

CHAPTER-IV

AUDIT OF TRANSACTIONS

Infructuous/wasteful expenditure and overpayment

Public Works Department

4.1 Infructuous expenditure and blocking of funds

Expenditure of Rs 15.04 lakh incurred on construction of a foot bridge over river Beas near Manali was rendered infructuous and material valued at Rs 10.90 lakh remained unutilised because of change in scope of work.

The aerial ropeway foot bridge over river Beas at Bahanu near Manali (Kullu district) was washed away in heavy floods during 1995. To provide communication link to the public of the area, construction of sub structure of 72 metres span aerial ropeway foot bridge was completed by Kullu division No. II in June 2000 at a cost of Rs 12.32 lakh. The superstructure work of the bridge allotted (October 2002) to a contractor for Rs 15.97 lakh and scheduled to be completed in six months was stopped during January 2004 after 50 *per cent* work of the super structure had been completed. Payment of Rs 13.62 lakh for supplying, hoisting wire ropes of 40 mm dia and fixing steel accessories like clamps and suspenders, etc., in position had been made (March 2004) to the contractor. In January 2004, local people demanded construction of a jeepable bridge with carriage way of 2.5 metres, proposal for which, at the same site, was sent (February 2004) to the Superintending Engineer. The Chief Engineer (Central Zone) informed (July 2004) the Engineer-in-Chief that conversion of existing infrastructure of the foot bridge into jeepable standard was not technically feasible. Alternatively, construction of a new suspension jeepable bridge on the down stream scheduled to be completed in two years was approved (March 2005) for Rs 46.59 lakh. The work had not been started as of May 2005.

Scrutiny of records revealed (July 2004 and May 2005) that no provision for utilisation of material and other components of the foot bridge had been made in the sanctioned estimate for the new bridge. Thus, expenditure of Rs 15.04 lakh (sub structure: Rs 12.32 lakh and labour component of super structure: Rs 2.72 lakh) has been rendered infructuous and material valued at Rs 10.90 lakh remained unutilised. Besides, the objective of providing communication link to the beneficiaries could not be achieved. The Executive Engineer confirmed the facts (July 2004 and May 2005). Had the department realised the difficulties of the beneficiaries and arranged sufficient funds for

completion of foot bridge, communication link could have been provided to them till completion of jeepable bridge.

The matter was referred to the Government in June 2005; their reply had not been received (July 2005).

4.2 Infertuous expenditure on the construction of bridge over Binwa *khad*

Expenditure of Rs 23.33 lakh incurred on construction of bridge over Binwa *khad* and link road in Kangra district was rendered infertuous.

Construction of 25 metre span RCC bridge over Binwa *khad* at kilometer 21/705 of Bir Palampur road (Kangra district) was administratively approved (January 2000) for Rs 24.19 lakh. Subsequently, construction of a 30 metre span RCC bridge was approved (May 2001) under RIDF¹ NABARD² project for Rs 37 lakh. The work, stipulated to be completed in one year was awarded to a contractor in December 2000 and was taken up for execution in February 2001. Expenditure of Rs 16.13 lakh had been incurred on the construction of abutments of the bridge upto March 2002.

Test-check of records of Baijnath division revealed (January 2004) that the constructed abutments got damaged due to flash floods in Binwa *khad* during July 2001. The changed water way of the *khad* at the bridge site necessitated increase in the span of the bridge from 30 metre to 80 metre. The proposal of the Superintending Engineer for the construction of 80 metre span bridge was not considered feasible as it involved huge investment. Ultimately the division changed the alignment of Bir Palampur road and linked the road with Paprola Utrala Surahi Pass road by constructing 500 metre long road at an expenditure of Rs 2.95 lakh by utilising an existing motorable bridge constructed by the Himachal Pradesh State Electricity Board (HPSEB) prior to 1981. The 400 metre long link road constructed originally at a cost of Rs 7.20 lakh had to be abandoned. The location of this bridge was 750 metres upstream from the site of the damaged bridge. In this process, expenditure of Rs 23.33 lakh incurred on part construction of the abandoned bridge (Rs 16.13 lakh) and 400 metres long link road (Rs 7.20 lakh) was rendered infertuous.

The Superintending Engineer stated (July 2004) that the bridge constructed by the HPSEB was transferred to Public Works Department during June 2003 whereas the damaged bridge was sanctioned in January 2000 and had been taken up for execution during February 2001. The plea of the Superintending Engineer is not tenable as the bridge on the upstream existed prior to 1981 and through proper coordination with HPSEB possibility of its transfer should have been explored before sanction/execution of another bridge.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

¹ RIDF: Rural Infrastructure Development Fund.

² NABARD: National Bank for Agriculture and Rural Development.

4.3 Overpayment to a contractor and loss of interest

Failure of the department to follow Ministry's specifications resulted in overpayment of Rs 37.09 lakh to a firm and loss of interest of Rs 10.83 lakh to the Government.

Construction of 245 metres span high level arch bridge and viaducts across river Beas at Ramshilla on Kullu bye pass (Kullu district) was awarded (July 1999) to a firm for a lump sum amount of Rs 9.60 crore. According to the contract, the work was required to be executed as per Ministry of Surface Transport (now Ministry of Road Transport and Highways - MORTH) specifications.

Test-check of records of National Highway (NH) division, Pandoh revealed (August 2004) that payment of Rs 10.82 crore had been made to the firm upto 36th running account bill paid in May 2004. This included payment of Rs 37.09 lakh made to the firm between 2001-2005 for installation of 'batching and mixing plant' (Rs 10 lakh) and concreting (Rs 27.09 lakh) with the same on the basis of extra rates approved by the Chief Engineer (National Highways) in December 2001.

The Ministry of Road Transport and Highways clarified (April 2004) that the firm was required to execute the work as per their approved specifications which included concreting by 'batching and mixing plant' and no extra payment was admissible.

The Executive Engineer stated (August 2004-March 2005) that the overpayment would be recovered from the firm. However, no recovery had been made as of June 2005. Failure to follow the specifications thus resulted in overpayment of Rs 37.09 lakh to the firm and loss of interest of Rs 10.83 lakh* to the Government.

The matter was referred to the Government in May 2005; their reply had not been received (July 2005).

Irrigation and Public Health Department

4.4 Infertuous expenditure on Lift Irrigation Scheme, Rey Dhoulpur

Lack of coordination between the Irrigation and Public Health Department and Shah Nehar Project authorities resulted in damage to Lift Irrigation Scheme, Rey Dhoulpur and infertuous expenditure of Rs 53.43 lakh.

Construction of Phase-I of Lift Irrigation Scheme (LIS), Rey Dhoulpur (Kangra district), intended to provide irrigation facilities to culturable command area (CCA) of 128 hectares of village Rey, was completed during

* Calculated for the periods for which the amounts overpaid to the firm remained unrecovered till March 2005 at average rates of interest paid by the State Government on loans raised by it.

1994 at an expenditure of Rs 35.02 lakh. Rupees 18.41 lakh had also been spent on running and maintenance of the scheme during 1994-2004. The scheme provided negligible irrigation ranging between 1.23 and 8.05 hectares to the CCA during 1994-2000.

As the rising main of the scheme fell in the cutting width of the canal of Shah Nehar Project between RDs 6450 to 7400, work on which was going on, the Shah Nehar Project authorities intimated (January 2000) the Divisional Officer Indora division to shift the rising main which was not done. An estimate for shifting of the rising main of the aforesaid scheme and two other water supply schemes was approved in June 2000 for Rs 15.70 lakh but no action was taken. In the meantime, the rising main of the scheme got buried (April 2000) under heavy debris. The source of the scheme was also damaged during construction of the canal during April 2000 rendering it defunct and no irrigation could be provided after *Rabi* 2000. Another estimate of Rs 1.92 lakh was approved in December 2001 for shifting of the rising main. The amount though received from Shah Nehar Project authorities in December 2001, was not utilised for the intended purpose because the rising main and source of the scheme had already been damaged in April 2000.

The Executive Engineer, while confirming the facts, stated (May 2004) that the Shah Nehar Project authorities had damaged the scheme to irreparable extent despite requests for not disturbing the rising main till it is shifted. The plea is not tenable because the division had already been requested in January 2000 to shift the rising main and construction work of the canal could not be suspended for an indefinite period.

