



SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

# **Report of the Comptroller and Auditor General of India for the period ended March 2022**



**Government of Himachal Pradesh  
Report No. 3 of 2025  
(Composite Audit Report-II)**



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Comptroller and Auditor General of India  
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## Table of Contents

Description	Reference to	
	Paragraph	Page(s) No.
<i>Preface</i>	<i>iii</i>	
<i>Overview</i>	<i>v</i>	
CHAPTER I: GENERAL		
Introduction	1.1	1
About the State of Himachal Pradesh	1.2	1
State Government Profile	1.3	3
Authority for Audit	1.4	5
Response of State Government to Audit	1.5	5
Acknowledgement	1.6	8
CHAPTER II: PERFORMANCE AUDIT ON WELFARE OF BUILDING AND OTHER CONSTRUCTION WORKERS		
Department of Labour and Employment (Himachal Pradesh Building and Other Construction Workers' Welfare Board)		
Introduction and Audit Framework	2.1	9
Notification and Framing of Rules	2.2	16
Registration of Establishments and Beneficiaries	2.3	18
Assessment, Collection and Transfer of Cess	2.4	33
Health and Safety Norms	2.5	44
Departmental Inspections	2.6	49
Administration and Utilisation of the Fund	2.7	52
Internal Control Mechanism and Beneficiary Survey	2.8	92
Conclusion	2.9	97
Recommendations	2.10	99
CHAPTER III: QUALITY MANAGEMENT IN PROCUREMENT, STORAGE AND DISTRIBUTION OF FOOD ITEMS		
Department of Food, Civil Supplies and Consumer Affairs		
Introduction	3.1	101
Organisational set-up	3.2	102
Audit objectives	3.3	103
Audit Criteria	3.4	103
Audit Scope and Methodology	3.5	103
Financial Management	3.6	104
Results of Audit	3.7	105
Deficiencies in quality management at the time of procurement, storage and distribution of the food items	3.8	105
Deficiencies in Monitoring and Supervision	3.9	115
Deficiencies in consumer awareness activities	3.10	118
Findings from the Joint Physical Inspection of godowns and Fair Price Shops	3.11	120
Findings from the Beneficiaries Survey	3.12	123
Findings from the independent qualitative analysis of the food items	3.13	123

Description	Reference to	
	Paragraph	Page(s) No.
Conclusion	3.14	126
Recommendations	3.15	127
<b>CHAPTER IV: ROLE OF HIMACHAL PRADESH KAUSHAL VIKAS NIGAM (HPKVN) IN SKILL DEVELOPMENT</b>		
<b>Technical Education, Vocational and Industrial Training Department</b>		
Introduction	4.1	129
Planning and Implementation	4.2	134
Fund Management	4.3	140
Infrastructure for skill trainings	4.4	146
Training	4.5	150
Capacity Building and Adequacy of Trainers	4.6	162
Monitoring and Internal Control mechanism	4.7	164
Conclusion	4.8	171
Recommendations	4.9	171
<b>CHAPTER V: INTEGRATED DEVELOPMENT OF THEME BASED TOURIST CIRCUIT IN HIMACHAL PRADESH THROUGH SWADESH DARSHAN SCHEME</b>		
<b>Tourism and Civil Aviation Department</b>		
Introduction	5.1	173
Planning for design, identification and selection of tourist circuits/ projects/ sites/ components	5.2	177
Funds Management	5.3	183
Execution of the Scheme	5.4	185
Conclusion	5.5	191
Recommendations	5.6	192
<b>CHAPTER VI: INDIVIDUAL AUDIT OBSERVATIONS (DEPARTMENTS)</b>		
<b>Department of Agriculture</b>		
Excess payment of subsidy to farmers on purchase of tractors under Sub-Mission on Agricultural Mechanisation	6.1	193
<b>Himachal Pradesh Public Works Department</b>		
Unfruitful and avoidable expenditure on construction of a bridge	6.2	194
Undue financial benefits/ favour to contractor and unfruitful expenditure on construction of road	6.3	200
<b>CHAPTER VII: INDIVIDUAL AUDIT OBSERVATION ON STATE PUBLIC SECTOR UNDERTAKINGS (SPSUs)</b>		
<b>Himachal Pradesh State Electricity Board Limited (HPSEBL)</b>		
Unfruitful expenditure on the construction of Transmission Lines	7.1	205
<b>APPENDICES</b>		<b>213</b>

## Preface

This Report of the Comptroller and Auditor General of India for the period ended March 2022 on Performance and Compliance Audit of Departments of Social, General and Economic Sectors except Departments of Planning, Finance and Economics and Statistics has been prepared for submission to the Governor of the State of Himachal Pradesh under Article 151 of the Constitution of India.

The Report contains significant results of Performance and Compliance Audit of Receipts and Expenditure of the Government of Himachal Pradesh, conducted in terms of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Services) Act, 1971.

The instances mentioned in this Report for Compliance Audit are those which came to notice in the course of test audit done for the year 2021-22 as well as those which came to notice for earlier years but could not be reported in the previous Audit Reports. Period covered in the Performance Audit is 2017-22. Instances relating to the period subsequent to year 2021-22 have also been included, wherever necessary.

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



# Overview



## Overview

This Report covers matters arising out of the Compliance Audit and Performance Audit of the Departments of Labour and Employment, Food, Civil Supplies and Consumer Affairs (FCSCA), Technical Education, Vocational and Industrial Training (TEVIT), Tourism and Civil Aviation (TCA), Agriculture, Public Works and one State Public Sector Undertaking i.e. Himachal Pradesh State Electricity Board Limited (HPSEBL). The Report contains one Performance Audit, three Subject Specific Compliance Audits (SSCAs) and four individual Compliance Audit observations. The Report has been organised into seven chapters as under:

### **Chapter I - General**

This Chapter contains description of the State Government of Himachal Pradesh, brief profile of the State for the year 2021-22, the authority for audit and response of the State Government to Inspection Reports and Audit Observations.

### **Performance Audit**

#### **Department of Labour and Employment**

#### **(Himachal Pradesh Building and Other Construction Workers' Welfare Board)**

### **Chapter II - Welfare of Building and Other Construction Workers**

Building and other construction workers in India are among the most vulnerable segments of the unorganised labour force facing inherent risks to life and limb of the workers, casual nature of employment, uncertain working hours and inadequate welfare facilities. To address these issues, the Government of India enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and established a cess on construction costs to fund social security and welfare schemes through the Building and Other Construction Workers' Welfare Cess Act, 1996. In line with this, Himachal Pradesh implemented the Himachal Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2008 and created the Himachal Pradesh Building and Other Construction Workers' Welfare Board in 2009, leading to the establishment of the Himachal Pradesh Building and Other Construction Workers' Welfare Fund.

The Audit covered a period of five years from 2017-18 to 2021-22. However, where inconsistency in rules was observed and updated data beyond audit period was available, the same has been added in the Report, wherever required.

The rule formulated on financial assistance for marriage lacked clarity as it failed to specify how many members can apply and who from the family is eligible to claim the assistance. This led to situations where the same marriage received assistance more than once. Furthermore, the health check-up framework was deficient in supervision and

record-keeping by the Board. Additionally, the minimum registration period of 10 years, recommended under the Model Welfare Scheme formulated by the Ministry of Labour and Employment, Government of India, was not adopted by the Board. It adopted minimum registration period of three years without assessing long-term liability of pension.

The State Government has not developed any mechanism to monitor construction activities in the State. The process of registration of establishments had issues of not obtaining commencement/completion notice from the employers, delay in registration and non-registration of eligible establishments. The process of registration of workers was flawed as monthly returns from the employers were not being obtained, issues of non-registration of eligible workers, duplicate/triplicate registrations, bogus registrations and registration without obtaining documents of workers were noticed.

Also, there was a shortfall in organisation of camps and registration of workers and it was not ensured that details of work done are entered in the identity cards of the workers by the employers to ensure validity of work period. The mismatch in figures of the Board and LOs/LI of registered workers and camps organised, points towards the ineffective reporting mechanism.

The Assessing Officers-cum-LOs failed to obtain Form-I from all employers as required by the Cess Rules and only issued six assessment orders amounting to ₹ 12.91 lakh while cess amounting to ₹ 407.61 crore was deposited without any assessment during 2017-22. The Board did not coordinate with Local Bodies to share information on approved building plans and construction projects. Additionally, establishment-wise data of cess collected was not maintained and non-reconciliation of cess led to difference of ₹ 226.52 crore in cess figures of the Board and the LOs. The Board or the Department did not provide a uniform format for transferring cess to the fund, resulting in cess of ₹ 112.39 crore being kept in the suspense account, ₹ 13.24 crore deposited in the fund without information about the jurisdiction of LO and collection charges not remitted to the Government Treasury. Furthermore, instances of short realisation of cess of ₹ 4.20 crore due to dishonoured cheques/bank drafts not being corrected or revalidated in time and non-remittance of cess of ₹ 8.26 lakh was noticed.

The test checked LOs/LI did not inspect sites where accidents had occurred before or after the accidents and did not conduct investigation/inquiry after the accidents. A Joint Physical Inspection also found that construction sites lacked essential safety measures, including first-aid kits, safety equipment, on-site fire safety equipment, and basic amenities like water, toilets, and shelter.

The State Government had not revised the inspection targets after September 2011 indicating a lack of analysis of ongoing construction activities with respect to available manpower. Significant shortfall in inspections ranging from 62 to 76 *per cent* was noticed during 2017-22. LOs/LIs did not maintain Inspection Notes or Registers to monitor compliance with safety deficiencies noted in previous inspections. The



inspection mechanism lacked risk-based assessments according to size of construction sites and inspect large construction projects approved by the Local Authorities.

Administrative irregularities included shortfall of 77 *per cent* in holding the Board meetings and delay in constitution of State Advisory Committee and not holding any of its meetings. Annual accounts were submitted for audit after taking upto 19 months, Annual Report was approved with delay of upto 33 months and submitted to the State Government with delay of upto 31 months. Annual Budget was approved with delay ranging from three to 15 months.

Staff shortage of 35 *per cent* observed, key posts being held on additional charge and filling of 75 *per cent* posts on outsourced basis hindered the implementation of welfare Acts.

Financially, ₹ 703.15 crore were accumulated in the fund, administrative expenditure limit of five *per cent* was breached twice in 2017-18 and 2018-19, and ₹ 15.89 crore was spent irregularly on donations, construction and advertising. The Board had accrued income tax liability of ₹ 191.01 crore due to erroneous registration under Income Tax Act.

Implementation of welfare schemes faced inconsistent rules, non-coverage of beneficiaries, non-distribution of material and improper payments. Inaction by LOs/LIs on rectifying rejected claims and delays in disbursement of welfare benefits was also observed. The Board did not establish an effective system for social audits of benefits.

The internal control and monitoring mechanism was nearly non-existent, as the Board and LOs/LIs did not maintain control registers or records. Of 243 workers surveyed, only seven (three *per cent*) were actually engaged in construction work, raising doubts about whether welfare benefits were being provided to the intended construction workers. Unregistered workers were unaware of the welfare benefits, indicating ineffective publicity by the Board.

*The State Government may*

- *Specify in the application form related to financial assistance for marriage that assistance has not been applied/obtained by different family members including self for the marriage of same person. Rule should also bring clarity to avoid instances of marriage assistance more than once.*
- *Ensure compliance with the recommendations of Model Welfare Scheme. Deviation, if any, should be properly assessed before adoption.*
- *The Department should operationalise use of GIS mapping and conduct proper inspections for monitoring construction activities in the State.*
- *The registration of all eligible workers in the State must be ensured through proactive approach on behalf of the Board and the Department by way of camps, targeted publicity campaigns, special drives etc. instead of leaving it on the initiative of the workers.*

- *The LOs should ensure that the employers/contractors submit monthly returns in Form-XXX so that information about construction workers eligible for registration at the construction site would be available with the LOs.*
- *Also, lacunae in the registration process resulting in duplicate registration, bogus registration on the basis of fraudulent certificates etc. must be removed through development of appropriate software with the necessary controls.*
- *The Department and the Board must ensure that comprehensive database on account of cess is prepared at LOs and the Board level.*
- *Process of obtaining Form-I and assessment of cess thereafter must be followed diligently to avoid any loss of revenue.*
- *The Department should coordinate with other concerned Departments to collect cess from all eligible establishments in the State. There could be added a provision of “cess deposition” in the application for Building Plan approval from Local Bodies.*
- *Cess collection should be reconciled regularly by the Board as well as the Cess Collector.*
- *The Government or the Board should provide a uniform format to be submitted by all the cess deductors with details of individual establishments/construction works, amount, period of cess deducted, mode of cess transfer in Board’s bank account, details of pending cess (if any), amount of cess paid in advance (if any), jurisdiction of Labour Office etc.*
- *The LOs and LIs, being the field agents of the Department and the Board, must inspect the construction sites regularly and maintain inspection notes and registers to ensure compliance to the issues raised or shortcomings noticed during previous inspections regarding the safety and health of the construction workers.*
- *The Department should revise inspection targets regularly after analyzing ongoing construction activities and also available staff strength and formulate a comprehensive inspection policy specifying periodical visits and risk-based assessment of construction sites in the State.*
- *The Department and the Board should develop software for registration of workers and establishments through which the applications for welfare benefits may also be submitted, scrutinised and sanctioned for speedy disbursement of benefits to worker.*
- *The Board and SAC meetings should be held at regular intervals and preparation and approval of Annual Accounts and Annual Reports must be ensured within prescribed time frame.*
- *The Board should coordinate with Social Audit Unit of the State and take steps to conduct Social Audit in all the Blocks of the State periodically.*

- *The Board may ensure implementation of schemes to provide maximum benefits to all eligible workers in the State, thereby avoiding accumulation of funds. Also, expenditure from the fund should be in accordance with provisions of the Act/rules.*
- *It is recommended that avoidable expenditure towards income tax liability is addressed.*
- *A database on account of welfare benefits should be prepared to remove irregularities regarding double sanctions, instances of unjustified and irregular payments and it also warrants proper scrutiny of applications and documents attached by the field officers as well as the Board while sanctioning the claims.*

## Compliance Audit

### Department of Food, Civil Supplies and Consumer Affairs

#### Chapter III - Quality Management in Procurement, Storage and Distribution of Food Items

The State Government has entrusted the Department and the Himachal Pradesh State Civil Supplies Corporation Limited (Corporation) with the responsibility of procuring and distributing various food items under TPDS, its monitoring and quality control at various levels with the help of field functionaries.

Audit observed that the Department did not revise the inspection targets in line with TPDS (Control) Order, 2015 and hence fell short in fixing the same. Further, even the targets fixed for inspections by the Department were not met. Shortfall in sample collection for testing the quality of food items was observed. Due to delays in disseminating the test report to the field units, substandard food items were distributed in the State. Lackadaisical approach in upgradation and modernisation of Departmental FTL resulted in lapse of allocated Budget, non-accreditation and non-upgradation of the laboratory. Thus, the Departmental action for ensuring the quality of food items through Joint Physical Inspection and lab testing as required under the applicable Act/order was found insufficient by Audit.

The Department was found lacking in ensuring proper monitoring and supervision at all levels. The Vigilance Committees required to be formed at every Block and FPS level had not been constituted in many of the Blocks and FPSs. Further, non-holding of periodical meetings of the Vigilance Committees up to the prescribed extent undermined the transparency and accountability of TPDS system in the State. The Department was lagging behind in utilising the allotted Budget for consumer sensitisation activities, which limited the beneficiary's capacity to be a participant in the quality control process.

During physical verification of the wholesale godowns, various quality related shortcomings were noticed. Beneficiaries have also reported below average quality of food items during Beneficiary Survey. Further, most of the beneficiaries did not have

the knowledge of the Department's toll-free number and were not aware of the complaint mechanism. Thus, Audit concludes that monitoring systems and consumer awareness measures undertaken by the Department were inadequate and leaves scope for improvement.

Independent qualitative analysis of food items conducted by Audit revealed that none of the samples of fortified rice and fortified wheat flour conformed to the prescribed level of micronutrients. In addition, some fortified salt samples also did not conform to the prescribed level of micronutrients.

*The Government may consider the following:*

- *Fixing the inspection targets of various field functionaries in line with the TPDS (Control) Order, 2015 and ensure that the targets are duly achieved.*
- *Take measures to ensure that there is no shortfall in collection of samples of various food items by the field functionaries from the FPSs, mills and godowns.*
- *Expedite the process of upgradation and modernisation of its FTL and ensure its accreditation with the standardised agency.*
- *Ensure that no food item is distributed before its testing and the results should be conveyed to the field units expeditiously.*
- *Ensure formation of Vigilance Committees at all levels and their regular meetings.*
- *Emphasise upon community participation as a key component of improving accountability and transparency in the State.*
- *Proactive monitoring of the fortification programme in the State.*

## **Technical Education, Vocational and Industrial Training Department**

### **Chapter IV - Role of Himachal Pradesh Kaushal Vikas Nigam (HPKVN) in Skill Development**

Skills and knowledge are the driving forces of economic growth and social development for any country. The HPKVN is responsible for skilling of youth of the State through short term courses for self-employment and employment in private sector. Programme implementation has not been given due attention by two State/ Departmental Level Monitoring Committees. There was absence of effective planning in the HPKVN as Annual Plans of HPKVN were not prepared. Efforts to converge skill development programmes implemented by various Departments under one umbrella were not effective. Trainings in Agriculture and Horticulture Sectors were not adequate. Utilisation of funds was low during 2017-22 due to delay in empanelment of TSPs, delay in start of trainings, low progress on civil works, etc. Performance Security was not obtained from the TSPs. Exemption from GST Council towards payment of GST on training conducted by the TSPs has not been obtained. There was shortfall in providing wage employment to both female and PwD candidates. Records relating to

adherence to the various provisions of the PMKVY guidelines such as biometric attendance, insurance of candidates, organising Kaushal Melas, training linked to captive placements, etc., have either not been maintained or the provisions have not been complied with. Monitoring, inspection and internal control mechanism was also not effective. The performance of consulting firms engaged for implementation of HPSPDP was also not satisfactory. Surveyed candidates expressed dissatisfaction towards non-conduct of job fairs and non-providing of placements by the TSPs after their certification.

*In view of the audit findings, the State Government may consider*

- *Skilling in sectors matching with aspiration of candidates so that they undergo trainings, take placements, and do associated jobs with objective of long-term employment.*
- *Providing adequate infrastructure for training of candidates by timely completion of infrastructure.*
- *Providing trainings in sectors with local job opportunities and skilling in local arts and crafts with provision for finance, market, display-sale centres to publicise the same and linking of trainings to captive placement.*
- *Ensuring monitoring of implementation of programmes at apex level and adequate inspections of training by various Departmental functionaries.*
- *Ensuring monitoring the performance of firms and TSPs in compliance to the contractual agreement.*

## **Tourism and Civil Aviation Department**

### **Chapter V - Integrated Development of Theme Based Tourist Circuit in Himachal Pradesh through Swadesh Darshan Scheme**

The objectives outlined in the DPR of Integrated Development of Himalayan Circuit (Circuit) relating to boosting local economy through employment to local youth, enhancing income by tourism activity were not achieved.

Circuit under the scheme was not clearly defined as projects were identified and proposed at isolated places without identifying entry/ exit points in the DPR. Hence, the tourist circuit proposed was unable to motivate the tourists to visit most or next destinations of the circuit.

Consultants for preparation of DPRs of individual components were engaged without following the tender process. Considerable time was taken in preparation and finalisation of Detailed Project Report of Circuit as a whole. The consultants had not prepared DPRs of the individual components within the stipulated time.

Due to non-availability of land and necessary clearance/ no objection certificates of different Departments/agencies, two components were dropped midway, and others remained unexecuted for long and resulted in unfruitful/wasteful expenditure.

No expenditure was incurred for IEC activities. Liquidated damages were not imposed in two cases despite inordinate delay in completion of the components.

The diversion of the IDSD funds observed in the SDS component Convention Center at Kiarighat was against the SDS guidelines.

The Department had handed over operation and maintenance of one completed component without signing a memorandum of understanding with the concerned Agency and another completed component was not handed over to the operation and maintenance Agency.

On Joint Physical Inspection by Audit, it was observed that some of the sub-components of the sanctioned components were either not constructed or constructed in variance of the approval, making the expenditure incurred unfruitful.

Performance Security of ₹ 1.57 crore from the successful bidder was not obtained resulting in extension of undue favour to the contractor.

*The State Government may consider the following:*

- *Preparation of DPRs of the projects as per standards/guidelines so as to avoid delays/dropping of the components.*
- *Ensuring compliance with all checklists regarding availability of land/forest clearances/no objection certificates from all the Departments concerned and completion of all codal formalities before awarding works for execution so as to ensure their execution, within the stipulated period.*
- *Expediting utilisation of funds and creation of infrastructure facilities under the projects so as to derive intended benefits of the scheme in time.*
- *Ensuring strict compliance with the stipulated clauses of the contract agreement including recovery of liquidated damages from the contractor.*

## **Chapter VI - Individual Audit Observations (Departments)**

### **Department of Agriculture**

#### **Excess payment of subsidy to farmers on purchase of tractors under Sub-Mission on Agricultural Mechanisation**

Non-adherence to the pattern of assistance under Centrally Sponsored Scheme “Sub-Mission on Agricultural Mechanisation (SMAM)” resulted in excess payment of financial assistance of ₹ 4.61 crore to 1,005 beneficiaries in the test-checked Districts.

*(Paragraph 6.1)*



## **Himachal Pradesh Public Works Department**

### **Unfruitful and avoidable expenditure on construction of bridge**

Construction of a bridge with improper design coupled with inaction against the defaulters/ contractor and lack of investigation as well as lackadaisical attitude of the Department towards execution of rehabilitation work of the damaged bridge resulted in unfruitful expenditure of ₹ 10.60 crore. Further, it also involved an avoidable expenditure of ₹ 4.15 crore on rehabilitation and strengthening of the damaged bridge (₹ 2.15 crore) and construction of alternate multi-span Bailey bridge (₹ two crore), resultantly defeating the objective of providing relief to the commuters.

*(Paragraph 6.2)*

### **Undue financial benefits/ favour to contractor and unfruitful expenditure on construction of road**

Failure of the Department to expedite the execution of the work within stipulated period resulted in extension of undue financial benefits/ favour of ₹ 1.69 crore to the contractor, besides rendering the expenditure of ₹ 4.86 crore on the work unfruitful due to the work not completed on time.

*(Paragraph 6.3)*

## **Chapter VII - Individual Audit Observation on State Public Sector Undertakings (SPSUs)**

### **Himachal Pradesh State Electricity Board Limited (HPSEBL)**

#### **Unfruitful expenditure on the construction of Transmission Lines**

Poor/faulty planning for construction of (i) 400 KV Single Circuit transmission line without the provision of equivalent voltage sub-station and (ii) two 33 KV lines without required bays resulted in unfruitful expenditure of ₹ 76.26 crore. Further, this also resulted in non-achievement of the related objectives of these works.

*(Paragraph 7.1)*





# **Chapter-I**

## **Introduction**



## **Chapter I: General**

### **1.1 Introduction**

This Report covers matters arising out of the Performance Audit and Compliance Audit of the Departments and State Public Sector Enterprises of the State Government. The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. Findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing to better governance.

The Report has been organised in seven chapters as under:

Chapter-I contains description of the State Government of Himachal Pradesh, brief profile of the State for the year 2021-22, the authority for audit, response of the State Government to various audit products namely Inspection Reports, individual observations/paragraphs and follow-up action on Audit Reports.

Chapter-II contains Performance Audit Report on ‘Welfare of Building and Other Construction Workers’.

Chapter-III contains Subject Specific Compliance Audit on ‘Quality Management in Procurement, Storage and Distribution of Food Items’.

Chapter-IV contains Subject Specific Compliance Audit Report on ‘Himachal Pradesh Kaushal Vikas Nigam (HPKVN)’.

Chapter-V contains Subject Specific Compliance Audit Report on ‘Integrated Development of Theme Based Tourist Circuit in Himachal Pradesh Through Swadesh Darshan Scheme’.

Chapter-VI contains individual observations relating to Compliance Audit of Departments.

Chapter-VII contains individual observation relating to Compliance Audit of State Public Sector Undertakings.

### **1.2 About the State of Himachal Pradesh**

Himachal Pradesh is situated in the western Himalayas. The State has a geographical area of 55,673 sq. km, which constitutes 1.69 *per cent* of the geographical area of the country. Recorded Forest Area (RFA) in the State is 66.52 *per cent* of the State’s area. The State is predominantly mountainous with altitudes ranging from 350 metres to 6,975 metres above the mean sea level. About one third of the area of the State is permanently under snow, glaciers and cold desert. The Average Annual Rainfall is about 1,800 mm. The temperature of the State varies from sub-zero to 35°C. The Satluj, Beas, Ravi, Chenab and Yamuna are the major rivers of the State.

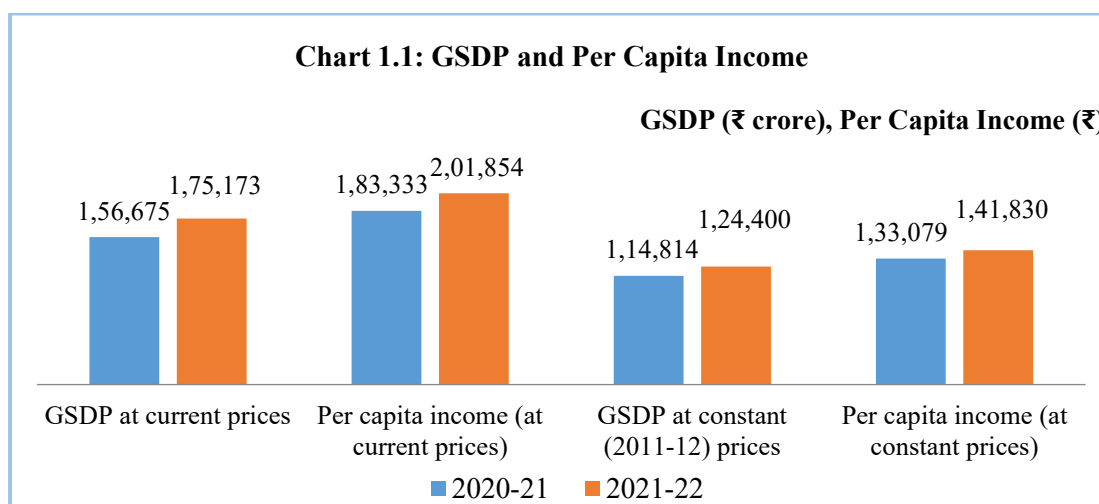
Himachal Pradesh became a State on 25 January 1971. It is a Special Category State. The State is bordered by Punjab, Haryana, Jammu and Kashmir, Ladakh, Uttarakhand, and Uttar Pradesh. The State shares an international border with China.

The State has 12 Districts of which most are hill Districts and three are Tribal Districts. As per the 2011 census, Himachal Pradesh has a population of 68.6 lakh accounting for 0.57 *per cent* of India's population. The rural and urban population constitutes 89.97 *per cent* and 10.03 *per cent* respectively. Tribal population is 5.71 *per cent* of the State's population. Agriculture is the main occupation of the people of Himachal Pradesh as it provides direct employment to about 69 *per cent* of the main working population. Manufacturing, Horticulture and Tourism are other important sectors of the State.



### 1.2.1 State Economy

Gross State Domestic Product<sup>1</sup> (GSDP) of Himachal Pradesh is estimated to be ₹ 1,24,400 crore at constant prices<sup>2</sup> (2011-12) at the end of the Financial Year 2021-22, registering growth of 8.35 *per cent* over the previous year. GSDP of Himachal Pradesh (at constant prices) was 0.84 *per cent* of national GDP (₹ 147.36 lakh crore). GSDP and per capita income (both at current and constant prices) for 2021-22 in comparison with 2020-21 are depicted in **Chart 1.1**.



Source: Information supplied by Economic and Statistics Department of Himachal Pradesh.

<sup>1</sup> Total value of goods and services produced during a Financial Year within the State. It is the most commonly used indicator to measure the size of an economy of a State.

<sup>2</sup> GSDP at constant prices excludes the impact of inflation, while GSDP at current prices includes the impact of inflation.

## 1.3 State Government Profile

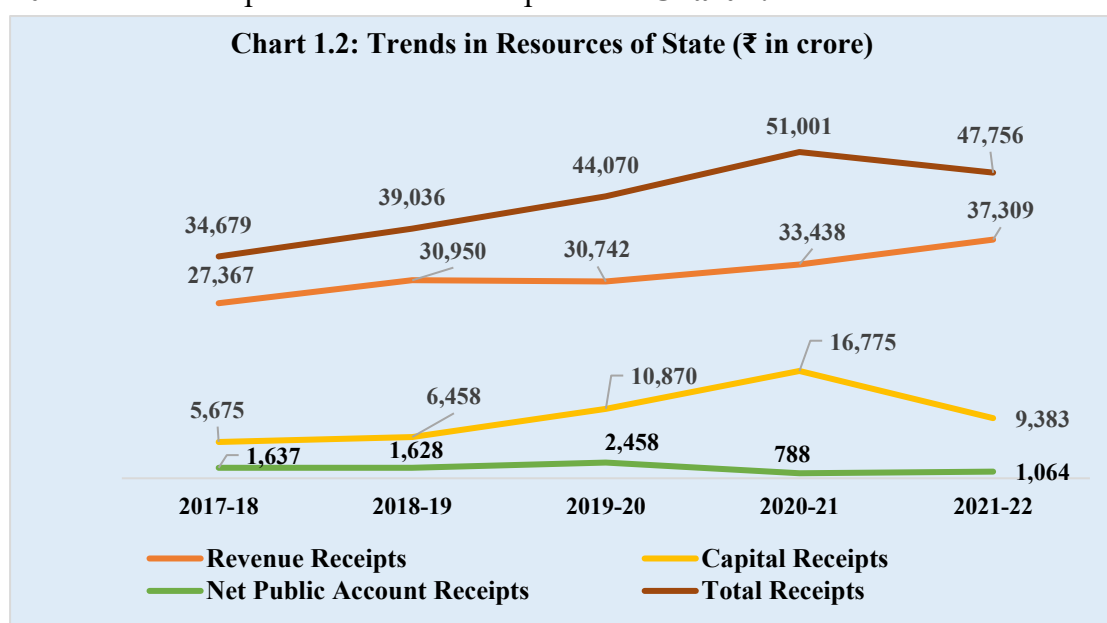
### 1.3.1 Structure of Government

The Government of Himachal Pradesh is organised into 48 Departments and 29 State Public Sector Undertakings (PSUs). In addition to the above, there are 53 Autonomous Bodies in the State.

The State has 61 Urban Local Bodies (ULBs) which include five Municipal Corporations (Shimla, Dharamshala, Solan, Mandi and Palampur), 29 Municipal Councils and 27 Nagar Panchayats. Further, there are 3,708 Panchayati Raj Institutions (PRIs) which include 12 Zila Parishads, 81 Panchayat Samitis and 3,615 Gram Panchayats as on 31 March 2022.

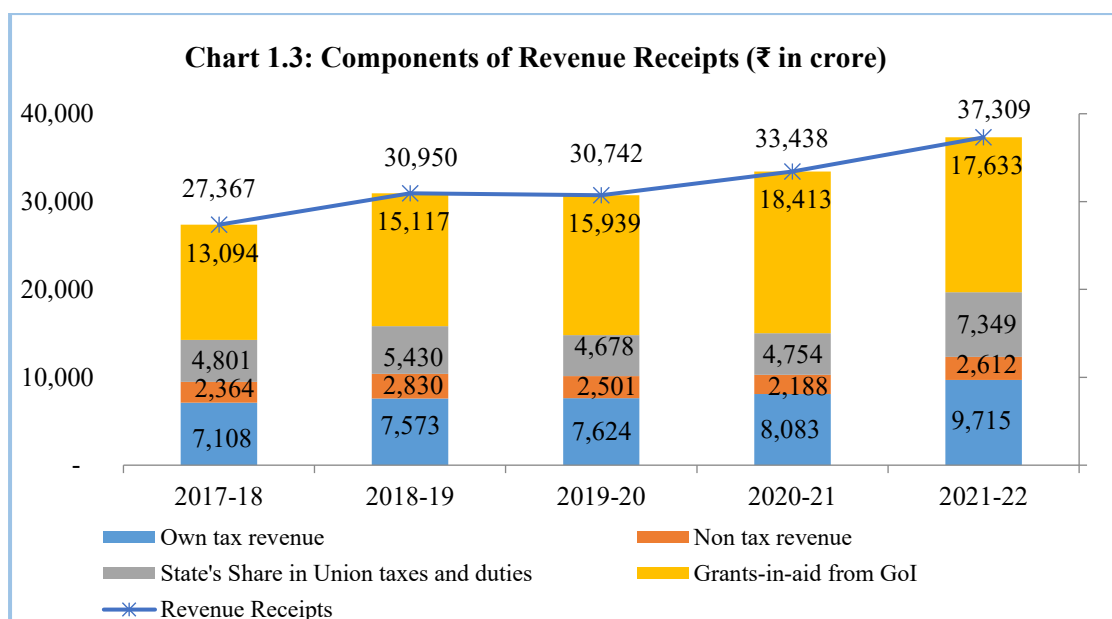
### 1.3.2 Receipts of the State Government

The trend in total receipts of the State Government during the period 2017-18 to 2021-22 and components thereof is depicted in **Chart 1.2**.



Source: State Finances Audit Report for the year ended 31 March 2022 Government of Himachal Pradesh.

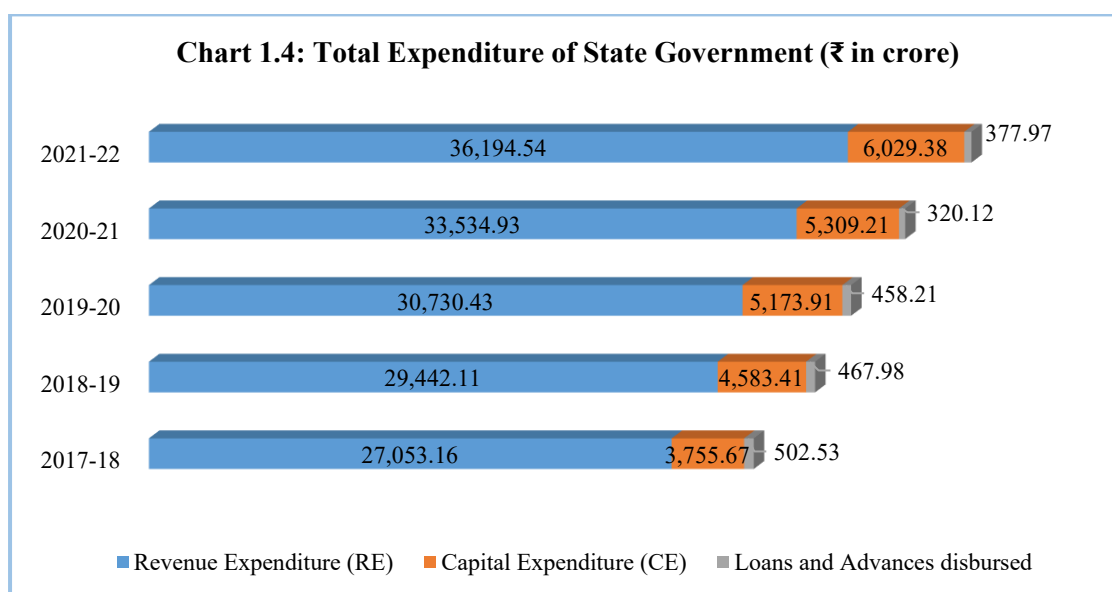
The trend in components of Revenue Receipts during the period 2017-18 to 2021-22 has been depicted in **Chart 1.3**.



Source: State Finances Audit Report for the year ended 31 March 2022, Government of Himachal Pradesh.

### 1.3.3 Expenditure Profile of State Government

Total expenditure of the State Government during the last five years and its composition is depicted in Chart 1.4.



Source: State Finances Audit Report for the year ended 31 March 2022, Government of Himachal Pradesh.

Further details on Budget, Receipts, Expenditure, and other dimensions of State Finances are discussed in the CAG's State Finances Audit Report (SFAR) for Himachal Pradesh.

## 1.4 Authority for Audit

Authority for audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG conducts audit of expenditure of State Government Departments under Section 13<sup>3</sup> of the CAG's DPC Act. In addition, CAG also conducts audit of other Autonomous Bodies which are substantially financed by the Government under Section 14<sup>4</sup> of DPC Act. Section 16 of the CAG's DPC Act authorises CAG to audit all receipts (both revenue and capital) of the Government of India and of Government of each State and of each Union Territory having a Legislative Assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts (Amendments), 2020 and Auditing Standards issued by the Indian Audit and Accounts Department.

## 1.5 Response of State Government to Audit

### 1.5.1 Response to Inspection Reports

Inspection Report (IR) refers to an Audit Report issued by the Audit Office [*viz.*, PAG (Audit), HP] after completion of audit of an auditable entity<sup>5</sup>. IR contains individual audit observations/findings (referred to as Audit Paragraphs) and may contain audit findings on a specific theme.

The heads of the auditable entities, through their next higher authorities, are required to report compliance with respect to the findings contained in the IRs to the PAG (Audit) within four weeks of receipt of IRs. Based on the action taken, an Audit Paragraph is either settled or the auditable entity is requested to take further corrective action. When all the Audit Paragraphs in an IR are settled, the IR is treated as settled. Ad-hoc Committee meetings are scheduled by the Finance Department on an annual basis where Audit Paragraphs of IRs are discussed for settlement. Status of IRs and Audit Paragraphs therein pertaining to Social, General (excluding three Departments<sup>6</sup>) and Economic Sectors as of 31 March 2022 is shown in **Table 1.1**.

<sup>3</sup> Audit of (i) all expenditure from the Consolidated Fund of State; (ii) all transactions relating to Contingency Fund and Public Accounts; and (iii) all trading, manufacturing, profit and loss accounts, balance-sheets and other subsidiary accounts.

<sup>4</sup> Several non-Commercial Autonomous/Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, etc., and substantially financed by the Government, are audited under Section 14.

<sup>5</sup> Auditable entity refers to any entity of the State Government including any Office, Authority, Body, Company, Corporation, Fund, Local Body, or any other entity subject to audit by the Comptroller and Auditor General of India.

<sup>6</sup> Planning, Economics and Statistics and Finance Departments.

**Table 1.1: Status of settlement of Inspection Reports and Audit Paragraphs**

Sr. No.	Particulars	Inspection Reports	Audit Paragraphs
1.	Pendency as of 31 March 2021	11,254	50,912
2.	Issued during the year 2021-22	617	8,414
3.	Settlement during 2021-22	328	4,557
4.	Pendency as of 31 March 2022	11,543	54,769

### 1.5.2 Response of State Government to Audit Observations contained in previous CAG Audit Reports

CAG's Audit Reports that are tabled in the Legislature stand referred to the PAC/COPU. According to the Rules and Procedures of the PAC/COPU (as per recommendations of Shakhder Committee), all State Government Administrative Departments/Public Sector Undertakings are required to initiate *suo motu* action on all Audit Paragraphs featuring in these Audit Reports. They are required to furnish, within three months of the presentation of the Audit Reports to the State Legislature, detailed notes to PAC/COPU indicating the remedial action taken or proposed to be taken by them with respect to the Audit Paragraphs contained in the Audit Reports.

The status of *suo motu* replies to audit observations contained in previous years' CAG Audit Reports on Social, General and Economic Sectors and CAG Audit Reports on PSUs, as of 31 March 2022 is given in **Table 1.2**.

**Table 1.2: Status of *suo-motu* replies for audit observations contained in previous Audit Reports**

Name of the Report	Year of the Report	Total Audit Observations included in the Report		Suo-motu replies received		Suo-motu replies not received	
		Performance Audits	Compliance Audit Paragraphs	Performance Audits	Compliance Audit Paragraphs	Performance Audits	Compliance Audit Paragraphs
CAG Audit Report on Social, General and Economic (Non-PSUs) Sectors	2012-13 to 2018-19	24	138	21	111	3	27
CAG Audit Report on PSUs	2016-17 to 2018-19	2	34	2	23	0	11

Year-wise detail of *suo-motu* replies not received as shown in **Table 1.2** is given in **Appendix 1.1**.

### 1.5.3 Discussion of CAG Audit Reports in PAC/COPU

CAG Audit Reports referred to Public Accounts Committee (PAC) and Committee on Public Undertakings (COPU) are taken up for discussion and oral examination by the Committee concerned. State Government officials (usually the Administrative Secretaries of State Government Department concerned/heads of State PSUs) are called for oral examination by PAC/COPU. During the year 2021-22, the status of audit observations discussed by PAC/COPU and status of audit observations pending for



discussion in the PAC/COPU as of 31 March 2022 is given in **Table 1.3**.

**Table 1.3: Discussion of Audit Observations during the year 2021-22 and Audit observations pending for discussion as of 31 March 2022 in PAC/COPU**

Concerned Legislative Committee -Name of the Report	Year of the Report	Total Audit Observations included in Reports		Audit Observations discussed in PAC/COPU up to March 2021		Audit Observations discussed in PAC/COPU during 2021-22		Audit Observations pending for discussion in PAC/COPU as of 31 March 2022	
		Performance Audits	Compliance Audit Paragraphs	Performance Audits	Compliance Audit Paragraphs	Performance Audits	Compliance Audit Paragraphs	Performance Audits	Compliance Audit Paragraphs
<b>PAC-</b> CAG Audit Report on Social, General and Economic (Non-PSUs) Sectors	2008-09 to 2018-19	43	322	28	240	5	23	10	59
<b>COPU-</b> CAG Audit Report on PSUs	2015-16 to 2019-20	3	50	1	3	0	12	2	35

During the year 2021-22, the status of audit observations discussed by PAC/COPU is given in **Appendix 1.2** and the year-wise details of audit observations pending for discussion in PAC/COPU is given in **Appendix 1.3**.

#### 1.5.4 Response of the State Government to recommendations of PAC/COPU

PAC/COPU prepares reports summarising the Committee's hearings, action taken by the State Government/PSUs and recommendations of the Committee. These reports are submitted to the State Legislature. Administrative Departments and PSUs are required to submit Action Taken Notes (ATNs) on recommendations of PAC/COPU within three months from the date of receipt of recommendations. The status of ATNs on the recommendations of PAC/COPU, as of 31 March 2022, is shown in **Table 1.4**.

**Table 1.4: Status of Action Taken Notes (ATNs) on the recommendations of PAC/COPU**

Name of the Report	Concerned Legislative Committee	PAC/COPU recommendations pertaining to Legislative Assembly Tenures	Number of Departments/ PSUs	Number of total pending ATNs on recommendations of PAC/COPU
CAG Audit Report on Social, General and Economic (Non-PSUs) Sectors	Public Accounts Committee (PAC)	Vidhan Sabha VI, VII, VIII, IX, X, XI, XII, XIII	20	95
CAG Audit Report on PSUs	Committee on Public Undertakings (COPU)	Vidhan Sabha XII and XIII	11	26

Department-wise and Vidhan Sabha tenure-wise detail of **Table 1.4** is given in **Appendix 1.4**.

## **1.6 Acknowledgement**

The Office of the Principal Accountant General (Audit), Himachal Pradesh acknowledges the cooperation extended by the State Government Departments, Public Sector Undertakings and other auditable entities during the course of audit. We acknowledge the cooperation extended by the Himachal Pradesh Building and Other Construction Workers' Welfare Board and the Department of Labour and Employment of Himachal Pradesh during the conduct of the Performance Audit.

We also acknowledge the cooperation extended by the Departments of Food, Civil Supplies and Consumer Affairs; Technical Education; and Tourism and Civil Aviation during the conduct of Subject Specific Compliance Audits. We hope that our audit findings will help highlight areas for improvement and suggest corrective actions based on the observations contained in this Audit Report.

**Chapter-II**  
**Performance Audit on Welfare of**  
**Building and Other Construction**  
**Workers**



## **Chapter II: Performance Audit on Welfare of Building and Other Construction Workers**

### **Department of Labour and Employment**

#### **(Himachal Pradesh Building and Other Construction Workers' Welfare Board)**

### **2.1 Introduction and Audit Framework**

#### **2.1.1 Introduction**

Building and other construction workers are one of the most vulnerable segments of the unorganised labour in India. Building and other construction works are characterised by their inherent risk to the life and limb of the workers. The work is also characterised by its casual nature, temporary relationship between employer and employee, uncertain working hours, lack of basic amenities and inadequacy of welfare facilities.

It was considered necessary to constitute Welfare Boards in every State to provide and monitor social security schemes and welfare measures for the benefit of building and other construction workers. For the said purpose, the Government of India brought out a comprehensive legislation, namely, the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (hereinafter referred to as “the Act”). It was also considered necessary to levy a cess on the cost of construction incurred by the employers on the building and other construction works for ensuring sufficient funds for the Welfare Boards to undertake the social security schemes and welfare measures. The cess was provided for in the Building and Other Construction Workers' Welfare Cess Act, 1996 (hereinafter referred to as “the Cess Act”).

Himachal Pradesh Government notified Himachal Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2008 (hereinafter referred to as “HPBOCW Rules”). It constituted Himachal Pradesh Building and Other Construction Workers' Welfare Board (hereinafter referred to as “the Board”) in March 2009 and thereafter Himachal Pradesh Building and Other Construction Workers' Welfare Fund (hereinafter referred to as “the Fund”) was created.

The Board consists of a Chairperson appointed by the State Government, a member nominated by the Central Government, not more than five persons representing the building and other construction workers appointed by the State Government, not more than five persons from among the employers of construction and building workers appointed by the Government, not more than five members representing the State Government of whom one shall be the Chief Inspector of Inspection of Building and Construction of the State, one each shall be a representative of Finance Department, Law Department, Labour Department and Welfare Department.

The functions of the Board are carried out by the Secretary-cum-Chief Executive Officer (CEO), who is further assisted by Assistant Controller for looking into accounts and financial work, Executive Officer for administrative matters, Section Officers to examine welfare scheme applications and other staff for assisting in day to day work . At field level, 12 Labour Officers<sup>1</sup> (LOs) and 33 Labour Inspectors<sup>2</sup> (LIs) of the Department of Labour and Employment are posted throughout the State for effective discharge of the functions of the Board and the Department. Further, in March 2023, 12 Labour Welfare Officers (LWOs)<sup>3</sup> were appointed, who work as the field functionaries of the Board.

The Department of Labour and Employment, Government of Himachal Pradesh (hereinafter referred to as “the Department”) aims to promote growth of industrial and commercial activities by ensuring harmonious relationship between the employer and workmen through preventive steps, conciliatory effort, adjudicatory and punitive action and promoting welfare activities for workmen. This is done through the implementation of 27 Central Acts and two State Acts in the State. These Acts are listed in **Appendix 2.1**. The Act and the Cess Act, which form the core of this Performance Audit Report, are among these 27 Central Acts.

Labour Commissioner-cum-Director of the Department is Chief Inspector and Appellate Authority under the Act and the Cess Act respectively. The 12 Labour Offices are each headed by a Labour Officer of the Department who are appointed as Cess Collectors cum Assessing Officers, Authorised Officers and Inspectors. In addition, the office of the LI Hamirpur is also authorised for registration of workers and submission of welfare claims of the beneficiaries in his jurisdiction.

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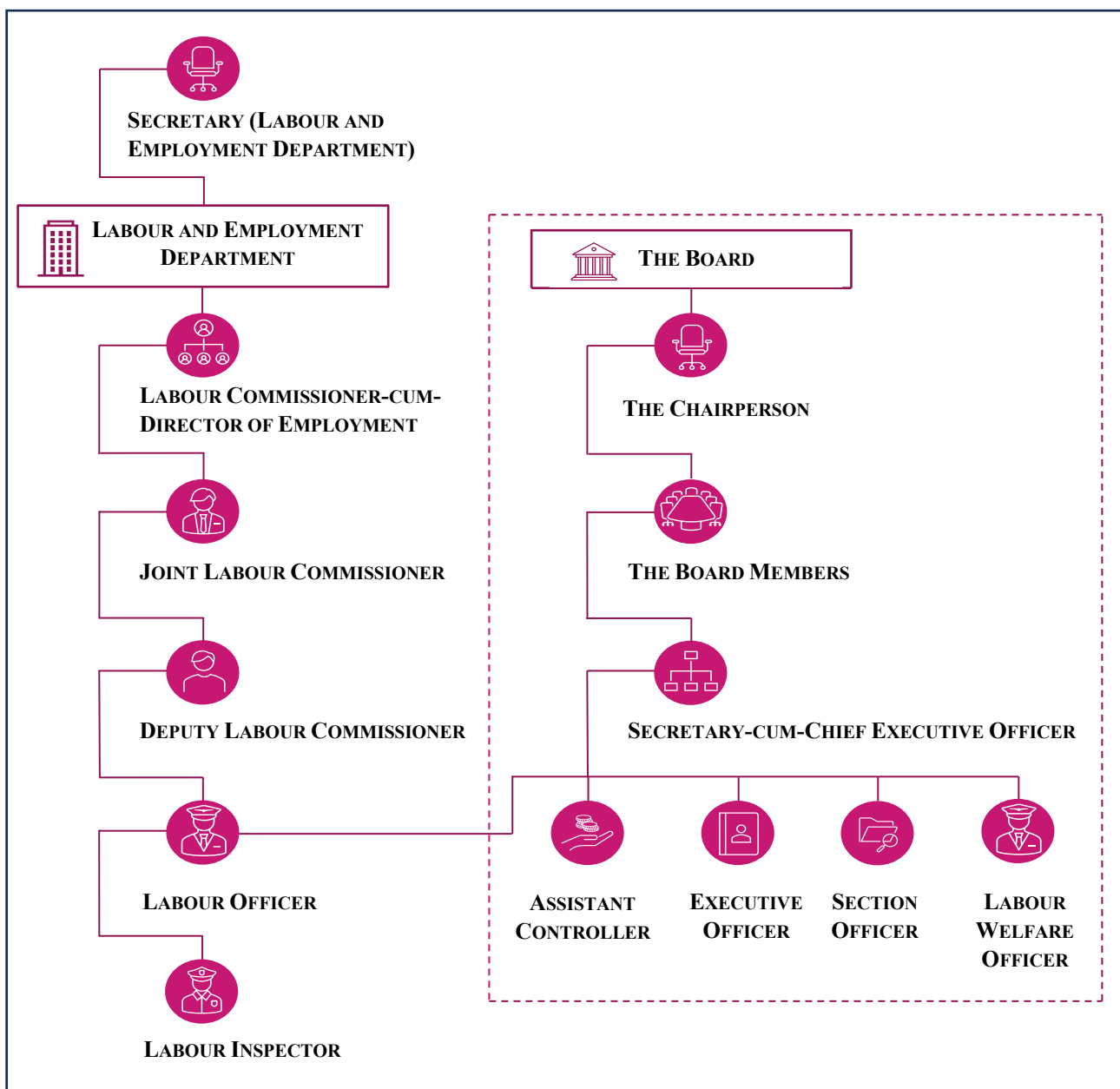
<sup>1</sup> Labour Officers (LOs) are Assessing Officers-cum-Cess Collectors for assessment and collection of cess under the Cess Act, Registering Officers for registration of establishments, Inspectors for inspection within their respective jurisdiction and Authorised Officers for registration of building and other construction workers (registration of workers is being carried out by LWOs from March 2023 onwards) under the Act.

<sup>2</sup> Labour Inspectors (LIs) are Inspectors for inspection within their respective jurisdictions under the Act. LI Hamirpur has been given additional responsibility of registration of eligible workers, distribution of benefits to the beneficiaries and organising the awareness camps.

<sup>3</sup> Labour Welfare Officers (LWOs) work as the field functionaries of the Board for registration of beneficiaries, disbursement of benefits to beneficiaries and organising the awareness camps.

### 2.1.2 Organisational Setup

Organogram of the Department and the Board is given below:



The Board had registered 3,73,513 building and other construction workers and 2,267 establishments/construction works as of March 2022. Active registrations of workers was 2,90,929 as of March 2022. During 2017-22, the Board had registered 2,62,988 beneficiaries and cess amounting to ₹ 407.74 crore was deposited in the Fund, while welfare benefits amounting to ₹ 315.42 crore were distributed to the beneficiaries.

### **2.1.3 Audit Framework**

#### **2.1.3.1 Audit Objectives**

The Performance Audit was conducted with objectives to assess whether:

1. The rules notified by the State Government under the Act are consistent with the spirit of the Act and the Cess Act.
2. There was an effective system for registration of establishments and beneficiaries.
3. Cess assessment, collection, and transfer of collected cess to the Fund was efficient.
4. Government prescribed appropriate health and safety norms and could ensure compliance to those norms by the employers.
5. Government implemented transparent and effective system of inspections to check evasion of labour cess and to ensure compliance to health and safety norms by employers.
6. Administration and utilisation of funds on implementation of Welfare Schemes by the Board was efficient and effective and as per Act and rules framed by the State Government and Central Government.

#### **2.1.3.2 Audit Criteria**

Criteria against which the audit findings are benchmarked are derived from the following sources:

- (i) Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
- (ii) Himachal Pradesh Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2008
- (iii) Building and Other Construction Workers' Welfare Cess Act, 1996 and Cess Rules, 1998
- (iv) Himachal Pradesh Financial Rules, 2009
- (v) Resolutions passed by the Board
- (vi) National Building Code of India, 2016 titled 'Construction Management, Practices and Safety'
- (vii) Indian Standard Safety Code for Scaffolds and Ladders Part I & II (IS: 3696)
- (viii) Inspection Policy notified by the State Government



### **2.1.3.3 Audit scope and methodology**

The Audit covered a period of five years from the year 2017-18 to 2021-22. However, where inconsistency in rules was observed and updated data beyond audit period was available, the same has been included in the Report, wherever required. Audit test-checked the records of the offices of the Board, Labour Commissioner-cum-Director of Employment, two Labour Officers(LO) and one Labour Inspector(LI). Selection of field units, Welfare Schemes, beneficiaries for survey and establishments for Joint Physical Inspection are discussed in the **Paragraphs 2.1.3.4 to 2.1.3.7.**

### **2.1.3.4 Selection of units**

The sample test-checked in Audit included two Labour Officers' zones, four Local Bodies and four Executive Agencies (two each in the test-checked LO Zones). In addition, 10 Welfare Schemes were also test-checked to evaluate eligibility conditions of beneficiaries and timely disbursal of benefits. A total of 243 beneficiary applications were scrutinised for conducting a survey. Joint Physical Inspection of 26 establishments/sites was also conducted.

#### **2.1.3.4 (A) Selection of Labour Office Zones**

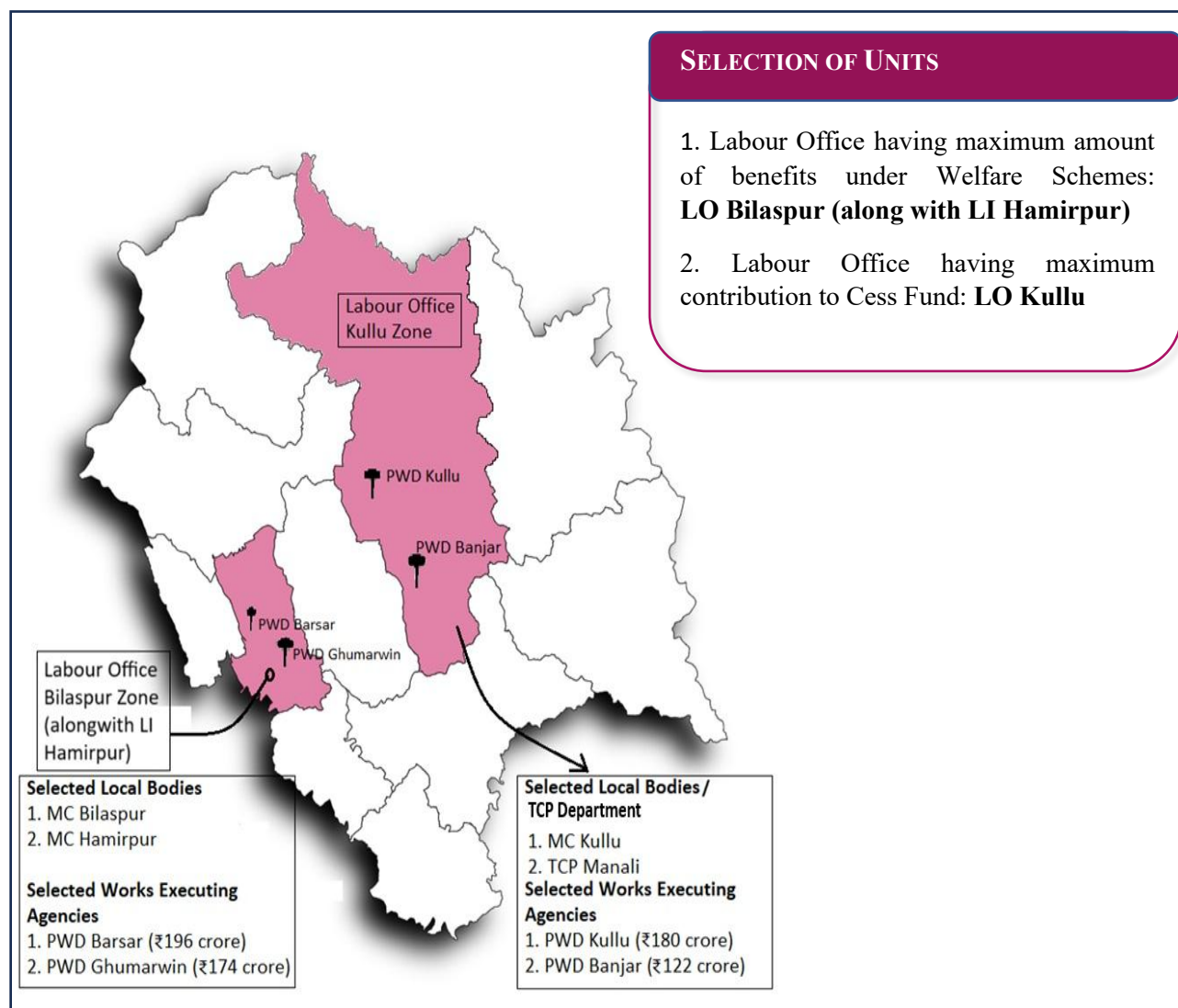
The Department has divided the whole State into 12 Labour Officers' zones and distribution of the benefits of the Welfare Schemes and collection of cess is through the LOs of these zones. As per the approved sampling methodology, two Labour Office zones namely, LO Bilaspur (including Labour Inspector Hamirpur which is under the jurisdiction of LO Bilaspur) and LO Kullu were selected based on the maximum amount of benefits distributed and the maximum cess contribution to the Fund during 2017-22, respectively.

#### **2.1.3.4 (B) Selection of Works Executing Agencies and Local Bodies in the selected two Labour Office zones**

- Records of four Himachal Pradesh Public Works Department (PWD) Divisions namely, PWD Ghumarwin, PWD Barsar, PWD Kullu, and PWD Banjar (shown in the map), being the top four Divisions incurring expenditure on construction works during 2017-22, were test-checked to verify whether the establishments were being registered as per the rules and applicable labour cess was being deducted from payments made and was deposited timely into the Board's account as per the provisions of the Cess Act.
- Records of four Local Bodies/Town and Country Planning (TCP) offices namely, Municipal Council (MC) Bilaspur, MC Hamirpur, MC Kullu, and TCP Manali, (shown in the map) were selected through random sampling for assessing whether applicable labour cess was collected while approving the Building Plan and deposited with the Board.

Details of the test-checked units are shown in **Map 2.1**.

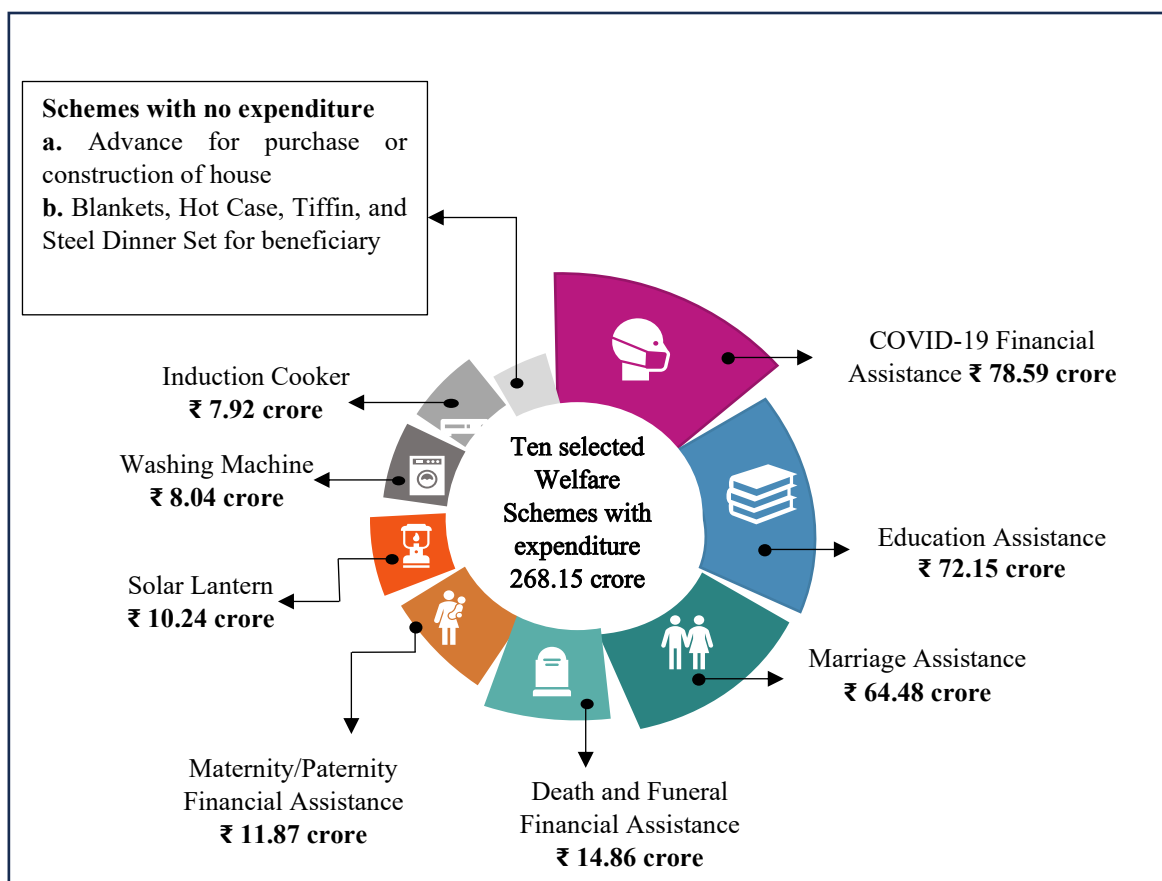
**Map 2.1: Details of test-checked units**



### 2.1.3.5 Selection of Welfare Schemes

Ten Welfare Schemes were selected based on stratified data of amount of assistance disbursed during 2017-22 as given in **Chart 2.1**.

Chart 2.1: Details of selected ten Welfare Schemes



#### 2.1.3.6 Selection of beneficiaries for survey

A total of 243 applications<sup>4</sup> of the registered beneficiaries in the test-checked LOs/LI were selected for checking eligibility conditions and timely disbursement of benefits. Survey of these beneficiaries was conducted to evaluate the performance of the Board in respect of identification and registration of beneficiaries, scrutiny of their applications, and addressing the grievances of the beneficiaries, if any.

Additionally, Beneficiary Survey of 82 workers<sup>5</sup> at worksites selected for Joint Physical Inspection in the test-checked LOs/LI zones was also conducted. Findings of the Beneficiary Survey are discussed in **Paragraph 2.8**.

#### 2.1.3.7 Selection of establishments/worksites

In the test-checked LOs/LI, Audit conducted Joint Physical Inspection of 26<sup>6</sup> establishments/ construction sites. Nine registered construction sites were selected randomly from the database of LOs. 14 unregistered construction sites were selected on

<sup>4</sup> LO Bilaspur: 65, LO Kullu: 112, LI Hamirpur: 66

<sup>5</sup> LO Bilaspur: 09, LO Kullu: 20, LI Hamirpur: 53

<sup>6</sup> LO Bilaspur: 06, LO Kullu: 11, LI Hamirpur: 09

the basis of high construction cost from the database of Local Bodies and works executing units. Three construction sites where accident had occurred were also selected. Findings of the Joint Physical Inspection are discussed in **Paragraph 2.3.3** and **Paragraph 2.5.2**.

#### **2.1.3.8 Entry Conference and Exit Conference**

An Entry Conference with the Secretary, Labour and Employment to the Government of Himachal Pradesh was held on 6 December 2022 wherein the objectives, scope, criteria and methodology of audit were discussed. On conclusion of Audit, Exit Conference was held with the Secretary, Labour and Employment on 20 October 2023 and the comments of the Secretary have been suitably incorporated in the Report.

### **Audit Findings**

## **2.2 Notification and Framing of Rules**

Section 62 (1) of the Act provides that the appropriate Government may, after consultation with the Expert Committee<sup>7</sup>, by notification, make rules for carrying out the provisions of this Act. Subsequently, the State of Himachal Pradesh with the recommendations of Expert Committee (constituted by Government of Himachal Pradesh in September 2003) notified HPBOCW Rules, 2008 to carry out provisions of the Act.

### **2.2.1 Absence of clarity in rule for financial assistance for marriage**

As per Rule 282 of HPBOCW Rules, 2008 regarding financial assistance<sup>8</sup> for marriage, the beneficiary after completion of two months of the membership shall be eligible to get financial assistance for his marriage and for the marriage of two children only. The beneficiary shall submit the application for such assistance to the Secretary or the Authorised Officer in Form No.-XLIV along with requisite documents like Certificate of Marriage, copy of *Parivar* Register etc.

Audit observed that:

- I. The Rule is not clear about who will be eligible in case more than one family member i.e., father, mother and son/daughter himself/herself, make the application for financial assistance for the same marriage.
- II. Also, the Rule is not clear about any restriction/limitation on how many members of the same family (father, mother, son himself/daughter herself) can get financial

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<sup>7</sup> Section 5 of the Act provides that the appropriate Government may constitute one or more expert committees consisting of persons specially qualified in building and other construction work for advising the Government for making rules under this Act.

<sup>8</sup> Rates of marriage assistance: ₹ 5,100/- w.e.f. December 2008, ₹ 11,000/- w.e.f. November 2011, ₹ 21,000/- w.e.f. May 2013, ₹ 25,000/- w.e.f. August 2014, ₹ 35,000/- w.e.f. January 2018, ₹ 51,000/- w.e.f. September 2020.

assistance for the marriage of one<sup>9</sup> family member in case more than one family member is registered with the Board.

The Board stated (April 2023) that the above issues shall be brought to notice during the Board of Directors' meeting.

Due to absence of clarity of the Rule, Audit noticed 12 cases where two members of the family got marriage assistance for the marriage of one person of the family, as discussed in **Paragraph 2.7.10.4 (A)**.

### **2.2.2 Non-compliance with the Central Advisory Committee recommendations**

Section 3 of the Act provides that the Central Government shall constitute a committee to be called the Central Building and Other Construction Workers' Advisory Committee (CAC) to advise the Central Government on such matters arising out of the administration of this Act as may be referred to it. Recommendations of CAC are then communicated to the States. Issues related to CAC recommendations are discussed in the succeeding Paragraphs.

#### **2.2.2.1 Frequency of health check-up of beneficiaries**

The CAC<sup>10</sup> in its 16<sup>th</sup> meeting (September 2014) recommended that the annual health check-up of every registered construction worker must be got done by the concerned State Building and Other Construction Workers' Welfare Boards.

The Government of Himachal Pradesh (GoHP) in January 2020 notified Rule 280(3) of HPBOCW Rules, 2008 stipulating that the Board may conduct health check-up of the registered workers/beneficiaries and their dependents and expenditure shall be borne by the Board.

Audit observed that:

- I. The Rule was framed after a delay of more than five years after the recommendation (September 2014) of CAC. Further, the Rule does not specify the frequency of health check-up which was stipulated by CAC to be conducted annually.

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<sup>9</sup> Cases where all members of the family (both parents and child) are registered with the Board and all of them applied for marriage assistance for marriage of child or self as the case may be.

<sup>10</sup> The CAC advise the Central Government on such matters arising out of the administration of the Act and shall consist of a Chairperson to be appointed by the Central Government, three Members of Parliament of whom two shall be elected by the House of the People and one by the Council of States, the Director-General as ex officio member, such number of other members, not exceeding thirteen but not less than nine, as the Central Government may nominate to represent the employers, building workers, associations of architects, engineers, accident insurance institutions and any other interests which, in the opinion of the Central Government, ought to be represented on the Central Advisory Committee.

- II. In the meantime, although the Board had directed (August 2019) the LOs/LI to conduct health check-ups as per targets fixed by them, no record of health check-up conducted and workers covered against the target was maintained by the Board.

### **2.2.3 Non-adoption of criteria for pension as per Model Welfare Scheme**

Pursuant to the directions of the Hon'ble Supreme Court dated 4 July 2018, Model Scheme for Building and Other Construction Workers and Action Plan for Strengthening Implementation Machinery was formulated by Ministry of Labour and Employment, Government of India (GoI) and all the State Governments and Union Territory Administrations were requested to comply with the scheme. As per Model Welfare Scheme, pension should be admissible to only those registered building and other construction (BOC) workers who have remained registered for a minimum of 10 years. In this regard, the State Welfare Board should issue a certificate to the effect that a BOC worker has remained registered for a period of 10 years.

Rule 272 of HPBOCW Rules, 2008 states that if a person had been a beneficiary for at least three years continuously immediately before attaining the age of 60 years he shall be eligible to get a pension<sup>11</sup> and pension will become payable from the first day of succeeding month in which he completes 60 years of age.

Audit observed that the Board did not adopt the 10-year registration criterion for pension as prescribed in the Model Welfare Scheme, and continued to grant pensions in accordance with Rule 272 of the HPBOCW Rules, 2008.

During 2017-22, the Board disbursed pension to 454 beneficiaries amounting to ₹ 0.98 crore in the State on the criteria of three years of membership of the Board.

The Board stated (December 2022) that the matter of pension eligibility was discussed in its 35<sup>th</sup> meeting of the Board and it was decided to keep the criteria of three years of continuous service for the pension.

Audit is of the view that non-adoption of the 10-year criterion may lead to a higher financial liability for the Board. Given that pension constitutes a long-term obligation, the Board should analyse its impact on future financial sustainability and capacity to provide other welfare benefits to workers.

## **2.3 Registration of Establishments and Beneficiaries**

The Act is applicable to “every establishment which employs or had employed on any day of the preceding twelve months, ten or more building workers in any building or other construction work”. Section 7 of the Act provides that every employer shall in relation to an establishment to which this Act applies on its commencement, within a period of 60 days from such commencement make an application to the Registering Officer for the

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<sup>11</sup> Rate of Pension (per month): ₹ 200/- w.e.f. December 2008, ₹ 500/- w.e.f. November 2011, ₹ 1,000/- w.e.f. January 2020.

registration of such establishment. After the receipt of an application, the Registering Officer shall register the establishment and issue a certificate of registration to the employer thereof.

As per Government notification (April 2009<sup>12</sup>), the Labour Officers of the State have been appointed as Registering Officers to register building and other construction works. The Board had registered 2,267 establishments/construction works as of March 2022.

### Registration of Establishments

#### 2.3.1 Non-development of mechanism for regular monitoring of construction activities in the State

Pursuant to the directions of the Hon'ble Supreme Court (4 July 2018), Model Welfare Scheme was formulated by the Ministry of Labour and Employment, Government of India. One of the measures suggested to strengthen the machinery for registration of establishments was that the State Governments should develop a mechanism for regular monitoring of construction activities going on in the State and make use of Geographic Information System (GIS) technology/mapping *etc.* for the purpose. Specific care should be taken that the private sector is also covered.

Audit noticed that neither the Board nor the Department had devised suitable mechanism for regular checking/detection of ongoing construction activities in the State as of January 2023. Neither have they used any GIS technology or mapping to register each construction work as 'establishment' under the Act.

The Board stated (December 2022) that nothing has been received from the Government as action is required to be taken at the Government level.

The reply confirms the fact of absence of a monitoring mechanism with the Board and the Department to check the construction activities in the State. This is also to be viewed against the fact that Audit has observed that major portion of cess amount was being deposited by the Government employers as compared to the private employers as discussed in **Paragraph 2.7.8.1 (E)**. The Department is depending on *suo motu* action on part of the employers to register their establishments/works while it should be taking proactive action and initiative to develop a mechanism for the registration of all employers including private construction sites in collaboration with the State Government. Such a mechanism will further enable verification regarding the registration of workers as well as payment of cess and thus will ensure compliance with the Act/Rules.

In the Exit Conference, the Secretary stated (October 2023) that creation of GIS wing within Information Technology Department of Government of Himachal Pradesh has been approved and feature for mapping of the construction sites will be included in the ambit of the newly created wing.

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<sup>12</sup> Notification No.: Shram (A)4-6/2007-BOCW-Pt.-II, Dated 30 April 2009.



### **2.3.2 Non-compliance with the registration conditions**

Rules 26 and 27 of HPBOCW Rules, 2008 provide for certain conditions to be fulfilled for registration and penalties to be levied for late registration of establishment. Audit noticed that the Registering Officers had not ensured that these rules were being complied with by the employers. Audit observations relating to registration have been discussed in the succeeding Sub-paragraphs.

#### **2.3.2.1 Non-obtaining work commencement/completion notice from the employers**

As per Rule 26 (3) of HPBOCW Rules, 2008, the employer shall, before 30 days of the commencement and completion of any building or other construction work, submit a written notice to the Inspector, intimating the actual date of commencement or, as the case may be, completion of such building or other construction work in Form- IV<sup>13</sup>.

Audit observed that in the test-checked LOs, 35 establishments<sup>14</sup> were registered under the Act during 2017-22. However, notice regarding commencement or completion of any building or other construction work was not submitted by the employers/contractors to the LO concerned.

LO Bilaspur and LO Kullu stated (January 2023) that due to rush of work and vacant post of Labour Inspector, notice could not be served to establishments for non-submission of completion report.

Submission of information about the commencement/completion of construction work provides the opportunity to the LO/LI to inspect the construction site and in case of completion of work, it allows LO/LI to ensure that the complete cess amount has been deposited by the employer. Absence of any mechanism for obtaining information regarding commencement/completion of construction work shows weak controls of the Board with regard to the ongoing construction activities in the State.

In the Exit Conference, the Secretary directed (October 2023) the LOs to register all the establishments/sites and demand for required certificates.

#### **2.3.2.2 Non-registration of establishments within time and non-levy of late fee for delay**

Section 10 of the Act provides that no employer of an establishment to which this Act applies shall employ building workers in the establishment after the expiry of sixty days' period for registration of establishment as given under Section 7 of the Act, or after the

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<sup>13</sup> Form-IV contains information about name and address of establishment and employer, name and situation of place where work is to be carried on, number and date of certificate of registration, name and address of person in-charge, nature of work involved, date of commencement or completion of work.

<sup>14</sup> LO Bilaspur: 14 and LO Kullu: 21



revocation of registration under Section 8 or after the expiry of the period for preferring an appeal under Section 9 or after the dismissal of the appeal, as the case may be.

Rule 27 of HPBOCW Rules, 2008 provides that if the application for registration is not submitted within the time limit i.e., within 60 days from the commencement of work, late fee @ 25 per cent of the rates of fee<sup>15</sup> shall be levied where the delay is up to one month, @ 50 per cent where the delay is beyond one month and up to six months and 100 per cent where the delay is beyond six months.

