



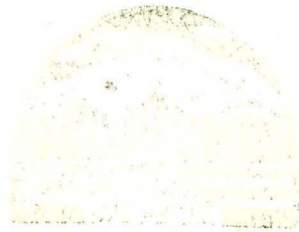
REPORT

OF THE

**Comptroller and Auditor General of India
for the year 1977-78**

(CIVIL)

Government of Himachal Pradesh



REPORT

OF THE

COMMISSIONERS OF THE
REVENUE DEPARTMENT

1900

Government of Madras

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PREFATORY REMARKS

This Report has been prepared both in Hindi and English for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1977-78 together with other points arising from audit of financial transactions of the Government of Himachal Pradesh. It also includes certain points of interest arising from the Finance Accounts for 1977-78.

2. The results of audit of revenue receipts are presented in a separate volume.

3. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during 1977-78 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports ; matters relating to the period subsequent to 1977-78 have also been included wherever considered necessary.

4. The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration by the departments/bodies/authorities concerned.

CHAPTER I
GENERAL

1.1 Summary of transactions

The receipts and expenditure of the Government of Himachal Pradesh for 1977-78 are given below, with the corresponding figures for the preceding year :—

	1976-77	1977-78
	(Rupees in crores)	
(i) Revenue—		
Revenue receipts		
(a) Revenue raised by the State Government ..	33.78	36.93
(b) Receipts from the Government of India ..	99.16	95.62
Total : Revenue receipts ..	1,32.94	1,32.55
Revenue expenditure		
(a) Non-Plan ..	76.51	75.50
(b) Plan ..	18.63	23.39
Total : Revenue expenditure ..	95.14	98.89
Revenue surplus (+) ..	+37.80	+33.66
(ii) Public Debt—		
Receipts ..	-4.13@	44.78
Repayments ..	19.20	38.94
<i>Increase (+)</i>		
<i>Decrease (-)</i>	-23.33	+5.84

@Minus receipt was due to conversion of block loans of Rs. 27.38 crores into grants *ab initio* by the Government of India during the year.

(iii) *Loans and advances by the State Government—*

Recoveries	..	1.06	1.11
Disbursements	..	6.42	11.60
Increase (—)	..	—5.36	—10.49

(iv) *Public Account—*

Receipts	..	1,62.18	1,89.50
Disbursements	..	1,56.33	1,92.60

Increase (+)

Decrease (—)	..	+5.85	—3.10
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(v) *Capital expenditure—*

Non-Plan	..	—0.84	—0.46*
Plan	..	18.16	28.56
Increase (—)	..	—17.32	—28.10

(vi) *Inter-State Settlement (net)—*

Payments (—)	..	—0.33	..
Net deficit (—)	..	—2.69	—2.19
Opening cash balance	..	—3.87	—6.56
Net deficit (—) as above	..	—2.69	—2.19
Closing cash balance	..	—6.56	—8.75**

1.2 Revenue surplus/deficit

(a) *Revenue receipts*—The actuals of the revenue receipts for 1977-78 compared with (i) the budget estimates and (ii) the budget estimates plus

* Minus expenditure is due to receipts from sale of wheat and rice being more than expenditure.

**There was a difference of Rs. (—)0.23 crore between the figure reflected in the accounts (Rs. (—)9.31 crores) and that intimated by the Reserve Bank (Rs. (—)9.54 crores) regarding "Deposits with Reserve Bank" included in the cash balance. Except for Rs. 0.06 lakh the remaining difference has since been reconciled (September 1978).

additional taxation during the year along with the corresponding figures for 1975-76 and 1976-77 are given below :—

Year (1)	Budget (2)	Budget <i>plus</i> additional taxation (3)	Actuals (4)	Variation between columns (4) and (3)	
				Amount (5)	Percentage (6)
(Rupees in crores)					
1975-76 ..	82.41	82.81	86.81	+4.00	5
1976-77 ..	88.20	89.20	1,32.94	+43.74	50
1977-78 ..	1,25.47	1,25.66	1,32.55	+6.89	5

The receipts in 1977-78 exceeded the budget estimates mainly under 'Grants-in-aid from Central Government' (Rs. 6,14.88 lakhs), 'State Excise' (Rs. 1,13.95 lakhs), 'Forest' (Rs. 87.03 lakhs) and 'Miscellaneous General Services' (Rs. 86.15 lakhs); these increases were partly counterbalanced by shortfall under 'States' share of Union Excise Duties' (Rs. 48.16 lakhs), 'Water and Power Development Services' (Rs. 45.00 lakhs), 'Interest receipts' (Rs. 35.87 lakhs), 'Land Revenue' (Rs. 31.81 lakhs), 'Sales Tax' (Rs. 22.73 lakhs), 'Other Administrative Services' (Rs. 18.95 lakhs) and 'Taxes on Goods and Passengers' (Rs. 18.47 lakhs).

