CHAPTER-IV

AUDIT OF TRANSACTIONS

Fraud/misappropriation/embezzlement/losses

Agriculture Department

4.1 Pilferage of stores

Negligence on the part of the department to follow the specified procedure for accountal of stores resulted in pilferage amounting to Rs 33.13 lakh.

The State Financial Rules provide that physical verification of stores should be conducted at least once every year. The rules further provide that special attention should be paid by a Government servant in charge of stores to ensure that in case of transfer/retirement, the stores in his charge are made over correctly to his successor and a proper receipt taken from him. Also, when a Government servant in direct charge of stores makes over charge to another Government servant, a joint transfer report, accompanied by the receiving Government servant's receipt for the stores which have been in the custody of the relieved Government servant, should be submitted to the next higher authority.

Test-check of records of the Director, Agriculture revealed (August 2000) that stores worth Rs 10.58 lakh were purchased for Agriculture extension workers' hostel and shown by the Extra Assistant Engineer (EAE) as issued to the *chowkidar* of the hostel. These articles were also not accounted for in the subsidiary stock register, as required under the State Financial Rules. When the EAE retired on superannuation in January 2000, he had not handed over these articles to his successor as no handing over report of store articles was available on record. No shortages of stores had, however, been pointed out in the physical verification of stores conducted in September 1999 by the department. On being pointed out by audit in August 2000, the Director got the physical verification conducted through the Divisional Engineer during July-November 2001, which revealed (December 2001) shortage of stores amounting to Rs 33.13 lakh. The retired EAE was chargesheeted in January 2002. However, it was observed in audit (October 2005) that the pace of the inquiry was very slow and the delinquent official had sought (September 2005) a month's time to inspect the records.

The Director of Agriculture stated (June 2006) that the inquiry was in progress and that further action would be initiated after receipt of the

Inquiry Report. He also stated that Rs 5.22 lakh on account of the retirement benefits of the official have been withheld.

Thus, negligence on the part of the department to follow the procedure laid down in the State Financial Rules for accountal of stores resulted in pilferage of stores worth Rs 33.13 lakh.

The matter was referred to the Government in May 2006; their reply had not been received (August 2006).

Overpayment/wasteful/unfruitful/infructuous expenditure

Agriculture Department

4.2 Unfruitful expenditure on staff quarters

Construction of staff quarters at unsuitable places, without assessing the availability of water and other basic amenities, resulted in their non-utilisation and rendered the expenditure of Rs 49.96 lakh largely unfruitful.

Eleven staff quarters were constructed in Lahaul and Spiti district at a cost of Rs 49.96 lakh between August 1993 and April 1997 under the World Bank aided Project "Training and Extension Programme" for the employees of the Agriculture Department in Himachal Pradesh.

Test-check of the records of the District Agriculture Officer (DAO), Keylong revealed (September 2005) that four quarters constructed at Gumeric, Katchrang, Tingrit and Udaipur at a cost of Rs 17.12 lakh had never been occupied by the staff. Two quarters (cost: Rs 8.38 lakh) were occupied for short spells upto March 2002, after which they were lying vacant. Three quarters (cost: Rs 14.59 lakh) were transferred to other departments without the approval of the Government, and two quarters (cost: Rs 9.87 lakh) were being used as departmental stores. It was further noticed in audit that the department had paid Rs 1.50 lakh as house rent allowance between April 2002 and August 2005 to the staff who could have been allotted this accommodation.

On this being pointed out in audit, the DAO, Keylong stated (September 2005) that the buildings were situated at isolated places and the employees were not ready to reside there due to lack of potable water and other basic amenities. He further stated (March 2006) that these factors were not considered while selecting the sites for construction of the quarters. The Director of Agriculture admitted the facts (March 2006).

Construction of the quarters at unsuitable places, without assessing the availability of water and other basic amenities, resulted in their non-utilisation and rendered the expenditure of Rs 49.96 lakh largely unfruitful as the intended purpose of constructing these quarters could not be served.

The matter was referred to the Government in May 2006; their reply had not been received (August 2006).

4.3 Unfruitful expenditure on Flow Irrigation Schemes

Failure of the Sub-Divisional Soil Conservation Officer and the Divisional Engineer to exercise the required internal checks resulted in non-completion of the irrigation schemes, rendering the entire expenditure of Rs 25.72 lakh unfruitful.

To provide irrigation facilities to the culturable command area (CCA) of 61 hectares of Bandi-Masandkar and Chabatra villages (Kangra district), construction of Flow Irrigation Schemes (FIS), Bandi-Masandkar and Chabatra was administratively approved by the Director, Agriculture in February 2001 and November 2000 respectively for Rs 25.72 lakh[1], and technical sanctions were accorded in June 2000 and November 2000 respectively. The Sub-Divisional Soil Conservation Officer (SDSCO), Palampur commenced execution of the schemes in February 2000 and October 2000 respectively.

Scrutiny of the records of SDSCO, Palampur revealed (October 2005) that after expending an amount of Rs 25.72 lakh by March 2002, both the schemes were left incomplete due to deviations in the approved items of the works.

The SDSCO, Palampur stated (October 2005) that the deviations were made in some of the approved items from the original estimate during execution at the instance of the *Krishak Vikas Sangh*, a Water Users' Association of the villages concerned. He further stated (June 2006) that revised estimates for these schemes were pending for approval with the Director of Agriculture.

The SDSCO and the Divisional Engineer, who were required to inspect the irrigation schemes frequently and record their test-check on the measurement-book to the tune of 20 and 5 *per cent* respectively as per the guidelines, did not check these deviations during construction. Thus failure of the SDSCO and the Divisional Engineer to exercise the required internal checks resulted in non-completion of the irrigation schemes, rendering the entire expenditure of Rs 25.72 lakh unfruitful. Besides, the objective of providing assured irrigation to 61 hectares of land of the two villages could also not be achieved.

The matter was referred to the Government in April 2006; their reply had not been received (August 2006).

[1] Bandi-Masandkar: Rs 13.45 lakh and Chabatra: Rs 12.27 lakh.

Indian System of Medicines and Homeopathy Department

4.4 Wasteful expenditure on *Panchakarma* (Ayurveda Park)

Failure of the pilot project on health tourism resulted in wasteful expenditure of Rs 22 lakh.

Short term Ayurvedic rejuvenation packages were envisaged to be started on a pilot scale in four hotels[1] of the Himachal Pradesh Tourism Development Corporation (HPTDC), with a view to attracting high spending executives and foreign tourists. Fees were to be charged at the prescribed rates from the beneficiaries. Accordingly, on the basis of the pilot project on health tourism (*Panchakarma*) submitted (July 2001) by the State Government, the Government of India sanctioned (March 2002) a grant-in-aid of Rs 73.72 lakh, which was to be utilised within six months of receipt. The amount was released to the Director, Indian System of Medicine and Homeopathy (Director) in April 2002 for procurement of equipment (Rs 17.37 lakh), training of manpower (Rs 14.35 lakh), purchase of essential medicines (Rs 24 lakh) and advertisement (Rs 18 lakh). **The amount was deposited in four different banks in the name of the Director.**

Test-check of the records of the Director (August 2004) and information furnished (June 2006) revealed that the Director had spent Rs 22 lakh (procurement of equipment: Rs 5.78 lakh; training of manpower: Rs 2.42 lakh; purchase of medicines: Rs 10.14 lakh and advertisement: Rs 3.66 lakh) upto June 2006 and the balance funds amounting to Rs 51.72 lakh remained in the bank accounts (June 2006). It was further revealed that the rejuvenation package of *Panchakarma* therapy could not take off due to poor response from the tourists, even after a reduction in the rates from December 2002. The medicines costing Rs 10.14 lakh were utilised in the free camps organised by the department at religious places and the equipment costing Rs 5.78 lakh was issued to the District Ayurvedic Hospitals, without permission from the Government of India.

