clearance of small hydro projects upto 25 MW. As per instructions *ibid*, the IPP is required to submit the DPR to HIMURJA/ HPSEB Limited, who will check the DPR and forward it to the Directorate of Energy within 10 days of its receipt for according TEC within three months of the date of receipt of DPR. The State Government further stipulated that IAs should be executed with the IPPs within 36 months from the date of signing of MOU.

It was noticed that the Chief Executive Officer (CEO) of HIMURJA submitted DPRs (between April 2003 and October 2011) of 60 small projects upto 5 (five) MW having total capacity of 144.05 MW to the Directorate of Energy for necessary approval but the same remained unattended as of June 2012. As a result, the process for development of power projects could not progress as execution of IAs with the IPPs of 21 projects (56.45 MW) in whose cases MOUs were signed between March 2001 and February 2008 could not be ensured within the prescribed period of 36 months. In response, the Director, Energy stated (November 2012) that TEC is accorded after detailed examination of the DPR and based on clarification sought from the State on various issues included in the DPR. Further, TEC for 179 projects upto 5 (five) MW having total installed capacity of 635.10 MW were accorded during the period.

The reply is not acceptable as the State Government's instructions (August 2009) stipulate that all queries/ clarifications should be obtained within the three months period and in case of non-response from the IPP, action for cancellation of the project could be initiated. This showed inefficiency of the Department in implementation of the hydro power development programme, causing inconvenience to the IPPs and consequent delays in execution of projects.

- **Non-signing of Implementation Agreements by the IPPs**

In respect of small projects upto 5 (five) MW, after approval of DPRs and TEC, the IPP is to be called for signing of IA and Power Purchase Agreement (PPA) within a period of

36 months from the date of signing of MOU. The TEC relating to nine projects having a capacity of 25.80 MW, was accorded between July 2002 and July 2007 but the concerned IPPs did not turn up to sign the IAs as of May 2012. This showed lack of effectiveness on the part of IPPs in taking up the execution of projects as the delay involved in signing of IAs ranged between 58 and 119 months as of May 2012. The Department failed to take appropriate action against the defaulting IPPs as per terms and conditions of the MOU for forfeiture of security deposits, cancellation of projects and also initiating further process for re-allotment of these projects.

In the exit conference, the Additional Chief Secretary stated (November 2012) that the Department is finalising a web based monitoring programme that will enable up to date monitoring of all milestones in relation to project implementation.

2.1.8.2 Execution of Projects allotted to IPPs

Out of 559 projects allotted during 1991-92 to 2011-12 for development through IPPs, with total generation capacity of 10131 MW, only 55 projects (10 *per cent*) with generation capacity of 1805.45 MW have been completed and are operational as detailed in ***Appendix-2.3.*** The remaining projects were at various stages of implementation as of March 2012 as detailed in ***Appendix-2.4.***

(i) Non-completion of projects

As per provisions of the Hydro Power Policy and State Government instructions (April 2010), the implementation of small projects upto 5 (five) MW should start within six months from the date of signing of IA and construction by the IPP should be completed within a period of 30 months.

Audit noticed that IAs in respect of 27 small projects with aggregated capacity of 95.80 MW were signed by the IPPs between May 2000 and October 2008 but these remained incomplete involving delays ranging between 13 to 113 months as of May 2012.

The CEO of HIMURJA stated (May 2012) that delay in completion of works was due to delay in obtaining clearances from various departments and agitations and *dharnas* of local people and their unreasonable demands. The reply does not explain the reasons for such hindrances created by the local people after grant of statutory/ non-statutory clearances by the Government to IPPs. These could have been resolved through the District level/ Sub-Divisional level administration.

In the exit conference, the Additional Chief Secretary (Multipurpose Projects and Power) assured that the matter would be dealt with expeditiously.

2.1.9 Impact on Terrestrial Eco System

Though ROR projects do not involve submergence of vast areas of land and vegetation, yet construction of project facilities, access roads to the project site and transmission systems and lines involve deforestation. There are, thus, risks of soil erosion, disruption of local flora and fauna and disturbance to hill slopes. However, these effects can be mitigated through afforestation.

As per the condition laid down in the clearance issued by the State Forest Department/ Ministry of Environment and Forests, (MoEF), the IPPs were required to deposit funds towards compensatory afforestation as fixed by the authorities concerned based on the number of trees cut down and afforestation required. Audit noticed that IPPs of 12 projects had deposited the necessary funds for compensatory afforestation as worked out by the Forest Department but negligible afforestation was done as brought out in the succeeding paragraph.

2.1.9.1 Negligible afforestation

Compensatory afforestation is considered necessary to avoid soil erosion; for rehabilitation of degraded forest areas; for countering the effects of quarrying; for habitat improvement and for structural stabilisation of areas prone to landslides.

The status of afforestation in case of four operational projects and eight projects under construction which were part of the audit sample is given in **Table 2.2** below:

Table-2.2

Details of afforestation done in sampled projects

Stage	Name of the project	Forest Area (In hectares)	No. of trees cut down for the clearance	No. of trees to be planted	No. of trees actually planted
Operational	Gaj-II	4.447	16	9900	Nil
	Malana-I	61.00	990	5,29,000	3,36,500 (64)
	Sarvari-II	1.80	11	6,000	Nil
	Upper Awa	4.20	201	8,500	8,500 (100)
Under construction	Balargha	4.11	143	12,750	Nil
	Barseu	1.54	Nil	6,929	5,580 (81)
	Brahal	3.80	418	8,800	Nil
	Hurla	4.346	Nil	9,570	Nil
	Luni-II	2.62	203	5,250	5,250 (100)
	Lower Uhl	4.825	95	15,000	Nil
	Manglad	4.53	Nil	15,000	11,000 (73)
	Sorang	14.81	196	48,000	Nil

Source: Information obtained from Divisional Forest Officers of concerned areas of the project. Figures in parenthesis indicate percentage.

As is seen from the above Table, out of 12 projects, seven projects have no achievement with regard to afforestation, while in two projects, afforestation requirement was fully met and in the remaining three projects it was between 64 and 81 *per cent* respectively. The plantation survival in Barseu and Manglad projects was reported as 90 and 100 *per* cent whereas in the remaining three projects, (Malana-I, Luni-II and Upper Awa), it ranged between 40 and 60 *per* cent. Thus, the plantation activity was highly deficient as in 58 *per cent* projects no plantation had been done as of May 2012 posing severe hazards both for natural ecology and stabilisation for hill slopes.

On this being pointed out, the concerned Divisional Forest Officers stated (April-May 2012) that due to non-receipt of sanction from the competent authority, required plantation could not be carried out. The reply is not appropriate as in 12[5] cases funds for afforestation were deposited by IPPs well before taking up the construction activities. The matter could have been taken up at Government level to ensure timely sanction.

In the exit conference, the Additional Chief Secretary (Multipurpose Projects and Power) assured that all the departments will be asked to do the needful.

2.1.9.2 Non-adherence to prudent utility practices

(i) The Hydro Power Policy requires that the IPP should ensure minimum flow of 15 *per cent* water immediately downstream of the diversion structure of the project all times including lean season from November to March keeping in mind the fragile ecology of the environment and in addressing issues concerning riparian rights, drinking water, health, aquatic life, wild life, fisheries, silt and even to honour the sensitive religious issues like cremation and other religious rites, etc., on the river banks.

Audit noticed that in one[6] out of 16 operational projects selected for test-check, river beds had completely dried up and adequate flow of water for sustenance of ecology and nearby groundwater aquifers was not available as can be seen from **Photograph 2.1** below:

5

Name of project	Amount (₹ in lakh)	Month/Year of Deposit
Gaj-II	5.14	January 2008
Malana-I	143.37	November 1998
Sarvari-II	16.76	December 2008
Upper Awa	1.18	2006
Balargha	9.72	June 2011
Barseu	1.33	July 2005
Brahal	5.56	April 2007
Hurla	4.77	November 2006
Luni-II	1.10	February 2012
Lower Uhl	6.99	October 2007
Manglad	8.36	May 2008
Sorang	32.99	September 2006

6 Manjhal.

Photograph: 2.1

Downstream dried river bed: Manjhal Chamba District (Photograph dated 10 April 2012)

The IPP of Manjhal stated (April 2012) that due to maintenance work downstream of trench, the water had been diverted temporarily. The reply of IPP is not convincing as it was against the provisions of Hydro Power Policy.

In three[7] out of 16 operational projects selected for test-check, real time online continuous flow measurement and data logging device was not installed. As such effective check over flow of water to the prescribed extent was not being exercised. In reply, the Assistant Environmental Engineer, State Pollution Control Board stated (June 2012) that notices have been issued to the concerned IPPs for installation of the said device.

(ii) As per provisions of the DPR, an additional Mild Steel (MS) pipe was proposed as spillway to discharge excess water from the spillway into adjoining stream. No spillway in Chirchind project was constructed upto the surface of adjoining stream as per provisions of DPR as can be seen from **Photograph 2.2** below:

Photograph: 2.2

Photograph dated 3 April 2012 of Hydro Electric Project Chirchind-I (Chamba District): Open Spillway without MS Pipe

[7] Manjhal, Sarvari-II and Tarella-III.

The IPP of Hydro Electric Project, Chirchind intimated (April 2012) that spillway design was changed due to heavy slide on proposed desilting tank during construction. As a result of this, spillway arrangement was made through spillway tunnel leaving spill water at hard rock strata. The fact, however, remains that the requisite MS pipe upto the surface of the adjoining stream proposed as spillway was not laid.

(iii) As per the conditions of the IA, the project developer was required to execute the works in accordance with prudent utility practices. During spot inspection (April 2012) by audit team alongwith representatives of IPPs of Manjhal project, it was found that portion of the hydel channel was left uncovered. This was in violation of standard provisions of the DPR. Besides, it was also a safety hazard for the local population, animals and other wild life. The photograph of uncovered hydel channel is given in **Photograph 2.3** below:

Photograph: 2.3

Uncovered hydel channel: Hydro Power Project Manjhal, Chamba District (Photograph dated 10 April 2012)

In reply, the IPP of Manjhal stated (April 2012) that part of the hydel channel has been covered with RCC slabs and covering of the remaining portion is in progress. The reply is not acceptable as non-covering of the hydel channel resulted in non-adherence to prudent utility practices.

2.1.10 Local Area Development Activities

According to the Hydro Power Policy, the IPP is required to build such infrastructure development works[8] in the vicinity of the project area that may be essentially required for the benefit of local population. The expenditure on such works shall be incurred by the

8 Roads, Schools, Community Hall, etc.

IPP to the extent of one *per cent* of the project cost in respect of project upto 5 (five) MW and one and half *per cent* of projects above 5 (five) MW. The amount for such developmental activities is payable during the construction period of the project in equal annual instalment in first quarter of every financial year to the Deputy Commissioner (DC) of the project affected area who has been designated as the Chairman, Local Area Development Committee (LADC).

Audit scrutiny revealed that after the Hydro Power policy was notified (December 2006), an amount of ₹ 4.96 crore was recovered between 2007 and February 2012 for local area development activities from IPPs of 14 test-checked projects. Of this, ₹ 3.22 crore was utilised upto March 2012 leaving an unspent balance of ₹ 1.74 crore with the LADC as of May 2012. The concerned Sub-Divisional Officer (Civil) stated (April 2012) that infrastructure development works could not be taken up due to non-receipt of proposals from the public.

In the exit conference, the Additional Chief Secretary (Multipurpose Projects and Power) assured that the matter will be taken up with the departments concerned.

2.1.11 Fishery Development Activities

As per amended provision of Hydro Power Policy, the IPP is to give an undertaking to the Fisheries Department of local area that wherever feasible, rearing of fish shall be promoted by the IPP, in consultation with the Fisheries Department, in the project areas at the time of final implementation of the Project. For this purpose, compensation at the rate of ₹ 0.50 lakh per km from tail race to weir of the Project and ₹ 0.50 lakh per MW was payable to the Fisheries Department for projects upto 5 (five) MW only. These provisions were, however, not applicable to projects above 5 (five) MW. The utilisation of this amount on the same stream/ Nallah or elsewhere and formulation of schemes was mandatory and to be ensured by that Department.

As per information made available by the Fisheries Department, as against the total recoverable compensation of ₹ 9.17 crore from the IPPs of 251 projects, only ₹ 6.63 crore was recovered leaving ₹ 2.54 crore unrecovered as of March 2012. In addition, the Fisheries Department had also recovered ₹ 17.48 crore on its own from IPPs of 41 projects above 5 (five) MW and 31 projects of other agencies (Central, State sector and Joint Ventures). Out of available funds of ₹ 24.11 crore, an amount of ₹ 9.04 crore only was utilised by the Fisheries Department leaving ₹ 15.07 crore unutilised as of March 2012.

Reasons for non-utilisation of funds, though called for, were not received (November 2012).

2.1.12 Generation of Employment to bonafide Himachalis

One of the main objectives of the Hydro Power Policy was to generate and ensure employment opportunities for bonafide Himachalis. As per provisions of the policy document, the IPPs shall provide minimum 70 *per cent* employment to bonafide Himachalis. To ensure compliance of the above provision, the IPP was required to provide mandatory employment related information to the Labour Department of the State.

Audit noticed that in 19[9] out of 34 projects selected for test-check, information relating to employment generation was neither available with the District Labour Officer of the concerned area nor was the same furnished by the concerned IPPs. In the three projects (Baspa-II, Balargha and Sorang), the percentage of employment provided ranged between 44 and 49 *per cent* whereas in the remaining 12 projects[10], employment was found to be provided to the prescribed extent. Evidently, in 65 *per cent* projects, the Labour Department failed to monitor the employment concerns of bonafide Himachalis and to ensure compliance of provisions relating to mandatory employment by the IPPs concerned.

In the exit conference, the Additional Chief Secretary assured (November 2012) that the Labour Department will be asked to do the needful.

2.1.13 Government support

One of the objectives of Hydro Power Policy is to create conducive conditions for involvement of private investors in the small hydropower projects. However, the IPPs could not ensure smooth execution of projects without any interruption from the local people even after obtaining all the mandatory clearances by the IPPs. Audit noticed that construction work of seven[11] projects remained stopped at various stages of construction due to non-resolution of local issues. Thus, absence of well laid down provisions in the policy and appropriate Government mechanism/ machinery to resolve the issues proved to be a major obstacle in project development from its prescribed time schedule as pointed out in paragraph 2.1.8.2 (i).

The Government stated (November 2012) that with a view to ensure the participation of the local people, the State Government has introduced various funds for the development of local area during the construction period. The reply, however, failed to explain why the local issues could not be settled in spite of these initiatives.

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9 Barseu, Brahal, Chirchind, Chanju-I, Chhor, Dehar-I, Diklari, Jabbal, Gaj-II, Lambadug, Lower Uhl, Luni-II, Manjhal, Sainj, Shatul, Surah, Tarela-III, Upper Awa and Upper Jointer.

10 Ani, Haripur Nallah, Hurla, Jeeva Kothari, Khaniyara, Kotlu, Malana-I, Manglad, Panvi, Rukti, Sarbari-II and Tangu-Romai.

11 Baran Sain, Chhor, Haripur Nallah, Moorang Angro, Sorang, Tangnoo Romai and Veena Devi.

Related Issues

2.1.14 Utilisation of Government receipt towards departmental expenditure

State Financial Rules provide that Government receipts cannot be utilised towards departmental expenditure and should be deposited into Government Treasury immediately after realisation. Sale proceeds of tender documents and processing fees should be treated as Government receipt and deposited into Government Treasury. Rules further provide that all the monetory transactions should be entered in the Cash Book as soon as they occur.

Scrutiny of records revealed that Government receipts aggregating ₹ 21.44 crore were realised by the Director, Energy on account of sale proceeds of tender documents and processing fee during April 2010 to March 2012. Of this, ₹ 3.06 crore was utilised towards departmental expenditure such as consultancy and technical services, purchase of furniture, computers, survey and contract works, etc., and the balance amount of ₹ 18.38 crore remained in a bank account (savings: ₹ 0.54 crore) and in the shape of fixed deposit receipts (₹ 17.84 crore). These are against the Financial Rules and may lead to financial impropriety.

In the exit conference, the Additional Chief Secretary stated (November 2012) that irregular utilisation of Government receipt will be got regularised by obtaining sanction of the Finance Department.

2.1.15 Monitoring

(i) Mandatory Inspection of Operational Projects

The State's Hydro Power Policy stipulates that an agreement executed with the IPP shall remain in force upto a period of 40 years from the scheduled commercial operation date. Thereafter the project shall be reverted to the State Government free of cost and free from all encumbrances. Accordingly, the project developer is required to maintain the project assets in a condition that would ensure a residual life of the project at the rated capacity for at least 30 years at any point of time. During 10th, 20th, 30th and 35th years of operation, the State Government should carry out a mandatory inspection of the project site.

Scrutiny of records revealed that Hydro power project, Malana-I (Installed capacity: 86 MW) in district Kullu was commissioned in July 2001 but its mandatory inspection which was due during 2011 was not carried out as of June 2012.

The Director stated (June 2012) that since the provision for quality checks for residual life of 30 years had been incorporated in 2006-07, the agreements in respect of projects commissioned prior to it did not contain this provision. The reply is not acceptable as the matter should have been brought to the notice of the State Government for taking necessary remedial action.

The State Government stated (November 2012) that the mandatory inspections will be carried out through the consultants empanelled in September 2012. The consultants have been asked (September 2012) to conduct the inspections and submit a report within 30 days.

The reply indicates that the inspections have been delayed by more than a year. Further, the report of the consultant have also not been submitted within the stipulated time of 30 days from September 2012.

In the exit conference, the Additional Chief Secretary assured (November 2012) that mandatory inspection was underway.

(ii) Non-creation of an authority for management of Hydro Power Project

The Hydro Power Policy, envisages creation of an Authority of Hydro Power Project Safety, Quality Control and Management of water flow and discharge, for monitoring of construction, design of each project, management system, release of water downstream from the diversion point, besides imposing fine/ penalty for violations. It was noticed that such an authority was not established as of May 2012. Resultantly, the required checks over quality of construction and design of projects, safety and management system, release of water downstream, etc., remained to be ensured.

In reply, the State Government stated (November 2012) that a proposal with regard to creation of an authority on project safety, quality control, management of water flow, etc., is under consideration of the Directorate of Energy and being submitted for approval of the competent authority.

(iii) Non-establishment of Multi-disciplinary Committee

As per the Hydro Power Policy, a multi disciplinary committee (Committee) under the chairmanship of the Chief Minister was to be constituted to monitor the issues arising during the implementation of the projects such as employment related monitoring, relief and rehabilitation, review of progress of LADC's schemes, implementation of Catchment Area Treatment (CAT) plan, Compensatory Afforestation, Environmental Management Plan, Environmental Impact Assessment (EIA) plan, restoration of facilities which got damaged because of implementation of the projects, quality control mechanism of the project, etc. Besides, the Committee was also to review the progress of all statutory clearances, time and cost overruns of the projects, if any, and draw up a methodology to regulate the payments to be made by the company to the various departments of the State Government in connection with implementation of the projects. The Committee was required to meet quarterly.

Audit noticed that such Committee was not constituted in the State as of June 2012. Reasons for non-constitution of the Committee though called for (June 2012) by audit, were not furnished.

In reply, the State Government admitted the facts and stated (November 2012) that in August 2012, inter disciplinary committee to advise the State Government on issues related to Hydel Power Projects has been constituted. The fact, however, remains that Apex Committee as per Hydro Power Policy has not been established as yet.

2.1.16 Conclusion

Potential sites of small hydro power projects were identified on the basis of preliminary reconnaissance only and no system existed in the Department to conduct pre-feasibility studies to ensure realistic estimation of power potential. Implementation of hydro power projects was not efficient due to non-establishment of monitoring mechanism at Apex level under the Chairmanship of the Chief Minister. There were delays in approval of DPRs by the Department and completion of projects apparently due to non-existence of monitoring mechanism. There was no evidence of any punitive action being taken by the Government against any of the IPPs for defaulting on MOUs and IA conditions. On the whole, there was inefficiency on the part of the Government in ensuring power development through independent power producers and protection of environment and local needs of the people.

2.1.17 Recommendations

The Government may consider:

- conducting prefeasibility studies with due diligence so that reliable data can be obtained for computation of power potential of projects.
- constituting a high power Committee at the State level to monitor the issues arising during the implementation of the projects, review the progress of local area development schemes and implementation of environment management plans for overall efficient execution of projects.
- strengthening the Department/ Directorate through creation of inhouse expertise and capacity building in basic and core areas of functioning and reduce engagement of consultants.
- ensuring that the projects do not result in an adverse impact on the environment.

CHAPTER-III
THEMATIC AUDIT

Labour and Employment Department

3.1 Functioning of Himachal Pradesh Building and Other Construction Workers Welfare Board

3.1.1 Introduction

The Government of India (GOI) enacted (August 1996)[1] the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act) for constitution of a Welfare Board in each State to undertake social security schemes[2]. The GOI also enacted (August 1996)[3] the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act). The GOI framed (March 1998) the Building and other Construction Workers' Welfare Cess Rules, 1998 (Cess Rules). To augment the resources of the Board, Section 3 of the Cess Act as amended in September 1996 provided for levy and collection of labour welfare cess at a uniform rate of one *per cent* of the cost of construction incurred by the employer. For the safety, health and welfare of the workers, the State Government, in pursuance of sections 40 and 62 of the BOCW Act, also framed (December 2008) the Himachal Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2008 (HPBOCW Rules). The State Government constituted (March 2009) the Himachal Pradesh Building and Other Construction Workers Welfare Board (Board) to carry out welfare schemes for construction workers. The provisions of BOCW Act are applicable to every establishment which employs, or had employed on any day of the preceding 12 months, 10 or more workers in any building or other construction works. All such establishments engaged in construction activity are liable to pay cess under the Cess Act except construction activity by an employer in relation to his residence costing less than ₹ 10 lakh (excluding the cost of land).

3.1.2 Organisational set-up

To oversee the implementation of the BOCW and Cess Acts, the State Government had appointed (April 2009) the Labour Commissioner of the State as Chief Inspector and Appellate Authority, Joint Commissioner and Deputy Labour Commissioner as Inspectors for the whole State and Labour Officers and Labour Inspectors as Inspectors within their respective jurisdiction. The State Government had also appointed

1 Effective from 1 March 1996.

2 Provide loans and advances to beneficiaries for construction of houses, financial assistance for education of children, medical assistance to beneficiaries, disability pension, financial assistance for marriages, personal accident insurance scheme, etc.

3 Effective from 3 November 1995.

(April 2009) the Labour Officers[4] as Registering Officers, Assessing Officers, Cess Collectors and Authorised Officers.

The Board is headed by a Chairman nominated by the Governor. The Secretary of the Board is an officer of the Government not below the rank of Deputy Labour Commissioner. The other members of the Board are, an Under Secretary of the Ministry of Labour and Employment, GOI and 15 representatives, five each from the State Government, employers and workers.

3.1.3 Audit Objectives

The objectives of audit of the Board were to assess whether:

- Planning process for implementation of welfare measures was effective;
- Fund management was efficient and effective;
- Welfare measures were implemented effectively;
- Human resource management was effective; and
- Monitoring and internal control mechanism was in place and effective.

3.1.4 Scope and Methodology of Audit

In the course of test-check during compliance audit, the records maintained in the offices of the Board, Shimla, Labour Commissioner (Chief Inspector), Shimla and four[5] out of 12 Labour Officers for the period 2009-12 were test-checked by adopting the sampling method of Probability Proportionate to Size Without Replacement (PPSWOR) in audit during June-July 2012. Replies of the implementing agencies have been considered while arriving at audit conclusions.

Audit Findings

3.1.5 Planning for implementation of Act

3.1.5.1 Delay in formation of Himachal Pradesh Building and Other Construction Workers Welfare Board

The implementation of the BOCW Act, 1996 was not ensured expeditiously by the State Government which took more than 12 years to constitute the Board after enactment of the Act, *ibid*. As a result, the implementation of the provisions for safety and welfare of the workers were not complied with upto March 2009. The Labour Commissioner attributed (July 2012) the delay in the constitution of the Board to non-completion of codal formalities at various levels. The reply is not convincing as requisite codal formalities should have been completed in a time bound manner to provide social security and other

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[4] Baddi, Bilaspur, Chamba, Dharamshala, Kinnaur, Kullu, Mandi, Nahan, Rampur, Shimla, Solan and Una.

[5] Bilaspur, Chamba, Dharamshala and Kinnaur.

welfare measures envisaged for the benefit of the workers. The delay on the part of the State Government is also evident from the fact that the State Government constituted the Expert Committee to advise the Government for making Rules after a delay of more than seven years from the enactment of the BOCW Act by the GOI.

