

**Chapter-III**  
**Financial Management**



## CHAPTER-III

### Financial Management

#### 3.1 Funding pattern and flow of funds

Funds for the drinking water supply schemes are mainly provided under the National Rural Drinking Water Programme (NRDWP)/ Jal Jeevan Mission (JJM) of Government of India (shared between GOI and State Government in the ratio of 90:10), State Government by National Bank for Agriculture and Rural Development (NABARD) Loan and other State schemes (Rural Water Supply Schemes and Urban Water Supply Schemes). Funds under NRDWP/JJM and other State schemes are routed through the State budgetary process. Besides, funds under National Disaster Response Fund (NDRF)/ State Disaster Response Fund (SDRF) are also provided directly to the divisions of the JSV by the Deputy Commissioners of concerned district for the restoration of schemes damaged by natural calamity, if any.

**The financial management of drinking water schemes in the State was inefficient and uneconomical. Funds were diverted and excess expenditure was incurred reducing availability of funds for the sanctioned Schemes. Funds of ₹ 35.79 crore withdrawn from treasury and received from DCs and other divisions were lying unutilized in test-checked divisions for 10 to 79 months. As communities had not been encouraged to contribute to the Schemes, the envisaged community ownership had not happened.**

#### 3.2 Budget allocation and expenditure

Details of budget allocation and expenditure incurred there against for water supply schemes in the State during 2016-21 are given in **Table-3.1** and **Table-3.2**.

**Table-3.1**

**Details of budget and expenditure for centrally sponsored water supply schemes during 2016-21**  
(₹ in crore)

Year	Name of programme	Budget			Expenditure		
		GOI	State	Total	GOI	State	Total
2016-17	NRDWP	85.80	44.72	130.52	64.34	42.91	107.25
2017-18	NRDWP	124.36	35.27	159.63	142.01	35.45	177.46
2018-19	NRDWP	81.25	26.06	107.31	89.64	26.52	116.16
2019-20	JJM	200.83	15.93	216.76	200.83	15.93	216.76
2020-21	JJM	319.98	41.95	361.93	307.24	40.48	347.72
<b>Total</b>		<b>812.22</b>	<b>163.93</b>	<b>976.15</b>	<b>804.06</b>	<b>161.29</b>	<b>965.35</b>

Source: Information supplied by Department.

**Table-3.2**

**Details of budget and expenditure for State water supply schemes during 2016-21**

(₹ in crore)

Year	Budget				Expenditure			
	RWSS		UWSS	Total	RWSS		Urban	Total
	State	NABARD			State	NABARD		
2016-17	54.29	114.02	21.00	189.31	53.86	114.03	21.00	188.90
2017-18	57.06	135.35	37.95	230.36	56.97	135.37	37.95	230.29
2018-19	62.14	121.56	71.82	255.52	62.17	121.55	71.82	255.54
2019-20	75.41	142.64	56.99	275.04	74.57	138.85	56.91	270.32
2020-21	182.48	167.11	45.00	394.59	232.01	156.98	44.31	433.30
<b>Total</b>	<b>431.38</b>	<b>680.68</b>	<b>232.76</b>	<b>1344.82</b>	<b>479.58</b>	<b>666.78</b>	<b>231.99</b>	<b>1378.35</b>

Source: Information supplied by Department.

Audit observed that the booked expenditure figures merely reflected the amount withdrawn from treasury and not actually used on the works of water supply schemes executed. Huge amounts remained unspent with some of the test-checked divisions as discussed in succeeding paragraphs.

### **3.3 Funds withdrawn for works not actually executed**

In seven<sup>1</sup> (out of 20) test-checked divisions, out of total expenditure of ₹ 257.52 crore during 2016-21, the EEs had withdrawn ₹ 17.74 crore from the Consolidated Fund during 2016-20 and showed it as final expenditure on 39 water supply schemes<sup>2</sup> not actually executed and kept the amount under deposit head. Of this, an expenditure of ₹ 7.54 crore<sup>3</sup> was incurred in subsequent years for execution of the works and balance ₹ 10.20 crore<sup>4</sup> was lying unspent as of August 2021 to February 2022 under deposit head for more than 20 to 80 months.

This withdrawal of funds without its actual need was against Rule 183 of Himachal Pradesh Treasury Rules, 2017 which provide that no money should be withdrawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw advances from the treasury for the execution of works, the completion of which is likely to take a considerable amount of time.