The Chief Engineer (North), Dharamshala also confirmed (August 2004) that Rs 1.92 lakh received from Shah Nehar authorities were not utilised as the source of the scheme had been buried under huge debris and could not be retrieved. Hence the scheme was transferred to Shah Nehar Project division No. II, Badukhar in June 2004.

Failure of the department to take timely action to shift the rising main of the LIS to avoid damage to it and the source of the scheme coupled with lack of coordination between Shah Nehar Project authorities and the Irrigation and Public Health Department thus rendered the expenditure of Rs 53.43 lakh on construction and maintenance of the scheme infructuous.

The matter was referred to the Government in March 2005; their reply had not been received (July 2005).

4.5 Wasteful expenditure on Flow Irrigation Scheme

Wasteful expenditure of Rs 28.61 lakh was incurred on remodelling and other works of *Silla khad Sarol kuhl* in Chamba district even though there was no demand for water for irrigation purposes.

Remodelling of the existing Silla *khad* Sarol *kuhl* (Chamba district) was completed during 1998-99 at a cost of Rs 11.12 lakh to irrigate 39.62 hectares of land. Expenditure of Rs 17.49 lakh was also incurred on *Chak** development works (Rs 2.51 lakh), construction of 750 metres *pucca* main channel, 1,660 metres *pucca* field channel, remodelling (Rs 7.44 lakh), restoration of damages (Rs two lakh) and maintenance of the scheme (Rs 5.54 lakh) as of January 2005.

Test-check of records of Chamba division revealed (February 2005) that no irrigation had been provided to the cultivated command area after remodelling the *kuhl* and execution of other works. The Executive Engineer stated (February 2005) that there was no demand for water. Even then an estimate of Rs 17.64 lakh for second remodelling of the *kuhl* was submitted (November 2004) to the Deputy Commissioner, Chamba for sanction and arranging funds which had not been received as of February 2005.

In spite of the fact that there was no demand for water for irrigation, the department incurred expenditure of Rs 28.61 lakh on the scheme which remained non-functional, thus resulting in wasteful expenditure.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

Avoidable/excess/unfruitful expenditure

Health and Family Welfare Department

4.6 Unfruitful expenditure on staff

Expenditure of Rs 22.63 lakh incurred on salaries of the staff of nursing school remained largely unfruitful as no regular training was imparted by the staff.

Training for general nursing and midwifery courses is imparted in the School of Nursing at Dharamsala, established in 1966, under the control of the Chief Medical Officer (CMO), Kangra for which the candidates are sponsored by the State Government.

Test-check (February 2005) of the records of the CMO, Kangra revealed that candidates for general nursing and midwifery courses had not been sponsored by the Government after July 2002 till March 2005. Only 22 refresher and other courses of smaller duration for 530 candidates were conducted. No training was held in the year 2004. It was also noticed in audit that the refresher courses were being held earlier also together with regular training for nursing and midwifery. The services of the staff were thus, not gainfully

**Chak*: Command Area Development.

utilised and expenditure of Rs 22.63 lakh incurred between August 2002 and January 2005 on the salary of staff* of the nursing school was not fully justified.

CMO stated (February 2005) that the services of the teaching staff were utilised for refresher courses and other trainings. The reply is not tenable as conducting of refresher courses without imparting training to nursing and midwifery courses for which the school was initially opened did not fully justify optimum utilisation of the staff and expenditure of Rs 22.63 lakh proved largely unfruitful.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

Rural Development Department

4.7 Unfruitful investment on mini Industrial Training Institutes

Non-involvement of the Technical Education Department during formulation of the proposal and construction of the buildings resulted in unfruitful investment of Rs 75.13 lakh besides locking up of funds of Rs 25.03 lakh.

Government of India decided (October 1995) to set up mini Industrial Training Institutes (ITIs) under the programme “Training of Rural Youths for Self-Employment (TRYSEM)” wherever such a need existed in a block in the State. These ITIs once established were to be managed and run by the District Rural Development Agency (DRDA) under the overall guidance of the Directorate of Technical Education of the State.

Test-check of records of DRDA, Chamba revealed (December 2004) that on the basis of the proposal of the State Government for setting up three ITIs at Chowari (Garnota), Tissa and Salooni (Chamba district), Government of India released (March 1997) Rs 50.08 lakh. State share of Rs 50.08 lakh was also released (May 1997) by the Director, Rural Development Department to the Project Officer (PO), DRDA Chamba. The buildings for all the three ITIs were completed between May 2002 and March 2004 at a total cost of Rs 75.13 lakh. Unspent funds of Rs 25.03 lakh were lying with the PO, DRDA (Rs 16.41 lakh) and three Block Development Officers (Rs 8.62 lakh). It was also noticed that Technical Education Department was not involved during formulation of the proposal and construction of the buildings.

Scrutiny of records further revealed that on PO, DRDA, Chamba’s proposal for handing over these ITI buildings to Technical Education Department, the latter stated (June 2002) that there was no proposal to start mini ITIs at these places and matter would be taken as and when the proposals were received.

* Nursing Superintendent: one; Nursing Tutors: three; Female Health Supervisor: one and class IV: two.

Further, Director, Technical Education stated (June 2005) that the notification for taking over of these buildings for opening of new ITIs had been issued (March 2005) by the Government and Principal ITI, Chamba had been directed to take steps to take over the buildings from the Rural Development Department.

Thus non-involvement of the Technical Education Department during formulation of the proposal and construction of the buildings resulted in unfruitful investment of Rs 75.13 lakh besides locking up of funds of Rs 25.03 lakh.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

Public Works Department

4.8 Unfruitful expenditure on construction of roads and loss of interest

Expenditure of Rs 1.99 crore incurred on construction of Lalung Ramme and Lingti Ramme roads in Spiti Valley remained unfruitful as the roads could not be used for want of a motorable bridge over Lingti *nallah*. Funds sanctioned for this bridge were kept outside Government account resulting in loss of interest of Rs 11.32 lakh.

Construction of five kilometers long road from Lalung to Ramme and eight kilometers long road from Lingti to Ramme in Spiti Valley was completed in December 1998 and November 2001 respectively at a cost of Rs 1.22 crore. Expenditure of Rs 76.72 lakh was also incurred on improvement works (Rs 19.92 lakh) and metalling and tarring (Rs 19.33 lakh) of Lingti–Ramme road and on maintenance (Rs 37.47 lakh) of both the roads as of March 2004. Simultaneously, a 44 metre span ropeway suspension foot bridge over Lingti *nallah* at kilometer 6/320 to 6/364 of Lingti Ramme road was completed in May 2000 at an expenditure of Rs 25.33 lakh.

Test-check of records of Kaza division revealed (July 2004) that the entire stretch of Lalung Ramme road and portion of Lingti Ramme road beyond kilometer 6/364 located on the left bank of Lingti *nallah* could be used for vehicular traffic only if a motorable bridge is provided over the aforesaid *nallah*. Since a foot bridge had been provided, entire stretch of Lalung Ramme road and portion of Lingti Ramme road beyond kilometer 6/364 could not be opened for vehicular traffic as of July 2004.

To utilise the roads, proposal for construction of a motorable bridge was under consideration. The Executive Engineer admitted the facts and stated (July 2004) that the proposed motorable bridge would be constructed at the site of existing foot bridge by strengthening the abutments and dismantling super-structure. However, design of the proposed bridge had not been finalised as of July 2004. It was further noticed in audit that Rs 85 lakh were

sanctioned (2002-03) for the construction of the said bridge but the funds remained unutilised. While Rs 75 lakh drawn from the treasury (December 2002 and April 2003) were deposited in a savings bank account, the remaining amount of Rs 10 lakh was kept under Public Works deposits.

Expenditure of Rs 1.99 crore incurred on construction and maintenance of the two roads, which could not be opened for vehicular traffic for want of a motorable bridge over Lingti *nallah*, thus remained unfruitful as the intended purpose of providing transportation facilities to the public was not served. Further, the department suffered a loss of interest of Rs 11.32 lakh being the difference between the interest earned on savings and average rate of interest paid by the Government on loans raised from different sources during 2002-2005. The amount of loss would increase further as there is little likelihood of construction of the bridge and utilisation of funds in the near future. Construction of a foot bridge at the same time when motorable roads were being constructed was also ill conceived indicating faulty planning of the department and would finally result in wasteful expenditure on dismantling of super structure of the foot bridge in the event of finalisation of motorable bridge. Possibility of utilisation of the super structure in the event of dismantling of the same had also not been explored.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

4.9 Non-utilisation of bridge

Bailey bridge constructed over Baspa river at Sangla could not be put to use because the road on either side of the bridge was not constructed resulting in unfruitful expenditure of Rs 60.47 lakh.