3.1.5.2 Shortfall in conducting meetings of the Board

Rule 253 of HPBOCW Rules, 2008 provides that the Board shall ordinarily meet once in two months.

Scrutiny of records (June 2012) revealed that during 2009-12 against the required 18 meetings, only 10 meetings were held which resulted in shortfall of eight meetings thereby affecting effectiveness in the implementation of the BOCW Act in the required manner. Although insurance schemes for the benefit of the workers was discussed in one of these meetings (July 2011), major issues discussed in the other meetings related to maintenance of accounts, hiring of office building, purchase of vehicle, preparation of identity card to workers, fixing of registration fee, appointment of staff on outsource basis, etc. This showed ineffectiveness of the Board in ensuring implementation of the BOCW Act in the required manner.

The Secretary of the Board stated (July 2012) that due to lack of infrastructure and other basic requirements for the newly created Board, the time schedule of meetings could not be adhered to. The reply does not explain as to why required priority was not given because of which the requisite infrastructure could not be provided to the Board for its smooth functioning.

3.1.5.3 Constitution of State Advisory Committee

As per the BOCW Act 1996 the State Government was to constitute a State Advisory Committee (SAC) consisting of a chairperson, two members of the State Legislature, a member from GOI, Labour Commissioner of the State as Chief Inspector, seven to eleven nominees of the State Government representing employers, building workers, etc., to advise the State Government on matters arising out of the administration of the Act.

It was noticed in audit that the State Government constituted the SAC in May 2011 after a delay of more than 14 years from the enactment of the Act. The SAC was required to meet at least once in six months. However, no meeting was held as of July 2012. Thus, even after its formation it had not delivered any advice to the State Government as of July 2012. The Labour Commissioner stated (July 2012) that no exigency for holding the meeting of the SAC had arisen. The reply is not acceptable because it was mandatory to hold such meetings under the HPBOCW Rules 2008. The inordinate delay in the formation of the SAC itself indicates a lack of will and initiative on the part of the

Government to take the issue of worker welfare forward through eliciting suitable expert advice on the subject.

3.1.5.4 Identification of beneficiaries

As per provisions of the BOCW Act, construction workers between the age group of 18 and 60 years who have completed 90 days of service as a building worker during the preceding 12 months, after registration and receipt of identity cards are eligible as beneficiaries under the Act.

The State Government had not devised any system to ascertain the actual number of eligible beneficiaries in the State. An ad-hoc target for identification of beneficiaries was fixed during the year 2011-12 for the Registering Officers whereas no targets were fixed prior to this period. Against the target of estimated number of 37,000 construction workers to be registered during 2011-12, only 5,214 workers were registered with the shortfall working out to 86 *per cent*. This shows that the efforts of the State Government to secure the interest of workers involved in construction activity in the State were deficient. The Labour Commissioner stated (July 2012) that no survey for ascertaining the exact number of workers was conducted and as such no data was available with the Department. However, only an ad-hoc target was fixed for 2011-12. Thus Department's inefficiency to ensure identification of exact number of beneficiaries workers led to non-implementation of the BOCW Act in an effective way.

3.1.6 Financial management

3.1.6.1 Financial resources of the Board

The Board requested the State Government to sanction Grant-in-Aid or loan in May 2009 for carrying out its functions. The Finance Department in August 2009 expressed its inability to provide Grant-in-Aid or loan. Hence the cess collected under the Cess Act, registration fee from employers and workers and monthly subscription from the workers were the only financial resources (Fund) of the Board. The fund was required to be applied by the Board for meeting the expenses on welfare schemes[6] of workers, salaries, allowances and other remunerations of the members, officers and other employees and other administrative expenses, etc., of the Board. The year-wise position of funds

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6 Maternity benefits, pension, advances for purchase or construction of houses, disability pension, loans for tools, payment of funeral assistance, death benefits, medical assistance, financial assistance for education and marriage of children, premia for group insurance scheme, assistance in case of accidents, etc.

received and expenditure incurred there against during 2009-12 is given in **Table 3.1** below:

Table-3.1

(₹ in crore)

Year	Opening balance	Cess received	Subscription and Registration fee collected	Misc. Income/ Interest received	Total funds available	Expenditure incurred		Balance
						On Welfare Scheme	Other Expenditure	
2009-10	0	24.20	0	0.07	24.27	--	0.21	24.06
2010-11	24.06	42.63	0.01	0.48	67.18	--	0.30	66.88
2011-12	66.88	40.58	0.04	1.01	108.51	0.04	0.33	108.14
Total		**107.41**	**0.05**	**1.56**		**0.04**	**0.84**	**108.14**

Source: Figures supplied by the Board. Figures for 2011-12 are based on unaudited accounts.

From the above Table, it would be seen that during 2009-12 the Board received ₹ 107.46 crore (cess: ₹ 107.41 crore and subscription: ₹ 0.05 crore), out of which only ₹ 0.88 crore on welfare schemes (₹ 0.04 crore) and establishment and other expenditure (₹ 0.84 crore) was spent during the above period. The balance amount of ₹ 108.14 crore including interest of ₹ 1.56 crore earned on bank deposits during 2009-12 was lying unutilised in the banks in the shape of Fixed Deposit Receipts (₹ 106.77 crore) and in savings bank account (₹ 1.37 crore) respectively.

3.1.6.2 Unauthorised expenditure on administrative expenses

Section 24 (3) of the BOCW Act 1996 provides that administrative expenses of the Board, in any financial year should not exceed five *per cent* of the total expenditure incurred during that year.

It was noticed in audit that against the expenditure of a maximum of ₹ 0.05 crore (five *per cent* of total expenditure of ₹ 0.88 crore) required to be incurred on salaries and other administrative expenses during the period 2009-12[7], the Board had incurred an expenditure of ₹ 0.84 crore. Thus, expenditure of ₹ 0.79 crore being administrative costs incurred during the period 2009-12 in contravention of the provisions of the BOCW Act was irregular.

The Secretary of the Board stated (July 2012) that most of the expenditure was incurred on committed liabilities like purchase of office equipment/ furniture, vehicle and other administrative expenses to facilitate the workers. The reply is not acceptable as it was contrary to the norms laid down in the BOCW Act.

[7] Required expenditure (2009-10: ₹ 0.01 crore; 2010-11: ₹ 0.02 crore and 2011-12: ₹ 0.02 crore).
Actual expenditure (2009-10: ₹ 0.21 crore; 2010-11: ₹ 0.30 crore and 2011-12: ₹ 0.33 crore).

3.1.6.3 Non-assessment of Cess

Section 4 of the Cess Act provides that every employer carrying out the building and other construction work is liable to furnish a return to the Assessing Officer i.e. Labour Officer within 30 days of payment of cess and the Assessing Officer on receipt of the return is required to make an assessment order within a period of six months specifying the amount of cess due, cess paid and the balance amount payable, if any.

In all the four[8] test-checked Labour Offices, audit noticed that though 219[9] employers had paid cess aggregating ₹ 50.52 crore during 2009-12, the requisite returns were not furnished within the prescribed period to pass an assessment order within the specified period of six months by the concerned Labour Officers specifying the amount of cess due, cess paid and the balance amount of cess, if any payable.

The concerned Labour Officers stated (July 2012) that despite issuance of notices, returns were not being filed by the employers. The replies of the Labour Officers are not acceptable as in the event of non-filing of returns, they could have initiated action for the assessment of cess on their own under section 5(2) of the Act *ibid*. Thus, inaction to do so resulted in non-levy and collection of exact amount of cess from the defaulting employers.

3.1.6.4 Improper deduction of cess collection charges

The Cess Rules provide that the proceeds of the cess collected shall be transferred by the government officers, Public Sector Undertakings, local authorities or cess collector to the Board alongwith the form of the challan prescribed under the accounting procedures of the State after deducting the actual collection expenses from the cess collected not exceeding one *per cent* of the total amount collected.

It was noticed that the cess collectors deposited ₹ 107.41 crore during 2009-12 with the Board after deducting the collection charges at the flat rate of one *per cent* of the total cess collected instead of ascertaining the actual collection expenses. The Labour Commissioner (July 2012) admitted the facts. Thus, in the absence of any record of actual cost of collection of cess, the authenticity of collection charges deducted by the cess collectors could not be verified in audit.

3.1.6.5 Unrealistic budget estimates and non-submission to State Government and to the Government of India

Section 25 of BOCW Act, 1996 provides that the Board shall prepare during each financial year its budget for the next financial year, showing the estimated receipts and expenditure of the Board and forward the same to the State Government and to the GOI.

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8 Bilaspur, Chamba, Dharamshala and Kinnaur.

9 Except one case highlighted in paragraph 3.1.6.6.

The year-wise position of the estimated receipts, actually realised and expenditure thereagainst during 2009-12 is given in **Table 3.2** below:

Table-3.2

(₹ in crore)

Year	Receipts		Expenditure	
	Estimates	Actual	Estimates	Actual
2009-10	Not prepared	24.27	1.72	0.21
2010-11	28.60	43.12	24.83	0.30
2011-12	60.29	41.63	2.52	0.37

Source: Figures supplied by the Board.

From the above Table, it would be seen that against the estimated receipts of ₹ 28.60 crore and ₹ 60.29 crore during the years 2010-11 and 2011-12, the receipts of the Board were ₹ 43.12 crore and ₹ 41.63 crore respectively. Similarly, against the budget estimates of expenditure of ₹ 1.72 crore, ₹ 24.83 crore and ₹ 2.52 crore for the years 2009-10, 2010-11 and 2011-12 respectively, the Board had incurred an expenditure of ₹ 0.21 crore, ₹ 0.30 crore and ₹ 0.37 crore respectively. Thus, the budget estimates of receipts and expenditure were quite unrealistic. Besides, the budget estimates for the aforesaid period had also not been submitted to the State Government and the GOI as required under the BOCW Act.

While admitting the facts, the Secretary of the Board stated (November 2012) that due to delay in posting of a regular Secretary and Accounts Officer, the accounting procedure and Head of Accounts could be finalised only in January 2011. The Secretary further stated that the budget estimates for 2012-13 have been submitted to the State Government. Thus, fund management by the Board was not ensured in an efficient way and it impacted upon the implementation of welfare schemes as brought out in paragraph 3.1.7.1.

3.1.6.6 Deficiency in collection of cess

As per Cess Rules, 1998, where the duration of the project or construction work exceeds one year, the employer is required to pay cess within 30 days of the completion of one year from the date of commencement of the work and every year thereafter on the cost of construction incurred during the relevant period.

Scrutiny of the records of Labour-cum Cess Assessing and Collecting Officer Dharamshala revealed that M/s SPML Infra Limited (firm) commenced construction work of four projects in May 2005. These projects had not been completed as of July 2012 and cess of ₹ 54.90 lakh was required to be recovered from the firm as of 31 March 2012 as assessed by the above assessing officer. Against this, ₹ 16.99 lakh had been recovered as of September 2012 and the balance amount of ₹ 37.91 lakh[10] was yet to be recovered.

The Labour Officer, Dharamshala stated (November 2012) that the concerned firm in this regard had filed a petition before the State High Court in August 2012 and obtained stay orders.

3.1.7 Welfare measures

3.1.7.1 Implementation of the welfare schemes by the Board

As per the provisions of the BOCW Act, the Board was required to implement welfare schemes for workers as mentioned under paragraph 3.1.6.1.

Out of the total expenditure of ₹ 88 lakh incurred by the Board during 2009-12, only ₹ 3.51 lakh (4 *per cent)* was spent during 2011-12 on four[11] welfare activities covering 2866 workers.

Evidently, the Board spent negligible amount (₹ 0.04 crore) on welfare activities and huge amounts (₹ 108.14 crore) remained unutilised in bank accounts as brought out in paragraph 3.1.6.1. Thus, the objective of levying cess for regulating the employment and service conditions of the building and other construction workers was not being achieved.

The Secretary of the Board stated (July 2012) that all the beneficiaries who had applied for assistance had been covered under the scheme. The reply is indicative of the fact that there was no proper mechanism for spending the cess proceeds on welfare schemes. Also, the Board had not taken any *suo motu* initiative to formulate the modalities for implementation of the approved welfare schemes during the past three years.

3.1.7.2 Registration of establishments and workers

The BOCW Act 1996 provides that every employer is required to make an application with prescribed fee for the registration of his establishment within a period of sixty days of the commencement of the Act or within sixty days from the date on which Act becomes applicable to the establishment and similarly every construction worker is also required to be registered accordingly. As stated in para 3.1.2, the Labour Officers of the Labour and Employment Department nominated as Registering officers were responsible for registration of establishment and workers.

It was noticed in audit that for the year 2009-10 the data relating to actual number of establishments associated with the construction activities and construction workers employed on works in the State was not available with the Department/ Board.

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10 AWA HEP: ₹ 6.40 lakh; NEOGAL HEP: ₹ 7.08 lakh; IQU HEP: ₹ 12.31 lakh and LUNI HEP: ₹ 12.12 lakh.

11 Medical assistance (₹ 0.02 lakh to four workers), assistance in case of death (₹ 0.25 lakh to two workers), educational assistance (₹ 0.40 lakh to 24 workers) and Insurance Premia (₹ 2.84 lakh of 2836 beneficiaries).

The details of establishments and construction workers registered in the State and in test checked four units are given in **Table 3.3** below:

Table-3.3

(In numbers)

Labour Offices	2009-10			2010-11			2011-12		
	E	R	W	E	R	W	E	R	W
State level	Not available			368	3680	1276	267	2670	5214
Bilaspur	4	40	0	3	30	31	46	460	674
Chamba	12	120	0	17	170	151	21	210	259
Dharamshala	29	290	0	24	240	23	10	100	627
Kinnaur	7	70	0	39	390	115	7	70	179

Source: Data supplied by Board and Labour Officers.

Note: E denotes establishments, R denotes minimum number of workers required for registration of the establishments and W denotes workers.

From the above Table, it would be seen that there was a mismatch between the figures of establishments and workers registered during the year 2010-11 at State level and during 2009-10 and 2010-11 at the level of test checked Labour Offices as minimum of 10 workers would make an establishment eligible for registration under the BOCW Act. The Labour Commissioner stated (November 2012) that it was not mandatory for the Building and Other Construction Workers to get themselves registered with the Board under Section 12 (1) of the Act as beneficiaries. It was a voluntary decision for them to make an application for registration to the authorised officer along with prescribed documents, fee and subscription. The reply is indicative of the fact that the Labour Commissioner/ Board and the Labour Officers did not take any initiative for proper registration of the workers.

3.1.7.3 Issue of identity cards and renewal of registrations

The necessary data for issue of identity cards and renewal of membership of construction workers during the period 2009-12 was not available at the State level with Labour Commissioner and the Board. However, out of 410 workers registered during 2009-12, the Labour Officer, Chamba (test checked) had not issued identity cards to 195 workers as of July 2012. Registrations had also not been renewed in respect of 249 workers in three test checked Labour Offices (Bilaspur: 18, Chamba: 195 and Kangra: 36). In respect of non-issue of identity cards and renewal of registration, the respective Labour Officers stated (July 2012) that the same could not be issued/ renewed due to migration of labourers.

3.1.7.4 Shortfall in conducting of inspections

For effective monitoring of the provisions of the BOCW Act, the State Government has not fixed any time schedule for conducting inspection of construction work sites by the Chief Inspector and other Inspectors at the State level. However, the Labour Commissioner as Chief Inspector has fixed Labour Officer wise norms ranging between three to five inspections per month for conducting inspection of work sites by Labour Officers and Labour Inspectors under BOCW Act.

It was noticed that the Chief Inspector and other Inspectors at the State level had not conducted any inspections during the period 2009-12. The year-wise position of the number of inspections conducted by the Labour Officers and Labour Inspectors in the State as a whole and in the test checked four units[12] for the years 2009-10 to 2011-12 is given in **Table 3.4** below:

Table-3.4

(In numbers)

Year	Inspections by Labour Officers and Labour Inspectors in State as whole				Inspections by Labour Officers and Labour Inspectors in Test Checked Labour Offices			
	Required	Actually conducted	Shortfall	Percentage (shortfall)	Required	Actually conducted	Shortfall	Percentage (shortfall)
2009-10	1860	170	1690	91	672	38	634	94
2010-11	1860	459	1401	75	672	157	515	77
2011-12	1860	507	1353	73	672	121	551	82
Total	**5580**	**1136**	**4444**		**2016**	**316**	**1700**	

Source: Figures supplied by the Board.

As is seen from the above Table, in the State during 2009-12 there was huge shortfall in conducting inspections ranging between 73 and 91 *per cent*. In the test-checked units shortfall in conducting inspections in the corresponding period ranged between 77 and 94 *per cent*.

In reply, the Labour Commissioner stated (July 2012) that due to multifarious nature of duties of the Labour Officers it is difficult for them to have adequate time for the conduct of inspections under Act/ Law. The reply is not acceptable as he himself fixed the norms for inspections and did not exercise proper check over working of Labour Officers.

3.1.8 Human resource management

3.1.8.1 Sanctioned strength and persons-in-position

- **At State Government level**

The State Government had not sanctioned any separate staff for implementation of BOCW Act. However, the State Government had assigned the implementation of the Act to the following officers of the Labour and Employment Department.

Officers of Labour Department	PIP		Designation in Welfare Board
Labour Commissioner	01	➡	Chief Inspector- cum-Appellate Authority
Joint Labour Commissioner Deputy Labour Commissioner	01 01	➡	Inspectors
Labour Officers posted at zonal Headquarters	12	➡	Registering authority, cess assessment and collector and inspection of works sites
Labour Inspectors	26	➡	Inspection of works sites falling in their jurisdiction

Note: PIP: Persons-in-Position

Audit observed that the sanctioned strength at Government level was not adequate for implementation of the provisions of the Act. While admitting the facts, the Labour

12 Bilaspur, Chamba, Dharamshala and Kinnaur.

Commissioner stated (July 2012) that the above staff was not able to devote full time attention to implement the BOCW Act and the Cess Act as they had other pressing commitments to discharge.

- **At Board level**

The staff sanctioned for the Board and persons-in-position thereagainst during 2009-12 was as under:

Table-3.5

Sl. No.	Category of staff	Sanctioned strength	Person-in-position
1.	Secretary-cum- Chief Executive Officer	1	1
2.	Accounts Officer/ Section Officer	1	1
3.	Personal Assistant	1	1
4.*	Computer Operator	--	1
5.*	Data Entry Operator	--	13
6.*	Peon/ Chowkidar/ Sweeper	--	5
7.*	Driver	1	1

* Note: Staff at Sl. No. 4 to 7 to be outsourced.

The Secretary of the Board stated (November 2012) that the State Government has sanctioned 72 additional posts on outsource basis and the process of filling up of these posts is under progress.

3.1.9 Monitoring and internal control

3.1.9.1 Internal Audit and Internal Control Systems

Internal Audit and Internal Control Systems are important mechanisms for ensuring smooth working of an organisation. While effective Internal Control Mechanism helps in exercising check on various activities of the organisation, Internal Audit acts as an effective tool in exercising check on expenditure. It also ensures that various systems are functioning properly.

Audit scrutiny revealed that the Board has not introduced any Internal Audit Systems as of July 2012 in order to ensure effective control in exercising checks on various activities of the Board including its finances.

While admitting the fact, the Secretary of the Board stated (November 2012) that the Board has now approved to introduce the system of internal audit and the same will be implemented soon.

3.1.9.2 Non-preparation of Annual report

As per rule 291 of the HPBOCW Rules, the Board was required to prepare a report on its functioning during every financial year and approve it before 15th of June next year and submit to the Government before 31st July of that year.

It was noticed in audit that, as of November 2012, the Board had not prepared the requisite annual reports for the financial year 2011-12. The Secretary of the Board attributed (November 2012) non-preparation of annual report of 2011-12 to non-conducting of audit of the Board.

3.1.10 Conclusion

The State Government started implementation of the BOCW and Cess Acts after a delay of more than 12 years from their enactments. The Himachal Pradesh Building and Other Construction Workers Welfare Board after its constitution in March 2009 did not take any initiatives to formulate the modalities for implementing the welfare schemes as of July 2012. The State Advisory Committee constituted after a delay of more than 14 years of enactment of Act also proved ineffective as neither any advice for proper administration of the Act was rendered by the Committee nor was any meeting held as of July 2012. The crucial aspects of identification of beneficiaries and registration of establishments and implementation of welfare schemes for workers were not given due priority. As a result, huge funds to the extent of ₹ 108 crore remained unutilised with the Board in bank accounts. On the one side no measures were taken to provide benefit to the workers (₹ four lakh was spent) and on the other side huge expenditure to the tune of ₹ 88 lakh was incurred on establishment and other expenditure. The monitoring mechanism was also weak and internal audit system had not been instituted by the Board as of July 2012.

3.1.11 Recommendations

- The Government may consider to ensure effective implementation of the provisions of the Act.
- The Board may take effective steps to keep a proper database with regard to registration of establishments and conduct of proper survey for identification of total number of building and other construction workers in the State.
- The Board may formulate the modalities for implementing the approved welfare schemes on priority basis.
- The State Advisory Committee may also provide its expert inputs for implementation of approved welfare schemes for the benefit of workers.
- Effective monitoring mechanism and internal control systems may be put in place for proper implementation of the Act and follow up of the welfare schemes for the benefit of workers.

CHAPTER-IV
AUDIT OF TRANSACTIONS

Excess/ overpayment/ wasteful/ unfruitful/ infructuous expenditure

Public Works Department

4.1 Unfruitful expenditure on execution of road and bridge

The failure of the Department in ensuring timely completion of road and bridge work that led to non-availability of road connectivity and unfruitful expenditure of ₹ 4.67 crore.

In order to provide road connectivity to two villages of Kullu district, construction of 1.945 km long link road alongwith a bridge of 100 metres span over river Satluj at km 0/475 was administratively approved (February 2007) under RIDF[1]-XII scheme of NABARD[2] for ₹ 3.57 crore and was stipulated to be completed by 2009. An amount of ₹ 4.67 crore[3] had been spent on these works upto May 2012.

Scrutiny of records (December 2011) of Nirmand division and further information collected (June-November 2012) revealed the following:

(i) The Department awarded (March 2007) the construction of road to a contractor for ₹ 66.74 lakh with a stipulation to complete it in 12 months i.e. by 29 March 2008. The contractor commenced the work in April 2007 and upto 5th running account bill paid in November 2010, only formation cutting of road for value of ₹ 41.50 lakh was done and he left the remaining work component such as cross drainage and soling unexecuted due to non-completion of bridge work. Thereafter the work has been lying in a suspended state as of May 2012.

(ii) The Department awarded (October 2007) construction of a 100 metre span bridge at km 0/ 475 to another contractor at a tendered cost of ₹ 4.65 crore to be completed in 18 months. The contractor took up execution in October 2007 but did not maintain the required pace of execution. He could execute the work for value of ₹ 2.89 crore upto 12th running account bill paid in March 2012.

The Executive Engineer levied compensation of ₹ 34.87 lakh in May 2009 (₹ 9.30 lakh) and November 2011 (₹ 25.57 lakh) upon the contractor of bridge work. However, the amount was not recovered from the running bills of the contractor paid in the intervening period. Audit also noticed that for due performance of the contract, performance bond/ Bank Guarantee of ₹ 23.25 lakh equal to five *per cent* of tendered cost was also not obtained as required under clause 13 of the contract agreement to safeguard the interest of Government.

1 RIDF: Rural Infrastructure Development Fund.
2 NABARD: National Bank for Agriculture and Rural Development.
3 Payment to contractors: ₹ 3.30 crore; Expenditure on material incurred by the Department: ₹ 1.37 crore.

On this being pointed out in audit, the Department granted (May 2012) extension of time to the contractor upto 28 February 2013, waived off recovery of compensation subject to completion of work within the extended period and also obtained (October 2012) Bank Guarantee of ₹ 23.25 lakh.

The Executive Engineer intimated (November 2012) that the contractor has done 65 *per cent* superstructure work of the bridge. The reply does not explain as to why the contractor could not maintain progress of work as stipulated in the contract agreement.

Thus, the inefficiency on the part of Department to enforce contractual provisions effectively had badly delayed the work and the intended facility of road and bridge to be made available by 2009 to the villagers still remained to be achieved despite incurring an expenditure of ₹ 4.67 crore.

The audit findings were referred to the Government in April 2012. The reply had not been received (November 2012).

4.2 Unfruitful expenditure on construction of incomplete road

The failure of the Department in ensuring timely completion of road alongwith two bridges resulted in unfruitful expenditure of ₹ 1.04 crore on incomplete road.