The Government of India directed (June 2004) the State Government to recover the charges from the patients attending such camps and surrender the unutilised funds, as no progress had been made on the project. It was, however, noticed that in violation of the directions of the Government of India, two free camps were organised by the department in July and August 2004 at Chamba and Una respectively and no charges were recovered from the patients. The unspent amount of Rs 51.72 lakh had also not been surrendered to the Government of India. Thus the project, which had been proposed without conducting a survey of its potential to attract tourists requiring such packages, was ill conceived and the department failed to

[1] Chail, Jogindernagar, Kullu and Palampur.

achieve the desired objective, thus rendering the expenditure of Rs 22 lakh as wasteful. **Besides, Rs 51.72 lakh remained locked up in the bank accounts of the Director, in violation of the directions of the Government of India.** The Director admitted (March 2006) the facts.

The matter was referred to the Government in April 2006; their reply had not been received (October 2006).

Finance Department

4.5 Overpayment of pensionary benefits

Overpayment of pensionary benefits aggregating Rs 21.34 lakh was made by Treasury Officers/Sub-Treasury Officers/Banks during 2001-2005.

Financial rules provide that the Treasury Officer should satisfy himself that the amount of pension paid corresponds with the entries on the pension payment order (PPO).

Test-check of records (2003-2005) relating to payment of pension and family pension, etc. in eight district treasuries and 20 sub-treasuries revealed overpayment of pension and family pension, etc., in 88 cases to the extent of Rs 21.34 lakh pertaining to the period from January 2001 to December 2005. The overpayment was due to non-observance of instructions such as reduction in family pension after the prescribed period, reducing commuted value of pension, etc., given on the Pension Payment Orders; details are given in **Appendix-XXIV**.

The matter was referred to the Government in August 2006; their reply had not been received (October 2006).

Horticulture Department

4.6 Unfruitful expenditure

Failure of the University to provide refrigeration system in the Mushroom Research Unit rendered the expenditure of Rs 50.19 lakh on the construction of the unit unfruitful.

Administrative approval and expenditure sanction for construction of the Mushroom Research Unit (MRU) was accorded by the Vice Chancellor, Dr. Y.S. Parmar University of Horticulture and Forestry, Nauni (Solan) in May 1998 for Rs 1.11 crore and Rs 70 lakh respectively. The stipulated period of completion of different works of the unit was 12 to 18 months.

Test-check of the records of the University revealed (November 2005) that the construction of the unit was started in December 1999 and completed (except for the growth chamber) at a cost of Rs 50.19 lakh in March 2002. The construction of the growth chamber was stopped (March 2002) after incurring expenditure of Rs 11.21 lakh due to non-installation of refrigeration system. For providing the refrigeration system, the Senior Manager of the Himachal Pradesh State Industrial Development Corporation (HPSIDC) was engaged (September 2002) as a consultant. He submitted an estimate for Rs 47.26 lakh for the refrigeration system in September 2005, but no further action had been taken.

On this being pointed out by audit, the Controller of the University stated (June 2006) that the estimate submitted by the HPSIDC was found to be on the higher side. Consequently, tenders were invited (May 2006) and the tender case was under process.

Thus, due to poor initial planning and subsequent delay in processing the case for procurement and installation of the refrigeration system, the entire expenditure of Rs 50.19 lakh on the construction of the MRU has been unfruitful so far.

The matter was referred to the Government in April 2006; their reply had not been received (August 2006).

Irrigation and Public Health Department

4.7 Wasteful expenditure on Lift Irrigation Scheme, Mashoo

Expenditure of Rs 19.55 lakh incurred on remodeling of Lift Irrigation Scheme, Mashoo (Sirmour district) was rendered wasteful, as factors causing damage to the scheme were not considered.

Remodeling of the existing non-functional (since 1997) Lift Irrigation Scheme, Mashoo (Sirmour district) to provide irrigation facility to culturable command area (CCA) of 20 hectares was completed in August 2004 at a cost of Rs 19.55 lakh. The source of the scheme was the Tons river. The remodeling work involved construction of a pump house at another place, installation of pumping machinery, rising main, construction of sump well and field channels, etc.

Test-check of records of Paonta Sahib division revealed (November 2005) that the scheme could not be made functional even after remodeling, as intermittent release of excessive water by the State of Uttaranchal from the Koti dam situated upstream of the Tons river damaged the scheme and the sump well was filled with silt and mud. The Department was already aware of damages caused to the scheme by such frequent release of excessive water in the past.

The Executive Engineer confirmed the facts (November 2005) and stated that all out efforts were being made to make the scheme functional.

The remodeling of the scheme was thus ill conceived and resulted in wasteful expenditure of Rs 19.55 lakh, as no irrigation was provided to the CCA.

The matter was referred to the Government in March 2006; their reply had not been received (August 2006).

4.8 Unfruitful expenditure on Flow Irrigation Scheme, Baragran

Expenditure of Rs 28.24 lakh incurred on construction and restoration of damages to Flow Irrigation Scheme, Baragran in Kullu district remained unfruitful as no irrigation was provided to the culturable command area.

To provide irrigation to a culturable command area (CCA) of 26.73 hectares of Baragran village (Kullu district), Flow Irrigation Scheme, Baragran was completed in December 2002 at a cost of Rs 23.12 lakh. The source of the scheme was the Baragran *nallah*, which had sufficient discharge of water to meet the irrigation requirement.

Test-check of records of Kullu division-I revealed (December 2005) that no irrigation had been provided to the CCA since the completion of the scheme in December 2002. This was due to frequent damages caused by heavy rains and sliding of rocks to the main channel and head weir. Rs 5.12 lakh were spent on restoration of damages that occurred upto March 2005. However, the damages which occurred during July 2005 had not been restored and the scheme remained non-functional.

The Executive Engineer, while confirming the facts, stated (December 2005) that the damages would be restored on receipt of requisite funds.

Failure of the department to restore the damages resulted in non-functioning of the scheme since its completion and unfruitful expenditure of Rs 28.24 lakh, as no irrigation was provided to the CCA.

The matter was referred to the Government in March 2006; their reply had not been received (August 2006).

4.9 Unfruitful expenditure on construction of tubewells/irrigation schemes

Rupees 1.04 crore spent on two tubewells and three lift irrigation schemes remained unfruitful, as the envisaged irrigation facilities were not provided to the beneficiaries.

(a) To irrigate about 64 hectares of land, drilling, lowering of assemblies and development of two tubewells, one each at Ambota-Jandbar and Brahampur (Una district), were completed (February 2004 and June 2004) by Una division-II at a cost of Rs 23.86 lakh.

Test-check of records of the division revealed (June 2005) that execution of civil works and energisation of the tubewells had not been taken up as of June 2005. The Executive Engineer attributed (June 2005) the delay to non-availability of funds and stated that action to complete these schemes would be taken on receipt of funds from the National Bank of Agriculture and Rural Development, which was under correspondence. The plea is not tenable, as the department had taken no steps to arrange funds simultaneously with the completion of drilling and lowering of assemblies of these tubewells.

The expenditure of Rs 23.86 lakh incurred on the construction of the two tubewells had, thus, remained unfruitful so far.

(b) Similarly, in order to provide irrigation to 301.93 hectares of land per crop, three divisions[1] completed special repairs of lift irrigation scheme (LIS), Majherna (Palampur division) and construction of two LISs[2] between March 2001 and March 2003 at a cost of Rs 55.98 lakh. Rupees 23.88 lakh were also spent on the running and maintenance of these schemes during 2001-2005.

Test-check of records of the concerned divisions revealed (August-December 2005) that these schemes could provide irrigation to a maximum of only 48 *per cent* of the culturable command area due to non-construction/completion of field channels. Provision existed for the construction of field channels in the sanctioned estimates of LIS, Dhalaya and LIS, Hiwan-Shimlo-Bushlari-Tallah, etc., while in respect of LIS, Majherna, no provision was made. Of these, one scheme (Dhalaya) had not been able to irrigate even a single hectare of land.

