Chapter-III

Compliance Audit

CHAPTER-III
COMPLIANCE AUDIT

Animal Husbandry Department

3.1 Unproductive expenditure on milk processing plant

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

Two backward districts (Chamba and Sirmaur) of Himachal Pradesh are covered under the scheme Rashtriya Sam Vikas Yojana (RSVY) which aimed at focused development programmes for backward areas for reduction in imbalances and speeding up development. Under the scheme for providing market outlet to the milk producers' of the Sirmaur district, the HP-*Milkfed*[1] set up a milk processing plant at Kafota during 2006-07 at a cost of ₹ 63.35 lakh. For running the plant, the HP-*Milkfed* was to ensure procurement of an average of 5,000 litres of milk per day by forming 18 Village Dairy Cooperative Societies (VDCS) each consisting of 10 members in the villages of two blocks (Paonta Sahib and Shillai). Members of VDCS were to be provided training in dairy activities at National Dairy Research Institute, Karnal and they in turn were to encourage local farmers in taking up dairy activities for ensuring supply of milk to HP-*Milkfed*.

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

Scrutiny of records (August 2017) of HP-*Milkfed* showed that procurement of milk for processing in the Plant ranged between only 40 and 403 litres per day during seven years (April 2007 to June 2014) of its operation. HP-*Milkfed* could ensure procurement of only 4.71 lakh litres of milk (four *per cent*) against the requirement of 1.32 crore litres[2] during this period. Audit noticed that against 18 VDCS required to be formed, only 14 VDCS were set up, out of which, only three were functional. Training to only 80 VDCS members (against 180 required) was provided by the HP-*Milkfed*. Required number of VDCS could not be formed due to less availability of milk owing to higher purchase prices of milk offered to the dairy farmers in neighbouring State (Punjab) and direct selling of milk by the farmers in the local market. This indicated that the HP-*Milkfed* failed to act by forming requisite number of VDCS functional to encourage farmers to take up dairy activities for procurement of adequate quantity of milk. The HP-*Milkfed* did not initiate any action for making the VDCS functional by fixing

1 Himachal Pradesh State Co-operative Milk Producers' Federation Ltd.
2 2,648 days (April 2007 to June 2014) x 5,000 litres (capacity per day) = 1,32,40,000 litres.

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

The HP-*Milkfed*, incurred operational loss of ₹ 1.40 crore[3] on maintenance and operation of milk plant during 2007-15 and decided (July 2014) to shift the plant to Mohal (Kullu district), the district not covered under RSVY being a non-backward district. Though, the operative life of the plant and machinery was only 12 years which was due to expire during 2018-19, the plant shifted to Mohal had not been commissioned as of February 2018 after the closure of the milk plant at Kafota in July 2014.

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

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

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

Environment, Science and Technology Department

3.2 Infructuous expenditure on programme for Environment Protection and Carbon Neutrality

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

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

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

documentation[4] of existing environment quality and carbon footprint[5] of *Panchayats,* Urban Local Bodies (ULBs), Blocks and Districts, mobilisation of communities and *Panchayats* to promote environmental advocacy for policy change at district and State level through FIAs; and facilitate undertaking of environment improvement actions at the local level to improve environment and reduce their carbon footprint.

The State Government appointed (May 2009) Society for Development Alternatives, New Delhi as Programme Management Agency (PMA) to implement the above activities through FIAs linked with *Panchayats* and ULBs. The Director, Environment, Science and Technology signed (August 2009) an agreement with the PMA for implementation of the Programme at a cost of ₹ 4.00 crore[6]. The programme was to be implemented in three phases: Phase I - Preparatory Phase (six months), Phase II - Development Phase (12 months), and Phase III - Consolidation and Expansion Phase: (18 months).

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

- The agreement provided for preparation of programme design, strategy and action plan by the PMA. The Director, Environment, Science and Technology failed to ensure the preparation of strategy or action plan by the PMA for implementation and monitoring of the programme activities/ deliverables with clear timelines. In the absence of any strategy or action plan, there was no instrument to guide implementation of the programme and to measure achievement of deliverables and outcomes. The PMA did not deploy professionally qualified/ experienced staff on a regular basis at Shimla and instead steered its work from Delhi.
- The agreement provided for periodic[7] release of payments to the PMA on the basis of completion reports, but did not specify any deliverables/ targets that were to be achieved before release of payment. Despite non-implementation of provisions of the agreement by the PMA and non-achievement of programme deliverables, the Department had released payment of ₹ 1.96 crore[8] to the PMA against claims of ₹ 2.20 crore during 2009-13 without verifying performance.
- The agreement did not prescribe any penalty for failure of PMA to implement activities or achieve targets within the stipulated period except obtaining of performance bank guarantee of ₹ 0.20 crore. The PMA did not complete implementation of the programme within the stipulated period even after grant of extension upto 31 December 2012, after which the PMA did not execute any

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

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

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

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

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

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

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

(a) Under the 'Assessment' component, distribution of 78 *Jal Tara* Kits *(for testing water quality), 12 Pawan Tara* Kits (for testing air quality) and 500 Carbon Calculators[9] against *36 Jal Tara* Kits*, 36 Pawan Tara* Kits and 36,000 Carbon Calculators stipulated in the agreement but Coliform vials (7,200) for water testing were not distributed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The project had suffered severely and failed to achieve the desired objectives. The low coverage was attributed to non-availability of adequate staff[13], insufficient quantity of planting material and adverse climatic conditions. As a result of non-utilisation of the first instalment in a timely manner, the GOI had also not released the balance central assistance of ₹ 8.61 crore to the State.

Ultimately, the GOI decided (November 2010) to foreclose the project asking the State Government to refund the unspent amount under the project. However, as per re-formulated project report submitted (March 2011) by the State Government, the GOI had again approved (August 2011) the project to be implemented in two phases. Intensive first phase with outlay of ₹ 9.69 crore[14] (including expenditure of ₹ 1.23 crore already incurred upto 2010-11) was to be implemented during 2011-15 and the second phase of ₹ 5.25 crore was to be implemented during 2015-17 after successful completion of the first phase. The project cost was to be shared by the GOI and State Government in the ratio of 75:25. The details of difference of original and reformulated projects are depicted below:

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

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

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

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

Source: Departmental figures.

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

Against the target of 7,500 BPL farmers to be covered during above period, 4,317 BPL farmers were registered and 1,770 BPL farmers (24 *per cent*) were imparted training. Similarly against 1.50 crore number of plants (2,000 per BPL farmer) were to be distributed, 12.41 lakh (eight *per cent*) plants were distributed to the BPL farmers and against 80 units of nursery infrastructure only five (six *per cent*) units were created and processing unit as envisaged in the revised detailed project report (DPR), was not developed/ installed. Besides, due to less rains/ non-availability of irrigation facilities and sometimes heavy rains survival rates of the plants was 10 to 20 *per cent.* Owing to these climatic conditions during active growing stages of the plants, the marketing volume of the produce could not be produced during the entire project period (2006-15). Resultantly, the project implementation had suffered severely and funds of ₹ 2.64 crore[16] were lying untilised with the SPBB for more than one to 12 years.

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

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

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

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

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

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

Fisheries Department

3.4 Unproductive investment on implementation of Fish Cage Culture project

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

The State Level Sanctioning Committee (SLSC) with the objective to increase fish production in reservoirs and to demonstrate the technology among fishers, approved (June 2013) a project 'Fish Cage Culture' under *Rashtriya Krishi Vikas Yojana* (RKVY) for implementation in two reservoirs (Pong and Govind Sagar) of the State for ₹ 3.34 crore. For implementation of the project[17] the Fisheries Department transferred (January 2014) the entire amount of ₹ 3.34 crore to Central Inland Fisheries Research Institute (CIFRI), Barrackpur (Kolkatta) for completion within one year.

Scrutiny of records (May 2017) showed that the Director-cum-warden of Fisheries withdrew (December 2014) ₹ 26.87 lakh from United Fisheries Development Funds received from hydroelectric projects for installation of four cages for fish culture. The Department purchased eight (four each for Pong and Gobind Sagar reservoir) cages for fish culture and stocked 36,695 seeds of various species[18] against which only 10,094 (28 *per cent*) number of seeds survived. In spite of recording high mortality rate

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

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

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

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

It was noticed that against 6.85 lakh seed stocked in the two reservoirs by the CIFRI during 2016-18, only 1.54 lakh fish could be harvested. The production of fish during the above period was 79 MT valuing ₹ 55.76 lakh only against the minimum expected level of 192 MT[19] valuing ₹ 1.37 crore resulting in shortfall of 113 MT (59 *per cent*) in fish production of approximate value of ₹ 81.54 lakh. This shortfall was attributed by CIFRI to abrupt fall in temperature below tolerable limit for fish in the reservoirs from the month of November to February which was not assessed either in the project proposal or in the pilot study conducted by the Department in December 2014.

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

Audit observed that the Department failed to take cognizance of the outcomes of the pilot study of December 2014 and implemented the project without conducting any study/ investigation with regard to high mortality rate of fish stocked in cages leading to non-achievement of target to the extent of ₹ 81.54 lakh. Moreover, the Department instead of releasing payments out of total funds received for the project as per actual requirement and keeping the balance amount in the interest bearing deposits, transferred the entire funds to CIFRI resulting in interest loss[20] of ₹ 50.61 lakh[21] for the period from February 2014 to June 2017.

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

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

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

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

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

Food, Civil Supplies and Consumer Affairs Department

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

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

3.5.1 Introduction

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

3.5.2 Follow-up Audit: Audit scope and methodology

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

Follow-up audit of the above performance audit report was conducted between February and June 2018. The audit was limited to a review of the action taken by the State Government in respect of the audit observations and recommendations contained in the audit report and those made by the PAC. The audit covered the period from April 2015 to March 2018, and involved examination of records of the Director, Food, Civil Supplies and Consumers Affairs (FCS&CA); two District Controllers, FCS&CA (Kangra and Shimla); and six block[22] level Inspectors, FCS&CA; 38 Fair Price Shops (FPSs); and 24 *Gram Panchayats* (GPs) in the two selected districts.

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

3.5.3 Audit Findings

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

A. Insignificant or no progress

Audit findings in previous report	Audit recommen-dations	PAC recommend-dations	Status as informed by Department to PAC	Current audit findings/ observations
1. Allotment, Allocation and Lifting of Foodgrains (Paragraph 1.1.10) Audit had pointed out that there was shortfall in lifting of foodgrains by the State Government against GoI allocation every year totaling 1.55 lakh MTs (six *per cent* of total allocation) during 2006-11. The Government stated that the shortfall was due to non-availability of stock with Food Corporation of India (FCI).	No recommend-dation	At the time of discussion, the problem of deficient storage capacity was highlighted and the need for more storage capacity was pointed out. PAC directed that the actual status/ position of selection of land and construction of godowns may be furnished.	The Department had informed PAC about the existing storage capacity of godowns.	• Regarding compliance to PAC recommendations, it was observed that although the Department had informed the PAC about the existing storage capacity of godowns, it had not furnished any information to the PAC regarding status of construction of new godowns. • The available godown capacity in the State as of May 2018 was 57,567 MTs against the required capacity of 60,000 MTs. Funds amounting to ₹ 9.99 crore had been sanctioned and released (during 2015-18) by the State Government to Himachal Pradesh State Civil Supplies Corporation (HPSCSC) for construction of 10 new godowns with capacity of 6,650 MTs. These godowns were to be completed within nine to 12 months. However, the work of nine of these godowns had not been completed as of January 2019 due to delay in identification of sites (five cases), land dispute (one case) and slow pace of construction (three cases). Possession of one completed godown at Nerwa had not been taken by HPSCSC as of January 2019. An expenditure of ₹ 1.70 crore had been incurred on construction of these godowns as of January 2019. The State Government stated (January 2019) that necessary directions to executing agencies to get the works completed had been issued.