To provide all weather road connectivity to 10 villages of Hamirpur district, improvement of existing 7.015 kms long Pansai, Ramnagar, Majheli, Tarkheri Bhumpal road was administratively approved (January 2005) under RIDF-X scheme of NABARD for ₹ 1.19 crore. The scope of work included widening from km 0/0 to 2/465 and 3/630 to 7/015, construction of cross/ side drains and construction of two bridges of 25 and 10.76 metres span at km 0/230 and 6/620 respectively and was stipulated to be completed by March 2007.

Scrutiny of records (December 2011) of Barsar division revealed that the Department took up (January 2006) the execution of road on the basis of working estimate approved (July 2005) by the Chief Engineer (Central Zone), Mandi, for ₹ 65.32 lakh. Technical sanction for the entire project including bridges was, however, not obtained. The Department had executed the road work except from km 0/0 to 0/495 in November 2010 by spending of ₹ 1.04 crore and construction of road from take off stretch i.e. km 0/0 to 0/495 and bridge at km 0/230 could not be taken up due to involvement of private land. Audit noticed that at the time of sending detailed project report, the Department had furnished the certificate of completion of process of land acquisition from the Forest Department and the individual. The road work was lying in a suspended state since November 2010.

The construction of second bridge at km 6/620 was awarded (January 2009) to a contractor for ₹ 33.22 lakh but he did not start the work and contract was terminated in February 2010. The work was re-awarded (October 2010) to another contractor for ₹ 35.25 lakh with a stipulation to complete it in one year i.e. by November 2011. The contractor could not maintain the pace of execution of work as per approved working schedule and executed only five *per cent* work upto August 2011 which was still incomplete. The Department had levied compensation of ₹ 3.53 lakh in August 2011 but recovery from the defaulting contractor was not made as of March 2012.

In reply the Executive Engineer stated (December 2011) that the owner of the land was not ready to donate the land falling at the initial stretch of road i.e. km 0/495. The reply is not acceptable as in the DPR prepared by the Department, false certificate of acquisition of land was given, without securing encumbrance free land at the take off point.

Thus, the faulty planning of the Department to ensure encumbrance free land had not only rendered the expenditure of ₹ 1.04 crore on incomplete road unfruitful but also resulted in non-accrual of timely benefit of road facility to the people of the area.

The audit findings were referred to the Government in April 2012. The reply had not been received (November 2012).

4.3 Non-achievement of objectives due to inefficient implementation of work

Due to inefficiency of the Department for the objectives for providing proper road connectivity to seven villages could not be achieved despite incurring expenditure of ₹ 2.05 crore on road and incomplete bridge.

The primary objective of *Pradhan Mantri Gram Sadak Yojana* (PMGSY) is to provide good and all weather road connectivity in rural areas. To provide road connectivity to seven[4] villages of Kangra district, construction of 10 km long link road from Kangra Railway Station to Radh was completed in May 2006 under PMGSY after incurring an expenditure of ₹ 86.25 lakh. Also as per PMGSY guidelines, it shall be the responsibility of the State Government/ District Panchayat to ensure that lands are available for taking up the proposed road works. A certificate of land availability should also accompany each road work.

Scrutiny of records (March 2012) of Kangra division and further information collected (May-September 2012) revealed that at the initial stretch of road fell Baner *khad,* due to which proper connectivity to above villages was not available. In order to mitigate this problem, the State Government administratively approved (October 2007) construction of 68 metre pre-stressed box girder span bridge over Baner *khad* at km 0/300 alongwith Railway Over Bridge (ROB) at km 0/385 under RIDF-XIII scheme of NABARD for ₹ 3.16 crore. The State Government was to ensure clear title of the land before requesting the Railway authorities to take up the bridge work. The work was stipulated to be completed by March 2010.

[4] Dehra, Arla, Bhatti, Tarsuh, Scout, Palwana and Mundla Dhar Lilly.

Audit scrutiny further revealed that construction of 68 metre span bridge was awarded (February 2009) to a contractor at a tendered cost of ₹ 1.25 crore with stipulation to complete it in one year i.e. by 14 March 2010. The contractor commenced the work in February 2009 but failed to complete it by the stipulated date. The Department did not take any action against the defaulter contractor for delay in completion of work. However, the Department served notice to the contractor and granted provisional time extension upto 30 June 2012 in March 2012 when the matter was pointed out in audit. An amount of ₹ 1.19 crore had been spent on the bridge upto August 2012. The construction of ROB at km 0/ 385 was also yet to be taken up as clear title of the land was not yet handed over to the railway authorities (August 2012).

The Executive Engineer (EE) stated (June 2012) that the work was delayed due to site specific problems during execution and dispute over boundary with railway authorities. He also stated that no action was taken against the contractor. The reply is not acceptable in view of the fact that no documentary proof of hindrances, if any encountered during execution of work was made available to audit. Further, while granting time extension, the contractor was held responsible for delay in completion of work. So far as dispute over boundary with railway authorities is concerned, the responsibility to ensure availability of land for each road work under PMGSY also lies with the State Government.

Thus, due to inefficient approach on the part of the Department in execution of the bridge with no progress of ROB, the desired objective of benefitting the people of the area with all weather road connectivity by March 2010 remained to be achieved despite incurring expenditure of ₹ 2.05 crore on road and incomplete bridge.

The audit findings were referred to the Government in June 2012. The reply had not been received (November 2012).

4.4 Wasteful expenditure on construction of road

Failure of the Department to ensure Technical viability of road alignment resulted in wasteful expenditure of ₹ 55.38 lakh on incomplete road. Also Government dues of ₹ 18.07 lakh remained unrecovered for more than three years from a contractor.

The Executive Engineer (EE), Solan division awarded (November 2005) construction of Kandaghat-Mahi-Karol road (km 0/0 to 5/0) under RIDF-XI scheme of NABARD to a Chopal (Shimla district) based contractor at tendered cost of ₹1.03 crore. The work was technically sanctioned (August 2005) by the Chief Engineer, South Zone and was stipulated to be completed within 15 months viz., by February 2007. The contractor took up execution of work in November 2005.

Scrutiny of records (January 2012) of the division revealed that the contractor did not maintain the pace of work as stipulated in the agreement which led to non-completion of work by the prescribed date. After executing work for value of ₹ 32.44 lakh, the contractor stopped (June 2007) its execution without giving any reasons. The Department levied (May 2008), 20 *per cent* (₹ 20.63 lakh) compensation of the tendered cost under Clause 2 of the agreement. The contract was ultimately terminated (July 2008) under Clause 3(a) of the agreement due to non-resumption of the work by the contractor. The final bill of the contractor showed an amount of ₹ 18.07 lakh[5] recoverable after adjustment of payment due to him.

The balance work, after splitting up in four jobs[6], was awarded (August and December 2009) to three[7] contractors for ₹ 1.31crore with the stipulation to complete them between August and December 2010. Records further revealed that in one case (Job No. 2), the contractor did not commence the work within the prescribed period and his tender was cancelled. In other three cases, the work also remained unexecuted. The main reasons for non-execution of works were involvement of hard rock at the initial stretch (km 0/0 to 1/0) where blasting was not allowed by the local residents and passing of Railway track (km 2/0 to 5/0). The EE ultimately sought (December 2011) permission of the competent authority to close these contracts. An expenditure of ₹ 55.38 lakh[8] had been incurred on construction of road upto January 2012. This shows that proper survey and investigation of road alignment was not done by the Department before according technical sanction and award of works to the contractors.

In reply, the EE stated (January 2012) that survey and investigation was done at the initial stage but report thereof was not prepared. The reply is not acceptable as before preparation of detailed estimate, survey report of road alignment should have been kept on record to substantiate the fact of feasibility of road alignment.

Thus, Department's failure to ensure viability of road alignment rendered the expenditure of ₹ 55.38 lakh as wasteful on incomplete road and resulted in non-availability of road connectivity to beneficiary villages. Besides, Government dues of ₹ 18.07 lakh also

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Gross amount of final bill	₹ 32.44 lakh	**Recoveries from Contractor**	
Already paid upto 6th RA bill	₹ 25.31 lakh	Compensation	₹ 20.63 lakh
Recovery of stones	₹ 0.88 lakh	Security	₹ 2.71 lakh
Recovery of material	₹ 0.29 lakh	Income tax, Sales tax, Royalty etc.	₹ 0.69 lakh
Balance due to contractor	₹ 5.96 lakh	Total:	**₹ 24.03 lakh**

Net amount recoverable (₹ 24.03 lakh minus ₹ 5.96 lakh) = ₹ **18.07 lakh**.

6 (1) Construction of road km 0/0 to 1/0 (2) Construction of road km 1/0 to 2/0 (3) Construction of road km 2/0 to 4/0 and (4) Construction of road km 4/0 to 5/0.

7
- (i) Shri Lekh Ram Sharma, Shankar House, Totu, Shimla-11 (Job No.1 & Job No.2-Tendered cost ₹ 80.31 lakh).
- (ii) Shri Ranjeet Singh Pal , V & PO Dumehar, Tehsil Arki, District Solan (Job No.3-Tendered cost ₹ 29.52 lakh).
- (iii) Shri Jarnail Singh Pannu, Tehsil & District Solan (Job No.4-Tendered cost ₹ 21.62 lakh).

8 Amount paid to contractors: ₹ 32.44 lakh (including adjustment of ₹ 5.96 lakh for work done); ₹ 4.85 lakh for Job No. 1; ₹ 9.76 lakh for Job No. 3 and ₹ 8.33 lakh for Job No. 4.

remained unrecovered from the first contractor for more than three years after termination of the contract.

The audit findings were referred to the Government in May 2012. The reply had not been received (November 2012).

Undue favour to contractor/ avoidable expenditure

Irrigation and Public Health Department

4.5 Parking of funds under Deposit head, undue aid to Corporation and loss of interest

Drawal of funds in anticipation of requirements and their retention in Public Works Deposits and deposits with Corporation during February 2008 and March 2011 led to falsification of accounts, undue aid to the Corporation and loss of interest of ₹ 1.26 crore to the Government.

According to Rule 5.120 (i) of the Himachal Pradesh Treasury Rules, 2007, an Executive Engineer (EE) of Public Works and Irrigation and Public Health Department, in whose favour Letter of Credit (LOC) is issued, is not permitted to draw the whole amount and keep it in any separate drawing account whether at the Treasury or at the Bank and nor is he permitted to draw money and retain it in any other manner. In respect of the following cases, the amounts drawn were neither fully spent for the specific purposes nor refunded into Treasury before closure of financial year 2011-12. Further, Rule 5.71 (C) (5) of the Himachal Pradesh Treasury Rules, 2007 provides that unspent fund at the end of the year should be deposited into Government accounts immediately.

(i) Scrutiny of the records (September 2011 and March 2012) of Jawali and Shimla-I divisions revealed that Superintending Engineers (SEs) of Nurpur and Shimla issued (31st March 2011) LOC for ₹ 7.25 crore (SE, Nurpur: ₹ 2.65 crore and SE, Shimla: ₹ 4.60 crore) leaving no time for utilisation of funds before the closure of financial year. Of this, the EEs utilised ₹ 2.10 crore[9] to clear pending liabilities of 2010-11 and drew ₹ 5.15 crore on the same day and simultaneously paid it to the Himachal Pradesh State Civil Supplies Corporation (Corporation), Shimla for procurement of cement and other material except galvanised iron pipes. Audit noticed that instead of charging the whole amount of advance payments to suspense head "Miscellaneous Works Advances" (MWA) pending receipt of material, only ₹ 1.29 crore was kept under MWA and the remaining amount of ₹ 3.86 crore was charged to construction of water supply and irrigation schemes. Audit scrutiny further discovered that neither was the requirement of material worked out before making the payment nor were supply orders issued. However, in the subsequent financial year 2011-12 between June and October 2011, the whole amount of ₹ 5.15 crore was received back from the Corporation and kept in Public Works Deposit head. An expenditure of ₹ 0.13 crore only

[9] EE Jawali: ₹ 0.98 crore and EE Shimla-I: ₹ 1.12 crore.

was incurred during the year 2011-12 on installation of hand pump and the balance amount of ₹ 5.02 crore remained unutilised as of April 2012.

(ii) In a similar case, scrutiny of records (September 2011) in the office of EE, Shah Nehar Project division, Ghandran, revealed that an advance payment of ₹ 7.86 crore was made to the Corporation during 2007-08[10] for the procurement of cement. However, it was noticed in audit that instead of charging it to MWA, it was shown as expenditure under the Shah Nehar Project, pending receipt of material. As of March 2012, cement valued at ₹ 4.84 crore had been received in the Division and the balance amount of ₹ 3.02 crore was still lying with the Corporation.

The above action of the SEs and EEs to show expenditure without its actual utilisation on works and further parking of funds under 'Public Works Deposits' resulted in depiction of incorrect picture of accounts. Besides, the Corporation was extended undue financial aid of ₹ 8.17 crore from 84 days to four years for which State exchequer sustained loss of interest of ₹ 1.26 crore (worked out on average rate of interest of 9.09 and 7.78 *per cent* on Government borrowings during 2007-08 and 2010-11).

In reply, the EE of Jawali division stated (September 2011) that budget allocation was received at the fag end of the year and there was no alternative but to charge it to the work. The EE, Shimla-I Division stated (April 2012) that LOC was received at the fag end of the year and in the interest of work, the same was not surrendered. The EE of Ghandran Division also stated (September 2011) that Shah Nehar Project is being financed under AIBP[11] and allocation of funds made was charged to the Project. These replies are not acceptable as funds were drawn in contravention of Rules 5.120 (i) of Himachal Pradesh Treasury Rules and without working out requirement of material for execution of works.

The audit findings were referred to the Government in May 2012. The reply had not been received (November 2012).

Unproductive expenditure/ idle investment/ blocking of funds/ diversion of funds

Education Department

4.6 Unproductive expenditure on construction of hostel

Expenditure of ₹ 1.81 crore incurred on the construction of hostel proved unproductive, as the hostel remained largely unutilised for want of electricity connection.

To provide hostel facilities to the Scheduled Castes (SC) students of the area, the State Directorate of Scheduled Castes, Other Backward Classes and Minority Affairs released

[10] February 2008: ₹ five crore and March 2008: ₹ 2.86 crore.

[11] AIBP: Accelerated Irrigation Benefit Programme

(2006-07) ₹ 1.65 crore[12] to the Himachal Pradesh Housing and Urban Development Agency (HIMUDA) for the construction of hostel at Netaji Subhash Chandra Bose Memorial Government College (NSCBMGC), Hamirpur under a Centrally Sponsored Scheme of Hostels for Scheduled Castes Girls and Boys.

Scrutiny (November 2011) of records of the Director, Higher Education and further information collected (February-November 2012) revealed that a hostel for SC boys was constructed at a cost of ₹ 1.81 crore in August 2008 with intake capacity of 100 students. Though the Department had deposited (November 2011) ₹ 12.96 lakh with the Himachal Pradesh State Electricity Board (HPSEB) Limited, the requisite electricity connection remained to be provided as of November 2012.

The Principal, NSCBMGC, Hamirpur admitted the facts and stated (November 2012) that the building is not being used due to non-availability of electricity connection.

Thus, due to delay in arranging electricity connection for about four years, expenditure of ₹ 1.81 crore incurred on hostel proved unproductive besides denial of proper hostel facilities to the students.

The audit findings were referred to the Government in May 2012. The reply had not been received (November 2012).

Health and Family Welfare Department

4.7 Non-setting up of special new born care units, stabilisation units and corners

Failure of the Department in floating tenders for setting up of special new born care units, stabilisation units and new born corners resulted in locking up of ₹ 1.50 crore and denial of intended medical facilities in the health institutions.

To ensure new born care and child health services, the Mission Director, National Rural Health Mission, Himachal Pradesh sanctioned and released (March 2010) ₹ 1.50 crore to the Director of Health Services (DHS) for setting up of special New Born Care Units, Newborn Stabilisation Units and New Born Care Corners in various health institutions across the State.

Scrutiny (November 2011) of records of the DHS and further information collected (March-August 2012) revealed that although the requirement of 3408 equipment from the Chief Medical Officers was finalised in October 2010, the equipment required in the health institutions for setting up of special new born care units, new born stabilisation units and new born corners had not been procured due to non-floating of tenders and the entire amount remained deposited in a bank account as of August 2012.

12 Central Assistance: ₹ 82.69 lakh and State Share: ₹ 82.69 lakh.

In response to audit, DHS stated (March 2012) that the equipment would be purchased on finalisation of tenders by the Himachal Pradesh State Electronics Development Corporation and General Industries Corporation. The Department's reply is evasive with regard to initiation of the tender process which led to a delayed positioning of the intended services to the beneficiaries.

Thus, non-finalisation of tenders resulted in locking up of Government money to the extent of ₹ 1.50 crore besides depriving the patients of the intended medical facilities in the health institutions.

The audit findings were referred to the Government in May 2012. The reply had not been received (November 2012).

4.8 Non-acquisition of Trauma Vans and Accessories

Failure of the Department in timely finalisation of tender for procurement of Trauma Vans resulted in denial of initial trauma aid to accident victims and locking of ₹ 1.75 crore in the bank for four years.

Rule 2.10 (a) of Himachal Pradesh Financial Rules (HPFRs) provides that every Government servant incurring or sanctioning expenditure from the revenues of the State should be guided by high standards of financial propriety and that each head of Department is responsible for enforcing financial order of strict economy at every step. Rule 2.10 (b) (5) (13) of HPFRs further stipulates that money should not be drawn from the treasury unless it is required for immediate disbursement. Like-wise, no funds should be drawn from treasuries for making payments in advance in respect of supplies which may not be received for months or even a year.

Scrutiny (November 2011) of records of the Director of Health and Family Welfare (DHFW), revealed that to provide trauma facilities to road-side accident victims, the State Government sanctioned (October 2007) ₹ 1.75 crore for purchase of seven ambulances (Trauma Vans) alongwith required accessories for seven health institutions[13] and purchase of accessories for the Trauma Van of Indira Gandhi Medical College, Shimla. The DHFW drew (March 2008) the entire amount from treasury and deposited it in a bank in the shape of fixed deposit receipts. The trauma vans and required accessories had not been purchased as of March 2012 due to non-finalisation of tender process and the amount remained unutilised in the bank since March 2008.

While admitting the facts DHFW stated (February 2012) that the matter could not materialise because purchase committee had not finalised the tenders. Besides, due to launching (December 2010) of '108 Atal Swasthya Sewa', the Department was planning to utilise these funds on purchase of machinery, equipment, tools and plants (METP). The

[13] **Regional Hospitals:** Chamba, Hamirpur, Kullu and Nahan; **Zonal Hospital:** Mandi; Dr. Rajendra Prasad Government Medical College and Hospital, Tanda (Kangra) and Mahatma Gandhi Medical Service Complex, Khaneri (Rampur).

reply is not acceptable as '108 Atal Swasthya Sewa', is meant for providing emergency treatment on the way and admitting the patient at the nearest hospital whereas trauma vans were to provide immediate spot facilities to the road-side accident victims. The scope and purpose of the two services is thus quite different.

Thus, the Department's failure to equip the Regional Hospitals with trauma vans to cope with the occurrence of sudden road accidents on the National Highways/ other roads is a matter of serious concern and likely to result in denial of immediate trauma aid to the accident victims.

The audit findings were referred to the Government in March 2012. The reply had not been received (November 2012).

4.9 Blocking of funds

An amount of ₹ 2.90 crore drawn from the treasury for construction of a Community Health Centre at Shri Naina Devi Ji and Administrative Block at Indira Gandhi Medical College, Shimla remained unutilised for want of encumbrance free sites.

Rules 5.71 (c) of Himachal Pradesh Treasury Rules, stipulate that no money should be drawn from the treasury unless it is required for immediate disbursement and that the advances cannot be drawn from the treasury for the execution of works, the completion of which is likely to take considerable time.

(a) Scrutiny of records (August 2010) of the Chief Medical Officer (CMO), Bilaspur and further information received (February 2012) revealed that the State Government had accorded (March-May 2010) expenditure sanction of ₹ 1.95 crore[14] for the construction of a Community Health Centre (CHC) at Shri Naina Devi Ji (Bilaspur district), a thickly populated temple town to cater to the health needs of local population. The CMO, Bilaspur without ensuring suitable encumbrance free site drew ₹ 1.95 crore and deposited[15] (March-May 2010) the entire amount with the executive agency, the Executive Engineer, Himachal Pradesh Public Works Department (HPPWD), Bilaspur. The work was, however, administratively approved for ₹ 1.34 crore in May 2011. The construction work of CHC could neither be started as of February 2012 for want of encumbrance free site nor the funds were refunded to the treasury.

The CMO stated (August 2010) that funds were drawn and deposited with executing agency on receipt of expenditure sanctions from the State Government. He further stated (February 2012) that the construction work of CHC could not be started due to non-transfer of encumbrance free land to the Health Department. The reply of the Department is not convincing as funds should have been drawn and deposited with the executing agency only after ensuring encumbrance free land.

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14 March 2010: ₹ 1.72 crore and May 2010: ₹ 0.23 crore.

15 March 2010: ₹ 0.50 crore; April 2010: ₹ 1.22 crore and May 2010: ₹ 0.23 crore.

(b) In a similar case of the Principal, Indira Gandhi Medical College (IGMC), Shimla it was noticed that the State Government accorded (March 2009) expenditure sanction of ₹ 95 lakh for the construction of Administrative Block. The funds were drawn and deposited (March 2009) with the Executive Engineer (EE), HPPWD, Shimla Division-II. Although a period of over three years had elapsed since the expenditure sanction, the work could not be started as of date (March 2012) due to non-availability of suitable land.

The Principal, IGMC stated (March and June 2012) that the work could not be started due to non-receipt of No Objection Certificate from the Secretary, Red Cross Society to whom the proposed site for construction of Administrative Block belonged. The reply is not in consonance with the provisions of the financial rules as the funds should have been drawn only after availability of encumbrance free land.

Thus, in both these cases, the indenting departments viz., CMO Bilaspur and Principal IGMC failed to exercise the requisite prudence in handling scarce Government cash which resulted in blocking of ₹ 2.90 crore for two to three years and depriving the beneficiaries of the intended benefits. Besides, no efforts were made to ensure utilisation of funds elsewhere in the needy areas.

The audit findings were referred to the Government in April 2012. The reply had not been received (November 2012).

Indian Systems of Medicines and Homeopathy Department

4.10 Non-construction of Girls Hostel

Poor planning by the Department for construction of Girls Hostel resulted in blocking of ₹ 1.67 crore and denial of intended benefits to the girl students.

Government of India (GOI), Ministry of Health and Family Welfare (MHFW) released (February 2008) Central Financial Assistance (CFA) for ₹ 1.18 crore under centrally sponsored scheme for development of AYUSH[16] institutions in Himachal Pradesh. Accordingly, the State Government accorded (September 2008) Administrative Approval and Expenditure Sanction (AA&ES) for ₹ 1.18 crore for construction of Nivedita Ayurveda Girls Hostel at Rajiv Gandhi Government Post Graduate Ayurvedic College (RGGPGAC), Paprola (Kangra District) with an intake capacity of 40 students. Mention regarding non-construction of the Girls Hostel Building at RGGPGAC, Paprola, etc., and non-utilisation of the CFA under the "Development of Ayush Institutions" scheme thereof was also made in paragraph 4.1.10 of the Report of the Comptroller and Auditor General of India for the year ended 31st March 2010 (Civil)-Government of Himachal Pradesh. PAC has not yet (November 2012) taken up this paragraph for discussion.

[16] Ayurveda, Yoga, Unani, Sidha and Homeopathy.

A further scrutiny of records (April 2012) in the office of the Director, Ayurveda and information collected (November 2012) revealed that the land for the hostel was acquired by the Department in September 2010 and the State Government accorded (November 2010) revised AA&ES for ₹ 2.02 crore against which the Director released ₹ 1.67 crore[17] (January 2011-November 2012) to the Himachal Pradesh Housing and Urban Development Authority (HIMUDA), being the executing agency.

During his visit (July 2011) Advisor (Ayurveda), GOI, MHFW, Department of AYUSH, pointed out that the existing drawings of the hostel building be revised from two to four storeys so as to house 80 students instead of 40. Consequently, the State Government accorded (March 2012) revised AA for ₹ 3.61 crore. Resultantly, even after a delay of more than four years the work had not been taken up as of August 2012.