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[1] Palampur, Shimla-I and Sunni.

[2] LIS, Dhalaya (Shimla division) and LIS, Hiwan-Shimlo-Bushlari-Tallah, etc. (Sunni division).

The Executive Engineers concerned, while admitting the facts, attributed (August 2005-July 2006) the non-construction/completion of field channels to objections by the beneficiaries to construction of *kutcha* field channels, which led to soil erosion of their fields, instead of *pucca* channels.

The execution of these schemes without ensuring completion/construction of field channels resulted in non-optimal utilisation of the irrigation potential and consequent unfruitful investment of Rs 79.86 lakh.

Thus, a total expenditure of Rs 1.04 crore incurred on the construction and maintenance of tubewells and irrigation facilities in the above cases remained largely unfruitful.

The matter was referred to the Government in May 2006; their reply had not been received (August 2006).

4.10 Wasteful expenditure on Lift Water Supply Scheme, Sri Naina Devi ji

Expenditure of Rs 20.39 lakh incurred on improvement of lift water supply scheme, Sri Naina Devi ji in Bilaspur district proved wasteful, as adequate survey and investigation was not conducted.

The existing lift water supply scheme (LWSS), Sri Naina Devi ji (Bilaspur district) was not supplying sufficient drinking water to the beneficiaries due to excessive silt and abnormal fluctuation in the water level of Gobind Sagar lake, which was the source of the scheme. To augment the scheme, an estimate of Rs 15.08 lakh for laying a gravity main pipe line from Chocharu *nallah* to the storage tank of the second stage of the scheme was technically approved in February 1999. The source had a discharge of five litres per second. The improvement work was completed (November 2000) by Bilaspur division at a cost of Rs 20.39 lakh.

Scrutiny of records of the division revealed (December 2005 and further details collected in July 2006) that the gravity main line was damaged (September 2002) at various steep slope points and *nallah* crossing due to heavy rains. The damages could not be restored (July 2006) as the source of water had dried up and some pipes had fallen down and got submerged in the Gobind Sagar lake.

The Executive Engineer, while confirming the facts (July 2006), stated that in order to overcome the drinking water problem, a draft project report for augmentation of LWSS, Sri Naina Devi ji from Anandpur Hydel Channel for Rs 14.09 crore was under process.

Thus, the expenditure of Rs 20.39 lakh on improvement of the scheme was rendered infructuous, due to inadequate survey and investigation. Besides, the beneficiaries were deprived of the facility of adequate drinking water. No steps had been taken by the Divisional Officer to fix responsibility for the improper survey and investigation.

The matter was referred to the Government in February and April 2006; their reply had not been received (August 2006).

4.11 Unfruitful expenditure on tubewells

Expenditure of Rs 17.64 lakh incurred on drilling of tubewells at village Ratyor and Dhabota Majra in Nalagarh division remained unfruitful as sufficient discharge of water was not available.

To provide irrigation facility to the culturable command area (CCA) of 20 hectares and to augment an existing lift water supply scheme (LWSS) for providing 12.98 lakh litres of drinking water per day, drilling work of two tubewells at Ratyor and Dhabota Majra villages of Nalagarh area (Solan district) was awarded (October 2001 and December 2002) to two contractors by the Irrigation and Public Health Division, Nalagarh. The sites of the tubewells were selected by the Senior Hydrogeologist, Ground Water Organisation, Una. The drilling of the tubewells was completed by the contractors in January 2002 and April 2003 respectively at a cost of Rs 17.64 lakh (Ratyor: Rs 7.20 lakh and Dhabota Majra: Rs 10.44 lakh).

Test-check of the records of Nalagarh division revealed (June 2004) that against the designed discharge of 20 litres per second (LPS) and 13 LPS respectively for these tubewells, the actual discharge was only 6 LPS (Ratyor) and 3.5 LPS (Dhabota Majra), which was not considered sufficient by the department. Consequently, both the tubewells were capped.

The Engineer-in-Chief (E-in-C) confirmed (June 2004) the facts, and stated (October 2004) that the issue of utilisation of the tubewell at Ratyor for augmentation of another LWSS was under consideration. As regards the tubewell at Dhabota Majra, the E-in-C stated that the site for drilling another tubewell for augmentation of the LWSS had been selected. However, estimates for drilling the tubewells for augmenting the LWSS had not been approved as of November 2005. The replies of the E-in-C indicated that there was no proper survey of the sites by the department, resulting in unfruitful expenditure of Rs 17.64 lakh.

The matter was referred to the Government in July 2004 and March 2006; their reply had not been received (August 2006).

4.12 Unjustified expenditure on construction of a road

Unjustified expenditure of Rs 1.54 crore was incurred on the widening of link road to Drabla in Shimla district without observing codal formalities.

A working estimate for Rs 29.28 lakh for widening of the existing 2.5 kilometres Drabla approach road in order to facilitate transportation of machinery and equipment for augmentation of the lift water supply scheme, Shimla was technically approved (March 2004) by the Project Director-cum-Superintending Engineer, Project Management Unit, Shimla. The work was awarded to two contractors in March 2004 which was still (March 2006) in progress even after incurring an expenditure of Rs 1.54 crore against the tendered amount of Rs 35.94 lakh. The stipulated period for completion of the work was three months.

Test-check of the records of the Executive Engineer (EE), Irrigation and Public Health (I&PH) division No. II, Shimla (March 2006 and further information collected in May 2006) revealed the following:

(a) The work of widening of 904 metres length of the approach road out of the total of 2.5 kms was awarded (March 2004) for Rs 35.94 lakh by the EE to two contractors, who had the same residential address on 12 agreements (six each). Further, tenders were invited without giving wide publicity through the press, as required. The benefit of competitive rates was thus not derived fully.

(b) According to the technically approved working estimate, a total quantity of 53740.30 m^3 of earthwork amounting to Rs 29.28 lakh was involved for the entire reach of 2.5 kms of the road. Scrutiny of records, however, revealed that the widening work executed in the length of 904 metres itself involved a quantity of 51,209.91 m^3 of earthwork amounting to Rs 96.19 lakh. This involved a deviation of Rs 60.25 lakh (167.64 *per cent*) over the tendered cost (Rs 35.94 lakh), which had not been got regularised from the competent authority as of April 2006.

(c) The sanctioned estimate did not provide for soling and wearing and construction of breast/retaining walls. However, Rs 57.43 lakh was unauthorisedly spent by the Executive Engineer on the execution of these items as of March 2006.

The EE stated (May 2006) that reasons for huge deviations were being investigated by the Inquiry Officer.

(d) The work of cutting in earthwork in all kinds of soil as well as carriage of the excavated material was awarded at rates ranging between Rs 187 and Rs 189 per cubic metre. The justification prepared by the division for Rs 188.65 per cubic metre included Rs 73.57 per cubic metre for cutting in earthwork (pick work: 60 *per cent* at the rate of Rs 26.17 per cubic metre and jumper work: 40 *per cent* at the rate of Rs 47.40 per cubic metre). The cost of drilling equipment and blasting material and labour of driller and blaster were included in the analysis prepared for justifying the rates of the firms.

However, scrutiny of records revealed that no jumper work was done, as no blasting material had been issued to the contractor. Inclusion of the aforesaid items in the analysis prepared for justification of rates was thus unjustified and resulted in an overpayment of Rs 4.35 lakh[1] to the contractors.

(e) All the 12 sub-works were in progress as of March 2006 and security amount of Rs 7.65 lakh had been recovered from the running bills paid to the contractors. It was noticed that security amount of Rs 5.56 lakh (73 *per cent*) was released to the contractors in January 2005 without finalising the contracts. The Executive Engineer stated (March 2006) that the security was released, as the contractor was facing financial hardship. The plea is not tenable, as release of security before completion of works is not permissible.