2. Quality Control - Departmental Laboratory, issuing of foodgrains/ pulses below specifications (Paragraph 1.1.12 (sub-paragraphs 1.1.12.1 to 1.1.12.3)) Audit had highlighted the issue of inadequate staff and infrastructure in the departmental laboratory. Three out of four sanctioned technical posts were lying vacant as of March 2011. Further, the laboratory did not have any facility for testing of iodised salt, levy sugar, refined oil and mustard oil. Due to this, samples were being sent to Combined Testing Laboratory (CTL), Kandaghat but there were delays in receipt of test/ analysis reports. Regarding collection and testing of samples, it had been pointed that there was shortfall in collection of samples (ranging between 46 and 78 *per cent* during 2006-11), and the foodgrains had been issued to FPSs without waiting for the test/ analysis reports. Consequently, 1,167.26 MTs of below-prescribed-specification foodgrains (2006-11) and 2,066.47 MTs of below-prescribed specification pulses (2007-11) had been distributed to beneficiaries. Penalty of ₹ 68.78 lakh recovered from suppliers had not been deposited into the	To ensure availability of good quality foodgrains, immediate steps should be taken to provide adequate technical staff in the testing laboratory and to get analysis reports of samples in time.	Foodgrains under PDS should be analysed in accredited labs and testing should be done before distribution.	The State Government had informed PAC about the labs which had been empanelled for the purpose of testing.	The Department had not complied with the PAC recommendations on quality control, as discussed below: • Although the departmental laboratory had been equipped with adequate facilities to test all types of samples, the problem of shortage of staff in the laboratory remained acute. Both the sanctioned technical posts, i.e. of Head Analyst and Technical Analyst were lying vacant as of January 2019. The State Government stated (January 2019) that the post of Head Analyst and Technical Analyst were to be filled by promotion. • Regarding collection of samples for testing, there was shortfall of 520 samples (16 *per cent*) in 2016-17 (2,792 samples collected against 3,312 samples required to be collected) and 1,490 samples (45 *per cent*) in 2017-18 (1,822 samples collected against 3,312 samples required to be collected). • It was seen that in some cases, test reports were being received with delays. Out of 1,148 test-checked samples, delay in receipt of test/ analysis reports from the departmental laboratory ranging between one and 48 days beyond the stipulated period was noticed in case of 81 samples (seven *per cent*). The State Government stated (January 2019) that in future, the problem of delay in issue of test/ analysis reports from the departmental laboratory would be reduced as two posts of Junior analyst had been filled. • Further, foodgrains were being issued without waiting for the test/ analysis reports. Consequently, 2,067.74 MTs (out of 14,64,659 MTs total foodgrains distributed) below-prescribed-specification foodgrains, 2,222.03 MTs (out of 1,28,330 MTs total pulses distributed) below-prescribed specification pulses, and 1.80 lakh litres (out of 1,020.59 lakh litres total edible oil distributed) below-prescribed-specification

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

B. Partial progress

Audit findings in previous report	Audit recommen-dations	PAC recommend-ations	Status as informed by Department to PAC	Current audit findings/ observations
1. Allotment of Funds and Expenditure (Paragraph 1.1.7.1) Audit had pointed out the issue of non-utilisation of ₹ 17.80 crore (four *per cent*) out of the total budget allotment of ₹ 471.05 crore during 2006-11, with major savings under the heads Subsidy and Transportation (₹ 7.46 crore), *Annapurna* scheme (₹ 1.34 crore), and Staff Cost and Other Administrative Expenses (₹ 8.95 crore). The State Government had stated that savings under *Annapurna* scheme were due to variation between actual and target number of beneficiaries in the *Annapurna* scheme and decrease in commodities supplied, while the savings under Staff Cost and Other Administrative Expenses were due to non-filling of vacant posts.	No recommen-dation	1. The Department should inform GoI about the actual number of eligible beneficiaries under *Annapurna* scheme. 2. Status of filling of vacant posts through Public Service Commission may be brought to the notice of PAC.	1. The State Government had informed GoI about the actual number (1,014 persons) of eligible beneficiaries under the *Annapurna* scheme as of March 2018, stating that the number of beneficiaries had decreased due to implement-tation of "Old Age Pension Scheme". 2. It was also informed (July 2017) that 25 out of 35 vacant posts of inspectors had been filled in August 2016 through Public Service Commission, while recruitment for 19 posts of Junior Assistant was under process with HP Staff Selection Commission.	• Audit observed that during 2015-18, ₹ 59.07 crore (nine *per cent*) out of the total budget allotment of ₹ 678.95 crore remained unutilised, with major savings under the heads Subsidy and Transportation (₹ 54.23 crore), *Annapurna* scheme (₹ 0.52 crore), and Staff Cost and Other Administrative Expenses (₹ 2.44 crore). • Savings under the head Subsidy and Transportation were due to non-receipt of claims under State Government's scheme for subsidised pulses, oils, etc., for the final quarter of 2017-18. The subsidy was being claimed by the HPSCSC on the basis of actual sales against estimated budget allotted by the State Government. However, HPSCSC had not submitted the claims to the Department. Reasons for the same were not on record. • In respect of the *Annapurna* scheme, it was observed that the State Government had informed GoI about the actual number of beneficiaries, and had been requesting GoI for allocation of foodgrains accordingly. However, GoI had not allocated any foodgrains under the scheme to the State Government since 2016-17, as a result of which the budget allocated by the State Government under this head could not be utilised. Reasons for non-allocation of foodgrains by GoI were not on record. Foodgrains to beneficiaries under *Annapurna* scheme were being distributed by the State Government from the stock allocated for APL/ tide-over-allocation, which had not been recouped/ adjusted as of December 2018.

				• In respect of savings under the head Staff Cost and Other Administrative Expenses, the Director, FCS&CA replied that this was because of vacant posts and added that the unutilised budget was being automatically surrendered. Out of total sanctioned strength of 19 in the cadre of Junior Assistants, 18 posts had been filled[23] as of September 2018. Out of total sanctioned strength of 83 in the cadre of Inspectors, 11 were vacant as of December 2018. The State Government stated (January 2019) that some of the posts were to be filled through promotion but could not be filled due to non-availability of eligible candidates.
2. Identification of beneficiaries and unrealistic estimation of *Antyodaya* families (Paragraphs 1.1.8.1 and 1.1.8.2) Audit had pointed out that the State Government had extended the benefit of PDS to 5.14 lakh Below Poverty Line (BPL) families (estimated by GoI in March 2000) instead of 2.82 lakh BPL families (identified as per survey conducted by the State Government in 2006-07 as per revised guidelines issued by GoI) resulting in distribution of foodgrains to an additional/ excess 2.32 lakh BPL families at subsidised rates. Further, the State	The identification of PDS beneficiaries/ AAY families, and providing of subsidy should have been done with reference to the actual number of BPL families identified in the survey conducted in 2006-07.	1. The Department should clarify as to why subsidised foodgrains were provided to additional/ excess 2.32 lakh BPL families. 2. Effective steps should be taken to reconcile the BPL figures with the Rural/ Urban Development departments to ascertain the actual number of BPL families.	1. No clarification for distribution of subsidised foodgrains to additional/ excess 2.32 lakh BPL families was furnished to PAC. 2. No reconciliation had been done to ascertain the actual number of BPL families.	• The National Food Security Act (NFSA), 2013 had introduced a revised scheme of beneficiaries and entitlements. Under NFSA, GoI had stipulated that the State Government should cover 36.82 lakh persons using a two-tier categorisation of Priority Households[24] (PHH) and *Antyodaya Anna Yojana* (AAY) households. It was observed that against these targets, the State Government had covered 31.61 lakh persons using a three-tier categorisation (BPL: 13.10 lakh persons, PHH: 9.33 lakh persons and AAY: 1.93 lakh households or 9.18 lakh persons). Section 32 of NFSA provides that the Act shall not preclude the State Government from continuing or formulating other food based welfare schemes. The State Government was thus also extending the benefit of

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

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

Government, which was required to cover 38 *per cent* of BPL families under *Antyodaya Anna Yojana* (AAY), had covered 1.96 lakh families (38 *per cent* of 5.14 lakh) under AAY instead of 1.07 lakh families (38 *per cent* of 2.82 lakh) resulting in excess coverage of 0.89 lakh families. The State Government had stated that identification of BPL families was done by Rural Development and Urban Development departments and FCS&CA Department had no role in this regard.				PDS to Above Poverty Line (APL) persons numbering 45.64 lakh. The State Government stated (January 2019) that GoI had made allocations under tide-over category, which was being provided to APL consumers as per GoI norms, at a scale fixed by State Government as per availability of foodgrains. • With regard to identification of beneficiaries, after the BPL survey conducted by the State Government in 2006-07 as per revised guidelines issued by GoI, the Rural Development Department had conducted periodic review of BPL households through Gram Sabha meetings in 2008, 2011, 2013, and 2018 with reference to prescribed inclusion/ exclusion criteria. Records showed that during 2015-18, the Department had excluded 38,143 ineligible households and included 32,176 eligible households in the BPL list on the basis of complaints/ requests. Households excluded from the BPL list were considered for inclusion in APL list. However, audit scrutiny of records of 1,833 BPL families in 24 test-checked *Gram Panchayats* (GPs) in six selected blocks[25] showed that 133 ineligible families[26] (seven *per cent*) had been included in the BPL list. The inclusion errors observed during test-check indicated that the criteria prescribed in guidelines for identification of beneficiaries was not being properly adhered to by the Gram Sabhas, and that benefits of PDS were being extended to ineligible families. Although cases of eligible households being excluded could not be test-checked by

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

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

				audit, there remained a possibility of such exclusion errors. *It is recommended that the Department may continue to undertake periodic review of BPL households to minimise possibility of inclusion and exclusion errors.* The State Government replied that the matter regarding inclusion of 133 ineligible beneficiaries in BPL list had been taken up (September 2018) with the Rural Development and Panchayati Raj departments.
3. Additional subsidy burden due to excess distribution of foodgrains (Paragraph 1.1.11.1) Audit had pointed out that the State Government had ignored the scale of issue fixed in April 2002 (35 kg of foodgrains per BPL family per month) and distributed foodgrains to BPL families at the scale of 60 kg per family per month from April 2005 to June 2009. This resulted in 45,775.09 MTs of excess foodgrains to BPL families involving additional subsidy burden of ₹ 10.98 crore to be borne by GoI.	The State Government should ensure distribution of foodgrains as per prescribed scale of issue.	1. Foodgrains should be distributed as per the scale of issue prescribed by GoI. 2. The Department should obtain permission from GoI to regularise the excess distribution of foodgrains.	The State Government had written (May 2016) to GoI for regularisation of 45,775.09 MTs of excess foodgains supplied during 2005-09.	• Audit observed that GoI had refused (June 2016) to regularise the distribution of 45,775.09 MTs of excess foodgrains supplied during 2005-09. • Under NFSA, each member of a priority household was entitled to 5 kg of foodgrains at subsidised rates (wheat: ₹ 2 per kg and rice: ₹ 3 per kg) per month. However, there was a provision in NFSA which provided flexibility to State Governments to continue/ formulate food-based schemes providing for benefits higher than those provided under the Act. Scrutiny of records revealed that the State Government was providing foodgrains to BPL families as per the scale of issue fixed in April 2002, *i.e.* 35 kg of foodgrains per BPL family per month. The quantity of foodgrains over and above the stipulated entitlement of 5 kg per person per month (as per NFSA) was being issued to each BPL household at subsidised rates of ₹ 5.25/- per kg for wheat and ₹ 6.85/- per kg for rice. The State Government had borne subsidy of ₹ 42.75 crore during 2014-18 on account of the above. The State Government stated (January 2019) that foodgrains over and above the NFSA allocations in case of BPL families was

				being provided from tide-over allocation. The expenditure over and above the BPL rates was being borne from State subsidy scheme.
4. Issue of foodgrains to BPL families at higher rates (Paragraph 1.1.11.2) It had been observed that during 2006-11 the State Government had distributed wheat and rice at rates which exceeded the maximum permissible end retail price by ₹ 0.60 per kg for wheat and ₹ 0.70 per kg for rice, putting extra burden of ₹ 35.11 crore on BPL families. The State Government had stated that this was due to higher transport charges in hilly terrain which were not reimbursable by GoI.	The State Government should have taken up the matter of higher transport charges in hilly areas with GoI for remedial measures.	The matter regarding distribution of foodgrains at higher rates in hilly areas should be taken up with GoI to reimburse higher rate of transport charges.	The State Government had written (May 2016) to GoI for providing reimburse-ment of higher rate of transport charges in hilly areas.	• Audit observed that GoI had refused (June 2016) to accept the request of the State Government for providing reimbursement of higher rate of transport charges in hilly areas. • During 2015-18, foodgrains were distributed to beneficiaries at prescribed rates.
5. Annapurna Scheme (Paragraph 1.1.13.1) Audit had observed that the number of *Annapurna* scheme beneficiaries had decreased from 5,310 to 3,447 during 2005-11, and that against the foodgrains allocation of 3,683.10 MTs during 2006-11, only 1,457.86 MTs was lifted. Audit had also pointed out that against the quantity of 1,457.86 MTs lifted, 1,755.30 MTs (*i.e.* excess of 297.44 MTs) had been shown as distributed, and that this mismatch had not been reconciled.	No recommend-dation	The Department should ensure reconciliation of figures and furnish status in this regard.	The Department had not undertaken any reconcil-iation to clarify the position regarding mismatch between figures for foodgrains lifted and distributed under the *Annapurna* scheme between 2006 and 2011.	• No mismatch was observed in figures for foodgrains allocated, lifted, and distributed under the *Annapurna* scheme during 2015-18. • However, in this regard, it is highlighted that the number of beneficiaries under the *Annapurna* scheme had decreased to 1,014 as of March 2018, and no foodgrains allocation under *Annapurna* scheme had been received by the State Government from GoI since October 2015. The foodgrains entitlement to *Annapurna* scheme beneficiaries was being met from the APL foodgrains quota.
6. Non-formation and Functioning of Vigilance Committees (Paragraphs 1.1.15.1 and 1.1.15.2) Audit had observed that although district-level vigilance committees	VCs should be set up in all blocks and FPSs and regular inspections should be conducted to prevent	The Department should inform PAC about action taken for constitution and functioning of	The Department had notified constitution of block-level VCs (February 2016) and informed the	• Although district-level VCs had been constituted in all 12 districts of the State, VCs had not been constituted in 20 out of 77 blocks and in 677 out of 4,930 FPSs in the State as of March 2018. • There was shortfall in holding of VC meetings ranging