(b) *Expenditure on revenue account*—The expenditure on revenue account as compared with (i) the budget estimates and (ii) the budget estimates *plus* supplementary grants is shown below :—

Year (1)	Budget (2)	Budget <i>plus</i> supple- mentary (3)	Actuals (4)	Variation between columns (4) and (3)	
				Amount (5)	Perce- ntage (6)
(Rupees in crores)					
1975-76 ..	85.60	88.01	86.69	-1.32	1
1976-77 ..	94.62	99.59	95.14	-4.45	4
1977-78 ..	1,02.01	1,07.44	98.89	-8.55	8

(c) The year ended with a revenue surplus of Rs. 33.66 crores as against a surplus of Rs. 23.46 crores anticipated in the budget.

1.3 Revenue receipts

(a) *Taxation changes during the year*—During 1977-78, the taxation changes made and revenue anticipated therefrom, as reported by the Government, were as under :—

Item	Revenue anticipated
	(Rupees in lakhs)
(a) Simplification of sales tax on timber	.. 18.00
(b) Rationalisation of irrigation rates	.. 1.00

Information regarding actual revenue receipts has not been received from the Government (January 1979).

(b) The revenue receipts in 1977-78 (Rs. 1,32.55 crores) compared to those in 1976-77 (Rs. 1,32.94 crores) were as follows :—

(1)	Receipts		Increase(+)
	1976-77 (2)	1977-78 (3)	Decrease(—) (4)
	(Rupees in lakhs)		
(i) Revenue raised by the State Government—			
Tax Revenue	19,02.04	20,79.53	+1,77.49
Non-tax revenue	14,75.96	16,13.63	+1,37.67
(ii) Receipts from the Government of India—			
Taxes on Income other than Corporation tax	3,91.33	4,05.00	+13.67
Estate Duty	7.07	5.91	—1.16
State's share of Union Excise Duties	6,37.09	6,88.84	+51.75

Grants under the Constitution (Distribution of Revenues) Order and proviso to Article 275(1) of the Constitution

	32,92.02	33,74.00	+81.98
Other grants	55,88.33	50,87.65	—5,00.68
Total	1,32,93.84	1,32,54.56	—39.28

The receipts from the Government of India during 1977-78 (Rs. 95.62 crores) formed 72 per cent of the total revenue receipts in the year.

More information on the subject will be found in the Report of the Comptroller and Auditor General of India for the year 1977-78-Government of Himachal Pradesh-Revenue Receipts.

1.4 Expenditure on revenue account

The expenditure on revenue account in 1977-78 (Rs. 98.89 crores) increased by 4 per cent over that in 1976-77 (Rs. 95.14 crores).

The increase/decrease in expenditure on revenue account is analysed below (reasons for large variations also indicated to the extent received) :—

	Expenditure		Increase (+) Decrease (—)	
	1976-77	1977-78	Amount	Percent- age
(1)	(2)	(3)	(4)	(5)
(Rupees in lakhs)				
A-General Services—				
(i) Organs of State	1,47.93	1,64.51	+16.58	11
(ii) Fiscal Services	1.87.97	2,23.27	+35.30	19

The increase was stated to be due mainly to creation/filling up of various posts, increased rates of additional dearness allowance and transfer of surcharge collections on passenger tax to Passengers Insurance Fund.

(iii) Interest payments and servicing of debt

(a) 248-Appropriation for reduction or avoidance of debt	50.00	50.00	..	..
(b) 249-Interest payments	8,89.05	10,23.54	+1,34.49	15

The increase was stated to be due mainly to more payment of interest on Provident Funds and on loans and advances from Central Government for Non-Plan and Plan schemes.

(iv) Administrative

Services	13,68.51	10,16.17	-3,52.34	26
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The decrease was mainly under '259—Public Works' (Rs. 3,31.56 lakhs) which was stated to be due mainly to more recoveries in respect of stores issued to works.

(v) Pensions and

Miscellaneous General Services	2,68.41	2,43.76	-24.65	9
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B—Social and Community Services—

(a) 277-Education	23,29.65	25,63.67	+2,34.02	10
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The increase was stated to be due mainly to grant of annual increments, increased rates of additional dearness allowance and more expenditure on Plan/Tribal Areas Sub-Plan Schemes.

(b) 280-Medical	5,04.54	5,81.22	+76.68	15
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The increase was stated to be due mainly to grant of annual increments, filling up of vacant posts and implementation of various Centrally sponsored schemes of National Rural Health Services, National School Health Services and Establishment of Psychiatric Clinics.

(c) 281-Family Welfare	1,77.31	94.39	-82.92	47
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The decrease was due mainly to less expenditure on compensation under the Family Welfare Programme.