Audit noticed that in test-checked LOs, out of 35 establishments<sup>16</sup> registered during the period 2017-22, applications of 16 establishments<sup>17</sup> were submitted after the expiry of sixty days' time specified and with delay ranging from 15 days to 1,570 days. These establishments continued engaging workers and carried on the construction work without registration. They were registered by the concerned LOs as and when the applications were received from the employers without stopping the construction work or levying the late fee as applicable, in violation of the Act/Rule *ibid*.

LO Bilaspur stated (March 2023) that notice will be issued to the establishments in due course of time. LO Kullu stated (May 2023) that registration is being done through online portal and less fees deposited by the mentioned employers will be recovered.

The reply is not acceptable as the LOs/LIs should ensure that the construction works do not carry on without registration and should have collected late fees from the employers at the time of registration.

### 2.3.3 Unregistered establishments noticed during Joint Physical Inspection

Section 7 of the Act provides for registration of establishments with the Registering Officer within a period of sixty days from commencement of work. Section 10 provides for the effect of non-registration and states that no employer of an establishment to which this Act applies shall employ building workers in the establishment after the expiry of sixty days' period for registration of establishment from commencement of work.

In the two test-checked LOs, during Joint Physical Inspection conducted by Audit along with the staff of PWD and Labour Offices, 14 unregistered<sup>18</sup> construction works were noticed. Out of which, 13 construction works were required<sup>19</sup> to be registered under Section 7 *ibid*. Out of 206 workers engaged in these 14 establishments, 82 workers were surveyed and only 11 workers were found registered with the Board.

<sup>15</sup> Fees to be paid for grant of certificate of registration is based on number of workers proposed to be employed and is ₹ 100/- for 10 to 50 workers, ₹ 500 for 51 to 100 workers, ₹ 1,000/- for 101 to 250 workers, ₹ 2,500/- for 251 to 500 workers and ₹ 5,000/- for more than 500 workers.

<sup>16</sup> LO Bilaspur: 14, LO Kullu: 21.

<sup>17</sup> LO Bilaspur: seven, LO Kullu: nine.

<sup>18</sup> 11 sites selected from the data of PWDs and three sites from the data of MCs/TCP.

<sup>19</sup> Establishments had employed on any day during construction period, ten or more building workers.

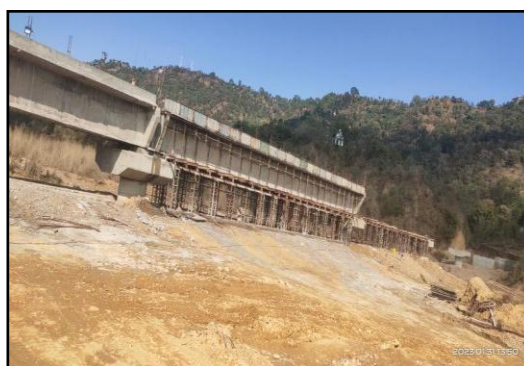
Out of 14 unregistered construction works, cess of 11 establishments was being deposited by their Principal Employers<sup>20</sup> whereas three private employers eligible for deposition of cess, had not paid the same during the period covered under audit (2017-22), which was against the provisions of the Cess Act.

Thus, non-registration of establishments under the Act was indicative of the fact that registration process was ineffective and concerned LOs had not conducted inspections as a result of which eligible establishments were not identified and provision of Section 10 'Effect of non-registration' could not be applied.

Pictures of some unregistered sites visited during Joint Physical Inspection are shown below:



**Picture 2.1**  
**Government Degree College, Gadagusaini,**  
**Kullu**



**Picture 2.2**  
**Construction of bridge over Sukkar Khad on**  
**Bara Khlaut Nandal Suddar Batlahu**  
**Joreghat Road, Hamirpur**



**Picture 2.3**  
**50 Bedded Integrated Ayush Sowa-Rigpa**  
**Hospital, Bajoura, Kullu**



**Picture 2.4**  
**Shopping Complex near Shiv Mandir Main**  
**Bazar, Hamirpur**

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<sup>20</sup> The Contract Labour (Registration and Abolition) Act, 1970 defines Principal Employer as “in relation to any office or Department of the Government or a local authority, the head of that office or Department or such other officer as the Government or the local authority, as the case may be, may specify in this behalf”. Test-checked Principal Employers include PWD Kullu, PWD Banjar, PWD Barsar and PWD Ghumarwin.

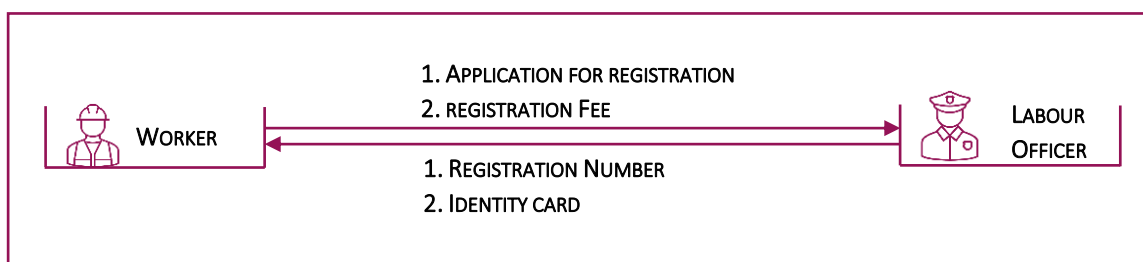
## Registration of Workers

Section 12 of the Act provides that every building worker in the age group of 18 to 60 years and who has been engaged in any building or other construction work for not less than ninety days during the preceding twelve months shall be eligible for registration as a beneficiary under this Act.

Rule 266 of the HPBOCW Rules, 2008 states that every building worker eligible to become a beneficiary to the Fund shall submit an application to the Secretary or to an officer authorised by him in this behalf. Where the Secretary of the Board or an officer authorised by him is satisfied that the applicant fulfils the conditions, such building worker shall be registered as a member.

As per Government Notification (March 2010<sup>21</sup>), the Labour Officers of the State have been appointed Authorised Officers to register building and other construction workers.

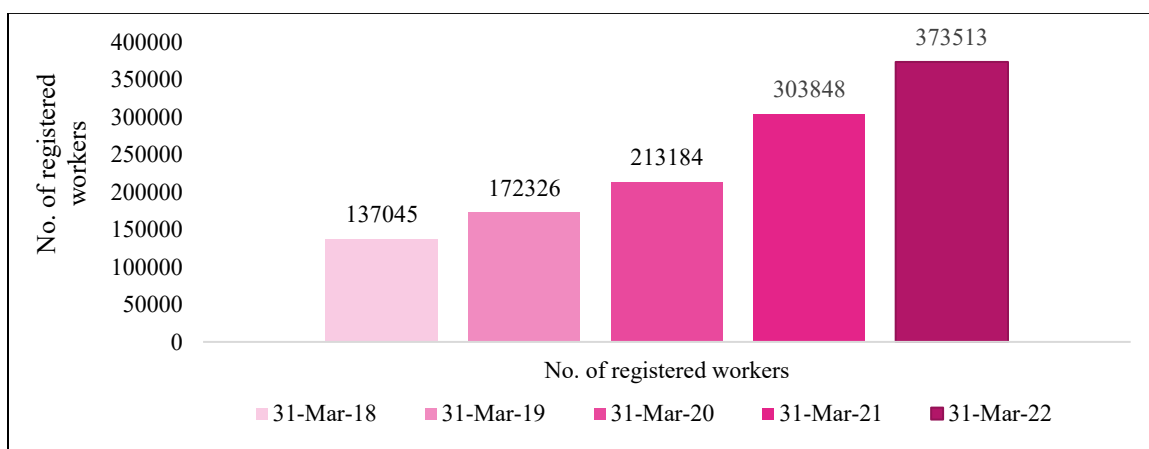
The Flow chart of the process of registration of building and other construction workers as beneficiary is as follows:



### 2.3.4 Progress with regard to registration of workers

The Board had registered 3,73,513 beneficiaries/workers as of March 2022. The following chart shows the progress in respect of registration of workers with the Board.

**Chart 2.2: Progress in respect of registration of workers with the Board**



<sup>21</sup> Notification No.: BOCWB/Estt./Registration/SML/2010, Dated 6 March 2010.

Audit observations made with respect to registration of workers are discussed in the succeeding Paragraphs.

#### **2.3.4.1 Non-obtaining monthly returns from the employers**

As per Rule 268 (2) of HPBOCW Rules, 2008, every employer shall send a return on monthly basis to the Secretary, or any other officer authorised by him in this behalf, a return in Form-XXX showing the details of the workers entitled to be registered as well as those who left the work during the preceding month.

Audit noticed that in the test-checked LOs, none of the employers of 35 registered establishments<sup>22</sup> had submitted monthly returns to the concerned LO during 2017-22. Resultantly, information about workers entitled to be registered was not received by the office and eligible workers might not have been registered due to which they would have been deprived of benefits of Welfare Schemes provided by the Board.

LO Kullu confirmed the facts and stated (February 2023) that it is the duty of the employer to submit the Form-XXX to the Registering Officer as per the mandate of the Act. LO Bilaspur stated (March 2023) that notice will be issued to the establishments in due course of time.

LOs should take proactive action to obtain monthly returns from the employers and register the eligible workers.

#### **2.3.4.2 Unregistered workers noticed during Beneficiary Survey**

In the test-checked LOs/LI, out of 82 workers surveyed by Audit at the construction sites/ establishments, 71 unregistered workers were noticed. Out of these 71 unregistered workers, 53 workers were unaware about the Board and its Welfare Schemes and 48 workers were eligible for registration based on the criteria of 90 days' work in construction activities in the preceding 12 months. The non-registration of these workers deprived them of welfare benefits being provided by the Board.

Also, out of 82 workers surveyed, majority i.e., 64 workers (78 *per cent*) were migrant workers. Out of which, 43 migrant workers were eligible for registration but only 11 were registered. However, as per information furnished by LI Hamirpur, only 424 migrant workers (one *per cent*) out of 77,695 registered workers were registered as of December 2022. As per information furnished by LO Bilaspur only 640 migrant workers (two *per cent*) out of 42,559 registered workers and as per information furnished by LO Kullu only 688 migrant workers (three *per cent*) out of 25,388 registered workers were registered as of March 2022.

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<sup>22</sup> LO Bilaspur: 14 and LO Kullu: 21.

The registration of only one to three *per cent* migrant workers as intimated by the Department is in sharp contrast with the findings of the Beneficiary Survey, which raises the question whether all the eligible migratory workers were indeed being registered.

The Board should provide ample publicity to its schemes and should focus on modern means of advertisement through social media along with the usual means of advertisement through newspaper, radio etc. and facilitate direct contact with workers through organisation of camps at the construction sites. The Registering Officers i.e., LOs of the Department also have a crucial role in generating awareness among the construction workers, including the migrant workers about the need for registration, thereby enabling access to the Welfare Schemes of the Board.

#### **2.3.4.3 Shortfall in registration of workers**

The Board had fixed (May 2013, May 2018, May 2019 and July 2021) target of registration of workers for every Labour Zone (**Appendix 2.2**). The post of Motivator-cum-Computer Operator was created to assist the LOs/LI to increase the number of beneficiaries of the Board. The Board also directed every Motivator-cum-Computer Operator to register maximum construction workers (March 2018).

Audit noticed that the Board had fixed targets without any survey or assessment of the number of building and other construction workers engaged in the State. Audit further observed that there was shortfall in registration of workers as beneficiaries of the Board under each LO/LI in the State against these targets ranging from seven to 94 *per cent* during 2017-22 as shown in **Appendix 2.2**. This is indicative of the fact that either the targets were not fixed on a realistic basis or the officials did not take necessary action to achieve the set targets.

In test-checked LOs/LI, LO Bilaspur had a shortfall in registration ranging from 2,849 to 10,345 (41 to 63 *per cent*), LO Kullu from 1,747 to 16,578 (52 to 92 *per cent*) and LI Hamirpur from 1,581 to 9,547 (11 to 53 *per cent*) during 2017-22.

The Board stated (May 2023) that the post of Motivator-cum-Computer Operator had been created to achieve the targets and sufficient camps to increase registration of beneficiaries were organised to motivate the workers but still workers did not register and as such targets could not be achieved.

The reply is not acceptable as there was a shortfall in organisation of awareness camps, meetings etc. as discussed in the succeeding Paragraph.

#### **2.3.4.4 Shortfall in organisation of camps**

The Secretary-cum-CEO of the Board directed (September 2018) all the motivators/Registration Assistant/Computer Operators to organise at least 3-5 camps<sup>23</sup> in a week to

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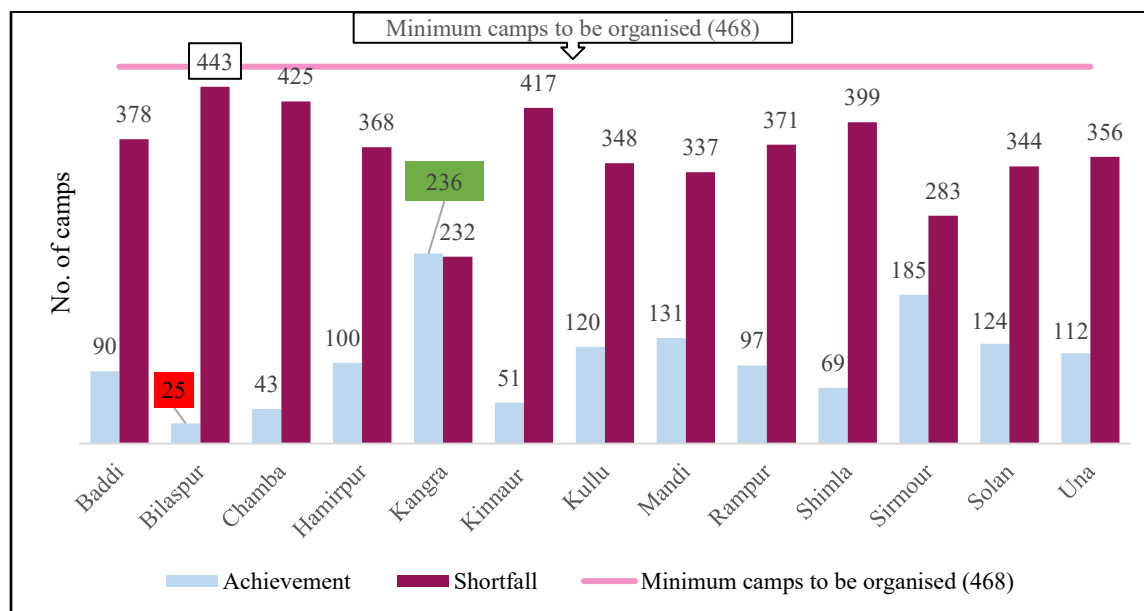
<sup>23</sup> 52 weeks x 3 camps = at least 156 camps in a year.

gear up the registration number so as to maximise the beneficiary enrolment as per the targets fixed. Motivators were also to attend the Gram Sabha meeting of Panchayat concerned, Panchayat Samiti meeting and other such meetings which are conducted in the Block Development Office to cover the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and other BOC workers.

Audit observed that -

- (I) Despite the Board being formed in 2009, the targets for conducting camps to maximise the registrations were fixed only in September 2018.
- (II) As against the requirement of a minimum of 468<sup>24</sup> camps to be organised by each LO in the State and LI Hamirpur during the period April 2019 to March 2022, there was a shortfall ranging between 50 per cent (232 camps) to as much as 95 per cent (443 camps) in organisation of camps as detailed in **Chart 2.3**.

**Chart 2.3: Details of camps organised by Labour Offices during 2019-22**



Source: Information provided by the Board.

Due to non-organisation of required camps, the workers remained unaware of Welfare Schemes provided by the Board as was observed during the Beneficiary Survey of 82 workers in which 57 (70 per cent) were unaware about Welfare Schemes of the Board and 55 (67 per cent) said that camps were not organised by LOs/LI and as a result eligible construction workers did not get registered with the Board, rendering the process of creating awareness about welfare benefits incomplete and ineffective.

Besides, LO Bilaspur and LO Kullu had not maintained any camp register. Thus, Audit could not verify the number of camps actually organised by the LOs and in the absence of

<sup>24</sup> 156 camps x 3 years = 468 camps.



the register how these numbers were being reported in Monthly Progress Reports. While the LI Hamirpur had maintained Camp Register *w.e.f.* November 2021 only, which was however neither signed by the motivator nor verified by the LI.

The Board stated (December 2022) that due to Vidhan Sabha Session, Model Code of Conduct and COVID-19 pandemic, required camps could not be organised. The test-checked LOs and LI confirmed the facts and stated (December 2022, February 2023) that due to rush of work and shortage of staff and COVID-19 pandemic, required camps could not be organised.

The fact, however, remains that the year 2019-20 was not fully impacted by COVID-19; but still there was shortfall in the year. Shortfall of up to 443 camps (95 *per cent*) against 468 required camps is not justified on the basis of Vidhan Sabha Sessions which are known in advance and were for the duration of 159 days during 2017-22 and Model Code of Conduct comes into effect only for a small duration.

In the Exit Conference, the Secretary agreed (October 2023) to the audit findings and assured to take appropriate action.

#### **2.3.4.5 Mismatch in figures of registered workers and camps organised**

As per data provided by the Board based on the compiled data from Monthly Progress Reports submitted by the LOs/LIs, a total of 1,04,065 workers were registered during 2017-22 with the Board through LO Bilaspur, LO Kullu and LI Hamirpur. However, as per the information supplied by these LOs/LI, 98,802 workers were registered during the same period. Thus, there was a mismatch of 5,263 number of workers in figures supplied by the Board and by the test-checked LOs on account of registration of workers.

Similarly, as per information supplied by the Board, 467 camps were organised by the test-checked LOs/LI during 2017-22. However, as per information supplied by these LOs/LI, 632 camps were organised by them during the same period. Thus, there was a mismatch of 165 number of camps.

#### **2.3.5 Discrepancies in registration of workers**

Section 12 of the Act provides that every building worker in the age group of 18 to 60 years and who has been engaged in any building or other construction work for not less than ninety days during the preceding twelve months shall be eligible for registration as a beneficiary under this Act. Discrepancies noticed by Audit in the maintained records of registered workers with the Board are discussed in the succeeding Paragraphs.

### 2.3.5.1 Multiple registration of workers

Scrutiny of test-check of the records of 2,94,329 registered workers<sup>25</sup> revealed that 922 beneficiaries were registered twice and six beneficiaries were registered thrice with the same Aadhar number and other details such as name, address, bank account details etc. against different registration numbers under the same LO/LI as shown in **Table 2.1**:

**Table 2.1: Detail of workers registered multiple times with the Board in the State**

Name of LO/LI	No. of workers registered twice	No. of workers registered thrice
Baddi	4	0
Bilaspur	14	0
Chamba	1	0
Hamirpur	425	2
Kangra	129	1
Kinnaur	9	0
Kullu	11	0
Mandi	119	0
Nahan	40	0
Rampur	25	0
Shimla	19	0
Solan	111	3
Una	15	0
<b>Total</b>	<b>922</b>	<b>6</b>

The **Table 2.1** indicates that process of registration lacked controls and was ineffective in finding out double/triple registrations, due to manual maintenance of records and improper verification of documents at the time of registration. Even bogus registrations in the test-checked LOs/LI were noticed during audit as pointed out in the succeeding Paragraph.

LWOs<sup>26</sup> concerned stated (April–June 2024) that registration of workers is completely manual and there is no such mechanism to find out the double registrations and further stated that registrations observed as double registrations have been cancelled after being pointed out by the Audit.

The Department or the Board may complete the ongoing development of software at the earliest so that necessary internal controls are built into the system to ensure that shortcomings such as multiple registration of workers, double disbursal of welfare benefits (**Paragraph 2.3.5.1** and **2.7.10.2 (C)**), disbursal of welfare benefits to deceased beneficiaries (**Paragraph 2.7.10.2 (D)**) etc. noticed during Audit, may be addressed as manual detection of such shortcomings is difficult.

### 2.3.5.2 Registration of ineligible/bogus workers as beneficiaries

Rule 266 (3) of HPBOCW Rule, 2008 provides that the application for registration shall be accompanied with a certificate or wage slips from the employer or contractor or copy

<sup>25</sup> Out of 3,73,513 registered workers up to March 2022, data was provided for only 2,94,329 registered workers to audit for test-check.

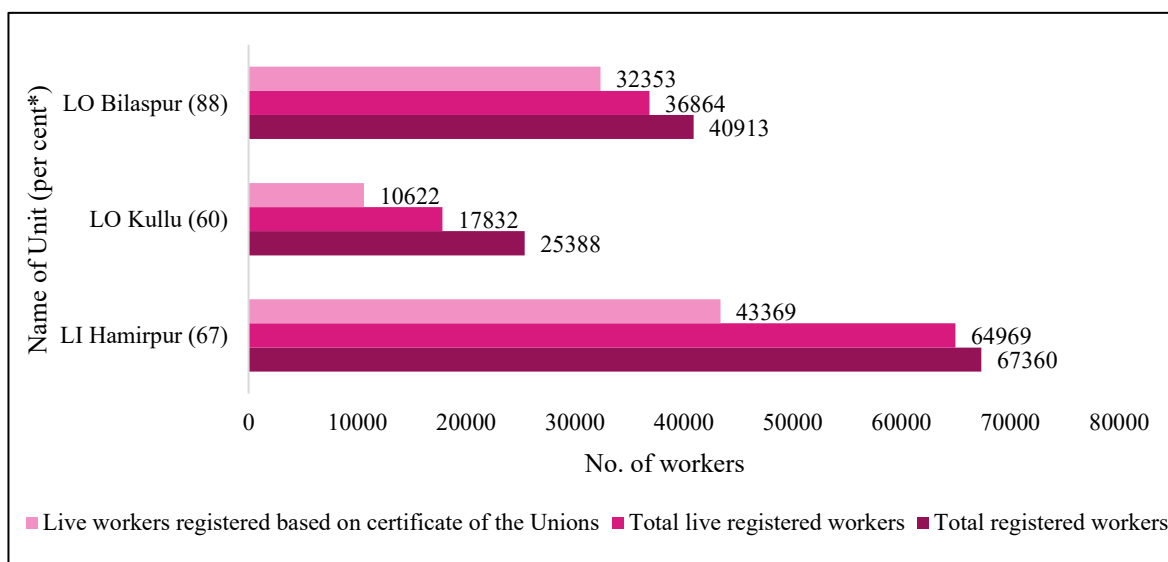
<sup>26</sup> LWO: Bilaspur, Hamirpur, Kullu, Mandi, Kangra, Solan, Sirmour, Kinnaur, Chamba and Rampur.



of Muster Roll or Attendance Register to the effect that the applicant is a construction worker. If such certificate is not available, a certificate issued either by the registered Construction Workers Union or Executive Officer of the concerned Local Urban Bodies or Secretary of Gram Panchayat to the effect that the applicant has worked for at least 90 days in the preceding twelve months may be considered.

In the test-checked LOs/LI, it was noticed that out of total 1,19,665 live registered workers (as of March 2022), 86,344 live registered workers (72 *per cent*) were registered on the basis of certificate of 90 days' work in the previous one year provided by the Unions. The details of workers as of March 2022 are shown in **Chart 2.4**.

**Chart 2.4: Details of workers as of March 2022**



Source: Information provided by the test-checked LOs/LI.

\*Percentage of live workers registered based on certificate of the Union to total live registered workers as of March 2022.

It can be seen from **Chart 2.4** that in test-checked LOs/LI, 60 to 88 *per cent* live workers were registered based on employment certificate by the Unions.

The Rule states that only in the absence or non-availability of wage slip from the employer/contractor, copy of muster roll or attendance register, a certificate issued by the Unions may be considered. However, scrutiny of service continuity certificate revealed that all the employers signed the certificate issued by the Unions instead of issuing the same themselves. Even the LOs had not questioned the same and registered the workers without checking the authenticity of the certificates.

Also, on scrutiny of the certificates issued by these Unions, it was observed that these were certified by the Unions, but the Unions did not maintain any record of genuine workers and no documentary proof was provided by the Unions alongwith the certificate as the Rules did not provide for attaching supporting documents for the certification. The certificates

contained the information supplied<sup>27</sup> by the employers for whom the worker has done the work, verification of which was not possible in the absence of any record. It was also seen that certificates for ineligible works other than building and other construction work viz., farm work, grass cutting work were issued by the Unions. Also, test-checked LOs/LI did not verify or make enquiries to find out whether the signatures of these employers were genuine or these employers had even got the work done at all. Further, LOs did not enquire, inspect, register and collect cess from the eligible establishments based on these certificates, making it susceptible to submit false information in the certificates.

Furthermore, possibly to avoid the scrutiny by LOs, it was observed in 166 test-checked service continuity certificates issued by various unions to workers that 808 construction works were mentioned, none of which were registered with the Labour Office.

The above observations point towards weak controls in registering construction workers.

Assistant Controller (Finance & Account) of the Board conducted inspection (August 2021) of the LI Hamirpur and noticed irregularities in work certificates issued by Unions, such as work certificate issued for farm work, grass cutting work, two work certificates issued for a worker of overlapping period by two different Unions mentioning different private works etc. He concluded that these irregularities demonstrate issuance of fraudulent certificates without any record and authenticity on the part of the Unions.

To confirm the above findings, Audit conducted Inspection-cum-Beneficiary Survey in test-checked LOs/LI of 71 registered beneficiaries (LO Bilaspur: 30, LO Kullu: 16, LI Hamirpur: 25) selected randomly from the records, who were registered on the basis of 90 days' work certificate provided by the Unions. Findings are discussed below:

- (I) 47 beneficiaries (66 *per cent*) admitted that they were not engaged in any building and other construction work and were employed such as under the State Government, having private businesses, working as private school teacher etc. One beneficiary was working as truck driver in neighboring State for the last 20 years and one beneficiary denied to ever having applied for the registration.
- (II) Out of the above 47 beneficiaries, 14 beneficiaries (30 *per cent*) had applied for welfare benefits under various Welfare Schemes implemented by the Board. Of which, nine beneficiaries had received welfare benefits as of April 2023.
- (III) Out of 71 beneficiaries surveyed, 24 beneficiaries (34 *per cent*) stated that they did not receive Identity Cards from the LOs/LI Office. However, as per record of LOs/LI, Identity Cards had been issued to all the registered beneficiaries and Identity Cards of workers registered through Unions were given to Unions.

These observations point towards the fact that the rule for registration of workers was being misused and the registrations based on employment certificates provided by Unions could

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<sup>27</sup> Information of work done, address, cost of work and period of work done along with signature or thumb impressions of employers.

not be considered genuine and registration of bogus/ineligible beneficiaries could not be ruled out in Audit. Ineligible beneficiaries were being registered and they were also disbursed benefits, which points to lack of internal control as ineffective checks were exercised by the Board/LOs both at the time of registration as well as at the time of release of benefits.

LO Bilaspur and LI Hamirpur confirmed the facts and stated (February 2023) that due to shortage of staff and heavy workload, it is not possible to check employer details. They further added that there is also no provision in HPBOCW Rules, 2008 to verify the records of the Unions.

The reply was not acceptable as being the Authorised Officer, they are responsible for scrutiny and analysis of the details provided in the applications for registration so as to avoid registration of ineligible workers.

In the Exit Conference, the Board officials stated (October 2023) that registration through the Unions has been dispensed with.

### **2.3.5.3 Registration of beneficiaries without obtaining any documents**

Rule 266 (1) to (3) of the HPBOCW Rules, 2008 states that every building worker who has completed 18 years of age but has not completed 60 years of age and who is not a member in any other welfare fund established under any law for the time being in force and who has completed 90 days of service as a building worker in the year immediately preceding shall be eligible for the membership in the Fund. A certificate to prove age shall also be submitted along with the application. Certificate or wage slip or appointment letter from the employer or contractor that the applicant is a construction worker shall be produced along with the application for registration.

Audit observed that an inquiry against the LI Theog for registration of workers without documents had been started by the Labour Commissioner, Himachal Pradesh, Shimla. The Board had released (through RTGS) COVID-19 financial assistance<sup>28</sup> of ₹ 12.06 lakh to 201 number of workers, out of which an amount of ₹ 11.44 lakh was disbursed to workers, who were registered in the month of April 2020 by the LO Shimla on information provided by LI Theog, Shimla. These workers were registered without requisite valid documents (job certificate from registered employer, Birth Certificate, etc.). The Board had also failed to obtain the requisite documents from LO concerned at a later stage. Thus, the payment released to the concerned beneficiaries was fraught with the risk of payments to ineligible beneficiaries.

The Board stated (March 2023) that there was no mechanism or software through which these errors could be detected. Also, the focus was on providing maximum assistance for survival during outbreak. Thus, it was not possible to check the errors at that particular

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<sup>28</sup> Three instalments of ₹ 2,000/- in April, May and July 2020 to each registered beneficiary of the Board.

time. However, the LO Shimla informed that the matter involves financial embezzlement and the Board (February 2023) had taken up the matter with Labour Commissioner for conducting Preliminary Inquiry in the matter, which is still awaited. The Department stated (May 2023) that Joint Labour Commissioner had submitted the Inquiry Report before the Labour Commissioner and the Report is under consideration.

The registration and disbursement of welfare assistance without even obtaining the documents as stipulated under the Rules shows failure of the concerned Authorised Officer to perform their duties and responsibilities. Had the LO Shimla been vigilant at the time of disbursement of the first instalment, the subsequent disbursal of instalments could have been prevented. This also gives scope for misuse of the schemes that are intended for the entitled beneficiaries by diverting benefits to ineligible/fraudulent claimants.

#### **2.3.5.4 Non-obtaining the work / service continuity certificate or undertaking on yearly basis**

Section 14 of the Act provides that the building worker who has been registered as a beneficiary under this Act shall cease to be as such when he attains the age of 60 years or when he is not engaged in building or other construction work for not less than 90 days in a year.

Rule 267 of the HPBOCW Rules, 2008 originally stated that (1) a beneficiary of the Fund shall contribute to the Fund ₹ 20/- per mensem. This contribution shall be remitted in advance once in three months in any of the banks specified by the Board in the District in which the member resides. (2) If a beneficiary commits default in the payment of contribution continuously for a period of one year, he shall cease to be a beneficiary of the Fund.

However, the State Government modified Rule 267 (May 2013) and stated that a beneficiary of the Fund shall contribute ₹ nine to the Fund only for three years. Thus, beneficiary's membership is for three years and additional one year if he defaults on payment of contribution, which was against the Act *ibid* as the workers did not have the impetus or the wherewithal to submit certificate annually.

In the test-checked LOs/LI<sup>29</sup>, Audit noticed that work/service continuity certificate was not obtained from the beneficiary/registered workers on yearly basis but practice of obtaining the same from the beneficiary when they applied for any type of welfare assistance was observed, which is indicative of the fact that the process is not followed regularly by the office as obtaining service continuity certificate is a continuous process.

#### **2.3.6 Non-entering the details of construction work in Identity Cards**

Section 13 of the Act states that (1) the Board shall give to every beneficiary an identity card with his photograph duly affixed thereon and with enough space for entering the

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<sup>29</sup> LO Bilaspur, LO Kullu and LI Hamirpur.

details of the building or other construction work done by him. (2) Every employer shall enter in the identity card the details of the building or other construction work done by the beneficiary and authenticate the same and return it to the beneficiary.

Rule 266 (8) of the HPBOCW Rules, 2008 stipulates that the Secretary of the Board or other officer authorised by him in this behalf shall issue to every beneficiary an identity card with a photo of the beneficiary affixed in Form- XXXII and maintain a register of identity cards so issued in Form- XXXIII.

The Board prescribed the Identity Card that contains Part I to IV. These parts include:

<b>Part I</b>	Complete detail of registered beneficiary
<b>Part II</b>	Subscription and renewal of the registration
<b>Part III</b>	Detail of building or other construction work done by the beneficiary
<b>Part IV</b>	Detail of welfare assistance/schemes disbursed to registered beneficiaries

In the test-checked LOs/LI, Audit noticed that the details of the building and other construction work done by the beneficiary were not being entered in Part-III of the Identity Card by the employers.

Details mentioned in the service continuity certificate submitted by the beneficiaries to the LOs/LI were not based on the employment record entered in the Identity Card. The LOs/LI neither pointed out the shortcomings in the Identity Cards nor verified the details of continuity certificates.

While confirming the facts LO Kullu stated (December 2022) that matter pertains to employer and beneficiary. LI Hamirpur stated (February 2023) that due to shortage of staff and rush of work it could not be ensured that the details of work were being entered in the Identity Card.

Replies were not acceptable as it was the responsibility of the LOs/LI or Authorised Officers to ensure that the details of construction work are being entered in Identity Card by the employers so that renewal of membership and genuineness of workers for availing welfare benefits could be ensured.

## **2.4 Assessment, Collection and Transfer of Cess**

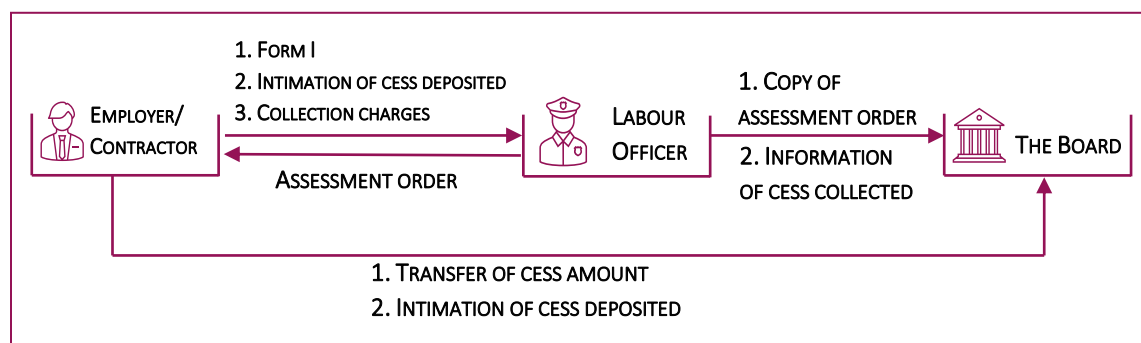
The Cess Act, 1996 is enacted with a view to augment the resources of the Building and Other Construction Workers' Welfare Boards constituted under Section 18(1) of the Act. The Cess Act is applicable to the employer (Government, Public and Private Sector) engaged in building or other construction works. In exercise of powers conferred by Sub Section 1 of Section 14 of the Cess Act, the Central Government has framed the Building and Other Construction Workers' Welfare Cess Rules, 1998 (hereinafter referred as "the Cess Rules").

The Government of Himachal Pradesh vide Notification (April 2009) appointed Labour Officers as Cess Collector-cum-Assessing Officers and Labour Commissioner as Appellate

Authority for the purpose of the Cess Act. The State Government vide Direction<sup>30</sup> issued on 12 August 2009, instructed that an employer is required to deposit one *per cent* cess<sup>31</sup> of the cost of construction occurred by him on the construction work or construction project with the cess collector of the area.

As per Rule 6 of the Cess Rules, 1998, every employer, within 30 days of commencement of his work or payment of cess, as the case may be, furnish to the Assessing Officer information in Form-I<sup>32</sup>. Rule 7 states that the Assessing Officer, on receipt of information in Form-I shall make an order of assessment within a period not exceeding six months from the date of receipt of such information, indicating the amount of cess payable by the employer. Rules 4 and 5 provide that Employer should deposit the cess amount with the Board with intimation to concerned LO and the Board and collection charges, as per Rule 5(2), not exceeding one *per cent* of cess amount shall be deducted by the Employer.

Flow Chart of the information of assessment, collection and transfer of cess between employer/contractor, LO and the Board is as follows:



### 2.4.1 Mechanism for assessment of cess

Section 5(1) of the Cess Act, 1996 and Rule 7 of the Cess Rules, 1998 provides that the Assessing Officer, on receipt of information in Form-I from an employer shall make a scrutiny of such information furnished and, if he is satisfied about the correctness of the particulars so furnished, he shall make an order of assessment within a period not exceeding six months from the date of receipt of such information in Form I, indicating the amount of cess payable by the employer.

Audit findings are discussed in the succeeding Paragraphs.

<sup>30</sup> Letter no. L&E 6-12/2008-(Lab)vol-V dated 12.08.2009.

<sup>31</sup> Out of the applicable cess amount, 99 *per cent* of the cess amount is to be deposited in the Fund and rest one *per cent* of the cess amount is to be deposited in the Treasury within seven days from its receipt by the Cess Collector.

<sup>32</sup> Form-I contains information regarding establishment such as name of establishment, address, name of work, no. of workers employed, date of commencement of work, estimated period and cost of work, stages of work, details of payment of cess, deduction at source.

#### **2.4.1.1 Non-obtaining of Form-I on account of cess**

Section 4 of the Cess Act, 1996 states that (1) every employer shall furnish such return to such officer or authority, in such manner and at such time as may be prescribed. (2) If any person carrying on the building or other construction work, liable to pay the cess, fails to furnish any return, the officer or the authority shall give a notice requiring such person to furnish such return before such date as may be specified in the notice.

As per Rule 6 of the Cess Rules, 1998, every employer, within thirty days of commencement of his work or payment of cess, as the case may be, furnish to the Assessing Officer, information in Form-I.

Rule 7(5) states that if the employer fails to furnish information in Form I, the Assessing Officer shall proceed to make the assessment on the basis of available records, and other information incidental thereto.

Audit observed that in the two test-checked LOs, out of 35 number of establishments<sup>33</sup> registered under the Act during 2017-22, none of the establishments had submitted Form-I to the LO concerned. The LOs neither issued notice as per Section 4 *ibid* to these employers nor took any action for obtaining the same and in absence of Form-I, the LOs did not proceed to make assessment as per Rule 7(5) *ibid*, which provides for assessment on the basis of available records and other information and it was left to the employers to remit the cess to the Board.

LO Bilaspur confirmed the facts and stated (February 2023) that due to scarcity of the staff and heavy rush of work, Form-I could not be obtained while LO Kullu stated (February 2023) that employers do submit Form-I for registration of establishment.

The reply of LO Kullu is not acceptable as Form-I under HPBOCW Rules, 2008 for registration of construction works was being submitted by the employers whereas abovementioned Form-I under the Cess Rules, 1998 containing information about estimated cost of construction and cess amount deposited to the Board was not being submitted by these employers.

#### **2.4.1.2 Absence of mechanism for ensuring timely assessment of cess**

Section 4(1) of the Cess Act, 1996 states that every employer shall furnish such return to such officer or authority, in such manner and at such time as may be prescribed.

Section 5(1) states that the officer or authority to whom or to which the return has been furnished shall, after making or causing to be made such inquiry as he or it thinks fit and after satisfying himself or itself that the particulars stated in the return are correct, by order, assess the amount of cess payable by the employer.

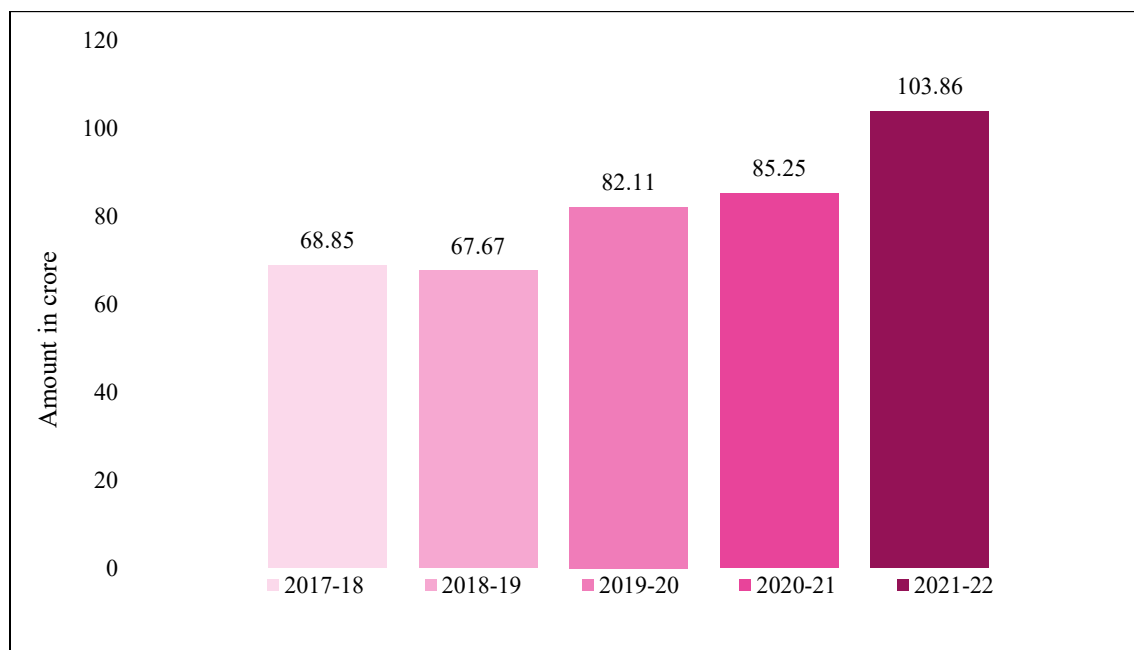
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<sup>33</sup> LO Bilaspur: 14 and LO Kullu: 21.

As per Rule 7 (1) of Cess Rules, 1998, the Assessing Officer, on receipt of information in Form-I from the employer shall make an order of assessment within a period not exceeding six months from the date of receipt of such information in Form-I.

Audit observed that during the period 2017-22, an amount of ₹ 407.74 crore was received by the Board on account of cess from establishments/employers as depicted in **Chart 2.5**.

**Chart 2.5: Cess deposited with the Board during 2017-22**



Source: Figures supplied by the Board.

Audit further observed that only six Assessment Orders<sup>34</sup> amounting to ₹ 12.91 lakh were issued by the Assessing Officers in the State. These Assessment Orders were for private construction sites and raised an additional demand for the amount of ₹ 11.91 lakh<sup>35</sup>. However, the Board did not have any information whether the assessed amount of cess vide these Assessment Orders had been deposited by the employers in the Fund or not.

Thus, the cess amount of ₹ 407.61<sup>36</sup> crore was deposited without any Assessment Orders and remitted by the employers at their own initiative and based on their calculation.

In the two test-checked LOs, the employers/contractors had remitted cess of ₹ 40.96<sup>37</sup> crore during 2017-22 without issuing any Assessment Orders during the same period as depicted in the **Chart 2.6**.

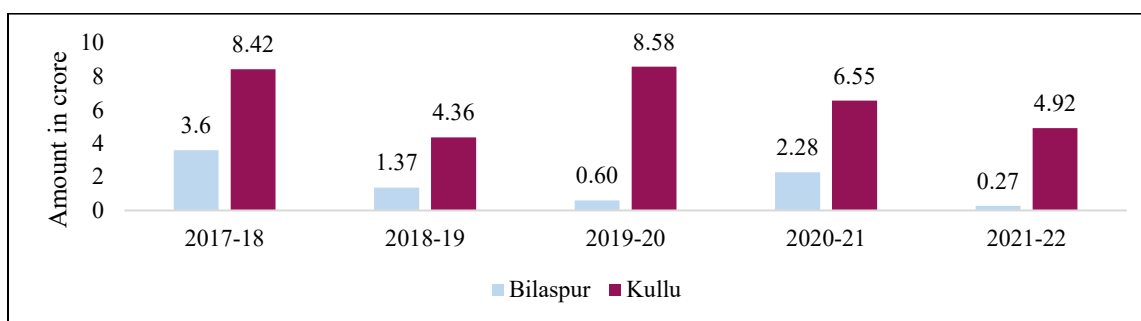
<sup>34</sup> Solan: three (one Assessment Order with zero amount), ₹ 9.84 lakh, Una: one, ₹ 1.84 lakh, Chamba: one, ₹ 0.42 lakh, Shimla: one, ₹ 0.81 lakh.

<sup>35</sup> Cess amounting to ₹ 1.00 Lakh had already been deposited by one establishment under LO Solan jurisdiction.

<sup>36</sup> Total cess amount (₹ 407.74 crore) – Assessed Amount (₹ 0.13 crore) = Cess amount deposited without assessment (₹ 407.61 crore).

<sup>37</sup> LO Bilaspur: ₹ 8.12 crore, LO Kullu: ₹ 32.84 crore.



**Chart 2.6: Details of cess collected/remitted in test-checked units during 2017-22**

Source: Figures supplied by LO Kullu and figures obtained from Register of Cess of LO Bilaspur.

LO Bilaspur stated (February 2023) that it is the duty of employer to deposit the cess within thirty days of completion of construction. LO Kullu stated (February 2023) that they had shortage of staff and no technical assistance was extended by the Board as well as the Department to facilitate the process of assessment of cess. The Board stated (April 2023) that due to shortage of staff and having no control over the LOs of the Department, the matter has not been scrutinised. Further, the Board had planned for the creation of Cess Collection Portal in which all the functions may be developed. The Department stated (March 2023) that the matter regarding collection of cess without assessment pertains to LO concerned.

Absence of mechanism for ensuring submission of returns by employer compounded by non-issue of assessment orders is a reflection of the tardy implementation of the Act/Rules by the State Government. This puts onus of depositing and correctness of cess amount only on the employer, with no independent verification of the same by the Departmental Authorities. In absence of assessment of cess, actual amount of cess realisable could not be ascertained in Audit. Resultantly, loss of revenue to the Fund and Government exchequer could not be ruled out.

In the Exit Conference, the Secretary directed (October 2023) to call for explanation on non-issuing of Assessment Orders from the LO Kullu and LO Bilaspur.

#### **2.4.1.3 Absence of mechanism for assessment of cess recoverable from Local Bodies**

Rule 4(4) of the Cess Rules, 1998 provides that where the approval of a construction work by a local authority is required, every application for such approval shall be accompanied by a crossed demand draft in favour of the Board and payable at the station at which the Board is located for an amount of cess payable at the notified rates on the estimated cost of construction.

Audit noticed that 1271 number of Building Plans<sup>38</sup> were approved by the test-checked Local Bodies i.e., MC Kullu, MC Bilaspur, MC Hamirpur and TCP Manali during 2017-22.

<sup>38</sup> MC Bilaspur: 116, MC Hamirpur: 379, MC Kullu: 254, TCP Manali: 522.

Neither the estimated cost of construction nor the cess details were mentioned/attached in the Building Plans submitted for approval. While approving the Building Plans, these Local Bodies neither collected any cess from the applicant nor shared the details of number of approved Building Plans with the concerned LOs.

Executive Officers, MC Bilaspur, MC Hamirpur and MC Kullu and Town Country Planner Manali stated (December 2022, January, February 2023) that there is no provision for collection of cess in the Himachal Pradesh Town and Country Planning (HPTCP) Act and Rules.

Replies point towards the failure of the State Government to incorporate the provisions of the Cess Act and Rules in the HPTCP Act and Rules, since the Cess Act and Rules have provisions for the Local Bodies to collect the cess while this is absent in the HPTCP Act and Rules. Further, the State Government should have issued instructions to the Local Bodies to share information of Building Plans approved by the Local Bodies with the concerned LOs.

## **2.4.2 Issues relating to maintenance of data**

### **2.4.2.1 Absence of establishment/employer wise database on account of cess**

Rule 24 of the HPBOCW Rules, 2008 provides that the Registering Officer shall maintain a register in Form-III<sup>39</sup> showing the particulars of the establishments in relation to which certificate of registration have been issued by him.

A total of 2,267 establishments<sup>40</sup> were registered with all 12 LOs concerned as of March 2022. Audit observed that the Board had not maintained establishment wise/employer wise records with details of name of establishment, management of establishment, address, date of registration, registration no. under HPBOCW Rules, 2008 and project cost, date of start of construction work, period of work completion, advance cess deposited, cess deposited with date, cess assessed/ pending, *etc.*

In the test-checked LOs<sup>41</sup>, it was observed that Register of Establishments in the Form-III had been prepared and Register of Cess Collection was maintained, but they had not consolidated establishment-wise data of cess collected which would help in reconciliation/final assessment of cess.

The Board stated (March 2023) that they had maintained the record of number of registered establishments as per information given by the concerned LOs in their reporting format

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<sup>39</sup> Form-III contains information to be entered in register regarding registration no. and date, name, address of the construction site, name of employer and his address, nature of work, name and permanent address of the establishments, probable date of commencement of work, maximum no. of workers to be employed on any day, probable duration and date of completion of work.

<sup>40</sup> LO Baddi: 185, LO Bilaspur: 172, LO Chamba: 159, LO Kangra: 193, LO Kinnaur: 115, LO Kullu: 77, LO Mandi: 278, LO Sirmour at Nahan: 137, LO Rampur: 92, LO Shimla: 169, LO Solan: 334, LO Una: 273 and LI Hamirpur: 83.

<sup>41</sup> LO Bilaspur and LO Kullu.

every month. LO Kullu and LO Bilaspur stated (February, March 2023) that due to extreme workload and lack of staff, it was difficult to maintain such data. In future, best efforts will be made in this regard.

The reply is not acceptable since had the above cited database been maintained by the Board/LO concerned, it would have helped in assessment and reconciliation of cess and determining date of completion of project and due date of depositing cess accordingly as difference of ₹ 226.52 crore was noticed due to non-reconciliation of cess as discussed in **Paragraph 2.4.3.2.**

#### **2.4.2.2 Absence of uniform format for submitting cess details by the cess deductors**

Section 3(2) of Cess Act, 1996 provides that cess shall be collected from every employer including deduction at source in relation to a building or other construction work of a Government or of a public sector undertaking or advance collection through a local authority where an approval of such building or other construction work by such local authority is required, as may be prescribed. Rule 261(1)(b) of the HPBOCW Rules, 2008 states that the Board shall be responsible for laying down policies for the deposits of the amount of the Fund.

Audit noticed absence of any uniform format for submitting cess details by the cess deductors such as PWD, HIMUDA<sup>42</sup> etc., who had deducted cess at source or collected cess in relation to a building or other construction work and were depositing the cess with the Board from time to time and sending the information to Labour Office as well as the Board. However, in the absence of a uniform format, the information supplied by the deductors was not uniform and contained only the amount of cess deposited and, in a few cases, the mode of transfer, name of contractor, period of cess deducted.

The Board in respect of uniform format for intimation by cess deductors stated (February 2023) that such format is to be devised by the Labour and Employment Department.

The reply is not acceptable as the Board was facing issues such as non-reconciliation, incomplete information about jurisdiction of establishments etc. in the absence of such format as discussed in **Paragraph 2.4.3.4.** It is the responsibility of the Board as per Rule 261(1)(b) of HPBOCW Rules, 2008, which provides the power to the Board for laying down policies for the deposit of the amount of the Fund.

#### **2.4.3 Collection and transfer of collected cess**

Rule 4 of the Cess Rules, 1998 states that the cess levied shall be paid by an employer, within thirty days of completion of the construction project or within thirty days of the date on which assessment of cess payable is finalised, whichever is earlier, to the cess collector.

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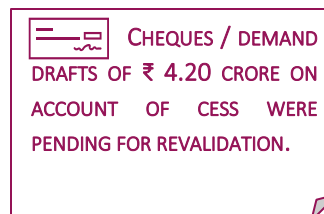
<sup>42</sup> Himachal Pradesh Housing and Urban Development Authority (HIMUDA).

Rule 5(1) provides that the proceeds of the cess collected shall be transferred by such Government office, Public Sector Undertakings, local authority, or cess collector, to the Board along with the form of challan prescribed (and in the head of account of the Board) under the accounting procedures of the State, by whatever name they are known.

Audit findings with regard to collection and reconciliation of cess by the Board are discussed in the succeeding Paragraphs.

#### **2.4.3.1 Loss of income due to non-revalidation of cheques and demand drafts**

Scrutiny of Balance Sheet of the Board for the year 2021-22 revealed that an amount of ₹ 4.20 crore was shown as recoverable from LOs. The amount was not realised from Cheques and Demand Drafts remitted by the LOs/establishments to the Board on account of cess during the period 2014-19, as these were dishonored by the Banks due to difference in titles, insufficient funds, outdated/stale instruments, alterations in cheque requiring full signature *etc.* Accordingly, the Board had returned these Cheques to the LOs/sender concerned for correction/ revalidation, but these Cheques were not received back from the LOs as of November 2022. The Board had directed the LOs for revalidation/correction of the Cheques and to send new Cheques in place of the dishonored Cheques by the concerned establishments. But fresh Cheques/DDs amounting to ₹ 4.20 crore were not obtained by the LOs. Thus, cess of ₹ 4.20 crore remained unrealised as of March 2022.



The Board stated (December 2022) that Cheques and Demand Drafts were not received from the establishments by the Board. These were routed through Labour Offices as LOs are appointed by the Government as Authorised Officers for the Board, who are not under direct control of the Board. The Board had requested LOs concerned from time to time for reconciliation of these Cheques.

The reply should be seen in the light of the fact that although the LOs are not under the control of the Board, they should have taken up the matter with the Labour and Employment Department to revalidate or receive fresh Cheques/DDs. Further, the LOs, being appointed as the Cess Collectors by the Government, it is their responsibility to ensure proper collection and transfer of the cess amount to the Board.

#### **2.4.3.2 Non-reconciliation of cess**

The Secretary of the Board issued (August 2018) instructions to all the Departments, Corporations, Private Firms/Agencies/Contractors, *etc.* to transfer the cess collected by them to the Board electronically through RTGS/NEFT<sup>43</sup> in the Board's Bank account.

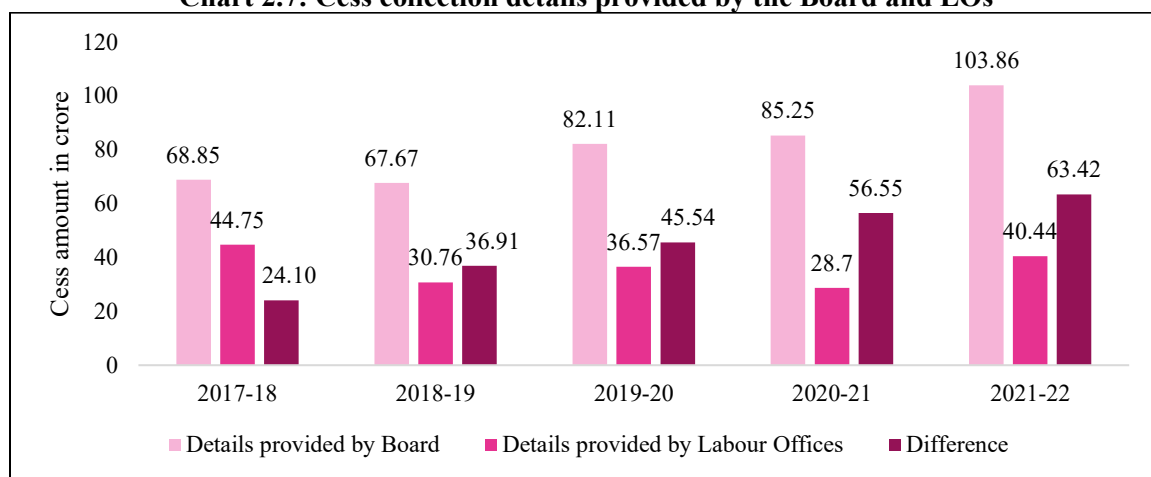
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<sup>43</sup> Real Time Gross Settlement (RTGS), National Electronic Fund Transfer (NEFT).

While transferring the funds through RTGS/NEFT, information was to be sent to the Board as well as the LO concerned for reconciliation of accounts.

Audit noticed that the above process of intimation to LOs as well as the Board was not followed and hence, there was huge difference in data provided by the Board of cess collected/deposited in the Board's bank account and cess collection details provided by the LOs during the period 2017-22 as depicted in the **Chart 2.7**.

**Chart 2.7: Cess collection details provided by the Board and LOs**



Source: Information provided by LOs and the Board

It can be seen from the **Chart 2.7** that there was difference of ₹ 226.52 crore in cess figures of the period 2017-22. The difference was because the information about deposition of cess in the Board's account was not provided to the LO concerned. The cess was accounted for in the Board's accounts but not in the LOs' accounts and shows that the accounts of the Board were not reconciled with the accounts of LOs. The Board has not taken any action for making Labour Officer-wise database for the above period.

The Board stated (December 2022) that no mechanism has been developed to reconcile the cess collected at the Board or at Labour and Employment Department.

The non-development of cess reconciliation process demonstrates the failure of the Board and the Department to formulate an integrated system of cess collection and reconciliation. In the absence of information about cess deposited by the employer, the concerned Cess Collector-cum-Labour Officer could not verify whether the due amount of cess was deposited by the employer/ establishment or not.

#### **2.4.3.3 Cess deducted but not deposited in the Fund**

Rule 5 of the Cess Rules, 1998 provides that the proceeds of the cess collected shall be transferred by cess collecting authorities to the Board within 30 days of its collection under the accounting procedures of the State.

Audit noticed during test-check of records of MCs, that MC Manali, District Kullu had incurred expenditure of ₹ 8.26 crore for the purpose of construction and repair/maintenance of various development works during 2017-22. The office had deducted one *per cent* cess from each bill of contractor amounting to ₹ 8.26 lakh during 2017-22 but the amount was kept in the bank account of the MC Office and not deposited with the Board and Government Treasury as of March 2023. Also, the office has maintained Cess Register only from April 2020 onwards.

The MC Manali stated that the amount of cess had not been deposited with the Board and due to shortage of manpower record could not be maintained (December 2022). LO Kullu stated (May 2023) that notice will be served to the Executive Officer, MC Manali in this regard.

#### 2.4.3.4 Shortcomings noticed in transfer of cess by the cess deductors

Section 3(2) of Cess Act, 1996 provides that cess shall be collected from every employer including deduction at source for construction work of Government/PSUs or advance collection through a local authority.

Audit noticed that the cess deductors were depositing the cess with the Board from time to time. However, the information provided by the cess deductors lacks the complete details of individual construction works/establishments and the Board office could not reconcile the amount of cess deposited and as a result following shortcomings were noticed.

**Table 2.2: Details of cess deposited without complete information during 2017-22**

(₹ in crore)

Shortcomings	Amount of cess/ no. of establishments	Reply of the Board
<b>Jurisdiction of LO concerned not known</b>	13.24 / 28	The Board stated (December 2022) that it had contacted the Bank Authorities for providing details but only name of establishment and bank branch was provided and not the complete details of depositors.
<b>Cess kept in Suspense Head due to lack of information about establishments / employers</b>	112.39/NA*	The Board stated (November 2022) that the information pertains to LOs but the reply from LOs is awaited.
<b>Lack of information about establishment/construction work in the intimation letters received from the Works Executing Agencies</b>	2.37/NA*	The Board stated (January 2023) that Section 22 of the Act, which defines the function of the Board, is not related to the Cess Collection or assessment etc. Further, matter is related with Labour Officer-cum-Cess Collector-cum-Assessment officer who are not working under the control of the Board. And from bank statement it is not possible to find out the exact required information regarding cess.

Shortcomings	Amount of cess/ no. of establishments	Reply of the Board
Cess deposited in the Board's account with Collection Charges <sup>44</sup>	1.39 (Cess: ₹ 1.38 crore, Collection Charges: ₹ 0.01 crore) / 41	The Board stated (February 2023) that responsibility of collection of cess and deduction of collection charges lies with the LOs of Labour and Employment Department and matter pertains to Labour and Employment Department.

\* Detail of the number of establishments is not available.

The replies are not acceptable as the Board has not made any efforts to clear the huge amount kept in Suspense Head and even directions were not issued to cess deductors to provide complete information of the establishments. Also, the Board was not transferring the collection charges to the Government Treasury during 2017-22. Collection Charges amounting to ₹ one lakh were noticed during test-check of records of the Board which were not deposited in the Government Treasury.

In the Exit Conference, the Secretary directed (October 2023) the Board that proper information be collected regarding units and place from where cess is being deposited and Suspense Head may be cleared.

#### 2.4.3.5 Delay in deposition of cess by the Government Works Executing Agencies with the Board

Rule 5 of the Cess Rules, 1998 provides that the cess collected shall be transferred by cess collecting authorities to the Board within 30 days of its collection.

Rule 12 stipulates that an Assessing Officer, if it appears to him that an employer has not paid the cess within the date as specified in the assessment order or has paid less cess, including the cess deducted at source or paid in advance, shall issue a notice to such employer that it shall be deemed to be in arrears and such Assessing Officer may, after such inquiry as it deems fit, impose on such employer, a penalty not exceeding such amount of cess.

Audit observed that the Government Works Executing Agencies (PWD, HIMUDA *etc.*) are deducting cess from the bills of contractors at the time of payment of bill and are depositing the accumulated cess amount by a single transfer through RTGS, Cheque or Bank Demand Draft in the Board's bank accounts along with the intimation to the Board. In the test-checked Works Executing Agencies<sup>45</sup>, it was noticed that cess amounting to ₹ 5.14 crore<sup>46</sup> was deposited with a delay ranging from one to 420 days during 2017-22.

Also, the Board/LOs had neither taken any action nor issued any instructions to the Works Executing Agencies to deposit the cess within the prescribed time limit.

<sup>44</sup> Collection Charges are to be collected at the rate of one *per cent* of the cess collected and are to be deposited in the Government Treasury.

<sup>45</sup> PWD Kullu, PWD Banjar, PWD Ghumarwin, PWD Barsar.

<sup>46</sup> LO Bilaspur: ₹ 3.22 crore, LO Kullu: ₹ 1.92 crore.



Further, as no Assessment Orders for these construction works were issued by the Assessing Officers and so the last date for deposition of cess was not specified and penalties for delays in deposit of the cess demanded could not be ascertained by Audit.

The Board stated (February 2023) that such matter pertains to Labour Commissioner of the Department as Labour Officers-cum-Cess Collector-cum-Assessing Officer are working under the control of the Labour Commissioner.

The reply is not acceptable as the amount was to be deposited in the Board's bank account, so it was the duty of the Board to coordinate with the Department for timely deposit of cess.

## **2.5 Health and Safety Norms**

Chapter VII of the Act provides for safety and health measures to be adopted by the employers and stipulates power of appropriate Government to make rules for the safety and health of building and other construction workers. Rule 296 of the HPBOCW Rules, 2008 stipulates the powers of inspectors to inspect construction sites for safety, health and welfare of building workers.

### **2.5.1 Inspection of Accident Sites**

Section 39 of the Act provides that (1) where in any establishment an accident occurs which causes death or which causes any bodily injury by reason of which the person injured is prevented from working for a period of forty-eight hours or more immediately following the accident, or which is of such a nature as may be prescribed, the employer shall give notice thereof to such authority, in such form and within such time as may be prescribed. (2) On receipt of a notice the authority may make such an investigation or inquiry as it considers necessary.

Section 47 provides that whoever contravenes the provisions of any rules for safety and health of building workers shall be punishable with imprisonment for a term which may extend to three months, or with fine which may extend to two thousand rupees, or with both, and in the case of a continuing contravention, with an additional fine which may extend to one hundred rupees for every day during which such contravention continues after conviction for the first such contravention.

Audit noticed that in the test-checked LOs, intimation regarding 10 accidental deaths<sup>47</sup> due to accidental fall from bridge, electrocution, boulder falling on worker etc. at six construction sites was received by the concerned LOs from the employers. It was noticed that in three construction sites, neither the concerned LOs nor the concerned LI had conducted inspections prior to or even after the accidents. The LOs/LI had not conducted any investigation or inquiry after the accidents to find out cause of accidents. As a result, there would be no scope for pointing out lack of safety measures at these construction sites

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<sup>47</sup> LO Kullu: eight deaths at five construction sites, LO Bilaspur: two deaths at one construction site.



or correcting them and initiating appropriate action/prosecution of employer under Section 47 of the Act *ibid*.

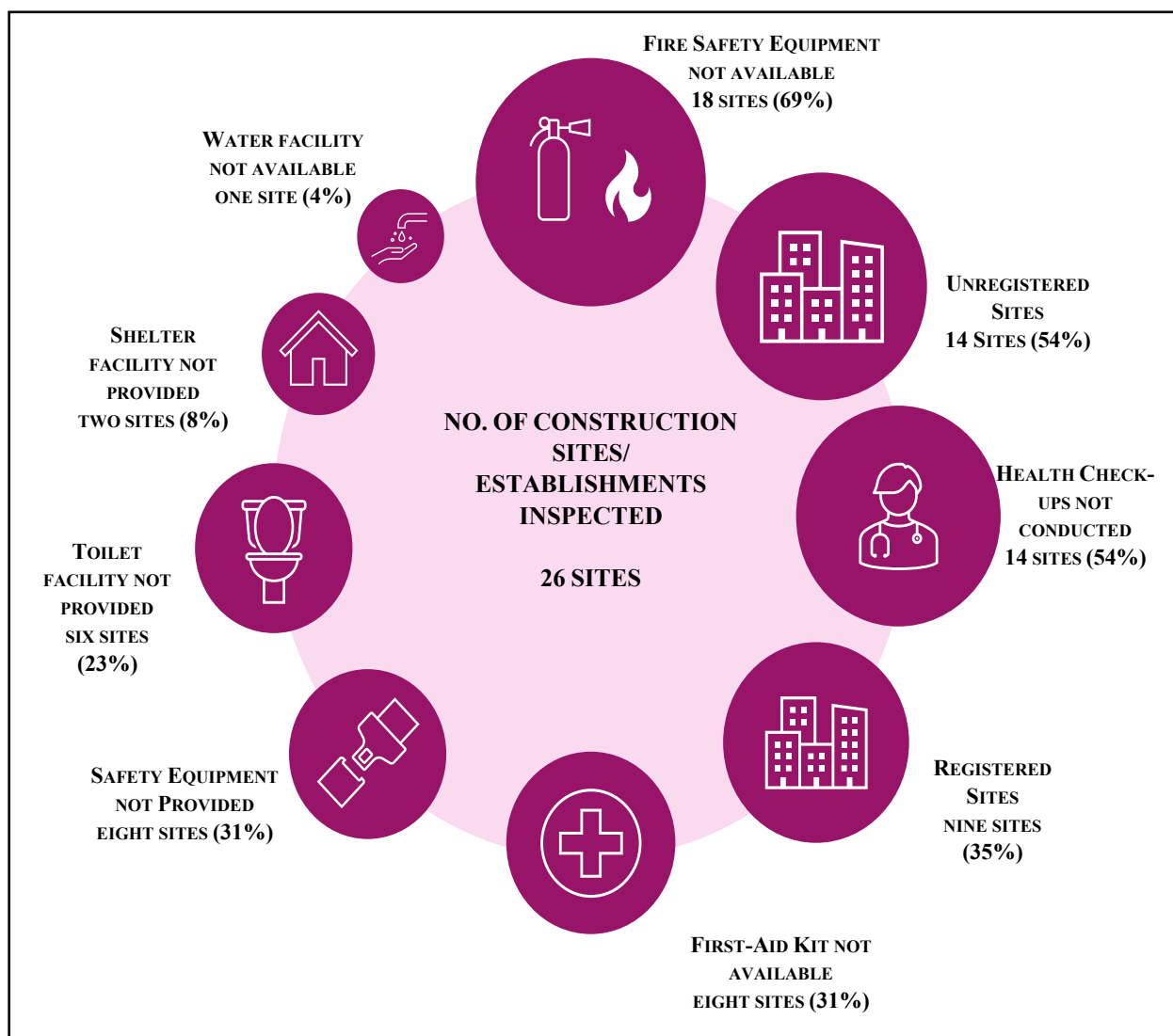
LO Kullu did not state in his/her reply (May 2023) whether inspections of these sites were conducted or not and Audit also did not find any inspection reports for these construction sites. LO Bilaspur failed to provide any Inspection Reports after stating (April 2023) that the inspections were conducted.

Inspections of these construction sites, prior to accident, regarding safety and health of building workers would have helped in raising safety standards at these construction sites and could have prevented such accidents in future. Further, during Joint Physical Inspection of 26 sites, it was noticed that eight construction sites had not provided any safety equipment to workers as discussed in the succeeding Paragraph.

#### **2.5.2 Lack of facilities observed during Joint Physical Inspection**

Audit conducted Joint Physical Inspection of 26 numbers of construction sites/establishments during December 2022 to February 2023. Out of which, nine establishments were registered, 14 construction sites were found to be unregistered whereas three sites were those where accident had occurred.

**Figure 2.1: Details of shortcomings noticed by the Audit during Joint Physical Inspection**



It can be seen from the above figure that:

- (I) 69 *per cent* sites did not have fire safety equipment at sites while 31 *per cent* sites did not provide safety equipment to workers.
  - (II) 54 *per cent* sites had not conducted health check-ups of the workers and 31 *per cent* sites did not have first-aid kit available at the sites.
  - (III) Basic amenities such as toilet facilities, shelter facilities and drinking water facility were not provided by 23 *per cent*, eight *per cent* and four *per cent* sites respectively.
- During Joint Physical Inspection of construction sites, unhygienic shelters, toilet facilities and lack of safety equipment were also noticed as shown in pictures below:

**Unhygienic toilets at the construction sites**



**Picture 2.5: Uncovered washroom at construction site of overbridge on Sukkar Khad, Hamirpur**



**Picture 2.6: Uncovered toilets at construction site of 50 bedded hospital, Bajoura, Kullu**



**Picture 2.7: Unhygienic toilet at construction site of Badminton Hall, Kullu**



**Picture 2.8: Unhygienic toilet at construction site of CHC Banjar**



### Safety equipment not provided to workers



**Picture 2.9: Workers working without helmets, safety vests, hand gloves at construction site of Mini Secretariat, Ghumarwin, Hamirpur**



**Picture 2.10: Workers working without safety helmets, safety vests, hand gloves at construction site of GDC Kullu.**

### Unhygienic living quarters of workers at construction site



**Picture 2.11: Unventilated living quarters with bathroom inside the quarters at construction site of CHC Banjar**



**Picture 2.12: Unventilated living quarters for workers at construction site of Government Degree College, Gadagushaini, Kullu**



**Picture 2.13: Unventilated living quarters at construction site of 50 bedded Ayush Sowa-Rigpa Hospital, Bajoura, Kullu**

In the Exit Conference (October 2023), the Secretary agreed to the audit findings on health and safety norms and noted the unhygienic conditions of the construction sites. He agreed to take corrective action on the audit findings after discussion with the concerned officials.

## 2.6 Departmental Inspections

Section 42(2) and (3) of the Act states that the State Government may, by notification, appoint a Gazetted Officer of that Government to be the Chief Inspector of Inspection of Building and Construction who shall be responsible for effectively carrying out the provisions of this Act in the State and shall also exercise the powers of an Inspector under this Act throughout the State in relation to establishments for which the State Government is the appropriate Government. The appropriate Government may, by notification, appoint such number of its officers as it thinks fit to be Inspectors for the purposes of this Act and may assign to them such local limits as it may think fit.

Accordingly, the State Government notified (April 2009<sup>48</sup>) and appointed Labour Commissioner, Himachal Pradesh as “Chief Inspector”, Joint Labour Commissioner and Deputy Labour Commissioner as “Inspector” for the whole State and appointed Labour Officers and Labour Inspectors as “Inspector” within their respective jurisdiction, for the purposes of the Act.

### 2.6.1 Position of staff for inspections in the State

Staff strength of the LOs/LIs in the State who are appointed as Inspector under the Act is given in Table 2.3:

**Table 2.3: Staff strength of Inspectors in the State as of March 2022**

Sr. No.	Name of the Post	Sanctioned Strength	Person-in-position	Vacancy (percentage)
1	Labour Officer	12	12	0
2	Labour Inspector	33	25	8 (24)
<b>Total</b>		<b>45</b>	<b>37</b>	<b>8</b>

Source: Information supplied by the Department.

It can be seen that, out of 33 sanctioned posts of the Labour Inspectors in the State, eight posts (24 *per cent*) were vacant under the Department as of March 2022. Shortage of staff leads to non-achievement of targets of inspections, non-registration of establishments and workers and lack of compliance with health and safety norms as was seen during Joint Physical Inspection and Beneficiary Survey and puts extra burden on the existing staff.

<sup>48</sup> Notification No. Shram (A)4-6/2007-BOCW-Pt.-II, Dated 30 April 2009.

## 2.6.2 Inspection of construction sites

As per Rule 296 of HPBOCW Rules, 2008, an Inspector (LO/LI) may examine the construction site or place, or premises used for building or other construction work regarding safety, health or welfare of construction workers provided under the Act/Rules.

The Department has prescribed Inspection Proforma under the Act and the Rules made thereunder and has also fixed target of inspections for LOs and LIs. The details of inspections conducted by the LOs and LIs are submitted to the Department.

### 2.6.2.1 Non-revision of Target

The targets for inspection were set by the Labour Commissioner of the Department during September 2011 after analysing the staff at that time to strengthen the inspection machinery by creating new Zones/Circles, since then target of inspection was not revised till date (March 2023) whereas construction activities have increased in the State during the period as can be seen from increased cess remittance to the Board.

The Department stated (January 2023) that targets under the Act were to be revised as per recommendation/proposal of the Inspecting Authorities/Cess Collectors i.e., LOs and LIs. After receiving their proposal, the Department will revise the target.

The reply is not acceptable as inspections are key aspects of ensuring compliance with the Act/Rules as well as Cess Act/Rules to see that all construction works/workers are registered and cess is collected. However, no action in this regard was taken by the Department to receive proposals/recommendations from the LOs/LIs.

### 2.6.2.2 Shortfall in achievement of target of inspections

Detail of target for inspection of establishments/construction sites fixed under the Act and achievement there against by the LOs/LIs during 2017-22 in the State is as under:

**Table 2.4: Details of inspections conducted by LO/LI in the State**

Year	Target of inspections	No. of inspections conducted	Shortfall ( <i>per cent</i> )
2017-18	1,860	712	1,148 (62)
2018-19	1,860	705	1,155 (62)
2019-20	1,860	620	1,240 (67)
2020-21	1,860	484	1,376 (74)
2021-22	1,860	448	1,412 (76)
<b>Total</b>	<b>9,300</b>	<b>2,969</b>	<b>6,331 (68)</b>

Source: Information provided by the Department.

Against the total target of 9,300 inspections for the LOs/LIs in the State during 2017-22, only 2,969 inspections (32 *per cent*) were conducted by the officials and shortfall ranging from 62 to 76 *per cent* was noticed against the Annual Targets.

In selected LOs/LI, shortfall in inspections conducted by LOs and LI was also noticed as detailed in the **Table 2.5**:

**Table 2.5: Details of inspections conducted by LOs and LI in selected LOs/LI during 2017-22**

Name of Unit	Target of inspections	No. of inspections conducted	Shortfall (per cent)
Labour Officer Bilaspur	480	56	424 (88)
Labour Officer Kullu	540	175	365 (68)
Labour Inspector Hamirpur	240	47	193 (80)
<b>Total</b>	<b>1,260</b>	<b>278</b>	<b>982 (78)</b>

*Source: Information provided by selected Labour Offices.*

It can be seen from the **Table 2.5** that there was a shortfall from 68 to 88 *per cent* in inspections conducted during the period 2017-22 in selected LOs/LI.

The Department stated (November 2022) that the shortfall of inspections was due to target set on higher side. LO Kullu stated (December 2022) that there are limited number of ongoing construction sites in the area and these sites cannot be visited again and again due to extreme work pressure and also the post of LI is vacant since 2018. LO Bilaspur stated (January 2023) that best efforts are being made to achieve the target. LI Hamirpur stated (February 2023) that due to excessive work in the office target of inspection could not be achieved.

In the Exit Conference, the Secretary directed (October 2023) the officers to do the required inspections in time and submit the inspection report of each site to the Board for onward compilation of the database.

### **2.6.2.3 Absence of Inspection Notes/Registers**

Audit noticed that necessary notes in format prescribed by the Department and registers in respect of inspections conducted by the Inspecting Authorities in the selected LOs/LI offices were not on record and Audit could not ensure whether the inspections were carried out or not and progress on the shortcomings pointed out by Inspectors, if any, could not be tracked and there is a risk that the entire exercise may be unproductive.