To provide motorable link to the sub-villages of Sangla (including Boning Saring), Rukti Project, Forest Rest House and Fisheries Farm, etc., construction of bailey bridge over Baspa river at Sangla (Kinnaur district) was completed in September 1997 at a cost of Rs 21.25 lakh. Rupees 1.23 lakh were also spent on providing protection works to the bridge during 2001-2003.

Test-check of records of Karchham division revealed (September 2003) that no motorable road had been constructed on either side of the bridge to provide linkage. Construction of a motorable road from kilometres 0/0 to 2/510 and jeepable road upto kilometres 3/0 from Boning Saring to *Panchayat* Bhawan, Sangla was administratively approved (February 1998) for Rs 44.48 lakh. The bailey bridge was however, located at kilometre 5/690. The road work was taken up for execution from kilometre 0/180 in August 1998 and 0/650 kilometre long road was constructed upto June 2003 at an expenditure of Rs 37.99 lakh. Further work was lying in a suspended state since July 2003. The road constructed so far would also be of no use as it has not been connected to an existing road.

The Executive Engineer, admitted (May 2005) the facts.

Failure to synchronise the construction of the bridge and the road thus resulted in unfruitful expenditure of Rs 60.47 lakh and denial of intended benefits to the beneficiaries.

The matter was referred to the Government in May 2005; their reply had not been received (July 2005).

4.10 Avoidable payment to a contractor

Payment of Rs 10.61 lakh had to be made to a contractor for the loss sustained due to non-execution of work and breach of contract by the Executive Engineer, Shimla division No. I.

An amount of Rs 10.61 lakh (principal: Rs 9.53 lakh; interest: Rs 1.08 lakh) had to be deposited (September 2002) by Shimla division No. I with the Registrar, High Court, Shimla in compliance with an award given by the arbitrator in January 2002.

Test-check of records of the division revealed (August 2004) that the work relating to construction of "B" Block building of Police Headquarters complex at Shimla was awarded (August 1997) to a contractor for Rs 1.19 crore with a stipulation to complete it within 30 months. The contractor could not start the work during the stipulated period of completion of 30 months as the site was not made available to him. Action to close the contract was also not taken. The arbitrator awarded Rs 9.53 lakh plus simple interest at the rate of 18 *per cent* per annum from the date of award till the date of realisation in favour of the contractor for the loss sustained due to non-execution of work and breach of contract on the part of the Executive Engineer (EE) in not providing the site and the designs, drawings and instructions for executing the work. The award of the arbitrator was not contested in Court within the limitation period, which expired on 24 April 2002.

The EE while confirming the facts stated (August 2004 and January 2005) that action to seek legal opinion for contesting the award was taken promptly at the Divisional/Circle level. The plea is not tenable as timely action to cancel the contract was not taken and the award was also not contested within the limitation period.

Avoidable payment of Rs 10.61 lakh was thus made to contractor and the Government put to loss to that extent.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

4.11 Unfruitful expenditure

Failure of the department to complete the construction of Karian to Bharian Kothi road and bridge over Ravi river in Chamba district resulted in unfruitful expenditure of Rs 25.82 lakh.

To connect village Bharian Kothi situated on the left bank of Ravi river, construction of Karian (situated on the right bank of the same river) to Bharian Kothi jeepable road from kilometre 0/0 to 3/800 (Chamba district) was administratively approved (March 2000) for Rs 18.17 lakh with stipulation to complete it in three years. The road was to bifurcate from kilometre 4/540 of Chamba Kharamukh road at Karian village. The initial portion of the proposed road from kilometre 0/0 to 1/100 had already been constructed by the National Hydroelectric Power Corporation (NHPC), Chamera. As such road from kilometre 1/100 to 3/800 was actually to be constructed for which provision was made in the estimate.

Test-check (January 2005) of records of Chamba division revealed that the proposed road was to pass through Chamera Project colony. It was, therefore, decided (February 2001) that the approach road would be constructed by the Public Works Department on a new alignment outside the Chamera Project colony and the Project authorities would construct a motorable bridge over Ravi river. According to the new proposal the take off point of the road was shifted to kilometre 4/750 of Chamba Kharamukh road and 500 metres long motorable road was required to be constructed upto the bridge site. An estimate of Rs 25.74 lakh was submitted by the division to Deputy Commissioner, Chamba in June 2002 which had not been approved as of February 2005. In the meantime, 500 metres motorable road upto the proposed bridge site and 1/255 kilometres long jeepable road on the other side (right bank) of Ravi river was completed (March 2004) at a cost of Rs 25.82 lakh. Further work was held up thereafter.

The Executive Engineer (EE) stated (January 2005) that motorable road was constructed in anticipation of sanction of the estimate as per direction from the higher office. He also stated that the construction work of the jeepable road on the other side of the river to connect village Bharian Kothi would be resumed after completion of bridge and receipt of funds. The EE further stated (May 2005) that construction of motorable bridge had been entrusted (March 2005) by NHPC to a firm with stipulation to complete it in one year. Further developments were awaited (June 2005).

Thus, lackadaisical approach in planning, coordination and execution of the road and the bridge work resulted in unfruitful expenditure of Rs 25.82 lakh.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

4.12 Unproductive expenditure

Expenditure of Rs 62.93 lakh incurred on development of Sissu as a tourist village in Lahaul Valley had remained unfruitful as the work had not been completed due to its unplanned execution.

To develop the area for tourists, construction of tourist village at Sissu (Lahaul and Spiti district) was approved (July 1996) for Rs 27.43 lakh. The work, required to be completed within two working seasons, had, however, not been completed as of August 2004 even after incurring an expenditure of Rs 62.93 lakh. The work involved construction of approach road to helipad, cafeteria, improvement of fall of the existing lake, construction of foot path, boundary wall, rain shelter, etc.

Test-check of records of Chenab Valley division, Udaipur revealed (September 2004) that while approach road and foot path had been completed, as per provision in the original estimate, the remaining items of work like construction of cafeteria, boundary wall, rain shelter, etc., were still incomplete. Scrutiny of records further revealed that various items of work like stone pitching, construction of breast wall beyond embankment, providing embankment, metalling and tarring of paved path, etc., for which no provision existed in the sanctioned estimate were got executed at a cost of Rs 55.96 lakh. It was also noticed that metalling and tarring of the path around the lake was done by adopting very rich specification (25 mm premix carpet surfacing and liquid seal coat) normally provided for the National Highway works, at an expenditure of Rs 6.46 lakh without any provision in the sanctioned estimate.

The work of construction of cafeteria awarded to a contractor in August 1999 was required to be completed by February 2000. The work was left incomplete by him after September 2001, for which compensation of Rs 1.01 lakh had been levied (August 2004). The design of the roof of the cafeteria was finalised during July 2004 after a lapse of eight years from sanction of the work.

The Executive Engineer while confirming the facts stated (September 2004) that execution of various items of work not provided in the estimate was necessary for the completion of the balance work. It was further intimated (December 2004) that the preliminary estimate of the work was prepared in haste as immediate action was required to be taken for developing the tourist resort as per instructions of the Government. The items of work, not included in the preliminary estimate, would be included in the scope of revised estimate which was under preparation. The reply is not tenable because various items included in the approved estimate were left unexecuted and expenditure was incurred on execution of such items of work which did not exist in the original estimate.

Thus the work had neither been properly planned and completed in a time bound manner nor the estimate prepared after detailed investigation which necessitated execution of various items of work not provided in the estimate and consequently led to unauthorised expenditure of Rs 55.96 lakh. The expenditure of Rs 62.93 lakh had also not served the intended purpose.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

Irrigation and Public Health Department

4.13 Unfruitful expenditure on Flow Irrigation Scheme, Yathang Kharga

Expenditure of Rs 43.98 lakh incurred on Flow Irrigation Scheme, Yathang Kharga (Kinnaur district) remained unfruitful as irrigation to CCA of 67 hectares was not provided.

To provide irrigation facilities to culturable command area (CCA) of 95 hectares, construction of Flow Irrigation Scheme (FIS), Yathang Kharga (Kinnaur district) was administratively approved (January 1998) and technically sanctioned (November 1998) for Rs 59.88 lakh. The source of the scheme was Kanam *nallah* which had discharge of 3.25 cusecs of water against the requirement of 2.64 cusecs. The scheme, stipulated to be completed in three years was taken up for construction by Pooh division in March 1998 and completed in September 2002 at a cost of Rs 62.36 lakh.