While confirming the facts the Director stated (November 2012) that the work could not be started due to paucity of funds and procedural formalities. He further stated that no additional funds are required from the GOI and more funds will be provided by the State as and when required subject to availability. The reply does not provide an assurance as to how it can accomplish the task as the Department had not taken any initiative to go ahead with the construction of hostel building.

Thus, indecisiveness on the part of the GOI and the State Ayurveda Department resulted in non-construction of hostel and blocking of funds of ₹ 1.67 crore thereby depriving the girl students of the intended facilities.

The audit findings were referred to the Government in June 2012. The reply had not been received (November 2012).

Public Works Department

4.11 Idle investment on incomplete road

The Department did not ensure availability of land before taking up construction of a road resulting in idle investment of ₹ 1.61 crore.

In order to provide transport facility to five villages of Solan district, construction of 9.750 kms long Chanda-Sehal-Kishanpura-Kurmala-Ukhoo via Sai road was administratively approved (June 2008) under RIDF-XIII scheme of NABARD for ₹ 1.65 crore. The work was awarded (January 2008) to a contractor in anticipation of administrative approval at a tendered cost of ₹ 1.63 crore with a stipulation to complete it by January 2009. An expenditure of ₹ 1.61 crore (payment to contractor: ₹ 1.53 crore and departmental expenses: ₹ 0.08 crore) was incurred on the work upto February 2011.

Scrutiny of the records (February 2011) of Arki division and further information collected (March 2012) revealed that due to involvement of forest land in the alignment

[17] January 2011: ₹ 0.40 crore; March 2011: ₹ 1.18 crore; September 2011: ₹ 0.04 crore and November 2012: ₹ 0.05 crore.

of road, the contractor executed the work in patches from km 0/0 to 1/960 and 3/930 to 6/670 and left the construction between km 1/960 to 3/930 and 6/670 to 6/690. It was noticed that the survey and investigation was not done before preparation of Detailed Project Report for the project. It was further noticed that before award of the work, for use of forest land, prior approval of Government of India (GOI) under the Forest Conservation Act, 1980 was also not obtained. The Department, however, sent the case for diversion of forest land in July 2008 but approval for the same was still awaited. The work had been lying held up since July 2010. An amount of ₹ 1.53 crore was paid to the contractor against his 11th and final bill passed in February 2011. The Chief Engineer (South Zone) had, however, ordered (February 2011) closure of work due to pending forest clearance.

The Executive Engineer (EE) stated (August 2011) that the balance work will be carried out immediately after approval. The reply is not acceptable as the construction of road was unviable due to involvement of forest land which led to closure of work by the Department.

Thus, failure of the Department to fulfill pre-requisite formality of forest clearance to ensure encumbrance free land resulted in idle investment of ₹ 1.61 crore on partial execution of road besides depriving the people of the area of road facilities.

The audit findings were referred to the Government in April 2012. The reply had not been received (November 2012).

4.12 Unproductive expenditure on construction of roads and undue benefit to a contractor

Failure of the Department to ensure timely completion of road works lying in a suspended state for more than four years resulted in unproductive expenditure of ₹ 1.92 crore and extension of undue financial benefit of ₹ 1.44 crore to a contractor.

In order to provide road connectivity to two villages of Kinnaur district, construction of (i) Nigulsari to Tranda road (length seven kms) and (ii) Tapri (Chholtu) to Punag road (length eight kms) were approved during 2005-07 under *Pradhan Mantri Gram Sadak Yojana* (PMGSY) for ₹ 2.79 crore and ₹ 1.85 crore respectively. Both the works were awarded (April 2006 and January 2007) to a Rampur based contractor at tendered cost of ₹ 2.83 crore and ₹ 2.15 crore with the stipulation to complete them by 18 April 2007 and 4 February 2008 respectively.

Scrutiny of records (December 2011) of Karchham division and further information collected (April 2012) revealed that the contractor took up execution of works in April 2006 and February 2007 but did not achieve the pace of works as stipulated in the contract agreement. The contractor in the meantime died on 18 January 2008. He had, however, executed work for value of ₹ 1.54 crore (54 *per cent*) in respect of road at Sr. No. (i) after lapse of more than eight months from the target date of completion and in respect of road at Sr. No. (ii) work for value of ₹ 29 lakh (13 *per cent*) only was executed.

As per Clause 32.1 of Standard Bidding Document (SBD) of PMGSY, the contractor was required to furnish performance security equal to five *per cent* of contract price in the shape of Bank Guarantee (BGs) or Fixed Deposit Receipts from a scheduled commercial bank for five years plus additional security for unbalanced Bid in accordance with Clauses 27.3, 27.4 and 46 of SBD. Audit, however, noticed that the Department had obtained BGs for ₹ 28.94 lakh (₹ 17.17 lakh for work at Sl. No. (i) and ₹ 11.77 lakh for work at Sl. No. (ii)) which were valid upto 20 February 2007 and December 2007 respectively. The Department did not obtain appropriate BGs and even failed to revalidate them in time to secure the interest of Government.

The Department instead of closing the contracts after the death of contractor enlisted (May 2008) his daughter as Class 'A' contractor and allowed the execution of balance works despite her failure in possessing the requisite qualification as specified in Clause 4 of SBD. As a result, the daughter of the deceased contractor did not execute any work in respect of road at Sl. No. (i) and in respect of other road she executed extra item of work for value of ₹ nine lakh upto 2009-10 and thereafter abandoned it. In fact, both the works remained stopped after the death of the contractor. The Department, however, levied 10 *per cent* (₹ 49.88 lakh) liquidated damages of the tendered cost of both the works under Clause 44.1 of the contract in January 2011 and ultimately terminated (May 2011) the contract under Clause 52.1 of the contract agreements. Payments aggregating ₹ 1.92 crore[18] were made to the contractor and his legal heir against running account bill after withholding an amount of ₹ 18.21 lakh. From the contractor, an amount of ₹ 1.44 crore was recoverable on account of liquidated damages, penalty for work left unexecuted, performance security and other miscellaneous dues which remained outstanding till date.

In reply, the Executive Engineer stated (December 2011) that works were awarded to the daughter of deceased contractor on compassionate grounds after enlisting her as 'A' Class contractor and recovery of Government dues will be made from the final bill. The reply is not acceptable as in the event of death of a contractor no provision existed in the SBD of PMGSY to entrust work to legal heirs on compassionate grounds and, therefore, imprudent decision of the Department to entrust balance works to an inexperienced legal heir of the contractor led to abandonment of works.

Thus, Department's failure to ensure timely completion of roads rendered the expenditure of ₹ 1.92 crore on incomplete works unproductive for the last more than four years. Also, undue financial benefits of ₹ 1.44 crore were extended to the contractor by way of non-recovery of Government dues.

The audit findings were referred to the Government in May 2012. The reply had not been received (November 2012).

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[18] Includes withheld amount charged as expenditure but not released to the contractor.

4.13 Unproductive expenditure

Imprudent decision of the Department in awarding bridge work to a firm without ensuring techno-feasibility led to unproductive expenditure of ₹ 21.31 crore.

The Government of Himachal Pradesh accorded (May 2004) Administrative Approval and Expenditure Sanction (A/A & E/S) of ₹ 20.15 crore, for construction of 290 metres span pre-stressed Spandrel Arch type bridge over Govind Sagar reservoir at Bagchhal (Bilaspur district) under RIDF-IX scheme of NABARD. The bridge was required to be constructed on a wide gap created by the Govind Sagar reservoir due to construction of Bhakra Dam over river Satluj and was to connect Talai area with Chandigarh and Kiratpur. With the construction of the bridge, the distance between Chandigarh and Shah-Talai village would be reduced by 32 kms and Barsar village by 8 (eight) kms. The work proposed to be completed by three years would benefit 14,000 souls of 14 villages (left bank of Swarghat side) and 20,000 souls of 19 villages (right bank of Shah-Talai).

The Department after considering the lowest bid and proposal of M/s Gammon India Private Limited (firm) Mumbai, awarded (June 2005) the construction of 310 metre span pre-stressed concrete balanced cantilever bridge to the firm at a tendered cost of ₹ 22.84 crore with the stipulation to complete it in 36 months viz., by 4 July 2008. Technical Sanction (TS) was, however, not accorded before award of the work to the firm. As of March 2012 an expenditure of ₹ 21.31 crore had been incurred on the work with a physical progress of 61 *per cent*.

Scrutiny of records (January 2012) of Bilaspur division No.II and further information collected (November 2012) revealed that though the commencement of work by the contractor was shown in the records as 5 July 2005, the site was actually handed over to the contractor in January-February 2006 and executed (January 2010) work for value of ₹ 18.89 crore. During June 2009, the design Engineer of the firm visited the site and stopped decking work on the ground that strata around the pier was not the same as envisaged during designing of foundation. However, launching of deck slab continued upto January 2010 and thereafter the firm stopped the work. The firm got (June 2011) geological investigation of the bridge site conducted from Indian Institute of Technology (IIT), Roorkee. IIT, Roorkee in its evaluation report opined that considering the setting of geology of bridge site, it would be advisable to look for an alternate location for the bridge. However, considering the quantum of work executed, time involved and expenditure incurred till date, technical solution in the form of deep seated foundation on a firm strata at a depth of more than 20 metre was also suggested. The firm, however, again got geotechnical investigation and bathymetric (under water) survey conducted (September 2011) from another agency and based on its investigations submitted

(November 2011) a revised proposal for foundation of Piers 1 and 2 (P1 and P2) of the bridge for approval which has not been approved as yet (May 2012). The Department has granted (December 2011) extension of time upto March 2012 to keep the contract agreement alive. In the meantime, the Department levied (April 2011) seven *per cent* compensation of ₹ 1.60 crore for delay in completion of work which was also not recovered as of August 2012.

Thus, the Department's failure to accord Technical Sanction for the construction of bridge and ensuring adequate geological investigation of bridge site before award of work contributed to delay in completion of work for more than three years. Expenditure of ₹ 21.31 crore incurred so far on the work also proved unproductive and the intention of the Government to provide better road connectivity to beneficiary villages remained unachieved.

The Government stated (August 2012) that for execution of such type of long span major bridge, the Department had neither the expertise nor the requisite machinery and equipment. Hence, had the Department considered to get the geotechnical investigation and bathymetric survey which was essential for the bridge from some expert agency before award of work, the construction of bridge would have been carried out smoothly for providing timely road connectivity to the people of the area.

Revenue Department

4.14 Diversion of Calamity Relief Funds

An amount of ₹ 2.49 crore were irregularly diverted from Calamity Relief Fund by three Deputy Commissioners for works not related to natural calamities.

As per instructions (May 1987) of Government of India (GOI), calamity relief fund (CRF) should be utilised on works damaged during natural calamities and not on fresh works. The State Government directed (January 1998 and May 2002) all the Commissioners/ Deputy Commissioners (DCs) that diversion of CRF was injudicious and advised that the construction of *Mahila Mandals, Yuvak Mandals* and Community centres should not be undertaken. The GOI further reiterated (November 2000) that assistance under CRF should be provided on the basis of assessment of requirement made by the State Level Committee (SLC). The State Government had also 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.

Scrutiny of the records (November 2011-February 2012) in the offices of DCs of three districts[19] revealed that during 2009-11 ₹ 2.49 crore meant for restoration of damaged works/ relief measures was diverted for execution of works not damaged due to

[19] Chamba, Kangra and Kullu.

natural calamities. Of these, ₹ 1.32 crore were spent on 106 fresh works like construction of Government building, Panchayat Ghar, link roads, school buildings, Mahila Mandal Bhawan, protection walls, etc., and ₹ 1.17 crore on 88 works of repairs of residential buildings of district level officers/ officials, Government offices buildings and Panchayat Ghar, etc. These works were taken up without any reports on damage from the Revenue Department in violation of Relief Manual.

The DC, Chamba while admitting the facts assured (February 2012) that funds will not be allotted for inadmissible works in future. The DCs of Kangra and Kullu districts attributed (December 2011) diversion of funds in public interest to works damaged due to heavy rains. The replies of DCs of Kangra and Kullu districts are not acceptable as funds were diverted in violation of instructions, *ibid*, as well as in the absence of reports on damage from the field staff of the Revenue Department.

The audit findings were referred to the Government in August 2012. The reply had not been received (November 2012).

Urban Development Department

4.15 Non-implementation of Integrated Housing and Slum Development Programme (IHSDP)

The Department did not ensure encumbrance free sites for implementation of IHSDP resulting in locking up of ₹ 13.87 crore with HIMUDA.

To ameliorate the conditions of the urban slum dwellers living without adequate shelter, the Government of India (GOI) sanctioned (between March 2008 and July 2009) Additional Central Assistance (ACA) of ₹ 21.68 crore[20] against the total project cost of ₹ 33.76 crore[21] for implementation of 'Integrated Housing and Slum Development Programme' (IHSDP) in three towns (Baddi, Dharamsala and Solan) under Jawaharlal Nehru National Urban Renewal Mission (JNNURM). Under the above programme 1144[22] dwelling units were to be constructed in these towns and GOI released (between March 2008 and July 2009) ₹ 10.84 crore[23] against its committed share. The State Government also contributed ₹ 3.03 crore.

Scrutiny of records (November 2011) of the Director, Urban Development (UD) and further information collected (February and November 2012) revealed that the Director, UD, on receipt of sanctions (between July 2008 and January 2010) from the State Government released (between October 2008 and February 2010) ₹ 13.87 crore (Central share: ₹ 10.84 crore and State share ₹ 3.03 crore) to the Chief Executive

[20] Baddi: ₹ 8.91 crore; Dharamsala: ₹ 6.61 crore and Solan: ₹ 6.16 crore.

[21] Baddi: ₹ 14.76 crore; Dharamsala: ₹ 9.42 crore and Solan: ₹ 9.58 crore.

[22] Baddi: 480; Dharamsala: 328 and Solan: 336.

[23] March 2008: ₹ 1.35 crore (Dharamsala: ₹ 0.70 crore and Solan: ₹ 0.65 crore); April 2008: ₹ 5.04 crore (Dharamsala: ₹ 2.61 crore and Solan: ₹ 2.43 crore) and July 2009: ₹ 4.45 crore (Baddi).

Officer-cum-Secretary, Himachal Pradesh Housing and Urban Development Authority (HIMUDA), being the executing agency for construction of dwelling units. The construction activities of the project had not been started as of November 2012 due to non-selection of suitable encumbrance free site, change of site and non-transfer of land. Resultantly, ₹ 13.87 crore were lying unutilised with HIMUDA and the balance amount of ACA amounting to ₹ 10.84 crore from GOI was also not received.

In response to audit, the Director, UD, while admitting the facts stated (July 2012) that the commencement of work of IHSDP project at Baddi, Dharamsala and Solan got delayed due to non-availability of suitable encumbrance free sites at these places. He further intimated (November 2012) that in respect of Baddi project the land has not been transferred, for Dharamsala project the matter is pending with the High Court and for Solan project technical sanction has been accorded and tenders will be invited soon. This is an unjustified stand as the Department should have ensured the availability of suitable encumbrance free sites before securing the funds.

Thus, release of funds to HIMUDA without ensuring availability of suitable encumbrance free sites is indicative of poor planning and lack of vision on the part of the Department. This not only resulted in parking of funds of ₹ 13.87 crore for a period ranging between three and more than four years in a bank account of the executing agency but also deprived the beneficiaries of the intended housing facilities. Besides, the State Government could not also avail the benefit of balance share of ACA for the IHSDP Project amounting to ₹ 10.84 crore.

The audit findings were referred to the Government in April 2012. The reply had not been received (November 2012).

Regularity issues and other points

Planning Department

4.16 Irregular release of Member of Parliament Local Area Development scheme funds

Failure of the Department in enforcing the provisions of the scheme guidelines resulted in less release of scheme funds to the areas inhabited by Scheduled Castes population to the extent of ₹ 3.10 crore during 2005-12.

According to revised guidelines (November 2005) of Member of Parliament Local Area Development (MPLAD) scheme, Members of Parliament (MPs) are required to recommend at least 15 *per cent* and 7.5 *per cent* MPLAD scheme funds for the areas inhabited by Scheduled Castes (SCs) and Scheduled Tribes (STs) population respectively and in case, a constituency does not have ST inhabited area, such funds may be utilised in SC inhabited areas.

Scrutiny (February 2012) of records of the Deputy Commissioner, Shimla revealed that out of ₹ 16.10 crore sanctioned during 2005-12 under MPLAD scheme, ₹ 14.18 crore were released to the executing agencies[24] for execution of various developmental works such as construction of community centres, *sarai bhawans, anathalayas, panchayat bhawans*, *mahila mandal bhawans*, etc. Scrutiny further revealed that Shimla district had no ST inhabited area and thus, 22.5 *per cent* (₹ 3.19 crore) out of ₹ 14.18 crore was to be utilised in the SCs inhabited areas. It was, however, noticed in audit that out of ₹ 3.19 crore, only an amount of ₹ 0.09 crore (three *per cent*) was released for execution of developmental works in SC inhabited areas due to lack of understanding of scheme guidelines by the district authorities and the balance amount of ₹ 3.10 crore was utilised in other areas. Thus, non-adherence to the provisions of the scheme guidelines resulted in less release of scheme funds to the areas inhabited by SCs during 2005-12.

While confirming the facts, the District Planning Officer (DPO) stated (February 2012) that efforts were being made to enforce the provisions of the guidelines and MPs had also been requested to ensure appropriate recommendations for the areas inhabited by SC/ ST population. The reply of the Department is not acceptable as the funds should have been released to the areas inhabited by SC population as per prescribed percentage as laid down in the guidelines.

The audit findings were referred to the Government in April 2012. The reply had not been received (November 2012).

Women and Child Development Department

4.17 Non-realisation of user charges

Non-realisation of user charges amounting to ₹ 2.21 crore under Rajiv Gandhi National Crèche Scheme for the children of working mothers defeated the purpose of ensuring community participation and providing envisaged facilities at the crèches as per scheme guidelines.

To provide improved quality and reach of child day care services for working women of all socio-economic groups, the Government of India (GOI) launched (December 2005) “Rajiv Gandhi National Crèche Scheme for the Children of working Mothers” through Non-Government Organisations (NGOs). These crèches were meant for the children of the age group of 0-6 (six) years ensuring 50 *per cent* enrolment for children of BPL families. The NGOs running crèches were to be provided 90 *per cent* central assistance and the remaining expenditure was to be borne by them. To ensure community participation and also to augment resources of the centres for provision of better facilities, monthly user charges were to be collected from the Below Poverty Line (BPL) and other families at the rate of ₹ 20 and ₹ 60 per child per month respectively.

Scrutiny of records (January-June 2012) of the Secretary, State Social Welfare Board (SSWB) revealed that GOI sanctioned a grant of ₹ 4.49 crore during 2006-12, against

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[24] Block Development Officers; District Forest Officers; Chief Medical Officers; Municipal Corporation, Shimla; Executive Engineers; etc.

which expenditure of ₹ 4.40 crore was incurred on running of 1791 creches[25] through 22 NGOs between April 2006 and June 2012. Scrutiny further revealed that 45859 children[26] (BPL families: 21308 and other families: 24551) were registered in crèches and user charges of ₹ 2.28 crore as envisaged in the scheme were to be collected from the parents of these children. As against this, only one NGO had collected ₹ 0.07 crore[27] resulting in non-realisation of user charges of ₹ 2.21 crore.

On this being pointed out in audit, the Director, Women and Child Development Department stated (September 2012) that only one NGO is collecting the user charges as per scheme guidelines while in other cases the user charges could not be collected due to non-realisation of such charges under other GOI welfare schemes. The reply is not convincing as the matter should have been brought to the notice of the GOI to bring uniformity in implementation of the scheme and waiver of user charges should also have been sought.

The audit findings were referred to the Government in April 2012. The reply had not been received (November 2012).

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25 2006-07: 292; 2007-08: 317; 2008-09: 302; 2009-10: 302; 2010-11: 289 and 2011-12: 289.

26 **BPL families** 2006-07: 3490; 2007-08: 3505; 2008-09: 3496; 2009-10: 3405; 2010-11: 3771 and 2011-12: 3641 **Other families** 2006-07: 4005; 2007-08: 4430; 2008-09: 4228; 2009-10: 4183; 2010-11: 3832 and 2011-12: 3873.

27 Mahila Kalyan Seva Samiti, Chopal (Shimla District): ₹ 0.07 crore (2006-12).

CHAPTER-V
Chief Controlling Officer based Audit of a Government Department

5.1 Department of Technical Education, Vocational and Industrial Training

Technical education plays a vital role in the socio-economic development of a State. The Department of Technical Education, Vocational and Industrial Training is responsible for developing competent technical manpower for catering to the needs of various industries and organisations within the State and Country. The Chief Controlling Officer (CCO) based audit covering the overall working of the Department including performance audit of the implementation of State sponsored and Centrally sponsored schemes revealed that the Department could not provide an expected level of infrastructure despite receiving substantial funds from the Government of India (GOI) for implementation of Centrally Sponsored Schemes. There are many areas of concern and issues requiring urgent attention of the Department. Some significant audit findings are as under:

Highlights:

- ***There was inadequacy of proper infrastructure as 42 out of 84 Industrial Training Institutes (ITIs) and seven out of 10 Polytechnics did not have adequate infrastructure facilities, 67 ITIs have no hostel facilities for students and no facility of residential accommodation for staff.***

  (Paragraphs 5.1.10.1 and 5.1.11.2)

- ***Execution of civil works such as buildings of Engineering and Pharmacy colleges, Polytechnics, ITI hostels, etc., was being done without proper planning and definite timeframe. As a result, only four out of 29 works were completed during 2009-12 with cost overrun of ₹2.11 crore and time overrun of two to seven years. Besides, execution of eight works sanctioned at a cost of ₹15.27 crore and stipulated to be completed between March 2002 and March 2011 could not be taken up due to non-availability of sites and non-finalisation of drawings, etc. The remaining 17 works (estimated cost ₹135.96 crore) even after incurring an expenditure of ₹93.06 crore were lagging behind their schedule date of completion for two to more than 12 years as of June 2012.***

  (Paragraphs 5.1.10.1, 5.1.10.2, 5.1.11.1 and 5.1.11.2)

- ***There was an acute shortage of staff, especially in teaching and teaching supporting staff. The percentage of shortages of above staff in various institutions was 23 to 72 and 45 to 70 per cent respectively as of March 2012.***

  (Paragraphs 5.1.10.5 and 5.1.11.1)

- ***Against the total receipt of ₹85.71 crore, directly from GOI for the implementation of four centrally sponsored schemes during 2007-12, the Department failed to spend ₹19.87 crore on infrastructure and equipment in the technical institutions as of March 2012.***

(Paragraphs 5.1.12, 5.1.13, 5.1.15 and 5.1.17)

- ***Despite availability of central assistance of ₹10.12 crore, new Polytechnics in unserved/ underserved five districts of the State were not set up as of March 2012 though these were envisaged to be established during 11th Five Year Plan (2007-12) period.***

(Paragraph 5.1.14)

- ***Despite release of funds of ₹8.31 crore to executing agencies, upgradation of 11 ITIs into Centres of Excellence suffered due to non-construction of buildings within a prescribed period of nine months; in three cases funds of ₹1.52 crore remained unspent with the executing agencies, due to non-finalisation of estimates and tender process; construction of six buildings in ITIs lagged behind the schedule date of completion for more than two years as of May 2012 and in two cases work remained suspended since August 2011 due to dispute over site.***

(Paragraph 5.1.16.1)

- ***Thirty three ITIs were selected for upgradation through Public Private Partnership mode in the State. In nine test-checked ITIs, envisaged upgradation remained incomplete as of March 2012 due to non-completion of civil works. As a result, the concerned institutes could utilise only ₹6.95 crore against availability of loan assistance of ₹11.25 crore.***

(Paragraph 5.1.17)

- ***In test-checked ITIs periodical inspection (at least once in every quarter) was not carried out during 2007-12 to ensure effective control over the functioning of ITIs. Besides, the mechanism of internal audit was also non-existent in the Department.***

(Paragraph 5.1.19.1)

5.1.1 Introduction

Technical Education contributes substantially to the socio-economic development of the State and country as a whole. The development and sustenance of the industrial sector is entirely dependent upon the availability of trained manpower to perform the multidimensional activities needed to keep the wheels of industry running. The Technical Education system in the State functions directly under the Technical

Education, Vocational and Industrial Training Department of Government of Himachal Pradesh. The main aims and objectives of the Department are:

- To develop and strengthen, Technical and Vocational Education at all levels through formal and non-formal mode with need based courses, quality, curriculum, learning resources and teaching-learning process, assessment certification through standardised State level and National level agencies;
- To strengthen and upgrade some of the existing good technical institutions as "Centre of Excellence"; and
- To make technical institutions self-sustainable in future by way of granting them autonomy.