(f) Funds meant for augmentation of a water supply scheme had unauthorisedly been diverted for widening of the road, for which no provision existed in the sanctioned estimate.

Thus, preparation of inflated estimates, justification of rates on unfounded grounds, and lack of control over execution of works, coupled with undue favour shown during the award of work, resulted in unauthorised expenditure of Rs 1.54 crore, besides undue financial aid to the contractors.

The matter was referred to the Government in June 2006; their reply had not been received (August 2006).

Multipurpose Projects and Power Department

4.13 Unfruitful expenditure

Expenditure of Rs 1.99 crore incurred on construction and maintenance of a power project was rendered largely unfruitful due to negligible power generation and as power purchase agreement was not executed with the Himachal Pradesh State Electricity Board.

The Government of India approved (May 2000) 100 KW Purthi Mini Hydel Project in Pangi Valley of Chamba district at an estimated cost of Rs 2.36 crore on the basis of the proposal and detailed project report sent by the State Government. The Project Report envisaged annual generation of

[1]

Total quantity of earthwork executed	51,210 M^3
Pick work (60 *per cent*)	30,726 M^3
Jumper work (40 *per cent*)	20,484 M^3
Difference of rate per M^3 between Jumper and Pick work (Rs 47.40-Rs 26.17)	Rs 21.23
Overpayment (Jumper work=20,484 M^3 x difference=Rs 21.23)	Rs 4,34,875
or **Say Rs**	**4.35 lakh**

6.90 lakh units of power for sale to the Himachal Pradesh State Electricity Board (HPSEB) at the rate of Rs 2.50 per unit. The Government of India provided Rs 1.02 crore to Himachal Pradesh Energy Development Agency (*Himurja*) and the State Government provided Rs 1.07 crore (May 2000). The construction work commenced in July 2000 was completed at a cost of Rs 1.97 crore in September 2003. The unit was put on trial run immediately and power generation was connected to the power grid of HPSEB in January 2004.

Test-check (July 2005) of records of *Himurja* and further information received in February 2006 revealed that only 68,811 units of power (value: Rs 1.72 lakh) was generated by the project between January 2004 and December 2005, which was only 5 *per cent* of the generation capacity and resulted in loss of Rs 31.50 lakh[1]. Further, an expenditure of Rs 2.46 lakh was incurred on the running and maintenance of the project during this period. The amount of Rs 1.72 lakh on account of cost of 68,811 units of power sold to HPSEB had also not been recovered as of February 2006 as power purchase agreement was not entered into with the HPSEB.

The Director, *Himurja* stated (January 2006) that *Himurja* did not have its own power distribution network and that the project was operated according to the demand received from HPSEB, which resulted in generation of less power. The reply is not tenable as the Chief Engineer (Operation), HPSEB had stated (July 2006) that no instructions regarding quantum of power to be generated had ever been given by HPSEB.

Thus the expenditure of Rs 1.99 crore on the construction and operation maintenance of the project was rendered unfruitful due to negligible generation of power.

The matter was referred to the Government in May 2006; their reply had not been received (August 2006).

Public Works Department

4.14 Wasteful expenditure on construction of link road to village Chikzar

Inadequate survey before taking up the construction of Kiato Chicham Chikzar road in Spiti valley resulted in wasteful expenditure of Rs 37.37 lakh.

In order to provide transport facilities to Chikzar village (Spiti valley), the construction of seven kilometres long motorable link road from Kiato Chicham road was administratively approved (June 2001) for Rs 54.08 lakh.

[1] 703 days x 6,90,000 units/365 days=13,28,958 units minus 68,811 units=12,60,147 units x Rs 2.50 per unit = Rs 31.50 lakh.

The work was taken up in July 2001 and as of September 2003, a length of 2.89 kilometres was completed in different reaches, after incurring an expenditure of Rs 37.37 lakh.

Test-check of the records of the Executive Engineer (EE), Kaza division revealed (November 2005) that the construction was stopped in September 2003, following a decision taken during the budget review meeting of the Project Advisory Committee held in July 2003 at Kaza on the ground that the Chikzar village was uninhabited.

The EE, while admitting the facts, stated (November 2005) that construction of the link road was started on the demand of the residents of Pangmo village, who had three *dogries* (summer settlements) in Chikzar village. The contention is not tenable, as according to the 1991 census and the village primary census abstract 2001, Chikzar was an uninhabited village. Moreover, history report of the preliminary estimate does not indicate any such demand from the residents of Pangmo village. Thus, the construction of link road was not justified.

Failure of the department to conduct adequate survey to determine the need for construction of the road thus resulted in wasteful expenditure of Rs 37.37 lakh, which was avoidable.

The matter was referred to the Government in March 2006; their reply had not been received (August 2006).

4.15 Unfruitful expenditure on construction of approaches

Expenditure of Rs 19.07 lakh incurred on construction of approaches between Hansa and Kiamo villages in Lahaul and Spiti without finalising the location of bridge over Spiti river remained unfruitful.

To provide the shortest link to Kiamo village (Spiti valley) from Hansa village, construction of a 40 metre span steel truss motorable bridge over the Spiti river was administratively approved (November 2001) for Rs 45.86 lakh.

Test-check of records of the Kaza division revealed (November 2005) that while the drawings for the construction of the bridge were being evolved, another proposal for the construction of a 44 metre span bailey bridge at another site was mooted (April 2002). However, geological investigation at the site of the proposed bridge was yet to be conducted.

Scrutiny of records further revealed that the construction of 1.250 kilometres long approach road (Hansa side: 800 metres and Kiamo side: 450 metres) to the proposed bridge site was administratively approved (May 2002) for Rs 9.66 lakh. The road work, taken up for execution in June 2002, was completed in November 2002 at a cost of Rs 19.07 lakh but remained unfruitful due to non-construction of the bridge.

The EE while confirming the facts (November 2005) stated that the expenditure incurred on construction of approaches could not be termed as unfruitful, as the design of the bridge would be finalised shortly and efforts made to start the construction of the bridge. The reply is not tenable as the department failed to take timely action to finalise the design and location for constructing the bridge. Even if the proposal for the construction of the bridge is finalised now, it would take about five years for its completion as estimated and expenditure incurred on the construction of the approaches would remain unfruitful till then.

The matter was referred to the Government in March 2006; their reply had not been received (August 2006).

4.16 Unfruitful expenditure on construction of roads

Expenditure of Rs 1.99 crore incurred on construction of five roads in three divisions remained unfruitful due to non-acquisition of private land.

To provide transport facilities to the inhabitants of five villages of three divisions[1], administrative approval and expenditure sanction was accorded between May 1979 and March 2000 for the construction of motorable link roads to each of the villages. An amount of Rs 1.67 crore was sanctioned for a total length of 26.616 kms for the purpose. However, the works, which were taken up for execution between August 1981 and February 2001, were either completed but not opened for vehicular traffic (one work) or held up since February 2001 to August 2004 (four works). An expenditure of Rs 1.99 crore was incurred on these works.

Test-check of the records of these divisions revealed (July-November 2005) the following:

(a) In Kaza division, a six kilometres long link road from Sichling to Pomrang covering the initial reach (km 0/0 to 6/0) was passed (August 2004) by the road fitness committee and was opened for vehicular traffic. However, the road from km 6/0 to 6/600 could not be constructed, as private land falling in the alignment of the road had not been acquired and the land owners did not allow construction of the road on their land. It was noticed in audit that

[1] Kaza: one; Kumarsain: one and Rohru: three.

provision for acquisition of private land was not made in the approved estimate of the work. The construction of the road between km 6/600 and 10/916 was completed (August 2002) at a cost of Rs 75.01 lakh; an additional amout of Rs 10.16 lakh was spent on its repairs and maintenance during 2001-2006. However, this portion of the road could not be opened to vehicular traffic because of non-construction of the road between kms 6/0 and 6/600.