Test-check of records of the division revealed (September-October 2004) that CCA of 28 hectares was being irrigated through the existing Galang *kuhl* which was damaged during 1975 due to an earthquake. The *kuhl* was being looked after by the Rural Development Department but could not be made functional for want of funds. Therefore, the CCA of the existing Galang *kuhl* was included in the new FIS. However, irrigation was provided to only 28 hectares CCA of the existing Galang *kuhl* after completion of the FIS because the beneficiaries of old Galang *kuhl* did not allow water to be utilised for irrigating the additional CCA of 67 hectares.

Further, discharge of water at the source of the FIS had come down to 1.60 cusecs which was not sufficient to irrigate the entire CCA of 95 hectares. Under these circumstances, proportionate investment of Rs 43.98 lakh* made by the department to cover additional CCA of 67 hectares did not yield the intended results and remained unfruitful.

The Executive Engineer while confirming the facts stated (October 2004) that written consent of the beneficiaries of old Galang *kuhl* was not obtained to extend the *kuhl* for covering additional CCA of 67 hectares but efforts to solve the problem were being made. Further, developments were awaited (March 2005).

* $\text{Rs } 62.36/95 \text{ hectares} \times 67 \text{ hectares} = \text{Rs } 43.98 \text{ lakh.}$

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

4.14 Unfruitful expenditure on Flow Irrigation Scheme, Banasha

Source of Flow Irrigation Scheme, Banasha in Kullu district was selected without thorough investigation which led to unfruitful expenditure of Rs 26.57 lakh.

To provide irrigation facilities to culturable command area (CCA) of 46.93 hectares, construction of Flow Irrigation Scheme (FIS), Banasha (Kullu district) was completed in March 2002 at a cost of Rs 25.63 lakh. The source of the scheme was Mooraj *nallah* which according to the preliminary survey conducted by the department had sufficient discharge of water to meet the irrigation requirement of the CCA. Expenditure of Rs 0.94 lakh had also been incurred on the maintenance of the scheme upto September 2004.

Test-check of records of Kullu division No. II revealed (October 2004) that Irrigation potential of 22 hectares was created between July 1998 and March 1999. However, no irrigation was provided in nine out of 13 cropping seasons between 1998-99 and October 2004. In the remaining four cropping seasons, the percentage of irrigation provided ranged between 18 and 30. It was further noticed that no irrigation had been provided during *Rabi* cropping season after 2001-2002 and the scheme functioned only during rainy season when there was water in Mooraj *nallah*.

The Executive Engineer, while confirming the facts stated (October 2004) that the discharge of water at source had been reduced to considerable extent due to drought and water was available only during rainy season (*Kharif*) when irrigation was not required. It was further stated that water was required to be lifted from Parvati river at an estimated cost of Rs 50 lakh to make the scheme functional. The contention is not tenable because drought conditions leading to decrease in discharge of water at source did not prevail in the area during the entire period.

It would thus appear that source of water had not been developed and dependable discharge ascertained before implementation of the scheme as required under instructions of Engineer-in-Chief issued in March 1995. The scheme thus failed to provide intended benefits to the beneficiaries and expenditure of Rs 26.57 lakh incurred on its construction and maintenance remained unfruitful.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

4.15 Unfruitful expenditure

Expenditure of Rs 45.18 lakh incurred on a Lift Water Supply Scheme in Sirmour district and a Lift Irrigation Scheme in Hamirpur district remained unfruitful as no water could be supplied to the beneficiaries.

To provide potable water to the inhabitants of Thonta village (Sirmour district), construction of Lift Water Supply Scheme, Thonta was completed (March 2001) by Nahan division at a cost of Rs 17.28 lakh.

Test-check of records of Nahan division revealed (December 2004) that the scheme could not be commissioned for want of power for which Rs 9.71 lakh had already been deposited with the Himachal Pradesh State Electricity Board (HPSEB) during February (Rs 3 lakh) and March 1999 (Rs 6.71 lakh).

The Executive Engineer (EE) stated (February 2005) that power had not been provided by the HPSEB despite protracted correspondence.

It was further noticed in audit that the matter for expediting power supply was taken up by the Assistant Engineer (AE) concerned with the AE, HPSEB during February 2003. The Divisional Officer also requested the EE/Superintending Engineer (SE), HPSEB in September 2003, September 2004 and January 2005 to expedite power supply. It would thus be seen that the matter for providing power was neither taken up by the division well in advance nor pursued effectively at an appropriate level during execution as well as immediately after completion of the scheme. The expenditure of Rs 17.28 lakh incurred on the scheme had therefore not served the intended purpose and remained unfruitful.

Government admitted (August 2005) the facts.

Similarly, to provide irrigation facilities to culturable command area (CCA) of 20.13 hectares, construction of Lift Irrigation Scheme, Bandos (Hamirpur district) was completed in August 2002 at a cost of Rs 27.90 lakh.

Test-check of records of Barsar division revealed (October 2004) that the scheme could not be made functional due to non-availability of staff required for operating the scheme. No irrigation could thus be provided during the last five cropping seasons.

The EE stated (October 2004 and January 2005) that the scheme could not be operated due to non-availability of staff and the matter had been taken up (March 2002) with the higher authorities for deployment of labour (skilled and unskilled).

The expenditure of Rs 27.90 lakh incurred on the construction of the scheme had, thus, remained unfruitful and the beneficiaries deprived of the intended benefits.

Government admitted (August 2005) the facts.

4.16 Unfruitful expenditure

Expenditure of Rs 78.46 lakh incurred on Flow Irrigation Scheme, Thuthar, Kuthah-Luj in Chamba district remained unfruitful as the scheme could not be completed within the stipulated period.

To irrigate culturable command area (CCA) of 74 hectares of Thuthar, Kuthah and Luj villages (Chamba district), construction of 4,700 metres long Flow Irrigation Scheme (FIS) was administratively approved (March 2000) for Rs 24.19 lakh. The estimate of the scheme was revised (January 2004) to Rs 1.59 crore due to increase in length of the *kuhl** from 4,700 metres to 5,200 metres, price escalation and substitution of cement concrete lining by stone masonry. The scheme was stipulated to be completed in two years. The source of the scheme was Thuthar *nallah*. An expenditure of Rs 78.46 lakh including outstanding contractor payment of Rs 61.34 lakh had been incurred on the scheme as of August 2004.

Test-check of records of Killar division revealed (October 2004) that the discharge of water at source of the scheme had not been measured to establish its reliability and also to ensure that sufficient water was available to meet the irrigation demand of the CCA. Construction of the *kuhl* was not started from the take off point (head-works) as required under instructions of Engineer-in-Chief issued in March 1995. As of August 2003, 2,630 metres long *kuhl* (from RD 2/00 to 4/630) had been constructed and further work was lying in a suspended state. Irrigation could thus not be provided to the CCA due to non-construction of the *kuhl* from the take off point. The expenditure of Rs 78.46 lakh (including liabilities) had thus remained unfruitful.

The Divisional Officer stated (October 2004) that changes in approved specifications were made according to the site conditions and work could not be taken up from the starting point due to snow. The contention is not tenable as five working seasons had already gone by since the start of work and there was sufficient time with the division to take up the work from headwork's site as required under Engineer-in-Chief's instructions.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

Miscellaneous Departments

4.17 Unfruitful expenditure on incomplete works

Expenditure of Rs 1.30 crore incurred on five works remained unfruitful as the works were held up because of various reasons.

Test-check of records of five Irrigation and Public Health (I&PH) and Buildings and Roads (B&R) divisions revealed (September 2004-

**Kuhl*: Irrigation channel in hilly areas.

January 2005) that five works (two irrigation schemes, two buildings and one helipad), as detailed below, were taken up for construction between February 1997 and November 2002. These works were held up since various dates because of the reasons indicated against each after incurring an

expenditure of Rs 1.30 crore. Delay in individual cases ranged between five and 41 months as of March 2005.