(d) Other heads	5,88.68	5,24.72	-63.96	11
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C—Economic Services—

(i) General Economic Services	1,27.89	1,52.24	+24.35	19
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(ii) Agriculture and Allied Services—

(a) 305-Agriculture	5,35.72	6,05.11	+69.39	13
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The increase was due mainly to grant of annual increments, increased rates of additional dearness allowance, more grants to Himachal Pradesh University and increased expenditure in Tribal Areas.

(b) 313-Forest	7,06.75	7,91.60	+84.85	12
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The increase was stated to be due mainly to more expenditure on Centrally sponsored schemes.

(c) Other heads	8,87.17	10,05.25	+1,18.08	13
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(iii) Industry and Minerals	1,96.19	2,32.33	+36.14	18
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(iv) Water and Power Development	62.08	80.70	+18.62	30
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(v) Transport and Communications	4,73.10	5,22.40	+49.30	10
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D—Grants-in-aid and
Contributions—
Compensation and
Assignments to
Local Bodies and
Panchayati Raj
Institutions

	12.78	13.71	+0.93	0.7
Total expenditure (Revenue account)	95,13.73	98,88.59	+3,74.86	4

1.5 Capital expenditure

(a) The capital expenditure during the three years ended 1977-78 as compared with (i) the budget estimates and (ii) the budget estimates *plus* supplementary provision is given below :—

Year	Budget	Budget <i>plus</i> supplement- ary	Actuals	Variation between columns (4) and (3)	
				Amount	Percent- age
(1)	(2)	(3)	(4)	(5)	(6)
			(Rupees in lakhs)		
1975-76	14,16.61	16,01.53	13,14.38	-2,87.15	18
1976-77	15,36.17	15,42.47	17,32.02	+1,89.55	12
1977-78	25,01.84	29,70.71	28,09.79	-1,60.92	6

(b) An analysis of the capital expenditure during 1977-78 and the progressive total upto that year is given below :—

	Expenditure during 1977-78	Progressive expenditure upto the end of 1977-78
	(Rupees in lakhs)	
Capital expenditure on—		
General Services	74.26	3,64.35
Social and Community Services	5,60.30	19,24.07

Economic Services—

(a) General Economic Services	48.55	4,03.32
(b) Agriculture and Allied Services	2,83.78	17,88.40
(c) Industry and Minerals	69.99	4,58.38
(d) Water and Power Development	1,02.13	23,65.58
(e) Transport and Communications	16,70.78	1,37,02.60
	28,09.79	2,10,06.70
Net outgo under loans and advances	10,48.62	42,30.09
Total of capital expenditure and net outgo under loans and advances	38,58.41	2,52,36.79

(c) The capital expenditure and the net outgo under loans and advances during 1977-78 were financed from the following sources :—

1977-78

(Rupees in lakhs)

I—Net addition to :—

(i) Loans from the Government of India	3,53.45
(ii) Internal debt of the State Government	2,30.75
(iii) Provident funds	3,19.94
(iv) Reserve funds and sinking funds	50.00
(v) Deposits and advances	—63.53
(vi) Remittances, Suspense and Miscellaneous	—6,24.41

(vii) Amount closed to Government Account	+7.37
II—Revenue Surplus (+)	+33,65.97
III—Decrease (+) in cash balance	+2,18.87
Net amount available for expenditure	38,58.41

1.6 Loans and advances by the Government

(a) The actuals of disbursements of loans and advances by the Government in 1977-78 as compared with (i) the budget estimates and (ii) the budget estimates *plus* supplementary provision along with the corresponding figures for 1975-76 and 1976-77 are given below :—

Year	Budget	Budget <i>plus</i> supplementary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5) (Rupees in lakhs)	(6)
1975-76	5,60.72	6,28.05	5,64.13	—63.92	10
1976-77	6,41.46	6,45.56	6,42.50	—3.06	0.05
1977-78	11,08.54	11,42.74	11,59.39	+16.65	1

Category-wise break-up of the loans and advances disbursed during 1977-78 was as follows :—

	(Rupees in lakhs)
1. Loans for Social and Community Services	82.65
2. Loans for Economic Services—	
(i) General Economic Services	48.53

(ii) Agriculture and Allied Services	36.99
(iii) Industry and Minerals	23.48
(iv) Water and Power Development	8,81.00
3. Loans to Government Servants	86.74
Total	11,59.39

(b) The budget and actuals of recoveries of loans and advances for the three years ended 1977-78 are given below :—

Year	Budget	Actuals	Variation between columns (3) and (2)	
			Amount	Percentage
(1)	(2)	(3)	(4)	(5)
		(Rupees in lakhs)		
1975-76	1,25.00	1,06.06	—18.94	15
1976-77	1,65.00	1,06.18	—58.82	35
1977-78	1,75.00	1,10.77	—64.23	37

(c) *Outstanding loans and advances*—The loans and advances outstanding on 31st March 1978 aggregated Rs. 42,30.09 lakhs, as detailed below :—

(Rupees in lakhs)	
1. Loans for Social and Community Services	5,29.65
2. Loans for Economic Services—	
(i) General Economic Services	1,50.62
(ii) Agriculture and Allied Services	3,10.42

(iii) Industry and Minerals	2,33·16
(iv) Water and Power Development	28,55·73
(v) Transport and Communications	4·13
3. Loans to Government Servants	1,40·44
4. Loans for Miscellaneous purposes	5·94
Total	42,30·09

(d) *Recoveries of loans in arrears*—(i) Recoveries aggregating Rs. 0·98 lakh were in arrears at the end of 1977-78 (Rs. 6·01 lakhs at the end of 1976-77) in respect of loans of which the detailed accounts are maintained by the Audit Office.