(VCs) had been formed in all 12 districts of the State, VCs had not been constituted in 17 out of 77 blocks and in 225 out of 4,567 FPSs in the State as of March 2011. Further, Audit had also pointed out shortfall in holding of VC meetings ranging between 58 and 81 *per cent* at district level, 67 and 99 *per cent* at block level and 95 and 99 *per cent* at FPS level.	supply of substandard commodities.	VCs to ensure prevention of supply of substandard foodgrains.	PAC regarding the same.	between 42 and 52 *per cent* at district level, 93 and 97 *per cent* at block level, and 77 and 98 *per cent* at FPS level. • In view of the non-constitution of VCs and shortfall in holding of VC meetings at various levels, it is evident that the community-based control mechanism for monitoring, supervision, and grievance redress was not functioning as envisaged. The State Government stated (January 2019) that the matter regarding constitution of VCs at block and FPS level was under consideration.
7. Inspection of FPSs (Paragraph 1.1.15.4) Audit had pointed out shortfall in inspection by District Controllers, District Inspectors and Inspectors during 2006-11 ranging between 24 and 66 *per cent*. The State Government had attributed the shortfall to shortage of staff.	No recommend-dation	The matter regarding filling of vacancies should be pursued and position may be intimated to PAC.	Out of 35 vacant posts of Inspector, the Department had filled 25 posts in August 2016.	• Audit observed that the shortfall in inspection by District Controllers, Food Supply Officers, and Inspectors during 2015-18 ranged[27] between 12 and 42 *per cent*. It was noticed that there was an increasing trend in the number of inspections carried out during 2015-18. This may be attributed to the filling of vacant posts: out of total sanctioned strength of 83 in the cadre of Inspectors, 11 were vacant as of December 2018. The State Government stated (January 2019) that shortfall in inspections was because the departmental staff was occupied with the work of digitisation of ration cards.

C. Full / Substantial Progress

Audit findings in previous report	Audit recommen-dations	PAC recommend-dations	Status as informed by Department to PAC	Current audit findings/ observations
1. Issuing of Ration Cards (Paragraph 1.1.9) Audit had highlighted the possibility of ghost/ bogus ration cards being	The State Government should conduct periodic checking of	No recommend-ation	--	• To minimise/ eliminate the possibility of bogus ration cards, the State Government had undertaken (since 2016-17) digitisation (issuing smart cards) and Aadhar linking of

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

issued to ineligible beneficiaries, observing that the population for which ration cards had been issued during 2006-10 exceeded the projected population[28] by a range between 2.93 lakh and 3.42 lakh. Further, Audit had observed that 643 bogus/ ineligible ration cards had been cancelled by the Department following an annual review of ration cards in 246 (out of 1,399) GPs in the four test-checked districts during 2009-11. Audit had also pointed out shortfall in inspection of FPSs by the District Controller, District Inspectors and Inspectors to identify bogus ration cards.	ration cards to weed out ineligible and bogus ration cards and every Inspector of the Department should cover at least one Gram Panchayat (GP) every month and conduct 100 *per cent* inspection of FPSs to identify bogus ration cards.			ration cards. As of September 2018, all 18.34 lakh old, paper-based ration cards (APL households: 11.29 lakh, BPL households: 2.87 lakh, AAY households: 1.90 lakh, and Priority households: 2.28 lakh) in the State had been digitised. Aadhar linking had been completed for 70 lakh (97 *per cent*) out of 71.87 lakh beneficiaries registered on these ration cards. Director, FCS&CA stated (October 2018) that the work of Aadhar linking of ration cards was in progress.
2. Computerisation of FPSs (Paragraph 1.1.15.3) Audit had observed that FPSs in the State had not been computerised.	No recommend-dation	The Department should inform PAC about the status of computerisation of FPSs.	The Department had informed the PAC about the status of computer-isation of FPSs.	• Scrutiny of records showed that all 4,930 FPSs in the State had been computerised. • It was observed that Point-of-Sale (PoS) machines were installed in each of the 38 test-checked FPSs. The PoS machines were connected with computer systems in HPSCSC godowns and the Management Information System (MIS) database maintained by HPSCSC. Stock of foodgrains supplied to an FPS was entered on the computer system at the godown at the time of lifting of the stock from the godown by the FPS. At the time of distribution of foodgrains by an FPS to a beneficiary, the PoS machine at the FPS would read the beneficiary's smart card and automatically debit the quantity of foodgrains provided to the beneficiary both from the beneficiary's smart card and from the PoS machine's stock position. A

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

				paper bill was also generated for each sale/ transaction. The PoS machines had the facility of battery backup, and the data on the PoS machines was being synchronised with the MIS database at regular intervals.
3. Beneficiary Survey (Paragraph 1.1.14.1) Audit had surveyed 1,564 BPL and AAY beneficiaries. Of the 1,564 surveyed beneficiaries, 34 *per cent* had been found to be ineligible, 13 *per cent* had reported the foodgrain quality as poor, 22 *per cent* had reported that supply was irregular, and 38 *per cent* had reported short supply of levy sugar.	No recommend-dation	No recommendation	--	• Audit surveyed 186 beneficiaries in test-checked FPSs through a standardized questionnaire. The issues highlighted in the previous Audit Report were not reported by any of the beneficiaries surveyed. Further, there were no complaints regarding other aspects of functioning of FPSs.

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

Conclusion

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

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

Health and Family Welfare Department

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

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

3.6.1 Introduction

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

Up to March 2017, procurement of drugs & consumables and machinery & equipment was made as per the State Government policy, by the district Chief Medical Officers (CMOs) from authorised suppliers at rates finalised by the Himachal Pradesh State Civil Supply Corporation (HPSCSC) and Himachal Pradesh State Electronics Development Corporation (HPSEDC). The new purchase policy of March 2017 prescribed that State Procurement Cell (SPC), constituted in November 2016, was to place supply orders with approved suppliers on rate contracts finalised by the State Government as per demand received from CMOs. However, owing to SPC remaining non-functional, instructions were issued (October 2017) authorizing CMOs to undertake procurement directly from Central Public Sector Enterprises (CPSEs), *Jan Aushadhi* stores, other approved sources/ suppliers[29], and if not available at these sources then locally at their own level. As per notification (January 2016) of State Government, 66 essential drugs were to be provided free of cost in all health institutions; this was revised by notification (September 2017) of State Government which stipulated that between 43 and 330 drugs were to be provided free of cost in health institutions at different levels[30].

3.6.2 Audit scope and methodology

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

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

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

through stratified sampling using population and budget as criteria. During 2015-18, total expenditure in the State on drugs & consumables was ₹ 146.75 crore[31] and on machinery & equipment was ₹ 67.87 crore[32]. Out of this, expenditure incurred by the DHS was ₹ 130.48 crore, and ₹ 29.76 crore respectively. In the four selected districts, expenditure was ₹ 58.80 crore[33] and ₹ 11.27 crore[34] respectively by health institutions under the control of the DHS during 2015-18. A total of 70 field units[35] (Zonal/ Regional hospitals, Civil hospitals/ Community Health Centres, Primary Health Centres and Health Sub-Centres) under the control of the four selected CMOs were test-checked (selected on the basis of expenditure and geographical diversity). Record of eight Block Medical Officers[36] (BMOs) out of 35 functioning as administrative head responsible for aggregation of demand from health institutes under his control was also test-checked. Audit examined issues relating to demand assessment, supply, and utilisation of drugs & consumables and machinery & equipment; availability of essential drugs and machinery & equipment; and quality control.

3.6.3 Audit Findings

Drugs & Consumables

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

3.6.3.1 Unscientific demand assessment of drugs & consumables

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

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

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

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

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

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

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

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

Scrutiny of records relating to demand raised by eight test-checked BMOs in respect of selected drugs[37] during 2015-18 showed that the demand raised for a particular year was less or higher than the average consumption (for the previous two years) and varied by huge margins[38]. Thus, assessment of demand at field unit level was not accurate and did not reflect actual requirement.

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

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

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

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

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

3.6.3.2 Delay in supply of drugs & consumables

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

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

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

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

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

3.6.3.3 Non-procurement of essential drugs

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

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

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

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

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

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

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

As per DHS' instructions (May 2015), supply orders would be placed at district level after considering and consolidating the demands received from field units. Following the receipt of supply at the district store, drugs & consumables were to be issued to field units as per their indent.

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

- In respect of one to 16 drugs, quantity of 14,16,819 had been issued to 21 field units against demanded quantity of 37,12,894 resulting in short issued quantity of 22,96,075 (62 *per cent*). The field-unit-wise short issued quantity ranged between 22 to 98 *per cent*.
- In respect of one to six drugs, it was observed that no quantity had been issued to nine field units against quantity of 6,42,080 demanded by these units.
- In respect of one to nine drugs, quantity of 13,33,034 had been issued to 15 field units against demanded quantity of 8,10,175 resulting in excess issued quantity of 5,22,859 (65 *per cent*). The field-unit-wise excess issued quantity ranged[39] between 10 to 669 *per cent*.
- In respect of one to three drugs, quantity of 96,430 had been issued to four field units without any demand.

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

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

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

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

3.6.3.5 Discrepancies between issued and received quantities

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

Cross-verification of stock registers of district/ block stores in Kangra and Kullu districts with the stock registers of 29 test-checked field units[40] revealed the following:

[39] Deviation up to 10 *per cent* of demanded quantity only had not been commented upon.
[40] RH: 01; CH: 01; CHCs: 02; BMO: 01; PHCs: 05 and HSCs: 19.

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

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

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

3.6.3.6 Non-availability of essential drugs

As per State Government notification (January 2016) 66 essential drugs were to be provided free of cost in all health institutions; this was revised by notification (September 2017) which stipulated that between 43 and 330 drugs were to be provided free of cost in health institutions at different levels[41]. DHS had instructed (February 2016) that buffer stock of essential drugs should be maintained by all health institutions.

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

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

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

Figures in parenthesis denote percentages.
SMO: Senior Medical Officer; MO: Medical Officer; HW: Health Worker.