The Executive Engineer (EE), while admitting the facts, stated (June 2006) that the land owners had agreed to allow the construction of the road through their land at the time of finalising the alignment and therefore provision was not made for acquisition of land in the estimates. The reply is not tenable, as there was nothing on record to support the contention of the department. Action to initiate acquisition proceedings had also not been taken even after the refusal of the land owners to allow construction of the road on their land.

(b) In Kumarsain and Rohru divisions, construction of four link roads[1] were taken up for execution between February 2000 and February 2001. These works were estimated to cost Rs 1.02 crore (except link road to Kanda village, for which estimate had not been prepared) and were stipulated to be completed within 1-3 years from the dates of their commencement. All the four works were lying incomplete after spending Rs 1.14 crore. These works were held up mainly due to non-acquisition of private land and dispute over the land falling in the alignment of the roads. It was noticed that proceedings to acquire private land had not started under the Land Acquisition Act. Delay in completion of these roads ranged between 26 and 62 months.

As per the latest information supplied (June 2006) by the EEs, there was no further progress except in respect of two works[2] under Rohru division, where the land had reportedly, been made available by the owners now. However, no documentary proof such as copies of affidavits, agreements etc., were furnished by the EE. In none of the four cases, the execution of works had resumed as of June 2006.

Thus, faulty planning and failure to complete the necessary land acquisition formalities had rendered the expenditure of Rs 1.99 crore incurred on the construction of all the five roads unfruitful.

The matter was referred to the Government in March-April 2006; their reply had not been received (August 2006).

[1] Kumarsain: Link road from Luri-Suni road to village Teshan (2.3 kms) and Rohru: Link road to village Chillala Ritwasa (9 kms), Samala Jabrallu Junidhar road (4 kms) and link road to village Kanda(7 kms).

[2] Link road to village Chillala Ritwasa and link road to village Kanda.

4.17 Unfruitful and avoidable expenditure on construction of bridges

Expenditure of Rs 58.54 lakh incurred on construction of two bridges, one each in Kullu and Mandi districts, had remained unfruitful. Besides, a foot bridge was constructed adjacent to an existing bridge in Shimla district without any justification, resulting in avoidable expenditure of Rs 13.20 lakh.

(a) Construction of a 33.50 metre span steel truss bridge over Arnodi *khad* at km 2/310 of Anna Kanchi Sarwari road via Sikarmatt (Mandi district) was taken up for execution (September 2000) by Mandi division No.II through a contractor. The work, initially estimated to cost Rs 27.94 lakh and stipulated to be completed by September 2001, was completed in March 2005 at a cost of Rs 46.14 lakh.

It was noticed (February 2006) in audit that the bridge could not be opened for vehicular traffic due to non-construction of its approaches. There was a dispute over private land falling in the alignment of the side approaches. Though action to acquire the land was initiated in December 2001, preliminary notification under section 4 of the Land Acquisition Act was issued only in March 2005 and the award remained to be announced as of May 2006.

Failure of the department to initiate timely action for acquisition of private land simultaneously with the construction of the bridge had, thus, resulted in idle investment of Rs 46.14 lakh, as approach roads to the bridge remained to be constructed.

(b) To provide proper and safe means of communication to the backward villages of Thanthal and Dhadsa in Outer Seraj area of Kullu district, construction of a 45 metre span aerial ropeway foot bridge across Kurpan *khad* near village Dhadsa was administratively approved (January 2000) for Rs 16.83 lakh. The work was scheduled to be completed within one year. The sub-structure of the foot bridge was completed in March 2002 at a cost of Rs 5.05 lakh. Construction of super-structure of the bridge was awarded (March 2001) to a contractor for Rs 7.31 lakh with a completion period of six months. Payment of Rs 7.04 lakh was made to him in May 2002 for the work done. A total expenditure of Rs 12.40 lakh had been incurred on the construction of bridge during 2000-2005.

Scrutiny of records of Nirmand division revealed (September 2005) that the super-structure tilted in January 2003 when it was being launched, for which the contractor was held responsible. Accordingly, the Chief Engineer rescinded the contract (August 2005) by forfeiting the security deposit of Rs 0.67 lakh. Recovery of amounts paid to the contractor was, however, yet to be made as of June 2006. A revised estimate was approved (November 2005) for Rs 32.48 lakh but the bridge work had not resumed as of June 2006.

Non-completion of the bridge had thus rendered expenditure of Rs 12.40 lakh unfruitful.

(c) The existing wooden foot bridge over Shikari *khad* near village Chebri (Shimla district), which was reconstructed during 1996-98 as an RCC T-beam foot bridge, had been serving the entire Chebri village including its hamlets of about 15 houses downstream to the bridge.

Test-check of records of Rohru division revealed (October 2005) that another steel truss foot bridge was constructed about 120 metres downstream of the existing bridge during 1999-2002 at a cost of Rs 13.20 lakh. The Executive Engineer (EE), Dodra Kwar division, to whom the enquiry regarding propriety of construction of the steel truss bridge was entrusted, reported (July 2004) that construction of the new foot bridge was not necessary as the old foot bridge was serving the entire Chebri village and its hamlets. The Chief Engineer (South), however, ordered (August 2005) a fresh enquiry into the construction of the new foot bridge. On the basis of the second enquiry report received in September 2005, the Chief Engineer (South) informed (October 2005) the Government that the concerned EE and Superintending Engineer were responsible for the construction of the new bridge, without seeking guidance from his office. Action taken on the findings of the enquiry officer had not been intimated.

Evidently, construction of new foot bridge adjacent to the existing one was injudicious, and resulted in avoidable expenditure of Rs 13.20 lakh.

The matter was referred to the Government in June 2006; their reply had not been received (August 2006).

Tourism Department

4.18 Wasteful expenditure on construction of toilets

Failure of the Tourism Department to obtain prior approval of the Government of India for use of forest land and undue haste shown for construction of toilets resulted in wasteful expenditure of Rs 23.86 lakh.

The Forest Conservation Act, 1980 prohibits use of forest land for non-forestry purposes without prior approval of the Government of India. The Government of India had also clarified in March 1982 that diversion of forest land for non-forestry activities in anticipation of approval was not permissible.

Test-check of records of the District Tourism Development Officer (DTDO), Kullu revealed (August 2005) that for providing public convenience facilities, construction of four toilets at Kothi, Marhi, Rohtang and Solang *nallah* tourist places in Kullu district was entrusted to the Public Works Department in 1997 without the prior approval of the Government of India for the use of forest land. The construction, including water supply, had been completed during 2000-2002 at a cost of Rs 23.86 lakh. These toilets were to be operated through the *Sulabh* International Social Service Organisation and Rs 1.57 lakh were also provided to it (March 2003) for construction of an additional room for sweepers attached to each of these toilets. However, the construction of these rooms and the operation of the toilets were held up for want of approval of the Government of India.

DTDO, Kullu stated (August 2005) that the works were started, keeping in view their urgency, and with the hope that the Forest Department would accord approval for the transfer of land.

Thus, failure of the department to obtain prior approval of the Government of India and undue haste shown for construction of these toilets resulted in wasteful expenditure of Rs 23.86 lakh and blocking of funds of Rs 1.57 lakh.

The matter was referred to the Government in March 2006; their reply had not been received (August 2006).

Undue favour to contractors/avoidable expenditure

Food, Civil Supplies and Consumer Affairs Department

4.19 Avoidable extra expenditure

Lack of financial control by the Director, Food, Civil Supplies and Consumer Affairs led to avoidable extra expenditure of Rs 52.60 lakh.

Financial rules provide that money indisputably payable should not, as far as possible, be left unpaid.