(ii) According to the information furnished by the Finance Department (December 1978), recoveries in arrears as on 31st March 1978 in respect of loans, the detailed accounts of which are kept by the departments, were Rs. 2,79·13 lakhs (principal: Rs. 1,79·61 lakhs; interest: Rs. 99·52 lakhs), as detailed below :—

Department	Amount (Rupees in lakhs)
(a) Industries	84·31
(b) Housing	81·38
(c) Agriculture	61·47
(d) Revenue	32·89
(e) Panchayati Raj	7·06
(f) Co-operation	6·18
(g) Education	3·16

(h) Local Self Government	2.04
(i) Technical Education	0.41
(j) Animal Husbandry	0.23
Total	2,79.13

Information in respect of Horticulture, Rural Integrated Development and Welfare Departments was, however, awaited (January 1979).

1.7 Debt position

The total debt of the State comprised public debt (Rs. 1,59.18 crores), provident funds (Rs. 27.66 crores) and other obligations (Rs. 5.81 crores); the total amount outstanding at the close of 1977-78 was thus Rs. 1,92.65 crores.

(a) *Public debt*—This consists of (i) internal debt of the State Government and (ii) loans and advances from the Government of India. A comparative analysis is given below :—

	Balance on 31st March	
	1977	1978
	(Rupees in crores)	
Internal debt of the State Government	10.70	13.00
Loans and advances from the Government of India	1,42.64	1,46.18
Total	1,53.34	1,59.18

The borrowings from the Government of India constituted 92 per cent of the State Government's public debt on 31st March 1978 as against 93 per cent of the public debt on 31st March 1977.

The transactions under public debt during 1977-78 are detailed below:—

Nature of debt	Loans raised	Loans discharged	Increase (+) Decrease(—)
(1)	(2)	(3)	(4)
(Rupees in crores)			
(i) Internal debt of the State Government	34.78	32.48	+2.30
(ii) Loans and advances from the Government of India	10.00	6.46	+3.54
Total	44.78	38.94	+5.84

During the year, a loan of Rs. 1.50 crores bearing interest at 6 per cent per annum was floated by the Government at Rs. 99 for every Rs. 100 against which Rs. 1.67 crores were realised in cash. It is redeemable at par in 1987.

Under Section 54(i) of the Punjab Re-organisation Act, 1966, the public debt of the composite State of Punjab attributable to the loans raised by issue of Government securities and outstanding with the public immediately before 1st November 1966 became the debt of the State of Punjab and the State of Himachal Pradesh is to pay to the State of Punjab its share of the amount due from time to time for servicing and repayment of the debt. The liability of Himachal Pradesh State has been provisionally estimated at Rs. 1.31 crores as on 1st November 1966. The payment on this account is recorded under "768—Inter-State Settlement" and is, therefore, not included in the total debt. Rupees 1,06.47 lakhs representing the proportionate share of Himachal Pradesh were paid up to the end of 1976-77. No payment was made during 1977-78 on this account to the Punjab Government.

(b) *Other debt and obligations*—In addition to the public debt, the provident funds and the balances at the credit of depreciation reserve funds and certain deposits (to the extent to which they have not been separately invested but are merged with the general cash balance of the Government)

constitute a liability of the Government. The debt liability of the Government towards provident funds and other obligations was as follows :—

	On 31st March		
	1976	1977	1978
	(Rupees in crores)		
Provident funds	21.74	24.46	27.66
Reserve funds (interest bearing)	0.01	0.01	0.01
Non-interest bearing obligations such as civil deposits, deposits of local funds and other earmarked funds etc.	5.52	5.92	5.80
Total	27.27	30.39	33.47

(c) *Ways and means advances and overdrafts from the Reserve Bank of India*—Under an agreement with the Reserve Bank of India, the Government has to maintain with the Bank a minimum cash balance of Rs. 20 lakhs on all days. If the balance falls below the agreed minimum, the Government can take from the Bank ordinary ways and means advances upto a maximum limit of Rs. 2.00 crores and also special ways and means advances not exceeding Rs. 2.00 crores against Government of India securities, if any, held by the State Government. Both the ordinary and special ways and means advances carry interest from one per cent below the Bank Rate to two per cent above the Bank Rate depending upon the number of days for which ways and means advances are taken. If, even after taking the maximum advances of Rs. 4.00 crores there is a shortfall in the minimum cash balance, the shortfall is left uncovered. Overdrafts are given by the Bank if the State has a *minus* balance after availing of the maximum advance. The Bank charges interest on the shortfalls in the minimum balance at one per cent below the Bank Rate and on overdrafts at the Bank Rate upto and including the seventh day and at three per cent above the Bank Rate from eighth day.