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

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

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

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

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

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

3.6.3.7 Non-utilisation of drugs & consumables

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

- In ZH Mandi, five drugs (Syrup Cough Expectorant, Inj. Sapof-T 1.125 mg, Susp. Albendazole, Duolin Respules and Fetal Doppler) with quantity of 40,765 were procured (October 2016–November 2017) locally without requirement during 2016-18 despite sufficient quantity (48,806) of these drugs being available in stock. A quantity of 62,365 of these drugs was distributed whereas a quantity of 27,206 remained unutilised as of April 2018. Further, six injections (quantity: 5,000) were lying unutilised since their procurement (February 2017–November 2017), indicating that these had been procured without requirement. The total cost of these unutilised drugs & consumables was ₹ 30.14 lakh.
- In three[42] field units (Chamba district), eight drugs (Tab Cotrimazole, Tab Ceftriaxone, Inj. Xylocaine Adrenaline, Inj. Max P.T. 4.5 mg, Inj. Vitamin K, Inj. dextrose 5%, Inj. Avil and I/V N.S.) had been indented and received (quantity: 8,657) from the district store during 2016-18 despite sufficient stock (quantity: 3,587) of these drugs being available. A quantity of 3,675 of these drugs was distributed whereas quantity of 8,569 worth ₹ 1.61 lakh remained unutilised for four to 21 months as of May 2018. These drugs were to expire between September 2018 and November 2018. The field units concerned stated (April-May 2018) that drugs were issued by district store due to excess stock. CMO, Chamba stated (August 2018) that the stock position of the health institutions concerned was not available and they did not inform stock position to district store.

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

- In two districts (Chamba and Mandi), it was observed that a quantity of 34,600 drugs (Inj. Pantoprazole, Tab Misoprostol and Inj. Cefotaxime) was issued (March 2016 - July 2017) by the district stores to five field units[43] without any requirement/ indents having been sent. As a result, 22,400 drugs (65 *per cent*) worth ₹ 1.10 lakh remained unutilised in the field units for a period ranging between eight and 24 months.

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

3.6.3.8 Expiry of drugs & consumables

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

In three (Chamba, Kullu and Mandi) districts, it was noticed that 66 drugs & consumables (quantity: 20,79,877 including glucostrips) worth ₹ 13.43 lakh[44] remained unutilised in 18 field units for two to 36 months resulting in their expiry. This was indicative of the fact that these items had been procured/ received without requirement. It was further seen that 17 of these drugs & consumables (quantity: 13,071) worth ₹ 0.58 lakh were consumed after expiry in four[45] field units. 1,891 expired[46] glucostrips continued to be used after expiry for a period up to 20 months in district Kullu. Thus, drugs & consumables worth ₹ 13.43 lakh in 18 test-checked units remained unutilized for two to 36 months leading to their expiry.

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

3.6.3.9 Irregularities in Procurement

(i) Procurement of non-generic drugs

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

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

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

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

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

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

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

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

(ii) Irregular purchase without tenders/ quotations

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

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

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

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

(iii) Excess payment above rate contract

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

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

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

3.6.3.10 Quality Control

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

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

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

Scrutiny of records of the four test-checked CMOs revealed that the prescribed system of testing of samples/ quality control was completely non-functional as the stores-in-charge of respective district stores were not collecting samples at the time of supply for subsequent testing.

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

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

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

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

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

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

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

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

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

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

(iii) Non-maintenance of stock at room temperature

Guidelines for "Storage of essential medicines and other health commodities" issued by WHO, state that the temperature requirements for drugs vary and most drugs need to be stored at room temperature (15-25^{0}C). Thus, it is essential to ensure proper storage conditions for drugs in order to maintain quality.

During physical inspection of stores by Audit , it was found that in three out of the four test-checked district stores (i.e. except Kangra), supplies were stacked in general rooms without any system of temperature or humidity control/ monitoring, in the absence of which, the storage of various drugs & consumables as per guidelines could not be ensured. Thus, there was a risk of drugs & consumables losing their potency, or breaking down due to unsuitable temperature/ humidity with potentially harmful effects.

The DHS stated (August 2019) that most of the drugs and consumable were kept in ambient temperature below 25^0C whereas injectables and vaccines were kept in the defreezer as per instructions. However, Audit noticed instances of medicines stacked in general rooms without any system of temperature or humidity control.

3.6.3.11 Internal Control

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

Pharmacists in ZH/ RH, CH/ CHC, PHCs; and Health Workers in HSCs are responsible for stock keeping and maintenance of stock registers. Test-check of stock registers of 78 field units showed that in 28 field units[47], detailed information (batch number, date of manufacturing, date of expiry, rate, etc.) of drugs & consumables had not been entered/ maintained, in the absence of which it was difficult to ascertain expiry dates of different batches of items posing risk of their expiry. It was found that no stock register had been maintained in BMO Samote (Chamba district) during 2015-18. In this context, it was noticed that posts of Pharmacist were lying vacant in three (PHCs Chowk, Hunera and Naggar) out of these 28 field units resulting in deficiencies in stock keeping.

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

(ii) Non-conducting of physical verification of stock

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

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

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

Machinery & Equipment

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

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

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

3.6.3.12 Deficiencies in system of demand assessment

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

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

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

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

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

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

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

CMO Mandi did not initiate procurement process and instead surrendered budget of ₹ 56.16 lakh (out of total allocated funds of ₹ one crore) in March 2018 in spite of demand (January-February 2018) of 42 items from four[48] field units. Similarly, for demand of 96 items during 2016-17, CMO Kangra did not initiate procurement process and instead surrendered budget of ₹ 30.10 lakh (out of total allocated funds of ₹ one crore) in March 2017.

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

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

[48] BMO Kataula and CHs Sundernagar, Kotli and Gohar.

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

3.6.3.14 Non-availability of essential machinery & equipment

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

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

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

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

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

3.6.3.15 Idle machinery & equipment

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

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

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

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

(iii) Scrutiny of records showed that seven items[49] (total quantity: 53) of machinery & equipment costing ₹ 19.01 lakh remained unutilised since their purchase in the stores/ wards of various field units of three test-checked districts for a period ranging between eight months and three years as of March 2018 indicating non-requirement of these items. The possibility of obsolescence of these items could not be ruled out, rendering the expenditure of ₹ 19.01 lakh as infructuous.

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

(v) Out of the 181 laboratories in various health institutions in the four test-checked districts, 86[50] laboratories (48 *per cent*) were non-functional as of March 2018 due to non-posting of technicians. In the State, only 263 (30 *per cent*) Laboratory Technicians were in position against the sanctioned strength of 884. The post of Laboratory Technician had been lying vacant for a period of more than three years in 46 labs, more than two years in four labs and more than one year in 36 labs. The State Government may consider posting of Laboratory Technicians from nearby health institutions on day-basis.

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

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

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

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

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

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

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

Conclusion

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

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

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

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

Industries Department

3.7 Excess payment of agency charges on deposit works

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

The Department of Industries executed various civil works through Himachal Pradesh State Industrial Development Corporation on deposit basis. The Corporation levy agency charges on percentage basis on total expenditure incurred on deposit works. The Corporation prepares estimates[51] in respect of all deposit works assigned to them by

[51] Estimates include the agency charges levied by the Corporation.

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

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

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

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

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

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

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

3.8 Loss due to non-renewal of Bank Guarantee

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

A Memorandum of Understanding (MoU) was executed (May 2006) between the State Government and M/s India Cement Limited (Company) for setting up of cement plant at Chopal (Shimla district). As per terms and conditions of the MoU, the Company was to achieve various milestones[52] set for commissioning the plant within five years from the date of signing of MoU. The Company was required to deposit ₹ 2.00 crore within 45 days from signing of the MoU as security amount in the shape of Fixed Deposit Receipt/ irrevocable Bank Guarantee (BG) in favour of the State Government. The security was to be kept valid by the Company during the operation of MoU and in case of breach of MoU or any part thereof, this security amount was liable to be forfeited alongwith interest. In case of failure, the BG was to be encashed on the last day of its validity to safeguard the interests of the State Government.

Scrutiny of records (May 2018) of the State Geologist, Industries Department showed that the Company furnished (June 2006) security of ₹ 2.00 crore in the shape of BG issued on 30 May 2006 in favour of the State Government. The BG was subsequently extended from time to time and last BG issued on 9th March 2009 was valid upto 31 March 2012. However, in contravention to terms and conditions of the MoU the monitoring/ inter-disciplinary committee[53] decided (24 February 2012) that the Company would provide demand draft of ₹ 2.00 crore in favour of the Director, Industries, in lieu of BG. The decision was intimated to the Company on 07 April 2012 by the Director, Industries after expiry of the BG.

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

However, due to non-availability of security, the State Government failed to forfeit ₹ 2.00 crore and interest of ₹ 42.00 lakh[54] (from April 2012 to March 2018) from the defaulting Company for breach of the terms and conditions of the MoU after

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

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

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

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

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

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

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

Irrigation and Public Health Department

3.9 Idle investment on irrigation project through rain water harvesting structures

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

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

In order to provide irrigation facility to eight villages[55] covering a cultivable command area (CCA) of 570 hectare in Una district, the State Government accorded (November 2010) administrative approval and expenditure sanction of ₹ 19.10 crore for execution of a project approved (June 2010) under NABARD for ₹ 19.33 crore. However, the Department withdrew the project from NABARD and approved (February 2011) it under Accelerated Irrigation Benefit Porgramme (AIBP) for ₹ 15.61 crore. The project provided for construction of three rain water harvesting structures (RWHS)/ dams in Takoli *Khad* (RWHS-I and II) and Samoor *Khad* (RWHS-III) from where the water was to be tapped through lift irrigation schemes[56].

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

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

Scrutiny of records (March 2018) of Una division-II revealed that the work for construction of the RWHS-I, II and III was awarded (October 2011) to a contractor viz. National India Construction Company, Pathankot at tendered cost of ₹ 9.56 crore to be completed by May 2013. The works relating to construction of pump houses, providing, laying, jointing and testing of rising main, supplying and installation of pumping machinery were awarded (September and October 2012) to two contractors for ₹ 6.35 crore[57] to be completed by September and October 2013. The works, however, were awarded to the contractors without securing prior forest clearance in violation of the provision of the FCA *ibid*. The works of rising main and distribution system were stopped (March 2014) due to involvement of forest land. The Department sought (December 2014) approval of Government of India for diversion of forest land (5.2879 hectare) for non-forestry use which had not been received as of January 2019. The construction of RWHS-I, II and III was completed by the company in July 2015 and providing and laying of rising main in about 9,802 rmt (out of 11,020 rmt) was carried out by the contractors upto March 2014. The remaining items of the works[58] were lying held up since March 2014 due to non-availability of forest clearance.

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

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

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

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

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

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

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

3.10 Unfruitful expenditure on augmentation of water supply schemes

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

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

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

(a) In order to provide adequate and safe drinking water facility to about 10,789 persons of seven *Gram Panchayats*[59] affected by Rampur Hydro-electric Power Project of SJVN[60], the Deputy Commissioner, Kullu as Chairman of the Local Area Development Committee of the project accorded (September 2010) administrative approval and expenditure sanction of ₹ 7.48 crore for construction of a water supply scheme. The scheme was to be constructed by Anni division by tapping water from Nagerh and Mochka *Khads*. The Chief Engineer, Mandi zone had accorded (June 2009) technical approval of ₹ 7.94 crore for the scheme. The Department received ₹ 5.53 crore from the project authority (July 2009: ₹ 3.00 crore and May 2010: ₹ 1.00 crore) and Local Area Development Fund from DC, Kullu (₹ 1.53 crore in February 2015) for the purpose.

The work[61] was awarded (February 2012) to a contractor for ₹ 5.76 crore to be completed by February 2014. The contractor had started the work in February 2012. The contractor, however, did not achieve the pace of the work within the stipulated

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

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

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

period and executed the work[62] of the value of ₹ 4.55 crore up to June 2014. The remaining work could not be executed due to non-handing over of site by the Department and hindrances created by local residents for laying of pipes at certain places. The following major deficiencies were noticed in conceptualisation of the scheme and its implementation:

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

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

(iii) The land where the WTP and other structures were to be constructed was forest land. Contrary to the provision of Forest Conservation Act *ibid*, the Executive Engineer awarded (February 2012) the construction of WTP, pump house and other associated structure to the contractor without ensuring encumbrance free site. The Department had initiated action for diversion of forest land for non-forestry use under Forest Conservation Act in October 2014, approval for which was received in August 2018.

(b) To provide adequate and safe drinking water to 17,095 persons of 72 habitations of Mandi district, the State Government accorded (June 2009) administrative approval and expenditure sanction of ₹ 10.98 crore for construction of a water supply scheme[63] to augment 16 existing water supply schemes constructed under Sundernagar division during 1983-99. Water under the scheme was to be collected at a single point at Barota which is 16.5 kms away from the source (Soul *khad*). The scheme was scheduled to be completed in four years. In technical approvals of working estimates (between September 2009 and November 2011) the Chief Engineer Mandi had stipulated that clear title of the land in the name of the Irrigation and Public Health Department should be ensured before start of the work.