The main activities of the Department are imparting technical education at degree, diploma and certificate level through Government and private technical institutions like Engineering Colleges, Polytechnics and Industrial Training Institutions (ITIs), formulation, implementation and monitoring of plan schemes, recognising private aided institutions and conduct of examination for all engineering disciplines and certificate examination in certain specialised courses.

The Department has 1326 officers/ officials (Group A: 186; Group B: one; Group C: 895 and Group D: 244) and 97[1]drawing and disbursing officers (DDOs) as of March 2012. The Department is engaged with the implementation of two State schemes namely (i) Craftsman Training Scheme and (ii) Technical Education Scheme (Engineering and Pharmacy Colleges, Government Polytechnics) and seven centrally sponsored schemes (CSSs) namely (i) Upgradation of existing Polytechnics and setting up of new Polytechnics; (ii) Scheme for integrating persons with disabilities in the mainstream of Technical and Vocational Education; (iii) Construction of Women Hostels; (iv) Community Development through Polytechnics; (v) Upgradation of Government ITIs into Centre of Excellence; (vi) Upgradation of Government ITIs through Public Private Partnership and (vii) Skill Development Initiative Scheme.

5.1.2 Organisational structure

The Principal Secretary (Technical Education) is the administrative head of the Department and overall responsibility for implementation of programmes and policies of the Department vests in him. The Director, Technical Education, Vocational and Industrial Training (Director) is the head of the Department and is assisted by a Joint Director, two Deputy Directors, one Assistant Director and one Deputy Controller (Finance and Accounts).

1 Directorate (one), Principals of Government Engineering College and B Pharmacy College (one each), Principals of Polytechnics (10) and Principals/ Group Instructors of ITIs (84).

The Director, Technical Education, Vocational and Industrial Training being the head of the Department is responsible for budgetary control and overall working of the Department including implementation of various State as well as Centrally Sponsored Schemes (CSSs) through the Principals of Engineering and Pharmacy Colleges, Polytechnics and Industrial Training Institutes (ITIs).

5.1.3 Audit Mandate, Scope and Methodology

Chief Controlling Officer (CCO) based audit of the Department covering its overall working including the performance audit of the implementation of State schemes and CSSs for the period from 2007-08 to 2011-12 was conducted (February-May 2012) by test-check of records in the offices of the Director, 26[2] out of 97 DDOs situated in five[3] out of 12 districts in the State. Audit was conducted under Sections 13 and 23 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971. The selection of 26 DDOs was based on Simple Random Sampling without Replacement (SRSWOR) method. All the State and centrally sponsored schemes implemented by the Department were covered in audit.

Before commencing audit, the audit objectives, criteria and scope of audit were discussed (March 2012) with the Principal Secretary (Technical Education). Audit conclusions were drawn after scrutiny of records, analysis of available data by issuing audit memos and questionnaires and obtaining response of the departmental functionaries at various levels. Photographic evidence and physical verification was also taken into consideration to substantiate audit observations. Audit findings were discussed with the Principal Secretary (Technical Education) at an exit conference held on 23 November 2012 and views of the Government have been incorporated at appropriate places in the Report. The Secretary (Technical Education) had also furnished (26 November 2012) replies to audit findings which have been suitably incorporated at appropriate places in the Report.

5.1.4 Audit Objectives

The objectives of the CCO based Performance Audit were to assess whether:

- Effective planning and programme management in terms of delivery of goals of schemes/ programmes existed.
- Efficient financial administration with reference to allocated priorities existed in the Department and resources were optimally utilised.
- Efficient management of human resources in terms of sanction, deployment and training of personnel for skill upgradation was prevalent.

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2 DDOs of Directorate office: one; Principals of Polytechnics: two (Sundernagar and Banikhet); Principals of Degree Colleges: two (Engineering College Sundernagar and B Pharmacy College Rohru); Principals of ITIs: 21 (Bagsaid, Batail, Chamba (Boys), Chamba (Women), Dada Siba, Garhjamula, Gharnota, Jawali, Jogindernagar, Karsog, Koti, Mandi (Boys), Mandi (Women), Nehranpukhar, Nirmand, Palampur, Paplog, Sainj, Saliana, Shahpur and Shamshi).

3 Chamba, Kangra, Kullu, Mandi and Shimla.

- Effective procedure for procurement and inventory control were in place.
- Adequate provision and monitoring including suitable internal control mechanisms were in place.

5.1.5 Audit Criteria

The audit criteria used for assessing the working of the Department and implementation of various schemes included:

- The robustness of system of planning for development of technical and vocational education and management of financial resources and their application.
- Standards of technical and vocational education comprising quality, curriculum, learning resources and teaching learning processes as prescribed by the All India Council for Technical Education, Pharmacy Council of India and National Council for Vocational Training.
- Standards and impact parameters prescribed in the guidelines of State and Centrally Sponsored Schemes for their effective implementation.
- Outcome of the monitoring mechanism/ internal control structure and follow up at various levels.

Audit findings

5.1.6 Planning

5.1.6.1 Non-preparation of Annual Action Plan

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

Audit scrutiny revealed that during 2007-12, the Department had not prepared any Perspective Plan and Annual Action Plans detailing the implementation strategy for various schemes/ programmes. Since planning is critical to implementation of various activities of a Department, the efforts of State Government for strengthening the network of technical institutions were deficient as brought out in succeeding paragraphs.

The Government admitted the facts and stated (November 2012) that from 2012-13 Annual Action Plan has been prepared.

5.1.7 Financial Management

5.1.7.1 Resource and application of funds

The year-wise position of resource and application of funds of the Department for the period 2007-08 to 2011-12 is given in **Tables 5.1** and **5.2** and **Charts 5.1** and **5.2** below:

Table-5.1

Details of funds received through budget during 2007-12

(₹ in crore)

Head of Receipts	Year-wise allocation of funds					
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**Total**
Salary and wages	19.05	22.35	28.15	35.82	48.62	153.99
Administration	8.56	9.85	9.97	9.64	8.89	46.91
Centrally sponsored schemes[4]	2.96	14.29	7.81	11.39	24.96	61.41
State sponsored schemes	14.69	23.53	40.86	34.20	29.06	142.34
Total	**45.26**	**70.02**	**86.79**	**91.05**	**111.53**	

Source: Departmental figures.

Note: Under Centrally sponsored schemes, figures are as per State Budget and do not include funds directly transferred to implementing agencies by the GOI.

Chart: 5.1
Resources of the Department for 2007-12

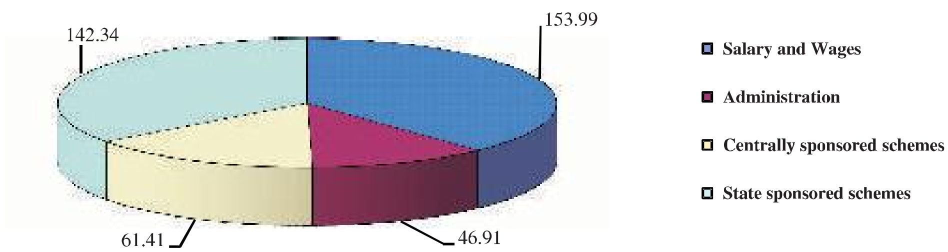


Table-5.2

Details of application of funds during 2007-12

(₹ in crore)

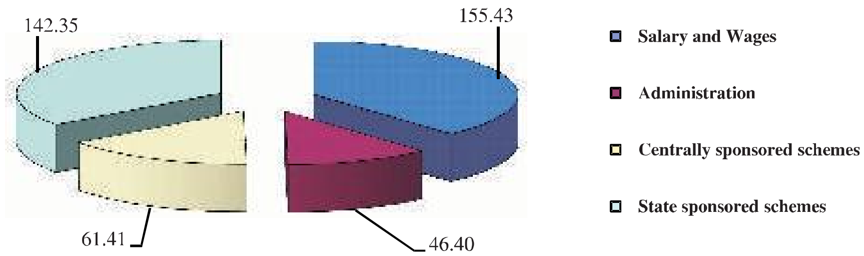
Head of expenditure	Year-wise breakup of expenditure incurred					
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**Total**
Salary and wages	19.29	22.40	28.58	37.89	47.27	155.43
Administration	8.56	9.84	9.97	9.63	8.40	46.40
Centrally sponsored schemes[5]	2.96	14.29	7.81	11.39	24.96	61.41
State sponsored schemes	14.70	23.53	40.86	34.20	29.06	142.35
Total	**45.51**	**70.06**	**87.22**	**93.11**	**109.69**	

Source: Departmental figures.

[4] Central funds in respect of three schemes.

[5] Central funds in respect of three schemes.

Chart: 5.2
Application of Resources during 2007-12



While there were no major savings or excesses during 2008-09, the Department incurred an expenditure of ₹ 2.74 crore during 2007-08 and 2009-11 (2007-08: ₹ 0.25 crore; 2009-10: ₹ 0.43 crore and 2010-11: ₹ 2.06 crore) respectively in excess of funds provided due to drawal of salary for the month of March in March in the respective years and payment of dearness allowance. During 2011-12, savings of ₹ 1.84 crore occurred due to non-filling up of vacant posts, etc.

The year-wise position of transfer of funds for implementation of schemes to the departmental DDOs and the executing agencies (Non-DDOs) is depicted in **Table 5.3** below:

Table-5.3

Details of transfer of funds to DDOs and Non-DDOs during 2007-12

(₹ in crore)

Description	Year-wise breakup of funds transferred				
	2007-08	2008-09	2009-10	2010-11	2011-12
DDOs (a) Centrally sponsored schemes	15.05	2.28	9.61	13.42	24.96
(b) State sponsored schemes	14.69	23.53	40.86	34.20	29.06
Non-DDOs (a) Centrally sponsored schemes (under PPP mode)	22.50	27.50	25.00	5.00	2.50
(b) State sponsored schemes	--	--	--	--	--
PRIs (a) Centrally sponsored schemes	--	--	--	--	--
(b) State sponsored schemes	--	--	--	--	--

Source: Departmental figures.

5.1.7.2 Preparation of budget estimate

The Director is responsible for preparation and submission of budget estimates to the Finance Department through the Administrative Head of the Department. The budget estimates for the period 2007-12 were sent after a delay ranging between 104 and 134 days for the above period.

The Government stated (November 2012) that delay occurred in respect of Plan budget which is submitted only after the Departmental ceiling is finalised by the Planning Department.

5.1.7.3 Expenditure Control

To regulate the expenditure in a phased manner, the Administrative Department is required to ensure that budget allocations are spent quarterly in a controlled manner. It was noticed that expenditure in the fourth quarter of each year was between 40 and 56 *per cent* against the prescribed percentage of 25. Of this, 50 to 66 *per cent* expenditure was incurred in the month of March alone during 2007-12.

The Government admitted the facts and stated (November 2012) that due to receipt of large number of financial sanctions in last quarter, particularly in the months of February and March, expenditure in excess of ceiling was incurred. It was further stated that this tendency shall be curbed in future.

5.1.7.4 Irregular utilisation of departmental receipts towards expenditure

The State Financial Rules prohibit utilisation of departmental receipts towards expenditure. It was noticed that the Directorate office realised ₹ four crore during 2007-12 from sale of prospectus, tender forms, etc., but deposited only ₹ 3.65 crore into Government account. The remaining amount of ₹ 35 lakh was utilised on printing of prospectus and tender forms without any authorisation from the Finance Department. The Director stated (February 2012) that a very meagre amount of ₹ 0.50 lakh is provided every year by the Government for printing purposes. The reply is not acceptable, as the Department had not taken up the matter with the Finance Department for allocation of sufficient funds for printing.

The Government assured (November 2012) that the present practice to meet the printing charges out of sale proceeds will be dispensed with.

5.1.8 Human Resource Management

5.1.8.1 Staff sanctioned and persons in position

The overall position of staff sanctioned (SS) and persons in position (PIP) as of March 2012 in the Department is given in **Table 5.4** below:

Table-5.4

Details of sanctioned staff (SS) *vis-à-vis* persons in position (PIP) as of March 2012

(In numbers)

Name of office/ institution	Category of Staff	SS	PIP	Vacancy Position (in *per cent*)
Directorate	All categories (A,B,C&D)	65	53	12 (18)
Engineering College	Teaching	37	12	25 (68)
	Teaching supporting	27	8	19 (70)
	Non-Teaching	39	22	17 (44)
Polytechnics	Teaching	295	141	154 (52)
	Teaching supporting	367	189	178 (49)
	Non-Teaching	237	136	101 (43)
B Pharmacy College	Teaching	18	5	13 (72)
	Teaching supporting	14	7	7 (50)
	Non-Teaching	24	12	12 (50)
ITIs	Teaching	608	470	138 (23)
	Teaching supporting	31	17	14 (45)
	Non-Teaching	355	254	101 (28)
Total		**2117**	**1326**	

Source: Information supplied by the Department.

From the above details it would be seen that there was shortage of manpower resources ranging between 18 and 72 *per cent* in the Directorate office as well as in various institutions. Shortage of teaching staff especially in Engineering College, Pharmacy College and Polytechnic was quite high which is bound to have its adverse impact on the quality of education offered.

The Director stated (May 2012) that shortage of manpower was due to ban on filling up of vacant posts. He further stated that for filling up of 65 posts of teaching staff, the case had been submitted to the Government in July 2010 but approval was still awaited. The reply is not convincing as the Department had not followed up the case afterward to expedite the requisite approval.

5.1.8.2 Training for capacity building of manpower

Capacity building enables continuous upgrading of skills and knowledge management and is essential for increasing the capability of the organisation to achieve its goals. As per training policy, 2009 of the State Government, every personnel (class-I to class-IV) is required to undergo training for skill development at the time of induction and at least once in five years or before promotion for better deliverance of services. After introduction of training policy, the Department has brought out a Training Manual in February 2012 and provisions relating to training of all categories of staff have been made applicable from April 2012.

Thus, during 2007-12, no system for training of manpower for capacity building existed in the Department. The Department stated (August 2012) that prior to April 2012, training to the faculty and staff of the Department was being imparted for need based programmes in consultation with the National Institute of Technical Teachers Training and Research, Chandigarh and Himachal Pradesh Institute of Public Administration.

In reply, the Government stated (November 2012) that the Training Manual has been prepared in February 2012 and accordingly targets prescribed have been achieved till date. The fact, however, remains that training was imparted only in 2012-13 and prior to 2012-13 no system existed in the Department to provide training to all personnel at regular intervals.

5.1.8.3 Training to Technical Staff of ITIs

The Training Manual for Industrial Training Institutes (ITIs) provides that members of technical staff such as trade instructors including drawing, mathematics and language instructors of ITIs in all engineering trades should be deputed to an industry for industrial experience and/ or refresher training, subject to the condition that not more than one member is deputed from an ITI at a time and not more than once in five years unless new equipment or process on which training is essential are involved. Normal duration of such training should be one month.

The year-wise detail of technical staff due for training and training actually imparted to them during 2007-12 is indicated in **Table 5.5** below:

Table-5.5

Details of technical staff due for training *vis-à-vis* training actually imparted during 2007-12

(In numbers)

Year	Total Technical staff in ITIs	Technical staff due for training	Technical staff imparted training	Shortfall (in *per cent*)
2007-08	431	401 (93)	47 (12)	354 (88)
2008-09	431	384 (89)	25 (07)	359 (93)
2009-10	451	379 (84)	45 (12)	334 (88)
2010-11	451	334 (74)	117 (35)	217 (65)
2011-12	470	336 (71)	227 (68)	109 (32)

Source: Departmental figures. Figures in parenthesis indicate percentage.

As is seen from the above Table, during 2007-12, out of total technical staff, 71 to 93 *per cent* was due for training in the respective years. Against this, training to staff ranging between 32 and 93 *per cent* was not imparted.

The Director stated (May 2012) that the training could not be provided due to shortage of staff. The reply is not acceptable as for training only one member was to be deputed from an ITI at a time for one month and action plan for training should have been prepared accordingly to improve the training skills of technical staff.

5.1.9 Performance Audit of schemes implemented by the Department

The performance audit of all the schemes (two State schemes and seven CSSs) was conducted to examine the extent to which the schemes were implemented economically, efficiently and effectively.

Implementation of State schemes

5.1.10 Craftsman Training Scheme

The Department is implementing the Craftsman Training Scheme (CTS) through 84 Government Industrial Training Institutes (ITIs). Under the scheme, skilled craftsmen in different skills/ areas (engineering/ non-engineering) are trained to cater to the needs of the industries and society. The main objectives of the scheme are to ensure a steady flow of skilled workers in different trades for the industry and to reduce unemployment among the educated youth by equipping them for suitable industrial employment. For implementation of CTS, necessary infrastructure such as buildings, Machinery and Equipment, required teaching, teaching supporting and non-teaching staff as per National Council for Vocational Training (NCVT) norms is required to be provided.

Audit noticed that there were several deficiencies in implementation of the above scheme as brought out in the succeeding paragraphs.

5.1.10.1 Non-availability of infrastructure

- **Building infrastructure**

Out of 84 ITIs, only 42 institutes were housed in Government buildings. The remaining institutes did not have their own buildings and were running in rented accommodation. Besides, in 67 ITIs hostel facilities for students and facility of residential accommodation for their staff were not available. It was noticed in audit that 15 works (ITI buildings: 11 works; Hostel for Boys and Women: three works and staff quarters: one work) sanctioned between 1998-99 and 2009-10 were either not taken up for execution or still lying incomplete. The details are as under:

- Seven works (prior to 2007-08: one; 2007-10: six) sanctioned at a cost of ₹ 14.77 crore and stipulated to be completed between March 2002 and March 2011 had not been taken up for execution as of June 2012 though funds aggregating ₹ 2.26 crore were released to the executing agencies (Himachal Pradesh Public Works Department: ₹ 1.04 crore; Himachal Pradesh State Industrial Development Corporation: ₹ 0.76 crore and Himachal Pradesh Urban Development Authority:

₹ 0.46 crore). These works could not commence due to non-availability of sites (three cases), non-transfer of land (two cases), non-finalisation of drawings (one case) and non-dismantling of old building (one case). The delay involved in non-commencement was 27 to 123 months from the date of sanction. The funds released remained unutilised with them as of June 2012. It was also noticed that the State Government had accorded administrative approval to works in five cases as mentioned above without ensuring availability of lands.

- Eight works such as ITI buildings, staff quarters for staff and hostel for Boys and Women sanctioned between 1998-99 and 2008-09 at an estimated cost of ₹ 16.86 crore and stipulated to be completed between March 2000 and March 2010 were still lying incomplete even after incurring an expenditure of ₹ 12.25 crore. Delay in completion of these works ranged between 27 and 147 months as of June 2012. Thus, Department's failure to get the works completed within the prescribed timeframe not only resulted in non-availability of the requisite infrastructure facilities in the concerned institutes but also the expenditure of ₹ 12.25 crore incurred on incomplete works remained largely unfruitful. Besides, the Department had paid rental charges of ₹ 27.40 lakh in respect of five ITIs test-checked in audit due to non-completion/ delay in completion of civil works.

In reply, the Government stated (November 2012) that the delay occurred due to non-availability of sites. The reply is not acceptable as the Department should have ensured the availability of encumbrance free sites before sanctioning of funds for the construction works. Further, the failure of the Department to evolve a proper action plan in the beginning of each year for ensuring timely availability of infrastructural facilities to the concerned institutes led to non-completion of works.

5.1.10.2 Excess expenditure on execution of ITI buildings

The Department sanctioned the construction of four ITI[6] buildings between 2000-01 and 2006-07 for ₹ 4.31 crore. These buildings were, however, completed between March 2010 and March 2012 after incurring an expenditure of ₹ 6.42 crore with time overrun of two to seven years and cost overrun of ₹ 2.11 crore. The excess expenditure of ₹ 2.11 crore was met by the executing agency out of unspent balances of ongoing works and remained to be regularised as of May 2012.

The Joint Controller (Finance and Accounts) of the Directorate office stated (May 2012) that due to time taken in transferring of land in the name of the Department, the works could not be completed in time which resulted in time and cost overrun.

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[6] Bagsaid, Chopal, Paplog and Rajgarh.

5.1.10.3 Shortage of tools and equipment

The ITIs are required to maintain tools and equipment as per the standard lists of tools and equipment of the trades concerned as prescribed in Training Manual for ITIs. In 11[7] out of 21 ITIs selected for test-check, audit noticed that the overall shortfall in the availability of tools and equipment in Institutes was 29 *per cent*. The Institute-wise breakup of tools and equipment required *vis-à-vis* available is depicted in ***Appendix-5.1.***

5.1.10.4 Non-utilisation of machinery and equipment

In two[8] test-checked ITIs, audit noticed that machinery and equipment such as CO_2 welding machine, CNC Lathe Trainer, Diesel Engine, SF_6 circuit breaker purchased between May 2008 and March 2011 at a cost of ₹ 14.10 lakh remained unutilised for training purpose as of April 2012.

While admitting the facts, the Principal of ITI Chamba stated (April 2012) that due to non-construction of Centre of Excellence (COE) building, two numbers of SF_6 circuit breaker were not installed for use.

The DDO of ITI Koti stated (April 2012) that without three phase connection it was not possible to use the machines. This shows failure of the Department to ensure proper infrastructure before acquisition of above machinery and equipment as well as non-availability of the same for training purposes.

5.1.10.5 Staff position and shortage

The category-wise sanctioned strength, persons in position and shortage of staff in all the 84 ITIs as of 31 March 2012 is given in **Table 5.6** below:

Table-5.6

Category-wise sanctioned strength *vis-à-vis* persons in position in the ITIs

(In numbers)

Category of Staff	Sanctioned staff	Persons in position	Vacancy position (in *per cent*)
Teaching	608	470	138 (23)
Teaching supporting	31	17	14 (45)
Non-teaching	355	254	101 (28)

Source: Information supplied by the Department.

As is seen from the above Table, ITIs have shortage of 23, 45 and 28 *per cent* in respect of teaching, teaching supporting staff and non-teaching staff respectively. The Department attributed (May 2012) the shortages to ban on filling up of posts.

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7 Bagsaid, Batail, Chamba, Jogindernagar, Karsog, Mandi, Mandi (Women), Sainj, Saliana, Shahpur and Shamshi.

8 Chamba and Koti.

5.1.10.6 Enrolment of students

The year-wise position of actual enrolment of students against intake capacity for certificate courses run in the various ITIs during 2007-12 is given in **Table 5.7** below:

Table-5.7

Details showing the enrolment of students in the ITIs during 2007-12

(In numbers)

Year	Intake capacity	Actual enrolment	Percentage of enrolment
2007-08	4912	4559	93
2008-09	5915	5480	93
2009-10	11723	9056	77
2010-11	13643	9487	70
2011-12	16520	12014	73

Source: Information supplied by the Director, Technical Education, Vocational and Industrial Training.

From the above details it would be seen that, the position of enrolment came down considerably from 93 *per cent* in 2007-09 to 77, 70 and 73 *per cent* respectively during 2009-12. The Director attributed (May 2012) less enrolment to less receipt of applications for admission.

The Government stated (November 2012) that in COE, Broad Based Technology module, Advance module and Specialised module are lacking which resultantly decreased the overall percentage of the enrolment.

5.1.10.7 Faculty student ratio

As per National Council for Vocational Training norms, faculty student ratio in certificate courses should be 1:16. Audit noticed that faculty student ratio during 2007-08 was maintained to the prescribed extent whereas during 2008-12 the same was not maintained as per the prescribed norms and was in the range of 1:18 to 1:33. A poor faculty student ratio is bound to have an adverse impact on the quality of education offered.

5.1.10.8 Pass percentage of students and campus placement

The year-wise position of students passed out in certificate courses conducted by the ITIs and campus placement there against during the past four years (2007-11) is given in **Table 5.8** below:

Table-5.8

Details of pass percentage *vis-à-vis* campus placement of students during 2007-11

(In numbers)

Year	Students appeared in examination	Students passed (in *per cent)*	Campus placement (in *per cent)*
2007-08	4487	3092 (69)	1858 (60)
2008-09	5302	4042 (76)	2385 (59)
2009-10	5658	4460 (79)	2815 (63)
2010-11	10229	7857 (77)	2211 (28)
2011-12	Examination yet to be held		

Source: Departmental figures. Figures in parenthesis indicate percentage.

Though there was improvement in pass percentage (77) during 2010-11 as compared to 2007-08 (69), yet the campus placement declined from 60 *per cent* in 2007-08 to 28 *per cent* in 2010-11.