During the exit conference, the Secretary informed (December 2022) that under Jal Jeevan Mission, flow of funds is routed through Public Finance Management System (PFMS) and as such the practice of withdrawing funds in advance and keeping the same in deposit head has now been discontinued. However, the fact remains that the PFMS system is only applicable for JJM drinking water schemes and not for the State approved schemes. Thus, Audit apprehends that the checks available under Jal Jeevan Mission schemes will not be available for State schemes.

### **3.4 Unutilised funds**

Funds under NDRF/SDRF received directly by the divisions from the DCs concerned and other divisions for the restoration of damaged schemes were required to be spent on restoration works. The details of funds received/ expended and period for which lying unspent are shown in **Table 3.3**.

<sup>1</sup> Chamba: ₹ 4.28 crore (March 2015 and March 2020), Dalhousie: ₹ 1.33 crore (March 2018 and March 2019), Dharamshala: ₹ 0.94 crore (March 2018), Hamirpur: ₹ 8.03 crore (March 2017, March 2018 and March 2020), Kaza: ₹ 0.45 crore (March 2019), Palampur: ₹ 0.80 crore (March 2018) and Thural: ₹ 1.91 crore (March 2018).

<sup>2</sup> Completed schemes: 24 and incomplete schemes: 15 schemes

<sup>3</sup> Chamba: ₹ 3.10 crore, Dalhousie: ₹ 0.70 crore, Dharamshala: ₹ 0.59 crore, Hamirpur: ₹ 2.20 crore, Palampur: ₹ 0.52 crore and Thural: ₹ 0.43 crore.

<sup>4</sup> Chamba: ₹ 1.18 crore, Dalhousie: ₹ 0.63 crore, Dharamshala: ₹ 0.34 crore, Hamirpur: ₹ 5.83 crore Kaza: ₹ 0.45 crore, Palampur: ₹ 0.28 crore and Thural: ₹ 1.49 crore.

**Table-3.3**  
**Details of funds received/ expended and period for which remaining unspent**

(₹ in crore)								
Sr. No.	Agency from whom funds received	No of divisions	Month/ year of receipt	No. of schemes for which funds received	Funds received	Expenditure incurred	Balance	Period since lying unspent
1.	DCs	04	Between July 2015 and March 2021	60	3.33	0.04	3.29	10 to 79 months
2.	MCs		Between January 2015 and June 2020	03	54.36	38.57	15.79	13 to 78 months
3.	Other divisions		Between March 2018 and July 2019	04	0.72	0.11	0.61	28 to 95 months
4.	NRDWP	02	Between August 2013 and March 2019	Lump sum basis	5.12	2.35	2.77	31 to 55 months
5.	SDRF/ NDRF	04	Between September 2016 and March 2021	Lump sum basis	4.93	1.80	3.13	Seven to 58 months
<b>Total</b>		<b>10</b>			<b>68.46</b>	<b>42.87</b>	<b>25.59</b>	

Source: Information supplied by Department.

- In four test-checked divisions<sup>5</sup>, against ₹ 58.41 crore received from various agencies (Deputy Commissioners, Municipal Councils and other divisions) for execution of 67 water supply schemes, the Executive Engineers (EE) concerned incurred an expenditure of ₹ 38.72 crore from August 2021 to January 2022 and ₹ 19.69 crore was lying under deposit head for 10 to 79<sup>6</sup> months. In spite of availability of funds, the schemes/ works were not completed for prolonged periods, thus depriving the beneficiaries of the intended benefits. The EEs concerned stated (August 2021 to February 2022) that the works were in progress and the amount under deposit head would be utilized as and when the bills of the works are received.
- In two test-checked divisions (Keylong and Mandi), ₹ 5.12 crore (Keylong: ₹ 1.27 crore received during August 2013-March 2019 and Mandi: ₹ 3.85 crore received during March 2018) was received on lump sum basis for execution of schemes under NRDWP and was kept under deposit head. The EEs had incurred expenditure of ₹ 2.35 crore (Keylong: ₹ 0.03 crore and Mandi: ₹ 2.32 crore) as of July 2021 and October 2021. The divisions concerned had not surrendered the amount lying in deposit head despite the NRDWP scheme being discontinued in 2019.
- In four test-checked divisions, against NDRF/ SDRF funds, ₹ 4.93 crore<sup>7</sup> (from Shimla division No. 1: ₹ 2.62 crore and from DCs ₹ 2.31 crore) were received for restoration of water supply schemes damaged during rainy and winter seasons. The

<sup>5</sup> Jhandutta: ₹ 0.70 crore from JSV Division Ghumarwin, Kullu-I: ₹ 54.48 crore from Deputy Commissioner Kullu (₹ 0.12 crore) and Executive Officer MC Kullu (₹ 54.36 crore), Palampur: ₹ 1.56 crore and Thural: ₹ 1.67 crore from Deputy Commissioner Kangra (₹ 1.65 crore) and PWD Division Jaisinghpur (₹ 0.02 crore).