It was noticed that division had taken up the scheme for execution in December 2009 and executed the works of intake chamber, gravity main, rising main (first stage: 2,030

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62 Delivery tank-cum-main storage tank (one), sub storage tanks (11), providing and laying of rising main (200 mm diameter: 600 rmt), laying and jointing of gravity main and distribution system (15 mm to 150 mm diameter: 79,580 rmt), pumping machinery (480 horse power: one), anchor block/ thrust block pedestals (55), pattra cutting (607 cubic metre), supply of power and inspection vehicle (one).

63 Scope of work: Acquisition of land, intake chamber, gravity main (16,500 rmt), water treatment plant (1.57 million litre daily), main storage tank-cum-sump well, rising main (first stage: 2,900 rmt and second stage: 3,500 rmt), pump houses (two for first and second stages), pumping machinery (Stage-I: two and Stage-II: two), sub storage tanks (20), distribution system pipes (96,342 rmt) and supply of power.

rmt. and second stage: 3,325 rmt), pump houses (one for second stage), pumping machinery (first stage: two of 150 horse power each and second stage: two of 20 horse power each), sub storage tanks (20) and distribution system pipes (96,342 rmt) upto February 2018.

However, the rising main (first stage: 870 rmt and second stage: 175 rmt), water treatment plant (WTP), main storage tank-cum-sump well and pump house for rising main of first stage could not be executed due to absence of forest clearance. The Executive Engineer had taken up the work without ensuring prior forest clearance in violation of the provision of the FCA *ibid*. Approval for diversion of forest land for non-forestry use was sought by the Department from the GOI in November 2010 and approval in principle was received in December 2013 but the final approval was awaited as of January 2019. Besides, contrary to the departmental instructions (March 1995) *ibid*, the division failed to follow the prescribed sequence for execution of the scheme as the rising main, distribution system, etc., were executed before construction of WTP, main storage tank-cum-sump well and pump house. Resultantly, after incurring expenditure of ₹ 10.76 crore, the scheme was lying incomplete as of January 2019 lagging behind its scheduled date of completion by more than five years.

The construction of WTP and pump house for rising main of first stage was awarded (September 2011) to a contractor for ₹ 1.69 crore and to be completed in one year. The contractor did not complete the work due to delay in handing over of the site by the Department. The contractor did not achieve the pace of the work even after the site was handed over (April 2014). After executing the work of value of about ₹ 25.00 lakh upto March 2015, the contractor refused (April 2015) to execute the balance work with a plea to re-evaluate the cost of excavation by reviewing the classification of hard rocky soil strata and allow cost escalation due to increase in cost of labour and material. The Department did not agree to the plea as these items had already been considered while submitting the bid. Rather, compensation of ₹ 16.92 lakh (10 *per cent* of the contract value) for delay was levied (March 2017) on the contractor under Clause 64 of the contract. The contractor did not resume the work and ultimately, the Department rescinded (April 2017) the contract under Clause 68.3 (i) C of the contract. The work alongwith sump well-cum main storage tank re-awarded (June 2018) to another contractor for ₹ 1.48 crore had not been completed as of September 2019.

Further, pumping machinery procured by the divisions at a cost of ₹ 50.13 lakh (Anni: ₹ 36.48 lakh in July 2012 and Sundernagar: ₹ 13.65 lakh in March 2011 and March 2012) was lying idle as the same could not be installed as of September 2019 due to non-construction of the WTP and pump house.

The State Government stated (January 2019) that the work could not be completed in time due to involvement of forest land and hindrance created by the people. However, the Department failed to obtain prior forest clearance and follow prescribed sequence. Non-completion of the schemes for more than seven to nine years defeated the purpose of providing adequate and safe drinking water to the public and rendered the expenditure of ₹ 15.42 crore (Anni: ₹ 4.66 crore and Sundernagar: ₹ 10.76 crore) unfruitful as the schemes were not commissioned as of September 2019.

The Department should comply with all checklists of feasibility and encumbrance free sites and follow the prescribed sequence for execution of water supply schemes right from source to distribution so as to ensure their completion in a timely manner.

3.11 Unfruitful expenditure and loss on augmentation of lift water supply scheme

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

Paragraph 3.1.1 of Manual of Central Public Health and Environmental Engineering Organisation (CPHEEO) provides for pre-investment planning and establishing feasibility of water supply project technically, financially, socially, etc. In order to provide adequate drinking water facility to 15,142 persons of Mandi district, the State Government accorded (March 2011) administrative approval and expenditure sanction of ₹ 14.26 crore for augmentation of Bid Patta Samoh lift water supply scheme under National Rural Drinking Water Programme. The water for the purpose was to be tapped from River Beas at Kandhapattan through different stages[64] of rising main. The Chief Engineer (Hamirpur zone) accorded (September 2011) technical approval of the scheme for ₹ 10.93 crore.

Scrutiny of records (December 2017) of Sarkaghat division revealed that the work[65] was awarded (March 2012) to a contractor for ₹ 9.59 crore and to be completed by April 2014. The contractor started the work in March 2012 and completed (March 2017) the work[66] of value of ₹ 9.61 crore including providing and laying of rising main of second and third stages. The rising main of the second and third stages was commissioned in March 2017. However, the rising main of booster and first stages could not be completed and commissioned as of September 2019 due to the following deficiencies:

In spite of the fact that Soan *khad*[67] remains over flooded in rainy seasons eroding cultivated land of both banks, the Department planned and designed the laying of rising main of booster and first stages through and along the *khad*. Moreover, due to heavy rains, sudden water with strong current could damage any structure placed/ constructed

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64 Booster stage, first stage, second stage and third stage.

65 Site development, construction of percolation well (two), pump houses (three), sump well (two), sump well-cum-main storage tank (two), infiltration gallery as additional source of water from Soan *khad* for seven to eight months in a year for rising main of second and third stages , providing and laying of rising main (booster stage: 50 rmt, first stage: 10,620 rmt, second stage: 7,535 rmt and third stage: 4,515 rmt), distribution system/ gravity main (218 kms) and procurement and erection of pumping machinery (booster stage, first stage, second stage and third stage).

66 Construction of percolation well (one), pump houses, sump well, sump well-cum-main storage tank, infiltration gallery, providing and laying of rising main (booster stage: 48.15 rmt, first stage: 11,373.28 rmt second stage: 7,535 rmt and third stage: 4,515 rmt), distribution system/ gravity main (218 kms) and procurement and erection of pumping machinery.

67 Low lying area/ depression carved by fluvial erosion.

between the *khad*/ rivulet. This aspect was also not taken care of by the Chief Engineer (Hamirpur zone) while according technical sanction of the scheme. Resultantly, out of 11,421.43 rmt booster and first stages rising main of value of ₹ 2.05 crore constructed through and along the *khad*, 3,180 rmt rising main valuing ₹ 0.60 crore had been damaged/ washed away in flash floods in August 2015. Evidently, in contravention of the provision of the CPHEEO *ibid*, the Department failed to check technical feasibility for laying rising main through *khad* while conceptualising the scheme. The Department had not ensured its designing on safer and sustainable alignment along roads or away from the *khad* being prone to floods.

Government replied (January 2019) that efforts were being made to complete the balance work of the scheme. However, the damaged work had not been restored and the rising main had not been completed/ commissioned as of September 2019 defeating the purpose of providing adequate drinking water to the concerned beneficiaries in a timely manner.

Thus, faulty planning and failure of the Department to design safer and sustainable alignment of rising main of booster and first stages of the scheme resulted in loss of ₹ 0.60 crore besides rendering the expenditure of ₹ 1.45 crore as unfruitful.

The Government should ensure compliance of CPHEEO* provisions for checking *feasibility of laying rising main of water supply schemes before preparation of estimates and technical sanction.

3.12 Unproductive expenditure on non-functional lift irrigation scheme

A lift irrigation scheme was executed without obtaining technical sanction and without any evidence of survey regarding sustainability of water source or feasibility of the scheme. Meagre cultivable command area was utilised and the scheme became non-functional within two years of commissioning due to non-availability of water at the source. The Department failed to take immediate action for revival of the scheme leading to unproductive expenditure of ₹ 1.80 crore on the scheme for the last six years and depriving the beneficiaries of the intended irrigation facility. Additional funds of ₹ 2.78 crore were required for making the scheme functional, causing extra financial burden on the State Government.

As per provisions of Punjab Public Works Code (PPWC) being followed by the Department, an irrigation project/ scheme is to be conceptualised with comprehensive survey and investigation and no scheme should be taken up for execution unless detailed estimates are technically sanctioned so as to ensure their accuracy and feasibility of the scheme.

Scrutiny of records (December 2016) of I&PH division, Dehra, Kangra district revealed that a lift irrigation scheme in Kuthar and Tripal villages (under Gram *Panchayat* Tripal) had been lying non-functional since May 2012. Information available on record showed that the scheme had been administratively approved in June 1999 for ₹ 1.10 crore with the objective of creating cultivable command area (CCA) of 140.08 hectare. Financing for the scheme was arranged[68] in November 2002, and the scheme,

68 From National Bank for Agriculture and Rural Development, under Rural Infrastructure Development Fund –VIII.

scheduled to be completed by November 2006, was completed[69] and commissioned only in April 2010 at a cost of ₹ 1.42 crore. It was observed that against 140.08 hectare of CCA created, meagre CCA was utilised[70] (only six to 11 *per cent* during 2010-11, and less than one *per cent* during 2011-12), and the scheme became defunct after May 2012. According to the information made available by the division / department, this was due to non-availability of water at the source along Baner *khad*[71]caused by change in flow/ course of the *khad.* In 2016-17, a proposal to revive the scheme was included in the MLAs priority for funding under NABARD. DPR of ₹ 2.78 crore was submitted for approval and funding in January 2019.

Analysis of records and information made available by the division/ department showed the following:

i. In the case of the original scheme, the Department took more than three years (from 1999 to November 2002) to secure funds, and the scheme was completed after a delay of 40 months (December 2006 to March 2010) and cost overrun of ₹ 0.32 crore. Further, the division had executed the scheme without obtaining technical sanction of the competent authority. Detailed project report (DPR) or survey and investigation reports in respect of sustainability of water source along Baner *khad* and feasibility of the scheme were not available on record; and there was no reference to any DPR in the administrative approval and expenditure sanction (June 1999).

   The non-obtaining of technical sanction, non-availability of any survey and investigation reports with the division, and the very low percentage of CCA utilised when the scheme was functional, was suggestive of the possibility that the division/ department had not assessed the feasibility of the scheme or the sustainability of the water source before executing the scheme.

ii. Prompt action to revive the scheme was not taken by the department as a proposal in this regard was initiated only four years (May 2012 to 2016-17) after the scheme became non-functional. Further, the department took over two years (2016-17 to January 2019) for processing the DPR, which had still not been approved as of January 2019, i.e. more than six years since the scheme became non-functional. In this context, the Government stated (January 2019) that the source for the scheme had been shifted to another side and the scheme had been made functional in the first week of January 2019. The EE also stated (February 2019) that the scheme had been made functional. However, Audit conducted (February 2019) physical/ spot verification and found that the scheme was still non-functional. This was confirmed (February 2019) by the Pradhan, Gram P*anchayat*, Tripal who stated that although the scheme had been made functional for a very short time in January 2019, it was lying completely non-functional. Further, since the DPR for revival of the scheme

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69 Works executed: construction of pump house-cum-chowkidar quarters (one), main delivery tank (one), machinery outlets (three), desilting tank (one), sump well (one), *pucca* field channel (3,685 rmt), rising main first stage (MSERW pipe 350 mm diameter: 195 rmt), rising main second stage (MSERW pipe 350 mm diameter: 720 rmt), distribution system (10,130 rmt), pumping machinery (75 horse power: two and 55 horse power: two) and supply of power.

70 2010-11: *Kharif* (14.89 hectare: 11 *per cent*)) and *Rabi* (7.72 hectare: six *per cent*)) and 2011-12: *Kharif* (0.65 hectare: less than one *per cent*) and *Rabi* (0.65 hectare: less than one *per cent*).