The Director admitted the facts and stated (May 2012) that some students failed due to lack of interest in taking examination. He further stated that less campus placement was due to availability of lower job opportunities.

5.1.10.9 Non-affiliation of Industrial Training Institutes

With a view to ensure and maintain uniformity in the standards of training all over the country, affiliation of ITIs/ trades is required to be obtained from the NCVT for the purposes of the grant of National Trade certificate for recognisation of trainees degree of skill on an all India basis.

Audit noticed that in 21 departmental ITIs, admission to 1080 trainees in 36 trades was given during 2008-12 but the requisite affiliation was not obtained from the NCVT to secure the interest of trainees for employment throughout the country.

The Director stated (May 2012) that ITIs have affiliation with the State Council of Vocational Training (SCVT) and affiliation could not be obtained from the NCVT due to some deficiencies like shortage of tools and equipment, insufficient building infrastructure, etc. The reply is not acceptable as SCVT functions as a State agency to advise the State Government in carrying out the laid down training policy and affiliation from NCVT was essential to secure the interest of trainees.

5.1.10.10 Ex-trainees follow-up

As per Directorate General of Employment and Training (DGET) manual, ITIs have to maintain 'Record Cards' of ex-trainees as a follow-up to ensure that the ITI trainees on successful completion of training have been able to secure employment. If employed, the name of the employer should be given failing which the whereabouts of unemployed trainees should be shown in the record cards. The trainees should also be asked to report periodically till they get employed.

Audit, however, noticed that none of the test-checked ITIs maintained such records in respect of ex-trainees, thereby failing to follow-up the employment status of ex-trainees to facilitate their employment. While admitting the facts, the Director stated (October 2012) that record cards could not be maintained due to shortage of staff.

The Government stated (November 2012) that training and placement cells have been constituted in all the ITIs to facilitate employment and tracking system is also being evolved in each ITI from the current year.

5.1.11 Technical Education Scheme

The Department is implementing this scheme through Engineering and Pharmacy Colleges (one each) and 10 polytechnics. Under the scheme, four years degree courses in the Engineering and Pharmacy, three years diploma course in engineering trades and two years diploma course in pharmacy are conducted. The points noticed in the functioning of above institutions are discussed as under:

5.1.11.1 Government Engineering and Pharmacy Colleges

The Department has one Engineering College and one Pharmacy College at Sundernagar and Rohru respectively. The Engineering College was established in May 2006 with an annual intake capacity of 80 students in two[9] engineering disciplines. From 2010-11, the college is imparting education in four[10] engineering degree courses of four years duration. The pharmacy college was started from 2005-06. The scrutiny of the functioning of these colleges revealed the following points:

- **Staff position and shortage**

The category-wise sanctioned strength (SS), persons in position (PIP) and vacancy position thereagainst as of 31 March 2012 is given in **Table 5.9** below:

Table-5.9

Details of category-wise sanctioned staff *vis-à-vis* persons in position

(In numbers)

Category of staff	SS	PIP	Vacancy position
Engineering College Sundernagar			
Teaching	37	12	25 (68)
Teaching supporting	27	8	19 (70)
Non-teaching	39	22	17 (44)
Pharmacy College Rohru			
Teaching	18	5	13 (72)
Teaching supporting	14	7	7 (50)
Non-teaching	24	12	12 (50)

Source: Information supplied by the Department. Figures in parenthesis indicate percentage.

From the above details it would be seen that vacancy position in both the colleges in teaching (72 *per cent*) and teaching supporting (70 *per cent*) categories was quite high.

As per AICTE norms, faculty student ratio for degree courses should be 1:15. It was noticed that faculty student ratio during 2007-12 was in the range of 1:16 to 1:27 due to shortages of staff. A poor quality faculty student ratio is, thus, bound to impact adversely on the quality of education imparted.

The Department stated (May 2012) that due to ban on recruitment, the vacant posts could not be filled up. It was further stated that teachers were also engaged to be paid out of student welfare fund on contract basis/ hourly basis. The reply is not acceptable as poor

9 Mechanical and Textile.
10 Mechanical, Textile, Civil and Electronics.

quality faculty student ratio as brought out above existed in these colleges which was bound to affect the quality of education.

- **Enrolment of students, pass percentage and campus placement**

In Government Engineering College, Sundernagar during 2007-12 against an annual intake capacity (80 students each year in 2007-08 to 2009-10; 240 students each in the years 2010-11 and 2011-12), enrolment of students was 98 *per cent* in 2007-08 and 2010-11, 88 *per cent* in 2009-10 and 100 *per cent* in 2008-09 and 2011-12 respectively. In Government Pharmacy College, Rohru against an annual intake capacity of 40 students, enrolment during 2007-12 was 100 *per cent*.

After operationalisation of the Pharmacy College, Rohru and Engineering College Sundernagar the final examination of relevant degree courses fell due from 2008-09 and 2009-10 onwards respectively. It was noticed in audit that the percentage of passed out students in respect of engineering degree courses during 2009-10 and 2010-11 was 84 and 100 *per cent* respectively. In respect of degree courses in pharmacy the percentage during 2008-11 was 77, 62 and 100 *per cent* respectively. Campus placement of passed out degree holders in engineering disciplines in the corresponding period was 42 and 30 *per cent* and in case of degree holder in pharmacy, it was 100, 64 and 25 *per cent* respectively. The Department stated (May 2012) that campus placement decreased due to less opportunity for jobs.

- **Non-accreditation of Engineering degree programmes**

Accreditation of engineering degree programmes is given by the National Board of Accreditation (NBA) established under All India Council for Technical Education (AICTE), Act, 1987. NBA accreditation is a sensitive tool for quality assurance in technical education and ensures that the institute indeed has and is likely to have in the near future, the necessary resources for qualitative technical education. Besides, it also ensures that institutional products meet the industry requirement as well as acceptable human resources benchmarks in the global job market. It was, however, noticed that the Engineering College has not obtained accreditation of its courses from the NBA as yet.

The Government stated (November 2012) that efforts are being made for getting NBA accreditation.

- **Adequacy of building infrastructure in Engineering and Pharmacy Colleges**

(i) After establishment of Engineering College, Sundernagar in May 2006, it started functioning from August 2006, in the premises of Government Polytechnic, Sundernagar. The State Government administratively approved (November 2006) construction of college building of five blocks (A, B, C, D and E) for ₹ 37.15 crore. The work was stipulated to be completed by January 2008.

Scrutiny of records in the Directorate office revealed that as of March 2012, only three blocks (A, B and C) of the building had been completed after incurring an expenditure of ₹ 37.81 crore and the work of remaining two blocks (D and E) was still in progress. Audit noticed that due to non-availability of adequate building infrastructure, 63 items of machinery and equipment (approximate value: ₹ 2.51 crore) required for training purpose could not be procured.

The Director-cum-Principal of the Engineering College while admitting the facts stated (March 2012) that now the college has been shifted to the new building and steps are being taken to procure the required machinery and equipment so that quality education could be provided.

(ii) The Pharmacy college was initially started in the campus of Government Polytechnic, Rohru and a private building was also hired from May 2007 to provide hostel facility for 30 women students. The State Government, however, administratively approved (November 2006) construction of college building comprising academic block, women hostel, residential quarters, dispensary, canteen and guest room for ₹ 13.17 crore with the stipulation to complete it within a period of two years.

It was noticed in audit that as of March 2012, the construction of building was still incomplete with physical progress of 90 *per cent* and after incurring an expenditure of ₹ 13.76 crore.

The Principal of Pharmacy college, Rohru stated (April 2012) that PWD authorities were approached from time to time to complete the building alongwith women hostel but did not complete the work. The reply is not acceptable because the Department pursued the matter locally only with the Executive Engineer concerned and never brought it to the notice of the Engineer-in-Chief of the PWD or the State Government for ensuring timely completion of work which indicated lack of proper monitoring of work.

- **Non-utilisation of Machinery and Equipment**

(i) Six items of machinery and equipment valuing ₹ 39.52 lakh procured between December 2009 and March 2010 for Mechanical Engineering and Textile Engineering courses were not installed and remained unutilised with the Engineering College as of June 2012 due to non-availability of space and expert instructors. Non-utilisation of machinery and equipment for imparting practical training was bound to impact the skill development of the trainees.

(ii) Similarly, machinery and equipment purchased between March 2005 and June 2010 at a cost of ₹ 13.16 lakh for training purposes was lying unutilised in the stores of the Pharmacy College as proper space for installation was not available.

The Principal concerned while admitting the facts stated (April 2012) that the machinery and equipment are being used for demonstration purpose and then placed back in the store due to non-availability of proper space required for installation. The fact, however, remains that actual utilisation of equipment in the laboratories/ workshops for imparting practical training was not done in order to fully utilise the potential of prescribed equipment.

- **Adequacy of machinery and equipment in laboratories/ workshops of Pharmacy College**

Norms for equipment required for development of laboratory and practical skill are determined by the AICTE. All institutions are, therefore, required to effectively meet such requirement and comply with the norms prescribed.

It was noticed that the Pharmacy college either did not have 33 items of specified equipment (approximate cost ₹ 12.23 lakh) and 45 items of equipment (approximate cost ₹ 10.52 lakh) were available less than the prescribed norms as of April 2012. The Government had, however, provided funds of ₹ 45 lakh during 2010-12 for procurement of machinery and equipment but the Drawing and Disbursing Officer (Principal of the College) could utilise only ₹ 8.76 lakh and the balance amount of ₹ 36.24 lakh could not be utilised due to non-completion of the college building and ultimately lapsed.

The Principal concerned stated (April 2012) that there could be negligible/ minimum impact on the quality of education due to non-availability of the above equipment as the students get a chance to train upon the sophisticated equipment during one month of industrial training. The reply is not convincing as the institution is required to comply with the prescribed norms for ensuring proper development of laboratory and practical skills of the trainees.

5.1.11.2 Functioning of Polytechnics

Polytechnic education contributes significantly to economic development of the State and country. The aim of polytechnic education is to create a pool of skill based manpower to support shop floor and field operations as a middle level link between technicians and engineers. The Department offers formal three years courses in 11 Engineering trades through the 10 polytechnics. Besides, in two[11] polytechnics, in addition to engineering courses, diploma course in pharmacy are also being conducted. The diploma courses in

[11] Kandaghat (Solan district) and Rohru (Shimla district).

Engineering trades and pharmacy requires accreditation/ affiliation with AICTE and PCI respectively. The functioning of polytechnics revealed the following points:

- **Non-accreditation of courses**

Accreditation of courses conducted by polytechnic institutions is required to be obtained from the National Board of Accreditation (NBA) to ensure that norms/ standard and other quality parameters of education specified by the AICTE are met.

Audit noticed that seven[12] out of 10 polytechnics did not have accreditation of NBA as of May 2012 since their inception. Besides, in the remaining three[13] polytechnics accreditation, though obtained, had also expired during 2010-11.

The Government stated (November 2012) that efforts are being made for obtaining NBA accreditation in respect of the remaining Polytechnics.

- **Enrolment of students in various courses**

The year-wise position of enrolment of students against the intake capacity in diploma courses during 2007-12 is given in **Table 5.10** below:

Table-5.10
Position of enrolment of students during 2007-12

(In numbers)

Category of course	Year	Intake capacity	Actual enrolment (in *per cent*)
Engineering trades (Three years Diploma course)	2007-08	1220	1195 (98)
	2008-09	1270	1194 (94)
	2009-10	1290	1001 (78)
	2010-11	1330	1313 (99)
	2011-12	1410	1266 (90)
Pharmacy (Two years Diploma course)	2007-08	70	52 (74)
	2008-09	70	68 (97)
	2009-10	80	77 (96)
	2010-11	80	63 (79)
	2011-12	80	66 (82)

Source: Departmental figures. Figures in parenthesis indicate percentage.

As is seen from the above Table, enrolment in engineering trades showed declining trend as it came down from 98 *per cent* in 2007-08 to 90 *per cent* in 2011-12 and demonstrated the Department's failure in ensuring optimal utilisation of created educational facilities in these institutions. The enrolment position in respect of diploma courses during the past five years ranged from 74 to 97 *per cent*.

[12] Ambota, Banikhet, Chamba, Kangra, Pragatinagar, Rohru and Talwar.
[13] Hamirpur, Kandaghat (Women) and Sundernagar.

The Director stated (May 2012) that less enrolment was due to less receipt of admission applications.

- **Staff shortage**

Polytechnic institutions have staff of three categories viz., teaching, teaching supporting and non-teaching. It was noticed that there was shortage of manpower resources. The percentage of staff shortage in the above categories was 52, 49 and 43 *per cent* respectively. Due to acute shortage of teaching staff, faculty student ratio of 1:20 according to prescribed norms of AICTE was not maintained during 2007-12 and was in the range of 1:22 to 1:24. Faculty student ratio below the laid down norms was likely to affect the quality of education offered.

The Director stated (May 2012) that shortage of manpower was due to ban on filling up of vacant posts. He further intimated that to fill up 65 posts of teaching staff, the case had been submitted to the Government in July 2010 but approval was awaited.

- **Pass percentage of students and campus placement**

As per records maintained at Directorate level, the percentage of passed out students in engineering diploma courses showed declining trend during 2008-11. It came down from 99 *per cent* in 2007-08 to 72 *per cent* in 2010-11. Thus, pass percentage requires considerable improvement in future. However, in respect of diploma course in pharmacy, the pass percentage increased from 71 *per cent* in 2007-08 to 90 *per cent* in 2010-11. While admitting the facts, the Director stated (May 2012) that some students failed due to lack of interest in taking the final examination. Campus placement of diploma holders in the corresponding period ranged between 36 and 88 *per cent* respectively.

The Government stated (November 2012) that efforts are being made for improvement of pass percentage of students in future.

- **Delay in creation of building infrastructure**

With a view to providing adequate building infrastructure facilities in seven[14] polytechnics, the Department sanctioned eight works (prior to 2007-08: five works and 2007-09: three works) of institutes buildings (four)/ staff quarters (one), boys hostel (one) and auditoriums (two) at an estimated cost of ₹ 69.28 crore. These works were stipulated to be completed between March 2000 and March 2010. While one

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14 Ambota, Banikhet, Chamba, Hamirpur, Rohru, Sundernagar and Talwar.

work of auditorium building of polytechnic at Rohru sanctioned in 2008-09 at an estimated cost of ₹ 0.50 crore could not be commenced for a period of more than three years as of June 2012 due to non-availability of site, the remaining seven works were also lagging behind their schedule of completion ranging from 27 to 147 months. The total expenditure incurred in these eight works was ₹ 29.29 crore. Thus, due to Department's failure to ensure timely completion of works, expenditure of ₹ 29.29 crore incurred on incomplete works remained largely unfruitful.

The Joint Controller (Finance and Accounts) while confirming the facts stated (May 2012) that the delay in completion of works was due to slow pace of execution of works by the executing agencies.

Implementation of Centrally Sponsored Schemes

The funds were provided to the DDOs for three schemes, namely (i) Setting up of new polytechnics; (ii) Upgradation of ITIs into Centre of Excellence and (iii) Skill Development Initiative Scheme through budgetary process and for the remaining four schemes, directly from GOI to the implementing agencies. The year-wise position of funds released and expenditure incurred thereagainst during 2007-12 is given in **Table 5.11** below:

Table-5.11

Details of funds released directly to implementing agencies by GOI during 2007-12

(₹ in crore)

Name of scheme	Implementing agency	Period	Funds released	Expenditure incurred	Balance unutilised amount
Upgradation of Government ITIs through PPP mode	Respective ITI	2007-12	82.50	23.59	58.91[15]
Construction of Women Hostels	Respective Polytechnic	2009-10	1.80	---	1.80
Integrating persons with disabilities in the mainstream of Technical and Vocational Education	Respective Polytechnic	2007-12	0.56[16]	0.49	0.07
Community Development through Polytechnics	Respective Polytechnic	2009-12	0.85	0.51	0.34
Total			**85.71**	**24.59**	**61.12**

Source: Departmental figures.

As can be seen from the above Table, against the total funds of ₹ 85.71 crore (including ₹ 41.25 crore as seed money), ₹ 44.46 crore was available for incurring expenditure on

15 Includes ₹ 41.25 crore as seed money to be kept as working capital.

16 Includes ₹ 0.98 lakh being unspent balance of previous year and interest receipts of ₹ 1.86 lakh.

construction of works and purchase of equipment. However, only ₹ 24.59 crore (55 *per cent*) was utilised during 2007-12 leaving ₹ 19.87 crore unutilised with them as of March 2012. Thus, total unutilised amount becomes ₹ 61.12 crore (₹ 19.87 crore + ₹ 41.25 crore as seed money).

The scheme-wise implementation of all the CSSs and points noticed in audit are discussed in the succeeding paragraphs:

5.1.12 Community Development through Polytechnics

With a view to utilise the resources in existing polytechnics for imparting short-term and non-formal training programmes on various skill trades, besides, appropriate transfer to the local community, GOI launched (February 2009) a scheme of Community Development through Polytechnics. Under the scheme, GOI provides 100 *per cent* funds directly to the concerned polytechnics. In the State, six[17] Government polytechnics were covered under the scheme. For implementation of the scheme during 2009-11, GOI released ₹ 84.80 lakh[18] for imparting training to 3600 persons in each year.

It was noticed in audit that the concerned Polytechnics could utilise only ₹ 51.20 lakh[19] against the availability of funds of ₹ 84.80 lakh leaving ₹ 33.60 lakh unutilised as of March 2012. As a result, the Department failed to achieve the laid targets of imparting training during 2009-12 on various skill trades in the respective polytechnics. The shortfall in training ranged between 50 and 98 *per cent* during the above period. Besides, due to less spending no assistance was released by GOI during 2011-12.

The Department while confirming the facts stated (May 2012) that funds were received in the last quarter from GOI during 2009-10 and the activities could not be carried out. It was further stated that the targets of training could not be achieved due to lukewarm response from the trainees. The reply is not acceptable as target for training should have been fixed keeping in view the trend of availability of aspirant trainees and in case of non-availability of trainees in the selected polytechnics, the matter should have been taken up with the GOI for imparting of training and utilisation of funds in other needy polytechnics of the State.

5.1.13 Scheme for integrating persons with disabilities in the mainstream of Technical and Vocational Education

The National Policy of Education (May 1986) envisaged to devise appropriate formal and non-formal programmes of technical education for the benefit of women, economically and socially weaker sections and physically handicapped persons. Accordingly, GOI launched a scheme for integrating persons with disabilities in the mainstream of Technical and Vocational Education during ninth Five Year Plan. In Himachal Pradesh,

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[17] Ambota, Hamirpur, Kandaghat, Kangra, Rohru and Sundernagar.

[18] 2009-10: (₹ 61.50 lakh for six Polytechnics) and 2010-11: (₹ 23.30 lakh).

[19] 2009-10: (₹ 4.97 lakh), 2010-11 (₹ 29.45 lakh) and 2011-12 (₹ 16.78 lakh).

the scheme was implemented from 2001-02 only in Government Polytechnic, Sundernagar. As per the scheme guidelines, 25 seats over and above the sanctioned intake of the selected polytechnic were to be provided for the persons with disabilities in regular three year diploma programme. In addition, the polytechnic was also to conduct vocational training/ skill development programme for about 100 students in various disciplines. The scheme was fully funded by the GOI. Only need based courses, identified on the basis of scientific survey were to be introduced. The successful students were to be awarded certificates at the end of the course.

The year-wise position of funds received from GOI and actually utilised during 2007-12 is given in **Table 5.12** below:

Table-5.12

Details of funds provided by GOI and utilisation thereagainst during 2007-12

(₹ in lakh)

Year	Opening balance	Funds received	Interest receipts	Total funds available	Funds utilised/ (Percentage)	Unutilised funds
2007-08	0.98	10.00	0.10	11.08	0.99 (09)	10.09
2008-09	10.09	0.00	0.04	10.13	9.83 (97)	0.30
2009-10	0.30	43.00	0.50	43.80	21.10 (48)	22.70
2010-11	22.70	0.00	0.72	23.42	6.99 (30)	16.43
2011-12	16.43	0.00	0.50	16.93	10.21 (60)	6.72
Total		**53.00**	**1.86**		**49.12**	

Source: Departmental figures. Figures in parenthesis indicate percentage.

As seen from the above Table, against the total availability of funds of ₹ 55.84 lakh during 2007-12, the polytechnic utilised ₹ 49.12 lakh leaving ₹ 6.72 lakh unutilised as of March 2012. Audit also noticed that due to less spending during 2007-08 and 2009-11, GOI did not release any funds during 2008-09 and 2010-12 respectively.

Besides, in the above polytechnic against the required intake of 125 seats (25 seats per year) for three year diploma programmes and skill development/ vocational training to 500 disabled persons during 2007-12, actual intake was 96 seats and 132 persons respectively. The overall shortfall in providing education/ training facilities was, thus to the extent of 29 seats (23 *per cent*) and 368 persons (74 *per cent*) respectively. The Principal, Government Polytechnic, Sundernagar attributed (March 2012) shortfall in intake of students/ trainees to non-availability of candidates. The reply is not acceptable as the scheme was being implemented without conducting any scientific survey to identify need based courses for the persons with disabilities which showed tardy implementation of the scheme.

In reply, the Government stated (November 2012) that in spite of advertisements published in various newspapers and those made through electronic media, the seats allocated could not be utilised fully.

5.1.14 Setting up of new Polytechnics

The GOI introduced a sub-mission under Co-ordinate Action Plan for Skill Development during 11th Five Year Plan (2007-12). Under the sub-mission, new Polytechnics were to be established in unserved and underserved districts in the country. In Himachal Pradesh, five districts[20] were selected for setting up of new Polytechnics and GOI accorded approval (between December 2008 and July 2009) for ₹ 61.50 crore (₹ 12.30 crore per polytechnic). Funds aggregating ₹ 10.12 crore were released as first installment by GOI to the State Government between December 2008 and July 2009. As per conditions laid down by the GOI, ₹ eight crore was to be spent on civil works and ₹ 4.30 crore on equipment and machinery. The land was to be made available by the State Government. Out of central assistance of ₹ 10.12 crore, the State Government provided ₹ 8.12 crore in March 2010 (₹ two crore) and in January-March 2011 (₹ 6.12 crore) respectively to the Directorate office. The Directorate office drew the whole amount from treasury in March 2010 (₹ two crore) and February-March 2011 (₹ 6.12 crore) and deposited in a savings bank account.

Scrutiny of records in the Directorate office revealed that new polytechnics in none of the districts had been set up as of March 2012. Audit also observed that the State Government had not fixed any timeframe for setting up of polytechnics for timely accrual of benefits to the beneficiaries of the concerned districts. Out of ₹ 8.12 crore, ₹ 2.50 crore paid (January-July 2011) to Bharat Sanchar Nigam Limited (BSNL) for taking up execution of two polytechnics in Kullu (₹ 0.50 crore) and Sirmaur (₹ two crore) districts remained unspent with the executing agency as the works were not taken up as of May 2012. Besides, ₹ 25 lakh was incorrectly paid as compensation of land for polytechnic in Kullu district to the Animal Husbandry Department in July 2011. The balance amount of ₹ 5.37 crore remained unutilised with the Directorate office in a savings bank account.

In reply, the Director stated (May 2012) that efforts are being made to get the works started as the same were delayed due to non-availability of suitable sites. The reply is not acceptable as Department failed to ensure availability of land for more than two to three years after release of funds by the GOI.

Thus, Department's inability to ensure timely setting up of new polytechnics and casual implementations of the scheme led to non-accrual of envisaged benefits of expansion of technical education facilities in the concerned districts.

5.1.14.1 Unnecessary retention of Central Assistance

Out of central assistance of ₹ 10.12 crore received from GOI during December 2008 and July 2009, ₹ two crore pertaining to setting up of a new polytechnic in Lahaul-Spiti

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[20] Bilaspur, Kinnaur, Kullu, Lahaul-Spiti and Sirmaur.

district, the State Government did not release funds further to the Department and they remained unutilised with the State Government as of March 2012. Further, GOI released 2nd installment of ₹ 1.75 crore in September 2011 to polytechnics of all the five districts at the rate of ₹ 35 lakh per polytechnic which was also not released to the Department. Thus, central assistance of ₹ 3.75 crore remained blocked at Government level for more than three years.

The Director stated (May 2012) that due to time taken in identifying suitable land and transferring the same in the name of Department under Forest Conservation Act (FCA), the expenditure sanction was not accorded by the Government. He further intimated that the land transfer case was now under process and the above funds had also been included in the budget for year 2012-13. The reply is not acceptable as availability of land should have been ensured before submitting proposals for release of central assistance.