<sup>6</sup> Augmentation of WSS Manali Town (delay of 79 months) and Augmentation of WSS Kullu Town (maximum unutilized amount of ₹ 7.82 crore).

<sup>7</sup> Keylong: ₹ 1.91 crore, Kullu-I: ₹ 0.35 crore, Mandi: ₹ 2.62 crore and Palampur: ₹ 0.05 crore.

EEs concerned had incurred expenditure of ₹ 1.80 crore leaving ₹ 3.13 crore<sup>8</sup> under deposit head as of July to December 2021. However, water supply schemes were restored temporarily but lying incomplete as on date of audit. This indicated that the funds meant for restoration of damaged water supply schemes were kept unutilised for prolonged periods (seven to 58 months), defeating the purpose of providing immediate relief to the intended beneficiaries. The EEs of the concerned divisions stated (August 2021 to January 2022) that the amount could not be spent due to non-completion of codal formalities (preparation of estimates, tendering process, local disputes, delay by contractors, etc.).

### 3.5 Diversion of funds

Rule 14 of Himachal Pradesh Financial Rules, 2009 provides that the expenditure should be incurred for the purpose for which the funds have been provided. Funds under NABARD are to be sanctioned and utilised for rural water supply schemes. Further, as per Annexure-IV of Paragraph 7.10 of Operational Guidelines of JJM, the funds should not be diverted towards purchase of land, vehicles, construction/ renovation/ repair of office/ residential buildings, other State schemes, etc. The guidelines of NRDWP prohibit diversion of funds outside the scope of the programme.

Audit noticed that some of the test-checked divisions had diverted funds under NABARD, JJM and NRDWP outside the scope of the programmes as per details given in **Table-3.4**.

**Table-3.4**  
**Details of diversion of funds outside the scope of programmes**

Sr.No.	Agency from whom funds received	Purpose	No. of divisions	Funds diverted		Number of schemes to which diverted
				Month/year	Amount	
1.	NABARD	For drinking water supply schemes	01	March 2020	1.10	01 (urban)
2.	JJM		05	Between December 2019 and January 2021	4.87	93 (not approved under JJM)
3.	NRDWP		01	Between October 2019 and October 2020	1.01	13 (LIS/FIS, UWSS, Residential/ Official Buildings, Sewerage schemes, etc.)
<b>Total</b>			<b>07</b>		<b>6.98</b>	

Source: Information supplied by Department.

- In Kullu division No. I, EE had irregularly diverted NABARD funds of ₹ 1.10 crore towards 'Construction of Augmentation of WSS Manali Town, which were initially sanctioned (October 2014) for providing Lift Water Supply Scheme to group of villages (Phatti Peej, Kharahal Balh, Banhar, Khariar, etc.). The EE concerned stated (August 2021) that rectification will be made in future. Reply is not acceptable as NABARD funds should not have been diverted and used in urban water supply scheme.

<sup>8</sup> Keylong: ₹ 1.31crore; Kullu-I: ₹ 0.24 crore, Mandi: ₹ 1.53 crore and Palampur: ₹ 0.05 crore.

- In five divisions<sup>9</sup>, the EEs had diverted JJM funds of ₹ 4.87 crore towards 93 other State schemes<sup>10</sup> in violation of the provisions of JJM guidelines *ibid*,
- In Rampur division, the EE had diverted NRDWP funds of ₹ 1.01 crore towards 13 other schemes (Lift/ Flow Irrigation Scheme, Urban Water Supply Scheme, Residential/ Official Buildings, Sewerage schemes, etc.) in contravention of the guidelines of the NRDWP.