71 Low lying area/ depression carved by fluvial (stream related processes) erosion.

had been submitted to the Planning Department for funding under NABARD only in January 2019, it was evident that the scheme could not have been made functional as of January 2019, as claimed by the Department.

The delay in action for reviving the scheme showed that the department was not committed to making the scheme functional for delivering benefits to the intended beneficiaries. Further, the misreporting of status of the scheme showed that the department had not conducted any assessment of the actual ground-level situation and was not sensitive to the seriousness of the issue.

The above deficiencies meant that ₹ 1.42 crore spent on execution of the original scheme remained unproductive for the last six years, and the intended beneficiaries were deprived of the envisaged benefits. The division also incurred unproductive expenditure of ₹ 0.38 crore during 2012-18 on the defunct scheme, ₹ 0.29 crore on payment of electricity charges to Himachal Pradesh State Electricity Board Limited and ₹ 0.09 crore on salary to staff for watch and ward of pumping machinery and pump house. Further, failure of the original scheme imposed extra financial burden on the State Government as additional funds of ₹ 2.78 crore (196 *per cent* of the original cost) were required to make the scheme functional. Status remained the same as of September 2019.

The Government should ensure proper assessment of sustainability of source and feasibility of scheme before execution so that beneficiaries can be provided with intended irrigation facilities in time. The Government should also consider strengthening internal controls in the Department to expedite scheme execution, and addressing deficiencies in the reporting systems to ensure that accurate information about scheme status is available.

Planning Department

3.13 Misutilisation of Sectoral Decentralised Planning funds

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

Sectoral Decentralised Planning (SDP) is a programme of the State Government wherein five *per cent* of approved plan outlays on specified development heads[72] are pooled and placed at the disposal of districts. Funds allocated under SDP are to be utilised by the district authorities for development works/ schemes which lead to community benefit and pertain to the development heads specified in the programme guidelines. SDP guidelines (2004) prescribe that expenditure on works within premises of temples is not permissible. Prior approval of the 'District Planning, Development and Twenty-Point Programme Review Committee' is required before sanctioning development works/ schemes.

[72] Social and Water Conservation; Integrated Rural Energy Programme; Community Development; Minor Irrigation; Flood Control; Cottage and Small Industries; Roads and Bridges; Primary Education; General Education; Allopathy; Ayurveda; Rural Water Supply; SCs/STs/OBCs Welfare and Social Welfare.

Scrutiny of works sanctioned (2014-18) from the SDP allocation in five districts showed that ₹ 2.07 crore[73] were sanctioned and released by the respective Deputy Commissioners (DCs) for execution of 81 works of construction/ repair/ renovation in Government residential and office buildings. These works had no relation with achievement of community benefit or development as envisaged in the programme guidelines. In addition to the above, it was observed that in three districts (Kangra, Kullu and Shimla), funds amounting to ₹ 85.93 lakh[74] were sanctioned and released for 78 works to be executed within premises of temples, in violation of programme guidelines. Thus, a total amount of ₹ 2.93 crore, meant for addressing development needs, was misutilised for 159 works pertaining to Government residential and office buildings and religious places. It was also observed that these works were sanctioned without following due procedure in three districts (Bilaspur, Kangra and Shimla) as prior approval of the District Planning, Development and Twenty Point Programme Review Committee was not obtained.

The State Government stated (January 2019) that these buildings were in need of maintenance to avoid further damage, and additional facilities were created in these buildings for the use of visitors. Further, Advisor (Planning) stated (September 2019) that instructions to sanction funds as per SDP guidelines were issued while allocating budget to the districts and works were sanctioned on the recommendations of the public representatives. However, the guidelines clearly prohibit expenditure on such works.

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

The Government may ensure release of SDP funds strictly for works of developmental nature as envisaged in scheme guidelines.

3.14 Sanction of funds for inadmissible works under Member of Parliament Local Area Development Scheme and Vidhayak Kshetra Vikas Nidhi Yojana

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

The objective of the Members of Parliament Local Area Development Scheme (MPLADS) and Vidhayak Kshetra Vikas Nidhi Yojana (VKVNY) is to enable Members of Parliament (MPs) and Members of Legislative Assembly (MLAs), respectively, to recommend works of developmental nature based on locally felt needs. These works are to be sanctioned and executed through the district authorities concerned. The guidelines of these schemes explicitly prohibit, *inter alia,* sanction of works within places of religious worship and on land belonging to/ owned by religious groups.

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73 Bilaspur: ₹ 10.32 lakh (07 works); Chamba: ₹ 36.22 lakh (14 works); Kangra: ₹ 135.80 lakh (43 works); Shimla: ₹ 16.75 lakh (12 works) and Una: ₹ 8.06 lakh (05 works).

74 Kangra: ₹ 15.88 lakh (11 works); Kullu: ₹ 16.00 lakh (08 works) and Shimla: ₹ 54.05 lakh (59 works).

Violation of these guidelines was highlighted in previous Audit Reports[75] of the Comptroller and Auditor General of India. However, scrutiny of works sanctioned (December 2016 - March 2018) under MPLADS and VKVNY in five districts showed that ₹ 1.93 crore[76] had been sanctioned and released by the respective DCs for execution of 170 works within places of religious worship or on land belonging to/ owned by religious groups. In 61 works, the name of work in the sanction order itself showed that the works had been sanctioned within places of religious worship, indicating clear disregard for the guidelines. In the remaining 109 works[77], it was found that the word "near" had been prefixed before the places of religious worship to falsely portray them as landmarks; this was proved by cross examination of proposals from user groups and land records which showed that these 109 works were actually on lands belonging to/ owned by the same places of religious worship that were mentioned as landmarks in the sanction orders. The non-verification of the relevant land records by the district authorities in these cases was indicative of either negligence or an attempt to misrepresent facts in order to justify the sanction of inadmissible works.

The State Government stated (January 2019) that these works were sanctioned on the recommendation of the MPs and MLAs concerned for use by the general public. The replies should be seen in the light of the fact that sanction of works pertaining to places of religious worship has been explicitly prohibited under MPLADS and VKVNY guidelines.

Thus, despite the violation having been highlighted previously by Audit, funds amounting to ₹ 1.93 crore were released by the DCs of five districts for execution of 170 works within places of religious worship not permissible under MPLADS and VKVNY.

The State Government may review such cases in the remaining districts and ensure that these instances do not recur.

Public Works Department

3.15 Short realisation of dues for laying of optical fibre cable

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

As per procedure, refilling of trenches after laying of optical fibre cable (OFC) along roads in the State is done by the telecom companies. As per departmental instructions (January 2001), damages caused to the roads are restored by the Public Works

75 Para 2.16 of Audit Report (Civil) of 2010-11; para 3.6.2.3 of Audit Report (Social, General and Economic Sectors- Non-Public Sector Undertakings) of 2012-13 and para 3.17.3.1 of Audit Report (Social, General and Economic Sectors- Non Public Sector Undertakings) of 2014-15.

76 Kullu: ₹ 34.50 lakh (20 works under VKVNY); Mandi: ₹ 58.25 lakh (57 works under VKVNY) and ₹ 24.50 lakh (22 works under MPLADS); Shimla: ₹ 39.75 lakh (46 works under VKVNY) and ₹ 2.00 lakh (one work under MPLADS); Solan: ₹ 24.49 lakh (18 works under VKVNY); and Una: ₹ 7.51 lakh (five works under VKVNY) and ₹ 2.00 lakh (one work under MPLADS).

77 Kullu: ₹ 33.50 lakh (19 works under VKVNY); Mandi: ₹ 3.58 lakh (03 works under VKVNY) and ₹ 24.50 lakh (22 works under MPLADS); Shimla: ₹ 36.75 lakh (42 works under VKVNY) and ₹ 2.00 lakh (one work under MPLADS); Solan: ₹ 23.99 lakh (17 works under VKVNY); and Una: ₹ 6.50 lakh (four works under VKVNY) and ₹ 2.00 lakh (one work under MPLADS).

Department out of deposit money received from telecom companies against estimates prepared by Executive Engineer (EE) of the concerned division as per rates fixed by the Department from time to time.

Scrutiny of records (December 2017 and January 2018) of Bilaspur-I, Mandi-II and Sundernagar divisions revealed that as per rates fixed (October 2014 and January 2016) by the Department for 2014-15 (*Katcha* road at the rate of ₹ 695 per running metre (rmt), metalled and tarred roads (MTRs) at the rate of ₹ 981 per rmt and MTRs with bitumen macadam (BM) at the rate of ₹ 1,470 per rmt) and 2015-16 (National Highways/ State Highways/ Major District Roads at the rate of ₹ 1,323 per rmt and Rural Roads at the rate of ₹ 905 per rmt), the Executive Engineers (EEs) were required to realise ₹ 7.21 crore from three telecom companies[78] for restoration of damages caused by digging of 72.300 kms long roads on account of laying of OFC during above period. However, while framing estimates (between November 2014 and November 2015) for the same, the EEs had applied incorrect rates[79] and demanded (between February 2015 and October 2015) ₹ 5.55 crore only **(Appendix-3.5)** resulting in short realisation of ₹ 1.66 crore from M/s Reliance Jio Infocomm Limited (₹ 0.32 crore), Idea Cellular Limited (₹ 0.67 crore) and Bharti Airtel Limited (₹ 0.67 crore).

The State Government stated (January 2019) that revised estimates had been sent to the telecom companies and efforts were being made to effect recovery of the balance amount. However, the recovery had not been effected as of September 2019.

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

The Government may provide for suitable mechanism to ensure application of revised rates for realisation of dues from telecom companies with immediate effect.

3.16 Unfruitful expenditure due to non-completion of construction of road

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

Operation Manual of Pradhan Mantri Gram Sadak Yojna (PMGSY) provides for topographical and ground survey comprising reconnaissance survey[80], preliminary survey (large-scale investigation of alternatives thrown up as a result of the

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78 Reliance Jio Infocomm Limited: ₹ 2.54 crore (2014-15: ₹ 1.44 crore and 2015-16: ₹ 1.10 crore); Idea Cellular Limited: ₹ 3.30 crore (2015-16) and Bharti Airtel Limited: ₹ 1.37 crore (2014-15).

79 Sundernagar division for 2014-15: ₹ 392.95 per rmt for *Katcha* Road (4.5 kms) and ₹ 898.16 per rmt for MTRs (11.5 kms) and 2015-16: ₹ 898.16 per rmt for Rural Roads (8 kms) and ₹ 827.87 per rmt (0.800 km), ₹1,059.48 per rmt (0.300 km) and ₹ 1,189.50 per rmt (3.670 km) for National Highways/ State Highways/ Major District Roads; Bilaspur-I division for 2014-15: ₹ 505.23 per rmt for MTRs (14 kms) and Mandi-II division for 2015-16: ₹ 750.60 per rmt for Rural Roads (24.124 kms) and ₹ 1,059.48 per rmt for National Highways/ State Highways/ Major District Roads (5.406 kms).

80 Field inspection by walking, riding on ponies (in hills) or driving in jeep.

reconnaissance survey and establishing a base-line traverse) and location survey[81]. Central Public Works Manual (CPWM) provides for obtaining of revised administrative approval in case the expenditure is in excess of 10 *per cent* of the original administrative approval, preparation of detailed estimates and drawings for execution of the work and obtaining of prior approval of the competent authority for deviation.

In order to provide road connectivity to remote villages (Kashapat *Gram Panchayat*) in Shimla district, construction of 8.475 kms long Dhandol to Kashapat road was accorded technical sanction[82] by the State Technical Agency (in January 2004) and approved by GoI (March 2004) under PMGSY for ₹ 4.66 crore. The project was got approved on the basis of reconnaissance survey selecting the general route for alignment and preparing the estimate on visual basis. However later, as per actual site surveys and execution of the work during 2011-14, the road length increased from 8.475 kms to 11.180 kms (an increase of 2.705 kms). The Department had further prepared work estimates of ₹ 6.73 crore[83] for additional works during above period instead of ensuring technical sanction of the detailed estimates. For providing additional funds for the project, the State Government also accorded (June 2015) administrative approval of ₹ 2.82 crore under Scheduled Caste Sub Plan (SCSP).