Thus, despite availability of funds of ₹ 11.87 crore, Department's inability to ensure availability of land led to non-utilisation of central assistance for more than three years.

5.1.15 Construction of Women Hostels in Polytechnics

Under the sub-mission on polytechnics, the GOI also provided 100 *per cent* financial assistance for the construction of women's hostels in Polytechnics. The financial assistance upto limit of ₹ one crore was admissible during 11th Plan period (2007-12).

For construction of hostels in nine[21] polytechnics with housing capacity of 450 students (50 students per hostel), GOI released first installment of financial assistance of ₹ 1.80 crore (₹ 20 lakh per hostel) during August 2009 (₹ 60 lakh for three hostels) and March 2010 (₹ 1.20 crore for six hostels) directly to the Principals of respective Polytechnics.

Scrutiny of records in the Directorate office revealed that the construction of hostels had not been started due to non-finalisation of drawings, estimates, etc., except in polytechnic Kangra where the work was stated to be in progress as of May 2012.

Keeping in view the slow progress of implementation of the scheme, GOI, Ministry of Human Resource Development (MoHRD) directed (May 2011) the State Government to ensure greater involvement for successful implementation of the scheme. GOI, MoHRD further reiterated that for the last year (2011-12) of 11th Plan period, grants shall be released only after the polytechnics which have been provided first installment, respond with utmost urgency, finalise and submit their proposal for utilisation of total allocation of ₹ one crore.

It was noticed that the Department did not take any action on the above directives of GOI and also failed to ensure the construction of hostel buildings in a time bound manner.

[21] Ambota, Banikhet, Chamba, Hamirpur, Kandaghat, Kangra, Rohru, Sundernagar and Talwar.

The Director stated (May 2012) that steps are being taken to start the works but executing agencies were demanding 30 *per cent* funds of estimated cost in advance.

The reply is not acceptable as this issue should have been resolved by taking up the matter with the administrative heads of the concerned executing agencies. This not only resulted in non-creation of hostel facilities upto the end of 11th Plan i.e. 31st March 2012 in the concerned polytechnics but also deprived of availment of central assistance to the extent of ₹ 7.20 crore by the concerned polytechnics.

5.1.16 Upgradation of ITIs into Centre of Excellence (COE)

The implementation of the above scheme was started all over India from the financial year 2006-07 with domestic funding in 100 ITIs and in 400 ITIs through World Bank assisted Vocational Training Improvement Project (VTIP) from 2007-08. The implementation period of VTIP is five years from 17 December 2007 to 16 December 2012. During 2006-12, 14 ITIs in the State were identified for upgradation into COE. In three[22] ITIs, the scheme was implemented with GOI assistance (domestic funding) at ₹ 1.60 crore for each ITI. During 2007-08 and 2009-10, the remaining 11 ITIs were approved under VTIP for establishment of COE in the ratio of 75:25 and upgradation at an outlay of ₹ 32.50 crore. Of this, for seven ITIs an outlay of ₹ 24.50 crore (₹ 3.50 crore per ITI) was sanctioned for establishment of COE and upgradation whereas in four ITIs, only upgradation was envisaged to be done at the rate of ₹ two crore per ITI. Against the total outlay of ₹ 32.50 crore (GOI: ₹ 24.38 crore; State: ₹ 8.12 crore), the State Government had released ₹ 29.52 crore (GOI share: ₹ 22.94 crore; State share: ₹ 6.58 crore) to the Department as of March 2012 as detailed in **Table 5.13** below:

Table-5.13

Details of funds released by GOI and State and utilisation during 2007-12 for implementation of scheme

(₹ in crore)

Year	Number of ITI approved for		GOI share released	State share released	Expenditure incurred including State Share
	COE & upgradation	Upgradation only			
2007-08	7	1	12.03	Nil	--
2008-09	--	--	--	1.99	13.99
2009-10	--	3	5.46	1.10	6.55
2010-11	--	--	4.82	1.60	6.42
2011-12	--	--	0.63	1.89	2.80
Total	**7**	**4**	**22.94**	**6.58**	**29.76**

Source: Departmental Figures.

As is seen from the above Table, the GOI had released 94 *per cent* of its committed funds (₹ 22.94 crore) whereas State's matching share which worked out to ₹ 7.63 crore against actual release of ₹ 6.58 crore which fell short to the extent of ₹ 1.05 crore.

22 Rampur, Solan and Una.

The Government stated (November 2012) that State's matching share has been provided in the budget of financial year 2012-13.

5.1.16.1 Construction of building for Centre of Excellence

After GOI's approval for establishment of COE and upgradation thereof 11 ITIs in 2007-08 (eight ITIs) and 2009-10 (three ITIs), the State Government further administratively approved construction of buildings in all the ITIs during 2008-10 at an estimated cost of ₹ 13.24 crore. Funds aggregating ₹ 8.31 crore were released to three[23] executing agencies in the respective year of sanction. These works were stipulated to be completed within a period of nine months from the date of sanction. Records relating to execution of works in the Directorate office revealed the following:

(i) Construction of buildings of COE in three ITIs[24] sanctioned in 2008-10, was not taken up by the executing agencies as of May 2012 due to non-finalisation of estimates and design by HPPWD (two cases) and non-initiation of process for invitation of tenders by HIMUDA (one case). Funds amounting to ₹ 1.52 crore remitted to them remained unutilised for more than two to three years.

(ii) For two ITIs (Shimla and Shimla (Women)) construction of two floor joint building entrusted to HPSIDC at an estimated cost of ₹ 1.60 crore in 2008-09 also remained incomplete as the Archeological Survey of India objected in August 2011 to construction of works on the ground that the site fell in the prohibited area. The works were lying in a suspended state since then after incurring an expenditure of ₹ 98.05 lakh against the total release of ₹ 1.16 crore. However, permission to execute the work sought (August 2011) by the Department was not received till date.

Photograph-5.1

Photograph dated 4 June 2012 of construction of ITI building at Shimla lying suspended.

[23] HPPWD: ₹ 0.73 crore; HIMUDA: ₹ 2.95 crore and HPSIDC: ₹ 4.63 crore.
[24] Chamba, Reckong Peo and Rongtong.

(iii) In the remaining six[25] ITIs, construction of buildings entrusted to HIMUDA and HPSIDC in 2008-09 were still incomplete. Although funds of ₹ 5.62 crore remitted to them had been utilised, the construction work of these buildings was lagging behind the schedule dates of completion for more than two years as of May 2012 due to shortage of funds.

(iv) As per procurement Manual of World Bank assisted project of COE, no fee can be paid to PWD or any other agency under the administrative control of the State Government out of funds of COE. In case fee is to be paid to them, the same should be paid from State's own budget. It was noticed that fee/ agency charges amounting to ₹ 35.55 lakh was deducted by HIMUDA (₹ 12.50 lakh) and HPSIDC (₹ 23.05 lakh) respectively upto March 2012 in respect of COE of three buildings (Mandi, Shahpur and Shamshi) resulting in availability of less funds for construction.

5.1.16.2 State Project Implementation Unit

For implementation of World Bank assisted COE scheme, a State Project Implementation Unit (SPIU)[26] was envisaged to be constituted to oversee implementation and monitoring of the scheme.

Scrutiny of records in the Directorate office revealed that SPIU was constituted (August 2007) but none of the ITIs covered under the project were visited by SPIU during 2007-12 though each ITI was required to be visited by the SPIU at least twice a year to ensure proper implementation of the scheme. Besides, the SPIU had not appointed consultants for ensuring the quality of construction work and procurement activities as per World Bank norms. As a result, construction of buildings of COE could not be completed within the stipulated period of nine months as brought out in the preceding paragraph. The SPIU, therefore, failed to ensure effective implementation of the scheme.

The Director stated (May 2012) that the officers of SPIU usually met to finalise the procurement of machinery and equipment and to accord approval of civil works under the scheme. He further stated that exclusive inspections of COE were not carried out and being a technical Department, consultants were also not appointed. The reply is not acceptable as proper check over implementation of the scheme was not exercised and

[25] Mandi, Mandi (Women), Nahan, Rail, Shahpur and Shamshi.

[26] 1. Director (Technical Education, Vocational and Industrial Training)—State Project Director (SPD).
2. Additional/ Joint Director (Technical Education)- Additional/ Joint SPD.
3. Deputy Director (Training)-Officer-in-Charge (Procurement of Machinery & Equipment).
4. Deputy Controller (Finance & Accounts)-Finance Officer.
5. Assistant Director (Training)-Officer-in-Charge (Industrial Development and Training).

civil works in none of the ITI covered under the scheme could be executed within a period of nine months to ensure timely establishment of COE.

5.1.17 Upgradation of Government ITI through Public Private Partnership

To improve the employment outcome of graduates from vocational training system, by making design and delivery of training more demand responsive, GOI started (2007-08) a scheme of upgradation of 1396 ITIs, all over India through Public Private Partnership (PPP) mode during 11th Five Year Plan (2007-12). In Himachal Pradesh 33 Government ITIs[27] were selected for coverage under the scheme. As per scheme, loan assistance of ₹ 2.50 crore per ITI was admissible. The loan assistance was to be administered by an Institute Management Committee (IMC) to be registered as Society under the relevant Societies Registration Act. A Memorandum of Agreement (MoA) in the prescribed format setting for the terms and conditions for participation in the scheme was also to be signed by GOI, State Government and an Industry Partner. The Industry Partner was to act as Chairperson of the IMC. Out of the total loan assistance received, 25 *per cent* was to be utilised to meet the additional requirement of civil works, 50 *per cent* as seed money to be kept in a corpus fund and the balance for procurement of machinery and equipment.

In nine[28] out of 33 ITIs selected for test-check, it was noticed that loan assistance amounting to ₹ 22.50 crore was provided during 2007-10 but against the required utilisation of loan assistance of ₹ 11.25 crore on civil works and procurement of machinery and equipment, the concerned ITIs were able to spend ₹ 6.95 crore upto March 2012. The main reasons for non-utilisation of funds were non-completion of civil works in six[29] ITIs and non-commencement of civil work in three[30] cases due to non-availability of suitable land and non-clearance of land under Forest Conservation Act.

Thus, upgradation of ITI in the above cases envisaged to be done by the end of 11th Five Year Plan i.e. 31 March 2012 remained incomplete. As a result Key Performance

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27 2007-08: Bhoranj, Bilaspur, Dharamsala, Hamirpur, Kasauli, Nalagarh, Nehranpukhar, Palampur and Paonta Sahib.
2008-09: Bagsaid, Bani, Berthin, Jogindernagar, Jubbal, Kullu, Paplog, Rajgarh, Sainj, Saliana and Sundernagar.
2009-10: Bangana, Chamba (Women), Chopal, Deegal (Women), Dhameta, Jawali (Women), Nahan (Women), Nurpur, Reckong Peo (Women) and Udaipur.
2010-11: Nalagarh (Women) and Una (Women).
2011-12: Bilaspur (Women).

28 Bagsaid, Chamba (Women), Jawali, Jogindernagar, Nehranpukhar, Palampur, Paplog, Sainj and Saliana.

29 Bagsaid, Jawali, Jogindernagar, Nehranpukhar, Palampur and Paplog.

30 Chamba (Women), Sainj and Saliana.

Indicators (KPI)[31] of upgradation set under the scheme in respect of the above mentioned ITIs were not maintained and the objective of upgradation of these ITIs remained unachieved as of March 2012. The Department admitted the facts (June 2012).

5.1.18 Skill Development Initiative Scheme (SDIS)

The scheme 'Skill Development Initiative' based on Modular Employable Skill (MES) developed in close consultancy with the industry was launched (September 2010) in the State as a 100 *per cent* CSS. The objectives of the scheme were to provide vocational training to school leavers, existing workers, ITI graduates, etc., to improve their employability by optimally utilising the infrastructure available in Government, private institutions and the industry. Existing skill of the persons could also be tested and certified under this scheme and to enable building of capacity in the area of development of competency standards, course curricula, learning material and assessment standard in the country.

During 2010-12 an expenditure of ₹ 1.36 crore (2010-11: ₹ 0.36 crore; 2011-12: ₹ one crore) was incurred on imparting training to 5180 workers (2010-11: 1380 workers; 2011-12: 3800 workers) who had sought training. It was noticed in audit that post training feedback of actual benefits to the concerned trainees was not maintained to gauge the success of training in improving employability of the trainees.

The Government stated (November 2012) that post training feedback system is being evolved from the current financial year.

5.1.19 Internal Control Mechanism

5.1.19.1 Internal Control

Existence and enforcement of internal control, is necessary, with regard to ensuring accountability obligation and to provide reasonable assurance that organisation's objectives are achieved, assets are safeguarded and operations are carried out in an effective manner in compliance with applicable laws, rules and regulations. Deficiencies noticed in enforcement of internal controls are discussed as under:

- **Inspections**

To exercise effective control over functioning of ITIs and assist the Principals of these institutes in all matters relating to training and conduct of courses, each ITI is required to be inspected at least once in each quarter by the Inspecting Officer of the Directorate office. Besides, at least one centre in the State should be inspected once a year by a

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31 Key Performance Indicators are set for application to be received as compared to seats, enrolment, dropout, pass out students, passed out employed/ self employed, average monthly income of employed/ self employed students to be achieved in the next five years from the year of release of loan.

tripartite team consisting of the State Director, representative of the industries and of labour organisation as required in Training Manual for ITIs. In the test-checked ITIs, audit noticed that the requisite inspections were not carried out during 2007-12. In respect of Government Engineering College, Pharmacy College and Polytechnics, the Department had neither evolved any inspection schedule nor was any inspection cell constituted.

The Director stated (May 2012) that ITIs were inspected from time to time but no inspection notes were prepared. He further stated that regular inspections could not be carried out frequently due to shortage of staff as well as non-formation of tripartite team. The reply is indicative of the fact that effective control over the functioning of ITIs was not being exercised. As a result, percentage of enrolment in ITI certificate courses declined from 93 *per cent* in 2007-08 to 73 *per cent* in 2011-12 as brought out in paragraph 5.1.10.6.

- **Internal Audit**

As per instructions issued (August 1987) by the Finance Department (FD), the services of Internal Audit staff were to be utilised only for the purpose of conducting internal audit, checking of accounts, supervising the clearance of outstanding audit objections, physical verification of stores and stock, etc. The FD had posted one Deputy Controller (F&A) in the Department of Technical Education whose duty was to manage the work of internal audit of the Department. Scrutiny of records, however, revealed that internal audit of the Department had not been done during 2007-12. The Deputy Controller posted in the Department was carrying out routine work of the Directorate and no work relating to internal audit was done. Thus, internal audit was completely non-existent in the Department.

The Department had not evolved any system for inspection of field functionaries nor was any inspection cell set up to keep effective check over their functioning and implementation of various schemes by them. The internal control mechanism was, therefore, non-existent.

The Government admitted the facts and stated (November 2012) that internal audit could not be carried out due to heavy work load and shortage of staff in the Directorate. It was further stated that efforts are being made to conduct the internal audit of the institutions. The reply is not acceptable as the staff provided for internal audit should be deployed to exercise control over financial reporting and to ensure implementation of programmes in an effective way.

- **Grievances Redressal**

In compliance to State Government's instructions (December 2007) a Grievance Redressal Cell (GRC) had been constituted (January 2008) in the Directorate office. The

Joint Director acts as a Nodal Officer and is responsible for ensuring that grievances/ complaints received were disposed of within a month. The GRC was required to maintain a register for all grievances received and disposed of in prescribed format.

Scrutiny of records in the Directorate office revealed that the GRC was actually non-existent. Though a complaint register was maintained from January 2008 and 15 complaints were found to be recorded in the register upto August 2008, disposals there against were not recorded. After August 2008, no details of complaints, if any, received were available in the register. In the absence of any record the extent of public grievances redressed could not be ascertained in audit.

While confirming the facts the Director stated (May 2012) that complaint register had been maintained for the period from January 2008 to August 2008 and thereafter entries could not be made in the register due to shortage of staff which would be completed in due course of time. The reply is not acceptable as the working of GRC on public grievances should have been effectively managed to ensure transparency in their redressal.

- **Response to Audit**

The Principal Accountant General (Audit), Himachal Pradesh, conducts test-check of records maintained by the head of the administrative Department and its subordinate officers under his control. First replies to the observations as a result of test-check communicated through Inspection Report (IR) are required to be furnished within a period of one month. The position of the outstanding paragraphs of IRs issued upto March 2012 and pending at the end of August 2012 is given in **Table 5.14** below:

Table-5.14

Details of the pending IRs and paragraphs

Sr. No.	Year of Report	Number of IRs	Number of Paragraphs	Delay in months
1.	1990-91 to 2006-07	13	57	65 to 257
2.	2007-08	2	2	53
3.	2008-09	2	5	41
4.	2009-10	5	7	29
5.	2010-11	--	--	--
6.	2011-12	--	--	--
	Total	**22**	**71**	

Source: Details collected from Social Sector Audit Wing.

The pendency of 13 IRs and 57 paragraphs for a period of over five years shows Department's poor response to audit observations.

5.1.20 Monitoring Mechanism of the Department

No monitoring mechanism existed in the Department to exercise effective check on overall working of the Department and to ensure implementation of various CSSs and State schemes/ programmes. The Director stated (May 2012) that monitoring was being done by obtaining monthly and quarterly reports and returns. The reply is not acceptable as no documentary evidence viz., types of reports prescribed, reports actually received in the Directorate office and report further submitted to the State Government/ GOI was furnished in support of it. The monitoring mechanism to exercise effective check over implementation of various State and Centrally Sponsored Schemes was also non-existent.

5.1.21 Conclusion

There was absence of effective planning in the Department as long term and short term plans were not prepared to implement the schemes in an efficient and effective manner. There were shortages in the cadres of teaching staff (between 23 and 72 *per cent*) and teaching supporting staff (between 45 and 70 *per cent*) in colleges, Polytechnics and ITIs respectively. Thus, the quality of education was bound to be affected adversely. The efforts of the State Government to provide infrastructure in the institutions proved inadequate as 43 out of 96 institutions were lacking infrastructure facilities. While enrolment in degree courses during 2011-12 achieved the commendable level of 100 *per cent*, in Diploma (Engineering trade) and ITI certificate courses it decreased from 98 *per cent* to 90 and 93 to 73 *per cent* respectively as compared to 2007-08. The decreasing trend of enrolment in the institutions i.e. Polytechnics and ITIs is a matter of concern and requires proper need analysis for effective implementation of State's educational schemes. Besides, 21 departmental ITIs did not have affiliation from the NCVT to secure the interest of trainees for employment throughout the country. Accreditation of courses conducted by the polytechnics was also not obtained as of May 2012 and indicated a casual approach of the Department in implementation of State schemes.

The implementation of CSSs was tardy as effective utilisation of funds allocated under these schemes, especially upgradation of ITIs as Centres of Excellence, upgradation of ITIs through PPP mode and upgradation of ITIs to integrate physically disabled persons in the mainstream of Technical and Vocational Education was not found which led to non-accrual of intended benefits to the trainees. Monitoring mechanism was also non-existent in the Department.

5.1.22 Recommendations relating to overall working of the Department

The Department may consider to:

- evolve long term and short-term plans (Annual Action Plans) with measurable goals and financial linkages in the implementation of programmes/ schemes.
- take effective steps to minimise the shortages of manpower and infrastructure facilities in technical institutions.
- ensure availability of encumbrance free land/ site and funds for the construction of Building sites.
- ensure deployment of adequate staff for internal audit to strengthen internal auditing of schemes.
- ensure adequate inspections and monitoring of the implementation of schemes and functioning of various institutions.

The Government stated (November 2012) that the points have been noted for future compliance.

(Satish Loomba)
Principal Accountant General (Audit)
Himachal Pradesh

Shimla
The

Countersigned

(Vinod Rai)
Comptroller and Auditor General of India

New Delhi
The

Appendices

Appendix-1.1

(Refer paragraph 1.9; page 9)

Year-wise break up of outstanding Inspection Reports/ Paras upto March 2012 of selected DDOs

Period	Health and Family Welfare			Food and Civil Supplies		
	IRs	Paras	Amount (₹ in crore)	IRs	Paras	Amount (₹ in crore)
Upto March 2002	135	349	24.28	15	19	0.84
2002-03	16	30	2.40	6	7	5.24
2003-04	20	56	11.11	2	2	0.31
2004-05	16	30	5.92	2	2	0.05
2005-06	29	53	14.78	2	2	0.002
2006-07	25	83	22.74	5	9	0.33
2007-08	31	111	123.74	6	10	0.69
2008-09	08	53	41.10	2	4	0.38
2009-10	34	106	27.47	3	8	15.55
2010-11	14	53	22.54	3	7	0.50
2011-12	07	50	25.22	1	2	0.28
Total	**335**	**974**	**321.30**	**47**	**72**	**24.17**

Appendix-1.2

(Refer paragraph 1.9; page 9)

Statement showing irregularities commented upon in the outstanding Inspection Reports and Paragraphs as on 31 March 2012

(₹ in crore)

Sr. No.	Type of irregularities	Health and Family Welfare Department		Food and Civil Supplies		Total	
		Para	Amount	Para	Amount	Para	Amount
1.	Drawal of funds in advance of requirement	56	112.46	04	1.16	60	113.63
2.	Non-adjustment of contingent advances	28	2.82	02	0.57	30	3.39
3.	Excess/irregular expenditure for want of sanctions	168	22.33	---	---	168	22.33
4.	Wasteful/ infructuous/ unfruitful expenditure	42	59.48	02	0.83	44	60.31
5.	Diversion of funds	10	2.24	---	---	10	2.24
6.	Overpayment, non-recovery of rent, advances/ miscellaneous recoveries	165	11.75	24	5.55	189	17.30
7.	Non-production of actual payees' receipts	15	2.61	---	---	15	2.61
8.	Outstanding loans	---	---	---	---	---	---
9.	Idle machinery/ equipment including vehicles	57	3.64	---	---	57	3.64
10.	Non-accounting/ shortage of stores/cash, etc.	39	2.18	06	0.06	45	2.25
11.	Non-recoupment of expenditure	---	---	05	0.05	05	0.05
12.	Misappropriation of stores/ cash/ funds	24	0.39	---	---	24	0.39
13.	Incomplete/ abandoned works	20	20.49	---	---	20	20.49
14.	Loss/theft embezzlement/ defalcation, etc.	43	9.82	01	0.02	44	9.84
15.	Non-production of UCs	10	31.94	01	0.007	11	31.94
16.	Non-disposal of unserviceable articles of stores	21	0.15	03	0.02	24	0.17
17.	Non-reconciliation with treasuries/ banks	12	1.03	04	0.03	16	1.05
18.	Non-utilization of Grants-in-aid	08	0.79	---	---	08	0.79
19.	Non-deposit of interest in treasuries	10	0.62	---	---	10	0.62
20.	Miscellaneous irregularities	246	36.56	20	15.87	266	52.43
	Total	**974**	**321.30**	**72**	**24.17**	**1046**	**345.47**

Appendix-1.3

(Refer paragraph 1.12; page 10)

Statement showing performance of the Autonomous Bodies

Sr. No.	Name of body	Period of entrustment	Year upto which account were rendered	Delay in submission of accounts	Period upto which Separate Audit Report is issued	Date of Placement of SAR in the State Legislature
1.	H.P. State Veterinary Council, Shimla.	2005-06 onwards	2011-12	No delay	2010-11	12 March 2012
2.	H.P State Legal Services Authority, Shimla.	Audit is being conducted in accordance with the provisions contained in section 18 (2) of Legal Services Authorities Act, 1987	2011-12	25 days	2010-11	28 August 2012
3.	District Legal Services Authority, Shimla.		2011-12	No delay	2010-11	28 August 2012
4.	District Legal Services Authority, Solan.		2011-12	19 days	2010-11	28 August 2012
5.	District Legal Services Authority, Hamirpur.		2011-12	19 days	2010-11	28 August 2012
6.	District Legal Services Authority, Dharamsala.		2011-12	13 days	2010-11	28 August 2012
7.	District Legal Services Authority, Una.		2011-12	30 days	2010-11	28 August 2012
8.	District Legal Services Authority, Mandi.		2011-12	No delay	2010-11	28 August 2012
9.	District Legal Services Authority, Nahan.		2011-12	28 days	2010-11	28 August 2012
10.	District Legal Services Authority, Bilaspur.		2011-12	3 days	2010-11	28 August 2012
11.	District Legal Services Authority, Chamba.		2011-12	37 days	2010-11	28 August 2012
12.	District Legal Services Authority, Kinnaur at Rampur.		2011-12	32 days	2010-11	28 August 2012
13.	District Legal Services Authority, Kullu & Lahaul Spiti at Kullu.		2011-12	19 days	2010-11	28 August 2012
14.	Himachal Pradesh Building and Other Construction Workers Welfare Board.	Section 27 (3) of BOCW Act	2011-12	153 days	2010-11	Yet to be placed in the State Legislature