### 3.6 Non-contributing of the share of capital cost by the communities

Para 6.1.2 of JJM guidelines provides that for in-village piped water supply infrastructure and related source development to be implemented by Gram Panchayat and/ or its sub-committee, i.e., VWSC/ Paani Samiti/ User Group, etc., communities will contribute 5 per cent of the capital cost in cash and/ or kind and/ or labour in hilly and forested areas, North Eastern and Himalayan States. The community contribution made in cash towards in – village infrastructure creation will be deposited in the respective bank account of gram panchayat and/ or its sub-committee, i.e. VWSC/ Pani Samiti/ user group, etc. that may be opened with any scheduled commercial bank. This account was to be operated jointly by chairperson of the gram panchayat and/ or its sub-committee i.e. VWSC/ Pani samiti/ user group, etc. and respective panchayat secretary. Separate ledgers had to be maintained for receiving community contribution (towards in-village infrastructure creation), incentive received and also for user fee provided by households towards meeting O&M requirements. The community contribution was to be paid to agency/ vendor as decided by DWSM.

Audit noticed that:

- The Department had not maintained records related to collection of community contribution and community ownership of water supply schemes at State level.
- No detailed project reports (DPR) of water supply scheme were approved under JJM in two (out of 20) test-checked divisions. In remaining 18 test-checked divisions, 410 water supply schemes were approved by the Department (between September 2019 and March 2021) with estimated cost of ₹1,151.56 crore under JJM to cover 11,074 habitations. However, communities did not contribute their share of ₹ 57.58 crore (at the rate of five per cent of estimated cost) as of June 2021-February 2022 as per details given in **Table 3.5**.

<sup>9</sup> Baggi: ₹ 1.58 crore, Bilaspur: ₹ 0.86 crore, Kullu-1: ₹ 0.47 crore, Matiana: ₹ 1.65 crore and Rampur: ₹ 0.31 crore

<sup>10</sup> Repair and maintenance of old schemes (65 works: ₹ 2.08 crore), SCSP (five schemes: ₹ 0.12 crore), NABARD (five schemes: ₹ 0.39 crore), FIS/ LIS (four schemes: ₹0.06 crore), UWSS (five schemes: ₹ 0.09 crore), Residential buildings (five works: ₹ 0.07 crore), SOP (three schemes: ₹ 0.47 crore) and repair of car (one case: ₹ 0.01 crore).

**Table-3.5**

**Detail of capital cost contribution not shared by communities for the schemes sanctioned under JJM during September 2019 to March 2021**  
(Schemes and habitations in number and estimated cost and contribution ₹ in crore)

Sr. No.	Division	Schemes	Estimated Cost	Habitations	Contribution (Five per cent) to be obtained from communities
1.	Baggi	31	58.21	939	2.91
2.	Bhoranj	5	51.42	296	2.57
3.	Bilaspur	15	95.37	570	4.77
4.	Chamba	33	12.68	1546	0.63
5.	Chauntra	9	66.65	368	3.33
6.	Dharamshala	12	25.88	173	1.29
7.	Jhandutta	10	115.18	664	5.76
8.	Kaza	44	11.59	57	0.58
9.	Keylong	9	2.79	177	0.14
10.	Kullu 1	52	90.17	693	4.51
11.	Mandi	13	81.17	321	4.06
12.	Matiana	9	147.62	1470	7.38
13.	Palampur	25	132.36	370	6.62
14.	Rampur	83	45.54	541	2.28
15.	Reckong Peo	11	6.35	24	0.32
16.	Salooni	6	19.84	585	0.99
17.	Shimla	11	87.91	1732	4.40
18.	Thural	32	100.83	548	5.04
<b>Total</b>		<b>410</b>	<b>1151.56</b>	<b>11074</b>	<b>57.58</b>

Source: Information supplied by the Department.

There was no participation of the beneficiary communities in the important decision of location of the Schemes. The Department failed to promote and ensure voluntary ownership among local community by not getting the contribution of five *per cent* of the estimated cost. By not ensuring community contribution, the Department was unable to ensure community participation/ ownership in operation and maintenance of water supply schemes.

During the exit conference, the Secretary stated (December 2022) that after assessing the cost of in-village infrastructure, it was decided and notified that an amount of ₹ 100/- would be collected from every household as community contribution and the same is being recovered from the households. However, no such order for recovery as stated came to Audit's notice.