Test-check of records of the Director, Food, Civil Supplies and Consumer Affairs revealed (November 2005) that the Director purchased an office building for Rs 2.27 crore in Kasumpti Zonal Centre, Shimla on leasehold basis from the Himachal Pradesh Urban Development Agency (HIMUDA) in July 2001 for housing his office. According to the terms and conditions of the lease, the amount was to be paid by the Department to HIMUDA within 45 days from the date of issue of the lease letter. In case of default in payment, interest at 18 *per cent* per annum was to be charged.

The department paid Rs 2.79 crore in nine instalments between March 2001 and November 2005. This included interest of Rs 51.86 lakh on delayed payment of Rs 1.36 crore. An amount of Rs 0.74 lakh due for payment on account of interest was still to be paid (November 2005). Thus the department had to bear the interest liability of Rs 52.60 lakh due to delayed payment.

The Director stated (November 2005) that the delay in payment was due to non-availability of sufficient funds. The reply is not tenable, as fund requirements should have been tied up before purchase. Thus, injudicious financial management resulted in avoidable payment of interest amounting to Rs 52.60 lakh.

Without prejudice to the above audit observation, it may be pertinent to note that it would have been more economical to make the payment in time by using borrowed funds rather than paying interest at 18 *per cent* to HIMUDA. By contrast, the Government had borrowed funds from the open market during 2001-2002 at interest rates of 8 to 10.35 *per cent* per annum.

The matter was referred to the Government in March 2006; their reply had not been received (August 2006).

Irrigation and Public Health Department

4.20 Undue aid to a corporation and loss of interest

Advance payment of Rs 4.46 crore made by Executive Engineer, Shimla Division-II to the Himachal Pradesh State Civil Supplies Corporation on the last day of March 2005, without assessing the requirement of material, resulted in undue aid to the Corporation and loss of interest of Rs 26.60 lakh to the Government.

Financial rules stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement or for the recoupment of funds disbursed out of any permanent advance.

Test-check of records of Shimla division-II revealed (February 2006) that advance payment of Rs 4.46 crore was made to Himachal Pradesh State Civil Supplies Corporation (HPSCSC), Shimla on 31 March 2005 for procurement of cement. The payment was charged to the work “Augmentation of lift water supply scheme, Shimla from Nauti *khad* near bridge at Gumma” instead of “Miscellaneous Works Advances”, pending receipt of material. It was also noticed that the requirement of material was not assessed before making the payment. Subsequently, the entire amount was taken back from HPSCSC in January 2006 and credited to “Public Works Deposits” where the same remained unutilised as of March 2006.

The EE confirmed the facts and stated (March 2006) that assessment of materials was not made and the unspent amount was deposited with HPSCSC to avoid lapse of available funds during the financial year. The reply is not tenable as it is contrary to the provisions of financial rules.

The action of the department thus resulted in undue financial aid of Rs 4.46 crore to HPSCSC and loss of interest of Rs 26.60 lakh[1] to the Government, which was avoidable. The works account did not reflect the true picture as an unnecessary charge of Rs 4.46 crore had been afforded to it during 2004-2006 without any physical work having been done or materials received for use on it. Further, the money had been kept outside the normal budgetary process by crediting it to "Public Works Deposits".

The matter was referred to the Government in April 2006; their reply had not been received (August 2006).

Idle investment/blocking of funds/diversion of funds

Irrigation and Public Health Department

4.21 Idle investment on sewerage scheme, Paonta Sahib

Investment of Rs 29.88 lakh on Zone-I of sewerage scheme for Paonta Sahib town in Sirmour district remained idle due to its non-commissioning.

Sewerage scheme, Paonta Sahib (Sirmour district) was designed to serve a population of 32,963 by dividing the town into three independent zones, each having a separate sewerage network and treatment plants. The work of Zone-I relating to vital components viz. treatment plant, sewerage network and pumping machinery designed to serve population of 4,627 was completed between April 1999 and March 2000 at a cost of Rs 27.87 lakh. Rs 2.01 lakh were also spent on supply of power (SOP), which was released by Himachal Pradesh State Electricity Board (HPSEB) in November 2003.

Test-check of records of Paonta Sahib division conducted in May 2004 and further information collected in July 2006 revealed that the work of flushing tanks and house to house connections in Zone-I had not been taken up since the estimate had been sent only in August 2005. Zone-I of the scheme could, thus, not be made operational.

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[1] Interest has been calculated for nine months on average annual rate of 7.96 *per cent* paid by the Government on its borrowings during 2004-2005.

Scrutiny of records further revealed that no provision for SOP had been made in the approved estimate of the scheme. The case for SOP for operating the treatment plant was taken up with HPSEB in May 2000 and SOP work was completed by HPSEB in November 2003. Government admitted the facts (July 2005).

The pumping machinery provided by the contractor for the treatment plant (completed in March 1999) could not be tested for want of electric connection before the expiry of the warranty period of one year. Government stated (July 2005) that an amount of Rs 0.85 lakh had been withheld and would be released to the contractor after successful commissioning of the scheme.

Failure of the department to synchronise completion of various components of the scheme resulted in non-commissioning of Zone-I of the scheme and idle investment of Rs 29.88 lakh thereon. Besides, the beneficiaries had been deprived of the intended benefits.

Home Department (Prisons)

4.22 Idle investment on construction of administrative block of sub-jail, Solan

Failure of the State Government and the Prisons Department to plan construction of the sub-jail at Solan in a systematic way led to idle investment of Rs 44.67 lakh.

The State Government proposed in 1995 to construct a sub-jail at Solan at an estimated cost of Rs 1.08 crore. Instead of taking up the work of all the components of the sub-jail systematically after due planning, it was decided to construct the administrative block in the first instance. Administrative approval and expenditure sanction for the construction of the administrative block was accorded by the State Government in September 1997 for Rs 21.50 lakh. The construction of the administrative block was completed through the Himachal Pradesh Housing Board in December 2002 at a cost of Rs 44.67 lakh. Further work could not be done for lack of funds.

Scrutiny of the records of the Deputy Commissioner, Solan and further information obtained from the Director General, Prisons revealed (November 2004 and January 2006) that the Deputy Commissioner, Solan proposed to the State Government in September 2002 to use the newly constructed administrative block with certain modifications with an expenditure of Rs 10 lakh, for lodging the inmates/ undertrials as also the staff of sub-jail, Solan, as the existing sub-jail building situated in the heart of the town was un-hygienic and was also not suitable from a security point of view. The Director General (Prisons) had, however, not agreed to the proposal and did not take possession of the administrative block on the grounds that the boundary wall and the barracks, which were the primary requirements of the sub-jail, had not been provided. The State Government accorded (December 2004) administrative approval and expenditure sanction for the construction of the remaining works (boundary wall, barracks, kitchen, etc.) at a cost of Rs 2.12 crore under the Centrally sponsored scheme "Modernisation of Prisons". The work was still (March 2006) in progress.

Thus, the failure of the State Government and the Prisons Department to plan construction of the sub-jail at Solan in a systematic way and providing funds in time for the work led to the investment of Rs 44.67 lakh remaining idle on the construction of the Administrative block for the last about four years. In the absence of proper infrastructure, the inmates of the sub-jail were still being kept in the existing building, which was termed as un-hygienic and insecure.

The matter was referred to the Government in April 2006; their reply had not been received (August 2006).

Planning Department

4.23 Diversion of Members of Parliament Local Area Development Scheme funds

Funds amounting to Rs 16.50 lakh under Members of Parliament Local Area Development Scheme were diverted by the Deputy Commissioner, Kangra in contravention of the provisions of the scheme.

The Members of Parliament Local Area Development Scheme (MPLADS) provides that the works to be undertaken shall be developmental in nature, based on locally felt needs. However, construction of office, residential and other buildings relating to the Central or State Governments Department, Agencies or Organisations is not permissible under the scheme.