Scrutiny of records (December 2017) of Rampur division revealed that in contravention of PMGSY Operation Manual, the work was taken up (April 2005) for execution without actual site survey/ large scale investigations which were required to be done after the reconnaissance survey. The Department had also not prepared detailed estimates of the road as per topography/ site conditions of the area. The following deficiencies were noticed:

(i) Initially, the work[84] was awarded (April 2005) to a contractor for ₹ 5.03 crore to be completed by July 2006. However, the work could not be completed due to the death of the contractor on 19 January 2008. The work was terminated by the Department in July 2011 after the legal heir of the contractor abandoned the work in December 2010. Till abandoning, formation cutting in 5.015 kms (59 *per cent*) of value of ₹ 3.96 crore had been completed.

(ii) Subsequently, as a result of actual site survey conducted in August 2011, the road length increased by 1.280 kms. The Department prepared work estimates of ₹ 4.34 crore (against initial/ first estimate of ₹ 0.70 crore) for the balance work. Thereafter, the work was awarded (December 2012) to another contractor for ₹ 4.19 crore for completion by May 2014. The contractor carried out formation cutting in 1.990 kms (42 *per cent*) for ₹ 5.95 crore (137 *per cent* of the estimated cost) upto

81 Determination of final alignment by fixing the centre-line of selected alignment in the field and collection of additional data for preparation of drawings.

82 Scope of work: formation cutting (5/7 metre wide), construction of hume pipe between kms 6.200 and 14.675 and RCC slab culvert at km 7.430.

83 August 2014: ₹ 4.34 crore (formation cutting: 4.740 kms, cross drainage: 8.475 kms and soling: 2.500 kms) and 2014-15: ₹ 2.39 crore (formation cutting of 4.080 kms).

84 Formation cutting: 8.475 kms, cross drainage: 8.475 kms and soling: 2.500 kms.

September 2015 leading to deviation of ₹ 1.76 crore (₹ 5.95 crore minus ₹ 4.19 crore). The contractor refused (September 2015) to execute the work further on the quoted/ lower rates and demanded rates of ₹ 824.80 per cubic metre in place of contract rate of ₹ 266 per cubic metre due to inaccessible vertical cliff/ on the alignment of the road. The Department closed the contract in April 2016 and released payment of ₹ 5.95 crore to the contractor without approval of the deviation from the competent authority in contravention of the provision of CPWM.

(iii) Audit noticed that meanwhile during 2014-15, the Department had conducted another survey for 4.080 kms (road length got further increased by 1.425 kms) and prepared work estimates of ₹ 2.39 crore involving formation cutting. The work was awarded (September 2015) for completion by September 2017 for ₹ 5.35 crore to the same contractor who had refused to execute work in September 2015. The contractor carried out formation cutting in 1.270 kms (31 *per cent*) for ₹ 8.79 crore (368 *per cent* of the estimated cost) upto February 2018. Deviation in the work with overall financial implication of ₹ 10.31 crore (93 *per cent*) was approved by the competent authority in February 2018. However, Audit is of the view that this deviation vitiated the tendering process as detailed estimation at enhanced cost as per site conditions before award of the work would have attracted more bidders.

(iv) In addition to above, work of formation cutting in 1.815 kms stretch of the road was awarded (December 2016 and June 2017) to another contractor for ₹ 0.75 crore in three contracts[85]. The contractor had carried out formation cutting in 1.725 kms with expenditure of ₹ 0.71 crore as of January 2019 and formation cutting of 0.090 kms was not executed.

The Department had incurred total expenditure of ₹ 17.98 crore[86] on the project during 2005-18. However, the road had not been completed as formation cutting in 8.275 kms (74 *per cent* of *11.180* kms) only could be executed as of January 2019 as also depicted in the photograph of a stretch of the incomplete road.

Dhandol to Kashapat road stretch from 11.300 kms to 11.375 kms

85 Formation cutting of 0.605 kms: ₹ 0.24 crore (December 2016); formation cutting of 0.700 kms: ₹ 0.25 crore (December 2016) and formation cutting of 0.510 kms: ₹ 0.26 crore (June 2017).

86 PMGSY: ₹ 8.74 crore (GOI: ₹ 5.75 crore and State Government: ₹ 2.99 crore) and State heads: ₹ 9.24 crore.

Sequence of events indicates that the cost estimations and execution were grossly under-estimated. The road length had increased by 2.705 kms[87] (32 *per cent*), whereas the expenditure had exceeded the approved project cost (PMGSY: ₹ 4.66 crore: and State head: ₹ 2.82 crore) by ₹ 10.50 crore (140 *per cent*). The excess expenditure of ₹ 10.50 crore incurred without obtaining revised administrative approval of the competent authority in contravention of the provision of the CPWM *ibid* was irregular. The Department had not conducted comprehensive site survey before taking up the work for execution as required under the provision of PMGSY guidelines *ibid*. The Department prepared only work estimates instead of detailed estimates as per site conditions as required under the provision of CPWM which led to huge payments for deviations in the contracts vitiating the tendering process as detailed estimation at increased cost as per site conditions could have attracted more bidders.

Thus, improper planning by the Department has resulted in non-completion of road for the last 14 years and the expenditure of ₹ 17.98 crore remaining unfruitful.

The State Government stated (January 2019) that the work could not be completed due to sudden demise of the first contractor, vertical cliffs and hard rocks. Due to scattered hard strata, half tunnelling proposed on the alignment was not possible and full height cutting had to be executed resulting in increase in height and thereby deviation in the work awarded. However, the Department failed to carry out comprehensive survey and prepare detailed estimates as per site conditions leading to huge deviations which vitiated the tendering process. Status remained the same as of September 2019.

The Department should ensure conducting of comprehensive site survey and preparation of detailed estimates of works as per site conditions so as to ensure their completion on time and avoid cost overrun.

Revenue Department

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

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

Government of India (GoI) guidelines of September 2010 (revised in July 2015) on administration of State Disaster Response Fund (SDRF) stipulate that SDRF is to be used only for providing immediate relief to victims of disasters/ calamities. The guidelines further stipulate that the State Executive Committee (SEC), chaired by the Chief Secretary of the State Government, shall ensure that the money drawn from the SDRF is actually utilised for the purposes for which the SDRF has been set up, expenditures are incurred only on specified items as per norms, and that funds are not

[87] From 8.475 kms to 11.180 kms.

diverted towards inadmissible expenditure. Funds from SDRF are allocated by the State Government to various Deputy Commissioners (DCs) and departments for utilisation with reference to GoI guidelines on items of expenditure and norms of assistance. These guidelines state that assistance for repair of State Government buildings, viz., office buildings, residential quarters, etc., is not covered under SDRF.

Scrutiny of works sanctioned from SDRF, however, showed that in five districts[88], funds of ₹ 2.19 crore were sanctioned and released (between January 2015 and August 2017) by the respective Deputy Commissioners (DCs) for 180 works of repair and renovation of Government offices and residential buildings, in violation of the aforementioned guidelines/ instructions. These cases of misutilisation from SDRF had no justification as no damage to the sanctioned works had been incurred due to disaster/ calamity. Out of the total inadmissible amount of ₹ 2.19 crore, ₹ 1.62 crore[89] had been sanctioned and released for 139 works during 2016-18 without any re-appropriation/ authorisation from the State Government; of which ₹ 88.19 lakh for 67 works had been booked under the minor head 'Assistance to Local bodies and other non-Government Bodies/ Institutions' (under the major head- Relief on Account of Natural Calamities-02 Floods, Cyclones, etc.) which constituted misuse of budget earmarked for assistance to Local Bodies/ non-Government Bodies.

Test-check of relief claims under SDRF for the period 2015-18 in three sub-divisions of these districts showed that whereas ₹ 2.19 crore had been misutilised while 152 claims of gratuitous relief/ ex-gratia payment of ₹ 3.19 crore[90] to victims of calamities had remained pending during the same period due to non-availability of funds, defeating the purpose of SDRF.

The State Government was sending UCs to GoI merely on release basis. The SEC, which was required to ensure proper utilisation of SDRF had not prescribed any control/ reporting mechanism in respect of relief works sanctioned from SDRF resulting in misutilisation of the SDRF by the district authorities.

The State Government stated (July and September 2019) that district authorities and departments had been instructed from time to time to adhere to guidelines and in order to monitor/ regulate expenditure under SDRF it had been decided to monitor sanction of funds on real time basis through software.

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88 Bilaspur: ₹ 52.73 lakh for 37 works during 2014-17; Kangra: ₹ 44.42 lakh for 30 works during 2016-18; Kinnaur: ₹ 47.44 lakh for 20 works during 2015-17; Shimla: ₹ 29.19 lakh for 26 works during 2016-17 and Solan: ₹ 45.51 lakh for 67 works during 2016-18.

89 Bilaspur: ₹ 20.66 lakh for 09 works during 2016-17; Kangra: ₹ 44.42 lakh for 30 works during 2016-18; Kinnaur: ₹ 22.44 lakh for 07 works during 2016-17; Shimla: ₹ 29.19 lakh for 26 works during 2016-17 and Solan: ₹ 45.51 lakh for 67 works during 2016-18.

90 Bilaspur Sadar (Bilaspur district): 74 claims of ₹ 1.40 crore; Shimla Rural (Shimla district): 26 claims of ₹ 0.71 crore and Solan (Solan district): 52 claims of ₹ 1.08 crore.

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

The Government may enforce provisions of the guidelines while sanctioning and approving expenditure under SDRF.

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

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

The State Hydro Power Policy (2006) states that works for restoration of facilities and local area development (relating to rural development, health, education, public works, etc.) in areas affected by hydroelectric power projects (HPPs) are required to be undertaken by a district-level Local Area Development Committee (LADC) through a Local Area Development Fund (LADF). The hydroelectric power project developer is required to contribute an amount equal to 1.5 *per cent*[91] of the final project cost into the LADF, payable during the period prior to commissioning of the project in such instalments as prescribed in the implementation agreement (IA). State Government guidelines (October 2011) for management of LADF stipulate that all LADCs for HPPs above 5 MW within a district shall function under the overall control of the DC. The DC is required to take up the matter with the respective developers for release of contribution in accordance with the prescribed schedule. In case of failure to release contribution, the project developer shall be liable to pay interest on the due amount of LADF at the rate of 12 *per cent* per annum. The guidelines also prescribe that interest earned on the funds deposited in LADF will become part of LADF and may be used to cover cost of organising LADC meetings, monitoring, office expenses, hiring services of experts for quality assurance, dispute resolution, etc., without imposing any obligation on the State Government.

(A) Scrutiny of records of three DCs (Kangra, Kullu and Shimla) showed that there were 12 commissioned (between May 2008 and January 2018) HPPs in these districts for which IAs between the State Government and the respective project developers had been signed after the State Hydro Power Policy came into force (December 2006). As per the terms and conditions of the IAs, the developers were required to contribute an amount of ₹ 10.76 crore towards LADF in respect of these projects. Against this, the project developers had deposited only ₹ 4.62 crore as of May 2018. The balance amount of ₹ 6.14 crore, which should have been deposited during the construction period prior to commissioning of the

91 1.5 *per cent* of the project cost for hydroelectric power projects above 5 MW and 1 *per cent* for HPPs up to 5 MW.

projects, had not been realised even though a period ranging between four months and ten years had elapsed since the date on which final instalment was due. An interest of ₹ 2.72 crore on overdue amount of LADF since the respective date(s) of commissioning had also become recoverable (**Appendix-3.6**).

Short-realisation of LADF contribution (57 *per cent*) indicated that the penal interest provision in the IAs was not sufficiently effective in ensuring timely remission of the due LADF contribution by the project developers.

It was also observed that out of the deposited amount of ₹ 4.62 crore, ₹ 3.69 crore (80 *per cent*) had already been sanctioned[92] for proposed developmental works in the affected areas, from which it was evident that recovery of the total amount due was necessary to finance more works in the affected areas.

(B) Scrutiny of records of DC Kullu showed that ₹ 0.31 crore out of ₹ 2.05 crore from the LADF for various[93] items which did not pertain to restoration of facilities or local area development as envisaged in the guidelines. Reference is also invited to paragraph 3.23 of the Audit Report of the Comptroller and Auditor General on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017 in which similar observation on utilisation of LADF amount on items not relevant to local area development in respect of Chamba district had been highlighted. Repeated instances of such misutilisation of LADF were indicative of absence of effective control mechanism to serve as a check against misutilisation of LADF by LADCs.