LI Hamirpur stated (February 2023) that due to excess (sic) work, the Inspection Register could not be maintained. LO Bilaspur stated (February 2023) that Register/Inspection Notes will be maintained in future.

In the Exit Conference, the Secretary instructed (October 2023) to maintain the Inspection Notes by the Inspectors.



#### 2.6.2.4 Ineffective system of inspections

Audit observed following shortcomings in the system of inspections:

- (I) The Department had not made any risk-based assessment according to size of construction sites.
- (II) The Department had also not devised any system to inspect and register large construction projects approved by the Local Authorities such as Municipal Corporations, Town and Country Planning *etc.* In fact, the Department did not have any mechanism of obtaining/sharing information from other Authorities like Local Bodies regarding the projects for which the bodies had given approvals, as discussed in **Paragraph 2.4.1.3**. 14 unregistered sites were noticed during Joint Physical Inspection conducted by Audit as discussed in **Paragraph 2.3.3**.
- (III) In selected LOs, cases of accidental deaths at worksite were noticed but no inspections of these establishments were carried out by the Inspectors as discussed in **Paragraph 2.5.1**.

### 2.7 Administration and utilisation of the Fund

Section 18 of the Act and Rule 251 of HPBOCW Rules, 2008 provides for the constitution of the Board to provide welfare measures and facilities to the building and construction workers. As per Rule 251(2) of the HPBOCW Rules, 2008 the term of office of the Chairperson and the members of the Board other than the official members shall be three years from the date of their appointment, provided that the members may continue in office till their successors are appointed.

The Government of Himachal Pradesh (GoHP) first constituted the Board in March 2009 and subsequently reconstituted it in 2012, 2016<sup>49</sup>, 2018 and 2022.

Further, Rule 265 of the HPBOCW Rules, 2008 provides for constitution of a Fund by the name “The Himachal Pradesh Building and Other Construction Workers’ Welfare Fund” which shall be administered by the Board. Section 22 of the Act provides that the Fund shall be utilised for Welfare Schemes and Section 24 provides for the administrative expenditure of the Board.

The audit observations on the functioning of the Board are given in the succeeding Paragraphs.

#### 2.7.1 Shortfall in holding of the Board meetings

Rule 253 of the HPBOCW Rules, 2008 provides that the Board shall ordinarily meet once in two months provided that the Chairperson shall, within fifteen days of the receipt of a

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<sup>49</sup> Only the Chairman and Employee Representatives were appointed.

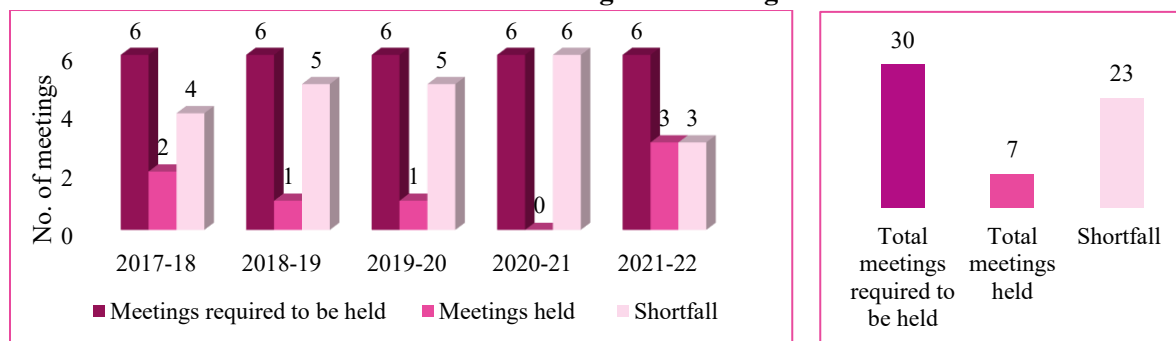


requisition in writing from not less than one third of the members of the Board, call a meeting thereof.

Rule 257 provides that every question considered at a meeting of the Board shall be decided by a majority of the votes of the members present and voting and in the event of any equal votes, the Chairperson shall have and exercise a casting vote.

Audit observed that the Board Meetings were not held regularly during 2017-22 as shown in **Chart 2.8**.

**Chart 2.8: Board Meetings held during 2017-22**



Source: Information supplied by the Board.

It can be seen from the **Chart 2.8** that out of 30 meetings required to be held during the period 2017-22 of the Board, only seven meetings (23 *per cent*) were held and shortfall of 23 meetings (77 *per cent*) was observed. In these meetings, matters regarding approval of the budget and expenditure, annual accounts, service matters of the Board, amendment in welfare scheme rules, ex-post facto sanction to expenditure etc. were discussed by the Board. However, in the absence of regular meetings, responsibilities envisaged in Rule 261<sup>50</sup> were not fulfilled as delay in approval of the budget, annual report and annual accounts and their submission to the Government was noticed as discussed in the succeeding Paragraphs.

The Board stated (December 2022) that it made all possible efforts to adhere to the schedule of their meetings. However, the Board has delegated power to the Secretary and other Officers of the Board to discharge statutory functions so that the work of the Board may not suffer for want of the Board's meetings and the Government has also constituted Service Committee to examine the proposals concerning staff strength, pay scales, allied matters, etc.

The reply is not acceptable as all the matters are to be decided under Rule 257 of HPBOCW Rules, 2008 by voting of members in the Board meetings, which cannot be circumvented

<sup>50</sup> The Board shall be responsible for all matters concerned with the administration of the Fund, laying down policies for the deposits of the amount of the Fund, submission of Annual Budget and Annual Report on the activities of the Board to Government, proper maintenance of accounts, collection of contribution to the Fund, speedy settlement of claims and sanction of advances and other benefits etc.

by delegating the powers to a single official. Further, duties of the Board such as approval of annual budget, annual accounts, annual reports etc. fall within its mandate and cannot be delegated.

In the Exit Conference, the Secretary directed (October 2023) to convene the Board meeting within a fortnight.

## 2.7.2 Staff position of the Board

For smooth functioning of the Board adequate manpower is required and the Board has created different categories of posts from time to time, with the permission of Government, for execution of the functions of the Board.

Also, as per Government notification <sup>51</sup> (April 2009), 12 Labour Officers of the Department, were appointed as Registering Officer, Cess Collector, Assessing Officer, Inspector and Authorised Officer (August 2010) for the purpose of the Act and Cess Act in the State. For Hamirpur District, Labour Inspector is appointed as “Authorised Officer” and “Inspector” for the purpose of the Act. The LOs/LIs are performing these duties of registration of works and workers, cess assessment and collection and inspection under the Act in addition to the regular duties assigned to them by the Department.

### 2.7.2.1 Inadequate Human Resource – Vacant posts

Audit noticed that the Board had a Sanctioned Strength of 196 posts, out of which only 127 posts were filled, which shows that the Board was not provided with necessary staff. Details of Sanctioned Strength and Persons-in-Position of the Board as of March 2022 are given in **Table 2.6**.

**Table 2.6: Details of manpower of the Board as on 31 March 2022**

Sr. No.	Name of the Post	Sanctioned Strength	Person-in-Position	Vacancy (percentage)
1	Secretary-cum-CEO	1	1	0
2	Assistant Controller (F&A)	1	1	0
3	Executive Officer	1	1	0
4	Section Officer (SAS)	1	1	0
5	Labour Welfare Officer <sup>52</sup>	12	0	12 (100)
6	Junior Office Assistant (IT)	23	10	13 (65)
7	Motivator-cum-Registration Assistants	30	28	2 (7)
8	Ministerial/Other Staff <sup>53</sup>	127	85	42 (33)
<b>Total</b>		<b>196</b>	<b>127</b>	<b>69 (35)</b>

Source: Information supplied by the Board.

<sup>51</sup> Notification No.: Shram (A)4-6/2007-BOCW-Pt-II, Dated 30 April 2009.

<sup>52</sup> Posts of LWOs were filled in March 2023.

<sup>53</sup> Personal Assistant, Senior Assistant, Office Assistant, Accountant, Computer Operator, Benefit Delivery Assistant/ Data Entry Operators, Clerks, Steno, Drivers, Peons, Chowkidar-cum-Peons, Cooks, Mali and Sweeper (Part Time).

It can be seen from **Table 2.6** that out of 196 posts, 69 posts (35 *per cent*) were lying vacant as of March 2022 and posts of LWO and Junior Office Assistant had 100 *per cent* (as of March 2022) and 65 *per cent* vacancies respectively.

#### 2.7.2.2 Vacancies in posts of Labour Welfare Officers for long periods

Twelve posts of LWOs were lying vacant (as shown in **Table 2.6**) since the date of sanction i.e., July 2012. These posts were filled in March 2023 after a lapse of more than 10 years by the State Government which adversely affected the registration process of beneficiaries and implementation of Welfare Schemes as observed for the period of Audit, because these duties were being carried out by the LOs/LIs in addition to their designated duties.

Shortage of staff had put an extra burden on the existing staff of the Board and the Department.

#### 2.7.2.3 Key posts held on additional charge

The Secretary-cum-CEO exercises administrative and financial powers as delegated by the Board from time to time, Assistant Controller is responsible for maintenance of finance and accounts system of the Board and Section Officer is responsible for scrutiny of welfare scheme applications. These key posts were held as additional charge for 18 months, nine months and 22 months respectively during 2017-22. Also, the post of Section Officer remained vacant for 15 months during the same period. Holding these key posts on an additional charge basis would have impacted the following processes of the Board, i.e., approval of the Budget, Annual Report and its submission to the State Government and sanction of welfare benefits to beneficiaries. Delays in all the above were noticed as discussed in the succeeding Paragraphs.

#### 2.7.2.4 Filling of posts on outsourced basis

Most of the posts in the Board are filled on outsourced basis as detailed in **Table 2.7**.

**Table 2.7: Details of mode of appointment of staff of the Board as of March 2022**

Mode of appointment	Sanctioned Strength	Persons-in-Position	Vacancy ( <i>per cent</i> )
Regular/additional/secondment basis	45	16	29 (64)
Outsourced basis	147	110	37 (25)
NIC outsourced	4	1	3 (75)
<b>Total</b>	<b>196</b>	<b>127</b>	<b>69 (35)</b>

*Source: Information supplied by the Board.*

It can be seen from the **Table 2.7** that against the Sanctioned Strength of 196 posts, as many as 147 posts (75 *per cent*) were sanctioned to be filled on outsourced basis and even out of these, 37 posts (25 *per cent*) were lying vacant. The majority of the work at the Board and in the field, offices is managed by the outsourced staff.

The Board stated (January 2023) that the requisition for filling up the post of LWOs was sent to Himachal Pradesh Public Service Commission (HPPSC) vide letter dated September 2020 and the matter was sub-judice. But these posts were finally filled in March 2023.

The reply should be seen in the light of the fact that the Board started the process of filling up the post of LWO only in 2020 after a delay of almost eight years from the date of sanction and the work of the Board has suffered due to shortage of staff as discussed in succeeding Paragraphs and **Paragraph 2.3**.

In the Exit Conference, the Secretary directed (October 2023) that a review be done of the outsourced employees before renewal.

### **2.7.3 State Advisory Committee**

Section 4 of the Act provides that the State Government shall constitute a committee to be called the State Building and Other Construction Workers Advisory Committee (SAC) to advise the State Government on such matters arising out of the administration of this Act as may be referred to it.

Accordingly, Rule 10 of the HPBOCW Rules, 2008 provides for constitution of State Advisory Committee consisting of a Chairperson to be appointed by the State Government, two members of the Legislative Assembly, a member to be nominated by the Central Government, the Chief Inspector of Inspections of Building and Construction, the Chief Inspector of Factories, three members representing employers, three members representing the building and other construction workers to be nominated by the State Government, three members of Secretary level (Secretary (Labour)/Secretary (PWD)/Secretary (MPP and Power)), two members to be nominated by the State Government, one each representing State Level Associations of Architects or Engineers and Accident Insurance Institutions.

Rule 20 states that the State Advisory Committee shall meet at such places and such times as may be decided by the Chairperson of such Committee and it shall meet at least once in six months. Also, the State Advisory Committee shall be reconstituted after every three years.

#### **2.7.3.1 Delay in constitution of SAC**

Audit noticed that the SAC was first constituted in May 2011 after a lapse of more than 14 years from the enactment of the Act and was subsequently reconstituted in April 2015, May 2018 and February 2022 with a delay ranging from one month to 11 months as detailed in the **Table 2.8**:

**Table 2.8: Details of constitution of all State Advisory Committees**

Committee	Date of constitution of SAC (Month and year)	Due date of re-constitution as per rule	Delay in months
First Committee	May 2011	After 14 years from enactment of the Act	
Second Committee	April 2015	May 2014	11
Third Committee	May 2018	April 2018	1
Fourth Committee	February 2022	May 2021	9

Source: Records of the Board.

The Board stated (May 2023) that SAC is formed by the State Government and the constitution of SAC is not in purview of the Board. The Department did not provide any reason for the delay in the formation of SAC.

In the Exit Conference, the Secretary agreed (October 2023) with the audit findings and assured to take appropriate action.

#### **2.7.3.2 Non-conducting of SAC meetings**

SAC was required to meet at least once in six months. However, against the required 10 meetings of the SAC, no meetings were held during the period 2017-22. As a result, the constitution of the SAC was reduced to a mere formality and the Government did not utilise the Committee for its advice on issues of workers' welfare during the above period.

The Board stated (December 2022) that convening the meeting of SAC is in the purview of the Government. The Department stated (January 2023) that the meetings could not be held due to administrative reasons and COVID-19 outbreak.

The reply is not acceptable as the mere constitution of SAC without convening its meetings is a violation of the Rules and does not enable the SAC to fulfill its mandate of advising the Board on welfare matters. The Board and the Department should coordinate with each other to conduct regular meetings of the SAC.

#### **2.7.4 Submission of Annual Accounts**

Section 27(3) of the Act states that the accounts of the Board shall be audited by the Comptroller and Auditor General (CAG) of India annually and any expenditure incurred in connection with such audit shall be payable by the Board to the Comptroller and Auditor General of India.

Section 27(4) states that the Board shall furnish to the State Government before such date, as may be prescribed, its audited copy of accounts together with the Auditor's Report. Further, Rule 291 of the HPBOCW Rules, 2008 provides that a report on the functioning of the Board during every Financial Year shall be approved by the Board before the 15<sup>th</sup> day of June next year and be submitted to the Government before the 31<sup>st</sup> day of July of that year. Audit observed that the Audited Annual Accounts are included in the Annual Report. Thus, the Annual Accounts should have been prepared before 15<sup>th</sup> June.

However, Audit noticed the Annual Accounts of the period 2017-22 of the Board were submitted to the Principal Accountant General (Audit), Himachal Pradesh after taking a time of eight to 19 months after close of the Financial Year as given in the **Table 2.9**:

**Table 2.9: Details of Annual Accounts submitted to Pr. Accountant General, HP**

Financial Year	Date of Submission of Annual Accounts to the Pr. AG, HP	Time taken in submission of Accounts after completion of Financial Year
2017-18	December 2018	8 months
2018-19	August 2020	16 months
2019-20	November 2021	19 months
2020-21	July 2022	15 months
2021-22	May 2023	13 months

In the Exit Conference, the Secretary directed (October 2023) the Board officials to adhere to the timeline for submission of Annual Accounts.

### 2.7.5 Delay in approval and submission of Annual Report

Section 26 of the Act provides that the Board shall prepare, in such form and at such time each Financial Year as may be prescribed, its annual report, giving a full account of its activities during the previous Financial Year, and submit a copy thereof to the State Government and the Central Government. Section 27(5) provides that the State Government shall cause the annual report and auditor's report to be laid, as soon as may be after they are received, before the State Legislature.

Rule 291 of the HPBOCW Rules, 2008 provides that report on the functioning of the Board during every Financial Year shall be approved by the Board before the 15<sup>th</sup> day of June next year and be submitted to the Government before the 31<sup>st</sup> day of July of that year.

Audit noticed that there were delays, both in the approval by the Board of the Annual Report on the functioning of the Board as well as in the submission thereof by the Board to the Government as detailed given in **Table 2.10**.

**Table 2.10: Delays in approval and submission of Annual Report by the Board during 2017-22**

Financial Year	Due date for approval of the Report	Report approved by the Board in	Delay (in months)	Due date of submission of Report to the State/ Central Government	Date of submission to the State Government	Delay (in months)
2017-18	15 June 2018	December 2019	17	31 July 2018	March 2020	19
2018-19	15 June 2019	June 2021	24	31 July 2019	January 2022	29
2019-20	15 June 2020	April 2023	33	31 July 2020	March 2023	31
2020-21	15 June 2021	April 2023	21	31 July 2021	March 2023	19
2021-22	15 June 2022	Not approved*		31 July 2022	Not submitted*	

\*As of April 2023.

As seen from the **Table 2.10**, the Annual Report was approved by the Board with delays ranging from 17 to 33 months and submitted to the Government also with delays ranging

from 19 to 31 months. The Annual Report for Financial Year 2021-22 had not been approved at the level of the Board itself as of April 2023. It is also evident that the Annual Reports for both the years 2019-20 and 2020-21 were submitted to the State Government (March 2023) prior to their approval by the Board (April 2023), which is in contravention of the Rules.

Also, Annual Reports have never been submitted to the Central Government by the Board ever since the constitution of the Board, which is against the provisions of the Act *ibid*.

The Board stated (April 2023) that all efforts are being made to ensure timely approval of the Annual Report from Board of Directors.

In the Exit Conference, the Secretary directed (October 2023) the Board to send the Annual Report to Central Government without delay. The Secretary also said that the Report for 2021-22 be submitted within a fortnight.

## 2.7.6 Budget preparation

As per Section 25 of the Act, the Board shall prepare, in such form and at such time each Financial Year, as may be prescribed, its Budget for the next Financial Year, showing the estimated receipts and expenditure of the Board and forward the same to the State Government and the Central Government.

### 2.7.6.1 Delay in approval of Annual Budget of the Board

Audit noticed that the meetings for approval of the Budget, showing estimated receipts and expenditure for the next Financial Year, were held after the commencement of the Financial Year for which the Budget was to be approved, whereas it should have been held and the Budget should have been approved before commencement of the Financial Year i.e., before 31 March of preceding Financial Year. Details of the Board meetings held for approval of the Budget are given in **Table 2.11**.

**Table 2.11: Details of the Board meetings held for approval of Annual Budget**

Financial Year	Meeting required to be held by	Budget approved in	Delay (in months)
2017-18	March 2017	February 2017	No delay
2018-19	March 2018	December 2018	9 months
2019-20	March 2019	December 2019	9 months
2020-21	March 2020	June 2021	15 months
2021-22	March 2021	June 2021	3 months

It can be seen from the **Table 2.11** that during 2018-22, the Budget was approved with delays ranging from three months to 15 months and the Budget for Financial Year 2020-21 was approved after lapse of the Financial Year, making the exercise of approval of estimates futile.

The Board stated (March 2023) that it made all possible efforts to adhere to the schedule of meetings.



The reply reflects that the Board had not followed the provisions of the Act regarding holding of regular meetings for such important functions like Budget approval. The entire process of approving the Budget estimates with delays/after lapse of the year shows weak or absence of controls in the budgetary process.

In the Exit Conference, the Secretary directed (October 2023) the Board officials to adhere to the timeline for the Budget preparation.

### **2.7.7 Database of building and other construction workers in the state**

Section 12 of the Act and Rule 266 of HPBOCW Rules, 2008 provides that every worker, aged between 18 and 60 years, engaged in construction work for not less than 90 days during the preceding 12 months should apply for registration to the concerned registering officer. Construction workers will be eligible for welfare scheme benefits provided by the Board after registration as a beneficiary. Audit findings with respect to database of BOC Workers are in the succeeding Paragraphs.

#### **2.7.7.1 Non-maintenance of individual beneficiary-wise database by the Board**

Audit observed that 3,73,513 workers were registered with the Board as of March 2022. However, the Board as well as test-checked LOs/LI had not maintained details of welfare benefits for each worker such as details of date on which application for benefits received, quantum of benefits disbursed under each scheme, date of disbursement *etc.* Thus, they failed to have a comprehensive database of beneficiaries at any level for cross-checking of payment of benefits, which would have served as useful inputs for policy making and performance analysis.

Maintenance of such a type of database at the Board level would facilitate distribution of welfare assistance to those beneficiaries, who have migrated to different LO jurisdictions other than the one they had registered with. This will facilitate submission of claims/applications to any LO in the State and mitigate the difficulty and inconvenience for the beneficiaries to submit claims/applications through the LO under which they were registered.

The Board and test-checked LOs/LI stated (December 2022, January and February 2023) that such data could not be maintained due to shortage of staff and manifold increase in registration process. The data will be maintained once the process is started online on the Himachal Pradesh Building and Other Construction Workers' Welfare Board Portal.

Due to absence of comprehensive database/records, Audit noticed instances of multiple registration of workers (**Paragraph 2.3.5.1**), double payment of benefits (**Paragraph 2.7.10.2 (C)**), delay in payment of welfare scheme benefits (**Paragraph 2.7.12.3**) *etc.*



### 2.7.7.2 Introduction of Universal Access Number

The Secretary, Ministry of Labour and Employment (MoL&E), Government of India informed (September 2015) the Hon'ble Supreme Court that Government of India (GoI) contemplated introduction of Universal Access Number (UAN) to every registered worker so that if he or she migrates from one State to another, the benefit of registration does not get lost, nor does that construction worker need to get registered in another State.

Audit observed that no process of introduction of Universal Access Number was started by the Board by coordinating with the MoL&E and only LO/LI-wise registration numbers were provided to the registered workers in the format/code prescribed by the Board.

The Board stated (May 2023) that Identity Cards are being issued to registered workers with separate Registration Number and Online Portal of the Board is under trial phase, wherein provision has been made to provide UAN to each registered worker.

The State Government should coordinate with the Government of India to introduce UAN to every registered worker, as was contemplated by the Government of India (MoL&E) during the year 2015 for the facility of migrant workers from one State to another.

### 2.7.8 Issues relating to Financial Management by the Board

The Himachal Pradesh Building and Other Construction Workers' Welfare Fund<sup>54</sup> (hereinafter referred to as "the Fund") is to be administered by the Board. The Fund consists of contributions made by the beneficiaries, amount of cess @one per cent<sup>55</sup> of construction cost received by the Board from establishments through Labour Officers/Cess Collectors and cess deductors/depositors in the Board's bank account, accumulated interest on funds in bank accounts and grant of loans or advances if any, made by any authority. As per Section 24 (2) of the Act, the Fund was to be utilised for meeting expenses of the Board in discharge of its functions. Section 22 states that the Board may provide various welfare benefits to the construction workers.

#### 2.7.8.1 Financial position of the Board

Details of receipts, expenditure and balance of funds of the Board during 2017-22 are given in the **Table 2.12**:

<sup>54</sup> Constituted under Rule 265 of HPBOCW Rules, 2008.

<sup>55</sup> Notified by the Department of Labour and Employment vide letter of August 2009.

Table 2.12: Details of Receipts and Expenditure of the Board during 2017-22

(₹ in crore)

Year	Opening Balance	Receipts				Total Funds	Expenditure			Closing Balance
		Registration and Renewal	Cess <sup>\$</sup>	Interest and Others <sup>\$</sup>	Total Receipts		Welfare*	Administrative <sup>#</sup>	Total*	
2017-18	458.59	0.02	68.85 (72)	26.79 (28)	95.66	554.25	36.44 (7)	2.05 (5.3)	38.49 (7)	515.76
2018-19	515.76	0.06	67.67 (65)	36.37 (35)	104.10	619.86	24.68 (4)	2.35 (8.7)	27.03 (4)	592.83
2019-20	592.83	0.07	82.11 (66)	42.58 (34)	124.76	717.59	50.89 (7)	2.46 (4.6)	53.35 (7)	664.24
2020-21	664.24	0.13	85.25 (73)	30.98 (27)	116.36	780.60	106.28 (14)	2.50 (2.3)	108.78 (14)	671.82
2021-22	671.82	0.15	103.86 (79)	28.14 (21)	132.15	803.97	97.14 (12)	3.68 (3.6)	100.82 (13)	703.15
<b>Total</b>		<b>0.43</b>	<b>407.74 (71)</b>	<b>164.86 (29)</b>	<b>573.03</b>		<b>315.42</b>	<b>13.04</b>	<b>328.46</b>	

Source: Information supplied by the Board

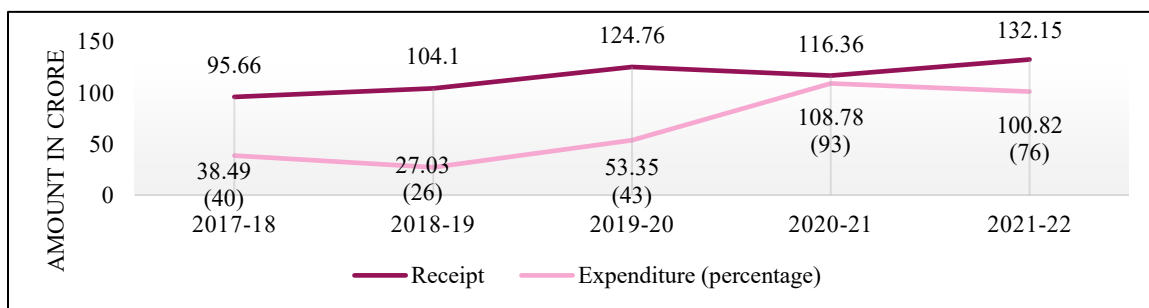
\$ Figures in parenthesis indicate percentage of receipt to total receipt. # Figures in parenthesis indicate percentage of expenditure to total expenditure. \*Figures in parenthesis indicate percentage of expenditure to the total funds.

Findings on audit analysis of the above data have been discussed in succeeding Paragraphs.

### 2.7.8.1 (A) Over accumulation of funds

It can be seen from **Table 2.12** that the Board had funds ranging between ₹ 515.76 crore (Closing Balance 2017-18) and ₹ 703.15 crore (Closing Balance 2021-22). The Fund was to be used for welfare of building and other construction workers and administrative expenses. However, it is observed that the proportion of the welfare expenditure and total expenditure with respect to the total available funds ranged from a marginal four *per cent* (2018-19) to 14 *per cent* (2020-21) during 2017-22.

Against the total available funds of ₹ 1,031.62 crore (Opening Balance of 2017-18 ₹ 458.59 crore + ₹ 573.03 crore which is total receipts of 2017-22) during 2017-22, the Board had utilised only ₹ 328.46 crore (32 *per cent*) during the same period. Further, during the period 2017-20, ratio of Expenditure with respect to Receipts during the year remained low ranging from 26 to 43 *per cent* which led to over accumulation of funds in the bank accounts of the Board over time as shown in **Chart 2.9**.

**Chart 2.9: Details of Receipts and Expenditure of the Board for the period 2017-22**

During 2020-21, expenditure increased due to COVID-19 Financial Assistance disbursed as per the directions of the State Government (March, May, and August 2020) at the rate of ₹ 2,000/- per instalment to the registered beneficiaries (total three instalments) amounting to ₹ 68.59 crore.

Underutilisation of the Fund also resulted in liability of income tax up to ₹ 191.01 crore as condition of 85 *per cent* of receipts to be expended on Welfare Schemes was not fulfilled by the Board as discussed in **Paragraph 2.7.8.2 (B)**.

The Board stated (January 2023) that the expenditure is purely based on the claims received from the registered beneficiaries and if they do not present their legitimate claims, the Board has no power to enforce them.

The reply should be seen in the light of the fact that the Board did not plan ahead to utilise the huge funds lying with it by formulating long and short-term targets. The Board could have either introduced new Welfare Schemes or enhanced the amount of benefits of the existing Welfare Schemes with a change from demand-based disbursement of welfare benefits to maximum coverage of beneficiaries for schemes for which all the beneficiaries are eligible. Also, it could coordinate with other Local Departments and sanction grants-in-aid to them for providing welfare benefits which could be provided directly at construction sites. The plea of the Board that the low expenditure is linked to the claims received from the beneficiaries should also be seen in the light of the fact that there is lack of awareness among the beneficiaries about the Board and the Welfare Schemes available, as was observed by Audit during the Beneficiary Survey as indicated in **Paragraph 2.8.2.1 (B)**.

#### **2.7.8.1 (B) Administrative Expenditure incurred beyond prescribed limit**

Section 24(3) of the Act stipulates that in any Financial Year, no Board shall incur expenses towards salaries, allowances and other remuneration to its members, officers and other employees and for meeting the other Administrative Expenses exceeding five *per cent* of its total expenses during the Financial Year.

From the **Table 2.12**, it can be seen that the Board's expenditure on Administrative Expenses was more than five *per cent* of total expenditure during the Financial Years

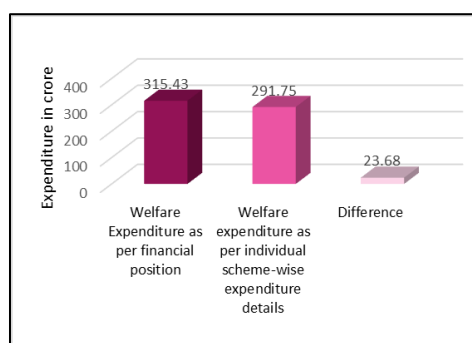
2017-18 (5.3 per cent) and 2018-19 (8.7 per cent), which was in contravention of provision of the Act *ibid* while during the period 2019-22, it was within the limit.

The Board stated (December 2022) that the expenditure was not irregular as without administrative expenditure, it is not possible to run the organisation. However, the Board had also taken up the matter with the Government of India through the State Government to relax the limit as it is not possible to adhere to the limit at the initial stage.

The reply is not acceptable as the Board should take austerity measures while incurring expenditure from the Fund and the Board should focus on disbursal of maximum welfare benefits to all the eligible BOC workers in the State, as stipulated under the Act.

### 2.7.8.1 (C) Mismatch in figures of welfare expenditure

Audit noticed that there was mismatch of ₹ 23.68 crore in figures of individual scheme wise welfare expenditure and in the figures of overall welfare expenditure provided from the Annual Accounts for the period 2017-22. Both the figures were supplied by the Board. As per the individual scheme-wise expenditure, the total expenditure on the Welfare Schemes was ₹ 291.75 crore while as per overall welfare expenditure provided from the Annual Accounts, the total expenditure on the Welfare Schemes was ₹ 315.42 crore. The details of mismatch in figures are given in **Appendix 2.3**.



The Board stated (May 2023) that booking of expenditure in the books of accounts is being done as per accounting concepts and accounting conventions, however the difference is due to the reason that data of individual scheme-wise expenditure was supplied by the concerned Dealing Assistant directly.

The reply is not acceptable as it is evident that the Board is not reconciling its accounts since different figures were given for the same expenditure. It should have ensured that the data maintained by the Dealing Assistants is reconciled with the Accounts from time to time. This showed weak internal controls and improper maintenance of records.

### 2.7.8.1 (D) Cess collected and welfare expenditure by the selected LOs/LI

Details of cess collected and welfare expenditure by the selected LOs/LI during 2017-22 are given in **Table 2.13**.

**Table 2.13: Details of Cess Collected and Welfare Expenditure by the selected LOs/LI**  
(₹ in crore)

Financial Year	LO Bilaspur		LI Hamirpur	Total Welfare Expenditure	Total workers registered (No. of establishments)	LO Kullu		
	Cess Collected*	Welfare Expenditure	Welfare Expenditure			Cess Collected	Welfare expenditure	Workers registered (No. of establishments)
2017-18	3.60	3.21	3.66	6.87	5,616 (6)	8.42	0.78	616 (6)
2018-19	1.37	2.90	3.70	6.60	16,108 (4)	4.36	0.77	1422 (6)
2019-20	0.60	6.38	11.90	18.28	11,045 (0)	8.58	2.04	1585 (5)
2020-21	2.28	14.72	25.20	39.92	30,631 (4)	6.55	3.83	4300 (4)
2021-22	0.27	9.11	10.83	19.94	23,883 (0)	4.92	4.45	8859 (0)
<b>Total</b>	<b>8.12</b>	<b>36.32</b>	<b>55.29</b>	<b>91.61</b>	<b>87,283 (14)</b>	<b>32.83</b>	<b>11.87</b>	<b>16782 (21)</b>

Source: Information supplied by the Board and the selected LOs

\*LI Hamirpur is under the jurisdiction of LO Bilaspur for collection of cess.

It can be seen from the **Table 2.13** that in the jurisdiction of LO Bilaspur, which includes LI Hamirpur, cess amounting to ₹ 8.12 crore was collected and expenditure of ₹ 91.61 crore was incurred on Welfare Schemes. In the jurisdiction of LO Kullu cess of ₹ 32.83 crore was collected and welfare expenditure of ₹ 11.87 crore was incurred on Welfare Schemes.

In LO Kullu, low welfare expenditure against cess collected may be due to non-registration of the workers engaged in these establishments, as a result of which they would have been deprived of the admissible welfare benefits. In LO Bilaspur, high welfare scheme expenditure in comparison to cess collected showed that either cess was not being collected from all the establishments or bogus registration of workers is being carried out as discussed in **Paragraph 2.3.5.2**.

#### 2.7.8.1 (E) Collection of cess from Government and Private Employers

Audit observed that in the test-checked LOs, Register of Cess received from the employers was being maintained. During scrutiny of these Registers for the period 2017-22, it was observed that cess amounting to ₹ 40.95 crore was deposited by 152 employers (Government and Private) as indicated in **Table 2.14**.

**Table 2.14: Details of cess received by selected LOs during 2017-22**  
(₹ in crore)

Name of Labour Office	Total		Government Employers*		Private Employers*	
	No. of Employers	Amount of Cess	No. of employers	Amount of Cess	No. of Employers	Amount of Cess
LO Bilaspur	103	8.12	90 (87)	6.51 (80)	13 (13)	1.61 (20)
LO Kullu	49	32.83	34 (69)	32.19 (98)	15 (31)	0.65 (2)
<b>Total</b>	<b>152</b>	<b>40.95</b>	<b>124</b>	<b>38.70</b>	<b>28</b>	<b>2.26</b>

Source: Information prepared from Register of Cess maintained by the LOs

\* Figures in parenthesis indicate percentage with respect to total.

It can be seen from the **Table 2.14** that:

- (i) In LO Bilaspur, out of the total 103 employers who deposited cess, 90 (87 *per cent*) were Government Employers and 13 (13 *per cent*) were Private Employers. While the proportion of cess deposited by the Government Employers (₹ 6.51 crore) was 80 *per cent* of the total cess deposited.
- (ii) In LO Kullu, out of 49 employers who deposited cess, 34 (69 *per cent*) were Government Employers and 15 (31 *per cent*) were Private Employers. While the proportion of cess deposited by the Government employers (₹ 32.19 crore) was 98 *per cent* of the total cess deposited.

It was also observed that during 2021-22, 340 employers transferred cess in the Board's bank accounts, out of which 294 (86 *per cent*) were Government Employers and 46 (14 *per cent*) were Private Employers while bifurcation of amount of cess deposited was not available.

Thus, the major portion of cess amount was being deposited by the Government Employers as compared to the Private Employers.

#### **2.7.8.2 Financial Irregularities in the utilisation of the Fund**

Financial irregularities noticed in utilisation of the Fund are discussed in the succeeding Paragraphs.

##### **2.7.8.2 (A) Irregular/inadmissible expenditure from the Fund**

Rule 289 of HPBOCW Rules, 2008 states that the Fund shall not, without the previous approval of Government, be expended for any purpose other than those mentioned in the Act and the Rules.

As per Ministry of Labour and Employment, Government of India order<sup>56</sup> (June 2016), all the State Governments and UT Administrations are not to spend the Fund for construction of buildings for schools, hospitals, training centers, labour shed-cum-night shelter, waiting hall, hostels etc. or for any purpose other than for welfare of BOC workers and their family exclusively. In case of any such violation, immediate corrective steps should be taken and the funds so spent should be recouped in the Building and Other Construction Workers' Welfare Cess Fund with immediate effect under intimation to the Central Government.

Audit noticed that the Board had incurred irregular/inadmissible expenditure of ₹ 15.89 crore from the Fund. The details of which are given in **Table 2.15**.

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<sup>56</sup> Notification no.: Z-20011/08/2014-BL dated 7 June 2016.

Table 2.15: Details of irregular/inadmissible expenditure from the Fund


Purpose of expenditure	Irregular expenditure amount (in crore)	Reply of the Board	Audit Remarks
Donation of funds to Chief Minister Relief Fund	2.00	The Board replied (March 2023) that the Government has decided to transfer the funds for poorest of poor workers in the time of crisis during COVID-19 period.	The Fund is to be utilised only for the welfare of BOC workers and their families.
Construction of Skill Development Training Institute at Palkwah Khas, Tehsil Haroli, District Una, HP	13.55 <sup>57</sup>	The Board stated (May 2024) that the Board constructed Skill Development Institute to fulfil the purpose of Rule 283(D) of HPBOCW Rules amended in 2014.	Capital Expenditure from the Fund is not permissible and is against the Government of India orders (June 2016) <i>ibid.</i>
Publicity of Pradhan Mantri Shram Yogi Maandhan Yojana (PM-SYM)	0.23	The Board stated (March 2023) that Government of HP conveyed approval for expenditure related to wide publicity of the scheme material. The Deputy Labour Commissioner stated (March 2023) that Labour Commissioner decided that the expenditure be incurred at the State level as well as the District level shall be borne by the Board and verbal approval from Additional Chief Secretary (Labour and Employment) to the GoHP had been obtained in this regard.	The Scheme was not implemented by the Board and expenditure was to be borne by the Department. The expenditure incurred should be recouped in the Fund by the Government of Himachal Pradesh as per directions of Ministry of Labour and Employment.
Purchase of bags from “Advertisement and Publicity” head of account	0.11	The Board stated (March 2023) that to increase the registration of workers and to provide them benefits of various Welfare Schemes run by the Board, the Board of Directors approved purchase of bags.	The purchase and its distribution to the Board officials does not justify the advertisement or publicity aspect and shows misutilisation of the Fund.
<b>Total</b>	<b>15.89</b>		

### 2.7.8.2 (B) Income Tax Liability due to erroneous registration under IT Act

The Himachal Pradesh Government constituted the Board (March 2009) to implement Welfare Schemes for construction workers and levied Labour Cess at the rate of one *per cent* in accordance with the requirement of the Cess Act. The cess so collected was required to be spent on various schemes for welfare of building and other construction workers.

<sup>57</sup> The Board paid ₹ 18.41 crore for the entire construction. Out of which, the objected amount is ₹ 13.55 crore which was paid after June 2016.





**INCOME TAX LIABILITY**

TAX LIABILITY: ₹ 191.01 CRORE

TAX PAID: ₹ 42.71 CRORE

PENDING LIABILITY: ₹ 148.30 CRORE

Section 10 (46) of the Income Tax (IT) Act, 1961 provides that in computing the total income of a previous year of a body or authority or Board or Trust or Commission, any income falling within any of the following clauses shall not be included : (i) it has been

established or constituted by or under a Central, State or Provincial Act, or constituted by the Central Government or a State Government, with the object of regulating or administering any activity for the benefit of the general public; (ii) it is not engaged in any commercial activity; and (iii) it is notified by the Central Government in the Official Gazette for the purposes of this clause.

The Board was registered as Charitable Trust under Section 12AA(1)(B) of the IT Act, 1961 on 01.04.2011. Under Section 11 (1) of the IT Act, 15 *per cent* income of a Trust was exempted from Income Tax and remaining 85 *per cent* income was required to be utilised for charitable or religious purposes in India for getting exemption from Income Tax.

The Board initially did not register itself under Section 10 (46) and was registered under the Section 12AA(1)(B) of the IT Act and subsequently could not fulfil the condition for exemption under section 11(1), which resulted in tax liability of ₹ 191.01 crore up to March 2022.

The Board, after lapse of more than seven years, through letter dated 18.12.2018, had applied to the Chief Commissioner of Income Tax for seeking exemption U/s 10(46) of the IT Act, 1961. But no exemption had been granted by the Income Tax Authorities as of October 2023 and tax liability of ₹ 148.30 crore was to be paid as of March 2022.

In the Exit Conference, the Secretary directed (October 2023) to do necessary follow-up with the Income Tax Department.

#### 2.7.8.2 (C) Tax liability due to less annual expenditure

As the condition of expenditure to the extent of 85 *per cent* of annual income towards its objectives were not fulfilled during above period, except during the Financial Year 2020-21, so ₹ 191.01 crore was to be paid by the Board as Income Tax. Out of which, ₹ 42.71 crore has already been deposited or deducted as TDS with the Income Tax Department and income tax liability of ₹ 148.30 crore was still outstanding as on 31 March 2022. Details of income, expenditure and tax demanded and deposited by the Board are given in **Table 2.16**:



**Table 2.16: Details of Income, Expenditure and Income Tax of the Board during 2009-22**  
(₹ in crore)

Financial Year	Total Income	Total Expenditure	Percentage of Expenditure to Income	Income Tax demand amount	Income Tax deposited /deducted
2009-10	24.39	0.07	0.29	-	0.02
2010-11	46.49	0.41	0.88	-	0.19
2011-12	49.49	0.42	0.85	-	0.82
2012-13	62.33	2.12	3.04	-	1.07
2013-14	71.28	4.62	6.48	8.26	7.97
2014-15	79.83	6.23	7.80	36.78	20.67
2015-16	81.29	19.81	24.37	-	1.46
2016-17	90.68	30.87	34.04	-	1.15
2017-18	95.66	38.39	40.13	47.97	1.76
2018-19	104.10	27.03	25.96	32.52	2.31
2019-20	124.76	53.35	42.76	65.48	1.82
2020-21	116.35	108.78	93.49	-	1.34
2021-22	132.16	100.82	76.29	-	2.13
<b>Total</b>	<b>1,078.81</b>	<b>392.92</b>	<b>36.42</b>	<b>191.01</b>	<b>42.71</b>

Source: Income and Expenditure are from Balance Sheets (2009-16) and data provided by the Board (2017-22). Income Tax details provided by the Board.

The Board stated (February 2023) that the Board could not utilise 85 per cent of the receipts towards charitable activity of various Welfare Schemes because all claims are demand based, and disbursement remained less than 85 per cent of the receipts. The Board further stated that time to time letter was sent to CBDT and CIT<sup>58</sup> for seeking exemption U/s 10(46) which is under process.

The reply should be seen against the fact that had the Board been registered U/s 10(46) initially, it would have been exempted from paying Income Tax and the huge amount deposited as Income Tax could have been used on welfare of building and other construction workers.

#### 2.7.8.2 (D) Software for database of workers not developed

##### EXPENDITURE INCURRED ON SOFTWARE



**₹ 27.61 LAKH HAD BEEN EXPENDED BY THE BOARD ON SOFTWARE DEVELOPMENT WHICH IS STILL NOT FUNCTIONAL EVEN AFTER LAPSE OF SIX YEARS.**

The Board had started (February 2017) the process of developing Online Software for registration/renewal, contribution/fee, processing claims, worker/scheme wise benefits delivered to registered workers and also benefits yet to be delivered, work continuity certificates of beneficiaries, checking of duplicity/error in registration, cess collection, grievance redressal mechanism etc. through National Information Centre (NIC), Shimla.

<sup>58</sup> Central Board of Direct Taxation and Commissioner of Income Tax.

Audit noticed that no timeline was fixed by the Board for completion of software development and software had not been developed by the NIC, Shimla even after a lapse of almost six years and expenditure of ₹ 27.61 lakh had been incurred (February 2023) on development of software.

The Board stated (February 2023) that the delay in development of software was due to technical issues and that HPBOCW WB Portal is being used for online registration process of workers and was in final stage of implementation of online claim process.

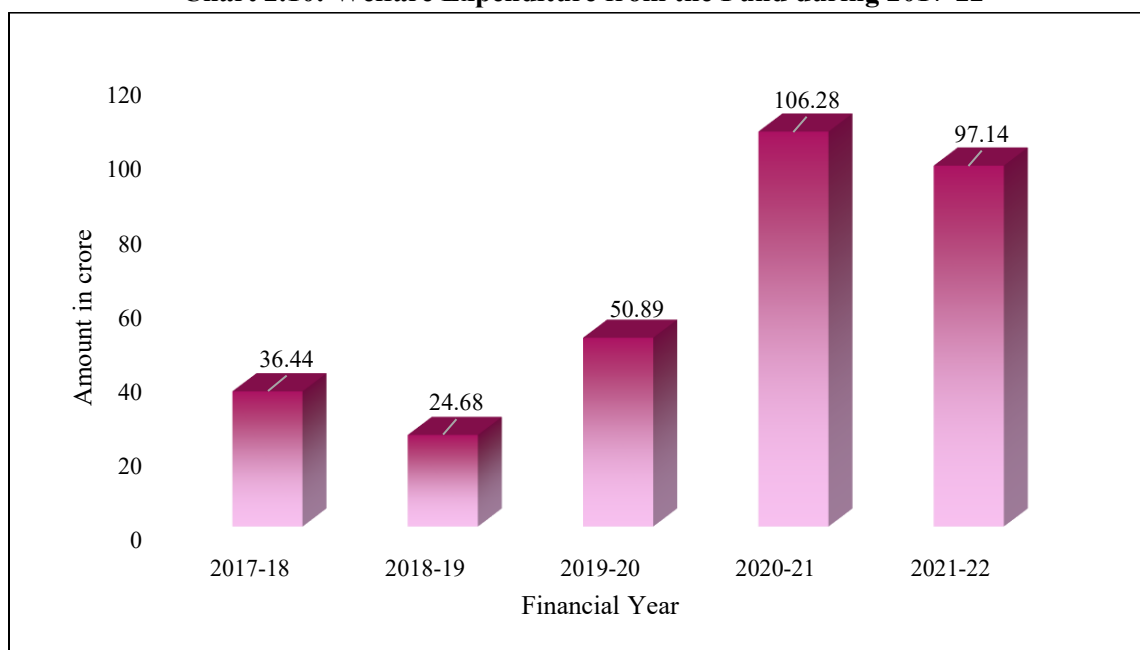
The reply is confirmation of the fact that the Board failed to achieve its intended objective of having comprehensive software for providing better services to construction workers, hassle-free registration and renewal, status of their welfare benefit application and grievance redressal mechanism, despite considerable lapse of time.

### **2.7.9 Formulation of Welfare Schemes**

Section 22 of the Act provides for various Welfare Schemes that may be implemented by the Board. Accordingly, Rules 271 to 283 and 298 to 302 of the HPBOCW Rules, 2008 stipulate various Welfare Schemes<sup>59</sup> for building and other construction workers.

The expenditure incurred on various Welfare Schemes during 2017-22 is depicted in the **Chart 2.10** given below.

**Chart 2.10: Welfare Expenditure from the Fund during 2017-22**



*Source: Information provided by the Board.*

<sup>59</sup> Financial Assistance for Marriage, Maternity/Paternity Benefit, Financial Assistance for Education, Medical Assistance to Beneficiaries and Dependents, Old Age Pension, Disability Pension, Death and Funeral Assistance, Assistance for purchase of Bicycle and Washing Machine for Women, Induction Heater and Solar Lamp.

**Table 2.17: Welfare Expenditure sanctioned on Welfare Schemes during 2017-22**  
(₹ in crore)

Sr. No.	Name of Scheme <sup>@</sup>	No. of beneficiaries	Amount (per cent*)
1	Advance for Purchase or Construction of House	0	0
2	Blankets, Hot Case, Tiffin, and Steel Dinner Set for beneficiary	0	0
3	Disability Pension	11	0.01
4	Expenses on Creches at Worksite	0	0.11
5	PMJJBY and PMSBY	19,959	0.35
6	General Welfare Activity	0	0.36
7	Old Age Pension	740 <sup>s</sup>	0.63
8	Medical Assistance	2,724	3.12 (1)
9	Financial Assistance for Induction Cooker	47,509	7.92 (3)
10	Financial Assistance for Washing Machines	11,894	8.04 (3)
11	Financial Assistance for Bicycle	32,815	8.60 (3)
12	Financial Assistance for Solar Lamp	39,896	10.24 (4)
13	Maternity/Paternity Financial Assistance	2,754	11.87 (4)
14	Death and Funeral Financial Assistance	958	14.86 (5)
15	Financial Assistance for Marriage	17,504	64.48 (23)
16	Financial Assistance for Education	74,849	72.15 (26)
17	COVID-19 Financial Assistance	3,92,955 <sup>#</sup>	78.59 (28)
<b>Total</b>			<b>281.33</b>

Source: Information provided by the Board.

\*Figures in parenthesis indicate percentage of Expenditure to Total Expenditure.

# Figures are sum of no. of workers covered in three instalments under the scheme.

\$ Figures are cumulative no. of workers paid pension in five years and not individual beneficiaries wise.

@ Expenditures amounting to ₹ 10.41 crore (Depreciation: ₹ 4.91 crore, Advertisement and Publicity: ₹ 3.03 crore, CM Relief Fund: ₹ two crore, Rent of Stores: ₹ 0.32 crore, Freight Charges: ₹ 0.10 crore and Workers' Transit Hostel: ₹ 0.05 crore) are excluded.

### 2.7.9.1 Formulation of schemes without any survey or Inspection Report

Section 5 of the Act provides that the appropriate Government may constitute one or more expert committees consisting of persons specially qualified in building and other construction work for advising that Government for making rules under this Act.

Section 22(1) provides that the function of the Board is to provide various welfare measures to the beneficiaries. The Board has implemented various Welfare Schemes as per Rules 271 to 283 of the HPBOCW Rules, 2008.

Audit noticed that the State Government framed scheme rules after consultation with the Expert Committee for carrying out provisions of the Act. But Welfare Schemes notified by the State Government and implemented by the Board were not based on any kind of survey throughout the State or any Inspection Reports submitted by the inspecting officials of the Department or the Board.

The Board stated (December 2022) that the schemes implemented have been notified by Government in HPBOCW Rules, 2008 and afterwards the same have been expanded and

new schemes have been included through amendment in said Rules by Himachal Pradesh Government.

Adopting a bottom-up approach for formulation and implementation of schemes after conducting surveys and taking input from beneficiaries would increase chances of their successful execution. Also, the reply is to be seen against the fact that various Welfare Schemes were notified/added in the Rules but remained unsuccessful at the implementation stage as discussed in **Paragraph 2.7.10.1**.

#### **2.7.9.2 Irrational formulation of schemes without any preliminary study**

The State Government, on recommendation of the Expert Committee, amended (August 2014) the HPBOCW Rules, 2008 and added Rule 283 (B) and (F) <sup>60</sup> which states that the Board may provide one washing machine and one bicycle to female beneficiary as a onetime incentive. This benefit will be provided only once per family.

Audit observed that the distribution of washing machines and bicycles to the building and other construction workers is not supported by any survey as these workers migrate in search of work and live in temporary housings/shelters which are not provided with running water facility and are not even provided with uninterrupted power supply. Also, the uniform applicability of the scheme of distribution of bicycles was not examined with regards to its feasibility by the Board or Expert Committee as the scheme would be useful in plain regions of the State but not in hilly regions with high altitude in Kinnaur and Lahaul & Spiti Districts.

The feasibility of schemes should be examined in the initial stage and supported by adequate surveys as implementation without usefulness would lead to wasteful expenditure from the Fund without raising the living standards of BOC workers. The top-down approach adopted by the State Government in the formulation of schemes should be re-examined. Also, the audit observation is buttressed by the fact that 60 washing machines and 436 bicycles were lying undistributed in the stores as of March 2022 as discussed in **Paragraph 2.7.10.6 (C)**.

#### **2.7.10 Implementation of Welfare Schemes**

Ten Welfare Schemes were selected for test check in audit on the basis of expenditure sanctioned during 2017-22 as detailed in **Table 2.18**.

**Table 2.18: Details of ten Welfare Schemes selected for test check in audit**

<b>Sr. No.</b>	<b>Name of Scheme</b>	<b>Financial Assistance (in crore)</b>
<b>1</b>	COVID-19 Financial Assistance	78.59
<b>2</b>	Education Assistance	72.15
<b>3</b>	Marriage Assistance	64.48
<b>4</b>	Death and Funeral Financial Assistance	14.86

<sup>60</sup> Date of notification: 14 August 2014.

Sr. No.	Name of Scheme	Financial Assistance (in crore)
5	Maternity/Paternity Financial Assistance	11.87
6	Solar Lantern	10.24
7	Washing Machine	8.04
8	Induction Cooker	7.92
9	Advance for purchase or construction of house	No Expenditure
10	Blankets, Hot Case, Tiffin and Steel Dinner Set for beneficiary	No Expenditure

Source: Information provided by the Board.

The audit observations on implementation of Welfare Schemes are discussed in the succeeding Paragraphs.

#### **2.7.10.1 Non-implementation of notified Welfare Schemes**

Audit noticed that various Welfare Schemes were notified in the HPBOCW Rules, 2008 by the State Government but the following Welfare Schemes were not implemented by the Board as discussed below.

##### **2.7.10.1 (A) Advance for purchase or construction of house and loan for the purchase of tools**

Welfare Schemes such as Advance for purchase or construction of house (Rule 274) and loan for the purchase of tools (Rule 276) were notified under the HPBOCW Rules, 2008.

Audit noticed that no application was received by the Board for availing benefits under these Welfare Schemes till December 2022 even after the lapse of almost 13 years since the constitution of the Board (March 2009).

The Board stated (February 2023) that it is providing assistance to registered workers for construction of houses if the beneficiary is getting the benefit of the same under PMAY/MMAY<sup>61</sup>.

The reply is not satisfactory as condition of eligibility under PMAY/MMAY is not mandated in the Rules *ibid* and separate scheme in Rule 302 of HPBOCW Rules, 2008 was added as MMAY. Not receiving even a single application shows lack of publicity of the scheme on behalf of the Board and leading to lack of awareness of the workers.

##### **2.7.10.1 (B) Non-coverage under Ayushman Bharat Scheme**

As per Model Welfare Scheme (October 2018), State Welfare Boards should coordinate with their respective States Governments to ensure that the newly launched Scheme 'Ayushman Bharat' is able to cover maximum BOC workers.

Audit noticed that the Board had not taken any steps to coordinate with the State Government for covering the registered workers under Ayushman Bharat scheme.

<sup>61</sup> Pradhan Mantri Awas Yojana and Mukhya Mantri Awas Yojana.

The Board stated (December 2022) that it is providing medical assistance to its registered beneficiaries as per their medical expenses' claims.

The reply is not satisfactory, since the Board covered all its registered BOC workers under the Ayushman Bharat scheme, the beneficiaries could have utilised the cashless benefits offered through e-card. The Board can provide medical assistance if BOC workers fail to get medical assistance under the Ayushman Bharat scheme.

#### **2.7.10.1 (C) Scheme for providing Blankets, Hot Case, Tiffin and Steel Dinner Set for female beneficiary**

As per notification dated 06 January 2020 issued by the Department, welfare scheme namely Blankets, Hot Case, Tiffin and Steel Dinner Set for female beneficiary (Rule 283(F)) was inserted.

Audit observed that the Board received 10,110 applications on account of blanket, hot case, tiffin and Steel Dinner Set between the period February 2020 and July 2021 from LOs for sanction. But the Board had not sanctioned any claims or signed any rate contract for purchase of blankets with any firm till March 2021, when Government of India advised States to discontinue in-kind schemes or benefits.

The Board stated (February 2023) that distribution of in-kind benefits stopped as per letter of the Government of India (March 2021) and accordingly the Board had not implemented the scheme namely Blankets, Hot Case, Tiffin and Steel Dinner Set for female beneficiaries.

The reply should be seen in the light of the fact that the scheme was notified in January 2020 and Board started receiving applications from March 2020 onwards but it had not sanctioned even a single application until the stoppage of scheme by Government of India order (March 2021). The delay of almost one year in processing the cases of a weaker section of society deprived them of their benefits, especially such a scheme which was intended for the female workers.

#### **2.7.10.1 (D) Mobile crèches for the use of children**

Section 35 of the Act provides that in every place wherein, more than fifty female building workers are ordinarily employed, there shall be provided and maintained a suitable room or rooms for the use of children under the age of six years of such female workers.

The Government notified (January 2020) that the Board may provide Mobile Toilets and Mobile Crèches to the registered Building and Other Construction Workers in such places wherever required. All the expenditure, including its maintenance etc., may be borne by the Board.

Audit noticed that the Board in convergence with Department of Women and Child Development (WCD) decided (November 2018) to establish crèches at identified

construction sites<sup>62</sup> and transferred ₹ 10.85 lakh to Director, WCD. Out of which ₹ 7.05 lakh was utilised, and ₹ 3.80 lakh remained unutilised (January 2023). The scheme was stopped and creches were closed due to the COVID-19 outbreak but neither the scheme was made operational thereafter nor the balance amount was returned to the Board by the WCD.

#### **2.7.10.1 (E) Other Welfare Schemes**

As per notification (September 2021) of the State Government, various rules were added in the HPBOCW Rules, 2008. Through these rules, five new schemes namely (i) Female Birth Gift Scheme (Rule 298), (ii) Mentally Retarded Children Benefit Scheme (Rule 299), (iii) Widow Pension (Rule 300), (iv) Hostel Facility Scheme (Rule 301) and (v) *Mukhyamantri Awas Yojana* (Rule 302) were added.

Audit noticed that no application was received by the Board for availing benefits under any of the abovementioned schemes till March 2022, as a result of which, no benefits could be granted by the Board to workers.

The Board stated (February 2023) that the Board is organising awareness camps and providing publicity by social media, AIR, FM radio etc. to publicise various Welfare Schemes.

Evidently, wide publicity was not provided as already discussed in **Paragraph 2.3.4.4** to these schemes and workers were unaware of these Welfare Schemes. This is also validated by the audit observation on Joint Physical Inspection as well as a Beneficiary Survey where many workers were not having any awareness about the Board or its schemes.

#### **2.7.10.2 COVID-19 financial assistance**

In order to contain the spread of Corona Virus (COVID-19) to the extent possible by taking preventive, precautionary and pre-emptive measures, the State Government issued orders (March, May, and August 2020) for the disbursement of ₹ 2,000/- per registered worker per instalment (total three instalments) of the Board as financial assistance for purchase of necessary ration items, medicines, etc. During 2020-21, an amount of ₹ 78.59 crore was sanctioned in three instalments under this scheme.

Audit noticed the following shortcomings:

##### **2.7.10.2 (A) Coverage of beneficiaries**

Details of live registered workers covered under COVID-19 pandemic financial assistance by the Board in the State are given in **Table 2.19**.

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<sup>62</sup> In the Districts of Mandi, Shimla, Sirmour and Solan.



**Table 2.19: Live registered workers covered under COVID-19 Financial Assistance**  
(₹ in crore)

Instalment No.	Month	Total Live Registered Workers	No. of payments sanctioned	Registered workers not covered ( <i>per cent</i> )	Amount sanctioned
1	2	3	4	5 (Column 3-4)	6
<b>First</b>	April 2020	1,36,211	1,24,094	12,117 (9)	24.82
<b>Second</b>	May 2020	1,50,342	1,32,267	18,075 (12)	26.45
<b>Third</b>	July 2020	1,67,140	1,36,609	30,531 (18)	27.32
<b>Total</b>					<b>78.59</b>

Source: Information supplied by the Board.

It can be seen from the **Table 2.19** that nine to 18 *per cent* of registered workers were not covered in three instalments sanctioned under COVID-19 financial assistance.

The Board stated (March 2023) that benefit of COVID-19 financial assistance was transferred to beneficiaries as per the recommendation and verification by the LO concerned and in the absence of required mandatory information i.e., Aadhar No., Bank Account, IFSC Code etc. benefits could not be sanctioned to remaining beneficiaries. LWOs stated (May 2024) that information of bank account and IFSC code of some of beneficiaries registered prior to 2018 was not available as process of DBT started later on.

The reply is not satisfactory as steps should have been taken by the Board to obtain such information from the LOs and beneficiaries and the increasing number of uncovered workers under the scheme shows that required details of workers registered after sanction of the first instalments were not obtained by the LOs/LI, thereby depriving the beneficiaries of intended benefits.

#### **2.7.10.2 (B) Rejected claims pending for disbursal**

It was noticed that the Board had sanctioned payment of COVID-19 financial assistance in three instalments to 124094, 132267 and 136609 registered workers respectively. But 30,968 claims were rejected due to reasons such as incorrect account number or IFSC codes etc. Out of which, 76 claims were subsequently approved after receiving rectification through concerned LOs but 30,892 claims were still pending for approval/sanction as of December 2022.

The Board stated (March 2023) that workers were informed about rejections through LOs concerned so as to get the correct account credentials from the beneficiaries. But corrected list had not been received from LOs and as such benefits were not transferred.

The reply should be seen in the light of the fact that the workers should have been informed immediately as it was noticed that some workers, whose phone numbers were not available, were intimated by the LO/LWO in December 2023 after lapse of three years; and corrected information be obtained from them as soon as possible, as the pandemic forced all construction works to be stopped and there was no alternative source of income for these construction workers and they faced hardships in their day-to-day life. The negligence on



part of the Board as well as Labour Offices was seen as claims of 30,892 workers are still pending for approval even after lapse of almost three years.

#### 2.7.10.2(C) Double disbursement of assistance due to duplicate registration of beneficiaries

Audit noticed that 158 beneficiaries were sanctioned and disbursed COVID-19 financial assistance at least twice as they were having two different registration numbers but same Aadhar number and other details like name, address, account numbers *etc.*, resultantly an amount of ₹ 3.16 lakh (total amount paid ₹ 6.32 lakh) was disbursed in excess to them during the year 2020-21 as detailed in the **Table 2.20**.

**Table 2.20: Double disbursement of COVID-19 financial assistance**

(₹ in lakh)

Name of unit (LO/LI)	No. of beneficiaries sanctioned / disbursed double assistance	Excess amount paid @ ₹ 2,000/- per beneficiary
Bilaspur	2	0.04
Hamirpur	66	1.32
Kangra at Dharmshala	9	0.18
Mandi	20	0.40
Rampur	1	0.02
Solan	54	1.08
Shimla	6	0.12
<b>Total</b>	<b>158</b>	<b>3.16</b>

The Board stated (April 2023) that it had directed all LWOs to recover the amount from the beneficiaries in case of release of double payment to them. LO Bilaspur stated (April 2023) that no mechanism is available through which duplicate registration of workers can be prevented. LI Hamirpur stated (February 2023) that no such mechanism/software is available with the office through which multiple applications for registration from a single beneficiary can be detected. Also, applications from the Unions are received in bulk, which make it difficult to detect duplicate registration forms.

#### 2.7.10.2 (D) Disbursement of assistance to deceased beneficiaries

During the scrutiny of records in test checked LOs, it was noticed that the Board had sanctioned and disbursed COVID-19 Financial Assistance through NEFT/RTGS to 25 deceased beneficiaries during the year 2020-21, which is indicative of the fact that no checks were being enforced by the Board or their Authorised Officer prior to sanctioning of financial assistance and the data of live registered workers maintained by the LOs/LI could not be considered reliable because payments were made to the deceased workers. These 25 beneficiaries<sup>63</sup> died between October 2017 to February 2020. Still, an amount of ₹ 1.00 lakh was disbursed to these beneficiaries under COVID-19 Financial Assistance scheme.

<sup>63</sup> LO Bilaspur: six, LI Hamirpur: 14, LO Kullu: one, LO Nahan: two, LO Shimla: two.

LWO Bilaspur accepted the facts without providing any reason (May 2023). LWO Kullu stated (April 2023) that assistance was released to the beneficiary on the direction of Government whereas information of death of beneficiary was received later in July 2020. LWO Hamirpur stated (May 2023) that there was no direction to verify at that point of time, the status of registered workers and there was no mechanism to find out live status of workers.

The Board should ensure implementation/operationalisation of Management Information System (MIS) so that as and when date of death is entered, no more benefits may be provided to the worker other than death benefits.

### **2.7.10.3 Financial Assistance for Education**

As per rule 281 of HPBOCW Rules, 2008 – Financial Assistance for Education- up to two children of the members shall be eligible for such financial assistance as may be determined by the Board for such courses of study as may be specified by the Board from time to time. Details of financial assistance for education have been given in **Appendix 2.4**. An application in Form- XLIII shall be submitted with such documents and within such time as may be specified by the Board. Financial assistance shall be granted subject to the following conditions namely:

1. The son(s)/daughter(s) of the registered beneficiaries shall be entitled for the benefit under this scheme.
2. They shall be regular student(s) in the recognised Institutions.
3. This benefit shall not be allowed for more than two children of the beneficiary; and
4. The beneficiary shall produce a certificate from the head of the respective institution where his/her son(s) or daughter(s) is studying.

During 2017-22, financial assistance for education amounting to ₹ 72.15 crore was sanctioned to 74,849 beneficiaries. However, as per balance sheets the expenditure incurred during 2017-22 was ₹ 86.48 crore and mismatch in figures is already pointed out in **Paragraph 2.7.8.1 (C)**. Audit noticed the following irregularities in sanction of assistance:

- (i) Financial assistance amounting to ₹ 0.21 lakh was disbursed twice to two beneficiaries for their wards for same class/course year.
- (ii) Financial assistance of ₹ 0.56 lakh was sanctioned to two beneficiaries for more than two children which was irregular.
- (iii) Beneficiary with duplicate registration was disbursed ₹ 0.19 lakh financial assistance for education for his same ward against both registration numbers.

The Board stated (April, May 2023) that field functionaries had been requested to initiate steps to recover the excess amount paid to beneficiaries.

The Board should be more vigilant while processing claims and records should be maintained in such a manner so as to trace the record of previous welfare scheme payments.

#### 2.7.10.4 Financial Assistance for Marriage

As per Rule 282 of HPBOCW Rules, 2008, Financial Assistance for Marriage<sup>64</sup>- the beneficiary after completion of two months of the membership shall be eligible to get financial assistance for his marriage and for the marriage of two children only. The beneficiary shall submit the application for such assistance to the Secretary or the Authorised Officer in Form No.-XLIV along with requisite documents like certificate of marriage, copy of Parivar Register etc. During 2017-22, financial assistance for marriage amounting to ₹ 64.48 crore was sanctioned to 17,504 beneficiaries. However, as per balance sheets the expenditure incurred during 2017-22 was ₹ 71.23 crore and mismatch in figures is already pointed out in **Paragraph 2.7.8.1 (C)**.

#### 2.7.10.4 (A) Irregular sanction of marriage assistance

Audit noticed that 38 number of beneficiaries, who received financial assistance of ₹ 17.44 lakh for marriage during the period 2017-22, did not fulfill the essential criteria of the rule *ibid* as detailed below:

- (i) In five marriage assistance cases, assistance of ₹ 1.75 lakh was sanctioned twice to a beneficiary for the marriage of same child.
- (ii) Four number of beneficiaries got registered with the Board after the date of their marriage or their children's marriage resulting in irregular payment of ₹ 1.20 lakh.
- (iii) In case of 17 number of applicants/beneficiaries the date of marriage was within the period of two months from the registration date with the Board which is contrary to rule *ibid* and irregular payment of ₹ 5.77 lakh was made to them.
- (iv) In 12 marriage assistance cases, total marriage assistance of ₹ 8.72 lakh was sanctioned to two members of the same family {Parent member and son/daughter (self) also registered as member} for a marriage.

The Board stated (April 2023) that for double payments and registration of beneficiaries after date of marriage, recovery process has been initiated. And the non-completion of two months' membership condition, the Board has stated that the payments are made as per Rule 285(B). For payment made to two members of the same family for a marriage, the Board stated (April 2023) that the rule says that benefit under this rule is to be granted to the registered beneficiary and matter shall be brought to the notice of BOD in next meeting.

The reply is not satisfactory as the Board has considered two months' membership period from date of registration to date of sanction of the claim. The Board should have a calculated period of two months' membership from date of registration to date of event i.e., date of marriage, for checking eligibility as envisaged in rule *ibid*.

<sup>64</sup> Rates of marriage assistance: ₹ 5,100/- (December 2008), ₹ 11,000/- (November 2011), ₹ 21,000/- (May 2013), ₹ 25,000/- (August 2014), ₹ 35,000/- (January 2018), ₹ 51,000/- (September 2020).

**2.7.10.4 (B) Less and excess payment of marriage assistance**

Audit noticed that the Board had made excess or less payment on account of financial assistance for marriage as detailed in **Table 2.21**.

**Table 2.21: Details of less/excess payment of Marriage Assistance****(Amount in ₹)**

Sr. No.	Benefit disbursement year (Year of marriage/claim)	No. of beneficiaries	Amount admissible as per rates	Amount paid	Less (-)/excess(+)
1	2018-19 (2013-14)	1	21,000	11,000	-10,000
2	2018-22 (2017-18)	2	25,000	35,000	+20,000
3	2020-21 (2020-21)	1	51,000	35,000	-16,000

It can be seen from the **Table 2.21** that two beneficiaries were paid less amount of ₹ 0.26 lakh while two beneficiaries were paid excess amount of ₹ 0.20 lakh than the admissible rate of financial assistance.

The Board confirmed the facts and stated (April 2023) that the remaining amount will be given to the beneficiaries in further proceedings and LO concerned has been requested to recover the excess amount.

The above findings are indicative of the fact that the ineffective system of vetting and verification of applications at field offices as well as the Board resulted in irregular payment to beneficiaries.

**2.7.10.5 Maternity Financial Assistance**

Rule 271 of the Act provides that the women employees who are beneficiary of the Fund shall be given ₹ 25,000/- (amended<sup>65</sup> time to time by Govt. of HP) each as maternity benefit during the period of maternity. An application made by a woman employee in Form-XXXIV with such other documents as may be specified shall be submitted for this benefit provided that this benefit shall not be allowed for more than twice.

Rule 285 of HPBOCW Rules, 2008 (amended May 2013) provides that all financial benefits under these rules, other than death benefits and medical assistance and where service condition is not specified in these rules, shall become payable only after the completion of two months of membership of the Fund. During 2017-22, Maternity Financial Assistance claims amounting to ₹ 11.87 crore were sanctioned to 2,754 cases. However, as per balance sheets the expenditure incurred during 2017-22 was ₹ 8.13 crore and mismatch in figures is already pointed out in **Paragraph 2.7.8.1 (C)**.

<sup>65</sup> Maternity Financial Assistance: ₹ 1,000/- w.e.f. March 2009, ₹ 10,000/- w.e.f. November 2011, ₹ 25,000/- w.e.f. January 2018.

Audit noticed that the Board had sanctioned irregular Maternity Financial Assistance amounting to ₹ 1.30 lakh to seven beneficiaries during 2017-22 as detailed in the **Table 2.22**:

**Table 2.22: Details of irregular Maternity Financial Assistance during 2017-22**

(Amount in ₹)

Sr. No.	No. of beneficiaries	Amount of financial assistance paid	Irregular amount paid	Irregularities noticed
1	5	80,000 <sup>66</sup>	80,000	Assistance paid even though two months' membership condition was not fulfilled.
2	2	1,00,000 <sup>67</sup>	50,000	Payment made twice to the beneficiaries for the birth of twins which was unjustified as the rule does not provide for sanction of benefit on the basis of number of children born. So, amount of ₹ 50,000/- was paid in excess.
<b>Total</b>	<b>7</b>	<b>1,80,000</b>	<b>1,30,000</b>	

The **Table 2.22** shows that provisions of HPBOCW Rules, 2008 were not followed by the Board which resulted in irregular/overpayment of financial assistance to the beneficiaries.

The Board (April 2023) confirmed the facts and assured that the excess amount paid will be recovered and further added that in the abovementioned five cases of non-completion of membership, amount was paid according to the rule.

The reply is not acceptable as the Board had misinterpreted the rule and eligibility period of two months was considered from date of registration to date of sanction instead of from date of registration to date of event.

#### 2.7.10.6 In-kind welfare assistance

As per Rule 283<sup>68</sup> of HPBOCW Rule, 2008 –the Board may provide Washing Machine and Bicycle to female beneficiary and Induction Heater, Solar Lantern to all registered beneficiaries. The application for this assistance shall be submitted by the beneficiary to Authorised Officer of the Board in form no. XLVIII along with requisite documents. On receipt of application for the assistance from the beneficiaries (through LOs), the Secretary of the Board shall issue supply order to the rate contracted firms for supply of the material on Freight-on-Road basis at the Labour Office.

During 2017-22, the Board sanctioned in-kind benefits to 1,32,114 beneficiaries amounting to ₹ 34.80 crore. However, as per balance sheets the expenditure incurred during 2017-22 was ₹ 38.53 crore and mismatch in figures is already pointed out in **Paragraph 2.7.8.1 (C)**.

<sup>66</sup> 3 cases at the rate of ₹ 10,000/- and 2 cases @ ₹ 25,000/-.

<sup>67</sup> At the rate of ₹ 50,000/- per beneficiary for birth of twins.

<sup>68</sup> Date of notification: 14 August 2014.

The Government of India in March 2021 restricted the disbursement of in-kind material except in extraordinary circumstances.

Audit noticed the following deficiencies:

#### 2.7.10.6 (A) Absence of mechanism to ensure uniform coverage

The Board had not devised a comprehensive mechanism for distribution of in-kind material so as to ensure distribution of benefits within a definite timeframe and as a result eligible beneficiaries were deprived of benefits of the schemes and material remained undistributed with the LOs as discussed in the succeeding Paragraphs.

The benefits were not distributed universally to all the registered workers but were sanctioned based on the applications received from the beneficiaries and due to lack of awareness workers might have been deprived of the benefits of the scheme. Also, the shortfall in the organisation of camps reflects poor publicity on behalf of the Board as already discussed in Paragraph 2.3.4.4.

#### 2.7.10.6 (B) Low coverage of registered beneficiaries under in-kind Welfare Schemes

Audit observed that the Board had introduced in-kind welfare scheme in the month of August 2014. The details of beneficiaries covered, sanctioned, supply received, and material distributed are given in Table 2.23:

**Table 2.23: Details of in-kind benefits sanctioned, supply received, distributed upto March 2022\***

Type of in-kind material	Workers registered during 2015-21	No. of items sanctioned	Supply received	No. of items sanctioned but supply order not placed (per cent <sup>@</sup> )	No. of items distributed to beneficiaries (per cent <sup>#</sup> )	No. of beneficiaries who didn't receive in-kind material (per cent <sup>#</sup> )
Bicycle	2,47,858	45,233	24,314	20,919 (46)	23,878 (10)	2,23,980 (90)
Induction Heater	2,47,858	68,148	64,249	3,899(6)	55,017 (22)	1,92,841 (78)
Solar Lantern	2,47,858	60,512	38,070	22,442 (37)	35,647 (14)	2,12,211 (86)
Washing Machine	2,47,858	20,292	19,846	446 (2)	19,786 (8)	2,28,072 (92)
<b>Total</b>		<b>1,94,185</b>	<b>1,46,479</b>	<b>47,706 (25)</b>	<b>1,34,328(54)</b>	

Source: Information provided by the Board for the period 2015-21.

\*In-kind schemes closed as on 31 March 2021. @ Percentage of supply order not placed to no. of items sanctioned. # Percentage of beneficiaries to total registered beneficiaries.

- (i) It can be seen from the Table 2.23 that against overall 2,47,858 registered beneficiaries with the Board during 2015-21, only 23,878 (10 per cent) workers received Bicycle, 55,017 (22 per cent) workers received Induction Heater, 35,647 (14 per cent) received Solar Lantern and 19,786 (eight per cent) workers received

Washing Machine. Beneficiaries ranging from 78 to 92 *per cent* were not covered under the in-kind benefit scheme.

- (ii) In 25 *per cent* of the items sanctioned (1,94,185), supply orders were not placed even after having sufficient funds and as a result not distributed to the beneficiaries, depriving them of intended benefits.