**Non-revision of contract demand/ contract demand violation charges and payment of energy charges for nil consumption resulted in avoidable payment of energy charges of ₹ 1.79 crore.**

### **3.7 Payments of energy charges**

#### **(i) Avoidable payment of demand charges and contract demand violation charges**

As per General conditions of TARIFF of the Himachal Pradesh State Electricity Board Limited (HPSEBL), "Consumers under two part tariff, whose energy consumption is billed/ charged in Rs/kVAh (Kilo volt Ampere Hour), shall in addition to the kVAh charges, be also charged at the rates as per part-III, the 'Demand charges' (in Rs/VA/month), calculated on the actual maximum Demand (in kVA) recorded on the energy meter during any consecutive 30 minute block period of the month or at 90 *per cent* of the contract demand (in kVA),



whichever is higher but up to a ceiling of contract demand as currently applicable. HPSEBL charges contract demand violation charges (CDVC) in the event, the actual maximum demand recorded on the energy meter during any consecutive 30 minutes block period, exceeds the contract demand, at a rate which shall be three times the rate of the demand charges to the extent the violation has occurred in excess of the contract demand. Further, contract demand can be revised twice a year.

Audit noticed that:

- In seven test-checked divisions, recorded demand of electric meters of 10 lift water supply schemes during March 2018 to October 2021 (upto date of audit) was very low in comparison to contract demand, where the divisions had to pay demand charges to the HPSEBL at the rate of 90 per cent of contract demand. The EEs of divisions concerned had not taken up the matter with the HPSEBL to revise/ reduce the contract demand according to trends of actual consumption. Had the contract demand been reduced as per trends of actual consumption, payment of ₹ 0.94 crore during the period could have been avoided as given in **Table-3.6**.

**Table-3.6**

**Details of avoidable payment of demand charges where recorded demand less than contract demand**

Sr. No.	Name of division	No. of schemes	Contract demand (KVA)	Range of recorded demand (in KVA)	Period	Avoidable payment (in ₹ lakh)
1.	Bhoranj	1	66.41	23 to 36.5	May 2019 to September 2021	1.50
2.	Bilaspur	1	920	319.35 to 444.78	February 2020 to March 2021	13.61
3.	Dalhousie	1	889	171 to 332	March 2018 to July 2021	58.97
4.	Dharamshala	1	88	30.39 to 30.75	June 2019 to September 2020	2.34
5.	Hamirpur	4	1220	880 to 997.3	March 2020 to October 2021	4.43
			80	0.037 to 24.763	January 2019 to October 2021	3.78
			106	18.208 to 39.796	January 2019 to October 2021	4.82
			67	24 to 29	March 2020 to October 2021	1.80
6.	Mandi	1	292	0 to 143.089	February 2020 to September 2021	2.14
7.	Salooni	1	37	5 to 21.3	July 2018 to September 2021	0.35
<b>Total</b>		<b>10</b>				<b>93.74</b>

Source: Energy bills and information supplied by Department.

- In six divisions<sup>11</sup> (out of 20), recorded demand in respect of 10 lift water supply schemes was in excess of contract demand during the period between December 2017 and March 2021. The EEs of the divisions concerned had not taken action to revise the contract demand as per actual consumption which led to avoidable payment of contract demand violation charges of ₹ 0.64 crore to HPSEBL as given in **Table-3.7**.

<sup>11</sup> Baggi, Bhoranj, Bilaspur, Hamirpur, Mandi and Rampur.

**Table-3.7**  
**Details of avoidable payment of demand charges where recorded demand in excess than contract demand**

Sr. No.	Name of division	No. of schemes	Contract demand (KVA)	Range of recorded demand (in KVA)	Period	Avoidable payment (in ₹ lakh)
1.	Baggi	1	30	71 to 88.1	November 2019 to November 2020	0.94
		1	60	122.6 to 157.3	November 2018 to February 2021	3.19
2.	Bhoranj	1	80	109.6 to 148	May 2019 to March 2021	5.88
		1	67	80.6 to 91.6	June 2019 to March 2021	1.37
3.	Bilaspur	1	108	113.6 to 126	February 2020 to February 2021	0.88
		1	29.84	42 to 47.2	April 2020 to February 2021	0.97
4.	Hamirpur	1	50	80.32 to 84.98	December 2019 to March 2021	0.69
		1	94	117 to 126	April 2020 to March 2021	1.12
5.	Mandi	1	75	118 to 157.6	May 2020 to March 2021	4.29
6.	Rampur	1	814	732 to 1096	December 2017 to March 2021	44.39
<b>Total</b>		<b>10</b>				<b>63.72</b>

The EEs concerned stated (between September 2021 and March 2022) that the matter for revision of contract demand would be taken up with HPSEBL. The fact, however, remains that the EEs had not taken up the matter with HPSEBL in time, leading to avoidable payment of demand charges.