Appendix-2.1

(Refer paragraph 2.1.3; page 14)

Statement showing details of Hydro Power Projects selected for test-check

Sr. No.	Name of Project/ (District)
Selection of Hydro Power Projects upto 5 (five) MW capacity:	
Hydro Power Projects under operation	
1.	Brahal (Kangra)
2.	Upper Awa
3.	Chirchind (Chamba)
4.	Gaj-II
5.	Dehar
6.	Manjhal
7.	Gajeu Gunad
8.	Manglad (Shimla)
9.	Sainj
10.	Rukti (Kinnaur)
11.	Luni-II (Kangra)
12.	Jiwa Kothari (Kullu)
Hydro Power Projects under construction	
1.	Chhor (Kullu)
2.	Khanyara (Shimla)
3.	Surah (Mandi)
4.	Haripur Nalla (Kullu)
5.	Panwi (Kinnaur)
6.	Hurla (Kullu)
7.	Kotlu (Kullu)
8.	Ani (Kullu)
9.	Barseu (Kullu)
10.	Shatul (Shimla)
11.	Balargha (Kullu)
12.	Jabbal (Shimla)
13.	Dikleri (Chamba)
Hydro Power Projects under investigation	
1.	Raugi Balogi (Kullu)
2.	Hurla Top (Kullu)
3.	Kala Nao Top (Kullu)
4.	Gajgehra (Kangra)
5.	Chaunda (Kinnaur)
6.	Chharor (Kullu)
7.	Upper Mangla (Shimla)
8.	Garthi-II (Kullu)
9.	Annun-II (Mandi)
10.	Berang (Lahaul & Spiti)
11.	Mural (Shimla)
12.	Siul Baroti (Chamba)
13.	Kiri (Chamba)

14.	Balij ka Nala (Chamba)
15.	Sainj Bhagar (Shimla)
16.	Purveda (Chamba)
17.	Bagi pul (Kullu)
18.	Nerwa (Shimla)
19.	Gaj Top (Kangra)
20.	Soldan (Kinnaur)
21.	Hul-II (Chamba)
22.	Khagna (Shimla)
23.	Namkan (Lahaul & Spiti)
24.	Saru (Shimla)
25.	Panu Dabeha (Kullu)
26.	Binwa-IV (Kangra)
27.	Todsa (Shimla)
28.	Panche (Kullu)
29.	Karot Nain (Kangra)
30.	Upper Kurmi (Shimla)
31.	Chharor (Kullu)
32.	Tuna Dari (Mandi)
33.	Uhl (Mandi)
34.	Kungti (Kullu)
35.	Nind (Kullu)
36.	Rack (Chamba)
37.	Maila (Shimla)
38.	Sheel (Kullu)
39.	Sansal (Kangra)
40.	Garthi (Kullu)
41.	Bagrood (Kangra)
42.	Gurahan –III (Mandi)
43.	Ursu (Kullu)
44.	Piachkani (Kullu)
45.	Dhugli (Chamba)
46.	Jogini (Shimla)
47.	Khanderi (Shimla)
48.	Keohali Matta (Kangra)
49.	Goshali Rohr (Shimla)
50.	Chobia (Chamba)
51.	Sethu (Kangra)
52.	Bhujal (Chamba)
53.	Kurhed –II (Chamba)
54.	Najan (Kullu)
55.	Badhal (Shimla)
56.	Bajgad (Kullu)
57.	Balan Srog (Mandi)
58.	Banar (Mandi)
59.	Brahal Top (Kangra)
60.	Satnal (Chamba)
61.	Dewar-I (Kullu)
62.	Thuchaning (Kullu)
63.	Lingar (Lahaul & Spiti)
64.	Koksar (Lahaul & Spiti)

65.	Ghirda Gurah (Mandi)
66.	Upper Machal (Shimla)
67.	Barod (Kullu)
68.	Lapah Akhara (Kullu)
69.	Spangani (Kullu)
70.	Salanti –II (Shimla)
71.	Lower Chanju (Chamba)
72.	Pakhnoj (Kullu)
73.	Dakrunda (Chamba)
74.	Balij Top (Chamba)
75.	Anu Bhalan (Mandi)
76.	Dug (Chamba)
77.	Upper Makan-II (Chamba)
78.	Baner (Kangra)
79.	Kalyana (Chamba)
80.	Behali (Kullu)
81.	Uhl-V (Mandi)
82.	Lanrenttar (Lahaul & Spiti)
83.	Sanjoin (Kullu)
84.	Chakki Dadiara (Chamba)
85.	Gaj-III (Kangra)
86.	Pharari (Kullu)
87.	Malana Top (Kullu)
88.	Halindi Nalla (Kullu)
89.	Billing (Lahaul & Spiti)
90.	Jana (Kullu)
91.	Kalhel Chatri (Chamba)
92.	Ghiaghi-II (Kullu)
Selection of Hydro Power Projects between 5 (five) and 10 MW capacity	
Hydro Power Projects under operation	
1.	Sarbari II (Kullu)
Hydro Power Projects under construction	
1.	Tangenu Romai-II (Shimla)
2.	Loweer Uhl (Mandi)
Hydro Power Projects under investigation	
1.	Bhang (Kullu)
2.	Palchan Bhang (Kullu)
3.	Rala (Kinnaur)
4.	Himani Chamunda Thingri (Kinnaur)
5.	Tanger-Chanju (Chamba)
Selection of Hydro Power Projects between 10-25 MW capacity	
Hydro Power Projects under operational	
1.	Upper Joiner (Chamba)
Hydro Power Projects under construction	
1.	Lambadug (Kangra)

Hydro Power Projects under investigation	
1.	Jongini (Shimla)
2.	Jobrie (Kullu)
3.	Choned (Chamba)
4.	Roura-II (Kinnaur)
5.	Kurpan-III (Kullu)
Selection of Hydro Power Projects between 25-100 MW capacity	
Hydro Power Projects under operation	
1.	Malana-I (Kullu)
Hydro Power Projects under construction	
1.	Chanju-I (Chamba)
Hydro Power Projects under investigation	
1.	Tindong-II (Kinnaur)
2.	Telling (Lahaul & Spiti)
3.	Rupin (Shimla)
Selection of Hydro Power Projects above 100 MW capacity	
Hydro Power Projects under operation	
1.	Baspa-II (Kinnaur)
Hydro Power Projects under construction	
1.	Sorang (Kinnaur)
Hydro Power Projects under investigation	
1.	Lara Sumta (Lahaul & Spiti)
2.	Miar (Lahaul & Spiti)
3.	Dugar (Chamba)
4.	Purthi (Lahaul & Spiti)
5.	Reolidugli (Lahaul & Spiti)

Note: Total Hydro Power Projects under operation : 16
Total Hydro Power Projects under construction : 18
Total Hydro Power Projects under investigation : 110
Total : 144

Appendix-2.2

(Refer paragraph 2.1.8.1; page 21)

Statement showing details of Capacity addition after allotment of projects

(In MW)

Sr. No.	Name of Project	Allotted capacity	Enhanced Capacity	Percentage of enhancement
1.	**2.**	**3.**	**4.**	**5.**
1.	Brua	3.00	9.00	200
2.	Beas Kund	2.40	9.00	275
3.	Uhl	2.00	9.00	350
4.	Upper Joiner-II	2.00	8.00	300
5.	Kurmi	5.00	8.00	60
6.	Sanej	5.00	14.00	180
7.	Lower Uhl	2.00	13.00	550
8.	Upper Nanti	3.50	12.00	243
9.	Nanti	5.00	10.00	100
10.	Jongini	4.30	12.00	179
11.	Rala	4.00	9.00	125
12.	Wanger homte	9.70*	24.60	154
13.	Chirchind-II	5.00	9.90	98
14.	Raura-II	5.00	20.00	300
15.	Himani Chamunda Thingri	5.00	9.50	90
16.	Uhl Khad	1.00	14.00	1300
17.	Masrang Selti	10.00*	24.00	140
18.	Holi-II	5.00	7.00	40
19.	Sarsadi-II	2.00	9.00	350
20.	Palchan Bhang	4.50	9.00	100
21.	Choned	10.00*	15.00	50
22.	Umli	3.00	14.30	377
23.	Bhang	1.50	9.00	500
24.	Shrikhand	3.00	8.00	167
25.	Sarsadi	3.00	9.60	220
26.	Sharni	2.50	9.60	284
27.	Parbati	1.10	14.00	1173
28.	Hurla-I	1.00	9.40	840
29.	Kurpan-III	2.00	14.60	630
	Total	**112.50**	**343.50**	**205**

* Allotted as two projects upto 5 (five) MW

Appendix-2.3

(Refer paragraph 2.1.8.2; page 23)

Statement showing the details of commissioned/ completed Hydro Electric Projects upto 5 (five) MW and above

Sr. No.	Name of project	Name of District	Name of IPP	Capacity (in MW)	Date of commissioning
1.	Manjhal	Chamba	Virender Dogra Power Projects (P) Ltd.	1.00	21-2-2006
2.	Chirchind	Chamba	Chirchind Hydro Power Ltd.	5.00	25-2-2011
3.	Dehar	Chamba	Ashtha Projects India Ltd.	5.00	28-7-2004
4.	Dehar-II	Chamba	Saini Techno Constructs Co. (P) Ltd.	1.50	3-5-2011
5.	Sahu	Chamba	Him Kalash Hydro Power (P) Ltd.	5.00	22-4-2008
6.	Taraila	Chamba	Ginni Global Ltd.	5.00	15-11-2007
7.	Taraila-II	Chamba	Cimaron Construction (P) Ltd.	5.00	2-3-2009
8.	Upper Taraila	Chamba	A.T. Hydro (P) Ltd.	5.00	10-2-2009
9.	Taraila-III	Chamba	Taraila Power Ltd.	5.00	25-5-2011
10.	Iqu	Kangra	Iqu Power Co. Pvt. Ltd	4.50	18-2-2011
11.	Maujhi	Kangra	Dharamshala Hydro Power Ltd.	4.50	24-6-2004
12.	Lower Baijnath Ku	Kangra	Changar Vidyut Kranti Pvt. Ltd.	1.00	15-8-2009
13.	Salag	Kangra	Dhauladhar Hydro System Pvt. Ltd.	0.15	30-3-2006
14.	Brahal	Kangra	Sodhi Brothers Hydro Power (P) Ltd.	4.00	7-12-2010
15.	Gaj-II	Kangra	Raheja Hydro Power Pvt. Ltd.	1.50	14-1-2011
16.	Drinidhar	Kangra	Vamshi Industrial Power Ltd.	5.00	29-3-2010
17.	Benar-III	Kangra	Vamshi Hydro Energies (P) Ltd.	5.00	21-6-2009
18.	Binwa Parai	Kangra	Anubhav Hydel Power Ltd.	5.00	9-5-2011
19.	Iqu-II	Kangra	Vamshi Hydro Energies (P) Ltd	5.00	30-12-2008
20.	Luni-II	Kangra	Shri Sai Krishna Hydro Energies (P) Ltd	5.00	12-11-2009
21.	Luni-III	Kangra	Shri Sai Krishna Hydro Energies (P) Ltd	5.00	31-5-2009
22.	Upper Awa	Kangra	Astha Projects India Ltd.	5.00	14-5-2008
23.	Upper Khauli	Kangra	Vamshi Industrial Power Ltd.	5.00	29-12-2010
24.	Maujhi-II	Kangra	Dharamshala Hydro Power Ltd.	5.00	6-11-2010
25.	Shyang	Kinnaur	Sai Engineering Foundation	3.00	22-1-2009
26.	Tangling	Kinnaur	Tangling Mini Hydel Power Project	5.00	13-12-2010

27.	Rakchad	Kinnaur	Regent Energy Ltd.	5.00	24-2-2011
28.	Rukti-II	Kinnaur	Door Sanchar Hydro Power (P) Ltd.	5.00	30-11-2011
29.	Baragran	Kullu	K.K.K. Hydro Power Ltd.	4.90	5-8-2004
30.	Jiwa Kothari	Kullu	Chevron Hydel Pvt. Ltd.	1.00	23-12-2006
31.	Sarbari	Kullu	DSL Hydrowatt Ltd.	4.50	17-5-2008
32.	Brahim Ganga	Kullu	Harisons Hydel Construction Co. Pvt. Ltd	5.00	2-4-2008
33.	Aleo	Kullu	Aleo Manali Hydro Power Pvt. Ltd.	3.00	14-8-2005
34.	Marhi	Kullu	Sai Engineering Foundation	5.00	2-1-2007
35.	Jirah	Kullu	Kapil Mohan & Associates Hydro Power (P) Ltd.	4.00	31-1-2011
36.	Toss	Kullu	Sai Engineering Foundation	5.00	23-11-2008
37.	Gurahan	Mandi	Sarabai Enterprise (P) Ltd	1.50	30-9-2010
38.	Sechi	Shimla	Ascent Hydro Projects Ltd	4.50	1-2-2012
39.	Ching	Shimla	Hateshwari Om Power Enterprises Pvt Ltd	1.00	9-3-2005
40.	Andhra-II	Shimla	Gowthami Hydro Electric Co. (P) Ltd	5.00	12-6-2009
41.	Sainj	Shimla	Himshakti Project Pvt. Ltd.	5.00	9-5-2010
42.	Manglad	Shimla	Shree Bhawani Power Projects (P) Ltd	4.50	28-5-2010
43.	Chandni	Sirmour	Himalyan Crest Power Ltd	3.00	28-11-2008
44.	Manal	Sirmour	Himalyan Crest Power Ltd	3.00	3-9-2005
45.	Timbi	Sirmour	Himalyan Crest Power Ltd	3.00	22-2-2011
46.	Pallor	Sirmour	Manglam Energy Development Co. Pvt Ltd	3.00	10-11-2010
47.	Chakshi	Kullu	Puri Oil Mills Ltd.	2.00	22-2-2012
48.	Malana-I	Kullu	Malana Power Co. Ltd.	86.00	2001-2002
49.	Baspa-II	Kinnaur	Jaiprakash Hydro Power Pvt. Ltd	300.00	March 2003
50.	Toss	Kullu	Sai Engineering Foundation	10.00	11-8-2009
51.	Patikari	Mandi	Patikari Hydro Electric Project Ltd.	16.00	2008-09
52.	Allain Duhangan	Kullu	A.D. Hydro Power Corporation Ltd.	192.00	July 2010
53.	Sarbari-II	Kullu	DSL Hydrowatt Ltd	5.40	2010-11
54.	Upper Joiner	Chamba	Tejas Sarnika Hydro Energies Pvt. Ltd	12.00	2011-12
55.	Karchham Wangtoo	Kinnaur	Jaypee Karcham Hydro Corporation Ltd	1000.00	2011-12
			Total	**1805.45**	

Appendix-2.4

(Refer paragraph 2.1.8.2; page 23)

Present status of projects allotted to Independent Power Producers

Year of allocation	No. of projects	Estimated potential (MW)	Number of projects					
			Operational		Under construction	At DPR stage	Under clearance	Under investigation
			No. of projects	Generation capacity (MW)				
I Upto 5 (five) MW								
1991-92 to 2006-07	194	726.46	45	174.55	65	26	55	3
2007-08	5	16.75	2	9.50	2	--	1	--
2008-09	1	4.75	--	--	--	--	1	--
2009-10	249	475.63	--	--	1	70	16	162
2010-11	16	22.91	--	--	--	2	--	14
2011-12	1	2.50	--	--	--	--	--	1
Total	**466**	**1249.00**	**47**	**184.05**	**68**	**98**	**73**	**180**
II Above 5 (five) MW								
1991-92 to 2006-07	47	4013.50	8	1621.40	15	--	17	7
2007-08	19	787.00	--	--	3	--	11	5
2008-09	3	601.00	--	--	--	--	1	2
2009-10	2	1280.00	--	--	--	--	--	2
2010-11	4	815.00	--	--	--	--	--	4
2011-12	18	1385.50	--	--	--	--	--	18
Total	**93**	**8882.00**	**8**	**1621.40**	**18**	**--**	**29**	**38**
Grand Total (I and II)	**559**	**10131.00**	**55**	**1805.45**	**86**	**98**	**102**	**218**

Source: Data compiled by audit from the information supplied by the Directorate of Energy and HIMURJA.

Appendix-2.4 contd…….

The details of 144 projects selected for detailed audit scrutiny are presented as below:

Status of sampled projects as of March 2012

Year of allocation	No. of projects	Estimated potential (MW)	Number of projects				
			Operational	Under construction	At DPR stage	Under clearance	Under investigation
I Upto 5 (five) MW							
2006-07	39	113.30	10	12	6	11	--
2007-08	5	16.75	2	--	1	2	--
2008-09	1	4.75	--	--	--	1	--
2009-10	64	129.05	--	1	18	7	38
2010-11	4	6.09	--	--	2	--	2
2011-12	4	5.90	--	--	4	--	--
Total	**117**	**275.84**	**12**	**13**	**31**	**21**	**40**
II Above 5 (five) MW							
1991-92 to 2006-07	14	647.40	4	4	--	4	2
2007-08	4	80.50	--	1	--	3	--
2008-09	--	--	--	--	--	--	--
2009-10	--	--	--	--	--	--	--
2010-11	3	600.00	--	--	--	--	3
2011-12	6	781.00	--	--	--	2	4
Total	**27**	**2108.90**	**4**	**5**	**--**	**9**	**9**
Grand Total	**144**	**2384.74**	**16**	**18**	**31**	**30**	**49**

Source: Data compiled by audit from the information supplied by the Directorate of Energy and HIMURJA.

Appendix-5.1

(Refer paragraph 5.1.10.3; page 77)

Details of Machinery, Equipment, Tools and Plants required, available and deficiency in the test-checked Government Industrial Training Institutes

Sr. No.	Name of the Institute	Name of Trade	No. of Items required as per norms	No. of Items available	Deficiency
1.	ITI Karsog	COPA	58	34	24
		Dress Making	501	348	153
2.	ITI Bagsaid	Electrician	292	189	103
		Welder	311	222	89
		COPA	128	39	89
3.	ITI Batail	Welder	573	440	133
		Electrician	318	269	49
4.	ITI Mandi	Refrigeration & Air conditioning(COE)	3077	1726	1351
		Draughtsman (Civil)	522	475	47
		Fitter	782	517	265
		Cutting & Sewing	586	216	370
		Driver-cum-Mechanic	233	230	03
		Electrician	710	495	215
		Digital Photography	406	296	110
		Computer Hardware	654	569	85
		Carpenter	304	119	185
		Mechanic Motor Vehicle	227	191	36
5.	ITI Mandi (Women)	Embroidery & Needle Work	258	146	112
		Cutting & Sewing	507	107	400
		Hair & Skin Care	538	316	222
6.	ITI Shamshi	Electrical(COE)	2500	1937	563
		Mechanic Electronic	568	556	12
		Welder	500	443	57
		Mechanic Motor Vehicle	02	00	02
7.	ITI Sainj	Painter General	497	479	18
		COPA	115	65	50
8.	ITI Joginder Nagar	Plumber	532	513	19
9.	ITI Saliana	Mechanic Electronic	655	333	322

10.	ITI Chamba	Surveyor	29	11	18
		Carpenter	97	19	78
		Wiring & Winding	50	05	45
		Fitter	31	06	25
		Wireman	28	04	24
		Mechanic Electronic	36	04	32
		MMV	04	00	04
		COE	50	19	31
11.	ITI Shahpur	MMV	500	406	94
		Draughtsman (Civil)	482	450	32
		Driver-cum-Mechanic	290	229	61
		Fitter	821	291	530
		Surveyor	496	238	258
		Carpenter	663	601	62
		Mechanic Tractor	574	467	107
		Electrician	741	670	71
		Turner	500	351	149
		Stenographer (H)	132	117	15
		Stenographer (E)	148	102	46
		Embroidery & Needle Work	321	240	81
		Cutting & Sewing	445	391	54
		Food & Vegetable Preservation	441	251	190
		COE (Fabrication)	2261	1856	405
	Total		**25494**	**17998**	**7496**

Glossary of abbreviations

Abbreviations	Expanded form
AA & ES	Administrative Approval and Expenditure Sanction
AAP	Annual Action Plan
ACA	Additional Central Assistance
AIBP	Accelerated Irrigation Benefit Programme
AICTE	All India Council for Technical Education
AR	Audit Report
ATN	Action Taken Note
AYUSH	Ayurveda, Yoga, Unani, Sidha and Homeopathy
BBMB	Bhakra Beas Management Board
BG	Bank Guarantee
Board	Himachal Pradesh Building and Other Construction Workers Welfare Board
BOCW Act	Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
BPL	Below Poverty Line
BSNL	Bharat Sanchar Nigam Limited
CAG	Comptroller and Auditor General of India
CAT	Catchment Area Treatment
CCO	Chief Controlling Officer
CEA	Central Electricity Authority
CEO	Chief Executive Officer
Cess Act	Building and Other Construction Workers Welfare Cess Act, 1996
CFA	Central Financial Assistance
CHC	Community Health Centre
CMO	Chief Medical Officer
COE	Centre of Excellence
CRF	Calamity Relief Fund
CSS	Centrally Sponsored Scheme
CTS	Craftsman Training Scheme
DC	Deputy Commissioner
DDO	Drawing and Disbursing Officer
DGET	Directorate General of Employment and Training
DHFW	Director of Health and Family Welfare
DHS	Director of Health Services
DPC	District Programme Co-ordinator
DPO	District Planning Officer
DPR	Detailed Project Report
DRDA	District Rural Development Agency
EE	Executive Engineer
EIA	Environmental Impact Assessment
FCA	Forest Conservation Act
FD	Finance Department
GOI	Government of India
GRC	Grievance Redressal Cell
HIMUDA	Himachal Pradesh Housing and Urban Development Authority
HIMURJA	Himachal Pradesh Energy Development Agency
HPBOCW Rules	Himachal Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2008
HPBOCWWB	Himachal Pradesh Building and Other Construction Worker Welfare Board
HPFRs	Himachal Pradesh Financial Rules
HPPWD	Himachal Pradesh Public Works Department
HPSEBL	Himachal Pradesh State Electricity Board Limited
HPSIDC	Himachal Pradesh State Industrial Development Corporation
IA	Implementation Agreement

IGMC	Indira Gandhi Medical College
IHSDP	Integrated Housing and Slum Development Programme
IMC	Institute Management Committee
IPP	Independent Power Producer
IR	Inspection Report
ITI	Industrial Training Institute
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KPI	Key Performance Indicators
LADC	Local Area Development Committee
LOC	Letter of Credit
METP	Machinery, Equipment, Tools and Plants
MHFW	Ministry of Health and Family Welfare
MoEF	Ministry of Environment and Forests
MoHRD	Ministry of Human Resource Development
MOU	Memorandum of Understanding
MPLADS	Member of Parliament Local Area Development Scheme
MPP	Multipurpose Projects
MS	Mild Steel
MW	Mega Watt
MWA	Miscellaneous Works Advances
NABARD	National Bank for Agriculture and Rural Development
NBA	National Board of Accreditation
NCVT	National Council for Vocational Training
NGO	Non Government Organisation
NSCBMGC	Netaji Subhash Chandra Bose Memorial Government College
PAC	Public Accounts Committee
PAG	Principal Accountant General
PCI	Pharmacy Council of India
PIP	Persons in Position
PMGSY	Pradhan Mantri Gram Sadak Yojana
PO	Project Officer
PPP	Public Private Partnership
PPSWOR	Probability Proportionate to Size Without Replacement
PRI	Panchayati Raj Institution
RCC	Re-enforced Cement Concrete
RGGPGAC	Rajiv Gandhi Government Post Graduate Ayurvedic College
RIDF	Rural Infrastructure Development Fund
ROB	Railway Over Bridge
ROR	Run of River
SAC	State Advisory Committee
SAR	Separate Audit Report
SBD	Standard Bidding Document
SC	Scheduled Castes
SCVT	State Council for Vocational Training
SDSCO	Sub-Divisional Soil Conservation Officer
SE	Superintending Engineer
SLC	State Level Committee
SPIU	State Project Implementation Unit
SRSWOR	Simple Random Sampling Without Replacement
SS	Sanctioned Strength
SSWB	State Social Welfare Board
ST	Scheduled Tribes
TEC	Techno Economic Clearance
UDD	Urban Development Department
VTIP	Vocational Training Improvement Project