The Board stated (December 2022) that beneficiaries had to apply for in-kind benefits on prescribed forms. Without applying for the same, the in-kind benefit cannot be distributed to all the registered workers. Also, supply order was not issued as the rate contract with Controller of Store had expired with the firm.

The reply is not acceptable as the Board had sufficient funds to disburse the in-kind benefits to the higher number of registered beneficiaries by wide publicity of the schemes, particularly in those places where BOC workers gather. Further, channels like Local Bodies, Unions etc. could have been involved to make BOC workers aware of these schemes. This would have helped in achieving its objective of betterment of living standards of maximum number of BOC workers.

Also, during survey conducted by the Audit, it was noticed that out of 82 workers surveyed, 57 workers (70 *per cent*) were not aware about the Board and Welfare Schemes being implemented by the Board as discussed in **Paragraph 2.8.2.1 (B)**.

#### 2.7.10.6 (C) Non-distribution of in-kind material

The Board has from time to time issued supply orders after receipt of application from the beneficiaries. In spite of this, large quantity of material worth ₹ 2.53 crore was not distributed as of March 2022 as per details given in the **Table 2.24**.

**Table 2.24: Details of undistributed in-kind material as of March 2022**

(₹ in crore)

Type of material	Period of scheme	Material received	Material Distributed	Balance (undistributed)	
		Quantity	Quantity	Quantity	Averaged value <sup>69</sup>
Induction heater	2015-21	64,249	55,017	9,232	1.71
Solar lantern	2015-20	38,070	35,647	2,423	0.63
Bicycle	2015-21	24,314	23,878	436	0.14
Washing machine	2016-19	19,846	19,786	60	0.05
<b>Total</b>		<b>1,46,479</b>	<b>1,34,328</b>	<b>12,151</b>	<b>2.53</b>

Source: Information supplied by the Board.

It can be seen from the **Table 2.24** that 9,232 Induction Heaters, 2423 Solar Lantern, 436 Bicycles and 60 Washing Machines remained undistributed as of March 2022 and

<sup>69</sup> Total cost of items procured divided by total items procured from date of implementation of scheme to March 2022.



warranty of these products would have expired and further deterioration of material could not be ruled out.

In selected LOs/LI, it was noticed that in-kind items were lying in the stores as detailed in the **Table 2.25**:

**Table 2.25: Details of undistributed in-kind material in selected LOs/LI as of March 2022**

Type of material	LO Bilaspur	LO Kullu	LI Hamirpur	Total
Induction heater	1,570	8	4,611	6,189
Solar lantern	904	0	467	1,371
Bicycle	9	0	110	119
Washing machine	2	0	1	3

Source: Information supplied by the selected LOs/LI.

It can be seen from the **Table 2.25** that 6,189 Induction Heaters, 1371 Solar Lanterns, 119 Bicycles and three Washing Machines remained undistributed in the selected LOs/LI as of March 2022.

The Board stated (December 2022) that there are some migrant registered workers who shifted to another State and material issued to them are also lying pending in the store and concerned District LOs/LIs are trying to contact these migrant labourers to receive their material from time to time. LO Bilaspur stated (January 2023) that distribution of remaining in-kind items was under process. LI Hamirpur stated (February 2023) that due to COVID-19 and shortage of staff, material could not be distributed.

The reply must be seen in the light of the fact that the material remained undistributed even after lapse of two years from the date of closure of the schemes. Audit conducted Joint Physical Inspection of the stores maintained by the test-checked LOs/LI, wherein it noticed that undistributed in-kind items were kept in store.

**Pictures of material lying in the stores are given below:**



**Picture 2.14: Induction Cookers, Solar Lanterns and various in-kind material lying in store of LI Hamirpur**



**Picture 2.15: Washing Machines and Bicycles lying in the store of LO Bilaspur**

#### **2.7.10.6 (D) Expenditure on rent paid for storage of material**

The Board had incurred expenditure of ₹ 0.40 crore on account of rent for storage of the material in different labour offices as of March 2022. The Government of India (22 March 2021) restricted the disbursement of in-kind material except in extraordinary circumstances. As material amounting to ₹ 2.53 crore was still undistributed as of March 2022, future expenditure in lieu of rent cannot be ruled out.

Had the Board taken timely action for disbursal of in-kind items lying in the store, future expenditure on part of rent for storage could have been avoided.

#### **2.7.10.7 Medical Financial Assistance**

Rule 280 of the HPBOCW Rules, 2008 provides that the Board may sanction financial assistance<sup>70</sup> to the beneficiaries who are hospitalised for five or more days due to accident or any disease. Financial assistance shall be given at the rates fixed from time to time by the Government of Himachal Pradesh through notification. During 2017-22, the Board sanctioned Medical Assistance amounting to ₹ 3.12 crore to 2,724 beneficiaries. However, as per balance sheets the expenditure incurred during 2017-22 was ₹ 3.69 crore and mismatch in figures has already been pointed out in **Paragraph 2.7.8.1 (C)**.

Audit noticed that comprehensive guidelines for medical assistance were not formulated and there were the following ambiguities in sanction of financial assistance:

- (i) Medical assistance amounting to ₹ 0.19 lakh was sanctioned to three beneficiaries for medical claims pertaining to period prior to registration as a beneficiary with the Board.
- (ii) No timeline had been fixed for the submission of medical claims in the rules. Audit observed that medical assistance was sanctioned for 61 medical claims amounting to ₹ 5.46 lakh that were claimed as late as 37 months from completion of treatment during 2017-22.
- (iii) The Board is granting medical assistance to the dependents (parents, spouse, children etc.) of beneficiaries but definition of dependents was not defined in the rule.

The Board confirmed the facts and stated (April 2023) that matters of claims sanctioned for prior period were being taken up with the LOs and comprehensive guidelines shall be formulated in accordance with the recommendation of the Expert Committee.

<sup>70</sup> Maximum rate of Medical Assistance: ₹ 1,000/- (normal) and ₹ 5,000/- (accidental) as of December 2008, ₹ 5,000/- as of May 2013, ₹ 10,000/- (outdoor) and ₹ 30,000/- (indoor) as of August 2014, ₹ 50,000/- (outdoor) and 1,00,000/- (indoor) as of January 2020.

### 2.7.10.8 Health check-up – abysmal coverage of beneficiaries under annual health check up

CAC in its 16<sup>th</sup> meeting (September 2014) recommended that Annual Health Check-up of every registered construction worker must be done by the concerned State Building and Other Construction Workers Welfare Boards.

Rule 280(3) of HPBOCW Rules, 2008 (added in January 2020) stipulates that the Board may conduct health check-up of the registered workers/beneficiaries, and their dependents and expenditure shall be borne by the Board.

During 2017-22, the Board had directed (August 2019) the LOs/LI to conduct health check-ups in September and October 2019 and 2,195 workers were targeted to be covered out of 2,90,929 registered live workers under different LOs as of March 2022. The details of workers targeted for health check-ups are as shown in the **Table 2.26**.

**Table 2.26: Workers covered under health check-up camp during 2017-22**

Name of Labour Officer	Total live workers as on 03/2022	Workers to be covered during camp in year 2019-20	Workers covered under health check-up
Bilaspur	35,675	550	0
Baddi	3,769	60	45
Hamirpur	64,969	270	212
Chamba	21,140	00*	0
Kangra	34,919	00*	46
Mandi	58,665	00*	179
Kullu	17,832	290	290
Kinnaur	7,605	600	00
Shimla	6,467	00*	00
Rampur	10,948	180	45
Nahan	6,886	55	106
Solan	7,198	00*	150
Una	14,856	190	56
<b>Total</b>	<b>2,90,929</b>	<b>2,195</b>	<b>1,129</b>

Source: Record of the Board and information provided by the LI Hamirpur.

\*No target was set by the Board for health check-ups.

It can be seen from the **Table 2.26** that while targets for coverage of workers were not set in five LOs and less than one *per cent* of live registered workers were covered in the health check-up camps organised by the Board.

In the test-checked LOs/LI, LI Hamirpur covered 212 beneficiaries and LO Kullu covered 290 beneficiaries under health check-up camps.

LO Bilaspur stated (May 2023) that no health check-up camp was organised by them, however, LO Bilaspur office cooperates with the Health Department whenever required. LI Hamirpur stated (February 2023) that the office will conduct health check-up camps as per the direction of the Board. LO Kullu stated (February 2023) that due to extreme

workload, shortage of staff and COVID-19 pandemic, it was difficult to cover live workers under the health check-ups.

It is evident from the above that the coverage of beneficiaries was abysmally low and the Board has failed in ensuring that the health check-ups of all the workers were conducted. Besides, during Beneficiary Survey and Joint Physical Inspection, 48 workers stated that no health check-up was conducted as discussed in **Paragraph 2.8.2.1 (B)**.

#### 2.7.10.9 Training for Skill Development

As per the Model Welfare Scheme (July 2018), it was mandated to provide financial assistance in the form of Stipend and Training expenses to BOC workers and such training may be limited to once in three years. Skill Development may also be provided to the dependents of BOC workers but that may be without any stipend. The expenses to be incurred under this head in a Financial Year should not exceed 10 *per cent* of the cess collected in the previous year.

#### 2.7.10.9 (A) Non-utilisation of available funds for the scheme

Audit noticed that the Board had incurred minimal expenditure on account of Stipend and Training of the registered workers and their dependents under Skill Development during 2018-22. The details of cess collected and amount available for expenditure on skill development during 2018-22 in the State is given in **Table 2.27**.

**Table 2.27: Cess collected and available funds for the scheme during the period 2017-21**  
(₹ in crore)

Cess collection Year	Amount of Cess Collected	Training year	Amount permissible for expenditure on training*	Funds utilised (per cent)
2017-18	68.85	2018-19	6.88	-
2018-19	67.67	2019-20	6.77	-
2019-20	82.11	2020-21 <sup>#</sup>	8.21	-
2020-21	85.2	2021-22	8.52	0.4 (5)
<b>Total</b>	<b>303.83</b>		<b>30.38</b>	<b>0.4 (1)</b>

\*@10 per cent of Cess collected in previous year.

<sup>#</sup> During 2020-21, due to the COVID-19 pandemic the training could not be conducted.

It can be seen from the **Table 2.27** that an amount of ₹ 30.38 crore was permissible to the Board for expenditure on skill development training scheme during 2018-22 but only ₹ 0.4 crore (one *per cent*) was utilised for the same in one year only viz., 2021-22.

The Board stated (February, May 2023) that it had implemented the Recognition of Prior Learning<sup>71</sup> scheme since 2015.

<sup>71</sup> RPL is also training scheme for BOC workers implemented by the Board prior to notification of Model Welfare Scheme in 2018.

The reply is not acceptable as training was only held in the years 2015-16 and 2021-22 after a gap of five years and permissible amount as per Model Welfare Scheme guidelines was not utilised by the Board.

#### 2.7.10.9 (B) Non-achievement of targets

Audit noticed that Memorandums of Understanding (MoUs) were signed in May 2020 and May 2021 with three training providers to impart training to construction workers registered with the Board under Recognition of Prior Learning (RPL) scheme. During 2021-22, the three training providers organised training camps in their respective allotted regions to provide masonry training to the construction workers. The details of target, achievement and shortfall are given in **Table 2.28**.

**Table 2.28: Details of training provided under Skill Development Training Scheme during 2021-22**

Sr. No.	Name of Training Providers	District/Region allotted	Target	Achievement	Shortfall (per cent)
1	M/s LabourNet Services India Pvt. Ltd.	Bilaspur, Baddi, Hamirpur and Kinnaur	10,000	6,459	3,541 (35)
2	M/s G&G Skills Developers (P) Ltd.	Mandi, Kangra, Kullu and Una	10,000	7,973	2,027 (20)
3	M/s Maa Saraswati Educational Trust	Chamba, Rampur, Shimla and Solan	10,000	4,863	5,137 (51)
<b>Total</b>			<b>30,000</b>	<b>19,295</b>	<b>10,705 (36)</b>

It can be seen from the **Table 2.28** that there was a shortfall of 20 to 51 *per cent* in achievement of targets of workers to be covered under the training scheme.

Also, against total 2,22,158 live registered workers as of March 2021, only 30,000 (14 *per cent*) were targeted by the Board and 19,295 (nine *per cent*) were provided with skill training.

Thus, non-implementation of the scheme during 2018-20 and non-achievement of targets, stymied the intended benefit of the scheme.

#### 2.7.11 Non-conducting of periodic Social Audit

As per the direction of the Hon'ble Supreme Court (March 2018), the Auditing standards of Social Audit as developed by the CAG for MGNREGA scheme have been adopted mutatis mutandis for carrying out social audits in respect of the implementation of the Act. As per the scope of audit, Social Audit was to be conducted in every Block (rural areas) and ward (urban areas) such that all Wards and/or Blocks of a State are covered within a given period of two years.

Audit noticed that Social Audit was conducted on a pilot basis only in three Blocks<sup>72</sup> (three *per cent*) out of total 88 Blocks in the State, by the Social Audit Unit of Himachal Pradesh during 2018-19 for the period 2017-18. The Social Audit Unit submitted their

<sup>72</sup> Bijhri (Hamirpur), Amb (Una) and Kangra.

report to the Board with observations noticed in the disbursement of in-kind material to the beneficiaries and gave their suggestion for bringing more transparency in the process of registration and disbursement of in-kind material.

Despite the shortcomings<sup>73</sup> pointed out in the Social Audit Report, the Board had not made any sincere efforts to conduct social audit for the period 2017-22 in all Districts/Blocks/Wards in the State.

The Board stated (December 2022) that Social Audit is conducted by Social Audit Department and the Board has written to the Social Audit Unit for conducting Social Audit.

The reply should be seen in the light of the fact that the Social Audit could have pointed out the deficiencies in the process of distribution of welfare benefits and recommendations would have helped in setting up a more robust system of distribution of welfare benefits.

## **2.7.12 Issues relating to processing of claims**

### **2.7.12.1 No timeline to accept and reject applications for Welfare Schemes**

As per Section 22(1) of the Act, the Board has implemented various Welfare Schemes detailed in Rule 271 to 283 in the HPBOCW Rules, 2008.

Audit observed that the Board had not fixed any timeline for acceptance, rejection, sanction and delivery of welfare benefits to beneficiary to avoid delays with reference to timeline prescribed in the Model Welfare Scheme<sup>74</sup> as discussed in the succeeding Paragraphs. However, the Board had only fixed eligibility condition of two months' membership since registration for availing benefits under Welfare Schemes, except death and medical assistance. No timeline has been prescribed for disbursing other benefits. Also, there is no mechanism to inform the applicant about the status of application viz. sanction, rejection, pendency *etc.*

The Board stated (December 2022) that membership or two-month membership is the timeline for accepting of application regarding claim forms of various schemes.

The reply is not acceptable as membership, or two-month membership, are eligibility conditions for availing benefits and not the timeline for processing of the claims. The Board should formulate detailed timelines for all Welfare Schemes. Also, no action taken on rejected claims sent back to LO for rectification and delay in approval of claims as per timeline fixed by Model Welfare Scheme were noticed by Audit as discussed in the succeeding Paragraph.

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<sup>73</sup> Seven workers who were disbursed in-kind benefits as per LO record, denied having received in-kind benefits and one worker reported about inferior quality of the in-kind material.

<sup>74</sup> Pursuant to the directions of the Hon'ble Supreme Court dated 4 July 2018, the MoL&E formulated the Model Welfare Scheme for Building and Other Construction Workers and the Action Plan for strengthening the implementation machinery.



#### **2.7.12.2 No action taken under process claims by LOs/LIs**

Audit noticed that, in test-checked LO/LI<sup>75</sup>, 70 claims<sup>76</sup> for medical assistance, 52 claims for financial assistance for education and two claims for financial assistance for marriage were reverted by the Board to the respective LOs for various reasons such as treatment taken from private hospital, dependent certificate of member not attached, medical bills not verified by medical officer etc. and these claims were sent back to the concerned LO/LI. However, no action was taken by LO/LI to address the objections raised by the Board by informing the beneficiaries and the same were lying with their office as of February 2023. Resultantly, beneficiaries were deprived of the intended benefits of the schemes.

Also, it was noticed that the LO/LI concerned had not maintained any register of claims.

The concerned LWO/LI stated (February and May 2023) that action could not be taken due to rush of work, however rectification process is under process.

#### **2.7.12.3 Delays in sanction of claims**

In order to ensure effective implementation of the provisions of the Act, the Hon'ble Supreme Court directed (January 2010) that benefits under the Act should be extended to the registered workers within a stipulated time frame, preferably within six months.

As per Model Welfare Scheme, Ministry of Labour and Employment (July 2018), compensation should be disbursed in a definite time frame not exceeding 60 days from the date of death of the beneficiary.

Audit noticed that financial assistance under various Welfare Schemes were sanctioned during 2017-22 with delays as detailed below:

- (i) It was noticed that 124 applications for financial/in-kind assistance for education, maternity/paternity benefit, marriage and bicycle were sanctioned with a delay ranging from two to 49 months, after the expiry of the stipulated six-month time frame, from date of application to sanction of claims.
- (ii) LO Bilaspur sent 9,235 applications of beneficiaries received through the Unions for financial assistance for education to the Board, out of which 9,141 of applications were sanctioned with a delay ranging from one to 24 months, after the expiry of the stipulated six-month time period, from date of application to sanction. There was also a delay from three to 28 months in forwarding the applications to the Board by the Labour Office.
- (iii) In LI Hamirpur, it was noticed that 317 nominees of beneficiaries were provided death benefit from August 2018 to March 2022. Out of which 63 claims of applicants were disbursed after delays of more than 60 days (delay ranging from 19

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<sup>75</sup> LO Bilaspur and LI Hamirpur.

<sup>76</sup> LO Bilaspur: 60, LI Hamirpur: 10.



to 39 days after lapse of 60 days) even from the date of dispatch<sup>77</sup> from the LI which is in violation of provisions of Model Welfare Scheme

The Board stated (April 2023) that the Board has many Welfare Schemes for workers and claim forms are submitted to LOs/LI and after scrutiny the claim forms are sent to the Board. Claims are scrutinised in Board headquarters, which is a time-consuming process and if any error is found, this causes unnecessary delay in clearing the benefit as the claim is sent back to LOs/LI for rectification.

The delay in processing and disbursement of claims adds to the anguish of the family members who are in the lowest strata of financial structure of society and either have no or have limited alternate source of income.

### 2.7.13 Sustainable Development Goals (SDG)

The State Government has prepared Drishti Himachal Pradesh-2030 to achieve all the SDGs by 2030. The contribution of the Board to achieving the SDGs through Welfare Schemes is as detailed below:

#### I. Good Health and Well-being (SDG-3):

The Board had implemented five Welfare Schemes<sup>78</sup> for upliftment of health standards of the workers and sanctioned ₹ 14.99 crore in respect of 5,478 workers during 2017-22. Shortcomings noticed in implementation of these schemes are discussed in **Paragraph 2.7.10.**



#### II. Quality Education (SDG-4):

The Board had implemented scheme of financial assistance for education to provide educational and learning opportunities to the wards of the workers in the State and sanctioned ₹ 72.15 crore to 74,849 workers during 2017-22. Shortcomings noticed in implementation of the scheme are discussed in **Paragraph 2.7.10.3.**



#### III. Protect Labour Rights and Promote Safe Working Environments (SDG 8.8):

The State Government has formulated two targets viz. strive to achieve wellbeing of workers engaged in the unorganised sector, particularly women migrants and create a data base on building and maintenance workers engaged in unorganised sector, especially of those engaged in unsafe employment.

The Board has not formulated any Action Plan to achieve this SDG 8.8 and has not maintained data base of workers engaged in



<sup>77</sup> As the date of receipt of applications was not available with the LI Hamirpur office the delay has been calculated from the date of dispatch of applications to the Board.

<sup>78</sup> Medical Assistance, Maternity Benefit, Female Birth Gift Scheme, Mentally Retarded Children Benefit Scheme, Health Check-up of Beneficiaries.

the unorganised sector. However, inspections are being conducted to check the working conditions under various Acts and 2,969 number of inspections were conducted by Inspectors during 2017-22. Shortcomings noticed in conducting inspections are discussed in **Paragraph 2.6.2.**

## **2.8 Internal Control Mechanism and Beneficiary Survey**

### **2.8.1 Internal Control and Monitoring**

Internal Audit and Internal Control System are the important mechanisms to ensure the smooth functioning of an organisation. Effective internal control helps in exercising checks on various activities of the organisation whereas internal audit system acts as an effective tool in exercising various checks on expenditure.

#### **2.8.1.1 Lack of Internal Control and Monitoring Mechanism**

Audit noticed the following deficiencies:

- (I) No database of workers engaged in construction activities throughout the State had been prepared.
- (II) There was a delay in deposit of registration fee collected and non-maintenance of Register of Receipts.
- (III) The Register of Identity Cards did not provide space/column for signature of beneficiary, to whom the Identity Card was issued. In the absence of column for signature of beneficiary the receipt of the Identity Card by the beneficiary cannot be confirmed.
- (IV) Mismatch in records maintained by the Labour Offices and the Board was noticed with regard to number of workers registered and camps organised during 2017-22.
- (V) Cess was being deposited in the bank accounts of the Board, but reconciliation of cess was not being done and as a result an amount of ₹ 112.39 crore was lying in suspense head of account since 2019.
- (VI) One of the methods adopted by the Board for monitoring progress was submission of Monthly Progress Reports (MPR) by LOs to the Board on the 15<sup>th</sup> of every month. The MPR by the Labour Officers was submitted with delays to the Board and does not cover the progress with regard to benefits received (other than in kind) by the beneficiaries.
- (VII) There was lack of comprehensive guidelines for the Welfare Schemes implemented by the Board.
- (VIII) Lack of proper scrutiny of applications while sanctioning welfare scheme benefits to the beneficiaries, led to double payment of assistance, less payment

of assistance, payment of assistance for period prior to registration with the Board, without proper documents along with application and also delays in processing of claims etc. as already discussed in **Paragraph 2.7**.

(IX) There was absence of internal audit wing in the Board.

Due to lack of internal control/ monitoring mechanism, risks related to improper maintenance of records, erroneous payment of welfare benefits and irregularities in processing of claims could not be ruled out.

The Board confirmed the facts and stated (April 2023) that full time HPFAS<sup>79</sup> Officers are not being posted by Himachal Pradesh Government in the Board and accordingly internal control is not being implemented in its full spirit. Matter has been taken up with the Himachal Pradesh Government from time to time. The Board also stated (December 2022) that as pointed out by Audit the modified MPRs have been demanded from the LOs/LI and shall be compiled on regular basis.

#### **2.8.1.2 Physical verification of store items**

Rule 140 of Himachal Pradesh Financial Rules (HPFR), 2009 provides that (1) The officer-in-charge of the stores shall cause to maintain the inventory for fixed assets, consumable goods and dead stock or unserviceable items.

(2) Head of the Department shall conduct the physical verification of fixed assets, consumable goods and dead stock or unserviceable items or cause it to be conducted through his subordinate officer(s) or through a committee constituted either by him or by the State Government, at least once in a year.

Audit noticed that in selected LOs/LI, physical verification of store items/in-kind material<sup>80</sup> had not been conducted since 2015-16.

As per the Joint Physical Inspection of the store (November 2021) of LI Hamirpur, shortage of 290 bicycles was noticed in previous Audit. LI Hamirpur acted at the behest of Audit and made recovery of amount of 190 bicycles (not delivered) from the vendor and 100 undisbursed bicycles were recovered from the sites/villages where the distribution of bicycles was carried out. No shortcoming was found during Joint Physical Inspection of the same store by Audit in February 2023. But still no physical verification of stock was being done by the LI Hamirpur.

LO Bilaspur stated (February 2023) that no direction/instruction was given by the Board for conducting physical verification. LI Hamirpur stated (February 2023) that due to heavy workload stock registers could not be verified.

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<sup>79</sup> Himachal Pradesh Finance and Accounts Services (HPFAS).

<sup>80</sup> Bicycle, Washing Machine, Induction Heater and Solar Lantern.

The reply is not acceptable as State Financial Rules regarding Annual Physical Verification of store items were to be followed by the LOs which could also help in detecting the mistakes during procurement of goods.

### **2.8.1.3 Maintenance of Register of Receipts**

Rule 3(7) of the HPFR, 2009 provides that (a) Detailed procedure regarding assessment, collection, allocation, remission and abandonment of revenue and other receipts shall be laid down in the guidelines of the Department responsible for the same, in consultation with the Finance Department.

(b) In the Departments in which officers are required to receive money on behalf of the Government and issue receipts thereof, the Departmental regulations shall provide for the maintenance of a proper account thereof.

Audit noticed that the selected LOs/LI had not maintained Register of Receipts for the amount received by them on account of registration/renewal contribution from registered workers and its remittance to the Board during 2017-22. In the absence of the Register, the authenticity of actual receipt in lieu of registration/renewal contribution collected during above period from registered workers and remitted to the Board could not be verified in audit.

LI Hamirpur stated (February 2023) that the Board had not issued any direction for maintenance of Receipt Register. LO Bilaspur stated (February 2023) that due to rush of work and shortage of staff register could not be maintained. LO Kullu stated (December 2022) that register has been maintained but due to rush of work and shortage of staff registers were not complete.

The reply is not acceptable as financial rules were to be followed by the LOs/LI.

### **2.8.1.4 Absence of comprehensive format of Identity Card register**

Rule 266(8) of HPBOCW Rules states that the Secretary of the Board or other officer authorised by him in this behalf shall issue to every beneficiary, an identity card with a photo of the beneficiary affixed in form- XXXII and maintain a register of identity cards so issued in form- XXXIII. The identity card contains Part I to IV as shown in **Table 2.29**.

**Table 2.29.: Details contained in the Identity Card**

<b>Part I</b>	Complete detail of registered beneficiary
<b>Part II</b>	Subscription and renewal of the registration
<b>Part III</b>	Detail of building or other construction work done by the beneficiary
<b>Part IV</b>	Detail of welfare assistance/schemes disbursed to registered beneficiaries

**Table 2.30: Format of Register of Identity Card**

Name of District-----

Sr. No.	Number of Identity Card	Date of Issue	Name and address of the worker	Signature of Executive Officer	Remarks

From the **Table 2.30**, it can be seen that prescribed format of Register does not include application date, benefit granted/rejected with reason, complete detail of family/nomination, work continuity certificate etc. which are prescribed in the Identity Card. Consequently, such details of beneficiaries were not entered in the Register of Identity Cards with the LOs/LI and shortcomings such as double registration of beneficiaries, double payment of benefit, non-renewal of registration etc. could have been avoided if the registers were maintained in similar format as of Identity Card.

The Board confirmed the facts and stated (April 2023) that discrepancy pointed out by Audit shall be eliminated through software/portal being developed through NIC.

### 2.8.2 Beneficiary Survey

Beneficiary Survey of 325 beneficiaries/construction workers was conducted (December 2022 to February 2023) as per criteria below:

- (I) 243 beneficiaries, who had received welfare benefits under eight selected Welfare Schemes<sup>81</sup>, were selected randomly from the records of the Board to check eligibility conditions and timely disbursement of benefits.
- (II) Audit conducted Joint Physical Inspection of 26 construction sites<sup>82</sup> along with the staff of concerned labour offices and works executing agencies and 82 building and other construction workers (71 unregistered workers and 11 registered workers) were surveyed at these construction sites to assess the extent of registration, reasons for non-registration, awareness among construction workers about Welfare Schemes implemented by the Board and facilities provided to workers at the construction sites by the employers.

#### 2.8.2.1 Findings of the Beneficiary Survey

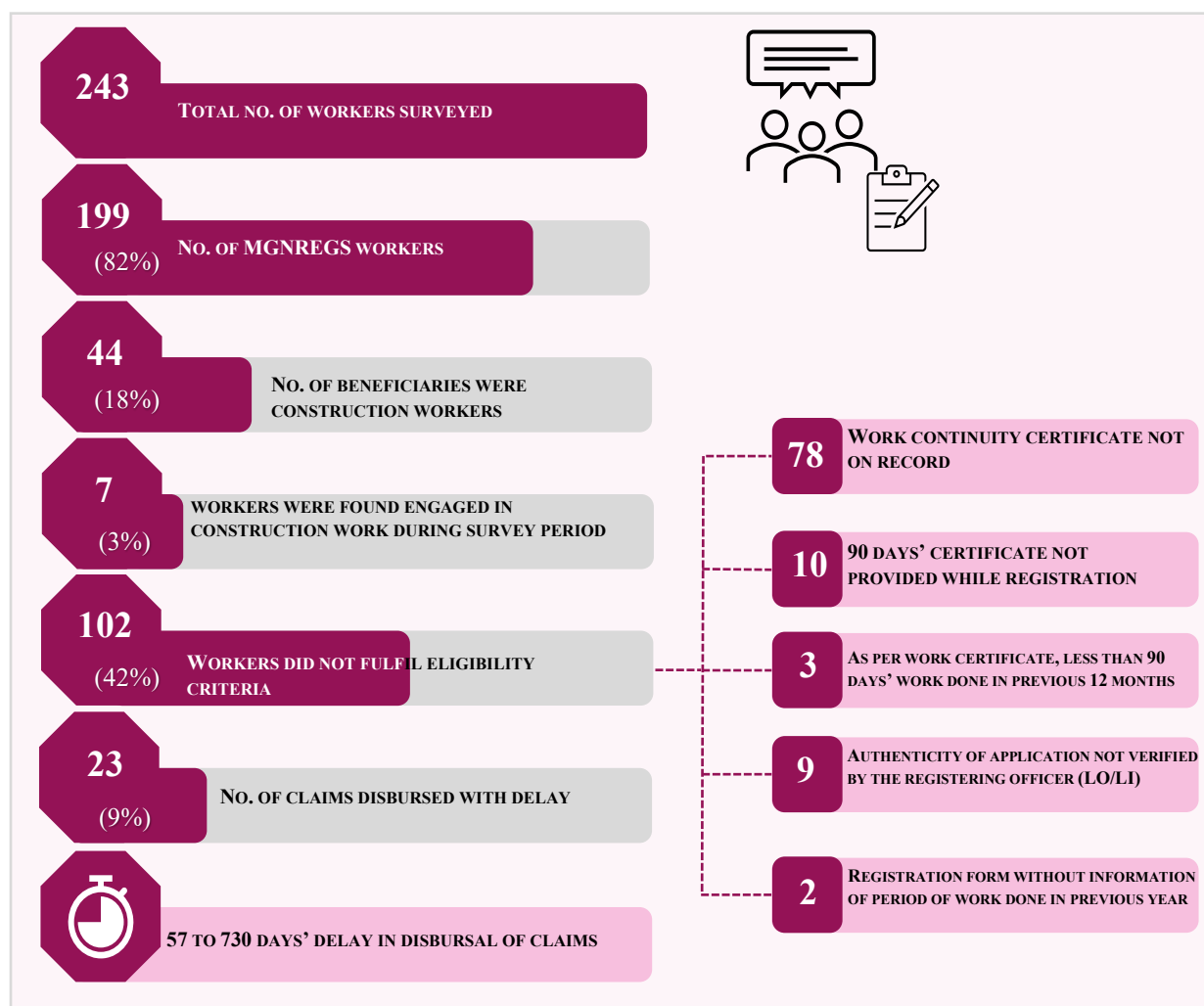
##### 2.8.2.1 (A) Beneficiary Survey of workers selected under ten Welfare Schemes

Findings of Beneficiary Survey of 243 registered workers who had received welfare benefits are depicted in **Figure 2.2**:

<sup>81</sup> COVID-19 Financial Assistance, Education Assistance, Marriage Assistance, Death and Funeral Financial Assistance, Maternity/Paternity Financial Assistance, Induction Cooker, Washing Machines, Solar Lamp.

<sup>82</sup> LO Bilaspur: six, LO Kullu: 11, LI Hamirpur: nine.

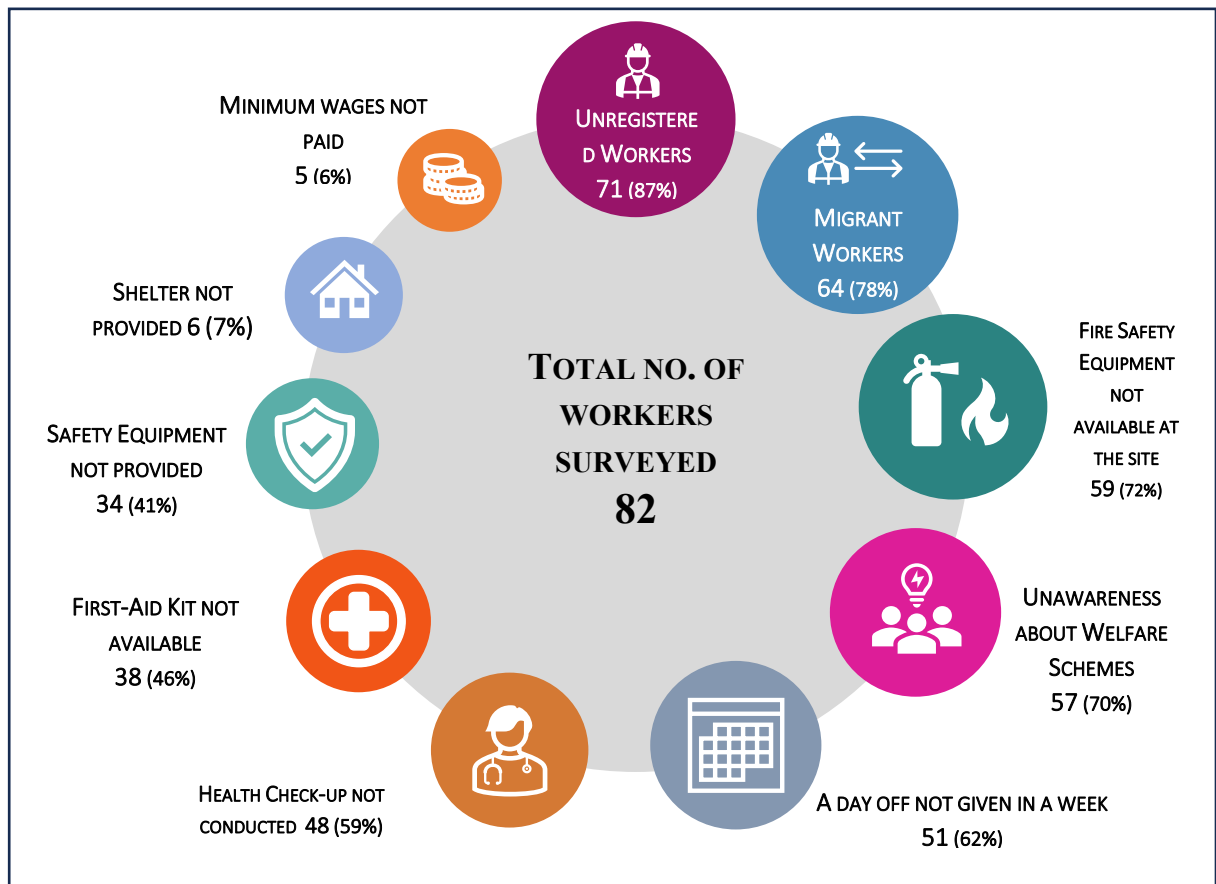
Figure 2.2: Findings of Beneficiary Survey



The above figure shows that most of the benefits (82 *per cent*) were distributed to MGNREGS workers and only three *per cent* of beneficiaries surveyed were engaged in any kind of construction work during the survey period. Welfare benefits were distributed to 42 *per cent* surveyed beneficiaries, who were ineligible due to non-fulfillment of various conditions which shows that the proper scrutiny of welfare applications was not being done by the LOs/LI or the Board. Claims of nine *per cent* workers were disbursed with a delay ranging from 57 to 730 days, after the lapse of stipulated six months from the date of receiving of claim.

#### 2.8.2.1 (B) Beneficiary Survey of workers during Joint Physical Inspection

Findings of Beneficiary Survey conducted of 82 construction workers while conducting Joint Physical Inspection of the construction sites/establishments is depicted in the **Figure 2.3**.

**Figure 2.3: Findings of Beneficiary Survey conducted of 82 construction workers**

*Note: The area of the bubble is not proportional to the number of workers.*

The Beneficiary Survey revealed that out of the 82 workers surveyed, 64 (78 per cent) were migrant construction workers. Among these surveyed workers, health and safety measures such as fire safety equipment, health check-ups, safety equipment, and first-aid kits were not available/provided by the employers. Basic labour rights such as a weekly day off and minimum wages were also not given to the surveyed workers. Basic amenities such as shelter facilities were similarly not provided.

## 2.9 Conclusion

The State Government's rule for marriage assistance, as established under the Act, fails to specify who from the family is eligible to claim the assistance. This led to situations where the same marriage received assistance more than once. Furthermore, the health check-up framework was deficient in supervision and record-keeping by the Board. Additionally, the minimum registration period of three years, instead of the 10 years recommended by the Model Welfare Scheme, was adopted for disbursing pension without a thorough assessment of the long-term liabilities consequent to this decision.

Process of registration of establishments and workers remained ineffective as instances of non-registration of establishments and workers, lack of coordination with Local Bodies to



register and collect cess from employer/contractor, duplicate and bogus registration of workers, etc. were noticed. Also, there was a shortfall in organization of camps and registration of workers and it was not ensured that details of work done are entered in the Identity Cards of the workers. The mismatch in figures of the Board and LOs/LI of registered workers and camps organised, points towards an ineffective reporting mechanism.

The Assessing Officers-cum-LOs had not made efforts to obtain Form-I from all the employers as per provision of Cess Rules and the LOs were not issuing assessing orders. The Board had not coordinated with the Local Bodies and Executing Agencies for sharing information of Building Plans and construction projects approved.

The Board or LOs had not maintained establishment-wise data of cess collected which resulted in non-reconciliation of cess amounting to ₹ 226.52 crore. The Board or the Department had not prescribed a uniform format to transfer cess amount in the fund.

Besides, there were instances of short realization/non-remittance of cess to the Board due to dishonored cheques/bank drafts not corrected/revalidated in time.

The test-checked LOs/LIs did not conduct regular inspections as per the provisions of the Acts and Rules so as to check the facilities of health, safety and welfare of the construction workers. Deaths due to accidents at the sites could have been avoided, which showed lack of proactive actions on the part of the officials towards the safety of the construction workers.

The Joint Physical Inspection also revealed that construction sites lacked safety and security measures such as first-aid kit, safety equipment for workers, on site fire safety equipment and basic amenities of water, toilet and shelter.

The State Government had not provided adequate staff to achieve targets of inspections. The targets were not revised after 2011, showing that the Department did not analyse the position of ongoing construction activities in the State vis-a-vis required and available manpower. Even the prescribed targets were not achieved. The responsibility of maintenance of any inspection notes or registers was not fulfilled by the LOs/LIs and compliance to lack of safety measures noticed, if any, during previous inspections could not be ensured. The overall mechanism of inspections remained ineffective as there was no risk-based assessment, periodical visits or inspections of construction sites where accidental deaths were reported.

The Department and the Board had not prepared any Annual Action Plan nor had fixed long/short term targets. They had not conducted any survey of workers across the State to build a database for aiding in decision making and formulation of schemes. The Board had not maintained comprehensive individual worker/beneficiary-wise database of registered workers.

Administrative irregularities continued to be present in functioning of the Board relating to the Board and State Advisory Committee meetings, ineptness in the Budget formulation, delays in approval of Annual Budget and Annual Report and submission of annual accounts for audit.

Shortage of staff with the Board had also adversely affected the implementation of the Acts relating to welfare of construction workers. Effective institutional system for social audit of benefits provided to the construction workers was not devised.

As regards financial management, huge accumulation of fund which rose to ₹ 703.15 crore in 2021-22 was noticed.

Implementation of Welfare Schemes faced problems of inconsistency in rules, delay in disbursement of welfare benefits, non-coverage of beneficiaries, non-implementation of notified Welfare Schemes, less/excess payments, unfruitful expenditure, non-distribution of in-kind material kept in the store. Also, inaction on part of LOs/LIs for rectification of rejected claims was noticed by Audit.

## **2.10 Recommendations**

*The State Government may*

- *Specify in the application form related to financial assistance for marriage that assistance has not been applied/obtained by different family members including self for the marriage of same person. Rule should also bring clarity to avoid instances of marriage assistance more than once.*
- *Ensure compliance with the recommendations of Model Welfare Scheme. Deviation, if any, should be properly assessed before adoption*
- *The Department should operationalise use of GIS mapping and conduct proper inspections for monitoring construction activities in the State.*
- *The registration of all eligible workers in the State must be ensured through proactive approach on behalf of the Board and the Department by way of camps, targeted publicity campaigns, special drives etc. instead of leaving it on the initiative of the workers.*
- *The LOs should ensure that the employers/contractors submit monthly returns in Form-XXX so that information about construction workers eligible for registration at the construction site would be available with the LOs.*
- *Also, lacunae in the registration process resulting in duplicate registration, bogus registration on the basis of fraudulent certificates etc. must be removed through development of appropriate software with the necessary controls.*
- *The Department and the Board must ensure that comprehensive database on account of cess is prepared at LOs and the Board level.*
- *Process of obtaining Form-I and assessment of cess thereafter must be followed diligently to avoid any loss of revenue.*

- *The Department should coordinate with other concerned Departments to collect cess from all eligible establishments in the State. There could be added a provision of “cess deposition” in the application for Building Plan approval from Local Bodies.*
- *Cess collection should be reconciled regularly by the Board as well as the Cess Collector.*
- *The Government or the Board should provide a uniform format to be submitted by all the cess deductors with details of individual establishments/construction works, amount, period of cess deducted, mode of cess transfer in Board’s bank account, details of pending cess (if any), amount of cess paid in advance (if any), jurisdiction of Labour Office etc.*
- *The LOs and LIs, being the field agents of the Department and the Board, must inspect the construction sites regularly and maintain inspection notes and registers to ensure compliance to the issues raised or shortcomings noticed during previous inspections regarding the safety and health of the construction workers.*
- *The Department should revise inspection targets regularly after analyzing ongoing construction activities and also available staff strength and formulate a comprehensive inspection policy specifying periodical visits and risk-based assessment of construction sites in the State.*
- *The Department and the Board should develop software for registration of workers and establishments through which the applications for welfare benefits may also be submitted, scrutinised and sanctioned for speedy disbursement of benefits to worker.*
- *The Board and SAC meetings should be held at regular intervals and preparation and approval of Annual Accounts and Annual Reports must be ensured within prescribed time frame.*
- *The Board should coordinate with Social Audit Unit of the State and take steps to conduct Social Audit in all the Blocks of the State periodically.*
- *The Board may ensure implementation of schemes to provide maximum benefits to all eligible workers in the State, thereby avoiding accumulation of funds. Also, expenditure from the fund should be in accordance with provisions of the Act/rules*
- *It is recommended that avoidable expenditure towards income tax liability is addressed.*
- *A database on account of welfare benefits should be prepared to remove irregularities regarding double sanctions, instances of unjustified and irregular payments and it also warrants proper scrutiny of applications and documents attached by the field officers as well as the Board while sanctioning the claims.*

# **Chapter-III**

## **Quality Management in Procurement, Storage and Distribution of Food Items**



## **Chapter III: Quality Management in Procurement, Storage and Distribution of Food Items**

### **Department of Food, Civil Supplies and Consumer Affairs**

#### **3.1 Introduction**

The Department of Food, Civil Supplies and Consumer Affairs (Department) (formerly part of Cooperative Department) came into existence as a separate unit in the State in the year 1966. The Department deals with the demand and supply of various essential commodities in the open market as well as the Public Distribution System (PDS). The work of the Department is supplemented by the Himachal Pradesh State Civil Supplies Corporation Limited (Corporation).

In Himachal Pradesh, seven food items (wheat, wheat flour, rice, pulses, sugar, edible oil and salt) are being distributed through Targeted Public Distribution System (TPDS) to the beneficiaries through a network of 120 wholesale godowns of the Corporation and 5,068 Fair Price Shops (FPSs). Allocation of wheat and rice is made by the Government of India under the National Food Security Act (NFSA), 2013<sup>1</sup> whereas the allocation of pulses, edible oil, salt and sugar<sup>2</sup> is made by the State Government under Himachal Pradesh State Specially Subsidised Scheme<sup>3</sup>. The Department further allocates the same to the Districts on the basis of total ration card holders available in the Districts.

The Corporation lifts wheat and rice from 20 godowns of the Food Corporation of India (FCI) as per the allocation made by the Government of India. Further, the Corporation procures the remaining food items under State subsidy by inviting tenders and signing MoUs with the suppliers. Finally, the food items are lifted by 5,068 FPS owners from 120 wholesale godowns of the Corporation for distribution to the cardholders.

To maintain the quality of the food items, samples of various commodities distributed to the beneficiaries under TPDS and Himachal Pradesh State Specially Subsidised Scheme are drawn by the field staff of the Department regularly on a targeted basis and are sent to the Departmental Food Testing Laboratory (FTL) at the Directorate office, Shimla for analysis. In addition, the Corporation also sends the samples to empanelled laboratories operated by the private agencies.

A Performance Audit (PA) on Public Distribution System was conducted and included in the CAG's Audit Report for the year ended March 2011, followed by a follow-up on audit findings in the CAG's Audit Report for the year ended March 2018, highlighting

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<sup>1</sup> Covers 7.43 lakh card holders belonging to Priority Households (PHH) and Antodaya Anna Yojna (AAY).

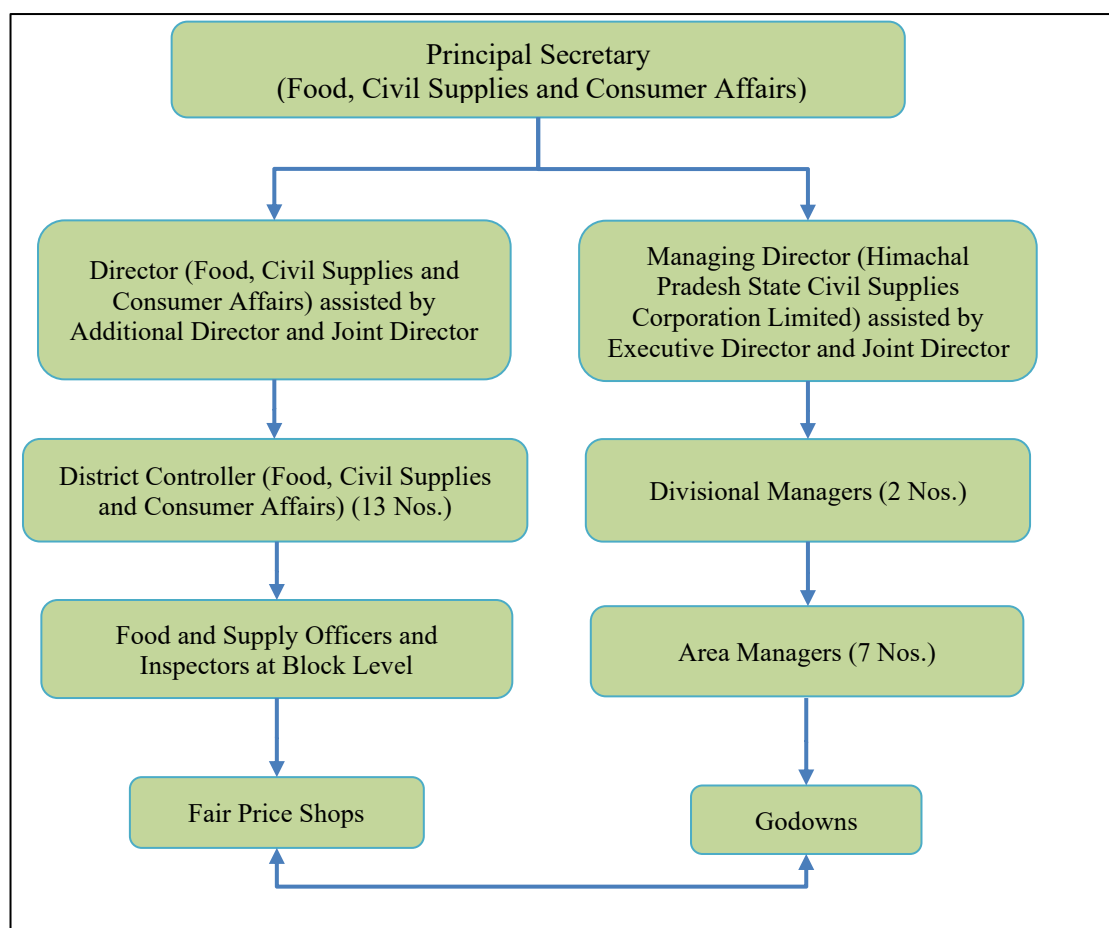
<sup>2</sup> Subsidised by Government of India for AAY beneficiaries. Other than AAY are subsidised by the State Government.

<sup>3</sup> Covers all 19.48 lakh card holders.

deficiencies<sup>4</sup> in quality management in the State. The Report was discussed in the Public Accounts Committee (PAC) of Himachal Pradesh Legislative Assembly in February 2015 and August 2016 and was finally settled in March 2020. The recommendations of the PAC have also been referred in this report where persistent deficiencies continued to exist (**Paragraphs 3.8.5 and 3.9.1**).

### **3.2 Organisational set-up**

At the Government level, the Additional Chief/Principal Secretary (Food, Civil Supplies and Consumer Affairs) is the head of the Department. He/She is assisted by Director, Food, Civil Supplies and Consumer Affairs Department (Director, FCSCA) and Managing Director, Himachal Pradesh State Civil Supplies Corporation (HPSCSC) Limited. At the District level, the schemes related to food security are implemented by the respective District Controllers (DCs), FCSCA<sup>5</sup>, with the assistance of seven Area Managers<sup>6</sup> concerned of HPSCSC Limited through a network of 5,068 FPSs. The organisational structure for implementation of various food security schemes in the State is depicted in the Chart below:



<sup>4</sup> The deficiencies were: shortfall in inspection of FPSs, short collection and testing of samples of food items, distribution of food items without getting the test analysis report, inadequate staff and equipment in the Departmental laboratory, inadequate formation and functioning of Vigilance Committee, findings on the Beneficiary Survey highlighting supply of poor-quality food items.

<sup>5</sup> Twelve DCs are posted in field units and one DC is posted at the Directorate Office.

<sup>6</sup> Located at Chamba, Dharamshala, Hamirpur, Mandi, Nahan, Shimla, and Solan.



### **3.3 Audit objectives**

The objectives of the SSCA were to ascertain whether:

- Quality of food items was ensured by the Department at the time of procurement, storage and distribution through Joint Physical Inspection and lab testing as required under the Act/ TPDS (Control) Order, 2015.
- Monitoring systems existing in the Department were adequate and compliant with the rules and notifications.
- Consumer awareness activities were organised in the State under Public Distribution System (PDS) as per approved proposal from the Government of India.
- Complaints and grievance redressal system existing in the State was adequate and compliant with the NFS Act/ TPDS (Control) Order, 2015.

### **3.4 Audit Criteria**

The audit criteria used for conducting the audit were derived from the following sources:

- Food Safety and Standards Act, 2006;
- The Consumer Protection Act, 2019;
- Targeted Public Distribution System (Control) Order, 2015;
- Food Safety and Standards Rules, 2011;
- Guidance document on Food Safety Management System, 2018 issued by the Food Safety and Standards Authority of India (FSSAI);
- Food Safety and Standards (Fortification of Foods) Regulations, 2018;
- National Food Security Act, 2013;
- Himachal Pradesh Financial Rules (HPFR), 2009;
- Government instructions/notifications regarding the quality of food items, such as on inspections and sample collection.

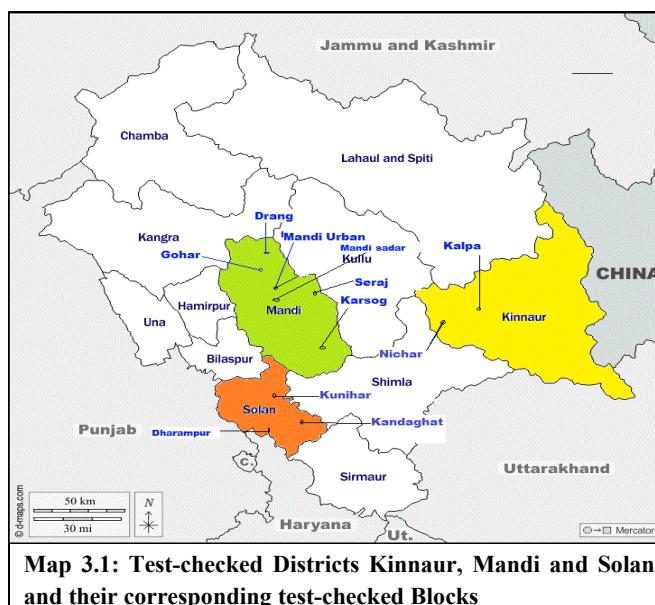
### **3.5 Audit Scope and Methodology**

The Subject Specific Compliance Audit (SSCA) covering the period 2019-20 to 2021-22 was undertaken from September 2022 to December 2022.

The SSCA covered the offices of:

- Director, Food, Civil Supplies and Consumer Affairs;
- Managing Director, Himachal Pradesh State Civil Supplies Corporation Limited;
- Three District Controllers, Kinnaur, Mandi and Solan of the Department (out of 12);
- Both the Divisional Managers, Dharamshala and Solan and three Area Managers, Kinnaur (at Shimla), Mandi and Solan (out of seven) of the Corporation.

In addition, 15 godowns (out of 28) and 60 FPSs (out of 1,188) from the 11 Blocks<sup>7</sup> (out of 19) relating to the three test-checked Districts were also selected for Joint Physical Inspection. Beneficiaries (307 in number) linked to the test-checked FPSs were also surveyed during the audit. Samples of various food items<sup>8</sup> distributed in the State were also lifted from the godowns and FPSs from the test-checked Blocks and were sent to a Food Testing Laboratory, namely Punjab Biotechnology Incubator (Department of Science, Technology and Environment, Government of Punjab), Mohali by Audit to ascertain the quality.



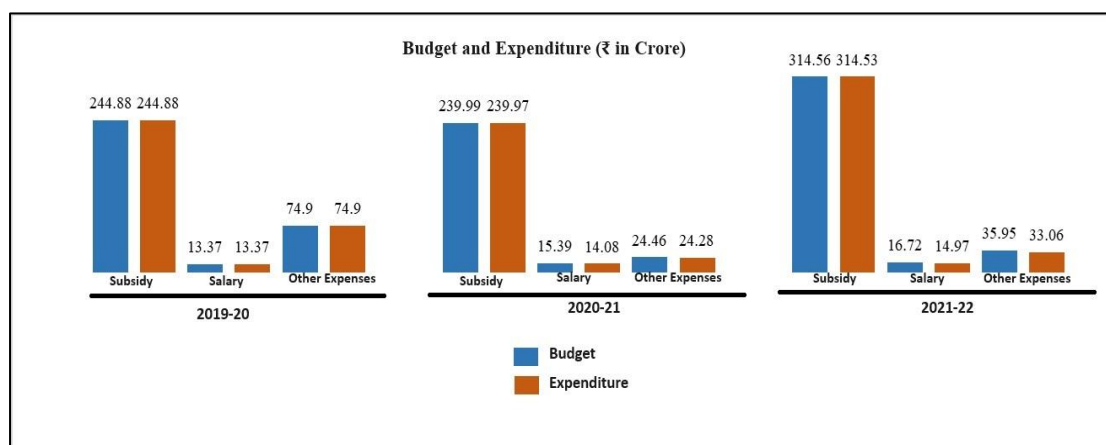
Map 3.1: Test-checked Districts Kinnaur, Mandi and Solan and their corresponding test-checked Blocks

Audit findings were discussed with the Principal Secretary (FCSCA) in the Exit Conference held in July 2023 and views of the Government have been incorporated in this Report, wherever appropriate.

### 3.6 Financial Management

The status of outlay and expenditure of the Department of Food, Civil Supplies and Consumer Affairs under the heads subsidy, salary and other expenses<sup>9</sup> during the years 2019-22 is depicted in **Chart 3.1**.

Chart 3.1: Details of Budget and Expenditure during 2019-22



Source: e-Kosh website, Himachal Pradesh.

<sup>7</sup> Kinnaur: two; Mandi: six and Solan: three.

<sup>8</sup> Edible oil, pulses, rice, salt, sugar, and wheat flour.

<sup>9</sup> Other Expenses include medical reimbursement, motor vehicle, major and minor works, material supply, machinery and equipment, wages, travel expenses, rent rate and taxes, publication, advertisement and publicity, maintenance, transfer expenses, honorarium, remuneration to outsourced employees, training, hospitality and entertainment expenses, office expenses.

Further, under the Head ‘Other expenses’ budget allocation and utilisation thereagainst under ‘major works’ and ‘machinery & equipment’, during 2019-20 to 2021-22 is depicted in **Table 3.1**.

**Table 3.1: Fund allocation under ‘major works’ and ‘machinery & equipment’**

Year	Major works		Machinery and equipment	
	Budget	Expenditure	Budget	Expenditure
2019-20	300.00	300.00	6.09	6.09
2020-21	1.00	1.00	13.97	13.85
2021-22	3.00	1.00	157.00	7.00

Source: e-Kosh.

Against the Budget of ₹ 300.00 lakh in 2019-20, funds amounting to ₹ 273.00 lakh had been transferred to the executing agency (HPSIDC<sup>10</sup>) for the construction of four godowns. However, work had not started (July 2024) due to delays in obtaining NOCs from Forest Department/*Panchayats* and non-transferring of land to the executive agency. Balance fund of ₹ 27.00 lakh was transferred to the Sub-Divisional Officer (Civil) cum District Controller, Pangi for construction/repair of two godowns.

Further, funds allocated under machinery and equipment during the year 2021-22 for the upgradation of the laboratory and its subsequent lapse has been commented upon in **Paragraph 3.8.8**.

### 3.7 Results of Audit

The deficiencies noticed in audit have been classified under the following heads:

- Deficiencies in quality management at the time of procurement, storage, and distribution of food items
- Deficiencies in monitoring and supervision
- Deficiencies in consumer awareness activities
- Findings from the Joint Physical Inspection of godowns and Fair Price Shops
- Findings from the Beneficiary Survey
- Findings from the independent qualitative analysis of the food items

Significant findings have been detailed in the succeeding Paragraphs.

### 3.8 Deficiencies in quality management at the time of procurement, storage and distribution of the food items

#### 3.8.1 Quality management at the time of procurement of food items from FCI

Clause 7(6) of the TPDS (Control) Order, 2015 stipulates that before delivery of food grains from the FCI, an officer of the State Government not below the rank of Food and Civil Supplies Inspector and an officer of the FCI shall jointly inspect the stocks of the food grains intended to be issued so as to ensure that it conforms with the prescribed quality specifications. Further, Clause 7(7) stipulates that after Joint Physical

<sup>10</sup> Himachal Pradesh State Industrial Development Corporation Limited.

Inspection, the FCI shall issue to the State Government, before dispatch of the food grains from godowns, one stack-wise sealed sample jointly drawn for display at the FPS and a duplicate sealed sample drawn shall be kept with the FCI for future reference.

Audit found that the above rule was not complied with as the FCI neither conducted any Joint Physical Inspection of its godowns with the officer of the Department nor was any joint sampling done for displaying samples in FPS during the period from 2019-20 to 2021-22.

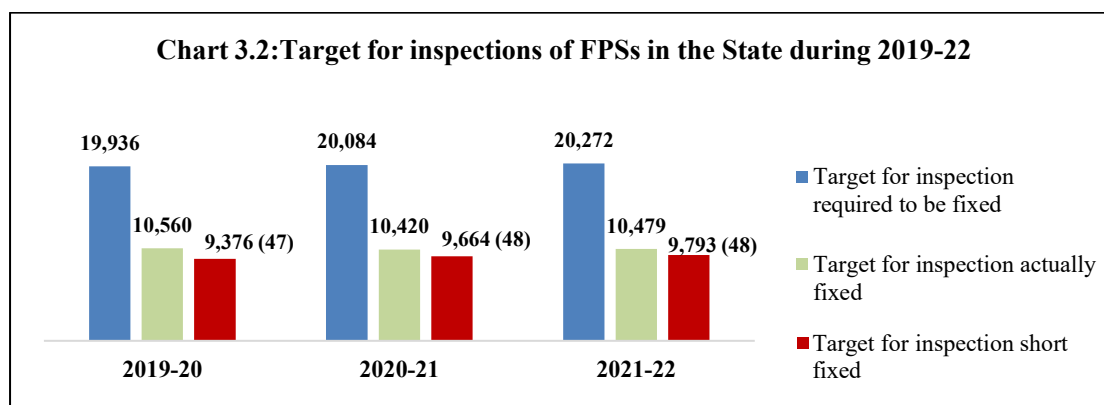
During the Exit Conference, the Principal Secretary (FCSCA) accepted the audit findings and stated (July 2023) that instructions are being issued to the officials to comply with the TPDS orders and inspectors will be deputed in each of the godowns to jointly inspect the consignment during delivery.

### **3.8.2 Short fixation of targets for inspection of FPSs in the State**

As per Para 6 of the Annexure to the TPDS (Control) Order, 2001 the State Government had to ensure regular inspection of FPS not less than once in six months. Thereafter, the Department had notified (2007) targets for inspection for various field functionaries to inspect the FPSs in their respective jurisdictions.

Further, in supersession of the earlier Order of 2001, TPDS (Control) Order, 2015 was introduced, Rule 11(1) of which specifies that the State Government should ensure regular inspection of FPSs by the designated authority not less than once in three months. The State Government shall issue the order specifying the inspection schedule, list of check points and authority responsible for this purpose.

Audit observed that the targets for FPS inspection fixed by the Department in 2007 were not revised in line with the TPDS (Control) Order, 2015, as a result of which the targets remained short fixed, as depicted in **Chart 3.2**.



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

As evident from the above, the Directorate had fixed short targets to the extent ranging between 47 and 48 *per cent* during 2019-22. This short fixation of inspection targets given to the field units by the Directorate, reduced the likelihood of timely detection of irregularities in delivery of food supplies to the intended beneficiaries.

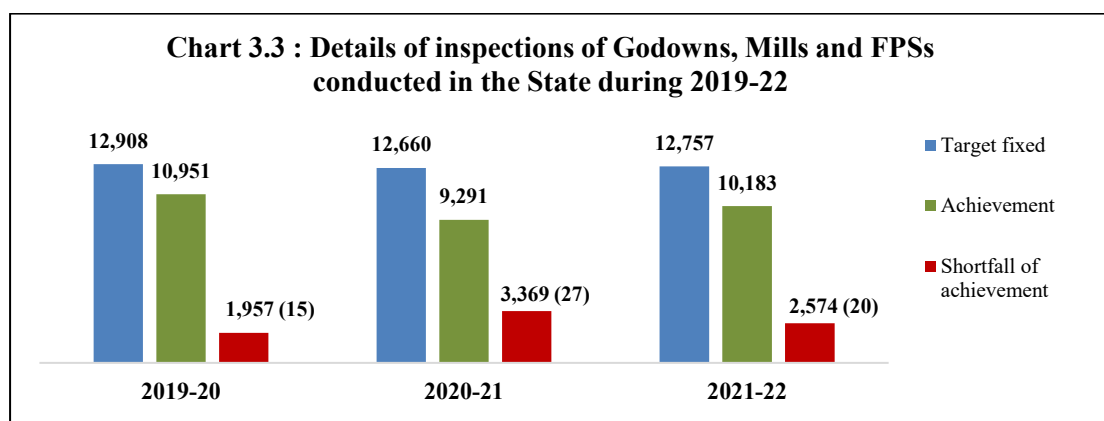
The Director, while accepting the facts, stated (December 2022) that lower targets were fixed due to vacant posts of field functionaries and the spread of COVID-19. He said that there were low chances of theft, diversion etc. of stock of food grains as the system was fully computerised. The Director, FCSCA issued instructions (December 2021) to all the District Controllers to ensure inspection of all FPSs so that no FPS is left unchecked after three months and no leakages or diversion of food grains should happen in the area under their jurisdiction.

The reply is not satisfactory as shortfall in inspection of FPSs at various levels have been noticed as commented in the succeeding Paragraph.

### 3.8.3 Non-achievement of targets fixed by the Department for conducting inspections of godowns, mills and FPSs in the State

The Department fixed monthly targets of inspection of godowns, mills and FPSs of various field functionaries<sup>11</sup> in the State in the year 2007. Further, Rule 11 (2) of TPDS (Control) Order 2015 specifies that the State Government shall ensure that stock of foodgrains under TPDS system, as issued from FCI godowns, are not replaced or tampered with during storage, transit or any other stage till the delivery to ration card holders.

Scrutiny of records revealed that inspection target fixed by the Department for godowns, mills and FPSs in the State could not be achieved, and the shortfall was ranging between 15 and 27 per cent during the period from 2019-20 to 2021-22 as depicted in **Chart 3.3**.



Source: Departmental figures. Figures in parenthesis indicate percentage.

Further, even in the test-checked Districts, shortfall in conducting inspections of godowns, mills and FPSs at various levels was noticed as detailed in **Table 3.2**.

<sup>11</sup> District Controller: 11 (eight for FPS and three for mills/godowns), Food and Supply Officer: 13 (10 for FPS and three for mills/godowns), Inspector: 12 (10 for FPS and two for mills/godowns).

**Table 3.2: Details of inspections of godowns, mills and FPSs in the test-checked Districts during 2019-22**

Year	Kinnaur			Mandi			Solan		
	Target	Achievement	Excess (+)/ shortfall (-)	Target	Achievement	Excess (+)/ shortfall (-)	Target	Achievement	Excess (+)/ shortfall (-)
<b>Inspections conducted by District Controller</b>									
2019-20	63	16	-47 (75)	120	10	-110 (92)	120	44	-76 (63)
2020-21	108	40	-68 (63)	120	59	-61 (51)	120	47	-73 (61)
2021-22	108	51	-57 (53)	120	36	-84 (70)	120	115	-5 (4)
<b>Inspections conducted by FSO</b>									
2019-20	66	20	-46 (70)	352	244	-108 (31)	144	0	-144 (100)
2020-21	0	0	0	32	0	-32 (100)	144	0	-144 (100)
2021-22	0	0	0	48	26	-22 (46)	144	0	-144 (100)
<b>Inspections conducted by Inspector</b>									
2019-20	264	51	-213 (81)	1764	1455	-309 (18)	720	634	-86 (12)
2020-21	396	104	-292 (74)	1778	1245	-533 (30)	720	545	-175 (24)
2021-22	319	176	-143 (45)	1820	1221	-599 (33)	720	514	-206 (29)

Source: Departmental figures. Figures in parenthesis indicate percentage.

From **Table 3.2**, it is evident that shortfall in conducting inspection of godowns, mills and FPSs was found to be as below:

- Up to 92 *per cent* at the level of District Controller;
- Up to 100 *per cent* at the level of Food and Supply Officer (FSO);
- Up to 81 *per cent* at the level of Inspector.

Further, no targets were fixed for inspections by FSO in District Kinnaur during the period 2020-22 due to the post lying vacant since November 2019. Though the target for inspections by FSO were fixed in District Solan during 2019-22, the same could not be achieved due to the post lying vacant since November 2017.

The District Controllers of the test-checked Districts stated that targets were not achieved due to COVID-19, vacant posts of FSO/ Inspector and work overload.

The Director, while accepting the facts, stated (March 2023) that targets could not be achieved due to vacant posts of field functionaries and spread of COVID-19.

Shortfall in inspection is associated with the risk of supply of food items of substandard quality to the card holders.

During the Exit Conference, the Principal Secretary (FCSCA) while agreeing with the audit findings, directed (July 2023) the Departmental officers to make sure that targets are set and duly adhered to in accordance with the TPDS order. In the test-checked Districts like Kinnaur and Solan, the Department attributed the shortfall to some of the vacant posts.

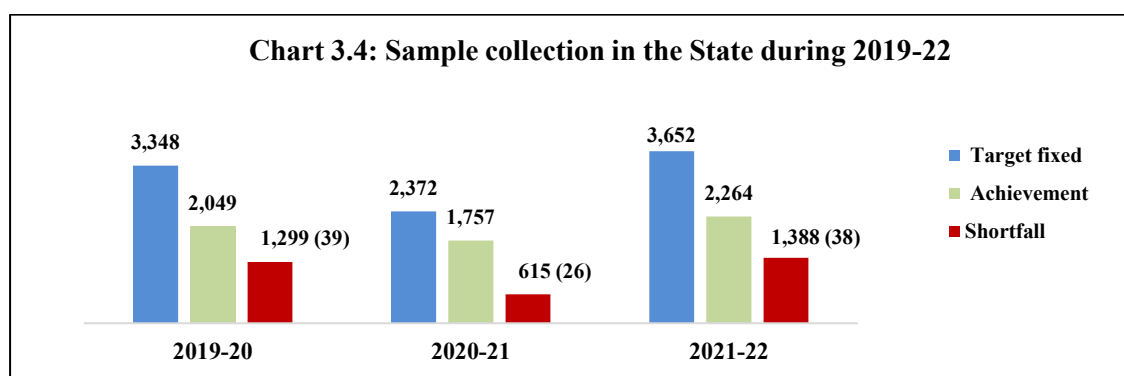
The Department should take up the matter with the State Government for filling up the vacant posts so that regular inspections of godowns, mills and FPSs are conducted and supply of quality food items is ensured.



### 3.8.4 Shortfall in the collection of samples of food items

The Department had fixed (August 2016, February 2020 and February 2021) monthly targets for the Departmental officials<sup>12</sup> for the collection of samples from godowns, mills and FPSs to be sent to the Departmental food testing laboratory for analysis to monitor the quality of food items.

Audit noticed that the total samples collected by the officials concerned viz., DCs, FSOs and Inspectors in the State during 2019-22 were 6,070 against the target of 9,372 which resulted in shortfall of 3,302 (35 per cent) samples during the said period as depicted in **Chart 3.4**.



Source: Departmental figures. Figures in parenthesis indicate percentage.

Further, the above shortfall at the level of various field functionaries in the State for the period 2019-22 is depicted in **Table 3.3**.

**Table 3.3: Details of sample collection by various field functionaries in the State during 2019-22**

Year	DC			FSO			Inspector			Joint Director			Deputy Director		
	T	A	S(-)/E(+)	T	A	S	T	A	S	T	A	S	T	A	S
2019-20	156	167	11	204	130	-74 (36)	2,988	1,752	-1,236 (41)	0	0	0	0	0	0
2020-21	156	191	35	204	124	-80 (39)	1,992	1,442	-550 (28)	8	0	-8 (100)	12	0	-12 (100)
2021-22	520	301	-219 (42)	1,020	177	-843 (83)	1,992	1,766	-226 (11)	48	7	-41 (85)	72	13	-59 (82)

Source: Departmental figures. Figures in parenthesis indicate percentage.

T: Target, A: Achievement, S- Shortfall, E- Excess.

As seen from **Table 3.3**, shortfall in sample collection at various level of functionaries was ranging from zero to 100 per cent.

In the test-checked Districts, collection of samples from godowns, mills and FPSs of food items at the level of various field functionaries is shown in **Table 3.4**.

<sup>12</sup> Monthly target of sample collection for various field functionaries for the period 2019-22: District Controller – one (2019-21), three (2021-22); Food and Supply Officer - one (2019-21), five (2021-22); Inspector – three (2019-20), two (2020-22), Deputy Director – No target (2019-21), three (2021-22), Joint Director – No target (2019-21), two (2021-22).

Table 3.4: Details of samples collection in the test-checked Districts during 2019-22

Year	Kinnaur			Mandi			Solan		
	Target	Achievement	Excess (+) shortfall (-)	Target	Achievement	Excess (+) shortfall (-)	Target	Achievement	Excess (+) shortfall (-)
Collection of samples by District Controller									
2019-20	12	26	14	12	5	-7 (58)	12	17	5
2020-21	12	25	13	12	3	-9 (75)	12	33	21
2021-22	36	29	-7 (19)	36	16	-20 (56)	36	29	-7 (19)
Collection of samples by Food and Supply Officer									
2019-20	12	0	-12 (100)	24	37	13	12	0	-12 (100)
2020-21	12	0	-12 (100)	24	0	-24 (100)	12	0	-12 (100)
2021-22	60	0	-60 (100)	120	0	-120 (100)	60	0	-60 (100)
Collection of samples by Inspector									
2019-20	108	13	-95 (88)	396	264	-132 (33)	180	194	14
2020-21	72	56	-16 (22)	264	190	-74 (28)	120	137	17
2021-22	72	58	-14 (19)	264	218	-46 (17)	120	100	-20 (17)

Source: Departmental figures. Figure in parenthesis indicate percentage.

As seen from **Table 3.4**, there was shortfall ranging between 56 and 75 per cent for sample collection by DC in Mandi District during 2019-20 to 2021-22. At level of FSO, shortfall was 100 per cent in Kinnaur and Solan during 2019-22 and in Mandi District, 100 per cent shortfall was during 2020-22. At level of inspector, there was shortfall ranging between 17 per cent and 88 per cent in the test-checked Districts in 2019-22.

The District Controllers of the test-checked Districts stated that targets were not achieved due to COVID-19, vacant posts of FSO/Inspector and work overload.

The Director stated (August 2022) that targets were not achieved by the officers/officials concerned due to COVID-19 and they were engaged in the Information, Education and Communication (IEC) campaign of Pradhan Mantri Garib Kalyan Anna Yojana, a flagship programme launched by the Government of India.

The reply is not satisfactory as the issue of shortfall in sample collection in the State was also highlighted in the previous Audit Reports of the CAG for the year ended March 2011 (46-78 per cent) and for the year ended March 2018 (16-45 per cent). This indicates that the Department has been neglecting the issue of regular inspection/sample collection for several years, which has also been continuing during the period of the current audit. Thus, the Department failed to improve the situation, and this is associated with risk of supplying substandard food items to the FPS card holders as seen in the succeeding Paragraphs.

During the Exit Conference, the Principal Secretary (FCSCA) while agreeing with the audit findings stated (July 2023) that it will be corrected by taking appropriate measures.

### 3.8.5 Distribution of food items below prescribed quality specifications

The TPDS (Control) Order, 2015 requires that the State Government should ensure that the stocks of food grains intended to be issued to the consumers conforms to the prescribed quality specifications.



To ensure the quality of food items, the samples of various commodities distributed to the beneficiaries under the TPDS and Himachal Pradesh State Specially Subsidised Scheme are drawn by the field staff of the Department regularly on a target basis and sent to the Departmental laboratory for analysis.

Section 46(3) of FSS Act, 2006 stipulates that the Food Analyst shall analyse samples within a period of fourteen days from the date of receipt of sample.

Audit noticed that out of 10,396 samples analysed in the laboratories<sup>13</sup> during 2019-22, 237 samples representing 16,706.69 qtl. of food items<sup>14</sup> and 8,48,186 litres of edible oil were found to be below the prescribed specifications. Out of these sub-standard food items, HPSCSC replaced only 288.84 qtl (1.7 per cent) and 32,405 litres (3.8 per cent) sub-standard food items respectively and the balance quantity of food items were supplied to the beneficiaries without replacement through the PDS network in the State as detailed in Table 3.5.

**Table 3.5: Details of distribution of substandard food items during 2019-22 in the State**

Year	Number of samples analysed		Number of samples found below specification		Quantity of samples found below specification		Quantity replaced by HPSCSC		Quantity of sub-standard food items distributed	
	Dept.	Corp.	Dept.	Corp.	Food items (qtl)	Edible oil (ltr)	Food items (qtl)	Edible oil (ltr)	Food items (qtl)	Edible oil (ltr)
2019-20	2,049	1,413	49	33	6,975.14	1,84,895	Nil	Nil	6,975.14	1,84,895
2020-21	1,757	1,082	33	24	4,392.13	2,52,000	Nil	Nil	4,392.13	2,52,000
2021-22	2,260	1,835	59	39	5,339.42	4,11,291	288.84	32,405	5,050.58	3,78,886
<b>Total</b>	<b>6,066</b>	<b>4,330</b>	<b>141</b>	<b>96</b>	<b>16,706.69</b>	<b>8,48,186.00</b>	<b>288.84</b>	<b>32,405</b>	<b>16,417.85</b>	<b>8,15,781.00</b>

Source: Departmental figures. Note: Dept. = Department, Corp.=Corporation.