Table: 4.1

(Rs in lakh)

Sr. No.	Name of Division	Name of Work	Estimated cost	Date of commencement	Expenditure incurred	Percentage of expenditure	Remarks
1.	I&PH, Hamirpur	Lift Irrigation Scheme, Patta Rohlwin (Hamirpur district)	13.75	November 2002	12.37 (November 2004)	90	Work stopped in April 2003 owing to dispute over source of water.
2.	I&PH, Pooh	Flow Irrigation Scheme, Johang in village Chango (Kinnaur district)	10.49	December 2001	10.76 (October 2002)	103	Work stopped after October 2002 owing to objection of the residents of Chango village that their orchards situated below the alignment of the scheme would be damaged by debris due to <i>patra cutting</i> .*
3.	B&R, Chamba	Construction of ITI Girls hostel at Chamba (Chamba district)	31.71	February 1997	23.96 (March 2002)	76	The building work completed in March 2002 except water supply, sanitary installation and painting, etc. Work stopped in March 2002 for want of funds.
4.	B&R, Kalpa	Construction of Boys hostel building at Kanam (Kinnaur district)	40.13	June 1999	54.79 (December 2002)	137	The building had not been handed over to the Education Department. The work of construction of approach road to the building is held up since December 2002 for want of funds.
5.	B&R, Killar (Pangi)	Construction of Helipad at Sural (Chamba district)	24.40	May 1999	27.94 (November 2001)	115	The work could not be completed as approval to the revised estimate was still awaited.
Total:					129.82		

Note: Figures in parenthesis indicate the month upto which expenditure has been incurred.

The concerned Executive Engineers admitted (September 2004-January 2005) the facts.

Delay in completion of these works resulted in denial of intended benefits to the beneficiaries and unfruitful expenditure of Rs 1.30 crore.

The matter was referred to the Government in May 2005; their reply had not been received (July 2005).

**Patra cutting:* Trace cutting for construction of irrigation channel in hilly areas.

Idle investment/idle establishment/blockage of funds

Home Department (Police)

4.18 Unnecessary parking of funds

Lackadaisical approach in the location of the headquarters of India Reserve Battalion led to unnecessary parking of government funds of Rs 1.92 crore with the Himachal Pradesh Housing Board.

For the construction of residential and non-residential buildings for utilisation by the second India Reserve Battalion, Jungle Beri (Hamirpur district) 400 *Kanals* and 5 *Marlas* of land was allotted (July 2002) by the Revenue Department subject to the condition that Home Department would obtain no objection certificate (NOC) from Forest Department for utilisation of the land. The Director General of Police, Himachal Pradesh drew Rs 1.92 crore on 31 March 2003 and paid to the Himachal Pradesh Housing Board (Board) in February 2004 for construction of 39 staff quarters based on estimates furnished by the Board.

Scrutiny of the records (March 2004) and further information collected in December 2004 revealed that construction activities had not been started due to non-receipt of NOC from the State Forest Department for utilisation of the earmarked land. The State Government had also been considering a proposal to shift the Battalion Headquarters from Jungle Beri to some other place in the district. Final decision had not been taken as of May 2005.

Allotment of the funds of Rs 1.92 crore to the Board, without obtaining the clearance for use of land when shifting of the battalion from Jungle Beri to some other place within the district was under consideration is indicative of lackadaisical approach of the Department/ Government which resulted in unnecessary parking of government funds with the Board.

The matter was referred to the Government in March 2005; their reply had not been received (July 2005).

Public Works Department

4.19 Blocking of funds

Funds of Rs 4.59 crore received from other departments remained unutilised in four divisions due to non-execution of works.

The amounts received from other departments/agencies for the execution of works on their behalf are temporarily kept under the transitory head "Public

Works Deposits”. Such funds should not be allowed to remain unutilised for indefinite periods as their prolonged retention results in keeping the money outside the normal budgetary process and blocking of Government funds.

It was noticed (August 2004-January 2005) in audit of four divisions* that Rs 4.59 crore received from various departments between October 1999 and May 2004 for execution of 14 deposit works remained unutilised under ‘Public Works Deposits’. The works had not been taken up for execution due to suitable sites (nine cases) not being provided and administrative approval and expenditure sanction (four cases) not being accorded. In the remaining one case, the unutilised amount included Rs 25 lakh received during October 1999 for the construction of degree college at Reckong Peo even though the building in question had already been completed in December 1999 from allotments of regular budget. This resulted in keeping the money outside the normal budgetary process besides blocking of Government funds.

The concerned Executive Engineers admitted (August 2004-January 2005) the facts.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

Irrigation and Public Health Department

4.20 Blocking of funds owing to non-commencement of work

Unjustified booking of galvanised iron pipes to ‘Augmentation of Water Supply’ scheme, Killar in Pangri valley resulted in blocking of funds of Rs 34.59 lakh.

According to Rule 15.2 (b) of the Himachal Pradesh Financial Rules, stores should be procured in accordance with definite requirements of public service taking care not to procure them much in advance of actual requirements.

Augmentation of Water Supply Scheme, Killar and adjoining areas (Pangri valley) was administratively approved (July 2001) for Rs 1.02 crore and technically sanctioned (July 2002) for Rs 92.05 lakh. According to the approved estimate, galvanised iron (GI) pipes of medium grade and different diameter were to be used on this scheme. It was noticed (October 2004) during audit of Killar division that GI pipes costing Rs 34.59 lakh (light grade: Rs 28.36 lakh; medium grade: Rs 6.23 lakh) booked against the aforesaid scheme between December 2001 and March 2004 remained unutilised (October 2004) because the work relating to laying of pipes had not commenced. This resulted in blocking of funds to the extent of Rs 34.59 lakh.

* Kalpa, Karchham, Shimla-I and Shimla-II.

It was also noticed that the cost of light grade pipes valuing Rs 28.36 lakh, not technically approved, was debited to the scheme to show utilisation of funds.

The Executive Engineer while admitting the facts stated (October 2004) that the matter would be taken up with higher authorities as to whether light grade pipes could be used on the scheme against the provision of medium grade pipes. The contention is not tenable because provision of medium grade GI pipes had already been made in the estimate and deviation from technical approval would tantamount to compromising with specifications.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

4.21 Idle investment on the construction of Lift Irrigation Scheme, Didwin Tikker

Lift Irrigation Scheme, Didwin Tikker in Hamirpur district provided negligible irrigation to the culturable command area during 2000-2005 resulting in idle investment of Rs 98.18 lakh.

To provide irrigation to culturable command area (CCA) of 133 hectares, construction of Lift Irrigation Scheme, Didwin Tikker (Hamirpur district) was completed (October 2000) at a cost of Rs 91.75 lakh. Rupees 6.43 lakh were also spent on repairs and maintenance of the scheme during 2000-2005. The source of the scheme is Kunah *khad*.

Test-check of records of Barsar division revealed (October 2004) that out of 10 cropping seasons between 2000-2001 and 2004-2005, no irrigation was provided to the CCA during six cropping seasons. The percentage of irrigation provided during three cropping seasons ranged between one and five and negligible irrigation had been provided in one cropping season. It was also noticed in audit that the scheme did not function satisfactorily ever since its completion as the temporary head weir constructed across the *khad* to divert water to the sump well used to get washed away during every rainy season. The surface source of water was also frequently affected due to scanty and erratic rainfall during the aforesaid period. The Executive Engineer confirmed (October 2004 and January 2005) the facts.

Failure of the department to construct the scheme after taking into account the site conditions and delay in taking remedial measures thus resulted in denial of intended benefits to the beneficiaries and idle investment of Rs 98.18 lakh.

The matter was referred to the Government in May 2005; their reply had not been received (July 2005).

Regulatory issues and other points

Agriculture and Horticulture Departments

4.22 Misappropriation of Government money

Negligence on the part of Technical Officer (Tea), Palampur and Subject Matter Specialist, Rajgarh led to misappropriation of Government money of Rs 17.31 lakh.

According to Government policy, fertiliser is distributed at subsidised rates to tea planters of Kangra district through the Kangra Tea Planters Co-operative Industrial Society, (Society) Palampur on the basis of the permits issued to the tea planters by the Technical Officer (TO) (Tea), Palampur. Later on, the Society claims subsidy amount from the department through TO (Tea), Palampur after submitting reimbursement claims of the tea planters.

Test-check (November 2004) of the records of the TO (Tea), Palampur revealed that subsidy amounting to Rs 35.23 lakh was reimbursed to the Society during 1999-2002 for supply of 16,323 quintals of fertilisers to 1,049 tea planters though the value of the subsidy for the fertilisers actually lifted by or sold to the tea planters was Rs 22.08 lakh. However, Rs 1.37 lakh were recovered by the TO (Tea), Palampur from the Society during 2002-2003 leaving Rs 11.78 lakh recoverable from the Society.