The extent to which the Government maintained the minimum balance with the Bank during 1977-78 is indicated below :—

(i) Number of days on which the minimum balance was maintained without obtaining advance ..	275
(ii) Number of days on which the minimum balance was maintained by obtaining—	
(a) Ordinary ways and means advances ..	35
and	
(b) Special ways and means advances ..	6
(iii) Number of days on which overdrafts were taken	49

The maximum overdraft on any one occasion during 1977-78 was Rs. 9.82 crores.

At the close of 1977-78 no overdraft/ways and means advance was outstanding.

Rupees 7.81 lakhs were paid as interest to the Bank on ways and means advances, shortfalls and overdrafts during 1977-78 as against Rs. 2.49 lakhs paid during 1976-77.

(d) *Servicing of debt*—The table below shows the burden of interest charges on the revenues :—

	1976-77	1977-78
	(Rupees in crores)	
Gross debt and other obligations outstanding at the end of year	1,83.73	1,92.65
Interest paid by the Government—		
(a) On Public debt and provident funds and	8.89	10.24

(b) On other obligations	*	**
Total	8.89	10.24
Deduct—		
(a) Interest realised on loans and advances given by the Government	0.68	0.71
(b) Interest realised on investment of cash balances	0.44	0.29
Total	1.12	1.00
Net interest charges	7.77	9.24
Percentage of gross interest to total revenue receipts	6.69	7.72
Percentage of net interest to total revenue receipts	5.84	6.97

Taking into account the dividend/interest of Rs. 0.02 crore received from public and other undertakings, the net burden of interest in 1977-78 on the revenues was Rs. 9.22 crores being 6.96 per cent of the revenues.

1.8 Arrangements for amortisation

Sinking funds have been created for amortisation of four open market loans (balance on 31st March 1978 Rs. 5,23.05 lakhs). Annual contribution to the funds is made at such rates as the Government may decide from time to time. The balances in the sinking funds at the commencement and end of 1977-78 are given below :—

Balance on 1st April 1977	Additions during the year (contri- bution from revenue)	Withdrawals	Closing balance on 31st March 1978
1,09.95	50.00	..	1,59.95

(Rupees in lakhs)

*Rs. 15,700 only.

**Rs. 4,068 only.

1.9 Investments by the Government

In 1977-78, the Government invested Rs. 4,35.94 lakhs in Statutory Corporations (Rs. 1,14.50 lakhs), in Government and other Companies (Rs. 2,77.49 lakhs) and Co-operative Banks and Societies (Rs. 43.95 lakhs).

Details are given in Statement No. 13 of the Finance Accounts 1977-78.

The total investment of the Government in the share capital/bonds and debentures of different concerns at the end of 1975-76, 1976-77 and 1977-78 was Rs. 9,49.23 lakhs, Rs. 12,06.50 lakhs and Rs. 16,37.74 lakhs respectively. The dividend/interest received therefrom during these years was Rs. 4.65 lakhs, Rs. 16.44 lakhs and Rs. 28.42 lakhs respectively.

1.10 Guarantees given by the Government

Under Section 6 of the State Financial Corporations Act, 1951, the shares of Himachal Pradesh Financial Corporation are to be guaranteed by the Government as to the repayment of principal and payment of annual dividend. Again, under Section 7 of the Act, the bonds and debentures of the Corporation are to be guaranteed by the Government as to the repayment of principal and payment of interest. The actual amounts covered by guarantees on behalf of Corporation as on 31st March 1978 under Sections 6 and 7 *ibid* were Rs. 96.00 lakhs and Rs. 1,92.00 lakhs respectively.

Under Section 66 of Electricity (Supply) Act, 1948, the Government may guarantee in such manner as it thinks fit the payment of principal and/or interest on any loan proposed to be raised by the Himachal Pradesh State Electricity Board. The actual amount covered by guarantees given on behalf of the Board under this section as on 31st March 1978 was Rs. 21,00.67* lakhs.

*Differs from the figure of Rs. 20,97.17 lakhs shown in paragraph 7.3.1 of Chapter VII by Rs. 3.50 lakhs. The difference is under reconciliation (January 1979).

The Government had also guaranteed (to third parties) the repayment of loans and overdrafts and payment of interest thereon on behalf of two Government companies and a number of co-operative banks/co-operative societies/local bodies. The maximum amount guaranteed on their behalf at the end of 1977-78 was Rs. 10,10.94 lakhs, against which amounts aggregating Rs. 4,20.70 lakhs, were outstanding on 31st March 1978.