Audit further noticed that the analysis report of 80 (out of 141) failed samples was issued by the Department to its field units with delays ranging between one and 39 days (except in three cases). In these three cases, delay reported was 75, 75 and 112 days. In case of the Corporation, time taken in reporting the test results of failed samples to its field units was ranging between 15 and 182 days (except in two cases). In these two cases, delay was 1,077 and 1,250 days. Consequently, substandard food items could not be replaced before their distribution.

Distribution of food items below specification was previously pointed out in the Report of CAG for the year ended 31 March 2011. Public Accounts Committee (PAC) of Himachal Pradesh Legislative Assembly, in its recommendation, had also directed (August 2016) the Department that food grains should be analysed in accredited labs before distribution. Again, on being pointed out during follow-up audit findings for the CAG's Audit Report for the year ended 31 March 2018, the Government had stated

<sup>13</sup> Departmental laboratory as well as empanelled laboratories of HPSCSC Limited. There were 11 private labs empaneled by the HPSCSC in the year 2019-20 till May 2021. During June 2021 to April 2022, there were nine private empaneled labs.

<sup>14</sup> Pulses, rice, salt, sugar, wheat and wheat flour.

(January 2019) that in future, the problem of delay in issue of test/ analysis report would be reduced.

Despite the issue of distribution of substandard food items being highlighted repeatedly, action on the part of the Government remained unsatisfactory. The Department and the Corporation had failed to issue the analysis reports in time and the situation had only worsened. Thus, the quality of food items distributed to the beneficiaries was not ensured.

The Director stated (February 2023) that the samples of different commodities have not been analysed within specific time period due to shortage of staff involved in analysis work.

During the Exit Conference, the Principal Secretary (FCSCA) while agreeing with the audit findings stated (July 2023) that the procedural issues would be rectified. The Managing Director (HPSCSC) also stated that due to limited holding capacity of the godowns, it is not possible to wait for the test results. The Principal Secretary directed the Department to come up with a concrete methodology so that the problem of delays in submission of analysis reports can be resolved and asked them to come up with the Action Taken Report (ATR) in this regard.

### **3.8.6 Shortcomings in the fortification of food items**

To address the large-scale prevalence of malnutrition and deficiency diseases (anaemia, stunting etc.) among different sections of the population (children, pregnant and lactating mothers), the State Government of Himachal Pradesh accorded permission (July 2019 and November 2019) to fortify food items (edible oil, salt, wheat flour and rice<sup>15</sup>) under TPDS and State Specially Subsidised Schemes.

Further, Chief Secretary to the Government of Himachal Pradesh in a review meeting (September 2021) directed a scientific third-party evaluation to check the level of fortification/micronutrients<sup>16</sup> in PDS items.

Accordingly, all the District Controllers, FCSCA were directed (October 2021) to draw one sample of fortified wheat atta, edible oil and double fortified salt from flour mills/wholesale godowns and send the same to the Karnataka Health Promotional Trust (KHPT)<sup>17</sup> Bengaluru for analysis.

Scrutiny revealed that the 10 District Controllers<sup>18</sup> sent 15 samples of fortified wheat flour (November/December 2021) collected from the flour mills to KHPT, Bengaluru for testing the level of micronutrients. The test analysis reports (January 2022) of 13 samples<sup>19</sup> did not conform to the level of micronutrients in fortified wheat flour as

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<sup>15</sup> Government of India gave directions (February 2022) to distribute fortified rice in District Chamba from April 2022 and rest of the Districts in Himachal Pradesh from April 2023.

<sup>16</sup> Folic Acid, Iron, Vitamin B12 in wheat flour, Vitamins (A and D) in edible oils and Iron (Fe) in double fortified salt.

<sup>17</sup> Associated with the Government of Himachal Pradesh as Technical Support Agency for improving the quality of fortified items.

<sup>18</sup> Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Mandi, Shimla, Sirmaur, Solan and Una.

<sup>19</sup> Test report of remaining two samples were awaited (December 2022).

specified in Food Safety and Standards (Fortification of Foods) Regulation, 2018. The Department issued instructions (February 2022) to the millers concerned to follow the FSSAI norms regarding the fortification of wheat flour.

In addition, the Department also decided (February 2022) to lift the samples of fortified flour from these mills again to validate the level of fortificants in the flour. However, no sample of fortified food item was sent for quantitative analysis of micronutrients to KHPT or any other NABL-accredited laboratory (December 2022).

Thus, the Department's monitoring of the effective implementation of the enrichment programme was limited, as there was no follow-up on the results of testing. This reduced the effectiveness of the initiative in achieving its intended purpose of addressing micronutrient deficiency in the State.

### **3.8.7 Non-deposit of penalty in Government account amounting to ₹ 322.71 lakh**

As per Rule 3 (1) of Himachal Pradesh Financial Rules (HPFR) 2009, all monies received by or on behalf of the Government either as dues of the Government or otherwise for deposit, remittance and withdrawal therefrom, shall be brought into Government Account immediately.

Further, as per the provisions of Himachal Pradesh Specified Essential Commodities (Regulation and distribution) Order, 2019 and the terms and conditions mentioned in the MOUs between the Corporation and the suppliers, to maintain the quality of food items, the samples of various commodities distributed to the beneficiaries under the TPDS and Himachal Pradesh State Specially Subsidised Scheme should be tested and in case of failure of samples, a penalty shall be imposed on the defaulters<sup>20</sup>.

Audit noticed that out of 237 failed samples (Department: 141, Corporation: 96) during the period 2019-20 to 2021-22, actions/penalties/explanations were taken/imposed/given in respect of 227 samples (Department: 131<sup>21</sup>, Corporation: 96) and recoveries amounting to ₹ 234.71 lakh (Department: ₹ 8.46 lakh, Corporation: ₹ 226.25 lakh) were made and in case of remaining 10 samples penalty was not imposed by the Department. Scrutiny further revealed that the Corporation, instead of depositing the penalty amount of ₹ 226.25 lakh into Government account, had kept it in its bank account as of April 2023.

A similar issue was previously observed by the Audit with respect to the Department as pointed out in follow-up audit findings in the Audit Report of the CAG for the year ended March 2018. Consequently, the Department had deposited ₹ 203.04 lakh (out of ₹ 299.51 lakh) into Government account in June 2019. However, the balance amount of ₹ 96.46 lakh has not been deposited (February 2023).

<sup>20</sup> Suppliers, Godown Incharge and FPS Incharge.

<sup>21</sup> Penalty imposed: 103, warning issued: four, sample taken from premises of consumer: two, food items damaged due to heavy rain: 10, food items not lifted from godowns: two, penalty not imposed due to delay in analysis: two, penalty not required on black gram: eight.

Thus, an amount of ₹ 322.71 lakh (₹ 226.25 lakh + ₹ 96.46 lakh) has not yet been deposited in the Government account, which was irregular.

During the Exit Conference, the Department stated (July 2023) that most of the cases were under arbitration, hence, penalty amount could not be deposited into Government account. The reply is not acceptable as keeping Government money outside Government account was in violation of the HPFR, as *ibid*.

### **3.8.8 Non-accreditation of Departmental Food Testing Laboratory**

Section 3(p) of Food Safety and Standard (FSS) Act, 2006 envisages that food laboratory means food laboratory or institute established by the Central or a State Government or any other agency and accredited by National Accreditation Board for Testing and Calibration Laboratories (NABL) or an equivalent accreditation agency and recognised by the Food Authority under Section 43.

Audit noticed that the Departmental Food Testing Laboratory (FTL) was set up in 1973 for physical analysis (visual analysis) of food grains (wheat and rice) at the time of procurement from the source. Since 2014, chemical analysis of the samples of food items<sup>22</sup> began in the FTL which was done manually. Manual analysis is time consuming process and involves human intervention. Moreover, the laboratory was neither accredited nor was any application for accreditation made with any Government agency.

To modernise the laboratory, the Director, Food, Civil Supplies and Consumer Affairs, Shimla constituted a Committee (August 2017) comprising the Departmental officers<sup>23</sup> to furnish a report on automation and upgradation of the existing food grain testing laboratory. The Committee *inter alia* recommended (September 2017) modernisation and accreditation of the existing lab.

Scrutiny of records revealed that the Directorate, Shimla submitted a proposal to the Secretary/Addl. Chief Secretary (FCSCA) in July 2020 for upgradation of the existing FTL seeking budget amounting to ₹ 1.50 crore. Accordingly, the Government of Himachal Pradesh allocated (April 2021) funds of ₹ 1.50 crore to the Department.

Government of Himachal Pradesh constituted (January 2022) a State Level Purchase Committee (SLPC) to give its opinion on modernisation of existing Departmental laboratory as well as purchase of sophisticated equipment for the laboratory. The SLPC finalised (February 2022) the list of equipment required for the modernisation of FTL and tender document. The Department published the tender (March 2022) but due to receipt of only one tender, the tender was cancelled and the allocated Budget lapsed at the end of the Financial Year.

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<sup>22</sup> Wheat, Rice, Sugar, Pulses, Edible Oil and Salt.

<sup>23</sup> Joint Director as Chairman, Dy. Director, District Controllers (Una, Solan, Shimla) and Junior Analyst, Shimla as members.

Thus, non-finalisation of the tender document within one year after Budget allotment, resulted in the lapse of Budget of ₹ 1.50 crore at the end of the Financial Year 2021-22, consequently impacting the modernisation of the laboratory.

The Director, FCSCA admitted (June 2022) that the laboratory was neither accredited nor was any application for accreditation made with any Government agency. The Department was in the process of upgrading the laboratory and only after that the matter regarding accreditation will be taken up with the Authorities concerned. He further stated (January 2023) that tender for procurement of sophisticated equipment had been finalised but supply order had not been issued as the Budget was not available and the State Government was requested to allocate Budget of ₹ 3.57 crore for procurement of equipment (May 2023).

The fact therefore remains that in the absence of accreditation of the laboratory, authenticity of test results and scientific checks, as prescribed in the FSSAI Act, applied by the FTL in analysis of quality specification of food items could not be ascertained.

During the Exit Conference, the Principal Secretary (FCSCA) stated (July 2023) that the process of upgradation of the Departmental FTL would be expedited.

### **3.9 Deficiencies in Monitoring and Supervision**

Section 29(1) of the National Food Security Act, 2013 provides that for ensuring transparency and proper functioning of the Targeted Public Distribution System and accountability of the functionaries in such system, every State Government shall set up Vigilance Committees (VCs) at the State, District, Block and FPS levels<sup>24</sup>. Further, the TPDS (Control) Order, 2015 provides clear guidelines to the State Government for establishing VCs at State, District, Block and FPS levels. Functions of VCs at various levels are as under:

- At State level, VC has to supervise the implementation of all schemes under NFSA, 2013 and recommend to the Government of India any improvement for furtherance of the objectives of the Act.
- At District, Block and FPS levels, VCs have to supervise implementation of all schemes under NFSA, 2013 and inform the District Grievance Redressal officer of any malpractice or misappropriation of funds found or of pilferage of subsidised ration which comes to notice.

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<sup>24</sup> The composition of VCs at various levels is as follows: (i) At State level, Minister, FCSCA is the Chairman with eight official members and non-official members (not more than 17) nominated by the State Government. (ii) At District level, Minister nominated by the Chief Minister is the Chairman with 11 official members and three non-official members nominated by the State Government. (iii) At Block level, the Sub Divisional Officer of the Block is the chairman with five official members and not more than five non-official members nominated by the State Government. (iv) At FPS in rural, the Pradhan of Gram Panchayat is the chairman with six official members and three members nominated by Gram Panchayat. (v) At FPS in urban, Mayor/ President of Local Urban Bodies is the chairman with three official members and five members nominated by the State Government.

Audit found several deficiencies in the establishment and functioning of VCs which are discussed in the succeeding Paragraphs.

### 3.9.1 Formation and Functioning of Vigilance Committees

As per clause 11(5) of TPDS (Control) Order, 2015, VCs at all levels were required to hold meetings at least once in every quarter to ensure the effective implementation of TPDS in the State. Audit noticed that the functioning of VCs, wherever formed, was ineffective, as meetings at all levels were not held to the prescribed extent during 2019-22 as depicted in **Table 3.6**.

**Table 3.6: Details of formation and meetings of Vigilance Committees in the State during 2019-22 at District, Block and FPS Levels**

Year	District Level					Block Level					FPS level				
	No. of Districts	VCs formed/ Existing	Meetings required	Meetings held	Short fall	No. of Blocks	VCs formed/ Existing	Meetings required	Meetings held	Short fall	No. of FPS	VCs formed/ Existing	Meetings required	Meetings held	Short fall
2019-20	12	12	48	18	30 (63)	78	67	268	7	261 (97)	4,984	4,596	18,384	3,080	15,304 (83)
2020-21	12	12	48	14	34 (71)	78	70	280	4	276 (99)	5,021	4,659	18,636	1,324	17312 (93)
2021-22	12	12	48	13	35 (73)	78	70	280	9	271 (97)	5,068	4,669	18,676	2,935	15,741 (84)

Source: Departmental figures. Figures in parenthesis indicate percentage.

As evident from **Table 3.6**, VCs at District level were formed in all the 12 Districts of the State. However, in eight out of 78 Blocks and in 399 out of 5,068 FPSs in the State, these committees were not constituted as of March 2022.

Further, shortfall in holding of meetings in the State during 2019-22 ranged between 63 and 73 per cent at District level, between 97 and 99 per cent at Block level and between 83 and 93 per cent at FPS level.

The District Controllers, FCSCA concerned, however, furnished no explanation for non-formation of VCs/ non conducting of meetings.

In the test-checked Districts details of VCs formed at various levels are depicted in **Table 3.7**.

**Table 3.7: Details of meetings of Vigilance Committees during 2019-22 at various levels in the test-checked Districts**

Name of District	Year	District Level					Block Level					FPS level				
		VCs required to be formed	VCs formed	Meetings required	Meetings held	Shortfall	VCs required to be formed	VCs formed	Meetings required	Meetings held	Shortfall	VCs required to be formed	VCs formed	Meetings required	Meetings held	Shortfall
Kinnaur	2019-22	3	3	12	1	11 (92)	9	9	36	0	36(100)	196	188	752	0	752 (100)
Mandi	2019-22	3	3	12	7	5(42)	30	30	120	0	120(100)	2,382	2,340	9,360	272	9,088 (97)
Solan	2019-22	3	3	12	4	8 (67)	15	15	60	5	55 (92)	954	954	3,816	870	2,946 (77)

Source: Departmental figures. Figures in parenthesis indicate percentage.

**Table 3.7** shows that during 2019-22, 50 VCs at FPS level were not constituted in two Districts (Kinnaur and Mandi). Further, shortfall in meetings of VCs ranged between



42 and 92 *per cent* at District level, between 92 and 100 *per cent* at Block level and between 77 to 100 *per cent* at FPS level during 2019-22 in the three Districts.

The District Controller of Mandi attributed the occurrence of COVID-19 to shortfall in meeting of VCs. District Controllers of Kinnaur and Solan did not furnish any reasons in this regard.

It is pertinent to mention here that the issue of non-formation of VCs and its functioning was commented upon in the previous Audit Report of CAG for the year ended March 2011. Public Accounts Committee of the Himachal Pradesh Legislative Assembly had also recommended (August 2016) to constitute the Block level and FPS level VCs to check the supply of substandard food items. The issue was again highlighted in the follow-up audit findings in the Audit Report for the year ended March 2018. Yet committees in eight out of 78 Blocks and in 399 out of 5,068 FPSs in the State were not constituted as of March 2022. There was also consistent shortfall in the frequency of VC meetings held in the State.

During the Exit Conference (July 2023), the Principal Secretary (FCSCA) while accepting the audit findings, directed the Department to make sure that the committees are constituted in the remaining Blocks/godowns/FPSs and regular meetings are conducted at all levels.

### **3.9.2 Non-conducting of Social Audit in the State**

As per Clause 12(2) and 12(3) of the Targeted Public Distribution System (Control) Order, 2015, every local authority, or any other authority or body, as may be authorised by the State Government, shall conduct or cause to be conducted, periodic social audits on the functioning of Targeted Public Distribution System, and cause to publicise its findings and take necessary action, in such manner as may be prescribed by the State Government. The Central Government may, if it considers necessary, conduct or cause to be conducted social audit through independent agencies having experience in conduct of such audits.

Audit noticed that the State Government had notified (November 2021) and authorised all the Sub Divisional Magistrates in the State to engage all field functionaries under his disposal or any independent body to perform the work of facilitation in the conduct of periodical social audits as prescribed in the functioning of FPS. The Director, FCSCA requested all the Deputy Commissioners in the State (June 2022) to direct all the Sub Divisional Magistrates under their jurisdiction to get the social audit done and also directed the District Controllers to coordinate with the SDM concerned and submit the report to the Directorate within twenty days.

As is evident from the above, the State Government took six years from the date of issue of TPDS Order, 2015 to notify (November 2021) the order for conducting social audit and the Department further took seven months to notify the same for conducting periodical social audits of FPSs. Consequently, social audit could not be conducted in the State during the period 2019-22.



The Department accepted (January 2023) that no social audit had been conducted till March 2022. However, it was informed that all the Districts had been directed (June 2022) to get the social audit done.

Thus, due to non-conducting of social audit, the common people were deprived of collective monitoring and evaluation of the planning and implementation of TPDS (Control) Order 2015, thereby, compromising the transparency and accountability measures in TPDS.

### 3.9.3 Vacancies in the posts of key functionaries

As against 389 sanctioned posts of 30 different categories of staff as of March 2022, the Department had 277 (71 *per cent*) persons-in-position. Sanctioned strength and vacancies in the post of several functionaries who are directly involved in quality management are depicted in **Table 3.8**.

**Table 3.8: Sanctioned strength and vacancies of various posts**

Sr. No.	Designation	Sanctioned strength	Vacancy ( <i>per cent</i> )		
			2019-20	2020-21	2021-22
1	Joint Director	2	1 (50)	1 (50)	1 (50)
2	Deputy Director	2	2 (100)	1 (50)	1 (50)
3	District Controller (DC)	13	2 (15)	1 (8)	2 (15)
4	Food and Supply Officer (FSO)	17	10 (59)	13 (76)	13 (76)
5	Inspector	83	7 (8)	7 (8)	9 (11)
6	Technical Assistant/Head Analyst/Junior Analyst	5	2 (40)	2 (40)	2 (40)

Source: Departmental figures, figures in bracket shows *per cent*.

As evident from **Table 3.8**, vacancy position of the functionaries mentioned was ranging between eight and 100 *per cent*. Further, the vacancy in the cadre of FSO, who are responsible for ensuring the overall quality of foodgrains along with conducting inspections of godowns/mills/FPSs were on the higher side, ranging between 59 and 76 *per cent* during the period 2019-2022. The vacancies of the abovementioned categories resulted in non-achievement in targets for conducting inspections of FPSs, godowns and mills, shortfall in collection of samples of various food items and delay in analysing samples of food items, as already pointed out in **Paragraphs 3.8.3, 3.8.4 and 3.8.5**.

### 3.10 Deficiencies in consumer awareness activities

Ministry of Consumer Affairs, Food and Public Distribution, Government of India provides grants-in-aid to the States for undertaking nine consumer awareness activities<sup>25</sup>.

<sup>25</sup> (i) Observation of world consumer day; (ii) promotion of less use of single use plastic; (iii) display and dissemination of relevant publicity material during local festival; (iv) identification of village signboards, wall paintings, hoardings etc. in local language; (v) organising *nukkad natak*, street shows, puppetry shows etc.; (vi) development of folk song audio cassettes; (vii) organising exhibitions/camps in schools on specific issues; (viii) publishing and distribution of hand bills/pamphlets in local language; (ix) insertion of ads/ spots.

Audit noticed that the Government of India sanctioned and released ₹ 20.00 lakh (February 2020) to the State Government for undertaking consumer awareness activities in the State. Out of the total available funds of ₹ 20.00 lakh, ₹ 19.63 lakh was utilised during 2019-22. The final Utilisation Certificate was yet to be submitted to the Government of India as the Department was still not able to utilise ₹ 0.37 lakh as of March 2022. In addition, the Department had no information on detailed activities undertaken by the field units.

In the test-checked Districts during 2019-22, the number of consumer awareness programmes undertaken were as follows:

- Solan: only six<sup>26</sup> out of nine activities were undertaken;
- Kinnaur: only one<sup>27</sup> out of nine activities were undertaken;
- Mandi: only three<sup>28</sup> out of nine activities were undertaken.

As stated subsequently in **Paragraph 3.12**, the Beneficiary Survey conducted by Audit revealed that 61 *per cent* of the beneficiaries were not aware of the complaint mechanism against sub-standard food items. Further, 92 *per cent* of the people surveyed denied any participation in consumer awareness camps organised by the Department. Had the Department given due importance to consumer awareness activities, the beneficiary feedback would have acted as an additional layer of check on the quality of food grains distributed through TPDS. In addition, inability of the Department to utilise the funds hampered the prospect of getting additional grants-in-aid from Government of India for undertaking consumer awareness activities.

The District Controllers of the test-checked Districts stated (October-November 2022) that the allotted funds had been utilised for creating consumer awareness activities, but no feedback has been obtained from the consumers.

The Director stated (June 2022) that balance funds could not be utilised due to COVID-19.

The reply was not satisfactory in view of the fact that the COVID-19 pandemic spread in 2020-21 and thereafter the Department could have undertaken all the assigned activities during 2021-22 when the impact of COVID-19 had subsided.

During the Exit Conference (July 2023), the Principal Secretary (FCSCA) stated that the total number of (pending) grievances under NFSA in the State is zero. The Joint Director also stated that awareness programme was firmed up in the State which resulted into doubling the consumption of fortified salt, as consumers were earlier sceptical of using this product because of its appearance. A similar measure was also

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<sup>26</sup> Observation of world consumer right day; promotion of less use of single use plastic, identification of village signboards, wall paintings, hoardings etc.; publishing and distribution of pamphlets in local languages; insertion of ads/ spots; organising *nukkad natak*, street shows, puppetry shows etc.

<sup>27</sup> World consumer day/ National consumer day.

<sup>28</sup> Consumer awareness seminar; display and dissemination of relevant publicity material during local festival; organising *nukkad natak*, street shows, puppetry shows etc.

taken to instil faith in the minds of consumers about the quality of fortified rice supplied in the State.

### 3.11 Findings from the Joint Physical Inspection of godowns and Fair Price Shops

Section 31(1) of the Food Safety and Standards Act, 2006, stipulates that no person shall commence or carry on any food business except under a license and shall make an application for grant of license. Further, as per the guidance documents/notes issued by the Food Safety and Standards Authority of India based on Part-II Schedule 4 of Food Safety and Standards (Licensing and Registration of Food Businesses) Regulation 2011, basic equipment/facilities like firefighting equipment, proper cleanliness, proper ventilation, rodent capturing mechanism etc, should be available at each godown for proper storage management. Further, stack numbering scheme (layout) should be displayed in each warehouse/godown clearly labelling the location and number of each stack. Unloading of grain should be done in individual stacks, with at least one meter gap with the next immediate stack or the wall to facilitate people's movement, cleaning/housekeeping as well as for proper sealing of the stack for any future fumigation. In addition, stack card for each stack should be displayed prominently, always accessible and data should be updated immediately after completion of stacking or issuance or any treatment/disinfestations.

In addition, TPDS (Control) Order, 2015 lays down the duties and responsibilities of FPS owners which, *inter alia*, include display of sample of food grains supplied, display of toll-free help line number, mechanism for redressal of grievances with respect to the quantity and quality of foodgrains, etc.

#### 3.11.1 Deficiencies in the inspected godowns

During Joint Physical Inspection of 15 godowns (out of 120) conducted with the representatives of the Department and the Corporation of the sampled Blocks of three test-checked Districts, several shortcomings were noticed as indicated in **Table 3.9**.

**Table 3.9: Details of facilities in the godowns**

Name of District	Total Number of godowns	Number of godowns lacking in the facilities								
		Firefighting equipment	Proper Cleanliness	Fumigation	Measures adopted to prevent floor moisture	Surrounding area free from debris and pollution	Proper ventilation	Base racks for storage of food items	Stack off the wall	Rodent capturing mechanism
Kinnaur	3	3	1	3	2	1	2	2	2	3
Mandi	9	6	5	7	6	6	5	9	8	7
Solan	3	3	3	3	3	3	2	3	3	3
Total	15	12	9	13	11	10	9	14	13	13

In addition, following shortcomings were also noticed:

- No godown with stack plan and stack cards with entries, was found.
- In godowns at Arki and Dharampur, it was observed that food grains were stored in a very unsystematic and unhygienic condition. Due to seepage in the wall, the

water had got accumulated and had created large amount of moss and moisture on the floor everywhere as can be seen in the following photographs.



Picture 3.1: Water accumulating on the floor (Dharampur) because of seepage in the wall

Picture 3.2: Large amount of moss on the sides of the floor (Arki)

Further, Audit observed that during the period 2019-20 to 2021-22, the inspections of godowns at Dharampur (June 2020) and Arki (October 2020 and March 2022) were also conducted by the Department. Shortcomings<sup>29</sup> noticed during the inspection of godown at Dharampur were issued by the Department to the concerned Area Manager with the direction to rectify the same. In the case of godown Arki, shortcomings<sup>30</sup> were noticed, however no direction to rectify the same was issued to the concerned Area Manager. The persistent irregularities show the lackadaisical approach of the Department towards managing proper storage of food items.

### 3.11.2 Deficiencies in the inspected Fair Price Shops

In the sampled Districts, 60 FPSs connected with the sampled godowns were physically verified and surveyed by the Audit. The results of physical verification are indicated in Table 3.10.

Table 3.10: Details of facilities in FPSs

Name of District	Total Number of FPSs	Number of FPSs lacking in the facilities						
		Display of sample of food items	Proper ventilation	Proper cleanliness	Rodent capturing mechanism	Base racks for storage of food items	Stack off the wall	FSSAI license
Kinnaur	4	4	2	0	4	2	3	1
Mandi	40	40	19	13	33	38	36	27
Solan	16	16	2	8	12	14	15	12
Total	60	60	23	21	49	54	54	40

<sup>29</sup> No space around the stacks, godown was not found safe from rodents and preservative was not made available etc.

<sup>30</sup> Shortcomings noticed were improper cleanliness, godown was not found safe from rodents and preservative was not made available etc.

In addition, following shortcomings were also noticed:

- In 41 out of 60 FPSs, required periodical inspections were not conducted. Further, not even a single inspection was conducted in 10 FPS (out of 41 FPSs) during 2019-22.
- In 25 out of 60 FPSs, toll-free help line number was not displayed.
- In FPS Piplughat and Dumehar, foodgrains were stored in very unhygienic conditions due to seepage in the wall. Large amount of moisture on the floor and wall were observed as shown in the following photographs.



**Picture 3.3: Dampness and moisture on the walls and floor (Piplughat)**



**Picture 3.4: Dampness and moisture on the walls and floor (Dumehar)**



**Picture 3.5: Dampness and moisture on the walls and floor (Dumehar)**

Further, Audit observed that during the period 2019-20 to 2021-22 the inspections of FPSs at Piplughat (six times) and Dumehar (four times) were also conducted by the Department. The Department, however, did not notice any irregularity *vis-a-vis* storage of food items. Whereas the above photographs show that the Departmental officials were not conducting the inspection in a proper manner.

During the Exit Conference, the Principal Secretary (FCSCA) directed (July 2023) the Departmental officials to initiate corrective measures, especially on the issue of cleanliness of godowns/FPSs.



### 3.12 Findings from the Beneficiary Survey

In the test-checked Districts, 307 beneficiaries, selected randomly, connected with the test-checked FPSs were surveyed in the presence of the Departmental officers by the Audit. As per their responses the satisfaction level of certain parameters was low as depicted in **Table 3.11**.

**Table 3.11: Details of responses of Beneficiary Survey**

Sr. No.	Parameters	Response				
		Yes ( <i>per cent</i> )		No ( <i>per cent</i> )		
1.	Food items received in time	288 (93)		19 (7)		
2.	Ever participated in the consumer awareness camp organised by the Department	25 (8)		282 (92)		
3.	Knowledge of Toll-Free No. of the Department to complain regarding issue of sub-standard food items	87 (28)		220 (72)		
4.	Awareness about complaint mechanism against supply of sub-standard food item	119 (39)		188 (61)		
	<b>Quality of food items</b>	<b>Very Good</b>	<b>Good</b>	<b>Average</b>	<b>Poor</b>	<b>Very Poor</b>
5.	Quality of wheat (BPL, AAY, PHH)	3	89	35	45	15
6.	Quality of rice	2	163	88	47	7
7.	Quality of flour	2	125	86	71	23
8.	Quality of pulses	0	121	55	113	18
9.	Quality of sugar	1	185	90	29	2
10.	Quality of edible oil	0	172	60	58	17
11.	Quality of salt	0	111	21	101	74
12.	Quality of Black Grams (BPL)	0	116	8	30	60

Figures in parenthesis indicate percentage.

**Table 3.11** revealed the following:

- 92 *per cent* beneficiaries did not participate in any consumer awareness camps.
- 72 *per cent* beneficiaries did not have knowledge of the Department's toll-free number.
- 61 *per cent* beneficiaries were not aware of the complaint mechanism.
- 10 to 57 *per cent* beneficiaries reported that the quality of food items<sup>31</sup> was below average<sup>32</sup>.

The results of the survey, thus, confirm the fact that the quality of food items distributed to the beneficiaries was not ensured (**Paragraph 3.8.5**) and awareness of consumer activities was not properly disseminated (**Paragraph 3.10**).

### 3.13 Findings from the independent qualitative analysis of the food items

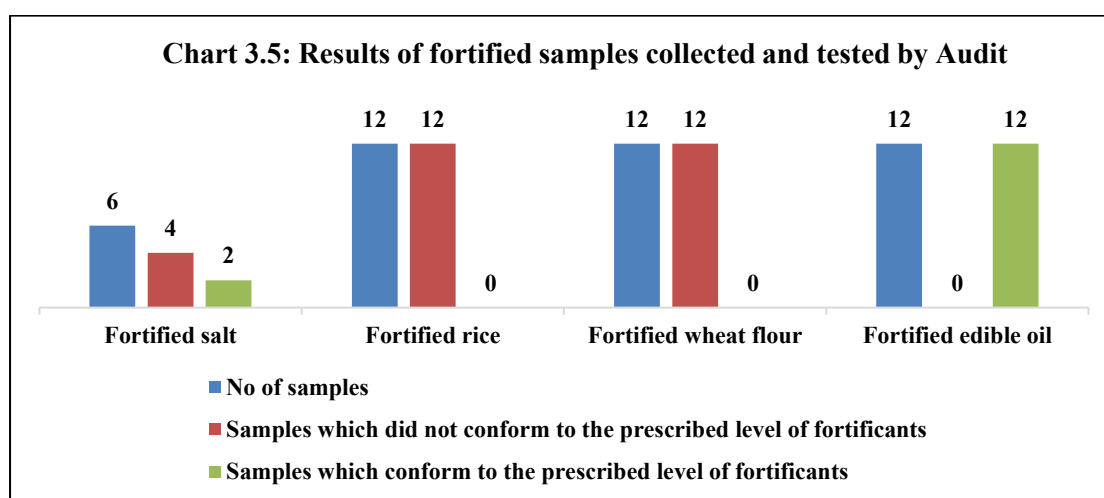
Food Safety and Standards (Fortification of Foods) Regulation, 2018 states that any manufacturer who fortifies any food shall ensure that the level of added micronutrients on the label of such fortified food shall fall within the prescribed range. The Department conducts the testing of food items at its own Food Testing Laboratory (FTL). The lab, however, is neither accredited through any authorised agency nor does it conduct the

<sup>31</sup> Black gram, edible oil, pulses, rice, salt, sugar, wheat and wheat flour.

<sup>32</sup> Below average includes poor and very poor.

testing of fortified food items. This is primarily because necessary equipment to accurately assess the levels of micronutrients present in various food items distributed within the State through the Public Distribution System (PDS) was not available. With a view to validate the effectiveness of the fortification program in the State, an independent qualitative analysis of the food items was done by Audit through an NABL-accredited and FSSAI empanelled food testing laboratory viz., Punjab Biotechnology Incubator, Mohali, Government of Punjab.

Audit collected 66 samples<sup>33</sup> of various food items<sup>34</sup> from godowns and their attached FPSs with the assistance of the Departmental officials in two batches<sup>35</sup> from the three test-checked Districts, on the basis of inputs gathered during the survey of FPSs and godowns. These samples were then sent to the food testing laboratory for analysis. Results of qualitative analysis of the fortified samples are depicted in **Chart 3.5**.



From **Chart 3.5**, it is evident that 100 *per cent* samples of fortified wheat flour and fortified rice and 67 *per cent* samples of double fortified salt did not conform to the prescribed levels of micronutrients as per the Food Safety and Standards (Fortification of Foods) Regulations, 2018. Only in one fortified food item namely, fortified edible oil, the level of micronutrients (both vitamin A and D) was found within the prescribed range in all the samples.

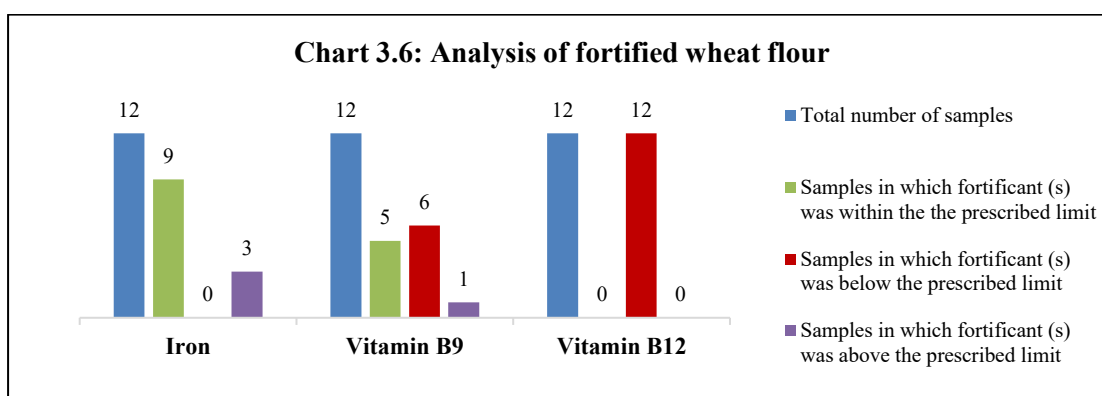
Detailed scrutiny of the reports pertaining to fortified wheat flour is indicated in the **Chart 3.6**.

<sup>33</sup> Kinnaur (12), Mandi (32) and Solan (22).

<sup>34</sup> Fortified rice (12), fortified wheat flour (12), fortified edible oil (12), fortified salt (six), sugar (12) and dal (12).

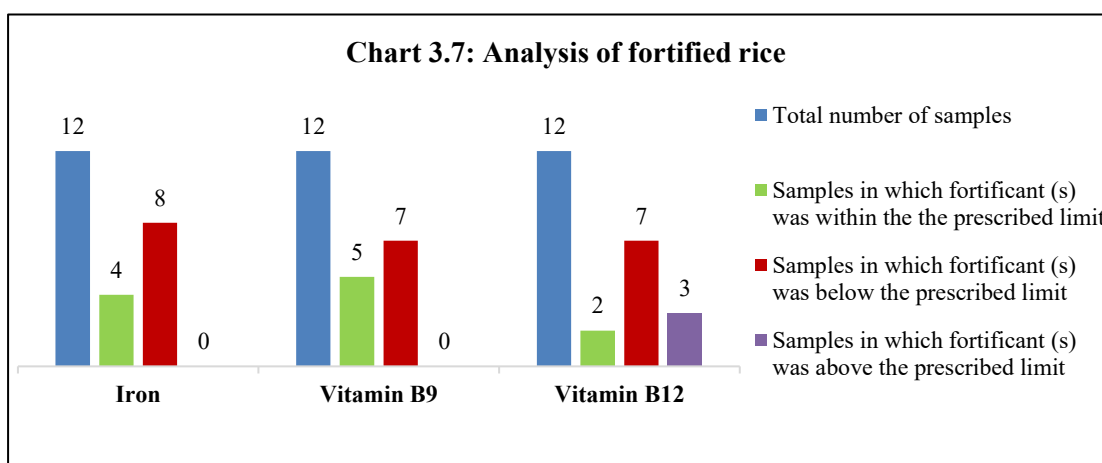
<sup>35</sup> Samples from Mandi and Solan Districts were collected (April 2023) and sent to the lab in the first batch (April 2023) and the samples from Kinnaur District were collected (May 2023) and sent to the lab in second batch (May 2023).





From **Chart 3.6**, it is evident that Iron<sup>36</sup> in three samples was above the prescribed limit. Vitamin B9<sup>37</sup> in seven samples was not within the range of the prescribed limit and Vitamin B12<sup>38</sup> in all the 12 samples was below the prescribed limit.

Similarly, detailed analysis of the fortified rice is indicated in **Chart 3.7**.



From **Chart 3.7**, it is evident that Iron in eight samples was below the prescribed limit, Vitamin B9 in seven samples was below the prescribed limit and Vitamin B12 in ten samples was not within the range of the prescribed limit. It was also noticed that in three samples of fortified rice, fortificants<sup>39</sup> were found below the quantification limit<sup>40</sup> of the laboratory.

<sup>36</sup> Iron promotes increased energy and healthy pregnancy in women.

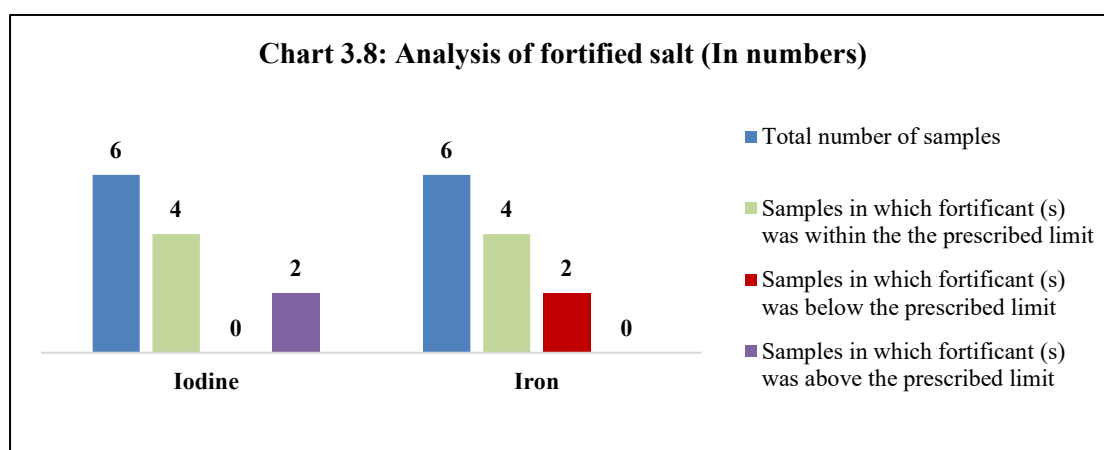
<sup>37</sup> Vitamin B9 or Folic acid also works closely with vitamin B12 to help make red blood cells and help iron work properly in the body.

<sup>38</sup> Vitamin B12 keeps blood and nerve cells healthy, helps in DNA formation and prevents megaloblastic anaemia.

<sup>39</sup> In one sample, all three fortificants (Vitamin B9, B12 and Iron) and in two samples, two fortificants (Vitamin B9 and B12).

<sup>40</sup> This indicates that the level of the fortificants in the sample was even below the detection limit of the laboratory.

Analysis of fortified salt samples are depicted below in **Chart 3.8**.



**Chart 3.8** indicates that in two samples (out of six) of fortified salt, Iodine<sup>41</sup> was found to be above the prescribed limit and in two samples Iron was found below the prescribed limit.

However, it was observed that parameters<sup>42</sup> other than fortificants in the samples of pulses (urad dal, chana dal, dal malka), sugar and rice were found to be within the prescribed limits of the Food Safety and Standards Regulations, 2018.

These findings highlight the inability of the Department to effectively implement the fortification programme in the State, as a result of which the beneficiaries may be deprived of the intended benefits of fortification of food items. Remedial measures are necessary to rectify these shortcomings so that the food items being supplied are fortified as per the stipulated parameters.

During the Exit Conference (July 2023), the Principal Secretary (FCSCA) stated that the Department presently did not have any mechanism to test the fortified food items and assured that it would send samples to an FSSAI approved laboratory for testing before distribution.

### 3.14 Conclusion

The State Government has entrusted the Department and the Corporation with the responsibility of procuring and distributing various food items under TPDS, its monitoring and quality control at various levels with the help of field functionaries.

Audit observed that the Department did not revise the inspection targets in line with TPDS (Control) Order, 2015 and hence fell short in fixing the same. Further, even the targets fixed for inspections by the Department were not met. Shortfall in sample collection for testing the quality of food items was observed. Due to delays in disseminating the test reports to the field units, substandard food items were distributed

<sup>41</sup> Iodine ensures central nervous system development and proper cognitive functions in children, as well as prevent goitre and hypothyroidism in people of all ages.

<sup>42</sup> Moisture, extraneous matter, other edible grains, damaged grains, weevilled grains, Uric acid and Aflatoxin

in the State. Lackadaisical approach in upgradation and modernisation of the Departmental FTL resulted in lapse of allocated Budget, non-accreditation and non-upgradation of the laboratory. Thus, the Departmental action for ensuring the quality of food items through Joint Physical Inspection and lab testing as required under the applicable Act/order was found insufficient.

The Department was found lacking in ensuring proper monitoring and supervision at all levels. Vigilance Committees required to be formed at every Block and FPS level had not been constituted in many of the Blocks and FPSs. Further, non-holding of periodical meetings of the Vigilance Committees up to the prescribed extent undermined the transparency and accountability of TPDS system in the State. The Department was lagging behind in utilising the allotted Budget for consumer sensitisation activities, which limited the beneficiary's capacity to be a participant in the quality control process.

During physical verification of the wholesale godowns, various quality related shortcomings were noticed. Beneficiaries have also reported below average quality of food items during Beneficiary Survey. Further, most of the beneficiaries did not have the knowledge of the Department's toll-free number and were not aware of the complaint mechanism. Thus, monitoring systems and consumer awareness measures undertaken by the Department were inadequate and leaves scope for improvement.

Independent qualitative analysis of food items conducted by Audit revealed that none of the samples of fortified rice and fortified wheat flour conformed to the prescribed level of micronutrients. In addition, some fortified salt samples also did not conform to the prescribed level of micronutrients.

### **3.15 Recommendations**

The Government may consider the following:

- *Fixing the inspection targets of various field functionaries in line with the TPDS (Control) Order, 2015 and ensure that the targets are duly achieved.*
- *Take measures to ensure that there is no shortfall in collection of samples of various food items by the field functionaries from the FPSs, mills and godowns.*
- *Expedite the process of upgradation and modernisation of its FTL and ensure its accreditation with the standardised agency.*
- *Ensure that no food item is distributed before its testing and the results should be conveyed to the field units expeditiously.*
- *Ensure formation of Vigilance Committees at all levels and their regular meetings.*
- *Emphasise upon community participation as a key component of improving accountability and transparency in the State.*
- *Proactive monitoring of the fortification programme in the State.*



**Chapter-IV**  
**Role of Himachal Pradesh Kaushal**  
**Vikas Nigam (HPKVN) in Skill**  
**Development**



## Chapter IV: Role of Himachal Pradesh Kaushal Vikas Nigam (HPKVN) in Skill Development

### Technical Education, Vocational and Industrial Training Department

#### 4.1 Introduction

Skills and knowledge are the driving forces of economic growth and social development for any country. Himachal Pradesh Kaushal Vikas Nigam (HPKVN) was incorporated in September 2015 under the Companies Act, 2013 by Himachal Pradesh Government as a specialised skill development company under the Department of Planning. The objective of formation of HPKVN *inter alia* is to consolidate the fragmented Technical, Vocational and Educational Training (TVET) programmes of Himachal Pradesh, align all TVET programmes with India's National Skills Qualification Framework (NSQF), facilitate Private Sector participation in design and delivery of TVET and development of skill infrastructure in the State. In May 2018, the State Government notified that the Administrative Department of HPKVN will be Technical Education Department instead of Planning Department.

##### 4.1.1 Key objectives of HPKVN

Key objectives of HPKVN are as follows:

- i. To improve employability of the youth of the State through quality skill training
- ii. To consolidate Technical, Vocational and Educational Trainings (TVET) framework in the State
- iii. To develop quality skill infrastructure in the State
- iv. To impart demand driven skill training for youth of Himachal Pradesh
- v. To facilitate private sector participation in design, delivery and upgradation of equipment in technical training institutes to National Council of Vocational Training (NCVT) level
- vi. To pay special focus on skilling needs of Persons with Disabilities (PwDs) and Women
- vii. To provide a platform for placement of trained candidates.

##### 4.1.2 Skill Training programmes implemented by HPKVN

The HPKVN is implementing following programmes/ projects:

- **Himachal Pradesh Skill Development Project (HPSDP)**- It is an Asian Development Bank (ADB) sponsored project with project cost of \$100 million. It aims to strengthen skill activities and skill infrastructure in the State. Project period was from May 2018 to June 2023. The project consists of four major



components viz (i) civil works (ii) consultancy services and capacity building (iii) trainings<sup>1</sup> and (iv) procurement of equipment and furniture.

Funding under the scheme is in the ratio of 80:20 between ADB and the State.

- **Pradhan Mantri Kaushal Vikas Yojna<sup>2</sup> (PMKVY)**- PMKVY-I was launched in 2015 with 100 *per cent* Government of India funding to encourage and promote skill development in the country by providing free short duration skill training through Training Service Providers (TSPs) and incentivising youth by providing monetary rewards for skill certification. However, State was covered under PMKVY-II with project period 2016-20 and approved cost of project was ₹ 63.51 crore. PMKVY-II was rolled over to PMKVY-III in the year 2020-21.
- **SANKALP<sup>3</sup>**- Launched in January 2018 with a focus on District-level skilling ecosystem through convergence and coordination among various stakeholders<sup>4</sup>. Approved cost of the project for the State was ₹ 2.11 crore and period of implementation was 2018-23. Funding under the scheme was in the ratio 90:10 between Centre and State.

The sub-components of the programmes implemented by HPKVN are shown in **Chart 4.1**.

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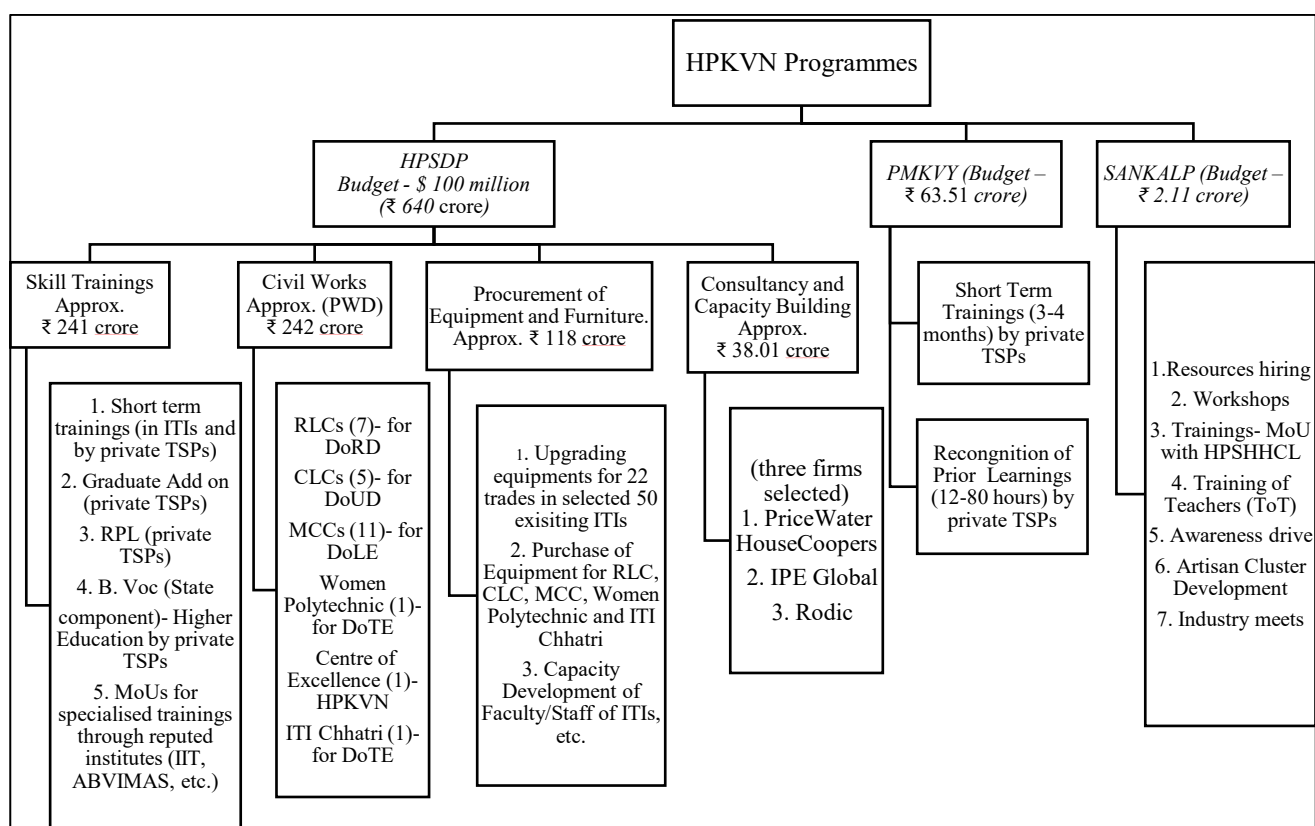
<sup>1</sup> Includes: (i) Short-Term Training (STT) program (ii) Bachelor of Vocation (B.Voc) Program (iii) Graduate Job Training Program (iv) Recognition of Prior Learning (RPL) programme (v) Specialised training through MoU in Government institutes (IIT, NIFT, ABVIMAS etc.)

<sup>2</sup> Includes components of Short-Term Training, Recognition of Prior Learning and special projects (PMKVY-III).

<sup>3</sup> Skills Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP).

<sup>4</sup> Himachal Pradesh Kaushal Vikas Nigam and Himachal Pradesh State Handicrafts and Handlooms Corporation Limited.

Chart 4.1: Sub-components of the programmes implemented by HPKVN



Full form of abbreviations: See footnote<sup>5</sup>.

Trainings under above schemes are provided under public private partnerships by TSPs and public private partnerships by ITIs, Indian Institute of Technology (IIT) Mandi, National Institute of Food Technology Entrepreneurship and Management (NIFTEM), Sonipat (Haryana), etc. Bachelor of Vocational Education (B.Voc.) programme, a three-year course, is implemented by the Higher Education Department in Government colleges through TSPs under HPSDP. The HPKVN has identified 33 sectors (**Appendix 4.1**), out of which training is imparted to candidates in 30 sectors under the above three programmes as of October 2022.

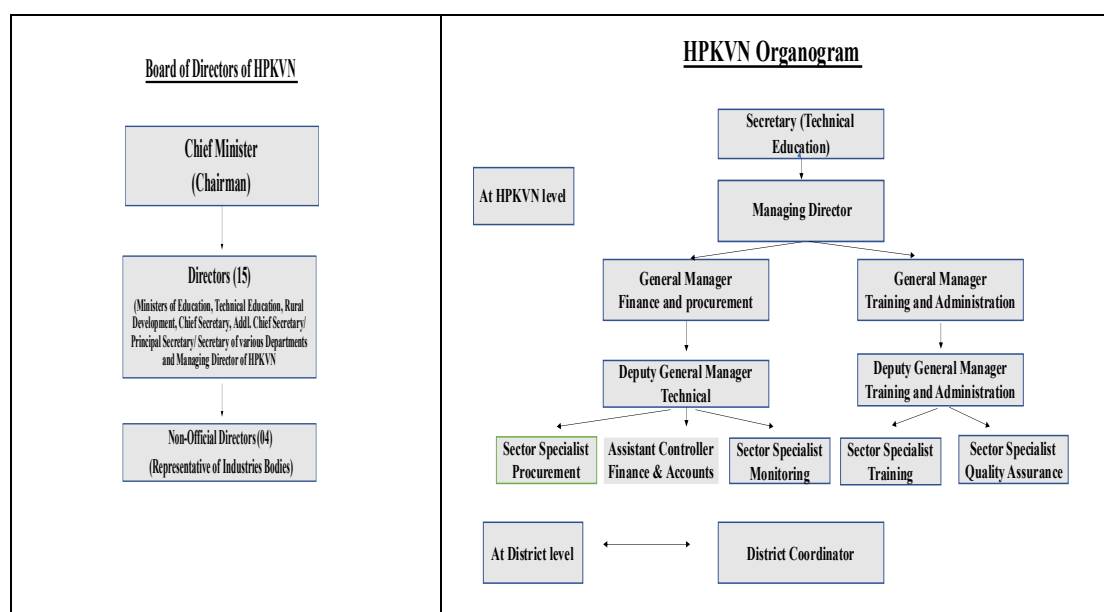
Project Administration Manual (PAM) was framed by the Planning Department describing the essential administrative and management requirements to implement HPSDP in accordance with the policies and procedures of the State Government and Asian Development Bank (ADB). The PAM includes references to all available templates and instructions either through linkages to relevant Uniform Resource Locators (URLs) or incorporated in the PAM.

<sup>5</sup> RLC: Rural Livelihood Centre; CLC: City Livelihood Centre; MCC: Model Career Centre; ITI: Industrial Training Institute; COE: Centre of Excellence; B.Voc: Bachelor of Vocational Education; MoU: Memorandum of Understanding; DoRD-Director of Rural Department; DoUD-Director of Urban Department; DoLE- Director of Labour and Employment; DoTE- Department of Technical Education; HPSHHCL: Himachal Pradesh State Handicrafts and Handloom Corporation Limited; ABVIMAS: Atal Bihari Vajpayee Institute of Mountaineering and Allied Sports.

### 4.1.3 Organogram of HPKVN

Organogram for HPKVN is depicted in **Chart 4.2**.

**Chart 4.2: Organogram of HPKVN**



*Note- District Coordinator works as field functionary for monitoring and reporting of schemes of HPKVN.*

### 4.1.4 Audit Objectives

The audit of HPKVN was conducted to ascertain whether:

- Policies and plans required for skill development have been formulated and are adhered to for implementation of various programmes.
- Availability of funds and their utilisation were as per norms.
- Necessary physical infrastructure and human resources is available and utilised to fulfil the objectives of enhancing skills and employment opportunities.
- Implementation of training programmes of skill development were as per targets fixed.
- Internal controls and monitoring systems were in place as per the norms.

### 4.1.5 Audit Criteria

Audit findings were benchmarked against the criteria sourced from the following:

- Himachal Pradesh Skill Development Policy (Him Kaushal), 2016
- Project Administration Manual (PAM) - Himachal Pradesh Skills Development Project
- Guidelines of Skill Development Programmes including Pradhan Mantri Kaushal Vikas Yojana (PMKVY), and Skill Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP).

- Himachal Pradesh Financial Rules, 2009
- University Grants Commission Guidelines for implementation of B.Voc programme
- Other rules and guidelines/regulation/instructions issued by the Asian Development Bank (ADB), Central and the State Governments.

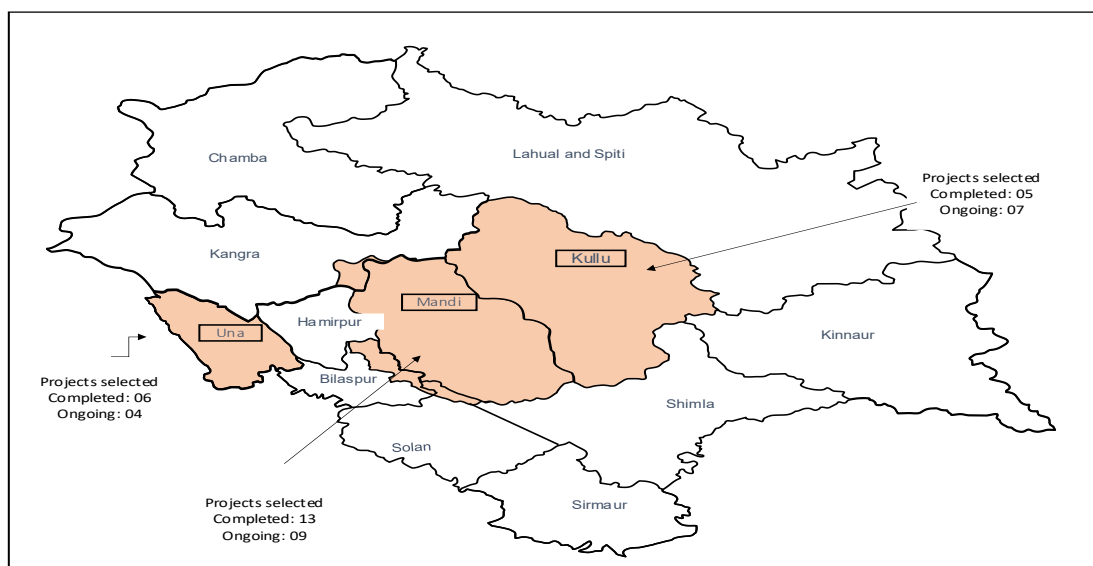
#### 4.1.6 Scope and Methodology of Audit

The Audit covered the period since inception of HPKVN *i.e.*, from 2015-16 to 2021-22 with the objective to cover the skill development related activities of HPKVN (which commenced from 2016 onwards) and conducted test-check of the records of (i) HPKVN (ii) Directorate of Higher Education, Shimla and (iii) Directorate of Technical Education, Vocational and Industrial Training, Sundernagar. Three Districts (Kullu, Mandi and Una) out of 12 in the State and 44 projects<sup>6</sup> (**Appendix 4.2**) out of 83 projects allotted to 51 TSPs were selected for detailed record scrutiny using IDEA<sup>7</sup> software and Stratified Random Sampling Without Replacement (SRSWOR).

Audit findings and recommendations included in the report were discussed with the Managing Director, HPKVN on 10 August 2023. Replies of the management of HPKVN have been suitably incorporated in the Report.

The details of selected Districts (Kullu, Mandi and Una) and records of TSPs test-checked are as depicted in **Map 4.1**.

**Map 4.1: Completed and ongoing selected projects in three test-checked Districts**



Audit methodology included scrutiny of records, issue of questionnaire/audit memoranda, analysis of data/information of the selected units/TSPs, examination of the responses of various functionaries and surveys of candidates and TSPs. Joint Physical

<sup>6</sup> Completed projects: 24 (implemented by 16 TSPs) out of 50 and ongoing: 20 (implemented by 17 TSPs) out of 33 projects in three test-checked Districts.

<sup>7</sup> Interactive Data Extraction and Analysis.

Inspection of selected infrastructure facilities created under HPSPDP and analysis of Management Information System (MIS) data relating to trainings conducted by HPKVN.

## **Audit Findings**

### **4.2 Planning and Implementation**

#### **4.2.1 Non-implementation of Policy Framework**

Himachal Pradesh Skill Development Policy (Him-Kaushal Policy-2016) was framed detailing institutional arrangements and operational strategies for creating employment opportunities (self-employment and employment in private sector) and address issues relating to problem of unemployment. The Him-Kaushal Policy 2016 stipulates HPKVN to deliver the mandate of the Himachal Pradesh Skill Development Mission by bringing convergence across the TVET programmes being run by different Departments, and aligning all trainings with the competency levels specified in India's National Skill Qualification Framework (NSQF) and other national quality assurance and certification norms.

In the policy, the State Government projected requirement of skilled manpower of 5.76 lakh during XII Plan (2012-17) and 6.38 lakh during XIII Plan (2017-22). The policy underscores additional requirement of skilled manpower across 24 high priority sectors by 2022 based on a study conducted by the Ministry of Skill Development and Entrepreneurship.

Audit observed that:

- As per Economic Survey of the State Government, the unemployment rate<sup>8</sup> of persons in the age group of 15-59 years in the State decreased from 5.8 *per cent* (2018-19) to 3.8 *per cent* (2020-21) and increased to 4.6 (2021-22) despite the implementation of policy *ibid*.
- In Him Kaushal policy, the State Government selected six focus areas/sectors of skill development out of 24 areas identified (August 2013) in the District level skill gap study of the State conducted by KPMG Advisory Services Pvt. Ltd. engaged by National Skill Development Corporation (NSDC). However, the number of trainings in focus areas was not adequate as discussed in **Paragraph 4.2.6**.
- It was recommended in the Aspirational Survey (covering 6,455 youth) conducted by Economics and Statistics Department that the preferred sectors for jobs were traditional sectors. However, skilling in local arts and crafts (under HPSPDP and PMKVY) and setting up of market, display-sales centers with provision for finance to publicise the locally developed art and craft as mandated in para 4.12 of Him Kaushal Policy (**Appendix 4.3**) were not conducted during 2018-22.

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<sup>8</sup> Unemployment rate is percentage of persons unemployed among persons in the labour force.

- The HPKVN had conducted Industrial Survey (December 2020) covering 311 units in industrial clusters of Baddi, Barotiwala, Nalagarh, Parwanoo, Solan, Kala Amb, Paonta Sahib, Una and Mandi. In terms of employment, the top 10 sectors identified were pharmaceutical, textile, electrical and electronics, automobile, plastic, chemical, fast moving consumer goods, metal products, food processing and engineering. HPKVN had conducted training in the above sectors (**Appendix 4.4**) except pharmaceuticals, chemicals, chemicals-based products and food processing as of September 2022.

HPKVN stated (August 2023) that overall targets for HPKVN is approximately 65,000 and the figure 6.38 lakh is the projected target of manpower to be trained under all programmes including different Departments across the State. The aim of HPKVN is strictly restricted towards ADB funded project and target achievement of 65,000 certified candidates has been exceeded. The fact, however, remains that as per Him Kaushal Policy, HPKVN has been made nodal agency (overarching body) for implementation of the policy and specific progress in creation of skilled manpower in each of the sectors was to be overseen by the HPKVN.

#### **4.2.2 Institutional Mechanism**

To oversee the implementation of programme and guide the HPKVN, two high-level Committees were constituted by the State Government in April 2016 (**Appendix 4.5**).

**(i) Project Steering Committee (PSC):** The PSC comprising Chief Secretary and Secretaries of the seven-line Departments<sup>9</sup>, Advisor Planning and Managing Director of HPKVN as members was to provide overall direction and guidance to the HPSDP and to meet every quarter, or as required. Audit observed that no meeting of PSC was convened since its inception.

**(ii) Project Management and Implementation Committee (PMIC):** It comprises of Managing Director, General Managers of HPKVN and Directors of the line Departments. It is mandated to meet every quarter, or as required to carry out functions of planning and implementation of projects.

Audit observed that against required 20 meetings, only five meetings were held during 2017-22. Decisions taken in these meetings *inter alia* included due emphasis by all stakeholders on achievement of targets of trainings, connect and placement support to trainees through Industries Department, early completion of infrastructural and procurement works, operationalisation of buildings at the completion stage, etc.

The HPKVN stated (August 2023) that no PSC meeting was convened and would be planned soon. It was assured that regular meetings of PMIC will be held in future.

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<sup>9</sup> Economic and Statistics, Higher Education, Industries, Labour and Employment, Public Works, Rural Development and Urban Development.

#### **4.2.2.1 Non-Preparation of Annual Action/ Five Year Plans of HPKVN**

The office manual of the State Government requires preparation of an Annual Action Plan (AAP) for all the Departmental programmes/ schemes in advance in January or February every year with month-wise and quarter-wise breakup of targets in respect of each activity to be achieved during ensuing Financial Year. The office manual also provides for preparation of five-year plan of programme and activities of the Department.

Audit scrutiny revealed that during 2015-22, HPKVN had neither prepared AAPs/ five year plans with month-wise and quarter-wise breakup of targets and implementation strategy for various schemes/ programmes nor had the Technical Education Department insisted upon preparation of the same. Planning by the HPKVN is critical to implementation of various Skill Development activities. The efforts of the State Government for strengthening the skill development activities were deficient which can be attributed to inadequate planning, which is brought out in succeeding Paragraphs.

The HPKVN admitted (August 2023) that annual action plans were not prepared. It was further stated that appropriate action would be taken in this regard in future.

#### **4.2.3 Irregular Expenditure on IEC Activities**

The Department of Information and Public Relations (DIPR) had reiterated in a notification issued in October 2018 that it is the nodal agency for release of advertisements to newspaper and other media through Online Advertisement Management Software (OAMS) for all the Departments/ boards/ corporations. IPR Online Advertisement Management Software is a fully automated web portal which enables all the offices of all the departments/boards & corporations of Himachal Pradesh, to upload their advertisement proposals for publication in newspapers. Through this OAMS, the departmental proposals (requests for publication of tenders/notices, display advertisements etc.) are further released online to the newspapers for publication by the IPR department.

Scrutiny of records showed that HPKVN had incurred:

- An amount of ₹ 69.38 lakh on advertisement and publicity of programmes of HPKVN in newspapers, institutional magazines, etc. during the period between August 2018 and March 2022 without uploading the proposals on OAMS and approval of the State Government through DIPR.
- Out of the above amount, ₹ 24.97 lakh was incurred on publicity of programmes in journals, souvenirs, periodicals, etc., of multiple organisations without verifying their status of wide circulation.

The HPKVN stated (August 2023) that all the proposals of advertisement will be made through the Department of Information and Public Relations in future.



#### 4.2.4 Stakeholder Communication Strategy

Paras 85 to 87 of the PAM provide for stakeholder communication strategy by conducting sensitisation workshops with potential trainees and their parents, senior faculty of colleges, polytechnics, and ITIs, and officers of the executing agency and implementing agencies. Similar workshops were required to be conducted for TSPs, assessment agencies<sup>10</sup>, Industries Associations and Chamber of Commerce, placement agencies and sector skills councils<sup>11</sup> in partnership with HPKVN officials. The purpose of stakeholder communication strategy is to provide information on intended benefits of HPSDP to all stakeholders.

Audit observed that no targets of sensitisation workshops were fixed for trainees, parents, faculty etc., during 2018-22. In absence of targets, adequacy of sensitisation workshops conducted could not be ascertained in audit. The details of various categories of trainees who attended the sensitisation workshops is given in **Table 4.1**.

**Table 4.1: Details of sensitisation workshops conducted during 2018-22.**

Year	Potential trainees		Parents		Faculty of colleges, polytechnics and ITIs		Officers of executing agency and implementing agencies		TSPs		Assessment agencies		Sector skill councils		Industries Associations and Chamber of Commerce		Placement agencies	
	W	T	W	T	W	T	W	T	W	T	W	T	W	T	W	T	W	T
2018-19	3	91	1	2	3	25	5	80	5	40	2	5	1	16	5	81	2	6
2019-20	65	4,077	4	61	1	54	10	27	1	25	0	0	0	0	2	75	2	10
2020-21	14	582	1	2	0	0	1	4	1	4	0	0	0	0	1	12	0	0
2021-22	129	6,379	7	324	0	0	2	9	1	10	1	2	0	0	1	60	2	4
<b>Total</b>	<b>211</b>	<b>11,129</b>	<b>13</b>	<b>389</b>	<b>4</b>	<b>79</b>	<b>18</b>	<b>120</b>	<b>8</b>	<b>79</b>	<b>3</b>	<b>7</b>	<b>1</b>	<b>16</b>	<b>9</b>	<b>228</b>	<b>6</b>	<b>20</b>

Note: W= Workshop organised; T = Trainees attended.

As can be seen from **Table 4.1**, sensitisation workshops were not organised for faculty of various concerned institutions during 2020-22, Assessment Agencies during 2019-21, Sector Skill councils during 2019-22 and for Placement agencies during 2020-21.

The HPKVN assured (August 2023) to conduct adequate number of sensitisation workshops for each category of stakeholders in future.

#### 4.2.5 Mobilisation, Candidate Screening and Counselling

Para 4.10 of the Him Kaushal Policy 2016 stipulates that training partners are responsible for mobilising interested and eligible youth for skilling. The mobilised trainees are to be put through an assessment process or basic screening tests to assess the need and aptitude fundamental to the trades. Counselling is to be provided to both the candidate and his/ her parents to make informed choices to match aptitude and

<sup>10</sup> Assessment agencies are responsible for assessing the skills of candidates who have undergone training in different sectors, ensuring that they meet requirement of industry Sectors.

<sup>11</sup> Sector Skill Councils are industry-led bodies responsible for addressing the skill development needs in specific sectors or industries.

aspiration and a Parent Consent Form is to be obtained from parents/guardians of every trainee prior to the commencement of the training program.

Test-check of the records of the selected TSPs revealed that pre-assessment/tests had not been conducted for candidates to assess their need, aptitude and to match their aspirations with their educational qualification. Also, TSPs had not obtained Parent Consent Form. This led to non-assessment of candidates' need and aptitude fundamental to trades of their choice. This was one of the reasons for shortfall in placements of the trainees after completion of trainings as discussed in Paragraphs 4.5.1.1 and 4.5.2.1.

The HPKVN stated (August 2023) that mobilisation, candidate screening and counselling of candidates were conducted by TSPs but record thereof was not maintained. It assured that instructions will be issued to all TSPs to maintain such records in future.

#### 4.2.6 Focus Sectors of Him Kaushal Policy

Para 4.8 of the Him Kaushal Policy 2016 stipulates that HPKVN has been tasked to address the needs and requirement of manpower in the following priority-wise six focus sectors to draw upon the strengths of the local workforce: (i) Agriculture (ii) Horticulture (iii) Tourism and Hospitality (iv) Construction (v) IT Enabled services (vi) Banking and Financial services.

HPKVN identified 33 sectors and is providing trainings in 30 Sectors (**Appendix 4.4**). The number of youths trained, certified and placed in six focus Sectors *vis-a-vis* 24 other sectors during 2016-22 (up to October 2022) is given in **Table 4.2**.

**Table 4.2: Trainings in six focus Sectors *vis-a-vis* 24 other sectors**

Sr. No.	Focus Sectors	Total Trained in 30 Sectors	Trained Nos. (per cent)	Total certified in 30 sectors	Certified Nos (per cent)	Total placed in 30 sectors	Placed Nos (per cent)
1.	Agriculture	55,754	815 (01)	36,033	414 (01)	5,527	01 (0.02)
2.	Horticulture		648 (01)		612 (02)		03 (0.05)
3.	Tourism and Hospitality		7,650 (14)		5,137 (14)		492 (09)
4.	Construction		1,766 (03)		1,030 (03)		253 (05)
5.	IT/ITES		11,508 (21)		5,548 (15)		759 (14)
6.	Banking and Financial		295 (01)		90 (0.24)		0
<b>Total</b>			<b>22,682 (41)</b>		<b>12,831 (36)</b>		<b>1,508 (27)</b>
<b>Other 24 Sectors</b>			33,072 (59)		23,202 (64)		4,019 (73)

*Note: Figures in the parenthesis denotes percentage of trained/ certified/ placed candidates against total candidates in respective category.*

*Source: Figures supplied by HPKVN /MIS data.*

Audit noticed that:

- Six sectors were prioritised as focus sectors. Number of trained candidates in these sectors was 41 *per cent* of the total number of candidates trained in all sectors.
- Agriculture and Horticulture were two focus areas where trainings were only three *per cent* of the total trained candidates.
- Candidates certified in the focus sectors is 36 *per cent* of total certified candidates.
- Training in construction (three *per cent*) and Banking and Financial Sectors (0.53 *per cent*) was also low.
- 75 *per cent* of trainings (**Appendix 4.4**) were provided in eight sectors<sup>12</sup> while trainings in remaining 22 sectors was 25 *per cent*. Further, in 10 out of 22 sectors, number of trainings was less than one *per cent* of the total trainings.

The HPKVN stated (August 2023) that efforts will be made to conduct more trainings under above focus sectors in future.

#### **4.2.7 Convergence of skill programmes and aligning training to national standards**

India's National Policy on Skill Development and Entrepreneurship (2015) encourages States to develop umbrella skills development mission across Government Departments, corporate sector, community based organisations, dedicated individuals who have been working in the skilling and entrepreneurship space, industry and trade organisations. Para 4.5 of Him Kaushal Policy 2016 mandates the HPKVN to bring about convergence across the skills programmes run by different Departments to reduce duplication and align all trainings to national standards. Further, in review meeting (February 2022), details of the schemes being implemented by various Departments of the State were called for by the Chief Secretary, Government of Himachal Pradesh to bring about convergence among different stakeholders.

Scrutiny of records revealed that though numerous<sup>13</sup> skill development programmes were being run in the State by various Departments, no plan/details for such convergence had been prepared and no concrete effort was made by the HPKVN during 2016-22 to converge skill development programmes under one umbrella.

The HPKVN stated (August 2023) that convergence under various skill development programmes is a policy matter, and a request has been made to 15 Departments to share the requisite data/ details of the training programs implemented by them. The fact, however, remains that convergence of skill programmes in the State and aligning

<sup>12</sup> IT/ITES: 21 *per cent*; Tourism and Hospitality: 14 *per cent*; Healthcare (10 *per cent*); Apparel and Made ups: (10 *per cent*); Electronics (six *per cent*) Beauty and Wellness (five *per cent*); Auto (five *per cent*) and Insurance (four *per cent*).

<sup>13</sup> Skill Development programmes in School/ Colleges by Higher and Elementary Education Departments, Two/ three years courses in ITIs/ Polytechnics, Skill Development programme by various other Departments such as Agriculture, Horticulture, Labour and Employment, Urban Development, Rural Development, Health and Medical Education, Tourism and Industries Department, HP Handicrafts and Handloom Corporation Limited, HP SC and ST Development Corporation, District Rural Development Agencies, Rural Self Employment Training Institutes, etc.

training to national standards could not be made in spite of lapse of more than seven years since establishment of HPKVN, as of August 2023.

### 4.3 Fund Management

#### 4.3.1 Receipt and Utilisation of funds

Details of availability of funds and expenditure incurred there against under HPSPDP, PMKVY and SANKALP projects during 2015-22 are given in **Table 4.3**.