Test-check of records (July 2005) of the Block Development Officer (BDO), Baijnath (Kangra district) and further information collected in December 2005 revealed that the Deputy Commissioner (DC), Kangra sanctioned Rs 16.50 lakh for the construction of Press Club building and *Bachat Bhawan* at Baijnath in December 2004 and January 2005 out of the MPLADS funds in violation of the guidelines laid down by the Government of India. BDO, Baijnath in reply stated (July 2005) that funds were provided by the DC, Kangra. He also requested (October 2005) the DC, Kangra to get these works regularised from the Government of India. The action of the DC, Kangra in authorising funds for construction of the buildings, which were not covered under the guidelines was not proper and resulted in diversion of the MPLADS funds of Rs 16.50 lakh.

The matter was referred to the Government in March 2006; their reply had not been received (August 2006).

Public Works Department

4.24 Idle investment on construction of a bridge and road

Investment of Rs 43.33 lakh on construction of Bhadwar Kherian road in Kangra district and bridge over Grail *khad* remained idle, as the completed works could not be put to use due to steep grades of the road.

Construction of a 40.34 metre span RCC T-Beam bridge over Grail *khad* at km 1/390 of Bhadwar Kherian road via Kandroh Jaroli (Kangra district) was administratively approved (February 2002) for Rs 40 lakh. The work, which was taken up for execution in February 2002, was completed in March 2004 at a cost of Rs 39.38 lakh.

Test-check of the records of Nurpur division revealed (January 2006) that the Bhadwar-Kherian road constructed between June 2000 and March 2005 at an expenditure of Rs 3.95 lakh was not found fit for vehicular traffic due to steep grades between km 0/700 and 1/0. Neither was an adequate survey conducted to ascertain the proper gradient of the road, nor was any technical sanction obtained prior to the construction of the road. The road and the bridge could thus not be used for the intended purpose.

The Executive Engineer, while confirming the facts, stated (January 2006) that provision for improvement of steep grades of the road had been made in the Detailed Project Report for approval under the *Pradhan Mantri Gram Sadak Yojana*.

Failure of the department to construct the road after adequate survey and technical approval in the first instance, thus, resulted in idle investment of Rs 43.33 lakh on the construction of the road and the bridge.

The matter was referred to the Government in March 2006; their reply had not been received (August 2006).

4.25 Blocking of funds owing to non-execution of deposit works

Funds of Rs 1.29 crore received from various departments remained unutilised in the divisions due to non-execution of works.

The amounts received by the Divisional Officers from various departments/agencies for the execution of works on their behalf are temporarily kept under the transitory head "Public Works Deposits". Such funds should not be allowed to remain unutilised for an indefinite period as their prolonged retention results in keeping the money outside the normal budgetary process and in blocking of government funds.

It was noticed (December 2005-March 2006) in audit of three divisions[1] that Rs 1.29 crore[2] received from various departments between February 2001 and March 2004 for execution of 25 deposit works like construction of school, health sub-centre and veterinary dispensary buildings remained unutilised under "Public Works Deposits". The works had not been taken up for execution due to non-finalisation of sites (19 works: Rs 44 lakh) and non-approval of drawings (six works: Rs 85 lakh).

The Executive Engineers (EE), Barsar and Mandi-I divisions confirmed (May-June 2006) the facts. However, the EE, Dalhousie division stated (May 2006) that out of Rs 89 lakh, a sum of Rs 7.47 lakh had been spent on one completed work and two ongoing works by the end of May 2006.

Thus due to non-execution of deposit works, the moneys remained unutilised with the department and resulted in blocking of funds. Besides, these amounts were kept outside the budgetary process for prolonged periods in contravention of rules.

The matter was referred to the Government in May 2006; their reply had not been received (August 2006).

Revenue Department

4.26 Diversion of calamity relief funds

Rupees 1.69 crore were irregularly diverted from calamity relief funds by four Deputy Commissioners for works not related to natural calamities.

Instructions (May 1987) of the Government of India provide that calamity relief funds should not be utilised on fresh works. These funds should be utilised for old works damaged during calamities. The State Government also directed (January 1998) that the approval of the Government was necessary, whenever the Controlling Officers proposed to spend the funds on fresh works. It further clarified (March 2002) that it was obligatory for the field staff of the Revenue Department to make quick spot inspections, and assess losses and report the same to the higher authorities in accordance with the provisions of the Relief Manual.

Test-check (December 2005-February 2006) of the records of the Deputy Commissioners (DCs), Bilaspur, Kullu, Shimla and Una revealed that Rs 1.69 crore[1] was diverted out of calamity relief funds for execution of 250 works during 2003-2006, though these works were not related to natural

[1] Barsar, Dalhousie and Mandi-I.
[2] Barsar: Rs 17.68 lakh; Dalhousie: Rs 89 lakh and Mandi-I: Rs 22.15 lakh.
[1] Bilaspur: Rs 13.26 lakh; Kullu: Rs 22.36 lakh; Shimla: Rs 39.40 lakh and Una: Rs 94.44 lakh.

calamities. It was also noticed in audit that funds of Rs 39.40 lakh were spent by DC, Shimla on fresh works (construction of Panchayat ghar-cum-Community Centre, *Mahila Mandal Bhawan*, etc.: Rs 25.30 lakh; school building: Rs 2 lakh; Play ground/Ramlila ground/stage: Rs 3.10 lakh; police assistance room: Rs 1 lakh and garbage dumping site: Rs 8 lakh). DCs, Bilaspur, Kullu and Una utilised Rs 15.81 lakh[2] on renovation/repairs of the residential buildings of District level officers/officials, **of which Rs 0.65 lakh were utilised for providing white glazed floor tiles at the DC, Una's residence** and Rs 0.60 lakh on wiring in the District Attorney's residence and other staff quarters at Una. DC, Kullu had utilised Rs 12.64 lakh on repairs of Government office buildings.

DC, Kullu stated (December 2005) that the works required immediate restoration for making them safe, hygienic and useable and could not wait for the regular budget. The diversion of funds was attributed (December 2005-February 2006) by the DCs, Bilaspur and Shimla to generation of employment. DC, Shimla also stated (February 2006) that construction of new works was part of the entire relief package whereby employment opportunities was generated in affected areas. The DC, Una stated (January 2006) that the recommendations of the Revenue authorities were being obtained.

The DCs' contentions are not tenable as the works cited were not covered under the provisions of the calamity relief fund.

Thus, the DCs misutilised funds of Rs 1.69 crore, which were meant for restoration of relief works affected by natural calamities.

The matter was referred to the Government in May 2006; their reply had not been received (August 2006).

Technical Education Department

4.27 Idle investment on construction of building for Government Polytechnic Institute at Talwar

Decision of the State Government not to start new courses at proposed Government Polytechnic Institute at Talwar in Kangra district resulted in idle investment of Rs 1.22 crore on construction of building and denial of technical education to the students of the rural areas of the State.

To impart technical education to the students of rural areas of the State in Computer Engineering, Production Engineering, Fashion Technology, Instrumentation and Control Engineering and Automobile Engineering, construction of Government Polytechnic Institute at Talwar (Kangra district)

[2] Bilaspur: Rs 2.45 lakh; Kullu: Rs 9.72 lakh and Una: Rs 3.64 lakh.

was administratively approved (October 2000) for Rs 13.05 crore by the Technical Education Department. Approval of the All India Council for Technical Education for starting these courses from the 2003-2004 session was also received in August 2002. The construction of the building stipulated to be completed in three years, was taken up for execution during 2000-2001 for which funds of Rs 1.02 crore were deposited by the Technical Education Department with the Public Works Department (PWD).

Test-check of the records of Baijnath division revealed (February 2005) that construction of the Administrative-cum-Teaching Block No. I of the Institute including external sewerage system was completed (March 2003) at an expenditure of Rs 1.09 crore. The construction of Girls' Hostel building, awarded to a contractor in October 2002 for Rs 42.51 lakh and scheduled for completion within one year, was held up since April 2004 for want of funds after incurring expenditure of Rs 12.68 lakh. The completed building of the Administrative block had not been taken over by the Technical Education Department as of January 2006 despite several requests made by PWD.