In consideration of the guarantees given, the Government charges guarantee fee at the rate of 0.5 per cent of the total amount of guarantee given. This guarantee fee is, however, not applicable in the case of co-operative concessional finance provided by the Reserve Bank of India. The total amount of guarantee fee received by the Government during 1977-78 was Rs. 2.70 lakhs. No law under Article 293 of the Constitution has been passed by the State Legislature laying down the limits within which the Government may give guarantees on the security of the Consolidated Fund of the State.

No guarantee was invoked during 1977-78. Further details of the guarantees are given in Statement No. 5 of the Finance Accounts 1977-78.

CHAPTER II
APPROPRIATION AUDIT AND CONTROL OVER
EXPENDITURE

2.1 Summary

(a) The following table compares the total expenditure in 1977-78 with the total of grants and charged appropriations :—

		Total grants/ appro- priations	Actual expen- diture	Excess+ Saving—	Percent- age
(Rupees in crores)					
Voted—					
Original	1,59.79	}	1,69.99	1,56.29	—13.70
Supplementary	10.20				
Charged—					
Original	37.77	}	53.03	50.04	—2.99
Supplementary	15.26				
Total—					
Original	1,97.56	}	2,23.02	2,06.33	—16.69
Supplementary	25.46				

The overall saving of Rs. 16.69 crores was the result of saving of Rs. 19.86 crores in thirty-one grants (Rs. 16.84 crores) and ten appropriations (Rs. 3.02 crores) partly offset by excess of Rs. 3.17 crores in two grants (Rs. 3.14 crores) and five appropriations (Rs. 0.03 crore).

(b) Further details are given below :—

	Revenue	Capital	Loans and Advances	Public Debt	Total
	(Rupees in crores)				
Grants and charged appropriations—					
Original	1,22.29	37.10	11.10	27.07	1,97.56
Supplementary	5.43	4.69	0.34	15.00	25.46
Total	1,27.72	41.79	11.44	42.07	2,23.02
Actual expenditure	1,21.43	34.37	11.59	38.94	2,06.33
Shortfall— Excess+	—6.29	—7.42	+0.15	—3.13	—16.69

2.2 Excess over grants/charged appropriations requiring regularisation

(a) *Grants*—The excess of Rs. 3,14,04,010 in the following two grants requires regularisation under Article 205 of the Constitution :—

(‘O’ wherever it occurs stands for original grant and ‘S’ for supplementary grant)

Number and name of grant	Total grant	Expenditure	Excess
	Rs.	Rs.	Rs.
(1) 19—Social Security, Welfare and Jails			
O 1,38,28,000	} 1,39,63,000	1,39,68,346	5,346
S 1,35,000			

(2) 20—Public Health,
Sanitation and Water
Supply

O	5,01,34,000	}	8,00,66,000	11,14,64,664	3,13,98,664
S	2,99,32,000				

Reasons for the excess which was mainly under "Minimum Needs Programme" have not been intimated (January 1979).

(b) *Charged appropriations*—The excess of **Rs. 2,75,040** over the following charged appropriations also requires regularisation :—

Number and name of appropriation	Total appropriation	Expenditure	Excess
	Rs.	Rs.	Rs.
(1) 8—Education, Art and Cultural Affairs and Scientific Research			

O	2,813	2,813
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The excess occurred under "Secondary Education—Buildings" and was due to payment of decretal charges.

(2) 10—Public Works

O	..	}	3,22,600	3,22,707	107
S	3,22,600				

(3) 17—Roads and
Bridges

O	..	}	1,51,900	4,04,866	2,52,966
S	1,51,900				

Reasons for the excess which occurred under "537—Capital Outlay on Roads and Bridges—District and Other Roads—Rural Roads—Construction" have not been intimated (January 1979).

(4) 20—Public Health,
Sanitation and Water
Supply

O	..	}	2,120	4,590	2,470
S	2,120				

Reasons for the excess which occurred under "Rural Piped Water Supply Schemes (Minimum Needs Programme)" have not been intimated (January 1979).

(5) 25—Irrigation,
Navigation, Drainage
and Flood Control

O	16,684	16,684
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The excess occurred under "Flood Control and Anti-Sea Erosion Projects—Flood Control Projects—Protective Works" and was due to payment of decretal charges.