**(ii) Energy charges on ‘Nil’ consumption**

In three divisions (out of 20), ₹ 21.29 lakh<sup>12</sup> was paid (between April 2016 and March 2021) to HPSEBL for the energy charges in respect of meters of seven lift water supply schemes where the consumption of electricity was ‘Nil’. The EEs concerned had not reviewed the cases and taken up the matter with HPSEBL in time which resulted in loss to Government to that extent. The EEs of divisions concerned noted (October 2021-January 2022) the matter of disconnection of meters.

**Test checked divisions had not realized water charges ₹ 9.35 crore and was outstanding for realisation as on 31 March 2021. Against expenditure of ₹ 243.77 crore on operation and maintenance of water supply schemes, collection of revenue of ₹ 99.81 crore during the period 2016-21 was only 41 per cent in the test-checked divisions and expenditure on operation and maintenance had increased considerably during 2019-20 (36 per cent) and 2020-21 (46 per cent). In Reckong Peo division, water charges of ₹ 27.42 lakh were embezzled and ₹ 12.02 lakh were not deposited in Government account.**

<sup>12</sup> Bilaspur: ₹ 6.35 lakh, Chauntra: ₹ 9.53 lakh and Hamirpur: ₹ 5.41 lakh.

### 3.8 Water charges

Himachal Pradesh Water Supply Act 1968 provides that State Government shall levy a water charge for water supplied to consumer from a water supply scheme managed directly by the Government. The recovery of the water charges was required to be effected from the consumers on the basis of flat rate or on the basis of water consumption recorded in case of metered connections. The E-in-C notified the revised rates (January 2016) of ₹ 28.55 per connection per month for domestic users and ₹ 22.90 per kilo litre (KL) for commercial connections subject to minimum of ₹ 100/- per month. These rates were increased by 10 per cent on the 1<sup>st</sup> of April every year.

Audit noticed the following deficiencies:

#### (i) Non-realisation of water charges from consumers

Against water charges dues of ₹ 109.16 crore (opening Balance as on 1 April 2016: ₹ 3.90 crore and raised during 2016-21: ₹ 105.26 crore) from consumers in all 20 test-checked divisions during 2016-21, the EEs concerned had realised ₹ 99.81 crore and ₹ 9.35 crore was outstanding for realisation as on 31 March 2021 (Table-3.8).

**Table-3.8**  
Details of outstanding water charges in test-checked divisions as on 31 March 2021

Year	Water supply consumers (Nos.)	Consumers from whom outstanding water charges to be collected (Nos.)	Opening balance of outstanding water charges (₹ in crore)	Water charges bills raised (₹ in crore)	Water charges collected (₹ in crore)	Outstanding water charges (₹ in crore)
2016-17	3,14,349	27,770	3.90	16.96	16.42	4.43
2017-18	3,23,599	28,361	4.43	19.33	18.35	5.41
2018-19	3,40,236	33,238	5.41	21.18	20.42	6.17
2019-20	3,76,306	37,196	6.17	24.18	22.67	7.69
2020-21	3,99,973	50,341	7.69	23.61	21.95	9.35
<b>Total</b>				<b>105.26</b>	<b>99.81</b>	

Source: Information supplied by Department.

The Department informed (December 2022) during exit conference that collection of water charges had been discontinued since May 2022 in rural areas and assured to make efforts to recover the outstanding water charges.