In reply, the respective district level authorities[94] and the Chief Engineer, Directorate of Energy replied (April-May 2018) that correspondence regarding short deposit of LADF had been repeatedly undertaken with the project developers. The DC-cum-Chairman, LADC, Kullu stated that funds had been used genuinely and transparently as the guidelines provided for utilisation of 10 *per cent* and 15 *per cent* of the LADF in the project affected blocks and project affected districts. The replies validate the audit observation that the State Government did not have any effective mechanism to enforce the provision for realisation of LADF contribution. Further, the reply of the DC-cum-Chairman, LADC, Kullu is not tenable as the items on which expenditure was incurred were inadmissible and did not pertain to local area development. Status remained the same as of September 2019.

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

92 Kangra: ₹ 0.32 crore; Kullu: ₹ 0.40 crore and Shimla: ₹ 2.97 crore.

93 Repair and purchase of furniture, refrigerator, microwave in offices and residences of Deputy Commissioner, Divisional Commissioner, tehsil office, sub-divisional office, circuit house, etc.; renovation of meeting hall and installation of intercom in office of the Sub Divisional Magistrate

94 Additional District Magistrate (Law and Order), Shimla; Credit Planning Officer, Kangra; and DC-cum-Chairman, LADC, Kullu.

The State Government may evolve an effective mechanism in order to recover the LADF amount due from the project developers so that adequate funds are available for undertaking development activities in the project affected areas.

The audit findings were referred to the Government in July 2018. Reply is awaited (September 2019)

Tourism and Civil Aviation Department

3.19 Avoidable payment of interest

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

The State Government issued (June 1998) notification under Section 4 of Land Acquisition Act, 1894 for acquisition of land measuring 65.01.16 bighas for expansion of Bhunter airport in Kullu district. The Land Acquisition Collector (LAC), Kullu assessed the value of land at the rate of ₹ 25,000 per *biswa*, as per award pronounced (19 July 2000) under Section 11 of the Act *ibid*.

The District Court Kullu in a decision (January 2003) on an appeal of seven land owners, enhanced the quantum of compensation from ₹ 25,000 to ₹ 50,000 per *biswa* with interest[95] on the entire amount from the date of acquisition of land to the date of release of amount. The Department filed an appeal (April 2003) with the High Court against the decision and against ₹ 5.12 crore due as per *ibid* decision of the District Court, deposited ₹ 3.10 crore in favour of land owners upto March 2006 (**Appendix-3.7**). The appeal was dismissed on 10 November 2008 and decision of the District Court for enhancement was upheld. The Department was to either appeal further against the decision or release payments as per orders.

The Department decided (December 2008) that the judgement of the High Court was not liable to be agitated further as per opinion of the Law Department on similar case. However, the Department also did not comply with the decision of the High Court and balance payment of ₹ 2.02 crore was not released to the beneficiaries. It was further noticed that, neither LAC, Kullu demanded funds for further disbursement after decision of the High Court nor the Director, Tourism and Civil Aviation made any correspondence with the LAC, Kullu. It was only after filing (May 2015) of an execution petition in District Court, Kullu by the land owners, the LAC, Kullu demanded funds from the Department for further disbursement. The Department asked for (November 2015) additional funds from the State Government which were provided in November 2016 and released ₹ 3.78 crore to the land owners on 3 November 2016 which included interest payments of ₹ 1.76 crore pertaining to the period from 11 November 2008 to 3 November 2016.

Evidently, due to failure of the Department to release balance compensation payment of ₹ 2.02 crore to seven land owners in time, the Department had to incur avoidable expenditure of ₹ 1.76 crore for payment of interest.

95 At the rate of nine *per cent* per annum for the first year and at the rate of 15 *per cent* per annum for remaining period.

The Government replied (January 2019) that after dismissal of the appeal filed in the High Court, the Department was not interested to agitate further and the concerned land owners had not insisted for the payments. However, the Department should have released the payments in time as per decision of the High Court. In case of default, action should have taken but the same had not been initiated against the defaulters as of September 2019.

The Government may fix responsibility for non-payment of compensation in time and ensure timely release of compensation in future to avoid extra payments.

Transport Department (Himachal Pradesh City Transport and Bus Stands Management and Development Authority)

3.20 Avoidable loss on construction of bus stand on unsafe site

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

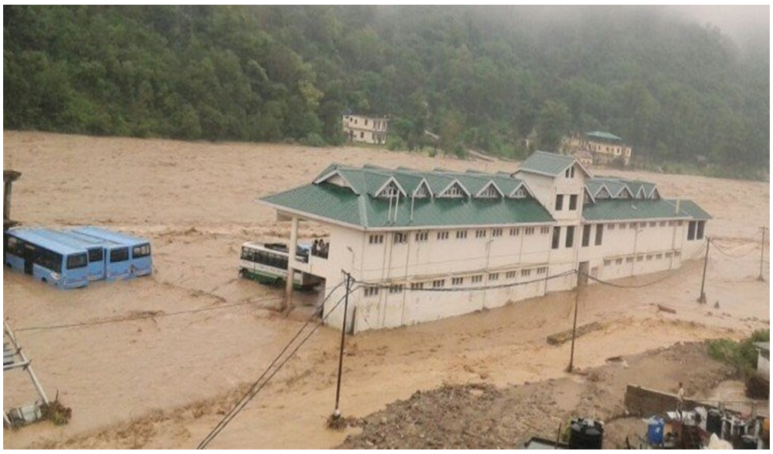
Para 5.2.1 on site assessment prior to design, of National Building Code of India, 2005 approved by the Bureau of Indian Standards provides for site survey and soil investigation before conceptualising construction of building. Further, as per State Water Policy, 2013 while deciding the location of new structure it shall be ensured that these are preferably located beyond the flood zone. However, in case it is not possible to do so adequate flood protection measures shall be provided.

The Himachal Pradesh City Transport and Bus Stands Management and Development Authority (Authority) requested (May 2009) Himachal Pradesh Urban Development Authority (HIMUDA) for preparation of detailed estimates for construction of a new bus stand at Dharampur (Mandi district). Administrative approval for construction of the bus stand was accorded (October 2009) for ₹ 1.79 crore (revised to ₹ 2.98 crore in April 2012) on the basis of estimates received (September 2009) from HIMUDA. The HIMUDA started the construction of bus stand in January 2010 and completed it in September 2012 after incurring an expenditure of ₹ 2.69 crore.

Scrutiny of records (November 2017) of the Authority showed that bus stand was constructed on a land classified as *Gair Mumkin Khad* (area prone to floods) in the revenue records and the Authority had selected the site without ascertaining safety of the building to be constructed in the *khad*[96]. Besides, the floods being natural phenomena, the Authority had also not adopted any flood protection measures including channelisation of the *khad* before construction of the bus stand in order to reduce/ mitigate the disaster likely to be caused by floods and necessary environment clearance before start of execution was not obtained. Resultantly, in a flash flood that occurred in the area in midnight of 07-08 August 2015, the bus stand building caused obstruction to natural flow of water in the *khad* and flood water entered the premises of the bus stand causing damage to the bus stand structure and 10 buses parked in the bus

[96] Low lying area/ depression carved by fluvial erosion.

stand premises. The restoration cost of the damaged structure was assessed to ₹ 3.25 crore including cost of channelisation of the *khad*. Besides, there was also loss of ₹ 2.00 crore to the Himachal Pradesh Road Transport Corporation (HRTC) on account of damage to 10 buses. The Authority had carried out immediate restoration of the damaged bus stand with an expenditure of ₹ 1.01 crore from State Disaster Response Fund. Inspite of State Government's direction (February 2016) to initiate action against the defaulters and fix responsibility, no action was taken as of September 2019. This showed non-seriousness of the Authority as well as the Government towards flood protection measures.



Photograph showing damage caused to Dharampur bus stand and buses due to flash flood during intervening night of 7–8 August 2015 as a result of construction of bus stand amidst the *khad* without flood protection measures.

The Additional Commissioner, Transport stated (January 2019) that the site was selected by a committee[97] constituted for the purpose on demand of the general public. Further, there was no record of any major floods in last 20 years. The Government replied (January 2019) that action against the defaulters was not possible since it was collective failure from top to bottom.

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

The State Government may ensure selection of suitable site and adoption of safety measures for creation of public infrastructure in order to avoid loss to public property.

3.21 Infructuous expenditure due to selection of unsuitable site for bus stand

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

With a view to construct a new bus stand complex at Hamirpur (capacity: 700 buses) consisting of taxi stand, parking area, shops, *yatri niwas*, workshop and other public conveniences the Himachal Pradesh City Transport and Bus Stands Management and Development Authority (Authority) diverted 1.2223 hectare of forest land with the

97 Sub-Divisional Magistrate, Sarkaghat; District Forest Officer, Jogindernagar and Regional Manager HRTC, Sarkaghat.

approval (May 2009) of Ministry of Environment and Forests, GoI and paid (May 2009) ₹ 12.35 lakh towards compensatory afforestation (CA) and net present value (NPV).

Scrutiny of records (October 2017) of the Authority showed that committee constituted (July 2009) by the State Government under the chairmanship of DC Hamirpur visited the site (July 2009) and found the site unsuitable due to narrowness of link road and limited space for future expansion/ requirement. Therefore, the committee identified (April 2010) another site (forest land measuring 2.8303 hectare) adjacent to Hamirpur bye pass road which involved dismantling of crematorium structure, shifting of sewer line and approval of GoI for diversion of forest land.

The Authority further deposited ₹ 54.40 lakh with the Forest Department between January 2010 and February 2012 on account of CA/ NPV and paid ₹ 26.86 lakh (February 2012) to Irrigation and Public Health Department for shifting of sewer line. In the meantime, the State Government decided (July 2011) to construct the bus stand on Public Private Partnership (PPP) mode within a period of 18 months from the award of work on the identified site. Accordingly, the Authority, through open tenders, selected a firm[98] for construction of bus stand complex and issued (October 2011) notice of award to the firm. However, provision for entry and exit to the bus stand from two sides (Hamirpur city side and National Highway bye pass side) was not made in the initial project cost. The firm deposited (October 2011) project development fee of ₹ 67.00 lakh and performance guarantee of ₹ 3.35 crore with the Authority and signed (December 2011) agreement for a concession period of 30 years. The firm was to pay annual concession fees of ₹ 72.00 lakh with 10 *per cent* increase every two years.

It was, however, noticed that construction work of the bus stand was not started by the firm till June 2014 due to non-finalisation/ approval of drawings and designs by Drawing Approving Committee of the Authority, coupled with non-handing over the selected site free from all encumbrances as the crematorium structure was not dismantled. On recommendation of the Drawing Approving Committee, the authority had issued (September 2013) revised design parameters involving construction of entry and exit to the bus stand from two sides, though actually not provided for in the project cost. Resultantly, the firm objected (June 2014) to the revised design parameters on the plea that it may lead to huge escalation in cost of foundation of the structure since the site was situated in a valley area. In view of the above, the firm requested the Authority to terminate the agreement and returned the performance guarantee and project development fee. In September 2014, the Authority terminated the concession agreement and refunded the performance guarantee and project development fee. Evidently, the Authority failed to assess the requirement of facility to be created in the proposed bus stand and failure to select suitable site led to termination of concession agreement and refund of securities.

[98] M/s MEP Toll Roads Private Limited.

The Board of Directors of the Authority in September 2017 decided that the construction of bus stand at Hamirpur on earmarked land was not feasible due to huge developmental cost and authorised the Chief Executive Officer (CEO) of the Authority to initiate action for selecting another suitable land, besides exploring possibility for expansion of existing bus stand at Hamirpur. The action for selecting another site on the part of CEO was however, awaited as of September 2019.

The Government stated (January 2019) that the site free from all encumbrances could not be provided to the firm leading to termination of the agreement after approval of the Board of Directors.

Thus, lack of due diligence and planning by the Authority in selecting proper site coupled with failure to assess the requirement and finalise the design of proposed bus stand rendered the expenditure of ₹ 93.61 lakh on preparatory works infructuous. Further, this also deprived the public of intended benefits and annual revenue of ₹ 72.00 lakh which would have accrued from the concessionaire after commissioning of the bus stand.

(I.D.S. DHARIWAL)
Principal Accountant General (Audit)
Himachal Pradesh

Shimla
The 06 December 2019

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
The 11 December 2019