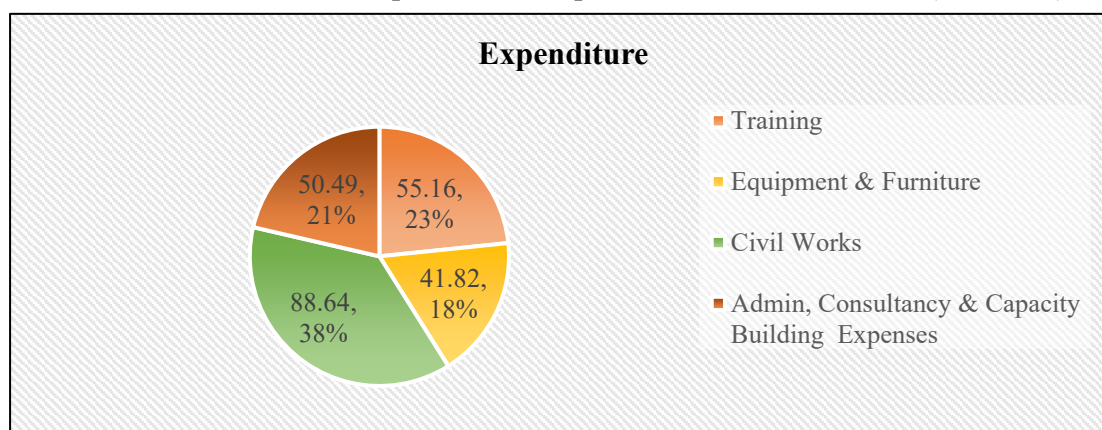
**Table 4.3: Details of availability of funds and expenditure incurred during 2015-2022.**

(₹ in crore)

Year	Opening balance	Amount received				Total funds available	Utilisation				Total utilisation ( per cent)	Closing balance
		Centre		State (HPSDP)	Misc. receipt/ Int.		PMK VY-2	SAN KALP	HPSD P	Misc. Exp.		
		PM KVVY -2	SAN KALP									
2015-16	0.00	--	--	1.00	--	1.00	0	--	0.33	--	0.33 (33)	0.67
2016-17	0.67	--	--	2.64	--	3.31	0	--	2.97	--	2.97 (90)	0.34
2017-18	0.34	21.56	--	7.44	0.41	29.75	0	--	2.84	0.03	2.87 (10)	26.88
2018-19	26.88	--	--	71.35	0	98.23	3.57	--	6.65	0.25	10.47 (11)	87.77
2019-20	87.77	--	--	89.25	7.38	184.40	8.04	--	54.41	0.06	62.51 (34)	121.89
2020-21	121.89	--	1.58	15.00	2.66	141.13	3.01	--	54.15	0.04	57.20 (41)	83.93
2021-22	83.93	--	--	58.79	1.48	144.20	3.73	--	96.02	0.02	99.77 (69)	44.43
Total		21.56	1.58	245.47	11.93		18.35		217.37	0.40	236.12	

Source: Annual Accounts. Figures of 2020-21 and 2021-22 are unaudited.

**Chart 4.3: Component wise expenditure as of March 2022 (₹ in crore)**



From the **Chart 4.3**, it can be seen that substantial amount has been incurred on civil works. Audit scrutiny revealed several shortcomings in completion of works (**Paragraph 4.4.1**). Also, most of deliverables were not achieved by the consultants as detailed in **Paragraph 4.7.6**.

It can be seen from **Table 4.3** that percentage of utilisation of funds during 2015-22 ranged between 10 and 90. The utilisation of the funds was low during 2017-18 to 2020-21 due to delay in empanelment of TSPs, non-start of training programmes in time, low progress of civil works (**Paragraph 4.4.1**), etc. The Government of India did not release grant under PMKVY after 2017-18 (however, in 2020-21 ₹ 1.58 crore was released under Government of India sponsored scheme SANKALP) on account of less utilisation of amount released due to delay in identification of training centres by private

TSPs, equipping labs, mobilisation/ identification of candidates, etc., which indicated that the projects were not implemented as required.

The HPKVN attributed (August 2023) low utilisation of funds during 2020-21 and 2021-22 to COVID-19 related restrictions resulting in suspension of training programmes, slowdown of construction works, delay in procurements, etc. The reply is not acceptable as expenditure was low even during the pre-Covid period.

#### **4.3.2 Non-obtaining of Performance Guarantee/ Security from TSPs**

Clause 35 of Project Administration Manual states that all expenditure will be carried out in accordance with Himachal Pradesh Financial Rules, 2009 (HPFR). Rule 107 of Himachal Pradesh Financial Rules, 2009 provides for obtaining Performance Guarantee (PG) from successful contractor on award of the contract for an amount of five to 10 *per cent* of the value of the contract with an objective to giving an assurance to the Government in the event of inadequate or delayed performance or a violation of guidelines and protocols by TSPs.

Audit scrutiny revealed that the HPKVN had neither inserted Performance Guarantee/ security clause in agreement/ MoU with TSPs nor obtained any Performance Guarantee from TSPs during the period covered under audit. The HPKVN allotted eight projects to seven TSPs under HPSPD and PMKVY-2 between June 2018 and September 2021 with project cost ₹ 33.20 crore and released ₹ 9.14 crore to the TSPs. However, Performance Guarantees aggregating to ₹1.66 crore (calculated at the rate of five *per cent*) required under the rule had not been obtained (**Appendix 4.6**).

In addition to the above, nine projects under Pilot Project and PMKVY were allotted to seven TSPs between September 2016 and February 2019 on the basis of common cost norms (per hour/ days/ candidate basis) and an amount aggregating to ₹ 2.33 crore was released to the TSPs without obtaining PG.

HPKVN stated (August 2023) that HPKVN abides by the standard bidding guidelines issued by ADB which do not include any provision for a Performance Guarantee. The reply is not tenable as its provision contained in Project Administration Manual of HPSPD provides that procurement of goods and services is to be carried out in accordance with regulations contained in HPFR, which *inter alia* provides for obtaining of Performance Guarantee.

#### **4.3.3 Non-achievement of Targets under PMKVY**

The Government of India approved PMKVY-2 with implementation period of 2016-20 in the State to be conducted by HPKVN. A total of 49,499 trainees were targeted to be trained with ₹ 14,805 per trainee average cost plus four *per cent* of total funds as administrative cost. Further, the State was to submit Utilisation Certificate subject to spending 80 *per cent* of the total funds sanctioned for 2017-18 and achievement of 50 *per cent* of physical targets for the year 2017-18 to receive further instalments under the programme.

The Government of India revised (June 2019) the physical targets to 40,012 with project cost at ₹ 63.51 crore. Trainings of candidates enrolled under PMKVY-2 during the period 2016-20 were to be completed physically and financially (extended due to Covid pandemic) by July 2022.

The performance of State under PMKVY-2 during 2017-22 is given in **Table 4.4**.

**Table 4.4: Performance under PMKVY-2 during 2017-22**  
(Trainees in number and ₹ in crore)

Sr. No.	Parameter	2017-18	2018-19	2019-20	Extended period of project (due to Covid)	Total	Revised target (June 2019)
<b>Targets</b>							
1.	Total trainees to be trained	14,000	16,500	18,999	--	49,499	40,012
2.	Training funds required @ avg. cost ₹ 14,805 per trainee	20.72	24.43	28.13	--	73.28	59.14 (@ avg. cost ₹14,781 per trainee)
3.	Administrative expense @ four per cent of total funds	0.83	0.98	1.12	--	2.93	2.54
4.	Mobilisation and awareness @ three per cent of training fund, excluding administrative cost	Not applicable	Not applicable	Not applicable	--	--	1.83
5.	Total funds allocated (2+3+4)	21.55	25.41	29.25	--	76.21	63.51
<b>Physical and Financial Achievements under PMKVY during 2017-22</b>							
6.	Trainees trained	240 (02)	5,494 (33)	8,993 (47)	28	14,755	14,755 (37)
7.	Trainees certified	-- (0)	3,416 (62)	5,995 (67)	2,765	12,176	12,176 (83)
8.	Trainees placed	-- (0)	948 (28)	1,601 (27)	359	2,908	2,908 (24)
9.	Amount received	21.56	--	--	--	--	21.56 (34)
10.	Total expenditure incurred	-- (0)	3.57 (14)	8.13 (28)	6.67	18.37	18.37 (29)

Source: Figures supplied by the HPKVN.

From the above details, Audit noticed that:

- Against total funds allotted for the period 2017-22, expenditure incurred was only 29 per cent.
- Due to non-utilisation of funds allocated for the year 2017-18, the Government of India did not release further instalments amounting to ₹ 41.95 crore and



expenditure on entire project (PMKVY- 2 and PMKVY-3) was met out of the first instalment released for the year 2017-18.

- The total number of trainees trained (14,755) was only 37 *per cent* of the target up to October 2022. Thus, State could not receive the remaining funds of ₹ 41.95 crore due to non-conduct of targeted number of trainings.
- Guidelines of PMKVY 3.0 issued (December 2020) by Government of India provided to utilise balance funds received as the first instalment under PMKVY-2 for trainings under PMKVY-3 and no separate funds were released under PMKVY-3.

The HPKVN attributed (January 2023) low enrolments to high aspiration of Himachali youth, multiple skilling programmes, lack of infrastructure facilities and limited scope of mobilisation. The reply should be seen in light of fact that HPKVN failed to conduct the targeted number of trainings and resultantly could not avail the committed Government of India funding under the scheme.

#### **4.3.4 Performance of State under SANKALP**

To strengthen institutional mechanisms for skill development and increase access to quality and market-relevant training for youth across the country, SANKALP was launched on 19 January 2018 with six-year implementation period till March 2023. The programme has four key result areas (i) institutional strengthening at Central, State and District level; (ii) quality assurance of skill development programmes; (iii) inclusion of marginalised population in skill development programmes; and (iv) expanding skills through PPPs. Funding under the scheme is in ratio 90:10 between Centre and State.

The Government of India sanctioned (up to October 2020) ₹ 2.11 crore and released (March 2021) ₹ 1.58 crore under two components (i) Institutional Strengthening at the National and State Levels for Planning, Delivering and Monitoring High-quality Market Relevant Training, and (ii) Improved Quality and Market Relevance of Skill Development Programmes. The State Government released 10 *per cent* share of ₹ 15.75 lakh in August 2022 after a delay of 17 months from release of Government of India share.

Audit noticed that:

- Though the State Government was eligible for ₹ 3.18 crore as part of State Component under SANKALP (Central share: ₹ 2.86 crore and State Share: ₹ 0.32 crore), only ₹ 2.11 crore (Central share: ₹ 1.90 crore and State Share: ₹ 0.21 crore) was approved by Government of India due to non-receipt of proposal of State under the component *viz* Improved Access and Completion of Skill Training for Female Trainees and Other Disadvantaged Groups. In this regard, the HPKVN stated (November 2022) that the said intervention will be covered under HPSDP.



- Against availability of ₹ 1.74 crore<sup>14</sup> under the programme, the utilisation of funds was ₹ 0.46 crore only (26 *per cent*), leaving ₹ 1.28 crore as unutilised as of October 2022. The detail of utilisation of funds against approved amount is tabulated in **Appendix 4.7**.

As can be seen from **Appendix 4.7**, physical and financial progress under the scheme is unsatisfactory and targeted beneficiaries had remained largely deprived of the benefits of the scheme in spite of more than 21 months of receipt of Government of India share under the scheme.

While admitting the facts, the HPKVN stated (November 2022) that funds were not utilised as resources could not be hired due to delays in getting appropriate approvals from Administrative and Finance Department, resulting in slow down of the programme.

#### **4.3.5 Non-recovery of Amount for Non-commencement of Project**

The HPKVN and M/s MMC Computers had signed undertaking-cum-Indemnity bond in December 2018 under PMKVY-2.0 for providing training to candidates in IT and ITES and Electronic and Hardware Sectors at a total project cost of ₹ 7.32 lakh<sup>15</sup>. The first installment of ₹ 2.20 lakh was released to M/s *MMC Computers* in April-May 2019.

Scrutiny of records revealed that M/s MMC Computers did not complete the project (candidates were provided training but were not certified) and the HPKVN terminated the contract in July 2022 without recovering ₹ 2.20 lakh as of October 2022. HPKVN had neither obtained the Performance Guarantee of ₹ 0.37 lakh (five *per cent* of the value of contract) nor recovered interest (₹ 0.62 lakh) which would have accrued on ₹ 2.20 lakh for 40 months<sup>16</sup>. The HPKVN failed to effect recovery of the amount paid and interest accrued as of October 2022.

The HPKVN stated (October 2022) that Performance Security was not obtained due to absence of provision in guidelines/ common cost norms and action is being taken to recover the amount. The HPKVN stated (August 2023) that recovery of the first tranche paid to the M/s *MMC Computers* has been initiated. The reply is not acceptable as the Performance Guarantee to safeguard interest of the Government was not obtained.

#### **4.3.6 Non-collection of Refundable Security Deposits**

Para 5.8 of the Common Cost Norms<sup>17</sup> (August 2015) for Skill Development stipulates levy of security deposits from the candidates to ensure that candidates selected for the training programmes are undergoing the training with seriousness, and to reduce the

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<sup>14</sup> Government of India: ₹ 1.58 crore and State: ₹ 0.16 crore.

<sup>15</sup> IT and ITES: ₹ 3.59 lakh and Electronic and Hardware: ₹ 3.73 lakh.

<sup>16</sup> Calculated on average rate of outstanding public debt for the period May 2019 to October 2022 at the rate of 7.97 *per cent* (2019-20), 7.59 *per cent* (2020-21), and 7.51 *per cent* (2021-22 and 2022-23) per annum.

<sup>17</sup> Cost Common norm is an established standard or average approved by Government of India in order to bring about uniformity and standardisation in the implementation of various Skill Development Schemes by various Departments/ Ministries.

drop-out rates. Training providers shall charge a refundable security deposit of ₹ 1,000/- per candidate for NSQF<sup>18</sup> level 5 and above, ₹ 500 for NSQF levels 3 and 4 and ₹ 250 for NSQF Levels 1 and 2 at the commencement of the training. The amount would be refunded to every candidate who is certified.

Audit noticed that:

- Details regarding security deposit obtained from candidates enrolled under HPSDP and PMKVY programmes during 2016-22 had not been maintained by HPKVN.
- Records in 13 test-checked units<sup>19</sup> revealed that security deposit of ₹ 21.49 lakh was not obtained from 3,956 candidates out of 3,970 candidates enrolled by these TSPs under NSQF level 1 to 5 courses.

The HPKVN informed (August 2023) that directions will be issued to all the TSPs to adhere to the instructions contained in 'Common Cost Norms' guidelines regarding collection of refundable security from the trainees.

#### **4.3.7 Avoidable expenditure on Payment of Goods and Service Tax**

Clauses 2 and 4 of Government of India Notification (January 2019)<sup>20</sup> stipulate that services provided by the Asian Development Bank (ADB) are exempted from all taxation. Clauses 69 and 72 of Government of India Notification (June 2017) provide that services rendered by Sector Skill Councils (SSCs), assessment agencies, and training partners approved by SSCs under recognized skill development programs shall be exempt from payment of central taxes.

Scrutiny of bills made available to Audit revealed that Himachal Pradesh Kaushal Vikas Nigam (HPKVN) paid ₹ 1.43 crore as GST on training services amounting to ₹ 10.28 crore delivered by 14 Training Service Providers (TSPs) during 2018–22. The TSPs or HPKVN had not availed tax exemption, nor was the matter taken up with the GST authorities for exemption. In contrast, TSPs engaged by the Higher Education Department for B.Voc. courses had obtained such exemptions. The GST paid could have been utilized for skilling more candidates.

In response (November 2022), HPKVN stated that it had not pursued the matter with the GST Council as it was implementing an ADB-sponsored program and hence not exempt. The reply is not tenable in light of the June 2017 notification, which provides for exemption to TSPs approved under SSCs or other recognized bodies, irrespective of the source of funding. The matter warranted appropriate follow-up with the GST

<sup>18</sup> National Skills Qualifications Framework (NSQF) is a nationally integrated education and competency-based framework that enables persons to acquire desired competency levels. NSQF organises qualifications according to a series of levels of knowledge, skills and aptitude. These levels, graded from one to ten, are defined in terms of learning outcomes.

<sup>19</sup> M/s Wazir Advisors, eight selected ITIs (Bagsaid, Bangana, Dalash, Mandi (W), Nirmand, Padhar, Paplog and Shamshi) and four (Graduate add on- ongoing) selected Degree Colleges (Jogindernagar, Karsog, Kullu and Una).

<sup>20</sup> Ministry of Finance, Government of India circular no. 83/02/2019-GST dated 1<sup>st</sup> January 2019 on Applicability of GST on Asian Development Bank (ADB).

authorities to explore applicability of exemption as GST law recognises right to education including vocational training and provides exemption from the levy of GST.

#### 4.4 Infrastructure for skill trainings

##### 4.4.1 Status of Infrastructure of Training Centres

Under ABD sponsored HPSDP, funds of ₹ 119.58 crore were released between July 2016 and July 2022 to Public Works Department for execution/ upgradation of 26 projects (11 Model Career Centres (MCC), seven Rural Livelihood Centres (RLC), five City Livelihood Centres (CLC), one ITI, one Centre of Excellence (CoE) and one Women Polytechnic College) between July 2016 and July 2022.

Audit observations on civil works/infrastructure is given in **Table 4.5**.

**Table 4.5: Audit Observations on Civil Works**



Name of Work(s)	Status	Amount Sanctioned	Amount Released	Exp. (As of Dec. 2022)	Physical Progress in per cent	Delay (Months)	Audit Remarks
<b>Development of 11 Model Career Centres (MCC)</b>  <b>Purpose:</b> To create awareness among youth about Technical and Vocational Education Training	Work not Started: one (Kaza)	₹ 5.81 crore (July 2022)	--	--	--	--	Construction of MCC Kaza not commenced due to late finalisation of site. After finalisation of site, tender was awarded in December 2022.
	Completed/ Partially Completed works: six <sup>21</sup>	₹ 17.08 crore (July 2019-March 2021)  Completion date: (March 2020 and May 2022)	₹ 17.23 crore	₹ 12.23 crore	42 to 100 per cent	7-33	Delay in completion/ handing over completed buildings of six MCCs was due to delay in approval of variations and additional works such as fire protection works, residential area restrictions, etc.
	Ongoing work: Two (Dadasiba and Solan)	₹ 8.25 crore (Dadasiba: November 2020 and Solan: January 2021)	₹ 1.50 crore	₹ 0.71 crore	16 and one per cent	--	Two MCCs (Dadasiba-slow work progress and Solan- delayed due to change in structural design) are in progress for completion by June 2023 and September 2023 respectively.
	Not awarded: 2 (Nahan and Udaipur)	--	--	--	--	--	Two MCCs (Nahan and Udaipur) not awarded due to delay in identification of suitable land.

<sup>21</sup> Baddi, Bilaspur, Chamba, Dharamshala, Hamirpur and Mandi

Name of Work(s)	Status	Amount Sanctioned	Amount Released	Exp. (As of Dec. 2022)	Physical Progress in per cent	Delay (Months)	Audit Remarks
<b>Establishment of five CLCs and seven RLCs</b>  <b>Purpose:</b> To provide vocational training and business development support to improve livelihood of youth of urban and rural areas of the State	Partially Completed: four CLCs <sup>22</sup>  Ongoing: one-CLC (Bilaspur)	₹ 18.94 crore	₹ 37.70 crore	₹ 15.84 crore	33 to 100 per cent	nine to 41	The completed works-CLCs (Nahan, Sidhbari and Sundernagar) in which progress has been shown as 100 per cent have not been handed over to the line Department due to additional work (installation of transformer, etc.) and for want of approval of variations.  - Delay in completion of CLC Bilaspur was due to delay in obtaining forest clearance, slow progress of work.  <b>CLC, Shamshi</b>  Partially completed building has been handed over (March 2022) to Industries Department.
	Ongoing <sup>23</sup> : six-RLCs	₹ 38.14 crore		₹ 22.79 crore	46 to 100	10 to 41	Ongoing five RLCs (Bangana, Chopal, Nagrota, Pragatinagar and Seraj) works were delayed due to land issues, change in designs and additional scope of work.  RLC, Sadhayna where physical progress has been shown as 100 per cent is yet to be completed for want of additional work.
	Not awarded: 01 (RLC, Nalagarh)	₹ 12.15 crore (December 2022)	--	--	--	--	Work of RLC Nalagarh has not been awarded due to delay in finalisation of design.
<b>Construction of Women</b>	Ongoing	₹ 42.61 crore	₹ 33.50 crore	₹ 29.69 crore	93 per cent	41	Delay due to change in scope of work (rising of the plinth level, addition

<sup>22</sup> CLCs: Nahan, Shamshi, Sidhbari and Sundernagar

<sup>23</sup> RLCs: Bangana, Chopal, Nagrota, Pragatinagar, Sadhyana and Seraj.

Name of Work(s)	Status	Amount Sanctioned	Amount Released	Exp. (As of Dec. 2022)	Physical Progress in per cent	Delay (Months)	Audit Remarks
<b>Polytechnic college at Rehan</b>  <b>Purpose:</b> To improve access for girls to TVET  (Intake 720 and hostel facilities for 120)		(August 2017) Scheduled Completion date: July 2019					of guide bund and source of power supply) and non-finalisation of Sewage Treatment Plan and its execution.  The building has been partially taken over along with administrative block and courses started from academic session 2021-22. However, other facilities like hostel and staff residence are yet to be completed.  Due to delay of more than three years in completion of the college and hostel buildings, the objective of establishing of polytechnic college exclusively for women under HPSPD remained largely unachieved.
<b>Construction of Centre of Excellence (CoE), Wagnaghat- (IT and Tourism and Hospitality sectors)</b>  <b>Purpose:</b> For hosting industry driven skilling training in the State	Ongoing	₹ 84.26 crore (June 2020) Scheduled Completion date: January 2022	₹ 20.00 crore	₹ 18.42 crore	16 per cent	11	Delay in handing over site, finalisation of plan, land demarcation and design change issues.
							<b>Picture 4.3 Under construction (February 2023) main building of CoE, Wagnaghat</b>
<b>Construction of ITI Chhatra</b>	Ongoing	₹ 18.84 crore (September 2020) Schedule Completion date: June 2022	₹ 9.65 crore	₹ 5.46 crore	41 per cent	6 months	Delay in issuing of drawings by HPPWD, land issue, approachability to site, labour shortages, etc.

As seen from **Table 4.5**, of the total 26 projects envisaged to create infrastructure to build awareness and to provide training as well as to improve access to youth in rural and urban areas, 10 were partially completed, 12 were ongoing and four were not started as of December 2022. Of the ongoing works, there were delays ranging between six to 41 months, thus, leading to non-achievement of their objectives of the works.

Non-completion or non-utilisation of buildings in time resulted in non-availability of the requisite infrastructure facilities. Also, the consultant (M/s Rodic) hired for quality assurance and monitoring of civil works failed to get the works completed within the stipulated time (**Paragraph 4.7.6**).

Thus, HPKVN's inability to ensure timely setting up of advanced training institutes and model career centres led to non-accrual of envisaged benefits of expansion of skilling and career facilities in the concerned areas/ Districts.

The HPKVN stated (August 2023) that major reasons for delay in completion of civil projects can be attributed to delay in land identification, transfer of land, delay in finalisation of structural design, COVID-19 restrictions, geographical and climatic issues. It assured that now regular monitoring was being done for early completion of these projects and handing over of completed assets to line Departments for training related activities.

#### **4.4.2 Upgrading the training machinery and equipment in 50 ITIs**

As per output 3 of PAM, the HPSDP envisaged upgrading training machinery and equipment for 22 trades in 50 ITIs under the Department of Technical Education, Vocational and Industrial Training (TEVIT).

##### **4.4.2.1 Delay in Supply of Machinery and Equipment**

Seven orders for procurement of various machinery and equipment (like supply of material such as automobile parts, electrical and electronics related equipment, IT tool and components, etc.) were awarded to four firms<sup>24</sup> between December 2019 and July 2021 at a tendered value of ₹ 8.90 crore by the Director, Department of TEVIT for supply and installation within 365 days from the date of award of orders. In case of delay in supply of machinery and equipment, liquidated damages shall be applicable at the rate of 0.1 *per cent* per day subject to the maximum of 10 *per cent* of contract value.

Audit observed that orders valuing ₹ 2.95 crore were partially supplied by two firms<sup>25</sup> while no material was supplied in remaining orders by two firms, though stipulated period for the completion of these jobs had expired as of October 2022. However, the process to levy liquidated damages of ₹ 59.56 lakh against these firms was not initiated as of October 2022.

The TEVIT stated (October 2022) that the firms did not supply machinery/ equipment due to non-availability of items in the market and space issues in respective ITIs. The

<sup>24</sup> Asha Enterprises, Mandi; Mars Edpal Instruments Pvt. Ltd., Ambala Cantt; Puri Scientific Works, Ambala Cantt and Chawala Digital Systems, Panchkula.

<sup>25</sup> Asha Enterprises, Mandi and Mars Edpal Instruments Pvt. Ltd., Ambala Cantt.



reply is not tenable as the Department failed to plan receipt and installation of machinery and equipment before placing the supply orders. Also, the fact remains that delay was on part of concerned firms. In the absence of upgradation of machinery and equipment in the ITIs, the quality of training would be adversely impacted.

The HPKVN stated (August 2023) that necessary action will be initiated to levy liquidated damages against the defaulting firms.

#### **4.4.3 Adequacy of Equipment in Colleges/ Training Centres**

Para 10 of the UGC guidelines for Bachelor of Vocation (B. Voc) provides that colleges need to have adequate laboratory/workshop facilities for face-to-face delivery of skills and hands-on practice either owned or arranged. Further, job role wise (NSQF level 3 to 7) requirement of infrastructure has been defined by Skill Management and Accreditation of Training Centres (SMART<sup>26</sup>) for the respective Sector Skill Councils (SSCs). One of the services offered on SMART is standardisation of training infrastructure and equipment for all NSQF Job roles across all SSCs.

Audit observed that three test-checked colleges<sup>27</sup> did not have 123 out of 203<sup>28</sup> specified machinery/ equipment/ articles (such as desktop/laptops, telephones, display/ boards/ standees, dummy products, etc.) either completely or had been provided partially as specified by the SMART for respective Sector Skill Councils of the Retail Management (Retailers Association's Sector Skill Council of India) and Hospitality and Tourism (Tourism and Hospitality Skill Council) sectors. This affected the learning/ practical skills of the trainees enrolled in Bachelor of Vocation courses in above test-checked colleges as evident from **Paragraph 4.5.1.1**.

HPKVN stated (August 2023) that action has been taken by the Directorate of Higher Education to purchase specified tools and equipment for running courses under B.Voc programmes.

#### **4.5 Training**

Key training programmes implemented during 2016-22 by HPKVN are (i) Short Term Trainings (STTs) through private TSPs and in ITIs: 3-5 months (ii) Graduate Add-on for upskilling of final year graduating students: 200-400 hours (iii) Bachelor of Vocation Course in Government colleges: 3-year degree course (iv) Recognition of Prior Learning (RPL) by private TSPs: 12 to 80 hours (v) Trainings under HPSPDP by executing Memorandum of Understanding (MoUs) with ITIs and 13 reputed Institutes (IIT Mandi, ABVIMAS, NIFT, NIELIT, etc.): three weeks to 15 months. HPKVN maintains data regarding the above training on a separate Management Information System (MIS).

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<sup>26</sup> Skill Ecosystem intends to address the important issues like evaluation of skill providers in an objective manner, fostering excellence in Training Centres, enabling trainees to make informed choices with regard to Training Centres, etc.

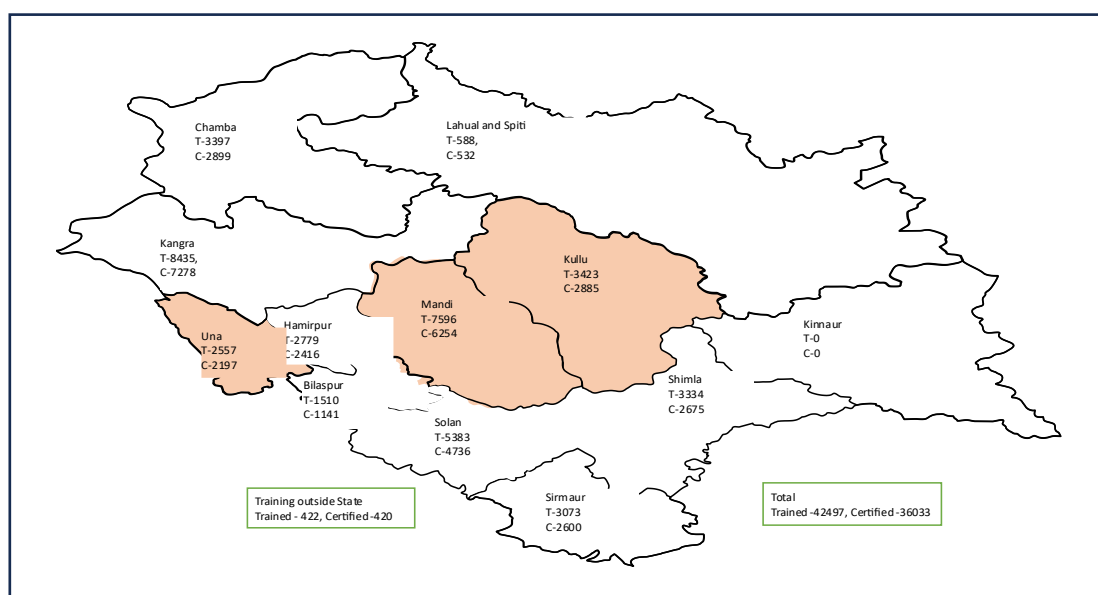
<sup>27</sup> Government Degree Colleges at Kullu, Sarkaghat and Una.

<sup>28</sup> Total items to be used in all college.



District-wise number of trainees trained and certified during the period 2016-22 (as of October 2022) is shown in **Map 4.2**.

**Map 4.2: District-wise number of trainees trained and certified during 2016-22**



T= trained, C= Certified

#### 4.5.1 Trainings under HPSPD

##### 4.5.1.1 Non-achievement of Targets under HPSPD

As per design and monitoring framework contained in Appendix-7 of PAM, at least 80 *per cent* of trainees who complete the training courses under the project should be successfully certified. Of the successfully certified, at least 50 *per cent* should get wage employment within six months of completion of training, with 40 *per cent* of the remaining being gainfully self-employed (*i.e.*, combined placements under both wage employment and self-employed should at least be 70 *per cent*).

Pilot/Short Term Training (STT) Project for skill development was taken up during 2016-18 and trainings under HPSPD commenced from May 2018. The status of trainings under HPSPD during 2016-22 was as depicted in **Table 4.6**.

**Table 4.6: Details of trainings in the State under HPSPD during 2016-22**

Training type	Period	Target	Enrolled	Trained (percentage against target)	Assessed	Certified (percentage against trained)	Placed (percentage against certified)
<b>Pilot Project for Skill Development</b>							
Pilot-STT	2016-18	1,080	1,224	936 (87)	911	636 (67)	563 (89)
<b>Training under HPSPD</b>							
STT (ITIs)	2019-22	37,191	10,190	5,807 (16)	5,255	3,775 (65)	546 (14)
B. Voc	2017-22	5,280	4,547	1,994 (38)	1,894	1,840 (92)	742 (40)
Graduate Add on	2018-22	7,500	6,262	5,936 (79)	5,601	5,193 (87)	417 (8)
MoUs (for Advanced Level courses)	2019-22 (up to Oct 2022)	14,930	8,498	4,765 (32)	4,485	4,436 (99)	117 (3)

Training type	Period	Target	Enrolled	Trained (percentage against target)	Assessed	Certified (percentage against trained)	Placed (percentage against certified)
under HPSPDP							
Flagship-STT under HPSPDP	2018-22 (up to Oct 2022)	9,300	4,078	3,106 (33)	3,088	2,742 (88)	999 (36)
RPL	2021-22	8,000	6,462	6,445 (81)	6,441	5,278 (82)	N.A.
<b>Total (except Pilot-STT)</b>		<b>82,201</b>	<b>40,037</b>	<b>28,053 (34)</b>	<b>26,764</b>	<b>23,264 (84)</b>	<b>2,821 (16)*</b>

Source: Figures supplied by HPKVN.

Note: NA = Not applicable; STT: Short Term Training; RPL: Recognition of Prior Learning; B.Voc: Bachelor of Vocation

\* Figure excludes RPL (Scheme is for recognition of skill of workers with informal experimental learning)

The audit noticed that:

- Candidates trained against the targets ranged between 16 and 87 *per cent* under various training programmes of HPSPDP during 2018-22 (up to October 2022) indicating that the targets were not achieved to that extent.
- Candidates certified against those who were trained under Pilot STT scheme (67 *per cent*) and short-term training in ITIs (65 *per cent*) were below the target of 80 *per cent*. In other cases, certification ratio was above 80 *per cent*.
- The ratio of placement of the certified candidates (other than pilot STT and RPL schemes) ranged between three and 40 *per cent*, which was far below the required level of 70 *per cent*, indicating that training failed in achieving the intended outcomes.

The HPKVN stated (August 2023) that the main reasons for trained candidates not taking up the jobs is their preference of higher education and preparation for competitive exams. It was further stated that TSPs are also not making adequate efforts at their end for placement of the certified candidates. The reply is not acceptable as the HPKVN did not establish a comprehensive framework including all stakeholders (candidates, parents, TSPs, Placement agencies, Industry partners, etc.) to counsel and facilitate employment opportunities to trained candidates.

#### 4.5.1.2 Non-achievement of Targets of Completed Projects

Of 11 test-checked completed projects under HPSPDP, audit findings on four projects<sup>29</sup> involving two TSPs are discussed in the subsequent Paragraphs.

Skill Development projects<sup>30</sup> were allotted to M/s LabourNet Services India Private Limited (M/s LabourNet) in September 2016 on pilot basis and again under HPSPDP in June 2018. Similarly, Indian Institute of Skill Development (IISD) was allotted project for Graduate Add-on course under HPSPDP in June 2018. Period of above projects was

<sup>29</sup> Pilot- Short Term Training (STT) Project and HPSPDP No. I to III.

<sup>30</sup> M/s LabourNet: Pilot project and HPSPDP- II and III projects; M/s IISD: HPSPDP-I project.

15 to 24 months. These TSPs were required to facilitate placement to at least 70 *per cent* of the certified trainees to be eligible for payment of the last tranche of 30 *per cent*.

Scrutiny of records of these TSPs revealed that both these TSPs have not fulfilled their contractual obligations as indicated in **Table 4.7**.

**Table 4.7: Details of trainings assigned to two test-checked TSPs**

TSP	Period	Project	Sectors	Targets assigned	Trained (percentage against target)	Assessed	Certified (percentage against trained)	Placed (percentage Against certified)
M/s LabourNet	2017-18	Pilot	Furniture and Automotive	390	390 (100)	346	218 (56)	192 (88)
M/s LabourNet	2019-20	HPSDP Project No.-II	Automobile, Construction, plumbing, Power	2,000	584 (29)	584	493 (84)	139 (28)
M/s LabourNet	2019-20	HPSDP Project No. III	IT-ITES, Electronics, BFSI	3,000	866 (29)	866	709 (82)	225 (32)
IISD	2018-20	HPSDP Project No. I	IT- ITES, Banking, Finance, Securities and Insurance, Apparel Home furnishings	2,000	2,032 (102)	1,924	1,851 (91)	175 (9)

The audit noticed that:

- Achievement of certification of candidates against candidates trained was between 56 and 84 *per cent* in case of M/s LabourNet and was 91 *per cent* in case of IISD while achievement of placement against certified was between nine and 32 *per cent* under both the projects (except M/s LabourNet project for the year 2017-18 when placement was 88 *per cent*), which was far below the required minimum of 70 *per cent*.
- Time period of contracts of M/s LabourNet and IISD expired between December 2019 and June 2020, the same were not renewed by the HPKVN due to failure of TSPs to achieve the targets of certification and placements of candidates.

Irregularities observed with respect to M/s LabourNet are indicated from (i) to (iv) below.

- The last tranche of 30 *per cent* in respect of certified candidates was, however, not claimed by these TSPs, as these TSPs failed to place 70 *per cent* of trained candidates.

From scrutiny of records of the above projects, the following further irregularities were noticed:

- (i) There was no provision of franchising/ outsourcing of training program by the TSP in the contract agreement. However, M/s LabourNet outsourced training program to local level private institutes M/s Shree Vidya Group and KBS which was in contravention of the contract provision.
- (ii) As per contractual agreement, every trainer engaged by the TSP shall be Training of Trainers (ToT) certified. However, it was noticed that all 11 trainers deployed by LabourNet at Baijnath-II, Chauntra, Loharin, Nalagarh, Pandoh-II and Una were not ToT certified.
- (iii) Labs of M/s LabourNet were not in conformity with Skill Sector Council's norms as necessary equipment<sup>31</sup> required for trainings were not available.
- (iv) There was provision of Performance Guarantee (PG) for an amount of 25 *per cent* of the value of the contract in Pilot- Short Term Training scheme (allotted to M/s LabourNet) in event of inadequate or delayed performance whereas no such provision was made under HPSDP which should have been at least five *per cent*. Non-obtaining of Performance Guarantee (₹ 93.39 lakh) on project cost of ₹ 18.68 crore<sup>32</sup> allotted to LabourNet and IISD was in violation of financial rules.

The HPKVN stated (August 2023) that the HPKVN has cancelled services of M/s LabourNet Services India Private Limited due to non-adherence of proper procedures and guidelines. The fact, however, remains that inclusion of provision of Performance Guarantee and penalty in the contract agreement could have been one of the deterrents for non-achievement of targets of training.

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<sup>31</sup> **Baijnath-II:** IT-ITES Sector-Telephone voice recorder, IVR and software/ document format for recording call/ interactions (15), supporting software/ applications for projecting audio, video recording system; Assessment and test tools for day to day online test and assessments; **Chauntra:** Automotive Sector- Accessories like Seat cover, floor mats, infotainment, GPS graphics/ stickers, roof rail, rain water shield, fog lamps, crash guards, foot rests, courtesy lamps and show bedding; **Pandoh-2:** IT-ITES sector- Sun glasses (12), Overall Apron (14) Multi meter (not working); Flip Charts with marker, Microphone/ voice system for lectures and class activities, handy camera; Automotive sector- Cotton Gloves (14), Hard Toed boots (14), sun glasses (13) and overall apron (14).

<sup>32</sup> Total payment- M/s LabourNet: ₹ 2.57 crore (Project cost: ₹ 12.99 crore) and Indian Institute of Skill Development : ₹ 2.33 crore (Project cost : ₹ 5.69 crore).

### 4.5.1.3 Shortfall in Trainings by ITIs

Memorandum of Understandings (MoUs) were signed (July 2019-October 2021) between test-checked eight ITIs<sup>33</sup> and HPKVN for imparting training to 6,222 candidates in various sectors such as Construction, Plumbing, Apparel and Make Ups and Beauty and Wellness in the ITIs within 18 to 36 months from signing of MoUs at combined cost of ₹ 11.40 crore. HPKVN was to release the amount in three instalments depending upon achievement of targets.

Audit noticed that the first instalment of ₹ 3.42 crore was received (November 2019-December 2021) by the ITIs against which expenditure of ₹ 1.41 crore (41 *per cent*) was incurred as of December 2022. Remaining amount of ₹ 2.20 crore was lying unutilised (HPSDP funds: ₹ 2.01 crore and interest: ₹ 0.19 crore) with these ITIs in the savings bank accounts and Fixed Deposit Receipts. Further, against the targets of training of 6,222 candidates, only 1,248 (20 *per cent*) were trained, of which 1,048 candidates were certified as of December 2022. Of certified students, only 291 students (28 *per cent*) were placed, though stipulated period of MoUs had expired in April 2023.

The Principals of the respective ITIs attributed (October 2022) the shortfall in expenditure to non-purchase of tool and machinery (**Paragraph 4.4.2.1**), lack of admission in short term courses and COVID-19 pandemic. The Principal, ITI (W), Mandi, further stated that matter regarding reduction in training targets from 1,920 to 720 was taken up (August 2022) with the HPKVN but no response was received.

Non-conducting of the required training is one of the reasons that led to a blockade of funds in the bank accounts and non-release of subsequent installments.

### 4.5.1.4 Gender and Social Dimensions

Para 65 to 70 of Project Administration Manual stipulates separate targets for women and Persons with Disability (PwD) as HPSDP has been categorised a gender equity theme. The achievements of enrolment and certification/ placement against indicators/ targets for women and PwD are given in **Tables 4.8** and **4.9**.

**Table 4.8: Status of enrolment of women and PwDs during 2018-22 (upto June 2022)**

Indicators	Target to be achieved by 2022	Total enrolment in NSQF aligned courses	Required enrolment (35 <i>per cent</i> )	Actual Enrolment	Shortfall (in <i>per cent</i> )
Participation of female candidates in NSQF aligned and market- oriented short-term training	At least 14,000 of the targeted 40,000 youth or 35 <i>per cent</i>	30,673	10,735	14,297	--
Participation of Persons with Disability in above courses	400 or one <i>per cent</i> of the targeted 40,000 youths are Persons with Disability		307	155	50

Source: Project Administration Manual and information supplied by the HPKVN

<sup>33</sup> Bagsaid; Bangana; Dalash; Mandi (Women); Nirmand; Padhar; Paplog and Shamshi.

**Table 4.9: Status of certification and placement of women and PwDs during 2018-22 (upto June 2022)**

Indicators	Target	Certification	Percentage achievement	Percentage Shortfall
Certification of female candidates	70 <i>per cent</i> of women enrolled or 9,800	Required: 9,800 Certified: 8,435	86	14
Wage employment- Female	At least 2,940 or 30 <i>per cent</i> should get wage employment within six months of completing training	Required: 2,940 Achieved: 521	18	82
Certification of PwDs	At least 280 or 70 <i>per cent</i> of PwDs	Required: 280 Certified: 99	35	65
Wage employment- PwDs	At least 84 or 30 <i>per cent</i> of successfully certified	Required: 84 Certified: Nil	Nil	100

Source: Project Administration Manual and information supplied by the HPKVN.

As can be seen from **Tables 4.8** and **4.9**, while enrolment during 2018-22 (upto June 2022) of female candidates in NSQF aligned and market-oriented short-term training is substantial, there is significant shortfall in wage employment of certified female candidates. Enrolment of PwD candidates is low while wage employment shortfall is 100 *per cent* during 2018-22 (upto June 2022). Shortfall in providing wage employment may be attributed to non-conduct of adequate sensitisation workshops for trainees with Industries Associations and Chamber of Commerce and placement agencies during the above period as indicated in **Paragraph 4.2.4**.

The HPKVN stated (August 2023) that availability of jobs in the local areas is influencing the participation of women in wage employment. The fact however remains that there was significant gap in wage employment of PwD and female candidates.

## 4.5.2 Training under PMKVY

### 4.5.2.1 Non-achievement of Targets under PMKVY

Paras 1.4.10 and 4.6 of PMKVY guidelines stipulate that the training partners have to successfully place at least 50 *per cent* of the batch of trainees.

The status of training under PMKVY during 2017-22 in the State is given in **Table 4.10**.

**Table 4.10: Status of trainings in State under PMKVY during 2017-22**

Training type	Period	Allocation	Target	Enrolled	Trained (per cent against target)	Assessed	Certified (per cent against trained)	Placed (per cent against certified)
1	2	3	4	5	6	7	8	9
PMKVY-2.0 STT	2017-22	40,012	35,080	16,484	13,733 (39)	12,652	11,300 (82)	2,908 (26)
PMKVY-2.0 RPL	2019-20	4,500	4,500	1,568	1,022 (23)	876	876 (86)	NA
PMKVY-3.0 STT	2020-22 (upto 10/22)	--	540	501	501 (93)	387	365 (73)	22 (06)

Training type	Period	Allocation	Target	Enrolled	Trained (per cent against target)	Assessed	Certified (per cent against trained)	Placed (per cent against certified)
PMKVY-3.0 RPL	2020-21	--	2,400	1,640	1,640 (68)	1,355	1,200 (73)	NA
PMKVY 3.0 Covid Crash course	2021-22	--	120	80	78 (65)	75	68 (87)	4 (06)
<b>Total (Except RPL)</b>		<b>40,012</b>	<b>35,740</b>	<b>17,065</b>	<b>14,312 (40)</b>	<b>13,114</b>	<b>11,733 (82)</b>	<b>2,934 (25)</b>

Source: Figures supplied by HPKVN. Note: NA=Not applicable; figure in parenthesis is in per cent

The audit noticed that:

- Percentage of trained candidates against the target was only 40 per cent.
- The percentage of certified candidates against trained ranged between 73 and 87 under PMKVY.
- The percentage of candidates placed against certified candidates (except RPL) ranged between six and 26, which is far below the required level of 50 per cent.

The HPKVN stated (August 2023) that targets under PMKVY were not achieved because of restrictions imposed due to spread of COVID-19. It further stated that there were operational/ implementation related issues in placing certified candidates. The reply is not acceptable as the achievement of targets was low even during pre-Covid period.

#### 4.5.2.2 Other irregularities in the implementation of PMKVY 2.0 and 3.0

Audit scrutinised records of 13 completed projects<sup>34</sup> involving 11 TSPs under PMKVY-2 (seven TSPs<sup>35</sup> allotted STTs), RPL (One TSP- IL and FS) and PMKVY-3 (three TSPs<sup>36</sup>) in HPKVN and following audit observations were noticed as depicted in Table 4.11.

**Table 4.11: Other irregularities noticed in the implementation of PMKVY 2.0 and 3.0**

Sr. No.	Provision	Audit observation	Conclusion and the reply furnished by HPKVN (January 2023)
<b>PMKVY-2.0 (STT)</b>			
i.	Para No.1.3.7 of PMKVY-2.0 (STT) guidelines- Bio-metric device for capturing students' and trainers' attendance (Aadhaar enabled) was mandatory at the PMKVY centres.	Relevant records had not been furnished by HPKVN for scrutiny in respect of all	The HPKVN stated that bio-metric devices were used for capturing attendance. However, in absence of records the same could not be verified.

<sup>34</sup> Since PMKVY 2.0 and PMKVY 3.0 have been closed, no training programme was underway at the time of audit.

<sup>35</sup> **Short Term Trainings:** Golden Institute of Technology; Orion edutech; Mentor Skill India; Lord Ganesha Institute of Management and Technology; CSC E-governance Service India limited; Institute of Hotel Management Education Society Rampur Bushahr and Sri Radha Krishna Infotech Private limited.

<sup>36</sup> **Short Term Trainings:** Govt. ITI Sandhole; **RPL:** Deunique and **Special Project:** IL and FS.



Sr. No.	Provision	Audit observation	Conclusion and the reply furnished by HPKVN (January 2023)
		seven test-checked TSPs.	
ii.	Para No. 1.4.5 of PMKVY-2.0 (STT) guidelines- Kaushal Melas were required to be conducted in coordination with State/ Local Representatives by TSPs at least once every six months. The objective of Kaushal Melas is to mobilise school dropouts and undergraduate college dropouts towards STT.	Relevant record in this regard was not available for five <sup>37</sup> TSPs at HPKVN while two TSPs (Lord Ganesha and SCS E-governance) had not conducted Kaushal mela.	The HPKVN stated (August 2023) that Kaushal Mela was the mandate of the TSPs, hence no records were available at HPKVN.  In absence of records, effectiveness of Kaushal Mela, if any conducted by five TSPs, could not be ascertained in audit. Further, non-conduct of Kaushal Melas by two TSPs may have contributed to a shortfall in achieving targets.
iii.	Para No. 1.4.5 of PMKVY-2.0 (STT) guidelines- TSPs are required to ensure that mobilisation efforts are visible on print, outdoor and digital media.	Records were not available at HPKVN level.	The HPKVN stated that data in respect of five out of seven test-checked TSPs is available on Skill Development Management System (SDMS) portal (now defunct- not accessible anymore) and in respect of two TSPs (M/s IHM and M/s Radhe Krishna), relevant information is available at TSP level. However, access of records on SDMS Portal was not made available to Audit. Thus, extent of mobilisation could not be test-checked in audit.
iv.	Para No. 1.4.6 of PMKVY-2.0 (STT) guidelines- SSCs are mandated to conduct Training of Trainers (ToT) for certification of trainers.	Records were not available at HPKVN level.	The HPKVN stated (August 2023) that ToT certification details were uploaded on Skill Development Management System (SDMS) portal which is non-functional now. Evidently, in absence of records, ToTs conducted for trainers could not be established in audit.
v.	Para No. 1.4.7 of PMKVY-2.0 (STT) guidelines- Every certified candidate will be mapped to Pradhan Mantri Suraksha Bima Yojana (PMSBY). Candidates will have the insurance clause mentioned on their respective PMKVY certificates. TSPs would be responsible for paying the insurance fee for every enrolled candidate in their respective batch.	Certified candidates were not mapped to PMKVY.	The HPKVN stated that no mapping of certified candidates has been made to PMSBY as no appropriate agency could be identified for linking of certified candidates with PMSBY. Thus, trainees were deprived of the intended benefits of PMSBY.
vi.	Para No. 1.4.10 of PMKVY-2.0 (STT) guidelines- TSPs are required to have mentorship-cum-placement cells.	Records were not available at HPKVN level.	The HPKVN stated (August 2023) that data was uploaded on SDMS portal which is now defunct and not accessible anymore and admitted that having a placement cell is

<sup>37</sup> Golden Institute of Technology; Orion edutech; Mentor Skill India; Institute of Hotel Management Education Society Rampur Bushahr and Sri Radha Krishna Infotech Private limited.

Sr. No.	Provision	Audit observation	Conclusion and the reply furnished by HPKVN (January 2023)
			necessity for SMART accreditation process. Shortfall in achievement of targets under PMKVY may be attributed, inter-alia to lack of set up of mentorship-cum-placement cells.
vii.	Para No. 1.4.4 of PMKVY-2.0 (STT) guidelines- The trainee under the programme should either be a school/ college dropout(s) or unemployed.	Relevant record was not available at HPKVN level.	The HPKVN stated that record is not available. Evidently, eligibility status of trainees could not be assessed in audit. Chances of ineligible persons provided training cannot be ruled out.
viii.	Para No. 1.4.4 of PMKVY-2.0 (STT) guidelines- Targets shall be allocated to TSPs based on overall minimum 70 per cent placement performance of the TSP. The targets are subject to performance review every six months.	No performance review every six months of targets allotted vis-a-vis placement performance was carried out in respect of seven test-checked TSPs.	The HPKVN stated that the same has not been adhered to. It was further stated that the training partners were allocated small targets in order to ensure uniform distribution of targets. TSPs failed to achieve minimum level of placements (Paragraph 4.5.1.1), and no performance review of targets was carried out.
<b>PMKVY-3.0</b>			
ix.	Para No. 6 of PMKVY-3.0 (STT) guidelines- High standard of monitoring of Training Centres was to be ascertained. For this purpose, quarterly progress report, Geo-tagging, audit, etc. was to be carried out. Those TSPs were to be onboarded which show commitment towards skill development movement, for a long haul, through evidence of ownership / long lease of infrastructure created for providing training.	Relevant record of monitoring of Training Centre (Govt. ITI Sandhol) was not available at HPKVN level.	The HPKVN replied that no records were available at Headquarters. Evidently, the availability of infrastructure at TSP level as per requirement of training programme could not be ascertained in absence of said record.
x.	Para No. 6 of PMKVY-3.0 (STT) guidelines- During accreditation and affiliation of Training Centres, feedback from industry/ placement partners regarding job readiness (technical and soft skills) of placed candidates is to be sought.	Relevant record required for accreditation and affiliation of Training Centre (Govt. ITI Sandhol) was not available at HPKVN level.	The HPKVN replied that no record is available. Evidently, job readiness for trainees in synchronisation with industry / placement partners could not be ascertained in absence of said record.
xi.	Para No. 7 of PMKVY-3.0 (STT) guidelines- Registrations, enrolment and selection of the candidate will be done through common digital platform. This platform shall be integrated with Skill India Portal so that post	MIS data of trainees was not integrated with Skill India Portal by HPKVN.	The HPKVN stated that it tried to integrate MIS data with Skill India Portal data but due to technical glitches at MSDE/ NSDC, the same could not be integrated. The HPKVN stated (August 2023) that it has not been provided access to Skill India Portal so far.

Sr. No.	Provision	Audit observation	Conclusion and the reply furnished by HPKVN (January 2023)
	registration lifecycle of the candidate is mapped coherently.		Due to non-mapping of data with Skill India Portal, database of the certified candidates under PMKVY-3.0 in the State was not available at national level.
xii.	Para No. 10 of PMKVY-3.0 (STT) guidelines- Additional support to improve the outcome of the scheme shall be provided to the candidates, including special groups in the form of: <ul style="list-style-type: none"> <li>• Conveyance cost</li> <li>• Post Placement Stipend</li> <li>• Additional support to PwD candidates</li> <li>• Accidental insurance</li> <li>• Yearly incentive to Training Provider</li> <li>• One-time placement travel cost</li> <li>• Special Incentive for foreign placements</li> <li>• Post Placement Tracking Allowance</li> </ul>	Provision for additional support to improve the outcome of the scheme has not been complied with.	The HPKVN stated that no such request was received from any of the TSPs. However, the reply is not acceptable as 13 PwD candidates were provided training in the completed projects who were not provided additional support as required.  This impacted the output of the scheme, as the placement of certified PwD candidates was not carried out.
xiii.	Para No. 13 of PMKVY-3.0 (STT) guidelines- The schedule of activities related to placements shall be circulated to District Skill Councils (DSCs) for wider publicity.	Schedule of activities related to placements had not been circulated as required.	The HPKVN stated that DSCs were constituted in 2020-21 and by that time PMKVY was approaching closure. Non-circulation of the schedule had an adverse effect on placement of certified candidates.
xiv.	Para No. 13 of PMKVY-3.0 (STT) guidelines- Training linked to captive placements (training and placement within the same industry) will be promoted.	Same has not been complied with.	The HPKVN stated (August 2023) that trainings linked to captive placements will be promoted in future. Non-conduct of trainings linked to placement within industry is one of the reasons for low placement of candidates.
xv.	Para 13 of PMKVY-3.0 (STT) guidelines- Provides that Rozgar Melas are to be organised on regular intervals at District and regional level by TSP/ DSCs/ State Skill Development Mission (SSDM)/ SSCs for placement and apprenticeship.	No Rozgar mela was organised.	The HPKVN stated no Rozgar melas could be organised due to prevailing Covid norms. The reply should be seen in light of fact that placement of certified candidates was not to the required level (70 per cent).
xvi.	Para No. 13 of PMKVY-3.0 (STT) guidelines- A three-month placement/ self-employment monitoring shall be done by TSPs, DSCs, SSDMs.	No such monitoring was done.	The HPKVN stated that placement record is available on the HPKVN's MIS portal. No record of monitoring of certified candidates whether they continued in the job placed or left midway, is however available on MIS.
xvii.	Para No. 13 of PMKVY-3.0 (STT) guidelines- Provides that all certified candidates shall be on-boarded onto Aatmanirbhar Skilled	Relevant record or login id of the ASEEM portal is not	The HPKVN stated (August 2023) that this was the mandate of the TSP however onboarding could not be facilitated since HPKVN did not

Sr. No.	Provision	Audit observation	Conclusion and the reply furnished by HPKVN (January 2023)
	Employee Employer Mapping (ASEEM) portal (acts as a directory of skilled workforce) seamlessly to make them available to potential employers at click of a mouse.	available at HPKVN level.	receive the login credentials from Government of India. Failure to onboard candidates deprived them of the benefits of registering on the portal developed to seek details of certified trainees by potential employers.
xviii.	Para No. 13 of PMKVY-3.0 (STT) guidelines- Post placement verification shall be done by State Skill Development Mission (SSDM) i.e. HPKVN and District Skill Council at District level.	Relevant record was not available at HPKVN level.	In absence of post placement verification record, actual placement of candidates could not be verified in audit.
xix.	Para No. 6 of PMKVY-3.0 (RPL) guidelines- Potential candidates must be counselled by the trainer about benefits of RPL certification, Career Progression, Employment opportunity with learned skill, identifying knowledge gaps, etc.	Relevant record of Pre-screening and Counselling of candidates under PMKVY (RPL) was not available.	The HPKVN stated that the said activities are undertaken at field level. In absence of relevant record, the veracity of Pre-screening and Counselling done under PMKVY-RPL could not be ensured in audit.
xx.	Para No. 6 PMKVY-3.0 (RPL) guidelines- All RPL certified candidates shall receive accident insurance of three years. A unique policy number of the accident insurance be mentioned on the certificate to be awarded to respective certified candidates.	Unique policy number of the accident insurance was not found mentioned on certificates issued to RPL certified candidates.	The HPKVN stated (August 2023) that no appropriate agency could be identified for insurance of certified candidates. In absence of the same, 1200 certified trainees were deprived of the intended benefits of the insurance programme.

### 4.5.3 Trainings under SANKALP

Memorandum of Understanding (MoU) was signed between HPKVN and Himachal Pradesh State Handicrafts and Handloom Corporation Limited (HPSHHCL) in October 2021 for skill upgradation, design intervention and marketing of State specific Arts and Crafts under Skills Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP). As per MoU, the HPSHHCL was to provide training to 200 candidates pursuing skill upgradation, design intervention and marketing of State specific Arts and Crafts<sup>38</sup> at rate of per candidate expenditure of ₹ 22,400/- with total project cost of ₹ 44.80 lakh. Duration of training was six months and 200 candidates (preferably women, SC/ST, PwDs) were to be trained within a period of one year from the date of signing (12<sup>th</sup> October 2021) of MoU.

Components of training under MoU included: (i) Conduct of capacity building, orientation and sensitisation workshops for all the stakeholders (ii) Conduct of Training of Trainers (ToTs).

<sup>38</sup> Bamboo craft, Hand Knitting, Pine Needle craft, Kangra Miniature Painting, Chamba Rural Embroidery craft and Pottery trades/ job roles.

The HPKVN was to release 10 *per cent* as mobilisation advance to HPSHHCL and balance amount was to be provided after training of candidates.

Audit observed that:

- The HPKVN released ₹ 41.23 lakh as advance against required amount of ₹ 4.48 lakh to HPSHHCL between October 2021 and August 2022. However, details of expenditure incurred had not been obtained as of December 2022.
- As per MIS data (February 2023) the details of training provided to candidates under SANKALP is given in **Table 4.12**.

**Table 4.12: Details of training provided to candidates under SANKALP**

Scheme	Enrolled	Undergoing training	Trained	Assessed	Certified
SANKALP	176	126	50	50	0

From **Table 4.12** it can be seen that:

- The training was to be provided within one year from the date of signing (October 2021) of MoU. However, no candidate has been certified even after a lapse of five months from the expiry of MoU as of March 2023.
- The trainings were preferably for women, SC/ST, PwDs candidates, however, no information about category of trainees is available with the HPKVN, either on MIS or manually.
- The number of enrolled candidates for training under SANKALP is 176 against the target of 200.
- Further, no ToT was conducted for the trainers as shown in **Appendix 4.7**.

From the above, it is evident that the implementation of the MoU on part of HPKVN was not monitored and the training was not completed within the prescribed period as per the MoU.

## **4.6 Capacity Building and Adequacy of Trainers**

Capacity building enables continuous upgrading of skills and knowledge management and is essential for increasing the capability of the organisation to achieve its goals.

### **4.6.1 Training of Master Trainers**

As per Output 4 (iv) of Project Administration Manual of HPSPDP, 50 master trainers in key trades were to be provided requisite training to further train trainers engaged by the TSPs. HPKVN identified 33 sectors for training out of which trainings in 30 sectors are being provided.

Audit observed that:

- Without identifying key trades in these 30 sectors, MoU was signed (June 2022) between Director, TEVIT and Central Tool Room and Training Centre, Kolkata

for master training in only six<sup>39</sup> trades across three sectors<sup>40</sup> to 62 participants of the Department of TEVIT at a cost of ₹ 21.40 lakh.

- Trades of only three (having 17 *per cent* certified candidates only) out of above 30 sectors were covered and remaining trades under 27 sectors in which 83 *per cent* (**Appendix 4.4**) of candidates had been certified as of September 2022 were not considered for the purpose of training of master trainers. This is bound to affect quality delivery of skilling to candidates in absence of master training of trainers engaged by various TSPs in respect of remaining identified sectors.
- Of above, 59 trainers attended master training programme at a cost of ₹ 19.78 lakh in three sectors as against 50 master trainers across 30 sectors that were required to be trained.

The HPKVN stated (August 2023) that more training programmes covering other trades would be undertaken soon. The reply should be seen considering the fact that master trainers have been provided training only in three sectors, while training is being conducted in 30 sectors as identified by HPKVN.

#### **4.6.2 Training of Trainers (ToT) and Training of Assessors (ToA)**

Trainers and assessors, working in short-term skill development programmes, are to undertake training, based on Government of India approved framework<sup>41</sup>, consisting of orientation on domain (sector and job role-specific subject) and platform (training delivery/ assessment) skills, followed by assessment and certification. The Training of Trainers (ToT) and Training of Assessors (ToA) are of two categories (i) basic (training of seven to 10 days), followed by, (ii) advanced (maximum of 15 weeks duration). The basic certification is valid for two years whereas advanced certification has lifelong validity. The certification of trainers ensures that trainers remain updated as per advancements in respective industries and certified assessor ensures evaluation of students, as per industry standards.

Audit, however, noticed that data relating to number of trainers/ assessors engaged by the TSPs, trainers/ assessors due for training and trainers/ assessors trained with basic and advanced certification is not available with the HPKVN in any of the projects. As a result, the certification status of trainers/ assessors engaged by the TSPs as per advancements and standards in respective industries could not be verified in Audit.

While confirming the facts, the HPKVN stated (January 2023) that related data has not been maintained. In the absence of such data, maintenance of standard quality training by the TSPs cannot be assured.

<sup>39</sup> Basic architecture kit, advance civil software design, mechanical design, welding technology, CNC machinist and computer operator and hardware assistant.

<sup>40</sup> Architecture, Plumbing and Information Technology.

<sup>41</sup> Conducted by the respective Skill Sector Council. The trainers and Assessors are themselves to enroll for trainings on the Skill India portal.



#### **4.6.3 Deployment of Unqualified Trainers**

Para 6.5.2 of the agreement executed between the Department of Higher Education and various TSPs provides that TSPs should deploy trainers trained and certified by concerned sector skill council as per National Skill Development Council (NSDC) norms.

Audit observed that out of the 13 trainers deployed by the three TSPs<sup>42</sup> for Bachelor of Vocation programme in three test-checked Government Colleges for imparting trainings, validity of certificates of two trainers having basic certification (having validity period of two years) had expired in February 2020 and January 2021 while certificates of remaining 11 trainers were not available with the TSPs. Deployment of unqualified trainers was against the provision of agreement *ibid* and is bound to have adverse effect on quality of training, certification, and subsequent placement of trainees.

The HPKVN stated (August 2023) that it will ensure that all trainers and assessors are ToT and ToA certified in future.

#### **4.7 Monitoring and Internal Control mechanism**

##### **4.7.1 Management Information System (MIS)**

Para 54 of PAM requires HPKVN to design a comprehensive Management Information System (MIS) to capture information on key activities and trainings across all the implementing agencies and enable real-time reporting and analysis of relevant project information. It will also facilitate easier linkage with the National Career Services Portal operated by the Ministry of Labour and Employment, Government of India. Accounting systems were also to be integrated with the MIS for financial reporting as per PAM Manual.

Audit observed that Management Information System was developed (October 2016) by HPKVN to record data relating to only training of candidates. No financial reporting is being recorded in the MIS.

Analysis of MIS data of training generated in October 2022 was also carried out with a view to assess the correctness and reliability of details/ information of the trainees. Analysis revealed duplicate/triplicate trainings by same candidates, unrealistic entry of age of trainees, email column left blank, entry of wrong contact details, column of assessment date left blank, erroneous entries of number of attempts of assessment, date of certification field left blank, non-entry of dates of job offer to the candidates, etc. as per details given in **Appendix 4.8**.

This is indicative of irregularity and/or incorrect data entry in the MIS system. Due to lack of validation checks/ automatic checks, the MIS data used by the HPKVN as database and for reporting to the State Government/ Government of India/ ADB may

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<sup>42</sup> M/s LabourNet in Kullu, M/s Centum Learning Limited in Kullu and M/s Orion Edutech in Una.



not be reliable and the objective envisaged in PAM for a comprehensive MIS system has not been achieved.

#### **4.7.2 Use of Aadhar for Identification of Candidates**

As per Government of India guidelines (September 2016), the State Governments can mandate use of Aadhar authentication for the beneficiaries under section 7 of the Aadhar Act 2016. In order to do so, the State Governments are required to notify such schemes under Section 7 of the Aadhar Act before seeking permission from the Unique Identification Authority of India. Further, as per Section 8(2) of the Aadhar Act, 2016, consent of an individual before collecting his identity information for the purpose of authentication must be ensured.

Audit noticed that Aadhar number is being used for identification of candidates in enrolment/ training and direct benefit transfer (on job training - RPL) without notifying skill development programmes under Section 7 of the Aadhar Act. One-time consent for use of their Aadhar from candidates enrolled under above programmes was not obtained.

The HPKVN admitted (December 2022) that Aadhar is used as unique Id for identification of candidates enrolled under skill development schemes, however, the same has not been notified under Section 7 of the Aadhar Act.

#### **4.7.3 Grievances Redressal Mechanism**

Para 4.22 of Him Kaushal Policy, 2016 stipulates that all trainees, TSPs and other stakeholders shall make representation of grievances to Designated Authority within HPKVN. Further, Para 3 of the Himachal Pradesh Public Services Guarantee Act (HPPSG), 2011 stipulates notification of services, designated officers, first appellate Authority, second appellate Authority and stipulated time limits for the services provided by the Department/ HPKVN.

Audit noticed that HPKVN had established internal grievances redressal mechanism<sup>43</sup> under HPSDP in March 2022, after more than three years since start of project. However, no such mechanism has been developed/ established for PMKVY and SANKALP projects as of October 2022.

Also, HPKVN had not notified the services, designated officers, first appellate Authority, second appellate Authority and stipulated time limits under HPPSG Act as of October 2022.

The HPKVN stated (October 2022) that grievances redressal mechanism under PMKVY, SANKALP and HPPSG Act, 2011 was yet to be set up.

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<sup>43</sup> Managing Director (HPKVN) at State level, Project Manager, PWD at Zone level and Grievance Redressal Officer (District coordinator) at District level.

#### 4.7.4 Unjustified Expenditure on Pay and Allowances

The PAM, loan agreement with ADB, guidelines/ instructions/ rules of Government of India / State schemes implemented by HPKVN do not provide for appointment of a State Coordinator in HPKVN.

Audit noticed that the State Government appointed State Coordinator in HPKVN in January 2019 who reports to State Industries Minister. Without defining roles and responsibilities of State Coordinator in HPKVN, pay and allowances of ₹ 38.72 lakh (plus Government accommodation) were paid out of ADB sponsored HPSPD by HPKVN during January 2019 to March 2022.

The HPKVN admitted (October 2022) that no role and responsibility of State Coordinator was prescribed.

#### 4.7.5 Monitoring and Inspection of skill Training Programmes

For review of quality assurance process of trainings conducted by TSPs, every batch of training should be visited by District coordinator<sup>44</sup>, consultant of monitoring and evaluation (M&E) firm and HQ officials of HPKVN.

Details of inspections of skill training programme is given in **Table 4.13**.

**Table 4.13: Details of inspections of skilling programmes**

Year	Batches	Inspections required	Inspections by District Coordinator	Inspections by M&E firm	Inspections by HQ officials of HPKVN	Total Inspections conducted	Shortfall (percentage)
2016-17	5	15	9	0	--	9	6 (40)
2017-18	8	24	--	0	--	0	24 (100)
2018-19	175	525	79	249	--	328	197 (38)
2019-20	668	2,004	314	489	--	803	1,201 (60)
2020-21	34	102	24	501	--	525	423 (-)
2021-22	468	1,404	115	443	--	558	846 (60)
<b>Total</b>	<b>1,358</b>	<b>4,074</b>	<b>541</b>	<b>1,682</b>	<b>--</b>	<b>2,223</b>	<b>1,851 (45)</b>

Source: Figures supplied by HPKVN. Note: Data also includes inspections of batches spill over to more than one Financial Year.

From **Table 4.13**, it can be seen that overall shortfall in inspections by various functionaries was 45 per cent during 2016-22.

#### 4.7.6 Performance of Consultancy firms under HPKVN

Project Administration Manual envisages engagement of three consulting firms under the HPSPD to assist the HPKVN for implementation of programmes. These include the

<sup>44</sup> District Coordinators are officials of HPKVN at District level.

Project Management Consulting (PMC) firm<sup>45</sup>, Monitoring and Evaluation (M&E) firm<sup>46</sup>, and a civil works quality assurance firm<sup>47</sup>.

Contract agreements were signed between HPKVN and three consultancy firms<sup>48</sup> to provide experts and sub-consultants for implementation of HPSDP.

Audit observed that the performance of consultancy firms was not satisfactory as given in **Table 4.14**.

**Table 4.14: Status of outcome of major deliverables of consultancy firms**

Work and Firm	Contract value (₹ in crore)	Amount paid (up to March 2022) (₹ in crore)	Major Deliverables	Status
Project Management Consultant- (M/s PwC)	23.57	16.06	Preparation of annual work plans	Annual Plans not prepared during 2018-22.
			Development of MIS	Partially developed- Not capable of recording financial transactions and not integrated with National career service portal. (Paragraph 4.7.1)
			Collection of project baseline data and updation of design and monitoring framework	Activity assigned to M&E firm (IPE Global) without any change in person-months of consulting services
			Updating the HP Skill Development Policy	Not updated yet
			Planning and executing livelihood development programmes	No headway due to non-completion of RLCs/ CLCs
			Preparation of Institutional development plans across selected ITIs	Prepared for only five ITIs out of 56 ITIs with whom agreement has been signed for providing STTs.
			Operationalisation of MCCs	Only three out of 11 MCCs operationalised as of October 2022.
			Convergence of various skill development programmes	No progress made as of October 2022

<sup>45</sup> Assist in project management including monitoring, documentation, reporting, financial management, accounts, contract management, procurement and tendering, tracking the TSP/ assessors/ career counsellors work and identifying opportunities for apprenticeships and placements, outreach, communication, counselling and updating the MIS.

<sup>46</sup> Assist in preparing an M&E framework, collecting baseline data, conducting periodic tracer surveys, skill-gap analysis, project monitoring and capacity building, tracking and assessing the outcomes of project.

<sup>47</sup> Assist PWD and HPKVN in ensuring that the civil contractors adhere to the required quality, technical, and safety specifications, capacity building of contractors, the site-specific environment management plans, and improving construction quality and durability.

<sup>48</sup> PricewaterhouseCoopers Pvt. Limited, India (PwC): January 2018; Rodic Consultants Pvt. Limited in association with GC Sharma and Sons (Rodic): February 2018 and IPE Global (IPE Global): March 2018.

Work and Firm	Contract value (₹ in crore)	Amount paid (up to March 2022) (₹ in crore)	Major Deliverables	Status
			Preparing SOP for key activities to be undertaken by various line Departments.	Prepared only for Higher Education Department, under preparation for TEVIT Department and not prepared for Labour and Employment Department
Quality Assurance- (M/s Rodic)	5.14	7.35	Assisting HPPWD in obtaining various clearances and monitoring execution of infrastructural works by HPPWD	Delays in preparatory items of works (Paragraph 4.4.1) being executed under HPSDP resulting in delayed/ non-completion of projects and time overrun.
Monitoring and Evaluation- (M/s IPE Global)	9.30	5.36	Livelihood development	No headway due to non-completion of RLCs/ CLCs
			Conduct surveys and estimate the baseline	Conducted for only 400 trainees across nine training centres, though 58,733 candidates were enrolled as of October 2022.
			Track the placement of trained candidates for period of six months	Comparative analysis is yet to be done.
			Skill-gap analysis/ demand surveys	Prepared for only one out of 12 Districts in the State
			Project monitoring and Capacity Building.	There was shortfall in inspection of batches (Paragraph 4.7.5). Capacity building (Training to master trainer, ToT, etc.) under the project is deficient (Paragraph 4.6.1 and 4.6.2).
<b>Total</b>	<b>38.01</b>	<b>28.77</b>		

The expenditure on consultancy (₹ 28.77 crore) was about half of that incurred on skilling (₹ 55.16 crore) under programmes (HPSDP, PMKVY and SANKALP) during 2018-22. However, the performance of consultancy firms could not be described as satisfactory.

#### 4.7.7 Joint Physical Inspection of Training Centres

Joint Physical Inspection of ongoing training programmes was carried out during November-December 2022 by Audit with officers/officials of the govt/HPKVN. Findings of the inspection are given in **Table 4.15**.

**Table 4.15: Findings of Joint Physical Inspection of training centres**

TSPs visited	Audit Criteria	Audit Observations/ Remarks
(i) Indian Institute of Technology (IIT), Mandi	Para 4 (i) of MoU signed between HPKVN and IIT Mandi in April 2022 under HPSDP stipulates that Himachali youth with qualification B.E./ B.Tech., M.E./ M.Tech., Polytechnic and ITI who are willing for wage/ self-employment on completion of training shall only be enrolled.	Out of 49 candidates enrolled in training programme 'Finite Element Modelling for Engineers', 18 candidates (37 per cent) were non-Himachalis. Similarly, out of 91 trainees of completed course 'Hands-on training of Computational Fluid Dynamics', 15 trainees (17 per cent) were non-Himachalis. The GM, HPKVN stated (January 2022) that due to non-availability of adequate and eligible candidates, the students studying at IIT, Mandi were given the opportunity of skilling. The reply is not acceptable as only Himachali youths were to be provided training under the programme as per the MOU.
(ii) Atal Bihari Vajpayee Institute of Mountaineering and Allied Sports (ABVIMAS), Manali	Para 7 (a) of the MoU executed in March 2022 between HPKVN and Director, ABVIMAS provides skilling of youth in basic/ elementary level of courses (Skiing, river rafting, search and rescue, etc.) of duration seven to 14 days only.	During survey, four candidates who have completed the basic training in either of the courses offered stated that in order to become eligible for wage employment candidates have to be certified in basic, intermediate and advance level training programmes. However, only basic training is provided under HPSDP MoU with ABVIMAS which is inadequate for placements. The Director, ABVIMAS admitted that advance course certification is necessary for placement of candidates. From the above, it is evident that trainings offered in ABVIMAS are not job oriented and can be one of the reasons for lack of placements of trained candidates.

#### 4.7.8 Survey of the Candidates

Survey of the candidates enrolled in ongoing/completed training programmes offered by 20 TSPs under HPKVN schemes was conducted between October 2022 and December 2022 by Audit to assess whether training was being imparted to candidates as envisaged in the programmes. Overall, 408 out of 5,459 beneficiaries were covered in the survey. The details of beneficiaries surveyed, and their satisfaction level are given in Table 4.16.

**Table 4.16: Details of Beneficiary Survey and satisfaction level of candidates surveyed**

Particulars	Satisfaction level response		
	Yes (per cent)	No (per cent)	No response (per cent)
Biometric devices used for attendance	31 (8)	377 (92)	0 (-)
Understandability of training lecturers	324 (80)	84 (20)	0 (-)
Improvement required, if any, in (material/ trainers)	65 (16)	248 (61)	95 (23)
Mobilised about requirement of trades keeping in view the local opportunities and interest/ choice	301 (74)	93 (23)	14 (3)
Got job after completion of training	51 (12)	351 (86)	6 (2)
Whether placement provided by the TSP	53 (13)	348 (85)	7 (2)

Particulars	Satisfaction level response		
	Yes (per cent)	No (per cent)	No response (per cent)
Was course designed keeping in view of industrial needs	148(36)	242 (59)	18 (5)
Training needed in any other area to enhance skill	8(2)	400 (98)	0 (-)
Training material provided by TSP	223(55)	18 (4)	167 (41)
Was transport facility available	31(8)	374 (91)	3 (1)
Counselled prior to training	369(90)	23 (6)	16 (4)
Machinery and equipment required for training made available by TSP	386(95)	16 (4)	6 (2)
Feedback on training and or job taken	246(60)	116 (28)	46 (12)
Job fairs/mela/interviews arranged by TSP/ HPKVN	117(29)	280 (69)	11 (2)
Any other suggestion/ recommendation offered	The course should be product oriented, assignments may be given to students, invite industrial professionals, latest equipment may be provided, vocational trainers may be appointed timely.		

It can be seen from **Table 4.16** that satisfaction level of candidates was not upto mark, especially towards non-use of biometric device for attendance, non-design of training programme keeping in view of the industrial needs, non-organising of job fair/ mela/ interviews by TSPs and providing placements.