2.3 Supplementary grants/charged appropriations

Supplementary provision of Rs. 25.46 crores (13 per cent of the original provision) was obtained in December 1977 and March 1978 under twenty-one grants (Rs. 10.20 crores) and eleven appropriations (Rs. 15.26 crores). The details of significant cases of unnecessary, excessive and inadequate supplementary grants/charged appropriations are given below :—

- (i) *Unnecessary supplementary grants*—In the following three cases, the supplementary grant of Rs. 2,07.02 lakhs remained wholly

unutilised as the expenditure did not come even upto the original provision:—

Serial No.	Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Saving
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(Rupees in lakhs)

(1)	11—Agriculture	10,51.66	20.00	8,76.15	1,95.51
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Saving was stated to be due mainly to non-implementation of the scheme for restoration of damages caused by natural calamities, transfer of work of procurement and distribution of fertilisers to the Himachal Pradesh State Co-operative Supply and Marketing Federation Limited, less requirement of machinery and materials, non-appointment of foreign experts under World Bank Project, vacant posts, non-finalisation of subsidy cases under Horticultural Programme and non-receipt of imported fertilisers.

(2)	17—Roads and Bridges	20,49.33	1,73.19	20,34.67	1,87.85
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Part of the saving was stated to be due mainly to non-finalisation of land compensation awards (Rs. 83.27 lakhs). Other major savings (partly counterbalanced by excess under other heads) occurred under "Maintenance and Repairs- Deepak" (Rs. 48.72 lakhs) and "Rural Roads—Restoration of damages caused by natural calamities" (Rs. 72.03 lakhs), reasons for which have not been intimated (January 1979).

(3)	33—Finance	2,97.49	13.83	2,75.68	35.64
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Saving was reported to be due mainly to award of less prizes for Promotion of Small Savings Schemes and receipt of less claims for gratuities and family pensions.

(ii) *Supplementary grants which proved excessive*—In the following seven grants, the supplementary grants proved excessive; against the

supplementary grant of Rs. 2,76.53 lakhs, Rs. 1,56.48 lakhs were actually utilised :—

Serial No.	Number and name of the grant	Original grant	Supplementary grant	Actual expenditure	Saving
			(Rupees in lakhs)		
(1)	1—Vidhan Sabha and Elections (Voted)	56.85	15.00	65.49	6.36
		Saving was attributed mainly to dissolution of Assembly for two months and elections to local bodies not being conducted.			
(2)	12—Minor Irrigation (Voted)	3,23.61	65.00	3,80.19	8.42
		Saving was attributed mainly to less adjustment of the value of materials received, the reasons for which have not been intimated (January 1979).			
(3)	16—Forests (Voted)	8,66.26	23.13	8,79.24	10.15
		Saving was reported to be due to less engagement of labour, purchase of less materials and vacant posts.			
(4)	18—Supplies, Industries and Minerals (Voted)	2,99.09	75.51	3,46.73	27.87
		Saving was attributed mainly to less payment of subsidy to industrial units and less purchase of machinery and materials.			
(5)	22—Co-operation (Voted)	1,60.76	24.20	1,74.64	10.32

Saving was stated to be due mainly to less demand for subsidy from Co-operative societies, non-creation of posts and less investments in credit co-operatives.

(6) 25—Irrigation, Navigation, Drainage and Flood Control (Voted)	1,71.50	63.69	1,81.52	53.67
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Saving was attributed mainly to slow progress of works and less purchase of machinery and equipment.

(7) 34—Loans to Government Servants (Voted)	80.00	10.00	86.74	3.26
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Saving was reported to be due to less demand for festival and warm clothing advances from Government servants.

(iii) *Inadequate supplementary grant*—In the following case, the supplementary grant of Rs 2,99.32 lakhs proved inadequate.

Number and name of grant	Original grant	Supple- mentary grant	Actual expendi- ture	Excess
(Rupees in lakhs)				
20—Public Health, Sanitation and Water Supply	5,01.34	2,99.32	11,14.65	3,13.99

2.4 Saving in grants /charged appropriations

(i) Rupees 19.86 crores remained unutilised in thirty-one grants (Rs. 16.84 crores) and ten appropriations (Rs. 3.02 crores).

(ii) In the case of ten grants, the savings (more than Rs. 2 lakhs in each case) were more than 10 per cent of the total provision ; in three of the ten grants the savings ranged between 23 and 65 per cent.

The details of these grants are given in Appendix I.

2.5 Drawal of funds in advance of requirements

The rules stipulate that no money should be drawn from the treasury unless it is required for immediate disbursement or has already been paid out of permanent advance. Any unspent balance is required to be re-funded into the treasury promptly. In the cases mentioned in Appendix II, the funds drawn for execution of works/purchase of materials remained unutilised.

CHAPTER III

CIVIL DEPARTMENTS

DEPARTMENT OF INDUSTRIES

3.1 Rural Industries Project

1. *Introductory*—Under a centrally sponsored programme, a rural industries project was set up in May 1963 in five selected blocks in Mahasu District. The programme, which had as its objective the intensive development of small scale industries in rural areas, was designed to encourage the rural working force to take up industrial avocations by developing industries based on agricultural and other resources available in rural areas. The establishment of common facility centres and departmentally run production units by utilising local raw material and skills and training of artisans and entrepreneurs through training centres were also envisaged under the programme.