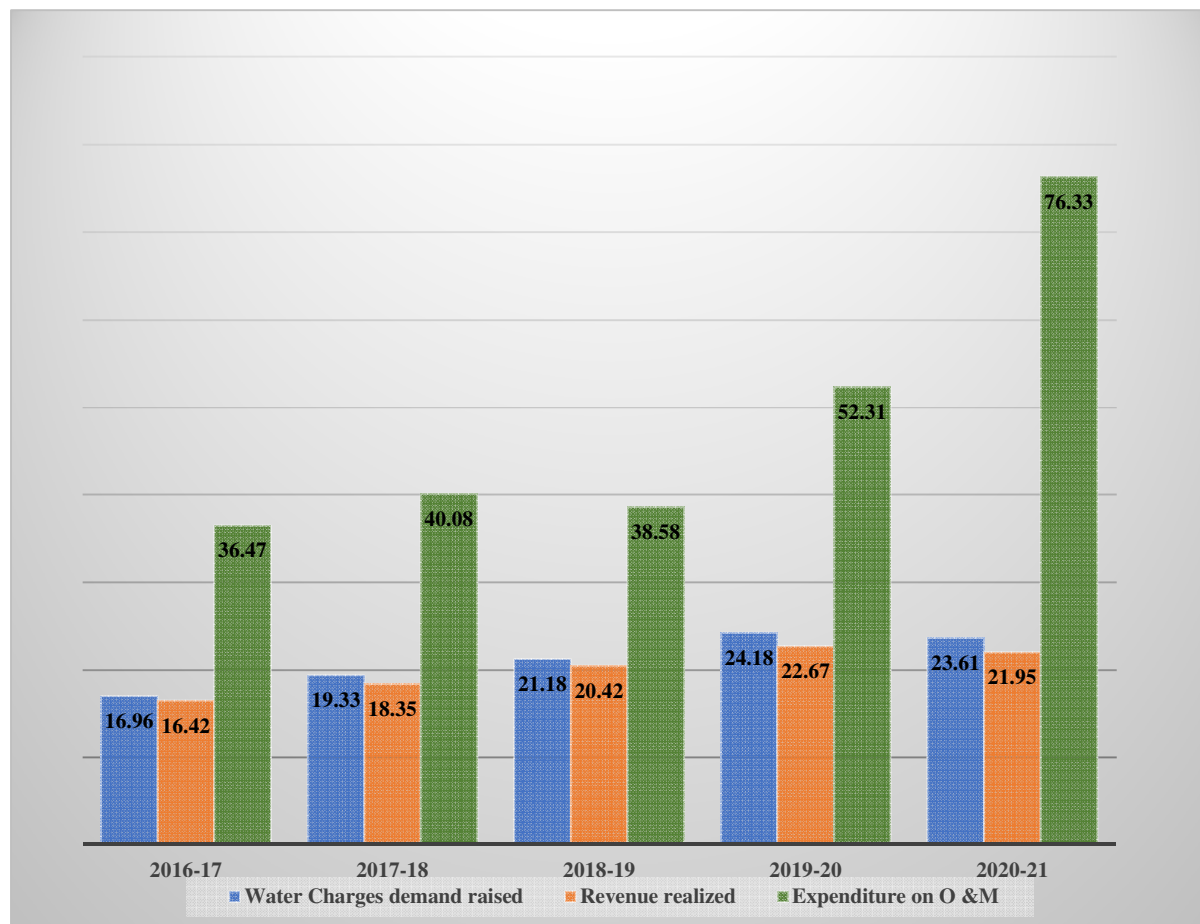
#### (ii) Comparative analysis of revenue raised, collected and expenditure incurred under operation and maintenance.

The comparative analysis of revenue raised, collected and expenditure incurred under operation and maintenance of water supply schemes in test-checked divisions is given in the Chart-3.1.

**Chart-3.1**

**Comparative analysis of revenue raised, collected and expenditure incurred under operation and maintenance**

(₹ in crore)



As can be seen from above, against the expenditure of ₹ 243.77 crore on the operation and maintenance of water supply schemes, collection of revenue of ₹ 99.81 crore during the period 2016-21 was only 41 *per cent* in the test-checked divisions. Thus, the collection of water charges was not commensurate with the expenditure on the operation and maintenance. Besides, expenditure on operation and maintenance had increased considerably during 2019-20 (36 *per cent*) and 2020-21 (46 *per cent*).

During the exit conference (December 2022), the Secretary took note of increase in expenditure on operation & maintenance and directed departmental officials to review the same.

**(iii) Suspected embezzlement of water charges**

Rule 3 of Himachal Pradesh Financial Rules 2009 provides that all moneys received by or on behalf of the Government as dues of the Government, shall be brought into Government Account immediately. Rule 5 further provides that it shall be the duty of the concerned Department of the State Government to ensure that the receipts and dues of the Government are correctly and promptly assessed, collected and duly credited to the Consolidated Fund.