TO (Tea), Palampur stated (November 2004) that the subsidy was released after observing all codal formalities as the Society had intimated that the fertilisers had been distributed to the tea planters. The contention is not tenable as the claims of reimbursement of subsidy allowed on individual permits had not been verified with the quantity shown as having been issued by the Society to the tea planters. The release of subsidy without verifying the actual supply of fertilisers to the tea planters had put the Government to a loss of Rs 11.78 lakh.

State Financial Rules provide that physical verification of stores should be conducted at least once in a year. The discrepancies noticed should be properly investigated and shortages, etc., reported immediately to the competent authority. Rules further provide that government dues are correctly and promptly collected and paid into the treasury.

Test-check of the records of Subject Matter Specialist (SMS), Rajgarh revealed (July 2002) that sale proceeds of Rs 0.98 lakh on account of sale of plant protection material such as pesticides, insecticides, etc., received from the Director, Horticulture during 1997-2002 for distribution/sale to the beneficiaries were shown to have been deposited into the government account

by the Horticulture Development Officer (HDO), Rajgarh in the recovery register showing fictitious challan numbers. On being pointed out in audit, the SMS, Rajgarh confirmed the facts (July 2002). He further stated that some irregularities were pointed out to the incumbent to settle the recoveries and some amounts were also recovered. Thorough scrutiny of the records on the basis of audit findings further revealed that total amount of Rs 5.53 lakh was recoverable from the official.

Scrutiny of records also revealed that the HDO had applied (January 2000) for no objection certificate (NOC) for overseas employment which was issued by the Government and sent (March 2001) by the Director, Horticulture to SMS, Rajgarh with the direction that NOC should be issued to the officer only after ensuring that nothing was pending against him. The officer was sanctioned (April 2002) earned leave from 21 April 2002 to 21 July 2002 by the Director, Horticulture with the stipulation that the officer would have to deposit any amount due from him before proceeding on leave. The officer was however, relieved on 20 April 2002 without complying with the directions of the Government/Director.

Director, Horticulture stated (May 2005) that the recovery proceedings could not be initiated against the officer as the audit note was received in the department in September 2002. The reply is not tenable as the department/SMS, Rajgarh failed to exercise prescribed checks regularly and ensure proper accountal of all the stores in his charge before allowing him to proceed on leave though the irregularities committed by the officer were in the knowledge of the SMS, Rajgarh. Failure on the part of the department/SMS, Rajgarh to exercise the checks as per provisions of the financial rules resulted in misappropriation of Government funds of Rs 5.53 lakh.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

Revenue Department

4.23 Injudicious expenditure

Delayed action of State Government to negotiate with the BBMB authorities for bearing the liability of continuation of the office of DC (Relief and Rehabilitation) resulted in injudicious expenditure of Rs 60.23 lakh.

Upto June 1996 the work relating to allotment of land and rehabilitation of the oustees of the Beas Project (Pong Dam) was being looked after by the Deputy Commissioner (DC) (Rehabilitation), Talwara under the *Bhakhra* Beas Management Board (Board). The Board in its meeting in June 1996 decided that the office of the DC may be transferred to the Himachal Pradesh Government from July 1996. In lieu of transfer of the liability, a lumpsum

package of Rs one crore, an estimated expenditure for five years from July 1996 to June 2001 was agreed to be paid by the Board to Himachal Pradesh Government. It was also decided that the package covered all the cases for Pong Dam oustees and no request for any additional staff/amount/extension would be considered by the Board. The package deal was concurred (June 1996) by the State Finance Department. The payment was made by the Board in July 1997. It was, however, decided (January 1998) in a meeting held with the officials of the Board by the State Government that in case the work of rehabilitation, etc., of the oustees was not completed by the stipulated period of five years, the matter regarding continuation of this office would be reviewed by the concerned parties.

Test-check (September 2003) of records of the DC, *Raja ka Talab*, where the office was located after transfer and further information obtained in November 2004 revealed that the rehabilitation work was still in operation and of 16,352 cases of allotment of land, 5,833 cases were yet to be decided as of November 2004. The office of the DC had not been closed in June 2001 as decided and was still functioning. An expenditure of Rs 60.23 lakh has been incurred on running the office from July 2001 to March 2005.

Government stated (June 2005) that Bhakra Beas Management Board in their meeting held in June 2005 had *inter alia* decided to bear the expenses of staff posted in the office of the Deputy Commissioner, Raja-ka-Talab till May 2008. However, expenditure incurred on running the office from July 2001 onwards had not been reimbursed as of July 2005.

Delayed action on the part of DC/State Government to sort out the matter with the Board thus resulted in injudicious charge of Rs 60.23 lakh on the State exchequer.

Health and Family Welfare Department (Medical Education and Research)

4.24 Revenue receipts not credited to Government account

Principal, Himachal Pradesh Dental College and Hospital violated the provisions of the Constitution of India and financial rules by crediting government receipts into the account of the society.

Article 266 of the Constitution of India lays down that all revenues received by the Government of the State shall be credited to the Consolidated Fund of the State and that no moneys out of said fund shall be appropriated except in accordance with law and in the manner provided under the Constitution. State Financial Rules also require that departmental receipts should be credited into government accounts.

Audit scrutiny (November 2003) of the records of the Principal, Himachal Pradesh Dental College and Hospital, Shimla and further information collected in February 2005 revealed that the College and Hostel fees amounting to Rs 92.74 lakh received from the students during February 2002 to March 2005 were deposited into the bank accounts of the *Rogi Kalyan Samiti*, of Government Dental College and Hospital, Shimla, a society registered under the Societies Registration Act, 1860, instead of crediting these receipts into the government accounts.

On this being pointed out in audit, the Principal, Dental College admitted the facts and stated (November 2003) that the fees were deposited into the accounts of the Society in terms of the letter (June 2002) of the Government. The plea is not tenable as this was in violation of the provisions of Article 266 of the Constitution and the Financial Rules.

The matter was referred to the Government in February 2005; their reply had not been received (July 2005).

Stores and Stock

Public Works Department

4.25 Material management and inventory control (North Zone)

Introduction

4.25.1 The Public Works Department (PWD) is responsible for the construction and maintenance of roads, bridges and buildings. Materials required for consumption on these works are procured through the Stores Purchase Organisation of the department, Himachal Pradesh State Civil Supplies Corporation (HPSCSC), Himachal Pradesh Agro Industries Corporation (HPAIC) or directly by various officers of the department. Out of the total expenditure of Rs 2029.76 crore incurred on various works by the department during April 2000-March 2005, Rs 398.02 crore (20 per cent) were spent on procurement of stores.

Records pertaining to procurement, custody and disposal of stores for the period 2000-2005 were test-checked (December 2004-April 2005) in nine¹ out of 16 divisions and two² out of four Circles of North Zone of the department, headed by a Chief Engineer (CE). This was supplemented by information obtained from the Chief Engineer (North Zone), HPSCSC and HPAIC. Main points noticed in audit are contained in succeeding paragraphs.

1 Baijnath, Bharmour, Bharwain, Chamba, Dalhousie, Dehra, Kangra, Nurpur and Una.

2 Dalhousie and Una.

Inventory Control

4.25.2 The position of opening and closing balances of total inventory of the zone was as under:

Table: 4.2

(Rs in crore)

Description	Position of inventory ending March				
	2000	2001	2002	2003	2004
Bitumen, cement and steel	2.71	1.40	4.99	1.91	1.43
Other individual items	0.39	0.37	0.30	0.55	0.22
Miscellaneous	0.65	0.43	0.58	0.49	0.43
Total inventory	3.75	2.20	5.87	2.95	2.08

The following points were noticed in audit:

- To ensure that stores are not held in excess of prescribed limits and for long periods, quarterly returns of inventory are sent by circle offices to CE. It was noticed that these returns were being posted in a register in the Chief - Engineer's office without giving any directions to the field offices for reduction/replenishment of inventory, transfer of materials, etc. Item-wise details of miscellaneous stores had also not been indicated in the inventory returns.
- Stores such as wire rope, sanitary fittings, mild steel channels, etc., costing Rs 7.14 lakh and procured prior to April 2000 by 12 divisions under three circles³ remained unutilised as of December 2004. Chances of deterioration of these stores due to prolonged storage could not be ruled out.
- In Dalhousie division, stores items such as steel wire rope, signboards, pans, mild steel plates, mild steel angle, etc., costing Rs 6.04 lakh remained unutilised for more than five years and had not been intimated to circle office. This resulted in concealment of inventory. Besides, no action to dispose off the unutilised articles had been taken.
- Stock inventory of three divisions under Una Circle during last quarters of five years ended March 2004 ranged between Rs 41.62 lakh and Rs 1.25 crore. However, 'nil' inventory was being shown in the records of CE's office against this circle. Control over inventories was thus not being exercised in CE's office.
- In the nine test-checked divisions, materials such as bitumen, cement, steel, deodar wood, etc., costing Rs 8.25 crore were shown as issued to