#### 4.7.9 Survey of the TSPs

Survey of 18 TSPs was also conducted between October 2022 and December 2022 regarding training programmes being conducted by them. Responses of these 18 TSPs have been consolidated in **Table 4.17**.

**Table 4.17: Responses of TSPs in survey on crucial issues**

Particulars	Responses	
	Yes	No
Performance Security deposited for courses as required	6	12
Biometric attendance taken during trainings	0	18
Training programme inspected by HPKVN or other designated agency	10	8
Women and PwD enrolled	12	6
Reporting framework exists with HPKVN	6	12
Post placement tracking carried out	5	13
Job fairs/Kaushal and Rozgar mela/Placement arranged	8	10
Any placement assistance provided to candidates	9	9
Mentorship-cum-placement cell established	9	9
Third party agency monitoring held	3	15
Placements of candidates tracked every month for the period of one year	3	15
Whether 50 per cent or more certified candidates employed within three months of certification	2	16

It can be seen from **Table 4.17** that responses of TSPs with regard to obtaining Performance Security, use of biometric for attendance, third party monitoring, placements and tracking of candidates indicated that implementation of the programme was not as envisaged.

#### **4.8 Conclusion**

The HPKVN is responsible for skilling of youth of the State through short term courses for self-employment and employment in private sector. However, programme implementation has not been given due attention by two State/ Departmental level monitoring Committees. Efforts to cover skill development programmes implemented by various Departments under one umbrella were not effective. Trainings in Agriculture and Horticulture Sectors were not adequate.

Utilisation of funds was low during 2017-22 due to delay in empanelment of TSPs, delay in start of trainings, low progress on civil works, etc.

The Performance Security was not obtained from the TSPs. Exemption from GST council towards payment of GST on training conducted by the TSPs has not been obtained. There was shortfall in providing wage employment to both female and PwD candidate. Records relating to adherence to the various provisions of the PMKVY guidelines such as biometric attendance, insurance of candidates, organising Kaushal Melas, training linked to captive placements, etc., have either not been maintained or the provisions have not been complied with.

Monitoring, inspection and internal control mechanism was also not effective. The performance of consulting firms engaged for implementation of HPSPDP was also not satisfactory.

Surveyed candidates expressed dissatisfaction towards non- conduct of jobs fairs and non-providing of placements by the TSPs after their certification.

#### **4.9 Recommendations**

*In view of the audit findings, the State Government may consider*

- *Skilling in sectors matching with aspiration of candidates so that they undergo trainings, take placements, and do associated jobs with objective of long-term employment.*
- *Providing adequate infrastructure for training of candidates by timely completion of infrastructure.*
- *Providing trainings in sectors with local job opportunities and skilling in local arts and crafts with provision for finance, market, display-sale centres to publicise the same and linking of trainings to captive placement.*
- *Ensuring monitoring of implementation of programmes at apex level and adequate inspections of training by various Departmental functionaries.*
- *Ensuring monitoring the performance of firms and TSPs in compliance to the contractual agreement.*

*The audit findings were referred to the State Government in April 2023. The reply has not been received.*





**Chapter-V**

**Integrated Development of Theme  
Based Tourist Circuit in Himachal  
Pradesh through Swadesh Darshan  
Scheme**



## Chapter V: Integrated Development of Theme Based Tourist Circuit in Himachal Pradesh through Swadesh Darshan Scheme

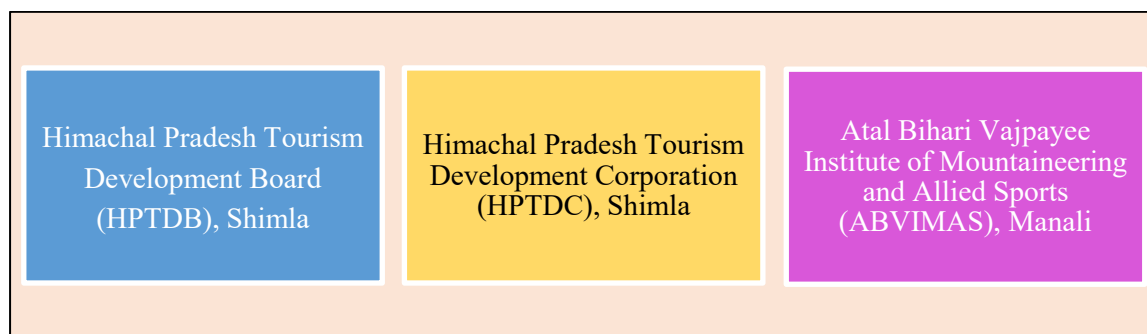
### Tourism and Civil Aviation Department

#### 5.1 Introduction

Ministry of Tourism (MoT), Government of India (GoI) launched **Swadesh Darshan Scheme – Integrated Development of Theme Based Tourist Circuits in the Country (SDS)** for development of tourism infrastructure in January 2015 pursuant to the Union Government Budget announcements for the year 2014-15.

Under the scheme, 15 circuits: Eco-tourism, Wildlife, Buddhist, Desert, Spiritual, Ramayana, Krishna, Coastal, Northeast, Rural, Himalayan, Tribal, Heritage, Tirthankara and Sufi were identified for development all over India by MoT. Out of the above 15 circuits, ***Integrated Development of Himalayan Circuit*** (the Scheme) was sanctioned for the State of Himachal Pradesh to be implemented by the Department of Tourism and Civil Aviation (DoT), Government of Himachal Pradesh. The project in the State was executed by three executing agencies as given in **Chart 5.1**.

**Chart 5.1: Executing agencies for SDS**



Projects sanctioned under SDS, which were to be completed by June 2020, were extended till September 2022 by MoT (September 2022).

Himachal Pradesh is popular for its topographical diversity and pristine natural beauty. Therefore, it is an attractive destination for tourists. Details of tourist inflow in Himachal Pradesh is given in **Table 5.2**.

**Table 5.2: Tourist inflow in Himachal Pradesh**

(in lakh)

Sr. No.	Calendar Year	Indian Tourists	Foreign Tourists	Total	Percentage growth
1.	2011	146.05	4.85	150.90	-
2.	2012	156.46	5.00	161.46	+7.00
3.	2013	147.16	4.14	151.30	-6.29
4.	2014	159.25	3.90	163.15	+7.83
5.	2015	171.25	4.06	175.31	+7.45
6.	2016	179.98	4.53	184.51	+5.25
7.	2017	191.31	4.71	196.02	+6.24
8.	2018	160.94	3.57	164.51	-16.07

Sr. No.	Calendar Year	Indian Tourists	Foreign Tourists	Total	Percentage growth
9.	2019	168.30	3.83	172.13	+4.63
10.	2020	31.71	0.43	32.14	-81.33
11.	2021	56.32	0.05	56.37	+75.39
12.	2022	150.71	0.29	151.00	+167.87

Source: Information furnished by DoT, HP.

### 5.1.1 Scheme objectives

The guidelines of the SDS were issued in 2015. The scheme guidelines were subsequently revised in October 2017 based on third-party impact evaluation of the scheme conducted by National Productivity Council (NPC)<sup>1</sup>. As per the revised guidelines, the objectives of SDS were:

- To position tourism as a major engine of economic growth and job creation by planned development of tourism circuits having potential of attracting tourists.
- Enhancing the tourist attractiveness in a sustainable manner by developing world class infrastructure/facilitation center in the circuit/ destinations.
- Follow community-based development and pro-poor tourism approach through creating awareness and employment for the local community.

Additional guidelines were also issued in August 2020 applicable to the projects sanctioned before October 2017.

### 5.1.2 Budget and Expenditure

The Scheme is 100 *per cent* centrally funded and efforts were to be made to achieve convergence with other schemes of Central and State Governments and also to leverage the voluntary funding available for Corporate Social Responsibility (CSR) initiatives of Central Public Sector Undertakings (CPSUs) and Corporate Sector.

MoT had sanctioned (March 2017) the project covering 14 components for ₹ 99.76 crore under SDS-Himalayan Circuit for implementation in the State of Himachal Pradesh. The MoT accorded (September 2020) revised sanction of ₹ 80.69 crore for 10 components. It dropped six components where no work was started due to land acquisition issues, proceedings in the National Green Tribunal, etc., out of the 14 components sanctioned earlier and added two new components, details of which are given in **Appendix 5.1**. The details of amounts sanctioned, expenditure and status of work in respect of the 10 sanctioned components of the scheme are given in **Table 5.1** and details of funds released by MoT are given in **Table 5.1(a)**.

<sup>1</sup> The National Productivity Council (NPC) is as an autonomous organisation under the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India.

**Table 5.1: Details of components sanctioned under SDS**

Sr. No.	Name of the component	Executing Agency	Amount sanctioned (₹ in crore)	Expenditure <sup>2</sup> (September 2022) (₹ in crore)	Status of work (September 2022)
1.	Convention Centre at Kiarighat	HPTDB	25.00	37.60	Completed
2.	Heliport at Shimla	HPTDB	12.13	12.34	Completed
3.	Village Haat at Kangra	HPTDB	4.00	3.58	Completed
4.	International Standard Free Standing Artificial Climbing Wall, Manali	ABVIMAS	3.00	1.59	Completed
5.	Paragliding Centre and Equipment at Bir	HPTDB	8.00	8.00	Completed
6.	Construction of Art and Craft Centre at Bhalei Mata	HPTDC	4.00	4.65	Completed
7.	Development of Maa Hateshwari temple, Hatkoti	HPTDC	3.04	3.04	Completed
8.	Signages Gantries <sup>3</sup> , CCTV and WiFi for the entire circuit	HPTDC	5.01	4.32	Completed
9.	Development and Beautification of Dal Lake, Dharamshala	HPTDB	4.00	0.90	Incomplete/dropped
10.	Light and Sound show, Shimla	HPTDB	8.66	0.30	Incomplete/dropped
	Consultancy charges two per cent		1.54	1.51	
	Contingency charges three per cent		2.31	2.27	
<b>Total</b>			<b>80.69</b>	<b>80.10</b>	

Source: Information supplied by the Department of Tourism, Himachal Pradesh.

**Table 5.1 (a): Details of funds released by MoT**

(₹ in crore)

Year	Funds released by MoT
2016-17	19.95
2017-18	-
2018-19	-
2019-20	19.93
2020-21	19.97
2021-22	4.70
<b>Total</b>	<b>64.55</b>

Against sanctioned funds of ₹ 80.69 crore, MoT released ₹ 64.55 crore. However, DoT had incurred expenditure of ₹ 80.10 crore i.e., ₹ 15.55 crore in excess of the released amount.

### 5.1.3 Audit objectives

The Subject Specific Compliance Audit (SSCA) was conducted with the objective to assess whether:

1. The tourist circuit was identified, prioritised, and planned as per the scheme design and objectives, to increase tourist potential at the sites.

<sup>2</sup> As per Review meeting held between MoT and states concerned in September 2022, SDS in the State was foreclosed based on progress reported till 31 August 2022 and remaining work was to be completed out of State funds. Hence, expenditure on the scheme was taken up to September 2022.

<sup>3</sup> A gantry is a high metal structure that supports a set of road signs.

2. The identified projects were executed as per prescribed guidelines so as to achieve integrated development of quality (world class) infrastructure.
3. There was proper management of the funds and timely utilisation of the same as per the norms of the scheme.

#### **5.1.4 Scope and Methodology of Audit**

The Subject Specific Compliance Audit on Integrated Development of Theme Based Tourist Circuit in Himachal Pradesh through Swadesh Darshan Scheme covering the period from January 2015 to March 2022 was conducted during October 2021 to February 2022 by test-check of records relating to all the sanctioned components under Himalayan Circuit, in the offices of the Director, Tourism and Civil Aviation, Himachal Pradesh, Shimla and the three executing agencies (Executive Engineer, HPTDB; Managing Director, HPTDC and Director, ABVIMAS). Information collected from the records and replies furnished by the above units to audit memoranda were analysed to arrive at audit conclusions. Joint Physical Inspection of nine (out of 10) components' sites and physical verification of 16 (out of 62) signages/gantries (tenth component) was also conducted.

SDS has been allocated significant financial outlays and its impact is expected across the State. Further, Himachal Pradesh being a State with great tourism potential and 10 important components being identified under the scheme, achievement or otherwise of the objectives of the schemes assumes high importance.

The audit objectives, criteria and scope were discussed in an Entry Conference held with the Principal Secretary (Tourism and Civil Aviation), Government of Himachal Pradesh in November 2021. The audit findings were discussed with the Principal Secretary (Tourism and Civil Aviation), Government of Himachal Pradesh in an Exit Conference held in June 2022 and the views of the Government/Department are included in the SSCA.

#### **5.1.5 Audit Criteria**

The main sources of audit criteria for the SSCA were:

- Scheme guidelines/instructions/circulars issued by MoT.
- Instructions/circulars issued by the State/Implementing Agency.
- Minutes of National Steering Committee, Central Sanctioning and Monitoring Committee and Mission Directorate<sup>4</sup> meetings.
- Conditions of the sanctions accorded with the project.
- Detailed Project Reports (DPR).
- General Financial Rules, 2017 and Himachal Pradesh Financial Rules, 2009.
- Third party impact assessment report by National Productivity Council.

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<sup>4</sup> Mission Directorate in the MoT (headed by an Officer not below the rank of Joint Secretary) was responsible for laying down the standard operating procedures in line with the guidelines of the scheme and coordinating with the States/UTs and Implementing Agencies etc. for effective implementation of the scheme.



- CPWD/PWD Works Manual.

## **5.2 Planning for design, identification and selection of tourist circuits/projects/ sites/ components**

### **5.2.1 Issues related to DPRs for SDS and its components**

The DPR for the entire SDS scheme (Himalayan Circuit) was prepared by HPTDC, through hiring of a consultant M/s Sharma & Associates, Sanjauli, Shimla (February 2017). There was one DPR for the entire scheme, which was sent by DoT to MoT. Component wise separate DPRs were prepared by executing agencies viz HPTDB, HPTDC and ABVIMAS through various firms and sent to MoT for approval. Details of DPRs are provided in **Appendix 5.2**.

#### **5.2.1.1 Non-achievement of objectives outlined in the DPR**

The DPR for SDS provided for the following objectives:

- Enhancing income and employment opportunities by integration of tourism activity in overall development process of the area;
- Ensuring maximum employment to the locals by formulating an appropriate human resources development plan for imparting training in key skills to the local population.
- Boosting the economy of local people and increasing their income and paying capacity by providing basic tourism infrastructure in the proposed locations; and
- Constructing field hostels at two places to initiate the process of tourism promotion in the area so that the private hotels and paying guest houses ultimately take over the boarding and lodging activities.

The audit noticed that:

- Documents evidencing the method by which income and employment opportunities would be enhanced were not found on the records of DoT/HPTDC.
- No mechanism had been devised for imparting training to the local population to ensure maximum employment to the locals.
- No details for creation of jobs/employment after development of infrastructure in each project component were found.
- Further, no field hostels to initiate the process of tourism promotion were constructed by DoT as of April 2023.

The Director, DoT and Executive Engineer, HPTDC stated (March 2022) that no human resource plan was formulated before preparing the DPR to impart training on key skills to the local population of all implemented projects. Thus, the fact remains that DoT could not achieve the objectives outlined in the DPR.

### **5.2.1.2 Lack of community participation in the preparation of DPR for SDS**

SDS guidelines provided for organisation of a workshop of stakeholders to discuss various aspects of projects including sustainability, environmental impact, *etc.*, and incorporation of its recommendations in the DPR. In the DPR prepared by the DoT, it was mentioned that community participation is the key to any sustainable development; and the proposed development plan under submission had to be prepared in consultation with the local community. Besides, meetings were to be held with all the stakeholders like representatives of the local self-Government, local development offices and local opinion leaders.

Audit noticed that it was stated in the DPR that consultation was done with the local community and meetings were held with all the stakeholders like representatives of local Governments, local development officers and local leaders for preparation of the DPR. However, no records/minutes of meetings held with the above were provided by the DoT. This indicated that the DoT had not maintained documents of consultation with the local community evidencing their participation for preparation of the DPR.

Executive Engineer, HPTDC stated (March 2022) that information for preparation of DPR was gathered by the team of architects appointed for the purpose by consulting local people with regard to advantage of area *etc.*, verbally. The reply is not acceptable because HPTDC should have maintained proper records of consultation with all stakeholders for preparation of the DPR, as stipulated in the guidelines. Lack of community participation was also evident in the component - Development and Beautification of Dal Lake, Dharamshala, as observed in subsequent **Paragraph 5.3.1**, which was also one of the reasons for the failure of the component.

### **5.2.1.3 Deviation in DPR from definition of tourist circuit**

As per SDS guidelines, a Tourist Circuit is defined as a route on which at least three major tourist destinations are located such that none of these are in the same town, village or city. At the same time, it should be ensured that they are not separated by a long distance. It should have well defined entry and exit points. A tourist who enters should get motivated to visit all the places identified on the circuit.

It was observed that:

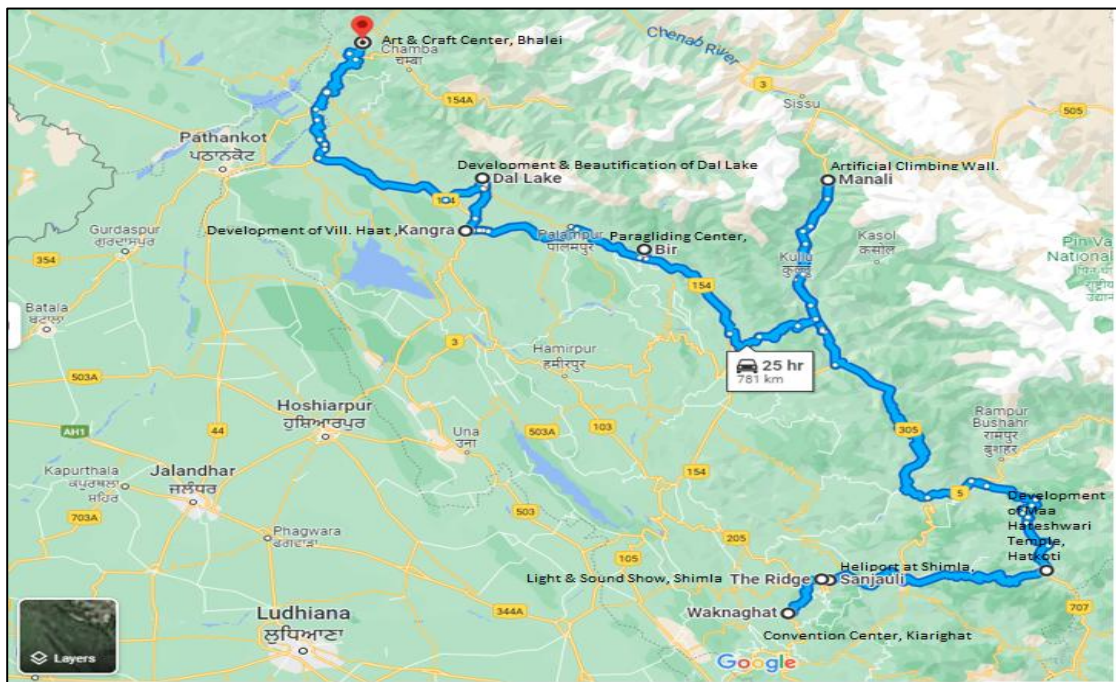
- Entry and exit points were not identified in the DPR prepared by HPTDC to ensure that tourists get motivated to visit most of the places identified in the circuit. The process of identifying entry and exit points was neither proposed by PMC<sup>5</sup> (national level consultant appointed by MoT) during finalisation of sites nor pointed out by the Central Sanctioning and Monitoring Committee (CSMC)<sup>6</sup> while sanctioning of project.

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<sup>5</sup> Ernst and Young Pvt. Ltd. PMC is responsible for detailed perspective plans and vetting of DPRs.

<sup>6</sup> CSMC (in MoT) is responsible for sanctioning of the projects submitted by the Mission Directorate, which is headed by the Member Secretary, National Steering Committee as Nodal Officer.

- Integrated Development of Himalayan Circuit had nine destination sites (excluding signages and gantries across the State). From the State capital Shimla, the map of the circuit depicts the destination sites scattered to the west (Kiarighat), east (Hatkoti), north-east (Manali) and north-west (Kangra, Dharamshala, Bir and Bhalei) spread across 781 kms. However, this did not constitute a circuit as it did not have definite interlinkages between the sites, as is evident from the map below. While PMC had done analysis of individual sites, there is no mention of these sites forming a circuit or any strength and weakness analysis having been conducted of the circuit as a whole.



**Picture 5.1: Google map showing sites in the Himalayan tourist circuit in Himachal Pradesh**

As there is an absence of clearly demarcated entry and exit points linking the circuits and as these standalone sites are geographically far apart, the probability of tourists planning their journey to cover these destinations as a circuit does not seem probable, thereby defeating the concept of circuit creation. In fact, as these destinations do not contribute to circuit development, being standalone, referring to the project as circuit creation and development thereof is a misnomer. Thus, the sites for the circuit under the scheme in the State were planned/ formulated as isolated places and cannot be linked as a clearly defined circuit, defeating the basic objective of creation of tourist circuit under the scheme.

The Director, DoT stated (April 2022) that DPR was prepared by HPTDC after site inspection conducted by the PMC appointed by MoT. The project was approved by the MoT as per meetings of the Mission Directorate and the CSMC. The matter of identifying entry and exit points were not objected by PMC/ CSMC/ MoT. The reply does not explain the reasons for non-identification of entry and exit points of tourist circuit in the DPR as per the provisions of SDS guidelines and why sites were not proposed to form a circuit as per guidelines.

#### 5.2.1.4 Selection of consultant for preparation of DPR of the SDS components

Para 4.6 of SDS guidelines provides that the Implementing Agency shall observe all codal formalities while awarding contracts for works/material/equipment procurement and ensure complete transparency in its transactions. Rule 124 of Himachal Pradesh Financial Rules 2009 (HPFR) provides that advertised tender be invited for hiring of consultants' services for the projects costing ₹ 10.00 lakh and above.

Audit observed that HPTDB had allotted the work of preparation of DPR with detailed drawings (working and structural cost estimates, bill of quantity) of six<sup>7</sup> components/destinations under SDS to a consultant<sup>8</sup> for ₹ 1.11 crore (at the rate of two *per cent* of projected cost) without inviting advertised tender, on the plea that the consultant had been working for Asian Development Bank project (executed by DoT) for preparation of DPR since February 2006 and made payment of ₹ 1.01 crore accordingly. Contrary to the provision of HPFR and SDS guidelines *ibid*, the expenditure of ₹ 1.01 crore on consultancy services was irregular. On the other hand, HPTDC, which was also another Executing Agency for three components, called for tenders for two components<sup>9</sup> of SDS and got bids finalised for consultancy charges at the rate of 1.4 and 1.5 *per cent* for these two components<sup>10</sup>.

The Director, DoT stated (December 2021) that quotation from two firms (already working on ADB project) were invited and after negotiation, the consultant agreed to work at the rate of two *per cent*. DoT also stated that work i.e., drawings, estimates and DPR awarded by HPTDC at lower rate was due to situation and Terms of Reference (TOR) which might be different in both the cases (HPTDB and HPTDC). In the Exit Conference, the Government confirmed (June 2022) the facts and stated that necessary action would be taken. However, the fact remains that DoT had not followed the open tendering process as stipulated in the HPFR.

#### 5.2.1.5 Delay in preparation of DPR for the SDS

The Detailed Project Report (DPR) in respect of Integrated Development of Himalayan Circuit-Scheme (Scheme) was prepared (September 2015) by HPTDC by engaging the services of a consultant<sup>11</sup> for an amount of ₹ 4.50 lakh. The DPR was sent (October 2015) to MoT for approval but the same was returned (March 2016) after raising certain observations<sup>12</sup> to DoT for making amendment in DPR and drawings

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<sup>7</sup> (i) Convention Center at Kiarighat, (ii) Ice Skating Rink at Shimla, (iii) Heliport at Shimla, (iv) Village Haat at Kangra, (v) Dal lake at Dharmshala and (vi) Paragliding Center at Bir Billing.

<sup>8</sup> M/s Shah Technical consultant.

<sup>9</sup> (i) Construction of Art and Craft Centre at Bhalei Mata, (ii) Development of Maa Hateshwari temple, Hatkoti, (iii) Signages Gantries, CCTV and WiFi for the entire circuit - consultation was done by the HPTDC itself.

<sup>10</sup> Tenth component 'International Standard Free-Standing Artificial Climbing Wall, Manali', consultancy was undertaken by the construction firm itself.

<sup>11</sup> M/s Sharma & Associates, Sanjauli, Shimla.

<sup>12</sup> Circuit map with location and distances marked were not provided; details like architectural drawings with plinth areas, estimates, analysis of rates based on quotations from market were not provided; land ownership details were not furnished and execution and O&M were not clearly defined, etc.

accordingly. The amended DPR was sent (March 2017) by DoT to MoT for releasing funds under the scheme. Based on DPR, MoT sanctioned (March 2017) ₹ 99.76 crore and simultaneously released ₹ 19.95 crore to HPTDB. This indicated that DoT had taken time of two years (since the launch of SDS in March 2015) for finalising DPR.

#### **5.2.1.6 Time taken in preparation of DPRs for components of the Scheme**

DoT had assigned the work of preparation of DPRs to the Executing Agencies and the Executing Agency had further allotted the said work to consultants. However, the consultants had submitted the DPRs with delay as depicted in **Appendix 5.3**.

It can be observed from **Appendix 5.3** that:

- DoT had not prescribed any timeline to the executing agencies (HPTDC/HPTDB/ABVIMAS) for allotment of consultancy work to the consultant.
- As per allotment orders/TOR issued by the executing agencies, DPRs were to be prepared by consultants within 30 days from the allotment of the work. However, the DPRs of four (out of 10) components were completed by the consultants with delays ranging between 131 and 361 days.
- No penalty was imposed for the delay in the submission of DPRs as there was no clause in the agreement in this regard.

The Director, DoT stated (December 2021) that the work was awarded to the consultant for the preparation of DPRs and payment was made on output basis. However, the fact remains that considerable time was taken for preparation of DPRs by the consultants.

#### **5.2.2 Role and responsibilities of the State Government before sending project proposal to MoT**

The State Government before sending project proposal to MoT was responsible for:

- i. Identification of the projects
- ii. Preparation of project proposal/DPR in line with the scheme guidelines and toolkit for preparation of DPR
- iii. Feasibility study/survey of the projects
- iv. Preparation/maintenance of data related to tourist footfall, employment generation, etc.

Audit observed deficiencies in the above as indicated in the following Paragraphs.

##### **5.2.2.1 Issues relating to acquisition of land and obtaining other clearances/ NOC**

Paras 4.1 and 4.6 of SDS guidelines provide that site evaluation will be carried out before preparation of conceptual detailed project report and land to be used for the projects must be free from all encumbrances. The guidelines further provide that the funds were to be released to the State only after submission of all the necessary clearances and work orders. As per DPR, the State Government was required to obtain



the necessary clearances/ no objection certificates (NOC) from various Departments/ Local Bodies before execution of the project.

In two components as indicated below, DoT did not obtain necessary clearance of land from the Forest Department/ Irrigation Department before preparation of conceptual DPR. Further, the Executive Agency (HPTDB) had awarded the works pertaining to these two components to contractors without ensuring the necessary clearances. As a result, there was a delay of 409 and 257 days respectively in handing over of sites to the contractors and commencement of work as shown in **Table 5.3**.

**Table 5.3: Delay in handing over of site to contractors for want of land clearance**

Sr. No.	Name of component	Date of award letter	Date of handing over of encumbrance free land/site	Delay in handing over of site (days)	Reason for delay	Status (April 2023)
1.	Paragliding Center at Bir	5 February 2019	20 March 2020	409	Non-obtaining clearance from the Forest Department for cutting of 42 <i>Nashpati</i> trees	Completed but yet to be handed over
2.	Heliport at Shimla	31 August 2018	15 May 2019	257	Water supply line was not shifted and water tank which was at the site was not dismantled	Completed but yet to be handed over

The Director, DoT stated (January 2022) that the sites were not completely handed over due to some administrative reasons and local issues. DoT has confirmed (April 2023) that these components have been completed. However, the fact remains that both the works were delayed due to non-handing over of encumbrance free sites to the contractors.

#### 5.2.2.2 Non-obtaining of NOCs resulting in unfruitful expenditure

For execution of a component (Ice-Skating Rink at Shimla) that was sanctioned in March 2017, DoT had to obtain necessary NOCs from different Departments<sup>13</sup>, the area being a sliding/sinking zone. However, no NOCs were obtained for as long as 34 months<sup>14</sup> after sanction. This resulted in non-start of construction work at the site and subsequently MoT dropped (January 2020) the component, thus rendering the expenditure of ₹ 0.26 crore (advertisement expenses: ₹ 0.03 crore; and cost of DPR preparation: ₹ 0.23 crore) incurred by DoT for preparation of DPR/ work estimates and advertisements as unfruitful. In addition, the objective of development of Ice-Skating Rink to be used by tourists was not achieved.

The Director, DoT stated (April 2022) that the delay in finalisation of DPR of proposed Ice Skating Rink was due to the reasons that, the proposed work was a specialised job,

<sup>13</sup> HPPWD, Forest Department, Himachal Pradesh State Electricity Board Limited, Shimla Municipal Corporation, National Green Tribunal, Himachal Road Transport Corporation, Geological wing under Department of Industries, Fire Services Department.

<sup>14</sup> From March 2017 to January 2020.

which consisted of civil and refrigeration parts and the same had been proposed for the first time in Himachal Pradesh. For the preparation of concept, drawing, design and for finalisation of its specifications of International Standards and its DPRs etc., a lot of exercise involving consultations with national and international experts had been done by various levels/authorities, which took four to five months for its finalisation. The proposal of the Ice-Skating Rink had been developed/ planned as per International Standards and cost of project had been worked out to be ₹ 21.00 crore (₹ 12.00 crore for civil part and rupees nine crore for refrigeration part). Funds to the tune of rupees eight crore only were sanctioned by the Ministry of Tourism which were not sufficient to execute the work. As such, to get the additional funds of ₹ 13.00 crore the case remained under process with the Government. But during the seventh Board of Directors meeting held on 31/10/2019, it was decided that the project would be taken up for its implementation under Shimla Smart City Limited (SSCL). Due to non-availability of NOCs from various agencies, the case could not be taken up by SSCL. Thereafter, during the review meeting for the North Region held on 18/01/2020 at New Delhi for SDS, it was decided to drop the project.

In the Exit Conference, the Government stated (June 2022) that necessary action would be taken in this regard. The fact, however, remains that the DoT had not obtained all the required NOCs from the Departments concerned, which resulted in a dropping of the component.

### **5.3 Funds Management**

#### **5.3.1 Wasteful expenditure of ₹ 0.90 crore due to seepage of water resulting in dropping of the Dal lake component**

In case of component-Development and Beautification of Dal Lake, the District Tourism Development Officer (DTDO), Dharamshala intimated (November 2018) DoT that there was continuous seepage of water of the Dal lake resulting in less water availability in the water body. In order to prevent seepage and restore the water level of Dal lake, advice from geologists, engineers, and wetland experts was required to resolve the issues. The DTDO, Dharamshala further intimated (January 2020) that the protection of Dal lake from seepage may be included in the scheme as a separate component, because without addressing the issue of seepage, the beautification of Dal lake would have no meaning. However, the DoT did not consider the request, citing the reason that there was no provision for seepage treatment in the scope of work under the Scheme. Subsequently, geologists and wetland experts were not consulted to resolve the issue of seepage of Dal lake and the lake got dried up as shown in **Picture 5.2**.





**Picture 5.2: Dal lake, Dharamshala**

In the meantime, DoT had incurred expenditure of ₹ 0.90 crore for the development and beautification of Dal lake up to September 2022 without taking up the matter with the State Government and MoT regarding inclusion of the component of leakage treatment of Dal lake in the scope of work as envisaged in SDS guidelines issued (August 2020) by MoT, wherein there was a provision for change/addition in scope of component in the public interest.

The contractor had requested/intimated on 8 November 2019 and 30 July 2020 that the execution work of component was delayed due to pending design/layout plan which resulted in delay for more than one and half years. It was noticed that the execution of the said component was held up because the local community had wanted the inclusion of the protection of Dal Lake from seepage, as a component in the Scheme, before construction of other works of the component.

A review meeting held on 22 July 2021 under the chairmanship of Principal Secretary (Tourism), decided that the work of Development and Beautification of Dal lake be stopped.

Thus, non-inclusion of the aspect of protection from seepage of water in DPR (July 2018), not taking up matter with MoT even after the issue was pointed out by DTDO and non-enhancement of scope as provided in the revised guidelines resulted in dropping of the component and wasteful expenditure of ₹ 0.90 crore.

The Director, DoT stated (December 2021) that the expenditure incurred at site was not a wasteful expenditure because the work was started with the intention to complete the entire work but due to some unavoidable circumstances and hindrance by local people, the work could not be completed. The reply is not acceptable as DoT should have addressed the issue of seepage from the lake during August 2020 when scheme guidelines were revised. Further by ensuring community participation to address the concerns of the local community as stipulated in the guidelines, development of the component could have been achieved.

### 5.3.2 Fund utilisation/ expenditure against Information Education Communication

Para 8.2.5 of the guidelines provides that 10 *per cent* of the project cost shall be earmarked for Information, Education and Communication (IEC) programme for capacity development like workshops, seminars, publications, stakeholders outreach, skill development and professional and administrative services.

Audit noticed that neither funds for IEC were earmarked nor any expenditure was incurred for IEC activity and skill development.

The Director, DoT stated (March 2022) that no funds were earmarked for IEC components and the same would be done in future from the State Budget. In the Exit Conference, the Government stated (June 2022) that necessary action would be taken in this regard. However, the fact remains that IEC activities were to be conducted right from the initial stage which were not done.

### 5.4 Execution of the Scheme

#### 5.4.1 Inordinate delay in completion of Scheme components and non-levy of liquidated damages

Details of delay in execution of works of two (out of 10) components (status of work indicated in **Table 5.1**) by the contractors within the stipulated period of completion and non-levy of liquidated damages are given in **Table 5.4**.

**Table 5.4: Delay in execution of works/ projects**

Sr. No.	Name of Component	Criteria	Award date and amount	Stipulated date of completion	Status of work as on date of audit (October to December 2021)	Delay (days)/ (Reasons)	Liquidated damages not levied (₹ in lakh)
1.	Light and Sound Show, Shimla	Component was to be completed on or before 120 days from the date of issuance of work order, failing which liquidated damages of ₹ 0.25 lakh per week subject to overall maximum of 10 <i>per cent</i> of contract amount to be imposed	30-07-2020, ₹ 7.47 crore	06-12-2020	Incomplete	329 (Eight Film scripts provided late without voice over and music)	11.75 <sup>15</sup>
2.	Artificial Climbing Wall, Manali	18 <i>per cent</i> penalty per annum will be levied on the last instalment by the institute for the	17-07-2019, ₹ 1.47 crore	16-05-2020	Incomplete	586 / (Timely certification of IFSC standard not)	14.12 <sup>17</sup>

<sup>15</sup> 47 weeks multiplied by 25,000 (December 2020 to November 2021).

<sup>17</sup> ₹ 48.87 lakh (last installment) multiplied by 18 *per cent* for 586 days (stipulated date of completion i.e., 16/05/2020 to 23/12/2021).

Sr. No.	Name of Component	Criteria	Award date and amount	Stipulated date of completion	Status of work as on date of audit (October to December 2021)	Delay (days)/ (Reasons)	Liquidated damages not levied (₹ in lakh)
		number of days for the project delayed <sup>16</sup> (16.05.2020 to 16.12.2021) from the date of award letter.				obtained by contractor.)	
<b>Total</b>							<b>25.87</b>

It can be seen from **Table 5.4** that the contractors had not completed the works within the stipulated period and the executing agencies had not levied the liquidated damages of ₹ 25.87 lakh for delays of 329 and 586 days.

For the work at Sr. No. 1, the Director, DoT stated (January 2022) that initially the proposal/concept for light and sound show having WOW effect at Town Square, Shimla including Operation and Maintenance for five years was approved by the State Government and the notice to proceed with the work was issued to contractor on 30/07/2020. Thereafter, the contractor prepared the initial concept and submitted the same to the Department vide email dated 17/02/2021. Further, as per the guidelines of MoT, no objection certificate was required before the start of the work from the concerned Agency i.e., Municipal Corporation, Shimla which was received on 28/06/2021 and thereafter, DoT intimated the contractor to start the work at site. In addition to the above, the representative of contractor further clarified vide email that he submitted eight numbers of scripts and eight numbers of films (without voice over and music) to the Departmental Authority. The fact however remains that the Executive Agency had failed to act against the contractor as per the agreement. The DoT did not furnish replies for the work at Sr. No. 2. In the Exit Conference, the Government stated (June 2022) that necessary action would be taken. The Department confirmed (April 2023) that the work at Sr. No. 1 had been dropped and work at Sr. No. 2 had since been completed. However, the fact remains that project completion was delayed significantly, and no penalties were levied on the contractors, thus extending undue favour to them.

#### 5.4.2 Irregular diversion of funds

Para 4.4 (9) of SDS guidelines provides that the DPR shall be prepared as per toolkit of MoT with focus on no duplication/ overlap of works with other schemes of GoI.

<sup>16</sup> The contractor had to certify the construction from M/s Climb Korea that the speed climbing wall so erected conforms to International Federation of Sports Climbing (IFSC) standards and after collecting the said certificate, the contractor had to submit this to ABVIMAS which was not done. Thus, the component got delayed.

#### **5.4.2.1 Diversion of funds from Integrated Development of Solan District Scheme for project-Convention Centre at Kiarighat and submission of false Utilisation Certificates**

Under the scheme “Integrated Development of Solan District (IDSD)<sup>18</sup>”, MoT sanctioned (August 2008) ₹ 1.60 crore for development of wayside amenities, construction of Tourist Reception Centre and Construction of Multi storied parking at Kiarighat. Para 9 of the sanction letter under the IDSD provides that the State Government/ HPTDC will not keep the amount unutilised for more than six months. In case the funds cannot be utilised by such a time, the same will have to be surrendered to MoT or their formal approval should be taken to transfer/adjust the amount against other central financially assisted projects.

Audit observed that MoT released funds of ₹ 1.28 crore to DoT and DoT had submitted (January 2013) Utilisation Certificate (UC) of ₹ 1.28 crore to MoT. Audit further observed that the aforesaid work sanctioned under IDSD could not be started due to non-availability of land and water. Funds of ₹ 1.28 crore released (September 2018: ₹ 0.48 crore and May 2020: ₹ 0.80 crore) were lying unutilised from August 2008 to September 2018 with HPTDC and were not surrendered. In September 2018, DoT had transferred the amount sanctioned for IDSD to SDS for ‘Construction of Convention Centre at Kiarighat’. Thus, DoT had issued false UCs to MoT (January 2013) and transferred funds sanctioned for IDSD project to SDS project without approval of MoT.

In the Exit Conference, the Government confirmed (June 2022) the facts and stated that necessary action would be taken in this regard. Providing wrong information to MoT in the form of UCs without actual utilisation points to serious lapses in the monitoring mechanism.

#### **5.4.3 Status of infrastructure created**

##### **5.4.3.1 Handing over of completed components for operation and maintenance**

MoT issued (June 2021) instructions that after physical completion of the project, the respective state/central implementing agencies, in consultation with the State Government, hand over the assets to the selected Agency with clear roles and responsibilities for operation and maintenance of components *viz.*, Tourist Facilitation Center (TFC), cafeteria and toilets. Once the operation and maintenance Agency was selected, the Implementing Agency would inform the MoT to release five *per cent* of the sanctioned cost or final project cost after successful operation and maintenance of components for one year as certified by an independent agency. The Implementing Agency had to submit the details in respect of completed projects so that verification of these components could be got done by MoT from India Tourism Development Corporation Ltd. (ITDC), an independent agency.

The following deficiencies were noticed in the audit:

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<sup>18</sup> Central Government Scheme under which the State Government received funds in 2008.

**(i) Handing over components without MoU and non-submission of physical completion certificate**

HPTDC had completed the component - Art and Craft Centre at Bhalei in September 2021 with an expenditure of ₹ 4.65 crore. However, it was noticed that:

- On approval of the State Government for transferring the said component to the Department of Language, Art and Culture, HPTDC handed over the assets along with details of civil and electrical items of inventories of the component to District Language Officer, Chamba on 16 November 2021 for its operation and maintenance without entering into an MoU.
- DoT had not submitted the physical completion certificate of the component to MoT as of December 2021; as a result, verification of components viz., toilet, TFC, cafeteria facilities was not got done by an independent agency required under the Scheme.

The Director, DoT did not furnish reasons for the deficiencies.

**(ii) Completed component not handed over**

Construction of component- Village Haat at Kangra was completed on 30 September 2020 at a cost of ₹ 3.58 crore. DoT had not submitted completion certificate to MoT for verification of constructed components and release of the remaining five *per cent* of the sanctioned cost as of December 2021.

Further, DoT had not handed over the completed component for operation and maintenance to the appropriate Agency by signing MoU as of October 2021. As a result, beneficiaries were deprived of the intended benefits of the project.

The Director, DoT stated (December 2021) that the Department had requested Director, Language, Art and Culture Department repeatedly to take over the possession of the building and the same would be transferred to them soon.




As of September 2022, none of the completed components was handed over to the appropriate agency.

**5.4.4 Observations as a result of Joint Physical Inspection of the site of the projects**

Deviations found during Joint Physical Inspection of the sites of the projects are given in **Table 5.5**.



**Table 5.5: Details of deviations found during Joint Physical Inspection**

Sr. No.	Name of Project/ component	Deviation/deficiencies found
1.	Heliport at Shimla	<ul style="list-style-type: none"> <li>A pantry of 3.75 m<sup>2</sup> was constructed against the approved size of cafeteria of 45.59 m<sup>2</sup>.</li> <li>Baggage/ Luggage room was not constructed against the provision of 23.40 m<sup>2</sup>.</li> <li>The retaining wall was not constructed at the rear side of the Heliport, as a result it might affect the durability of the Heliport.</li> </ul> <div style="text-align: right;"> <b>Picture 5.3</b>   </div>
2.	Construction of Convention Center at Kiarighat	<ul style="list-style-type: none"> <li>A convention hall was constructed with capacity of 350 persons against the approved provision of 1,000 person capacity.</li> <li>Parking for 90 vehicles was constructed against the approved provision of 200 vehicles capacity.</li> </ul> <div style="text-align: right;">  </div>
3.	Development of Art and Craft Center at Bhalei	<ul style="list-style-type: none"> <li>Parking area of 144.30 m<sup>2</sup> was constructed against the approved area of 500 m<sup>2</sup>.</li> <li>Museum and Village Bazaar was not constructed for which there was a provision of ₹ 2.50 crore in DPR.</li> </ul> <div style="text-align: right;">  </div>
4.	Development of Maa Hateshwari Temple, Hatkoti	<ul style="list-style-type: none"> <li>A provision of ₹ 0.08 crore was made for rain shelter. However, during Joint Physical Inspection, it was found that rain shelter was yet to be completed.</li> </ul>
5.	Village Haat at Kangra, project	<ul style="list-style-type: none"> <li>Open-Air-Theatre for which provision of ₹ 0.60 crore was made, was not constructed.</li> </ul>

In the Exit Conference, the Government confirmed the facts and stated (June 2022) that necessary action would be taken in this regard. However, the fact remains that approved components intended to facilitate tourism were not fully implemented as envisaged.

### 5.4.5 Issues related to Performance Security

Rule 11(i) and (ii) of General Conditions of Contract of Himachal Pradesh Public Works Department provide for obtaining Performance Security from the successful bidders at the rate of five to 10 *per cent* of the value of the contract. Para 2.2.7.2 (ii) of Master Circular- Guarantees and Co-acceptances of RBI provides that the beneficiary of the Bank Guarantee (BG) should also be advised to invariably obtain the confirmation of the banks concerned about the genuineness of the guarantee issued by them as a measure of safety.

Deficiencies relating to Performance Security were noticed in four out of 10 components, details of which are given in **Table 5.6**.

**Table 5.6: Status of Performance Security**

Sr. No.	Name of work (project)	Date of award (contract value - ₹ in crore)	Performance Security to be obtained /obtained (₹ in lakh)	Performance Security furnished valid up to	Issue
1.	Heliport of Shimla	July 2018 (8.70)	87.02	July 2019	Non-confirmation of BG furnished as Performance Security by the contractor, from the concerned bank and non-extension of the same after its due date
2.	Development of Maa Hateshwari Temple, Hatkoti	November 2020 (2.11)	21.07	--	Non-obtaining Performance Security
3.	Art and Craft Center Bhalei, Chamba	September 2019 (3.43)	34.28	--	Non-obtaining Performance Security
4.	Artificial Climbing Wall, Manali	July 2019 (1.47)	14.66	--	Non-obtaining Performance Security
<b>Total</b>			<b>157.03</b>		

Source: Information supplied by executing agencies.

As can be seen from **Table 5.6**, Performance Security of ₹ 70.01 lakh was not obtained in three contracts (Sr. Nos. 2 to 4). In respect of Performance Security of ₹ 87.02 lakh in one contract (Sr. No. 1), the BG submitted as Performance Security of ₹ 87.02 lakh was neither confirmed from the bank concerned nor extended beyond the validity date. Thus, total Performance Security of ₹ 157.03 lakh was not obtained/confirmed from the contractors. This had resulted in the extension of undue favour to the contractors.

In respect of Heliport at Shimla, DoT stated (January 2022) that the letter for confirmation of BG furnished as Performance Security was written to the bank but no confirmation was received. As regards the extension of BG, the contractor was requested time and again to extend the bank guarantee, but he refused to extend the bank guarantee.



In respect of Hatkoti and Bhalei project, HPTDC stated (February 2022) that tenders had been called for as per Financial Manual of HPTDC wherein no such guidelines of Performance Security were there in bidding documents. Hence, no Performance Security was taken from the bidder.

However, this reply is not satisfactory, as Departments, Corporations etc. are required to comply with the Himachal Pradesh Financial Rules, 2009, which are applicable to the Departments, Corporations, etc., within the State. As per Chapter 6 of these Rules, Performance Security must be obtained from the successful contractor and should remain valid for a period of sixty days beyond the date of completion of the contract.

In the Exit Conference, the Government stated (June 2022) that necessary action would be taken in this regard.

## **5.5 Conclusion**

The objectives outlined in the DPR of Integrated Development of Himalayan Circuit (Circuit) relating to boosting the local economy through employment to local youth, enhancing income by tourism activity were not achieved.

Circuit under the scheme was not clearly defined as projects were identified and proposed at isolated places without identifying entry/ exit points in the DPR. Hence, the tourist circuit proposed was unable to motivate the tourists to visit most or the next destinations of the circuit.

Consultants for preparation of DPRs of individual components were engaged without following the tender process. Considerable time was taken in preparation and finalisation of detailed project report of Circuit as a whole. The consultants had not prepared DPRs of the individual components within the stipulated time.

Due to non-availability of land and necessary clearance/ no objection certificates of different Departments/agencies, two components were dropped midway, and others remained unexecuted for long and resulted in unfruitful/wasteful expenditure.

No expenditure was incurred for IEC activities. Liquidated damages were not imposed in two cases despite inordinate delay in completion of the components.

The diversion of the IDSD funds observed in the SDS component Convention Center at Kiarighat was against the SDS guidelines.

The Department had handed over operation and maintenance of one completed component without signing a memorandum of understanding with the concerned agency and another completed component was not handed over to the operation and maintenance agency.

On Joint Physical Inspection by Audit, it was observed that some of the sub-components of the sanctioned components were either not constructed or constructed in variance of approval, making the expenditure unfruitful.

Performance Security of ₹ 1.57 crore from the successful bidder was not obtained resulting in extension of undue favour to the contractor.

## **5.6 Recommendations**

The State Government may consider the following:

- *Preparation of DPRs of the projects as per standards/guidelines so as to avoid delays/dropping of the components.*
- *Ensuring compliance with all checklists regarding availability of land/forest clearances/no objection certificates from all the Departments concerned and completion of all codal formalities before awarding works for execution so as to ensure their execution, within the stipulated period.*
- *Expediting utilisation of funds and creation of infrastructure facilities under the projects so as to derive intended benefits of the scheme in time.*
- *Ensuring strict compliance with the stipulated clauses of the contract agreement including recovery of liquidated damages from the contractor.*

**Chapter-VI**  
**Individual Audit Observations**  
**(Departments)**



## Chapter VI: Individual Audit Observations (Departments)

### Department of Agriculture

#### 6.1 Excess payment of subsidy to farmers on purchase of tractors under Sub-Mission on Agricultural Mechanisation

**Non-adherence to the pattern of assistance under Centrally Sponsored Scheme “Sub-Mission on Agricultural Mechanisation (SMAM)” resulted in excess payment of financial assistance of ₹ 4.61 crore to 1,005 beneficiaries in the test-checked Districts.**

The Centrally Sponsored Scheme, Sub-Mission on Agricultural Mechanisation (SMAM)<sup>1</sup>, is implemented by the Directorate of Agriculture with the objective to increase the reach of farm mechanisation to small and marginal farmers by providing financial assistance on agricultural machinery (tractors). For the purpose of providing financial assistance, farmers were categorised into two groups: (i) SC, ST, Small and Marginal farmers, Women and NE States beneficiaries; and (ii) other beneficiaries. Financial assistance was to be provided for two types of tractors – two-Wheel Drive (2WD) and four-Wheel Drive (4WD). Financial assistance was restricted in terms of specific percentage of the cost of tractor subject to the maximum limit for each category of beneficiary and type of tractor. Till 2017-18, no differentiation was made between 2WD and 4WD Tractor; and flat norms of financial assistance<sup>2</sup> were prevailing. However, w.e.f. 2018-19, differentiation between 2WD and 4WD Tractor was made and different norms of financial assistance for the same were prescribed as depicted in Table 6.1.

**Table 6.1: Financial Assistance for procurement of Agriculture Machinery**

Type of Tractor	For SC, ST, Small and Marginal farmers, Women and NE States beneficiary		For other beneficiaries	
	Pattern of assistance (per cent of cost)	Maximum permissible subsidy for equipment per beneficiary	Pattern of assistance (per cent of cost)	Maximum permissible subsidy for equipment per beneficiary
(i) Tractor 2WD <sup>3</sup>	50	₹ 2.50 lakh	40	₹ 2.00 lakh
(ii) Tractor 4WD <sup>4</sup>	50	₹ 3.00 lakh	40	₹ 2.40 lakh

The Directorate of Agriculture, while issuing the cost norms w.e.f. 2018-19, did not differentiate between Tractor 2WD and 4WD as directed in the guidelines of the Centrally Sponsored Scheme “Sub-Mission of Agricultural Mechanisation” and flat

<sup>1</sup> A centrally sponsored scheme with 90 per cent share of Centre and 10 per cent State share.

<sup>2</sup> ₹ 1.25 lakh or 35 per cent of the cost of Tractor (Above 20-40 PTO HP) whichever was less.

<sup>3</sup> 2WD (Two-wheel drive) vehicles are powered by only two wheels, either in the front or in the back.

<sup>4</sup> 4WD (Four-wheel drive) vehicles are powered by all the four wheels.

rate of financial assistance of 50 *per cent* of the cost of Tractor or ₹ three lakh, whichever was lower, was issued to the Districts.

Audit scrutiny (2021-22) of four<sup>5</sup> test checked Districts revealed non-cognisance of norms mentioned *ibid*. Against, the due financial assistance of ₹ 25.10 crore to 1,005 beneficiaries of 2WD tractors, an amount of ₹ 29.71 crore was disbursed resulting in excess payment of financial assistance of ₹ 4.61 crore to these beneficiaries. The excess financial assistance ranged from ₹ 6,000 to ₹ 50,000 per beneficiary. Details of distribution of 2WD and 4WD tractors are given in **Appendix 6.1**.

The Director of Agriculture accepted (May 2022) the lapse in following the guidelines of the scheme. The reply of the Government was still awaited (July 2024).

***Recommendation: The State Government may strengthen the internal control mechanism to implement the scheme according to operational guidelines and take suitable action for recovery of excess financial assistance made to farmers including fixing of accountability for non-adherence to the stipulated norms.***

## Himachal Pradesh Public Works Department

### 6.2 Unfruitful and avoidable expenditure on construction of a bridge

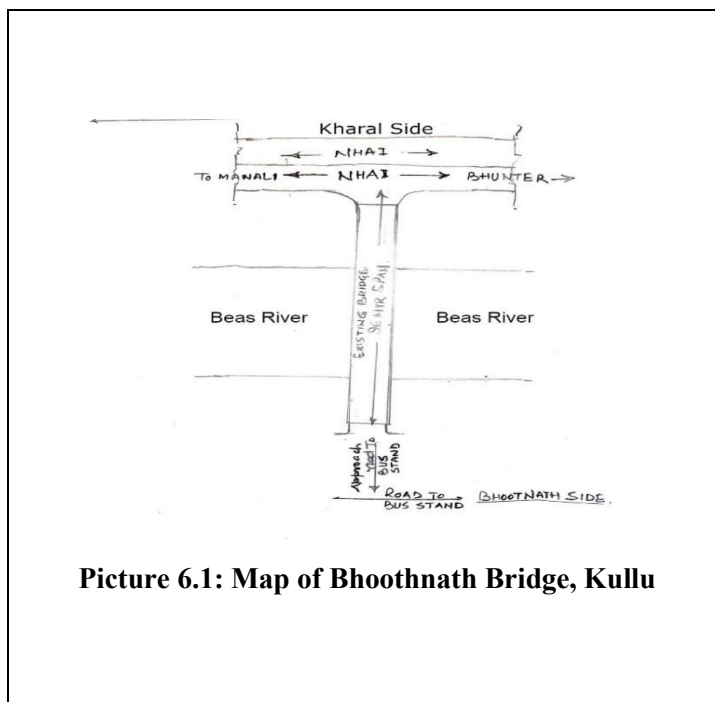
**Construction of a bridge with improper design coupled with inaction against the defaulters/ Contractor and lack of investigation as well as lackadaisical attitude of the Department towards execution of rehabilitation work of the damaged bridge resulted in unfruitful expenditure of ₹ 10.60 crore. Further, it also involved an avoidable expenditure of ₹ 4.15 crore on rehabilitation and strengthening of the damaged bridge (₹ 2.15 crore) and construction of alternate multi-span Bailey bridge (₹ Two crore), resultantly defeating the objective of providing relief to the commuters.**

To alleviate the constant traffic jam in the route from Manali to Mandi, the State Government accorded (July 2007) administrative approval and expenditure sanction of ₹ 5.51 crore for construction of 101.00 meters span balanced cantilever prestressed concrete (PSC) Box girder double-lane bridge over river Beas at Bhoothnath (including both side approaches to connect Bus-stand Kullu and National Highway to Manali). However, the span was reduced to 90 metres (July 2007) due to some technical reasons and site conditions.

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<sup>5</sup> Deputy Director of Agriculture, Palampur, Kangra District; Deputy Director of Agriculture, Nahan, Sirmour District; Deputy Director of Agriculture, Una District and Deputy Director of Agriculture, Chamba District.

Scrutiny of records (February 2021) of the office of the Executive Engineer, Kullu revealed that the construction work of the bridge was awarded in May 2008 to a Contractor<sup>6</sup> for a tender amount of ₹ 6.65 crore and stipulated to be completed by June 2010. After carrying out the geotechnical investigations of the bridge site, the Contractor had submitted his own design which was duly approved (August 2010) by the Chief



Picture 6.1: Map of Bhoothnath Bridge, Kullu

Engineer, Mandi. As per the approved design, the span of the bridge was increased from 90 metres to 96 metres. In the meantime, the work was also approved (November 2009) under NABARD (RIDF-XVI)<sup>7</sup> and the State Government accorded (December 2009) revised administrative approval and expenditure sanction of ₹ 8.58 crore. The bridge was completed in October 2013 at a cost of ₹ 10.60 crore<sup>8</sup>. The excess expenditure of ₹ 2.02 crore was incurred without ensuring revised administrative sanction of the State Government, and therefore, was irregular.

Main components<sup>9</sup> of a bridge are as shown in the picture:

<sup>6</sup> M/s Jagdish Chand Gupta Engineers & Contractor.

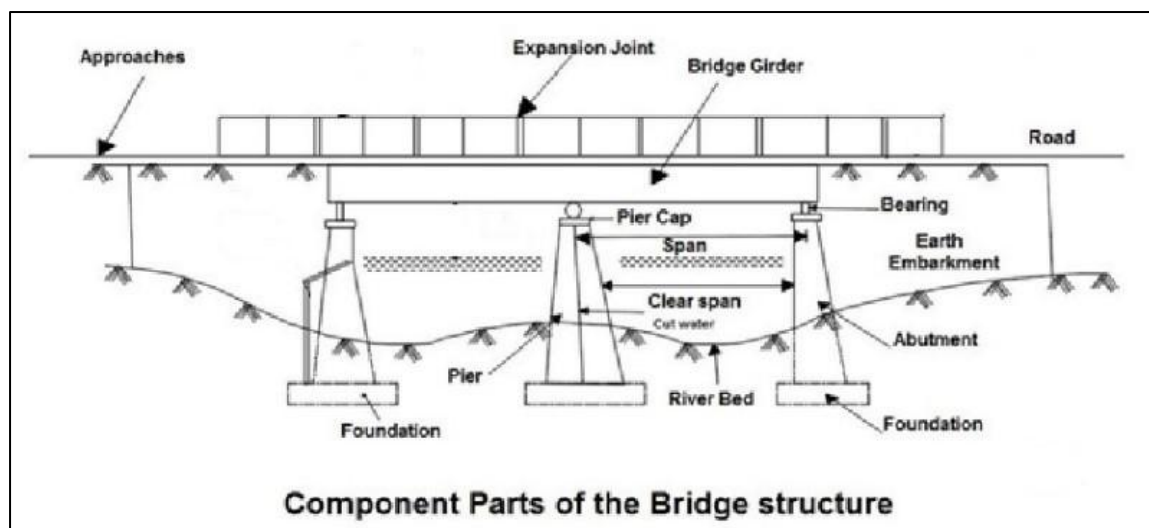
<sup>7</sup> NABARD - National Bank for Agriculture and Rural Development; RIDF - Rural Infrastructure Development Fund.

<sup>8</sup> Value of original work: ₹ 6.65 crore, extra amount due to increase in span: ₹ 0.06 crore, cost escalation: ₹ 1.16 crore and cost on approaches of ₹ 2.74 crore.

<sup>9</sup> **Expansion joints** are designed to adjust its length accommodating movement or deformation by external loads, shrinkage, or temperature variations, and allow for continuous traffic between bridge structures and interconnecting structures (another bridge or abutment). **Abutment** is a retaining wall supporting the ends of a bridge, and, in general, retaining or supporting the approach embankment. **Bearing** is a component of a bridge which typically provides a resting surface between bridge piers and the bridge deck. The purpose of a bearing is to allow controlled movement and thereby reduce the stresses involved. **Girder** have cast-in-place, reinforced concrete beams with integral deck sections to either side of the tops of the beams.



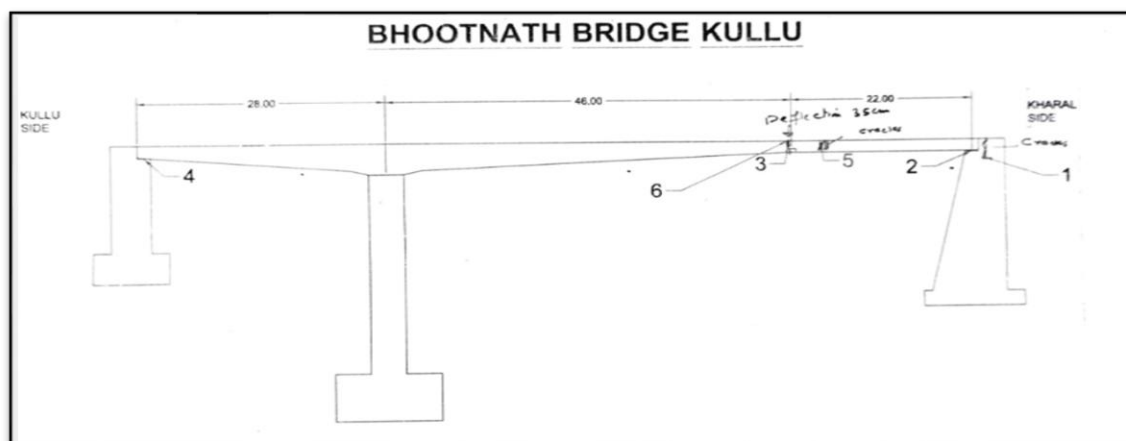
### Picture 6.2: Diagram of Bridge



**(i) Defects in the damaged bridge**

The bridge was opened for vehicular traffic in October 2013. However, the bridge got damaged within a period of five years and was closed for traffic in January 2019. During inspection of the bridge carried out by the Executive Engineer, Kullu Division No. II along with the Assistant Engineer, Sub-Division No. III, Kullu in October 2018 and Chief Engineer, Mandi in November 2018, the following deformation/ distress was pointed out:

**Picture 6.3: Defects in Bhoothnath Bridge, Kullu**



1. Vertical Cracks in the Abutment
2. Damage to bearings<sup>10</sup>
3. Cracks in the Bracket<sup>11</sup> Supporting Span
4. Uplift of Cantilever Arm<sup>12</sup> of Kullu Side

<sup>10</sup> Fixed and free bearings.

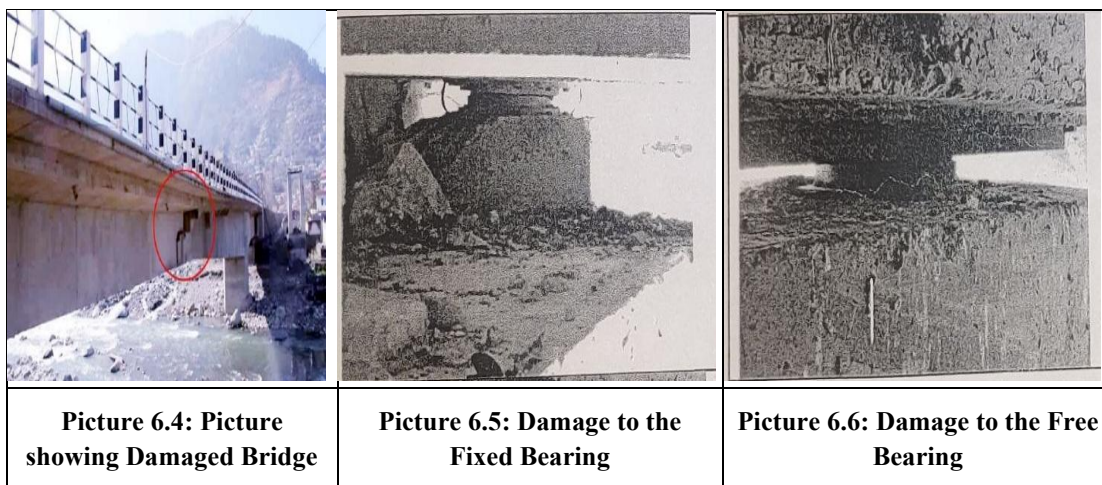
11 Brackets are reinforced structural projections used to transfer vertical and horizontal forces from beams to walls or columns.

<sup>12</sup> Cantilever arms are a rigid structural device anchored to a wall or surface which supports overhanging structures without external bracing.

5. Cracks in the Girders of Simply Supported Span<sup>13</sup>

## 6. Closing of the Expansion Gap at this location

The damaged bridge having these faults is as shown in the pictures below:



A Committee of five members (January 2019) was formed under the chairmanship of Additional District Magistrate, Kullu to investigate and submit a full report on the damaged bridge. The Committee in its report (May 2019) recommended for constitution of another Committee of experts as the bridge design involved complex civil engineering and hence needed some experts for detailed investigation. However, no Committee of experts was constituted.

On further scrutiny of the documents, Audit observed that the Executive Engineer, Kullu awarded (November 2019) the work of rehabilitation and strengthening of the bridge to M/s Freyssinet Menard India Pvt. Ltd (Agency) at a tendered cost of ₹ 2.69 crore with the stipulation to complete it by March 2021. The Agency investigated the defects of the damaged bridge (February 2020) and reported that:

- Abutment side - Kharal End: The 22m suspended span is supported by fixed bearings on the abutment side and by free bearings towards the cantilever side (Articulation joint). A large PCC lump was found at the expansion joint location which closed the expansion joint and prevented movement of the suspended span during temperature change. As a result, the suspended span exerted a push towards the fixed bearings on abutment. This further pushed the abutment and created cracks as well as damaged the fixed bearings/pedestal.
- Articulation Joint<sup>14</sup>: The cracks at the articulation joint location are suspected to be caused by a detailing deficiency. The minimum anchoring length of any rebar<sup>15</sup>

<sup>13</sup> Simply supported beams consist of one span with one support at each end, one is a pinned support and the other is a roller support.

<sup>14</sup> Articulation joint in a bridge is a mechanical joint that allows for movement and flexibility in the bridge structure, typically at the point where two bridge segments (suspended span and supported span) meet.

<sup>15</sup> Simply Supported Span (rebar) is a steel bar used as a tension device in reinforced concrete and reinforced masonry structures to strengthen and aid the concrete under tension.

is supposed to be 50 times the diameter but here the anchoring for a 20 mm diameter reinforcement is only 300 mm instead of one metre.

The report of the above firm also supported the fact of improper design and construction by the Contractor.

Further, the Chief Engineer, Mandi zone had also pointed out (January 2021) that the Contractor had not performed the task of construction of the bridge as per the contract requirements and directed (January 2021) the Superintending Engineer, Kullu and Executive Engineer, Kullu to initiate action against the Contractor. However, the fact remained that the issues of defective construction by the Contractor or the improper design were not pointed during the approval or construction stage and were noticed only after expiry of the defect liability period of the Contractor which is indicative of serious lapses of the Department. As of March 2023, no action has been initiated against the officials concerned.

**(ii) Non-completion of rehabilitation and strengthening work of the bridge and construction of alternate bridge**

The rehabilitation work was started in December 2019 and the Division had incurred an expenditure of ₹ 2.15 crore (February 2023) on it. However, the work had not been completed as shown in the picture, and therefore, the bridge could not be opened to the public.



**Picture 6.7: Bridge under rehabilitation**

However, to ease the traffic congestion in the area, another semi-permanent multi-span one-way Bailey bridge (costing ₹ Two crore) was constructed as shown in the picture as an alternative arrangement.



**Picture 6.8: Alternate Bailey Bridge in Kullu**

**(iii) Inspections of the bridge during construction**

As per Paragraph 5.2 of CPWD Works Manual adopted by the Himachal Pradesh Public Works Department, the Executive Engineer of the Division was to carry out minimum of one inspection for every two bills of a work being executed at his Divisional Headquarters (HQ) and one inspection for every three bills outside HQ. Similarly, the Superintending Engineer was to carry out at least one inspection for every three bills of a work at his HQ and for four bills for works outside HQ. For this purpose, the officers were to ensure issue of inspection notes/ instructions after their inspection.

During scrutiny, it was noticed by Audit that no records/ inspection notes were available with the Department regarding the inspections by the Authorities concerned to ensure quality of work during execution by the Contractor. Consequently, it cannot be ascertained what kind of quality check was ensured by the Departmental Officials during the construction of the bridge.

Thus, construction of the bridge on the basis of improper design, poor execution, issues related to periodical inspection, lack of investigations and actions against the defaulter(s), and delay in execution of rehabilitation work of the damaged bridge resulted in unfruitful expenditure of ₹ 10.60 crore besides avoidable expenditure of ₹ 4.15 crore on construction of alternative multi-span Bailey bridge and rehabilitation/ strengthening of the damaged bridge.

The Executive Engineer stated (February 2021 and December 2022) that though the inspection of bridge was conducted by the Higher Authority from time to time, however, inspection notes were not issued by them. The bridge would be opened for vehicular traffic after completion of rehabilitation work. The reply is not acceptable as the approved design of the bridge was not technically correct as confirmed in Chief Engineer's report (January 2021). Besides, the Department had neither ensured investigation of the damaged bridge by experts nor taken any action against the defaulters as of March 2023. Records of inspection of the work done by the Higher Authorities were not maintained by the Department to provide an assurance of their monitoring of the works. The Division also did not expedite the execution of the bridge rehabilitation and strengthening work, which had been pending for the last three years.

Moreover, the main objective of the bridge to provide desirable transportation facilities to the inhabitants of Kullu, ease the growing tourist traffic to and from Manali and make the transportation of the agriculture and horticulture produce to the other parts of the country more convenient remained impeded.

Audit findings were referred to the Government in April 2023, their reply had not been received (October 2024).

***The Government may consider:***

- ***Conducting thorough investigation of the causes of the damages in the bridge so as to take appropriate action against the defaulters.***
- ***Expediting the execution of the rehabilitation and strengthening of the bridge so as to ensure its use for the intended purpose effectively.***
- ***Ensuring that the design of a work is approved following due technical processes.***
- ***Ensure periodical physical inspections of the works and maintain record of the inspections, instructions issued on site, issues noticed and remedial action taken on discrepancies noticed.***

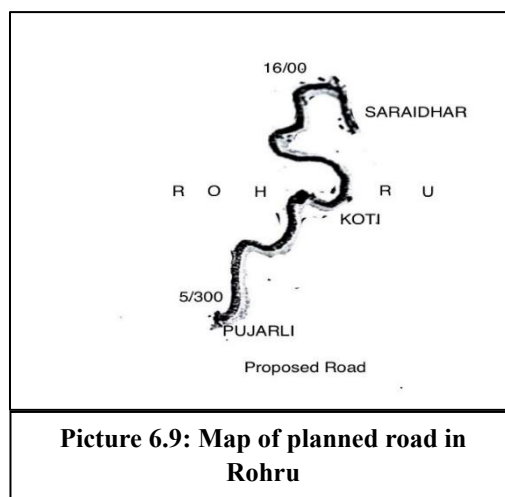
### 6.3 Undue financial benefits/ favour to Contractor and unfruitful expenditure on construction of road

**Failure of the Department to expedite the execution of the work within stipulated period resulted in extension of undue financial benefits/ favour of ₹ 1.69 crore to the Contractor, besides rendering the expenditure of ₹ 4.86 crore on the work unfruitful due to the work not completed on time.**

The road from Pujarli to Koti to Saraidhar via Jagterli in Rohru Tehsil of Shimla District was planned by the State Government to cater to the present-day volume of traffic and provide desirable transportation facilities to the inhabitants of Tehsil Rohru, District Shimla as well as for improving economic activities of the area. The State Government accorded (August 2015) administrative approval and expenditure sanction of ₹ 5.73 crore for up-gradation of Pujarli Koti Saraidhar Road via Jagterli having total length of 10.700 Km in Shimla District under NABARD<sup>16</sup> (RIDF<sup>17</sup>-XXI). The road plan covering above villages is as shown in the map.

The Chief Engineer (CE) (South Zone) accorded (September 2015) technical sanction of ₹ 5.14 crore for this work<sup>18</sup>.

Scrutiny of records (March 2022) of the office of the Executive Engineer, Public Works Division, Rohru revealed that the aforesaid work was awarded (June 2016) to a Contractor for ₹ 5.25 crore with the stipulation to be completed by July 2018. The Contractor had started the work in August 2016. However, the Contractor had not completed the work (January 2023) as per details shown in Table 6.2.



**Picture 6.9: Map of planned road in Rohru**

**Table 6.2: Details of work completed and pending work**

Sr. No.	Name of item of work	Work completed	Pending work
1.	Work of removal of formation deficiencies	10.700 Km	NIL
2.	Providing of cross drainage	10.700 Km	NIL
3.	Laying of <i>kharanja</i> stone soling	10.700 Km	NIL
4.	Sub-base G-I	9.400 Km	1.300 Km
5.	Sub-base G-II	4.000 Km	6.700 Km
6.	Tarring	2.500 Km	8.200 Km
7.	Construction of retaining and breast wall. V: kms 10.700	10.700 Km	NIL
8.	V-shape drain and parapets	NIL	10.700 Km
<b>Overall work done up to March 2023</b>		<b>70 per cent</b>	

<sup>16</sup> National Bank for Agriculture and Rural Development.

<sup>17</sup> Rural Infrastructure Development Fund.

<sup>18</sup> Removal of formation deficiencies, retaining wall, breast walls, cross drainage work, metaling and tarring works, roadside V-shape drain and essential parapets (5.3 km to 16.0 km)



Total expenditure of ₹ 4.86 crore had been incurred on the work (January 2023). The following observations are made regarding deviations from the contractual provisions resulting in grant of undue benefits/favour to the Contractor.

**(i) Short levy/ non-recovery of compensation for delay**

As per Clause 2 of the contract, for non-completion of the work within the stipulated period, compensation of 1.5 *per cent* of tendered amount per month of delay to be computed on per day basis which shall not exceed 10 *per cent* of the tendered value of work was to be levied. Thus, the Department was to levy ₹ 52.48 lakh (10 *per cent* of awarded amount) as compensation for delay. However, the Department had levied compensation of ₹ 36.73 lakh<sup>19</sup> (seven *per cent* of awarded amount) only, resulting in short levy of compensation of ₹ 15.75 lakh. However as against this, an amount of ₹ 10.50 lakh only was withheld (August 2021) from the eighth Running bill but no amount had been recovered from the Contractor as of December 2022. Even knowing the fact that the Contractor was showing slow progress in the work despite repeated requests (May 2017 to September 2021) from the Department, the Contractor was extended undue financial benefits in the form of short-levy and non-recovery of compensation for delay in violation of the provision of the contract.

**(ii) Inadmissible payment of price escalation to Contractor**

As per Clause 10cc of the agreement “If the prices of materials and/or wages of labour required for execution of the work increase, the Contractor shall be compensated for such increase subject to the condition that such compensation for escalation in price shall be available only for the work done during the stipulated period of the contract including such period for which the contract validity is extended under Clause 5 of the contract without any action under Clause 2 of the contract”.

The Superintending Engineer (SE) Rohru had accorded (November 2020) extension of time up to June 2021 under Clause 5 of the Contract Agreement without prejudice to the right of the Department to take action under various clauses of the Contract Agreement. However, in contradiction to its own above orders, the SE approved (April 2021) price escalation payment of ₹ 31.28 lakh in violation of the Clause of the contract *ibid*, which was paid to the Contractor through Running Account (RA) Bills/ Hand Receipts (HR) (between November 2018 and December 2020) for different quarters from September 2018 to December 2020 as shown in **Table 6.3**.

**Table 6.3: Details of payment of price escalation under Clause 10cc of the contract**

(Amount in ₹)

Period	RA/Date of bill	Amount of claim		Total
		Material	Labour	
September 2018 to November 2018	5 <sup>th</sup> 26-11-2018	1,25,361	1,41,626	2,66,987
May 2019 to July 2019	HR 2-07-2019	1,03,162	1,81,822	2,84,984
January 2020 to March 2020	HR 1-03-2020	1,07,211	1,81,822	2,89,033
September 2020 to November 2020	6 <sup>th</sup> 06-11-2020	5,01,742	15,06,739	20,08,481
October 2020 to December 2020	7 <sup>th</sup> 24-12-2020	93,891	1,85,045	2,78,936
<b>Total</b>		<b>9,31,367</b>	<b>21,97,054</b>	<b>31,28,421</b>

<sup>19</sup> June 2019: ₹ 26.24 lakh and September 2021: ₹ 10.50 lakh.