- In Reckong Peo division, the EE had got printed (July 2015) 1000 receipt books for issue of receipts to the consumers on account of collection of water charges. Out of these, 893 receipt books were found blank/ unused in the store of the division and 89 receipt books were accounted for in the cash book and amount accordingly was deposited in treasury. One receipt book bearing receipt No. 23901-24000 was not produced to Audit by the division. In the remaining 17 receipt books, water charges of ₹ 27.25 lakh<sup>13</sup> received from the consumers during 2016-21 by the official of division were neither accounted for in the cash book nor deposited in treasury for credit of the Government resulting in suspected embezzlement. Out of above 17 receipt books, seven counterfoils<sup>14</sup> in four receipt books were found missing which may enhance the amount of suspected embezzlement.
- Water charges of ₹ 5.89 lakh received in February 2021 were taken as ₹ 5.78 lakh in the cash book and remitted into treasury. There is suspected embezzlement of ₹ 0.11 lakh.
- In Nichar sub-division, against ₹ 0.10 lakh received (between August 2018 and March 2020) from ten consumers, only ₹ 0.04 lakh was accounted for in the cash book and remitted into treasury. There is suspected embezzlement of ₹ 0.06 lakh.

Thus, non-deposit/ short deposit of water charges collections in treasury by the officials of the division resulted in suspected embezzlement of Government revenue of ₹ 27.42 lakh.

The Secretary taking note of the facts (December 2022) directed the Engineer-in-Chief to look into the matter and take strict action against the erring officials. It was also decided to review the position in all the divisions.

**(iv) Non-crediting of water charges collections in Government account**

In Reckong Peo division, water charges of ₹ 12.02 lakh collected during 2018-21 were deposited in current account in a commercial bank by opening account in the name of Assistant Engineer, Sub-division Reckong Peo instead of depositing the same in treasury under Receipt Head- 0215 Water Supply and Sanitation. The EE assured (August 2021) for

<sup>13</sup> Receipt book reference- (i) 2901-3000: ₹ 1.76 lakh (ii) 3901-4000: ₹ 1.80 lakh, (iii) 5101-5200: ₹ 1.80 lakh (iv) 5301-5400: ₹ 1.61 lakh (v) 5401-5500: ₹ 1.02 lakh (vi) 6201-6300: ₹ 1.82 lakh (vii) 6401-6500: ₹ 2.21 lakh (viii) 7101-7200: ₹ 1.63 lakh (ix) 7201-7300: ₹ 1.75 lakh (x) 7301-7400: ₹ 1.92 lakh (xi) 7401-7500: ₹ 1.67 lakh (xii) 7501-7600: ₹ 1.38 lakh (xiii) 7601-7700: ₹ 1.48 lakh (xiv) 7701-7800: ₹ 1.57 lakh (xv) 20901-21000: ₹ 1.33 lakh (xvi) 21101-21200: ₹ 2.15 lakh (xvii) 89601- 89618: ₹ 0.35 lakh.

<sup>14</sup> (i) 2923 (ii) 2954 (iii) 2958 (iv) 2997 (v) 5369 (vi) 5482 (vii) 89613.

credit into Government account. The fact stays that the EE had kept the amount out of Government account for a prolonged period which was a violation of HPFR provisions.

**(v) Non-recovery of water charges**

In Palampur division, 1534 Kilo litres water was supplied by JSV to Municipal Council/ Municipal Corporation (MC) Palampur at the rate of ₹ 13.86 per kilo litre per day. However, an amount of ₹ 8.55 crore to be recovered during 2006-21 is still outstanding from MC Palampur as of January 2022. The EE, Palampur informed (January 2022) despite repeated communications, the MC did not remit the water charges.

### **Conclusion**

The financial management of drinking water schemes in the State was inefficient and uneconomical. The revenues in the form of water charges were not being efficiently collected and at the same time huge funds were unnecessarily being paid as contract demand violation charges as the EEs had not watched the trends of actual consumption of electricity. Besides large amounts of funds released for the water supply schemes remained unspent with the divisions over prolonged periods of time. Also, funds were diverted and excess expenditure was incurred reducing availability of funds for the sanctioned schemes. As communities had not been encouraged to contribute to the schemes, the envisaged community ownership had not happened.

### **Recommendations**

The Department may like to:

- (i) *Ensure utilization of allocated funds on schemes relating to drinking water services optimally in a time bound manner besides avoiding diversion of drinking water funds for other areas/ works.*
- (ii) *Make use of Online Himachal Pradesh Water Bills App for raising, collection, realization/ deposit of water charges so as to avoid any misappropriation, delay in depositing of Government revenues in treasury, besides enhancing transparency and convenience to the consumers.*
- (iii) *Organise information, communication and education activities amongst beneficiary communities to ensure their participation in the water supply schemes management.*