164 works between January 2000 and March 2004 even though the materials were not required for immediate utilisation on these works. Of these, materials costing Rs 6.75 crore were written back to stock and materials

costing Rs 1.50 crore were transferred to other works during subsequent financial years. The adjustments were thus carried out with the objective of decreasing the value of inventory held by the divisions, utilisation of budget provisions and inflated works expenditure to that extent. Some instances of concealment of stock inventory are discussed below:

- In Chamba division, 1,200 drums of bitumen costing Rs 30 lakh were booked (March 2001) to the work “Ayurvedic Hospital at Baloo” without requirement. Of this, 1,000 drums costing Rs 25 lakh were written back (June 2001) to stock and balance 200 drums costing Rs 5 lakh were transferred (May 2001-October 2001) to other works. The Executive Engineer admitted (February 2005) that the adjustment was made to show utilisation of available funds.

- In two divisions⁴, mild steel, deodar wood, etc., costing Rs 15.78 lakh booked against six works between April 1989 and February 2002 without immediate requirement remained unutilised in the material at site (MAS) accounts. The materials had also not been carted to the sites of the concerned works.

Reserve stock limits

4.25.3 The Reserve Stock Limits (RSLs) required to be fixed before the commencement of each financial year to avoid locking up of capital for long periods were fixed much after the close of financial years 2000-2003 on the basis of peak balance of a month during each financial year. No RSL for the financial years 2003-2005 had been fixed. The Deputy Controller (F&A), HPPWD, Dharamshala attributed (December 2004) the delay to late submission of proposals by field offices. The purpose of fixation of RSL was, thus, defeated.

Physical verification of stores

4.25.4 Physical verification of stores/tools and plants/MAS account is required to be conducted every year and the Superintending Engineer (SE) concerned is to send a report to the Engineer-in-Chief (E-in-C) by 15th January every year indicating the dates and results of physical verification. No such reports had been received in Chief Engineer’s office.

Test-check of records of Chamba division revealed (January-February 2005) that physical verification of stores of Circuit House maintenance section for the years 2000-2001 and 2001-2002 had not been conducted.

Priced stores ledgers

4.25.5 The Priced Stores Ledgers (PSLs) showing quantity and value accounts of stores had not been maintained in seven test-checked divisions⁵ during 2000-2005. In the remaining two divisions⁶, though the PSLs had been maintained but these were incomplete. PSL balances had also not been

4 Baijnath and Dehra.

5 Baijnath, Bharmour, Chamba, Dalhousie, Dehra, Kangra and Una.

6 Bharwain and Nurpur.

reconciled with bin card balances, as required. Correctness of stock balances could thus not be relied upon.

Irregularities in purchases of stores

4.25.6 Scrutiny of records of test-checked divisions except Una revealed that the requirements of stores were split up. Purchases aggregating Rs 2.47 crore (excluding orders below Rs 1,000 at a time and purchases of machinery and spare parts) were made by Executive Engineers (EEs) and Assistant Engineers (AEs) during 2000-2005 in piecemeal by collecting spot quotations from a few firms far in excess of the delegated financial powers as detailed below:

Table: 4.3

(Rs in lakh)

Year	Number of divisions		No. of cases of local purchase	Amount of local purchases			Percentage of excess
	Divisions	Sub divisions		Maximum permissible	Actual	Excess	
2000-2001	8	30	336	12.50	29.16	16.66	133
2001-2002	8	30	591	12.50	61.01	48.51	388
2002-2003	8	30	568	12.50	67.49	54.99	440
2003-2004	8	30	482	12.50	41.87	29.37	235
2004-2005	8	30	550	12.50	47.15	34.65	277
	Total:		2,527	62.50	246.68	184.18	

Of the above, local purchases of stores aggregating Rs 1.33 crore (1,649 supply orders) were made by AEs and *ex-post-facto* sanctions accorded by EEs for which they were not competent.

Other points noticed during test-check of records were as under:

- Items borne on rate contract were purchased from suppliers at higher rates during July 2001-December 2004 resulting in avoidable expenditure of Rs 6.50 lakh in six divisions⁷.
- Local purchases of Rs 32.78 lakh of various items not being manufactured by the HPAIC were made by eight divisions⁸ from HPAIC during April 2000- February 2005 without inviting quotations from the open market.
- State Controller of Stores (COS) in the Industries Department of the State Government is responsible for finalisation of rate contracts of various items required for use by various departments. It was noticed that indents for items required by the department were to be placed with the COS before

⁷ Baijnath, Bharwain, Chamba, Dalhousie, Dehra and Kangra.

⁸ Baijnath, Bharmour, Bharwain, Chamba, Dalhousie, Dehra, Kangra and Nurpur.

5th February each year to enable the latter to finalise the rate contracts for existing and new items. On being enquired, the COS stated (December 2004) that no indents were received from the PWD during the last five years. Chances of certain items having been left out and their purchase from the open market could thus not be ruled out.

Avoidable expenditure

4.25.7 Bitumen from oil refineries was being procured by Himachal Pradesh Agro Industries Corporation for the department since July 1997. According to the decision of the Government taken in March 2000, no commercial/service charges were recoverable from Government departments. It was noticed in audit that HPAIC supplied 67,334.47 tonnes of bitumen to HPPWD during 2000-2004 at a cost of Rs 87.76 crore and the department paid handling charges of Rs 4.20 crore. This included 17,812.45 tonnes of bitumen costing Rs 25.96 crore supplied to the nine test-checked divisions on which handling charges of Rs 43.75 lakh were paid. The department thus failed to regulate the payments in accordance with the instructions of the Government. No reply was furnished by the CE. This resulted in loss of Rs 4.20 crore to the Government and undue aid to HPAIC.

Receipt and issue of stores

4.25.8 In test-checked divisions, out of 9,166 bin cards issued, 6,504 closed bin cards had not been returned by the sub-divisions to the divisional offices as of April 2005, as required. The bin card balances could thus not be reconciled with PSL balances and their correctness could not be relied upon.

In five divisions⁹, advance payments of Rs 3.76 crore made (January 2001-March 2004) to various corporations for procurement of bitumen, cement and steel was debited to 49 works instead of Miscellaneous Works Advances. The materials were actually received during subsequent years. This resulted in utilisation of available funds even without receipt of materials and falsification of works accounts.

In Bharmour division, materials such as tor steel, deodar wood, etc., valued at Rs 8.98 lakh had been booked against two works between 2001-2002 and 2003-04 but the works had not yet been taken up for execution as of March 2005 for want of administrative approval and structural design. This resulted in concealment of stock inventory.

Idle investment on procurement of bailey bridge

4.25.9 Super-structure of the existing bridge over Luni *khad* on Baijnath Deol road (Kangra district) was washed away (July 2001) due to heavy rains and

9 Baijnath, Bharwain, Dalhousie, Kangra and Una.

flash floods. A bailey bridge was installed (September 2001) by the Army to restore vehicular traffic without any charge to the department. PWD also procured (March 2002) 27.41 metre span bailey type portable steel bridge at a cost of Rs 28.29 lakh which could not be installed as the Army authorities did not take their bridge back. Possibility of utilising the bridge elsewhere had also not been explored as of March 2005. This resulted in idle investment of Rs 28.29 lakh.

Unutilised stores

4.25.10 In eight divisions¹⁰, store items such as steel, bitumen, deodar wood, fittings, etc., valued at Rs 50 lakh remained unutilised as of March 2005. These included stores valued at Rs 24.33 lakh which were procured prior to April 2000. Action for disposal/utilisation of these stores had not been taken as of March 2005.

In eight divisions¹¹, 212 works were completed between April 1982 and September 2004, but unutilised materials valued at Rs 60.67 lakh had neither been transferred to needy works nor to stock. Of these, 97 works (value of unutilised material: Rs 28.36 lakh) were completed prior to April 1999. The works accounts had also not been closed as of March 2005.