Further scrutiny of records revealed that the State Government had decided (May 2003) that there was no necessity of providing training in the proposed diploma courses and instead, possibility of opening a degree college in the buildings of the Institute would be explored. However, the building constructed more than three years back had not been put to any alternative use as of January 2006. There was also nothing on record to indicate as to why the Government reversed its earlier decision of starting the polytechnic.

Under these circumstances, investment of Rs 1.22 crore made on the construction of the building had remained idle and students of the rural areas of the State were deprived this facility of technical education.

The matter was referred to the Government in March 2006; their reply had not been received (August 2006).

Regulatory issues and other points

Industries Department (Himachal Pradesh *Khadi* and Village Industries Board)

4.28 Non-charging of registration fee

Non-registration of units in contravention of instruction of the *Khadi* and Village Industries Commission resulted in loss of revenue of Rs 24.90 lakh.

According to the guidelines issued by the *Khadi* and Village Industries Commission (KVIC) in March 2003, all the units financed after April 2003 under the Rural Employment Generation Programme *Gramodyog* Yojna (REGP) were to be registered with the State *Khadi* and Village Industries Board (Board). Registration fee at the rate of one *per cent* of the project cost was to be charged before release of the first instalment of bank finance to the beneficiary.

Test-check of the records of the Board revealed (February 2006) that from April 2003 to August 2006, the Board sanctioned 868 units at a total project cost of Rs 42.83 crore under the REGP. The Board had however, registered only 349 units (Project cost: Rs 17.93 crore) for which, a registration fee of Rs 17.93 lakh was charged from the beneficiaries. The remaining 519 units (Project cost: Rs 24.90 crore) had not been registered as of September 2006 although the first instalment had already been released by the banks in their case. The Board had also released the margin money[1] amounting to Rs 6.72 crore to these units. On this being pointed out in audit, the Chief Executive Officer of the Board stated (August 2006) that the matter regarding registration and non-recovery of registration fee was being examined and recovery from the defaulting units would be made. Non-registration of units in contravention of the instructions of the KVIC thus resulted in loss of revenue of Rs 24.90 lakh[2] to the Board.

The matter was referred to the Government in April 2006; their reply had not been received (August 2006).

Miscellaneous Departments

4.29 Revenue receipts not credited to Government account

Director, Mountaineering and Allied Sports, Manali and Director, Animal Husbandry, Shimla on directions from the Government, violated the provisions of the financial rules and credited government receipts of Rs 5.35 crore into the accounts of the societies.

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 the said fund shall be appropriated except in accordance with law and in the manner provided under the Constitution. The State Financial Rules also require that departmental receipts be credited to Government accounts.

1 25 *per cent* (general category) and 30 *per cent* (reserved categoies) of the project cost is provided as margin money, which is treated as grant to the beneficiaries after two years.

2 2003-2004: Rs 15.34 lakh; 2004-2006 (upto August 2006): Rs 11.35 lakh minus registration fee recovered upto August 2006: Rs 1.79 lakh.

Audit scrutiny (July-September 2005) of the records of the Director Mountaineering and Allied Sports, Manali and the Director, Animal Husbandry revealed that:

(a) Fees received for various mountaineering and water sports promotional courses, license fee of residential quarters, accommodation charges of trainees, etc., amounting to Rs 2.70 crore were deposited during 2001-2005, by the Director, in the accounts of the Himalayan Institute of Mountaineering and Adventure Sports Society, registered under the Societies Act, 1860 instead of crediting them to Government accounts.

(b) Income of Rs 2.65 crore accrued on account of artificial insemination charges and castration fee from all the veterinary institutions and from the sale of milk, hide, skin, etc., at the Cattle Breeding Farms during April 2002 to June 2005 was deposited in the accounts of the Himachal Pradesh Livestock Development Board (Board), a society registered under the Societies Act, instead of crediting the same to Government accounts.

While the Director, Mountaineering and Allied Sports, Manali did not give any reasons for diversion of receipts, it was observed during audit, that the State Government had directed (September 2001) the department that the society be allowed to retain the fee generated through the activities of the Directorate and use the resources so generated, for meeting the expenses required to enhance the productivity of the department and to meet such costs for which the budgetary allocations are inadequate or non-available. Director, Animal Husbandry stated (July 2005) that due to the cut imposed by the Government on the expenditure of the farms of the department, which was ordered to be met out of the funds of the Board, the income of the farms was deposited in the account of the Board as per the directions of the Government.

The decision of the Government was in violation of the provisions of the Financial Rules and undermined the authority of the legislature.

The matter was referred to the Government in May 2006; their reply had not been received (August 2006).

Stores and Stock

Miscellaneous Departments

4.30 Fictitious booking of materials

Material costing Rs 14.85 crore was fictitiously booked against 168 works by 23 divisions to show utilisation of budget in contravention of rules.

Financial rules prohibit fictitious stock adjustments such as

- debiting to a work the cost of materials not required or in excess of actual requirements,

- debiting to a particular work for which funds are available, the value of materials intended to be utilised on another work, for which no allotment has been sanctioned or

- writing back the value of materials used on a work to avoid excess outlay over appropriation.

It was noticed that contrary to these provisions, materials costing Rs 14.85 crore were fictitiously booked between January 2001 and March 2005 by 23 divisions[1] of Irrigation and Public Health (12 divisions: Rs 9.58 crore) and Public Works (11 divisions: Rs 5.27 crore) against 168 works. Of this, material costing Rs 13.32 crore was either written back to stock or transferred to other works in the succeeding financial years between May 2002 and January 2006.

It was further noticed that in three[2] I&PH divisions and Palampur Public Works division, galvanised iron pipes costing Rs 74.79 lakh and bitumen costing Rs 7.39 lakh were booked (March 2005) to various flow irrigation/sewerage schemes and building works respectively, even though the same were not required for consumption on these works.

The Executive Engineers concerned confirmed the facts (May 2005-February 2006).

Fictitious booking of material to works thus resulted in overstatement of the actual expenditure on works. This also facilitated obtaining of extra funds for these works in the subsequent years to the extent of stores written back to stock/transferred to other works.

The matter was referred to the Government in May 2006; their reply had not been received (August 2006).

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1 **I&PH:** Badukhar, Kullu-I, Nalagarh, Palampur, Paonta Sahib, Rampur, Shimla-I, Solan, Sunni, Thural, Una-I and Una-II.
B&R: Bilaspur-II, Chopal, Dharamshala, Fatehpur, Mandi-II, Nahan, Palampur, Rajgarh, Shimla-I, Shimla-III and Theog.

2 Kullu-I, Palampur and Rampur.

General

Miscellaneous Departments

4.31 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 the 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 a copy to the next higher authorities.

The heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions within six weeks and report their compliance to the AG. Serious irregularities are also brought to the notice of the heads of departments by the office of the AG through a half yearly report of pending IRs sent to the Additional Chief Secretary (Finance).

A review of the IRs issued to 1,135 Drawing and Disbursing Officers (DDOs) during 1969-70 to December 2005 pertaining to Health and Family Welfare (105 DDOs) and Secondary Education (1,030 DDOs) departments, revealed that 2,991 paragraphs relating to 1,851 IRs remained outstanding at the end of June 2006. Of these, 855 IRs containing 1,147 paragraphs had not been settled for more than 10 years. The year-wise position of the outstanding IRs and paragraphs is detailed in **Appendix-XXV**.

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 234 offices of the Secondary Education Department for 234 IRs issued upto December 2005. Action taken on the serious irregularities commented upon in the outstanding IRs of the Secondary Education Department as detailed in **Appendix-XXVI,** has not been intimated to Audit.

A review of the pending IRs in respect of the Health and Family Welfare and Secondary Education 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.

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

The matter was referred to Government in June 2006; their reply had not been received (August 2006).