As the price escalation pertained to the period beyond the stipulated date of completion and the Contractor was levied compensation for delay under Clause 2 of the contract hence, price escalation given to the Contractor under 10cc was inadmissible. Inadmissible payment of price escalation resulted in undue financial benefits of ₹ 31.28 lakh to the Contractor.

**(iii) Short recovery of material ₹ 24.72 lakh**

As per measurement books and indents of Tikker Sub-Division and Rohru store, 9,535 bags of cement at the rate of ₹ 282/- per bag and 312 drums of bitumen of 50.872 MT valuing ₹ 23.07 lakh were issued to the Contractor between July 2016 and November 2020 to execute the road work. The details of recovery effected up to eighth Running Account bills of the Contractor is as shown in **Table 6.4**.

**Table 6.4: Details of short recovery of material from the Contractor**

(Amount in ₹)

Name of material	Quantity issued to Contractor		Quantity consumed	Balance quantity	Value of material issued	Recovery made from the Running bills	Recovery yet to be effected
	Bags/Drum	No. of bags/MT	No. of bags/MT	No. of bags/MT			
Cement	9,535	9535	4,600	4,935	26,88,870	12,97,200	13,91,670
Bitumen VG-10	262	40.872	18.08	22.792	19,00,548	8,40,720	10,59,828
RSS-1 <sup>20</sup>	15	3.000	9.507	0.493	4,06,750	3,86,697	20,053
SS-1	35	7.000					
<b>Total</b>					<b>49,96,168</b>	<b>25,24,617</b>	<b>24,71,551</b>

As evident from **Table 6.4**, the Department had recovered ₹ 25.24 lakh only instead of ₹ 49.96 lakh in lieu of material issued to the Contractor, resulting in short recovery of ₹ 24.72 lakh.

**(iv) Non-obtaining of Performance Guarantee**

With a view to safeguard public interest against losses, Himachal Pradesh Financial Rules, 2009 provide for obtaining of Performance Guarantee (PG) from successful bidder (Contractor) on award of the contract for an amount between five to 10 *per cent* of the value of the contract. Further as per Section 21.1 of Central Public Works Manual 2014, the Contractor shall deposit an amount equal to five *per cent* of the tendered and accepted value of the work (without limit) as Performance Guarantee in Fixed Deposit Receipt (FDR) of a Scheduled Bank, an irrevocable bank guarantee bond of any scheduled bank, etc.

Contrary to the provisions *ibid*, the Department had not obtained the minimum amount of Performance Guarantee of ₹ 26.24 lakh (five *per cent* of contract value of ₹ 5,24,76,897/-), from the Contractor when the work was awarded. Non-obtaining of PG (being an instrument of deterrence) from the Contractor had put the public interest

<sup>20</sup> VG-10, RSS-1 and SS-1 are types of bitumen.



at risk and led to the failure of the Department to enforce compliance with the terms and conditions of the contract.

**(v) Short deduction of Security Deposit**

As per Clause 1 of the Contract Agreement, Security Deposit at the rate of five *per cent* was to be deducted from the Running Account bills of the Contractor. However, it was noticed that against the Security Deposit of ₹ 20.85 lakh to be deducted on the amount of work done of ₹ 4.17 crore, the amount deducted as Security Deposit up to the eighth Running Account bill was ₹ 14.21 lakh only resulting in short deduction of ₹ 6.64 lakh as Security Deposit, in violation of the Clause *ibid*. Due to slow pace of progress of work by the Contractor and no further payment, recovery of balance amount of Security Deposit by the Department could not be ensured.

**(vi) Non-production of M form/certificates of stone royalty**

As per Clause 37 of Contract Agreement, royalty charges for material (stone, sand, stone aggregate) should be deducted from each Running bill of the Contractors as per rates approved by the Industries Department. A certificate issued by the Mining Officer of Industries Department as proof of royalty paid on the material to be used on the work by the Contractor is to be obtained. Otherwise, royalty at prevalent rate shall be deducted from Contractor bill (s) on the material consumed in the work.

As per the eighth Running Account bill (December 2020), the Division had worked out royalty of ₹ 22.84 lakh for consumption of 18,636.35 cubic meter stone at the rate ₹ 135 per cubic meter, 68.7 metric ton sand at the rate of ₹ 96 per metric ton and 1,245.69 metric ton aggregates at the rate of ₹ 112 per metric ton. The Division had deducted royalty of ₹ 4.10 lakh from the Contractor (first Running Account bill: ₹ 1.59 lakh and second Running bill: ₹ 2.50 lakh). However, no royalty was deducted from the third to eighth Running Account bills. As per remarks in the bills, M forms/ necessary certificates of the Mining Department were stated to have been produced by the Contractor. However, no such forms/ certificates were found on record. As a result, the authenticity of exemption of royalty deduction could not be verified in Audit. Besides, the Measurement Book in respect of deductions from the first and the second Running Account bills were not produced to audit in the absence of which the authenticity of deductions made could not be verified. The potential risk of short deduction of royalty of ₹ 18.74 lakh<sup>21</sup> and extension of undue financial benefits to the Contractor could also not be ruled out.

Thus, the work was still incomplete (January 2023) and the Contractor had not accelerated the work since December 2020. The failure of the Department to expedite the execution of the work within the stipulated period resulted in extension of undue financial benefits/ favour to Contractor for ₹ 1.69 crore:

- non-recovery of compensation for delay: ₹ 0.52 crore;

<sup>21</sup> Total royalty worked out: ₹ 22.84 lakh less already deducted from the first and the second Running Account bills: ₹ 4.10 lakh.

- inadmissible payment of cost escalation: ₹ 0.31 crore;
- short recovery of material: ₹ 0.25 crore;
- non-obtaining of Performance Security;
- short recovery of Security Deposit: ₹ 0.07 crore.

Besides, expenditure of ₹ 4.86 crore on the road not completed in time was rendered largely unfruitful as the public of the area was deprived of the intended benefits.

The Executive Engineer stated (March and January 2023) that recovery of compensation in lieu of liquidated damage charges would be realised from the Contractor's Running Bills and deviation cases were sent to the higher office for obtaining necessary approval. Recovery on account of cement, bitumen and of royalty of stone would be deducted from the next Running Bills. Besides, no reasons were furnished for inadmissible payment of cost escalation and non-obtaining of Performance Guarantee. The fact, however, remains that the Division had failed to enforce the contractual provisions.

Further, since the road was planned to provide transport facility to residents, transportation of horticulture and agriculture produce and acceleration of economic activities in the rural area, the non-completion of the road deprived the residents of the intended benefits and defeated the purpose of constructing the road, especially in a state like Himachal Pradesh, where road connectivity is an essential lifeline for the residents.

**Chapter-VII**  
**Individual Audit Observation on**  
**State Public Sector Undertakings**  
**(SPSUs)**



## Chapter VII: Individual Audit Observation on SPSUs

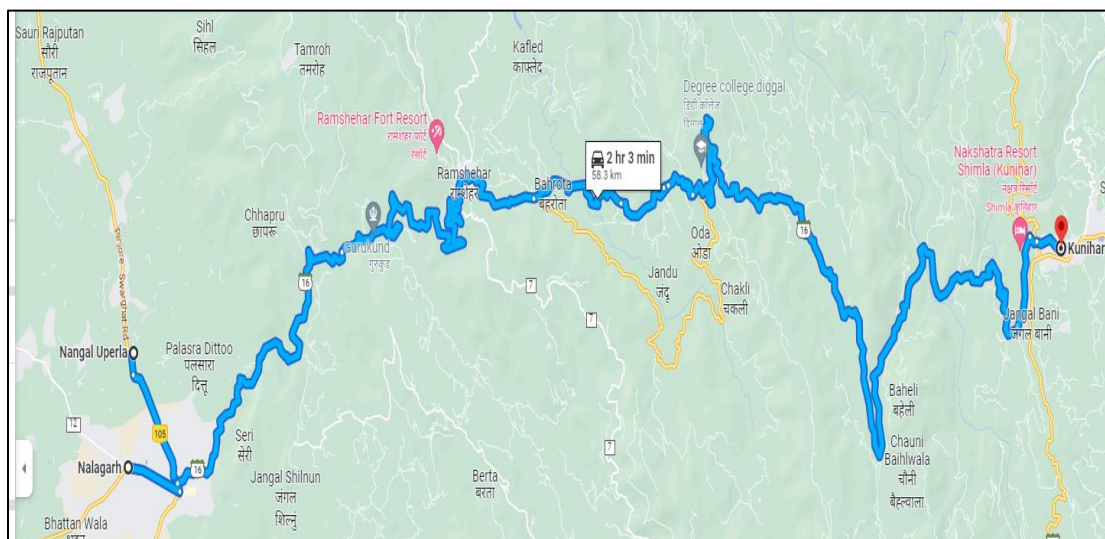
### Himachal Pradesh State Electricity Board Limited (HPSEBL)

#### 7.1 Unfruitful expenditure on the construction of Transmission Lines

**Poor/faulty planning for construction of (i) 400 KV Single Circuit transmission line without the provision of equivalent voltage sub-station and (ii) two 33 KV lines without required bays resulted in unfruitful expenditure of ₹ 76.26 crore. Further, this also resulted in non-achievement of the related objectives of these works.**

The Himachal Pradesh State Electricity Board Limited (Company) had awarded three works to lay transmission lines in Solan District which are: (i) from Nalagarh to Kunihar (June 2011), (ii) Gaura to Kather (April 2012) and (iii) Radyana to Kather (December 2016) with the purpose to have a better power arrangement in Solan city. Audit observed that all these three transmission lines were non-functional (July 2024) despite lapses of seven to 13 years from the date of award as explained in the subsequent Paragraphs.

**Picture 7.1: Idle transmission lines from sub-station Nalagarh to proposed sub-station Kunihar**



As per Regulation 9(2) of Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations 2011, distribution licensee (in the instant case, Company) is required to take scheme wise approval for capital investment for creation of new assets at 33 KV and above.

The Company submitted a proposal (October 2009) to the Himachal Pradesh Electricity Regulatory Commission (HPERC) for the construction of 400 KV, Single

Circuit (S/C) transmission line on Double Circuit (D/C) towers<sup>1</sup> from Power Grid Corporation India Limited (PGCIL) 400/220 KV sub-station Nalagarh to proposed 400/220/132 KV sub-station to be constructed at Kunihar (**Picture 7.1**).

The project was planned (October 2009) with the objectives:

- to overcome the problem of low voltage;
- to overcome insufficient infrastructure for drawing out power in winters from Haryana (Panchkula) to Himachal Pradesh; and
- for increasing the capacity of electrical infrastructure in view of the expected load growth @ 12 per cent per annum in the State, which would be 2,000 MW in 2014-15.

The initial proposal of the same project was earlier (June 2005) rejected by HPERC in tariff order 2005-2006 on the grounds that 25 per cent share of power from Nathpa Jakhari project (a major hydel power project of 1,500 MW on the Sutlej river in Shimla District) with some proportion of free power<sup>2</sup> from other projects shall be exported out of the State and does not belong to the Company. As such, this transmission line was not justified. The Company is entitled to regional share of 2.47 per cent of power only. Besides, there is already a 400 KV sub-station of PGCIL at Nalagarh which could be used for meeting the additional load on the existing 220 KV sub-station at Kunihar in future.

Audit noticed (August 2019) that notwithstanding the rejection of the proposal by HPERC, the proposal for the construction of the above-mentioned 400 KV line was still approved by the Company in its 54<sup>th</sup> Extra High Voltage (EHV) Transmission Committee meeting during June 2010. A scheme amounting to ₹ 14,465.46 lakh<sup>3</sup> was proposed for funding the project. The Company decided to go ahead to lay the 440 KV transmission lines on the proposed 220 KV transmission lines to cater to the power demand and to ensure the economic dispatch of power. The Company awarded (June 2011) work for 400 KV S/C transmission line on D/C towers from PGCIL 400/220 KV sub-station to proposed 400/220 KV sub-station at Kunihar on turnkey basis to a Contractor<sup>4</sup> with scheduled date of completion as March 2013 (15 months from the date of signing agreement) for an overall amount of ₹ 53.74 crore<sup>5</sup>. In the meantime, citing the other 220 KV power sub-station works envisioned for Nalagarh and Baddi areas, HPERC once again deferred and disapproved (November 2011) the

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<sup>1</sup> Single circuit transmission line takes only one set of power lines (three cables) from one destination to other. Double Circuit Transmission Lines has two sets of power lines (three cables each). This ensures more reliable power as well as better maintenance opportunities.

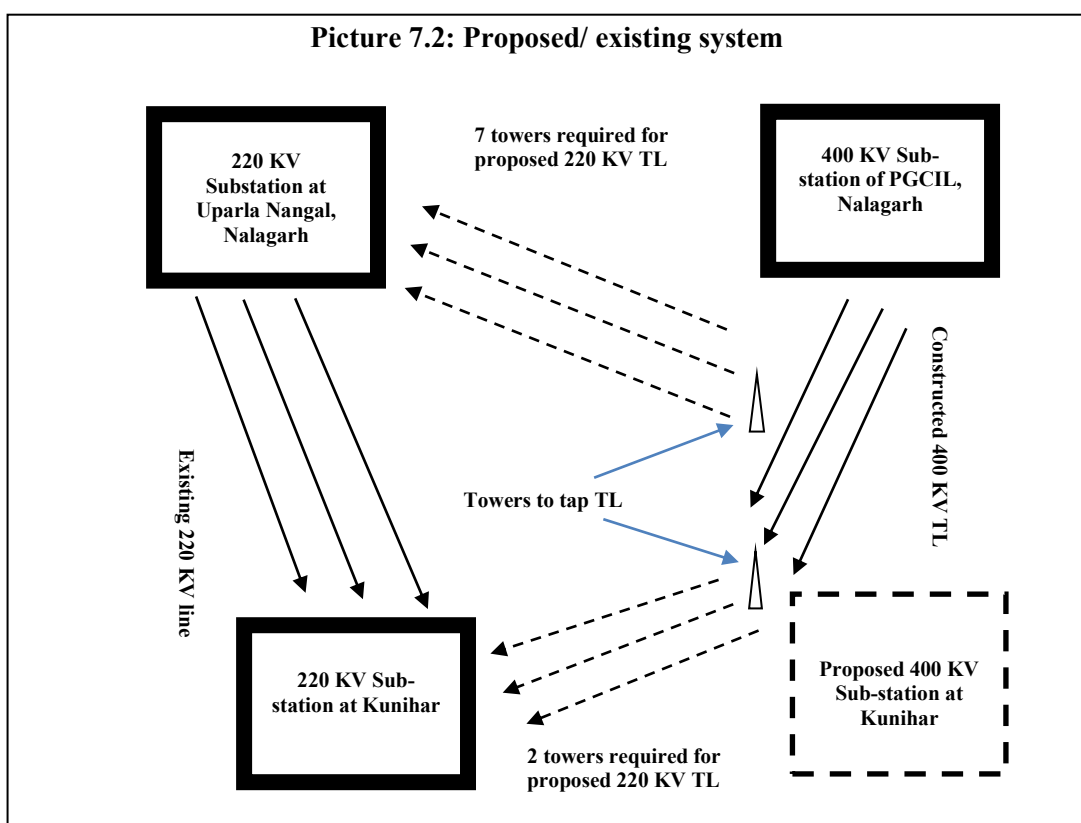
<sup>2</sup> 25 per cent equity power and 12 per cent free power belongs to the State Government and not to the Company (HPSEBL).

<sup>3</sup> Loan amount disbursed by Rural Electrification Corporation (REC) ₹ 57.65 crore out of total loan ₹ 130.19 crore sanctioned by REC. Besides this, HPSEBL share was ₹ 14.47 crore.

<sup>4</sup> M/s Unitech Power Transmission.

<sup>5</sup> Only for construction of Transmission line.

earlier rejected (2005-06) provision of the proposed 400/220 KV sub-station at Kunihar in the CAPEX Plan of the Company for the control period FY 2012-14. Despite the rejection on two occasions of the proposed sub-station at Kunihar, the Company entered (December 2011) in agreement with the Contractor and the transmission line was ultimately completed in July 2019 with a delay of more than six years by incurring an expenditure of ₹ 89.84 crore (including ₹ 19.96 crore as interest<sup>6</sup> during construction) till March 2020. However, the transmission line was constructed without any sub-station for its termination. Total expenditure of ₹ 99.66 crore (including ₹ 27.31 crore as accrued interest during construction) had been incurred on the project till August 2022.



As the Company was not having its 400 KV sub-station at Kunihar or any other alternate arrangement to link and to put to use the constructed 400 KV transmission line, the Company, in its 74<sup>th</sup> Extra High Voltage (EHV) Committee meeting (22 May 2018) decided for interlinking of this line at the existing 220 KV Uparla Nangal (Nalagarh) sub-station at one end and termination of the same at 220 KV sub-station at Kunihar on the other end by charging the same on 220 KV (**Picture 7.2**). For interlinking the transmission line, construction of two number of 220 KV bays with three Km 220 KV D/C transmission line upto Uparla Nangal sub-station and one number of 220 KV bay with 0.800 Km 220 KV S/C transmission line to terminate at existing 220 KV sub-station at Kunihar would be required<sup>7</sup> involving an extra

<sup>6</sup> Interest accrued by the Company on the loan amount during construction which is capitalised.

<sup>7</sup> Nine towers required (two at Kunihar end and seven at Nalagarh end).



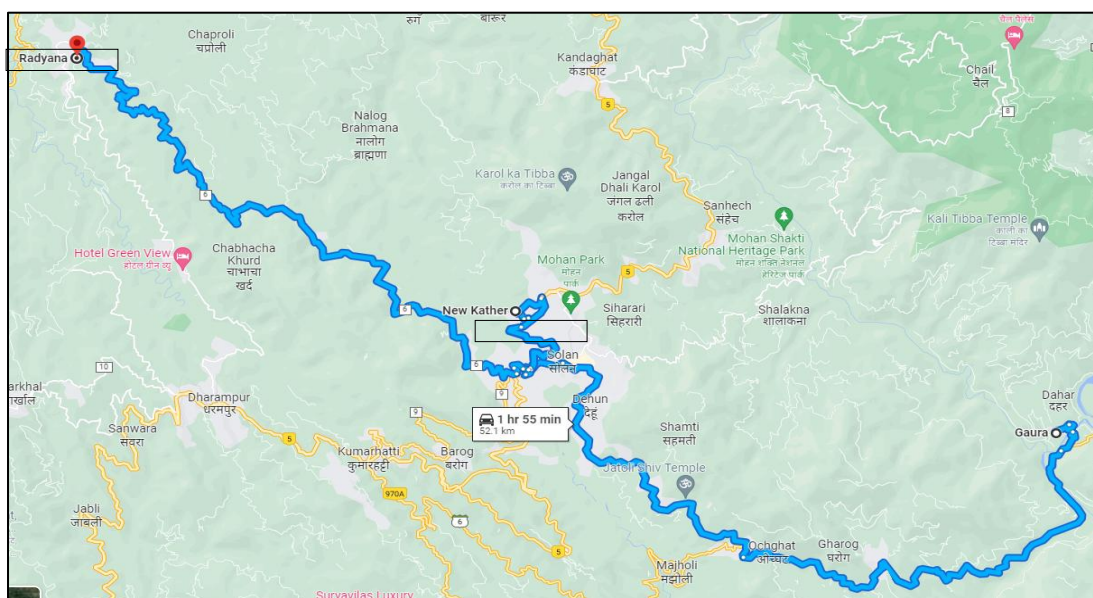
estimated expenditure of ₹ 16.28 crore (August 2018). It could be seen from the above that even if the line was connected with 220 KV sub-station, it would have remained underutilised.

The Company was still in the process of acquiring/ getting the lease of the land for the additional proposed line (July 2024).

Thus, even after the rejection of the proposal of 400 KV Sub-station at Kunihar by HPERC, the 400 KV transmission line had been constructed without any sub-station to terminate upon. This is indicative of faulty/ poor planning of the Company, as a consequence of which, they failed to achieve the planned objectives of the project even after a period of 11 years from the date of award of the project. This resulted in unfruitful expenditure to the tune of ₹ 72.35 crore (till August 2022).

Thus, the Company not only failed to generate revenue due to the incomplete project but also had to sustain interest liability on the borrowed funds.

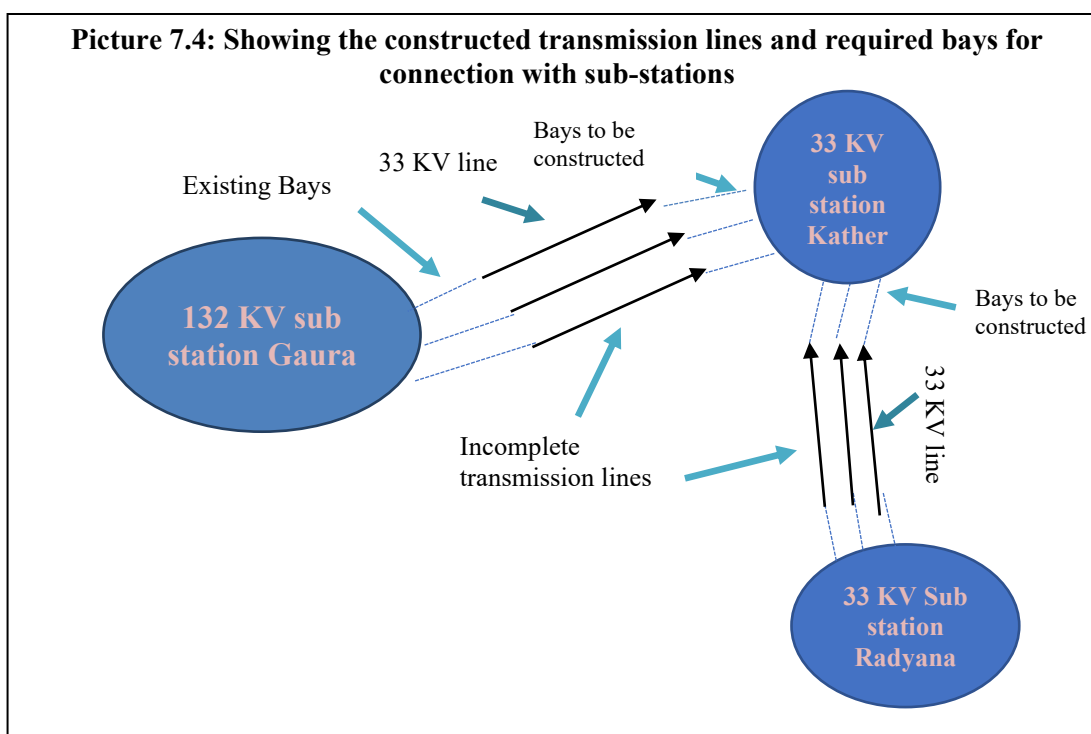
**Picture 7.3: Idle transmission lines from sub-station Gaura to Kather and Radyana to Kather**



According to Rule 3(1) (a) of the Works of Licensees Rules, 2006 notified by the Government of India (GoI) under Sub-section (2) of the Section 67 of the Electricity Act, 2003, a licensee was required to obtain prior consent of the landowner or occupier of any building or land to carry out the works relating to laying down or placing any electric supply line. The rule further provides that in case where the owner of the land raises objections in respect of works to be carried out under the rule, the licensee shall obtain permission in writing from the District Magistrate or the Commissioner of Police or any other officer authorised by the State Government in this behalf.

Audit noticed (November 2021) that for providing emergency alternate supply to Solan town, in case of failure of supply from 132 KV sub-station Solan, work for the

construction of 33 KV HT line (30 Km) from 132/33 KV sub-station Gaura to 33/11 KV sub-station Kather (**Picture 7.3**) was awarded (April 2012) to a Contractor<sup>8</sup> for ₹ Three crore (Supply ₹ 2.41 crore and erection ₹ 0.59 crore). The work was awarded without provision of bay at Kather end. After survey by the Contractor, the line length was reduced to 15.270 km out of which 14.5 km was completed (March 2018) with a total expenditure of ₹ 2.52 crore. The remaining portion could not be completed due to 'Right of Way'<sup>9</sup> issues in some areas resulting in non-completion of transmission line. Sr. Executive Engineer, HPSEBL Solan, also observed (June 2020) in his report that the erection of transmission line was unsatisfactory, and the condition of the line deteriorated with the passage of time. To make the line functional, the already constructed transmission line had to be brought in good condition and to terminate the transmission line on both the ends at the substations (Kather and Gaura), bay at Kather end was to be laid, as the bay at Gaura end was already (September 2014) available. This may involve an estimated expenditure of ₹ 1.84 crore (May 2021).



In the meantime, another work (**Picture 7.3**) for the construction of 20.3 Km 33 KV link line from Radyana to Kather was awarded (December 2016) to a Contractor<sup>10</sup> for ₹ 1.71 crore (Supply ₹ 0.75 crore and erection ₹ 0.96 crore). This work was also awarded without the provision of bays at both ends. It was observed that 17.03 km line was completed in March 2018 after incurring an expenditure of ₹ 1.39 crore (including cost of material i.e., conductor, supplied by the Company). The remaining portion could not be completed due to 'Right of Way' issues resulting in

<sup>8</sup> M/s Ubitech (P) Ltd.

<sup>9</sup> The legal right of someone to pass over another's land, acquired by grant or by long usage.

<sup>10</sup> M/s UTRI HR Services (P) Ltd.

non-completion of the transmission line. Sr. Executive Engineer, HPSEBL Solan, also observed (June 2020) in his/her report that the condition of the line deteriorated with the passage of time. To make the line functional, bays were to be constructed at an extra expenditure of ₹ 0.83 crore (May 2021).

The remaining portion of both the lines could not be completed due to the issue regarding 'Right of Way'. Thus, both the 33 KV lines could not be put to use as the provision for bays to ensure connectivity of transmission lines with sub-stations was not kept at the time of planning, as seen in **Pictures 7.4** and **7.5**. Besides, the intended purpose of the transmission lines as an alternative source of power to Solan city was also defeated. Thus, the expenditure of ₹ 3.91 crore (₹ 1.39 crore + ₹ 2.52 crore) incurred on construction of these two lines proved unfruitful.

**Picture 7.5: Constructed Transmission Line lying idle**




In the reply, the unit stated (December 2021) that the lines are lying unutilised as the provision of bay was not taken in the scheme to utilise the same. It was further stated that the scheme for completion of the balance works had been submitted (May 2021) to the Superintending Engineer (Distribution System Planning). However, the position remained the same, as the scheme submitted by the Division Office has not been sanctioned till July 2024 and the lines are lying unutilised and idle.

Non-utilisation of the above three lines had resulted in an unfruitful expenditure to the tune of ₹ 76.26 crore (₹ 72.35 crore + ₹ 3.91 crore). An additional expenditure of ₹ 18.95 crore (₹ 16.28 crore + ₹ 1.84 crore + ₹ 0.83 crore) was required to put the partially constructed transmission lines in use. The interest liability will increase further till the actual utilisation of the transmission line.

The poor/ faulty planning by the Company resulted in incomplete works and consequent non-utilisation of the constructed infrastructure, in addition to non-achievement of the stated objectives as well as unfruitful expenditure.


*The Company should plan a complete project keeping in view all its components and avoid the construction of lines without the provision of connecting facilities at sub-station. The Company should also ensure the Right of Way before awarding the work to avoid delays in completion of work.*

Shimla  
Dated: 14 October 2025

  
(Purushottam Tiwary)  
Principal Accountant General (Audit)  
Himachal Pradesh

*Countersigned*

New Delhi  
Dated: 10 November 2025

  
(K. Sanjay Murthy)  
Comptroller and Auditor General of India



# Appendices





## Appendices

### Appendix-1.1

(Reference: Paragraph 1.5.2)

**Details of *suo motu* replies of Audit observations included in the CAG Audit Reports on Social, General and Economic Sectors and CAG Audit Reports on PSUs (as of 31 March 2022)**

Name of the Report	Year of the Report	Date of presentation of Audit Report in the State Legislature	Due date for receipt of Suo-moto Replies	Departments/ State PSUs	Suo-motu replies not received as of 31 <sup>st</sup> March 2022	
					Performance Audits	Compliance Audit Paragraphs
CAG Audit Report on Social, General and Economic (Non-PSUs) Sectors	2012-13	21.02.2014	20.05.2014	Tribal Development	0	1
	2013-14	10.04.2015	09.07.2015	Health and Family Welfare	0	1
				Tribal Development	0	1
				Medical Education and Research	0	1
	2014-15	07.04.2016	06.07.2016	SC, OBC and Minority Affairs	0	1
	2015-16	31.03.2017	30.06.2017	Home	0	2
				IPH	0	3
				Fisheries	0	1
	2016-17	05.04.2018	04.07.2018	Information Technology	1	0
				Horticulture	0	1
				Home	0	1
	2017-18	14.12.2019	13.03.2020	Revenue	0	2
	2018-19	13.08.2021	13.11.2021	Horticulture	1	1
				Urban Development	1	0
				Education	0	3
				GAD	0	1
				Industries	0	1
Labour and Employment				0	1	
Planning				0	2	
PWD				0	1	
Revenue				0	1	
Technical Education	0	1				
Total				3	27	
CAG Audit Report on PSUs	2016-17	05.04.2018	04.07.2018	Himachal Pradesh Road and Other Infrastructure Development Corporation	0	1
	2017-18	14.12.2019	13.03.2020	Himachal Pradesh Financial Corporation	0	1
				H.P. State Industrial Development Corporation	0	1
				H.P. Road and Other Infrastructure Development Corporation	0	1
	2018-19	13.08.2021	12.11.2021	H.P. State Electricity Board Limited	0	1
				H.P. Beverages Limited	0	1
				H.P. State Forest Development Corporation	0	1
				H.P. Himachal Pradesh General Industries Corporation Ltd	0	1
				H.P. Road and other Infrastructure Corporation Ltd	0	1
	Himachal Road Transport Corporation	0	2			
	Total				0	11

## Appendix-1.2

(Reference: Paragraph 1.5.3)

## Detail of Audit observations discussed in PAC/COPU during 2021-22

Committee: Name of Report	Name of Department/ PSUs	Year of Report	Audit Observations discussed during 2021-22	
			Performance Audits	Compliance Audit Paragraphs
<b>PAC:</b> CAG Audit Report on Social, General and Economic (Non-PSUs) Sectors	Animal Husbandry	2013-14	0	1
		2014-15	0	2
		2015-16	1	0
		2016-17	0	1
		2017-18	0	1
	Agriculture	2009-10	0	3
		2014-15	1	0
		2016-17	0	3
	Jal Shakti Vibhag	2012-13	0	1
		2013-14	1	1
		2014-15	0	1
		2015-16	0	3
		2016-17	1	2
		2017-18	0	2
	Industries	2013-14	1	0
		2017-18	0	2
	<b>Total</b>		<b>5</b>	<b>23</b>
<b>COPU:</b> CAG Audit Report on PSUs	Himachal Pradesh State Electricity Board Ltd.	2015-16	0	7
	Himachal Pradesh General Industries Corporation Ltd. and HP State Handicraft and Handloom Corporation	2017-18 (both)	0	1+1
	Himachal Pradesh State Civil Supplies Corporation Ltd.	2013-14	0	2
	Himachal Pradesh State Forest Development Corporation Ltd.	2010-11	0	1
	<b>Total</b>		<b>0</b>	<b>12</b>

## Appendix-1.3

(Reference: Paragraph 1.5.3)

**Year-wise detail of Audit observations pending for discussion in PAC/COPU  
as of 31 March 2022**

Committee: Name of Report	Year of Report	Total Audit Observations included in Report		Audit Observations pending for discussion in PAC/COPU as of 31 <sup>st</sup> March 2022	
		Performance Audits	Compliance Audit Paragraphs	Performance Audits	Compliance Audit Paragraphs
<b>PAC:</b> CAG Audit Report on Social, General and Economic (Non- PSUs) Sectors	Upto 2008-09	14	114	0	1
	2009-10	2	26	0	5
	2010-11	2	20	0	1
	2011-12	1	19	0	5
	2012-13	3	13	1	5
	2013-14	4	23	1	5
	2014-15	4	28	1	6
	2015-16	5	13	2	4
	2016-17	4	26	2	8
	2017-18	2	21	1	8
	2018-19	2	14	2	11
	2019-20*	0	5	0	*
	<b>Total</b>	<b>43</b>	<b>322</b>	<b>10</b>	<b>59</b>
<b>COPU:</b> CAG Audit Report on PSUs	2015-16	1	11	0	7
	2016-17	1	13	1	8
	2017-18	1	11	1	10
	2018-19	0	10	0	10
	2019-20*	0	5	0	*
	<b>Total</b>	<b>3</b>	<b>50</b>	<b>2</b>	<b>35</b>

\* CAG Audit Report on Compliance Audit for the year 2019-20 includes both PSUs/Non-PSUs Sectors, however same has been bifurcated in the above table as per their discussion in the committee.

**Note:** CAG report for the year 2019-20 was laid in assembly on 15/03/2022, therefore discussion/ Suo-moto replies were due on 14/06/2022. Hence, it has not been included for the status for the year 2021-22.

## Appendix-1.4

(Reference: Paragraph 1.5.4)

## Department-wise and Vidhan Sabha tenure wise detail of pendency of Action Taken Notes on recommendations of PAC (as of 31 March 2022)

Name of Department	Action Taken Notes (ATNs)								Total Pending Response
	Vidhan Sabha VI	Vidhan Sabha VII	Vidhan Sabha VIII	Vidhan Sabha IX	Vidhan Sabha X	Vidhan Sabha XI	Vidhan Sabha XII	Vidhan Sabha XIII	
PWD	--	--	1	--	1	08	2	--	12
Urban Development	--	--	--	2	--	--	--	--	2
Health and Family Welfare	--	--	--	--	--	4	1	--	5
Higher Education	--	--	--	--	--	1	--	1	2
Primary Education	--	--	--	--	--	--	--	1	1
Technical Education	--	--	--	--	--	--	1	--	1
Horticulture	--	--	--	--	--	2	1	1	4
Rural Development	--	--	--	--	1	--	--	2	3
AYUSH	--	--	--	--	--	--	--	2	2
Fisheries	--	--	--	--	--	--	--	1	1
Finance	--	--	--	--	--	2	--	--	2
Revenue	--	--	--	4	2	6	1	1	14
Jal Shakti	--	--	--	--	1	--	1	--	2
Industries	--	--	2	1	1	1	3	2	10
Animal Husbandry	--	--	--	--	--	--	2	--	2
Excise and Taxation	--	--	--	--	--	3	--	--	3
Home	--	--	--	--	--	2	--	--	2
Forest	1	1	--	1	--	7	4	10	24
Agriculture	--	--	--	--	--	1	--	--	1
Panchayati Raj	--	--	--	--	--	--	--	2	2
<b>Total</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>8</b>	<b>6</b>	<b>37</b>	<b>16</b>	<b>23</b>	<b>95</b>

PSU-wise and Vidhan Sabha tenure wise detail of pendency of Action Taken Notes on recommendations of COPU (as of 31<sup>st</sup> March 2022)

Sr. No.	Name of State PSUs	Pending Action Taken Notes (ATNs)	Vidhan Sabha Tenure
1	Himachal Pradesh State Forest Development Corporation	2	XII <sup>th</sup> Vidhan Sabha
2	Himachal Pradesh Agro Industries Corporation Limited	1	
<b>Total</b>		<b>3</b>	
1	Himachal Pradesh State Electricity Board Limited	9	XIII <sup>th</sup> Vidhan Sabha
2	Himachal Pradesh State Forest Development Corporation	1	
3	Himachal Pradesh Agro Industries Corporation Limited	1	
4	Himachal Pradesh State Civil Supplies Corporation Limited	1	
5	Himachal Pradesh Tourism Development Corporation	1	
6	Himachal Pradesh Power Corporation Limited	4	
7	Beas Valley Power Corporation	1	
8	Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited	1	
9	Himachal Pradesh Road Transport Corporation	2	
10	Himachal Pradesh Minorities Finance and Development Corporation	1	
11	Himachal Pradesh Power Transmission Corporation Limited	1	
<b>Total</b>		<b>23</b>	

Note: ‘ -- ’ means no ATN(s) is pending for the particular Department/PSU.

## Appendix-2.1

(Reference: Paragraph 2.1.1)

### Labour laws implemented by Labour and Employment Department, Himachal Pradesh

#### Central Acts

1. Bonded Labour System (Abolition) Act, 1976
2. Contract Labour (Regulation and Abolition) Act, 1970
3. Child Labour (Regulation and Prohibition) Act, 1986
4. The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
5. Cine Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981
6. The Building and Other Construction Workers Cess Act, 1996
7. Employees Provident Fund and Miscellaneous Provisions Act, 1952
8. Employees State Insurance Act, 1948
9. Equal Remuneration Act, 1976
10. Factories Act, 1948
11. Industrial Dispute Act, 1947
12. Industrial Employment (Standing Orders) Act, 1946
13. Interstate Migrant Workman (Regulation of Employment and Conditions of Service) Act, 1979
14. The Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by certain Establishments) Act, 1988
15. Maternity Benefit Act, 1961
16. Minimum Wages Act, 1948
17. Motor Transport Workers Act, 1961
18. Payment of Bonus Act, 1965
19. Payment of Gratuity Act, 1972
20. Payment of Wages Act 1936
21. Plantation Labour Act, 1951
22. Sales Promotion Employees (Conditions of Service) Act, 1976
23. Trade Unions Act, 1926
24. Working Journalists and other Newspapers Employees (Condition of Service and Miscellaneous Provisions) Act, 1955
25. Workmen's Compensation Act, 1923
26. Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
27. Persons with Disabilities (Full Participation, Equal Opportunities and Protection of Rights) Act, 1995

#### State Acts

1. Himachal Pradesh Shops and Commercial Establishments Act, 1969
2. H.P. Industrial Establishments (National and Festivals Holidays, Casual and Sick Leave) Act, 1969

## Appendix-2.2

(Reference: Paragraph 2.3.4.3)

## Details of target, achievement and shortfall in registration of workers during 2017-22

Labour Officer/ Labour Inspector	Year	Target	Achievements	Shortfall (per cent)
Bilaspur	2017-18	6,000	2,206	3,794 (63)
	2018-19	18,000	7,655	10,345(57)
	2019-20	6,907	4,058	2,849(41)
	2020-21	5,900	9,531	0
	2021-22	9,965	10,433	0
Baddi	2017-18	6,000	530	5,470(91)
	2018-19	18,000	1,150	16,850(94)
	2019-20	3,057	499	2,558(84)
	2020-21	1,700	899	801(47)
	2021-22	8,566	1,120	7,446(87)
Hamirpur	2017-18	6,000	3,410	2,590(43)
	2018-19	18,000	8,453	9,547(53)
	2019-20	6,174	6,987	0
	2020-21	5,100	21,100	0
	2021-22	15,031	13,450	1,581(11)
Chamba	2017-18	6,000	758	5,242(87)
	2018-19	18,000	3,118	14,882(83)
	2019-20	4,524	4,212	312(7)
	2020-21	3,300	7,702	0
	2021-22	9,100	2,483	6,617(73)
Kangra	2017-18	6,000	2,149	3,851(64)
	2018-19	18,000	5,124	12,876(72)
	2019-20	6,082	4,769	1,313(22)
	2020-21	5,000	13,481	0
	2021-22	17,664	6,616	11,048(63)
Mandi	2017-18	6,000	3,779	2,221(37)
	2018-19	18,000	7,413	10,587(59)
	2019-20	7,824	9,446	0
	2020-21	6,900	17,278	0
	2021-22	18,300	15,094	3,206(18)
Kullu	2017-18	6,000	616	5,384(90)
	2018-19	18,000	1,422	16,578(92)
	2019-20	3,332	1,585	1,747(52)
	2020-21	2,000	4,300	0
	2021-22	8,665	8,859	0
Kinnaur	2017-18	6,000	865	5,135(86)
	2018-19	18,000	990	17,010(95)
	2019-20	2,782	1,382	1,400(50)
	2020-21	1,400	2,160	0
	2021-22	7,132	1,680	5,452(76)

Labour Officer/ Labour Inspector	Year	Target	Achievements	Shortfall (per cent)
Shimla	2017-18	6,000	516	5,484(91)
	2018-19	18,000	1,414	16,586(92)
	2019-20	3,975	1,041	2,934(74)
	2020-21	2,700	2,465	235(9)
	2021-22	14,232	804	13,428(94)
Rampur	2017-18	6,000	502	5,498(92)
	2018-19	18,000	1,578	16,422(91)
	2019-20	3,332	2,300	1,032(31)
	2020-21	2,000	3,051	0
	2021-22	8,665	3,186	5,479(63)
Sirmour at Nahan	2017-18	6,000	669	5,331(89)
	2018-19	18,000	1,106	16,894(94)
	2019-20	4,707	898	3,809(81)
	2020-21	3,500	2,689	811(23)
	2021-22	9,165	896	8,269(90)
Solan	2017-18	6,000	345	5,655(94)
	2018-19	18,000	1,561	16,439(91)
	2019-20	3,516	1,611	1,905(54)
	2020-21	2,200	1,734	466(21)
	2021-22	8,732	1,284	7,448(85)
Una	2017-18	6,000	1,928	4,072(68)
	2018-19	18,000	3,009	14,991(83)
	2019-20	4,249	2,146	2,103(49)
	2020-21	3,000	4,257	0
	2021-22	13,000	3,236	9,764(75)

Note: Target fixed by the Board in May 2013, March 2018, May 2019 and July 2021



## Appendix-2.3

(Reference: Paragraph 2.7.8.1 (C))

Details of mismatch in figures of welfare scheme expenditure provided by the Board for 2017-22

(Amount in ₹)

Sr. No.	Head	Total expenditure on scheme as per Balance sheet	Total expenditure as per supplied by the Board	Difference
1	Advertisement and Publicity	3,01,65,961	3,02,81,325	1,15,364
2	Disability Pension	1,03,000	95,000	8,000
3	Death and Funeral Benefits	16,08,32,707.8	14,86,01,856	1,22,30,851 .8
4	CM Relief Fund	2,00,00,000	2,00,00,000	0
5	Facilitation charges	65,759	0	65,759
6	Expenses Creches on work	10,85,000	10,85,000	0
7	Financial assistance for Bicycle	6,92,13,310.00	8,59,81,750	1,67,68,440
8	Financial assistance for Education	86,48,05,105	72,15,49,834	14,32,55,271
9	Freight Charges	13,12,537	9,85,121	3,27,416
10	Induction Heaters	9,23,72,162	7,92,39,643	1,31,32,519
11	Covid-19 relief	72,25,12,000	78,59,10,000	6,33,98,000
12	Marriage Assistance	71,23,07,045	64,47,62,000	6,75,45,045
13	Maternity/ Paternity Benefit	8,12,73,450	11,87,50,557	3,74,77,107
14	Medical Assistance	3,68,84,835	3,11,80,562	57,04,273
15	Old age pension benefits	97,67,500	63,17,000	34,50,500
16	Rent of Store taken for Beneficiaries items	39,58,152	31,52,604	8,05,548
17	Rashtriya Swasthya Bima Yojna	6,14,856.75	40,420	5,74,436.75
18	Seminars and Workshops	7,070	0	7,070
19	Solar Lantern	9,65,79,256	10,24,13,474	58,34,218
20	RPL	1,29,41,120	0	1,29,41,120
21	Workers Transit Hostel	6,10,809	5,39,208	71,601
22	Depreciation	4,32,85,907	4,90,92,044	58,06,137
23	General and Welfare Activities	41,26,125	36,38,576	4,87,549
24	Income from previous year	5,86,00,399.42	0	5,86,00,399.42
25	Washing Machine	12,71,51,131	8,03,71,060	4,67,80,071
26	Expenses on welfare activities	72,836	0	72,836
27	Pension	1,000	0	1,000
28	PMJJY and PMSBY	34,65,828	34,65,828	0
29	Gram Rozgar Sevak Honorarium	88,000	0	88,000
<b>Total</b>		<b>3,15,42,02,862</b>	<b>2,91,74,52,862</b>	<b>23,67,50,000</b>

## Appendix-2.4

(Reference: Paragraph 2.7.10.3)

### Amounts of Financial Assistance for Education for the period 2017-22

(Amount in ₹)

Sr. No.	Course	Notification Date						
		17 <sup>th</sup> November 2011	9 <sup>th</sup> May 2013	19 <sup>th</sup> January 2018	6 <sup>th</sup> January 2020	16 <sup>th</sup> September 2020 (Girls)	16 <sup>th</sup> September 2020 (Boys)	24 <sup>th</sup> September 2021
1	1 <sup>st</sup> to 5 <sup>th</sup> standard	500	1,000	3,000	7,000	8,000	5,000	8,400
2	6 <sup>th</sup> to 8 <sup>th</sup> standard	800	1,200	3,000	7,000	8,000	5,000	8,400
3	9 <sup>th</sup> to 10 <sup>th</sup> standard	1,000	1,500	6,000	10,000	11,000	8,000	12,000
4	10+1 and 10+2 standard	1,500	2,000	6,000	10,000	11,000	8,000	12,000
5	Bachelor of Arts	2000	2500	10000	15,000	16,000	12,000	36,000
6	BSc/B.Com/BBA or equivalent	2,500	3,000	10,000	15,000	16,000	12,000	36,000
7	Postgraduate (Arts and Commerce)	3,000	3,500	15,000	20,000	21,000	17,000	60,000
8	Postgraduate (Science)	3,500	4,000	15,000	20,000	21,000	17,000	60,000
9	Diploma courses (one year)	2,000	2,500	15,000	20,000	21,000	17,000	48,000
10	Diploma courses (two years)	2,500	3,000	15,000	20,000	21,000	17,000	48,000
11	Diploma courses (three years)	3,500	4,000	15,000	20,000	21,000	17,000	48,000
12	Professional courses	8,000	10,000	25,000	35,000	36,000	27,000	60,000
13	PhD, Research courses	10,000	15,000	25,000	35,000	36,000	27,000	1,20,000

## Appendix-4.1

(Reference: Paragraph 4.1.2)

### Identified sectors by HPKVN

Sr. No.	Name of Sector
1.	Agriculture
2.	Horticulture
3.	Tourism and Hospitality
4.	Construction
5.	Information Technology /IT Enabled Services
6.	Banking and Financial
7.	Apparel and Made ups
8.	Healthcare
9.	Electronics
10.	Beauty and Wellness
11.	Auto
12.	Banking, Financial Service and Insurance
13.	Power
14.	Media and Entertainment
15.	Plumbing
16.	Retail
17.	Life Science
18.	Capital Goods
19.	Logistics
20.	Telecom
21.	Management and Entrepreneurship Professional
22.	Plastic and Rubber
23.	Green Job
24.	Handicraft
25.	Textile
26.	Furniture
27.	Engineering/Architecture
28.	Service and Documentation
29.	Food Processing
30.	Iron and Steel
31.	Aerospace/ Aviation*
32.	Disaster Management *
33.	Infrastructure Equipment*

\*Training in these sectors have not been conducted (up to September 2022)

## Appendix-4.2

(Reference: Paragraph 4.1.6)

### 1. Details of selection of completed projects in the test-checked districts

Sr. No.	District	Scheme	TSP	Enrolled candidates
1.	Kullu	MoUs with reputed Institutes	The National Institute for Entrepreneurship and Small Business Development (NIESBUD)	25
2.		Pilot	IL&FS (Learnet Skills Ltd.)	222
3.		PMKVY-2.0	Golden Institute of Technology	120
4.		RPL	Quess Corporation Limited	693
5.		PMKVY- 2.0 RPL	IL&FS (Learnet Skills Ltd.)	408
6.	Mandi	Flagship scheme- Graduate Add on	Focal Skills Development Pvt. Ltd.	316
7.			Indian Institute of Skill Development	86
8.		MoUs with reputed Institutes	The National Institute for Entrepreneurship and Small Business Development (NIESBUD)	180
9.		Pilot	LabourNet	151
10.		PMKVY 3.0	Government ITI Sandhol	52
11.		PMKVY 3.0 RPL	De Unique Education Society	200
12.		PMKVY 3.0 Special Project	IL&FS (Learnet Skills Ltd.)	40
13.		PMKVY Version 2	CSC-e-Governance Service Ltd.	62
14.			Institute of Hotel Management Education Society Rampur Bushahr	150
15.			Lord Ganesha Institute of Management and Technology	60
16.			Sri Radha Krishna Infotech Private Limited	184
17.		RPL	Vocman India Private Limited	517
18.		PMKVY-RPL	IL&FS (Learnet Skills Ltd.)	227
19.	Una	Flagship scheme	LabourNet	300
20.		Flagship scheme- Graduate Add on	Indian Institute of Skill Development	239
21.		Pilot	LabourNet	1
22.		PMKVY 3.0 RPL	De Unique Education Society	200
23.		PMKVY-2.0	Mentor Skills India	120
24.			Orion Edutech	8
Total				4,561

**2. Details of selection of ongoing projects in the test-checked districts**

Sr. No.	District	Scheme	TSP	Enrolled candidates
1.	Kullu	Graduate Add-on	Focal Skills Development Pvt. Ltd.	90
2.		ITIs (HPSDP STT)	Government ITI Dalash	86
3.			Government ITI Nirmand	25
4.			Government ITI Shamshi	661
5.		MoUs	Atal Bihari Vajpayee Institute of Mountaineering and Allied Sports	430
6.			HP Branch of NIRC of ICAI	18
7.		B.Voc	Government Degree College, Kullu (LabourNet)	252
8.	Mandi	Flagship Scheme	Wazir Advisors Pvt Ltd	780
9.		Graduate Add-on	Focal Skills Development Pvt. Ltd.	234
10.		ITIs (HPSDP STT)	Government ITI Bagsaid	364
11.			Government ITI Paplog	203
12.			Government ITI Women Mandi	119
13.			Government ITI Padhar	97
14.		MoUs	IIT Mandi	110
15.			NIELIT	527
16.		B.Voc	Government Degree College, Sarkaghat (Centum learning ltd.)	35
17.	Una	Graduate Add-on	Focal Skills Development Pvt. Ltd.	446
18.		ITIs (HPSDP_STT)	Government ITI Bangana	435
19.			NIELIT	236
20.		B.Voc	Government Degree College, Una (Orion Edutech)	311
Total				5,459

### Appendix-4.3

(Reference: Paragraph 4.2.1)

#### Local Arts and Crafts

- (a) **Himachali Paintings:** Chamba, Kangra and Gompa styles, traditional Thangka paintings from Tabo and Manali
- (b) **Metalcraft:** Traditional art of sculpting idols of Gods and goddesses, making ornaments, decorative figurines, carvings etc.
- (c) **Shawls:** Kinnauri shawls, Kullu shawls, Kinnauri Dohru etc.
- (d) **Carpets:** including carpets, namdhas and rugs, colourful Indo-Himalayan carpets, and Gudmas used as ornate wall hangings
- (e) **Woodcraft carvings and turnings**
- (f) **Embroidery:** an integral part of Pahari culture like Chamba Rumal, Sunni embroidery, framed embroidery in addition to caps, hand fans, wall hangings, etc.
- (g) **Footwear:** Chamba Chappal, Grass pullan from Mandi, Kapul from Kinnaur, shoes with woollen border from Manali
- (h) **Leathercraft:** leather bags, garments, pouches, travel accessories, shoes, sandals, belts and chappals
- (i) **Blankets and Rugs:** Pangwali Blanket (from Chamba), Kinnauri Pattoo, local wool blankets
- (j) **Woollen caps, mufflers and Knitware:** Kullu caps and mufflers, Lahauli gloves, Lahauli socks, Kullu jacket etc.

Source: Para 4.12 of Himachal Pradesh Skill Development Policy (Him Kaushal- 2016).

## Appendix-4.4

(Reference: Paragraphs 4.2.1, 4.2.6 and 4.6.1)

## Details of Enrolment, Training and placement in the Focus and other Sectors

(In Numbers)

Sr. No.	Sectors	Enrolled	Trained	Certified	Placed	Drop out
<b>Focus Sectors</b>						
1	Agriculture	815	815 (1.46)	414 (1.15)	1 (0.02)	0
2	Horticulture	648	648 (1.16)	612 (1.70)	3 (0.05)	0
3	Tourism and Hospitality	8,040	7,650 (13.72)	5,137 (14.25)	492 (8.90)	390
4	Construction	1,830	1,766 (3.17)	1,030 (2.86)	253 (4.58)	64
5	IT/ITES	12,061	11,508 (20.64)	5,548 (15.40)	759 (13.73)	553
6	Banking and Financial	295	295 (0.53)	90 (0.25)	0 (-)	0
<b>Total (A)</b>		<b>23,689</b>	<b>22,682 (40.68)</b>	<b>12,831 (35.61)</b>	<b>1,508 (27.28)</b>	<b>1,007</b>
<b>Other Sectors</b>						
7	Apparel and Made ups	5,794	5,601 (10.05)	3,300 (9.16)	740 (13.39)	193
8	Healthcare	5,532	5,388 (9.66)	4,879 (13.54)	504 (9.12)	144
9	Electronics	3,707	3,422 (6.13)	2,349 (6.52)	391 (7.07)	285
10	Beauty and Wellness	2,903	2,666 (4.78)	2,049 (6.51)	704 (12.74)	237
11	Auto	2,715	2,552 (4.58)	1,635 (4.54)	418 (7.56)	163
12	Insurance	2,654	2,437 (4.37)	2,193 (6.09)	122 (2.21)	217
13	Power	1,866	1,812 (3.25)	879 (2.44)	45 (0.81)	54
14	Media and Entertainment	1,634	1,562 (2.80)	1,343 (3.73)	63 (1.14)	72
15	Plumbing	1,444	1,397 (2.51)	676 (1.88)	108 (1.95)	47
16	Retail	1,127	1,012 (1.82)	697 (1.93)	221 (4.00)	115
17	Life Science	1,118	1,094 (1.96)	733 (2.03)	260 (4.70)	24
18	Capital Goods	998	967 (1.73)	400 (1.11)	53 (0.96)	31
19	Logistics	880	772 (1.38)	415 (1.16)	8 (0.14)	108
20	Telecom	782	703 (1.26)	456 (1.27)	29 (0.52)	79
21	Management and Entrepreneurship Professional	488	488 (0.88)	366 (1.02)	13 (0.24)	0
22	Plastic and Rubber	430	352 (0.63)	232 (0.64)	163 (2.95)	78
23	Green Job	324	318 (0.57)	261 (0.72)	1 (0.02)	6
24	Handicraft	180	180 (0.32)	124 (0.34)	0 (-)	0
25	Textile	164	71 (0.13)	70 (0.19)	92 (1.66)	93
26	Furniture	150	125 (0.22)	99 (0)	84 (1.52)	25
27	Engineering/ Architecture	71	71 (0.13)	0 (0)	0	0
28	Service and Documentation	31	30 (0.05)	21 (0.06)	0	1
29	Food Processing	27	27 (0.05)	0 (0)	0	0
30	Iron and Steel	25	25 (0.04)	25 (0.07)	0	0
<b>Total (B)</b>		<b>35,044</b>	<b>33,072 (59.32)</b>	<b>23,202 (64.39)</b>	<b>4,019 (72.72)</b>	<b>1,972</b>
<b>Grand Total (A+B)</b>		<b>58,733</b>	<b>55,754</b>	<b>36,033</b>	<b>5,527</b>	<b>2,979</b>



## Appendix-4.5

(Reference: Paragraph 4.2.2)

## Committees for direction and monitoring of projects

Project Steering Committee (PSC)	
Constitution	Functions
Chief Secretary, Additional Chief Secretary (ACS) of Planning and Finance; ACS/ Principal Secretaries/ Secretaries of Technical Education, Higher Education, Labour and Employment, Rural Development, Urban Development and Industries Department, Advisor- Planning and Managing Director of HPKVN	<ul style="list-style-type: none"> <li>• Provide overall direction and guidance to the HPSDP in terms of design and implementation</li> <li>• Approve annual work plans and budget for the physical and financial targets and activities of each implementing agency</li> <li>• Undertake quarterly performance reviews across different components and suggest ways of expediting project implementation</li> <li>• Ensure that the executing agency, implementing agencies, and the support departments coordinate seamlessly to ensure timely execution of project activities.</li> <li>• Review any financial irregularity and audit notes, and issue corrective actions as required</li> <li>• Review the findings of monitoring and evaluation surveys to assess effectiveness in terms of achieving project outcomes. Suggest ways of incorporating lessons and improving future implementation</li> <li>• Track the progress made in terms of achieving the project outputs and outcomes as laid down in the project's design and monitoring framework</li> <li>• Correspond with the Asian Development Bank (ADB) for any major changes that may be required in the project</li> </ul>
Project Management and Implementation Committee (PMIC)	
Constitution	Functions
Managing Director, General Managers of HPKVN, Directors of the Technical Education, Higher Education, Industries, Labour and Employment, Rural Development, Urban Development Department and Chief Engineer (PWD)	<ul style="list-style-type: none"> <li>• Prepare annual work plans and budgets for each implementing agency based on the planned activities for the HPSDP</li> <li>• Review overall project implementation quarterly or as required</li> <li>• Coordinate with the executing agency and implementing agencies in terms of procurement, financial management, safeguards, and other project activities</li> <li>• Coordinate with the supporting departments—(i) Department of Economics and Statistics, (ii) Department of Industries, (iii) Department of Labor and Employment, (iv) Department of Urban Development, (v) Department of Rural Development, and (vi) Department of Social Justice and Empowerment — to ensure that activities falling under their purview are executed effectively</li> <li>• Address bottlenecks to ensure smooth implementation</li> <li>• Work towards achieving the outcomes and outputs laid out in the project's design and monitoring framework</li> <li>• Review utilization certificates submitted by the implementing agencies, and examine action taken reports for audit objections and other financial management requirements</li> <li>• Engage with the Ministry of Skill Development and Entrepreneurship, National Skill Development Corporation, National Skill Development Agency, sector skills councils, and industry associations as required, to ensure alignment with relevant national quality standards</li> </ul>

## Appendix-4.6

(Reference: Paragraph 4.3.2)

## Statement showing detail of TSPs from whom Performance Guarantee not obtained

(₹ in lakh)

Sr. No.	PIA	Programme	Project cost	Sector	Date of agreement	Amount released to TSP	PG not obtained*
<b>Project cost provided</b>							
1.	Lord Ganesha Institute of Management and Technology	PMKVY-2 STT	4.38	Customer Care Executive	9.7.19	3.51	0.22
2.	Quess Corporation Limited	HPSDP-RPL	548.88	Agriculture Handicrafts, Tourism, Green Jobs	28.12.19	54.89	27.44
3.	Vocman India Private Limited	HPSDP-RPL	98.08	Healthcare, Construction, Power	26.7.19	70.00	4.90
4.	LabourNet India Private Limited- 02	HPSDP-STT	568.96	Auto, Construction, Power	26.6.18	92.91	28.45
5.	LabourNet India Private Limited- 03	HPSDP-STT	729.97	IT-ITes, Electronics, Hardware	19.6.18	144.75	36.50
6.	Indian Institute of Skill Development	HPSDP-Graduate Add on	568.85	BFSI, Electronics, IT-ITes, Beauty and Wellness, Apparel, Makeup	25.6.18	233.13	28.44
7.	Focal Skills Development Private Limited	HPSDP-Graduate Add on	794.50	Media and Entertainment, IT-ITes, BFSI	27.12.19	307.79	39.73
8.	De-unique Education Society	PMKVY-3.0 RPL	6.75	Field Technician	18.9.21	6.75	0.34
<b>Total</b>			<b>3,320.37</b>			<b>913.73</b>	<b>166.02</b>
<b>Project cost not provided**</b>							
9.	IL&FS (Learnnet Skill Limited)	Pilot	Common Cost norms	Hospitality- Food and Beverages	22.9.16	8.09	Not obtained
10.	LabourNet India Services Private Limited	Pilot	-do-	Furniture Fitting-Carpenter Fitter Automotive-Electrician	22.9.16	19.74	Not obtained
11.	Golden Institute of Technology	PMKVY-2.0 STT	-do-	Field Technician and Home Appliance, CCTV Installation	7.12.18	60.17	Not obtained
12.	CSC-e-Governance Services Limited	PMKVY-2.0 STT	-do-	Handset Repair Engineer	7.12.18	6.12	Not obtained

Sr. No.	PIA	Programme	Project cost	Sector	Date of agreement	Amount released to TSP	PG not obtained*
13.	Institute of Hotel Management Education Society, Rampur Bushahr	PMKVY-2.0 STT	-do-	Front Office Associates, Food and Beverages, House Keeping Attendant	18.2.19	45.27	Not obtained
14.	Sri Radha Krishna Infotech Private Limited	PMKVY-2.0 STT	-do-	Field Technician and Computing, Documentation, Assessment and Retailer, Trainee Associates and Customer Care Executive	18.2.19	34.21	Not obtained
15.	Mentor Skills India	PMKVY-2.0 STT	-do-	Taxi Driver, Chauffeur, Showroom hostess	20.3.18	48.96	Not obtained
16.	Orion Edutech	PMKVY-2.0 STT	-do-	Self Employed Tailor, Hair Stylist, Meet and Greet Officer	21.3.18	7.29	Not obtained
17.	IL&FS (Learnnet Skill Limited)	PMKVY-2.0 RPL	-do-	House Keeping, Street Food Vendor		3.45	Not obtained
<b>Total</b>						<b>233.3</b>	
<b>Grand Total</b>						<b>1,147.03</b>	<b>166.02</b>

\* Five per cent of project cost.

\*\* Project cost in respect of nine projects was not calculated by the HPKVN and therefore amount of PG could not be calculated as in PMKVY payments were made to the TSP on the basis of Common cost norms (per hour/ day/ candidate basis).

## Appendix-4.7

(Reference: Paragraphs 4.3.4 and 4.5.3)

## Details of physical and financial progress under SANKALP scheme

Sr. No.	Component	Sub-component	Physical Progress	Financial progress	
				Approved Amt. (₹ in lakh)	Expenditure (₹ in lakh)
1.	Institutional Strengthening at the National and State Levels for Planning, Delivering and Monitoring High-quality Market Relevant Training	Institutional Strengthening-hiring of Resources at District and HQ level	Resources yet to be hired.	86.40	0
2.	-do-	Skill Orientation Programme/ Workshops	Work assigned to HPKVN's district teams. Two Skill Orientation workshops attended by 43 participants in Shimla district only.	38.00	0.81
3.	Improved Quality and Market Relevance of Skill Development Programmes	Endeavours pertaining to Skill Upgradation, Design Intervention and Marketing of State Specific Arts and Crafts	MoU signed with Handicrafts and Handloom Corporation Limited on 12 <sup>th</sup> October 2021 for capacity enhancement initiatives of craftsmen and artisans in Chamba Rumal, Wood Craft, Kullu Caps etc., job roles.	44.80	41.23 (Amount transferred as advance to Handicrafts and Handloom Corporation Limited) UC received; details of expenditure incurred not provided.
4.	-do-	Conduct of TOTs	ToTs to upgrade the skills of artisans, weavers and other stakeholders not conducted	3.00	0
5.	-do-	Conduct of Mobilisation, Drives, Awareness Creation through Mobile Skill Vans	Mobile skill van has been deployed and has covered eight districts out of 12 districts in the State. Second round not taken up as of October 2022	10.80	1.72
6.	-do-	Artisan Cluster Development	Not developed as of October 2022	15.00	0
7.	-do-	Industry meets, exposures, Exhibitions and Marketing interventions along with handholding support for Entrepreneurship Development	Only industry meets and exposure visits undertaken for HPKVN staff. Entrepreneurship Development Activities/endeavours in Financial Literacy, Institutional Strengthening, Business Plan Preparation, etc. for trained/certified candidates from HPKVN sponsored trainings programme had not been explored as of October 2022.	12.60	2.08 Assam exposure visit (1.47) Mumbai exposure (0.61)
<b>Total</b>				<b>210.6</b>	<b>45.84</b>

## Appendix-4.8

(Reference: Paragraph 4.7.1)

## Details of irregularities/incorrect data entries noticed during analysis of MIS data

Particulars	Criteria	Total candidates captured		Irregular entries	Details of irregularities
Duplicate/ Triplicate training and other irregularities	Candidates may avail training only once under HPSDP and should have at least six months gap between two trainings under PMKVY	62,179	HPSDP: 41,532	2,307 (double trainings etc.)	- Same course and same registration date captured: 115 - Same course and different registration date captured: 262 - More than one registration in different course captured: 1,930
			PMKVY : 20,495	535 (more than one training programmes attended shown etc.)	- Same course and same registration date captured: 152 - Same registration date and different course captured: 6 - More than one registration in different courses within six months captured: 78 - More than one registration in same course within six months captured: 98
Age	Candidates should be in age group of 18-45 years. However, in MoU/ flexi MoU/ RPL courses no upper age limit is provided by the HPKVN	62,179		10	Age shown in minus ( <i>i.e.</i> , - 2013, - 96, - 90 etc.
		-do-		132	Age of candidates is between 0 and 14 years
		-do-		73	Captured age of candidates was above 65 years
Contact details	Provision of entry of mobile is provided in the MIS	-do-		230	Mobile number entered is of less than 10 numbers
				216	Mobile number entered is of more than 10 numbers
				4	E-mail/ address entered
Course start date	There is provision of entry of course start and completion date	-do-		3,462	Field left blank, thus duplicate cases under PMKVY/HPSDP cannot be ascertained.
Course completion date				16,812	
				4	Incorrect entry of course completion captured <i>i.e.</i> , Aug 1900, Nov 1021 and Aug 1922
Assessment date	There is provision of entry of assessment date	-do-		17,449	Field left blank
				4	Erroneous entries of assessment date captured <i>i.e.</i> , 2062, 1900, 1922.
Number of attempts of assessment	There is provision of entry of number of attempts of assessment by candidates	-do-		33	Erroneous entries found recorded <i>i.e.</i> , 144.98, 148.17, etc.
Date of certification	Date of certification	30,212		7,872	Field left blank
Job offered date	Date on which job was offered	5,566		695	Field left blank
				5	Erroneous entries found recorded <i>i.e.</i> , 7,000; 1,920; 1,899

## Appendix-5.1

(Reference: Paragraph 5.1.2)

## Detail of project sanctioned in March 2017 and September 2020

(₹ in lakh)

Sr. No.	Project sanctioned vide sanction March, 2017		Project sanctioned vide sanction September 2020		Final Status	Expenditure incurred on dropped project
	Name of Project	Amount sanctioned	Name of project	Amount sanctioned	Dropped/Retained	
1.	Convention centre at Kiarighat	2,500.00	Convention centre at Kiarighat	2,500.00	Retained	NA
2.	Ice Skating Rink at Shimla	800.00	NA	NA	Dropped	26.00 (3 lakh on advertisement and 23 lakhs on preparation of DPR)
3.	Heliport at Shimla	700.00	Heliport at Shimla	1,213.25	Retained	NA
4.	Water Sports Centre and equipment at Sunni Area	600.00	NA	NA	Dropped	Nil
5.	Wayside Amenities at Tipra	500.00	NA	NA	Dropped	Nil
6.	Multi-Level Parking with cafeteria and TRC at Manali	1,000.00	NA	NA	Dropped	Nil
7.	International standard free standing Artificial climbing wall	300.00	International standard free standing Artificial climbing wall	300.00	Retained	NA
8.	Development and Beautification of Dal Lake	400.00	Development and Beautification of Dal Lake	400.00	Retained	NA
9.	Paragliding Centre and equipment at Bir	800.00	Paragliding Centre and equipment at Bir	800.00	Retained	NA
10.	Wayside amenities cum Rafting centre at Nadaun	300.00	NA	NA	Dropped	Nil
11.	Saurav Kalia Van Vihar	300.00	NA	NA	Dropped	18.00 (construction work)
12.	Village Haat at Kangra	400.00	Village Haat at Kangra	400.00	Retained	NA
13.	Art and Craft centre at Bhalei Mata	400.00	Art and Craft centre at Bhalei Mata	400.00	Retained	NA
14.	Signage, Gantries CCTV and WiFi for the entire circuit	501.00	Signage, Gantries CCTV and WiFi for the entire circuit	501.00	Retained	NA
15.			Light and sound show at Shimla	866.26	Added	NA
16.			Development of Maa Hateshwari Temple at Hatkoti	303.96	Added	NA
<b>TOTAL</b>		<b>9,501.00</b>		<b>7,684.47</b>		
Architect Fee @ two per cent		190.02		153.69		
Contingency charges @ three per cent		285.03		230.53		
<b>Grand Total</b>		<b>9,976.05</b>		<b>8,068.69</b>		

Note: Total 14 projects were sanctioned in March 2017 and were revised during September 2020 vide which 10 projects (14 initial – 6 dropped + 2 added = 10) were finally sanctioned.

## Appendix-5.2

(Reference: Paragraph 5.2.1)

## Details of consultants of the DPRs prepared under Himalayan Circuit

Sr. No.	Name of component	Executing agency	Consultant	How were the consultants selected	Date of appointment of consultant	Date of submission of DPR by the Consultant
1.	Entire Himalayan Circuit	HPTDC	M/s Sharma & Associates, Sanjauli	The firm was empanelled in the approved list of HPTDC from January 2006. Work allotted for ₹ 4.50 lakh.	16.09.2015	27.02.2017
2.	Convention Centre at Kiarighat	HPTDB	M/s Shah Technical Consultant	HPTDB allotted the work of preparation of DPR with detailed drawings (working structure drawings, cost estimates, bill of quantity) of these components under SDS to a consultant i.e. M/s Shah Technical Consultant without inviting advertised tender and got bids finalized on the plea that the consultant had been working for Asian Development Bank Project (executed by DoT) for preparation of DPR since February 2006.	01.07.2017	04.01.2018
3.	Helipoint at Shimla	HPTDB	M/s Shah Technical Consultant		01.07.2017	13.01.2018
4.	Development and Beautification of Dal Lake, Dharamshala	HPTDB	M/s Shah Technical Consultant		07.07.2018	28.07.2018
5.	Village Haat at Kangra	HPTDB	M/s Shah Technical Consultant		01.07.2017	28.07.2018
6.	Paragliding Centre and Equipment at Bir	HPTDB	M/s Shah Technical Consultant		07.07.2018	06.08.2018
7.	Ice skating rink Shimla	HPTDB	M/s Shah Technical Consultant		07.07.2018	19.03.2019
8.	Development of Maa Hateshwari temple, Hatkoti	HPTDC	Sh. Sushil Sharma & Associates, Shimla	Work allotted at the rate of 1.5 per cent of project cost. The firm was empanelled in the approved list of HPTDC from January 2006	04.09.2019	23.12.2019
9.	Construction of Art and Craft Centre at Bhalei Mata	HPTDC	M/s Grassroot research and consultancy	By inviting advertised tender.	02.01.2019	12.06.2019
10.	Signages Gantries, CCTV and WiFi for the entire circuit	HPTDC	HPTDC	No tender had been invited as the work of consultation of the components was done by the HPTDC itself.	NA	10.10.2018
11.	International Standard Free-Standing Artificial Climbing Wall, Manali	ABVIMAS	M/s Paramount Consultant, Dehradun	By inviting advertised tender. Consultancy and construction was to be done by the same firm.	11.07.2019	During the submission of the bids the bidder had to submit the designs along with the bids.



**Appendix-5.3**

(Reference: Paragraph 5.2.1.6)

**Details of delay in allotment of DPR work to Firm/Consultant and delay in receipt of DPR from consultant**

Sr. No.	Name of work and Name of Executing Agencies	Date of work assigned by DoT	Date when work of DPR allotted by Executing Agencies to consultant	Date when DPR received from Firm/ Consultant	Due date of receipt of DPR from Firm/ Consultant (30 days)	Delay in receipt of DPR after given 30 days period (Days)
1.	Art and Craft Centre at Bhalei Mata Distt. Chamba. (HPTDC)	17.05.2018	02.01.2019	12.06.2019	01.02.2019	131
2.	Construction of convention centre at Kiarighat Distt. Solan (HPTDB)	31.12.2016	01.07.2017	04.01.2018	31.07.2017	156
3.	Construction of Heliport at Shimla Distt. Shimla (HPTDB)	31.12.2016	01.07.2017	13.01.2018	31.07.2017	165
4.	Construction of proposed village Haat at Kangra (HPTDB)	31.12.2016	01.07.2017	28.07.2018	31.07.2017	361

## Appendix – 6.1

(Reference: Paragraph 6.1)

### District-wise details of subsidy given on purchase of 2WD tractors under SMAM during 2018-21

(Amount in ₹)

District	Year	Number of cases	Total cost	Subsidy due	Subsidy given	Subsidy given in excess of the norms
Palampur	2018-19	37	2,15,51,000	92,50,000	1,07,75,500	15,25,500
	2019-20	190	12,85,83,400	4,75,00,000	5,61,96,700	86,96,700
	2020-21	202	12,31,60,429	5,05,00,000	5,98,57,000	93,57,000
	<b>Total</b>	<b>429</b>	<b>27,32,94,829</b>	<b>10,72,50,000</b>	<b>12,68,29,200</b>	<b>1,95,79,200</b>
Sirmour	2018-19	63	3,73,38,000	1,57,50,000	1,84,47,500	26,97,500
	2019-20	128	7,73,61,000	3,20,00,000	3,77,89,500	57,89,500
	2020-21	48	2,97,25,500	1,20,00,000	1,42,84,750	22,84,750
	<b>Total</b>	<b>239</b>	<b>14,44,24,500</b>	<b>5,97,50,000</b>	<b>7,05,21,750</b>	<b>1,07,71,750</b>
Una	2018-19	109	7,49,81,541	2,72,50,000	3,24,82,000	52,32,000
	2019-20	147	9,31,68,865	3,67,50,000	4,38,83,928	71,33,928
	2020-21	65	3,87,03,406	1,62,50,000	1,89,77,066	27,27,066
	<b>Total</b>	<b>321</b>	<b>20,68,53,812</b>	<b>8,02,50,000</b>	<b>9,53,42,994</b>	<b>1,50,92,994</b>
Chamba	2019-20	15	84,12,000	35,00,000	40,76,000	5,76,000
	2020-21	1	6,25,000	2,50,000	3,00,000	50,000
	<b>Total</b>	<b>16</b>	<b>90,37,000</b>	<b>37,50,000</b>	<b>43,76,000</b>	<b>6,26,000</b>
<b>Grand Total</b>		<b>1,005</b>	<b>63,36,10,141</b>	<b>25,10,00,000</b>	<b>29,70,69,944</b>	<b>4,60,69,944</b>

### District-wise details of the 4WD tractors given under the SMAM during 2018-21

PTO, HP <sup>@</sup>	Name of the tractor	Palampur			Sirmour			Una			Chamba			Total
		2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	
Below 20	Sonalika DI-22	0	0	2	2	1	0	1	2	0	0	0	0	8
	VST Shakti MT 180D	0	0	0	1	0	0	0	0	0	0	0	0	1
	Kubota B2741S	0	0	0	0	0	0	1	0	0	0	0	0	1
	Sonalika International GT-20	0	0	0	0	0	0	2	0	0	0	0	0	2
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>
Between 20 to 40	Mahindra JIVO 245DI	1	2	3	1	1	0	7	0	0	0	1	0	16
	Sonalika DI-30 Bhagban	0	2	2	1	0	0	3	0	0	0	0	0	8
	VST Shakti MT 270 VIRAAT	0	0	0	4	0	0	0	0	0	0	0	0	4
	VST isubish I Shakti VT-224-ID	0	0	0	1	0	0	0	0	0	0	0	0	1
	John Deere 5105d	0	0	0	0	0	0	0	8	4	0	0	0	12
	<b>Total</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>10</b>	<b>8</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>41</b>
	<b>Grand Total</b>	<b>1</b>	<b>4</b>	<b>7</b>	<b>10</b>	<b>2</b>	<b>0</b>	<b>14</b>	<b>10</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>53</b>

<sup>@</sup> PTO (Power-take-off) Horsepower indicates the power that an engine produces.





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