Unserviceable stores

4.25.11 Tools and plants and other materials valued at Rs 28.46 lakh were found unserviceable during the course of physical verification of eight¹² divisions conducted during 2003-2004 and 2004-2005. No action to determine the scrap value and dispose off the unserviceable material had been taken as of April 2005. This resulted in occupying unnecessary space and loss of revenue to the Government. Besides, material of four bridges valued at Rs 17.32 lakh (Chamba division: three bridges; Dalhousie division: one bridge) dismantled between December 1992 and March 2003, were neither utilised nor disposed off.

Short receipt of bitumen

4.25.12 In eight divisions¹³, advance payments of Rs 22.43 crore were made (April 2000-March 2004) to Himachal Pradesh Agro Industries Corporation for supply of 15,458.229 tonnes packed bitumen. Against this, HPAIC had supplied 15,016.196 tonnes bitumen valued at Rs 21.79 crore. The balance quantity of 442.033 tonnes of bitumen valued at Rs 63.42 lakh

10 Baijnath, Bharwain, Chamba, Dalhousie, Dehra, Kangra, Nurpur and Una.

11 Baijnath, Bharmour, Bharwain, Chamba, Dehra, Kangra, Nurpur and Una.

12 Baijnath, Bharmour, Bharwain, Chamba, Dehra, Kangra, Nurpur and Una.

13 Baijnath, Bharmour, Chamba, Dalhousie, Dehra, Kangra, Nurpur and Una.

had not been received as of March 2005. This resulted in loss of interest of Rs 6.96 lakh.

Three divisions¹⁴ made (February 1999-February 2001) advance payments of Rs 2.12 crore to two corporations and one division for the supply of 2,090 tonnes of bitumen. However, supply of 66.708 tonnes of bitumen valued at Rs 7.20 lakh had not been received as of February 2005. Besides, a sum of Rs 3.85 lakh on account of transportation charges (Rs 0.73 lakh), loss in men hour (Rs 0.50 lakh) and interest (Rs 2.62 lakh) was also recoverable from Indian Oil Corporation by Kangra division.

Advance payments to firms/suppliers awaiting adjustments or receipt of materials

4.25.13 Advance payments made to suppliers for supply of material are kept under suspense head and cleared therefrom on receipt of materials. In the test-checked divisions, advance payments of Rs 3.24 crore in 482 cases pertaining to the period from July 1956 to December 2004 had either been awaiting adjustment or the materials against these payments had not been received. These included 324 items for an amount of Rs 1.08 crore for the period prior to 31 March 2000. The divisions had not made any efforts to reconcile/clear the items. Records indicating the cases where material had been received but adjustments were to take place or the cases where material had not been received at all had not been maintained by the divisions. Such instances reflect total disregard of prescribed procedure. Non-adjustment of the outstanding items also resulted in inflation of suspense balances and concealment of works expenditure.

Other irregularities

Uneconomical use of fuel wood for heating of bitumen

4.25.14 Fuel wood is being used by the divisions for heating of bitumen. Alternatively, oil fired tar boilers can also be used for heating bitumen which are economical. The consumption of oil for heating one drum of bitumen on an average works out to 3.6 litres against six to 12 quintals of fuel wood.

In the test-checked divisions, 1,11,303 quintals of fuel wood valued at Rs 2.07 crore was consumed during 2000-2005 for heating 60,649 drums of bitumen. The same quantity of bitumen could have been heated by using 2,18,335 litres of diesel oil valued at Rs 55.22 lakh thereby resulting in a saving of Rs 1.51 crore.

Shortage of stores

4.25.15 Shortages of stores valued at Rs 8.75 lakh were noticed in three divisions as detailed below:

Table: 4.4

(Rs in lakh)

Sr. No.	Name of division	Amount of shortages	Remarks
1.	Chamba	3.94	Accountal of various items of stores was not shown by eight Junior Engineers (JEs) during 2001-2003.
2.	Dalhousie	4.68	Two JEs did not hand over the material on their transfer in June 2002 and September 2004.
3.	Una	0.13	Stores valued at Rs 0.13 lakh were not handed over by a JE on his transfer in May 2003.
Total:		8.75	

No action to reconcile/recover the shortages had been taken.

Avoidable expenditure

4.25.16 Resident Commissioner, Pangi at Killar procured 140 tonnes of tor steel of various diametres valued at Rs 29.51 lakh from HPAIC between October 2000 and August 2003 for Killar division. Had steel been procured from a firm borne on rate contract there could have been a saving of Rs 5.35 lakh.

These points were referred to the Government in June 2005; their reply had not been received (July 2005).

Irrigation and Public Health Department

4.26 Fictitious issue of materials

Fictitious booking of material costing Rs 2.77 crore to works was made in seven divisions for showing utilisation of budget in contravention of rules.

Financial rules of the Government prohibit fictitious stock adjustments such as debiting to a work the cost of materials not required or in excess of actual requirements, the debiting to a particular work for which funds are available of the value of materials intended to be utilised on another work for which no allotment has been sanctioned, or the writing back of the value of materials used on a work to avoid excess outlay over appropriation.

Contrary to these rules, materials costing Rs 2.77 crore were fictitiously booked between November 2002 and March 2004 by seven divisions¹ against 40 works. The cost of the material was written back to stock in the succeeding financial years between June 2003 and November 2004. It was further noticed that fictitious booking included galvanised iron pipes of various diametres valued at Rs 13.92 lakh against the work “Providing Sewerage System to Jawalamukhi Town” by Dehra division even though galvanised iron pipes were not required for the said work.

Fictitious booking of material to works in these cases was made with the objective of showing utilisation of available funds during respective years and resulted in over statement of actual expenditure on works. This also facilitated obtaining of extra funds for these works in subsequent years to the extent of stores written back to stock/transferred to other works.

The Engineer-in-Chief admitted (August 2005) the facts.

The matter was referred to the Government in April 2005; their reply had not been received (July 2005).

General

Miscellaneous Departments

4.27 Erosion of accountability

Inadequate response to Audit findings and observations resulted in erosion of accountability.

Accountant General (AG) (Audit) arranges to conduct periodical inspection of Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these IRs are issued to the heads of offices inspected with copy to the next higher authorities. The Financial Rules/orders of Government provide for compliance within six weeks by the executive to the IRs issued by the AG to ensure corrective action in compliance with the prescribed rules and procedures and enforce accountability for the deficiencies, lapses, etc., noticed during his inspection. The heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions within six weeks and report their compliance to the AG. Serious irregularities are also brought to the notice of the Heads of

1 Barsar, Dehra, Jawali, Kullu-II, Nahan, Nurpur and Palampur.

Departments (HoDs) by the office of the AG. A half yearly report of pending IRs is sent to the Additional Chief Secretary (Finance) to facilitate monitoring of the audit observations in the pending IRs.

A review of the IRs issued to 107 DDOs during 1975-76 to December 2004 pertaining to Horticulture (45 DDOs), Industries (36 DDOs) and Home (Police) (26 DDOs) departments disclosed that 770 paragraphs relating to 269 IRs remained outstanding at the end of June 2005. Of these, 84 IRs, containing 99 paragraphs had not been settled for more than 10 years. Year-wise position of the outstanding IRs and paragraphs is detailed in **Appendix-XXVII**.

Though initial replies were required to be received from the heads of offices within six weeks from the date of issue, such replies were not received in respect of seven offices of Industries department for seven IRs issued upto December 2004. As a result, action taken on the serious irregularities commented upon in the outstanding IRs of the Horticulture, Industries and Home (Police) departments as detailed in **Appendix-XXVIII**, is not known to audit.

A review of the pending IRs in respect of the Horticulture, Industries and Home (Police) departments revealed that the concerned heads of the offices and the heads of the departments did not send complete replies to a large number of IRs/Paragraphs indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs and thus failed to discharge their due responsibilities.

The above failure also indicated lack of action against the defaulting officers thereby facilitating the continuation of financial irregularities and loss to the Government though these omissions were pointed out in audit.

It is recommended that the Government look into the matter and ensure that procedure existed for (a) action against the officials who failed to send replies to IRs/Paragraphs as per the prescribed time schedule, (b) action to recover losses/outstanding advances/overpayments in a time bound manner and (c) revamping the system to ensure proper response to the audit observations in the department.

The matter was referred to Government in June 2005; their reply had not been received (July 2005).