On reorganisation of Mahasu (September 1972) into Simla and Solan districts, the area of operation of this project was extended (May 1974) to the whole of the reorganised Simla District besides continuing the programme in two blocks of the newly formed Solan District. Another project (Palampur) came to Himachal Pradesh with effect from 1st November 1966 as a result of reorganisation of the erstwhile State of Punjab. On reorganisation of Kangra District (September 1972), the programme was extended (August 1974) so as to cover the entire area of the reorganised districts of Kangra, Hamirpur and Una carved out of the erstwhile district of Kangra. In addition to these projects, the programme was extended to one more district (Chamba) in the Fourth Five Year Plan (1969-74).

2. *Activities taken up*—The main activities taken up were :—

- (i) Granting of loans to industrial units set up in the project areas.
- (ii) Setting up of training centres.
- (iii) Establishment of a common facility workshop at Barotiwala (Solan District).

(iv) Development of sericulture.

3. *Expenditure*—The following table shows the amount allocated as grant and loan by the Government of India for the programme and the amount disbursed thereagainst by the Government.

Period	Amount allocated by the Government of India			Expenditure incurred by the State Government against the		
	Grant	Loan	Total	Grant	Loan	Total
	(Rupees in lakhs)					
Upto						
1971-72	33.50	15.70	49.20	25.51	18.71	44.22
1972-73	6.38	4.38	10.76	6.00	4.35	10.35
1973-74	1.60	3.34	4.94	4.03	2.59	6.62
1974-75	3.00	3.00	6.00	4.45	2.48	6.93
1975-76	2.10	3.00	5.10	4.72	2.38	7.10
1976-77	2.10	3.00	5.10	6.52	3.42	9.94
1977-78	3.85	10.00	13.85	7.20	9.44	16.64
Total	52.53	42.42	94.95	58.43	43.37	1,01.80

(Source : Departmental records).

The loans had been granted for setting up industrial units in the project areas and grants for meeting expenditure on staff, training centres, common facility workshop, development of sericulture activities, etc.

4. *Loans to industrial units* —(a) The State Government advanced loans to industrial units for developing industries based on agriculture and other resources available in rural areas. The loans were repayable in eight years which period, in the case of loans upto Rs. 30,000, could be extended by the Director of Industries on written request from the borrower upto a maximum period of eleven years. In the case of loans above Rs. 30,000, extension beyond eight years required the permission of the Government. The principal was to be repaid by the loanees in seven equal yearly instalments commencing from the expiry of two years from the date of advancement of loan while interest on the loans was to be paid yearly starting from one year after the date of advancement of the loan.

As on 31st May 1978, out of a total loan of Rs. 48.45 lakhs disbursed to the end of 1977-78 to 1,404 units, Rs. 30.50 lakhs on account of principal and Rs. 15.01 lakhs on account of interest had fallen due for recovery; of the latter Rs. 15.53 lakhs on account of principal and Rs. 5.07 lakhs on account of interest had been recovered, leaving a balance of Rs. 14.97 lakhs on account of principal and Rs. 9.94 lakhs on account of interest in arrears. These outstandings included 193 cases involving amounts totalling Rs. 8.02 lakhs as principal and Rs. 4.34 lakhs as interest, where not even a single instalment of loan had been recovered although the repayment in some cases had fallen due as early as in 1963-64. Of the total balance of Rs. 24.91 lakhs, a sum of Rs. 21.22 lakhs (principal : Rs. 12.37 lakhs; interest : Rs. 8.85 lakhs) was in arrears for over four years.

The slow progress in the recovery of loans was attributed (May-June 1978) by the department to (i) shortage of staff, (ii) non-establishment of units on proper lines by the loanees thereby hampering their capacity to repay the loans and (iii) delay in the finalisation of cases referred to the courts for recovery.

(b) Departmental verification of utilisation showed that loans aggregating Rs. 10.73 lakhs involving 192 units, disbursed during 1963-64 to 1976-77 (upto 1968-69 : 107 cases amounting to Rs. 5.97 lakhs and 1969-70 to 1976-77 : 85 cases amounting to Rs. 4.76 lakhs), were not utilised for the purposes for which they were sanctioned. The Rural Industries Project, Mahasu (covering areas in the reorganised districts of Simla

and Solan) alone accounted for misutilisation of loans to the extent of Rs. 9.78 lakhs involving 156 units. The department stated (May 1978) that most of these cases had been referred (1973-74 to 1977-78) to the courts for recovery of loans as arrears of land revenue.

(c) According to the State Government's instructions of September 1974, loans for construction of factory building/purchase of machinery are payable in three instalments on completion of different stages of work. Contrary to these instructions, loans aggregating Rs. 0.21 lakh and Rs.0.29 lakh were fully paid in one instalment to three and nine loanees in Kangra and Hamirpur districts respectively. Out of these, loans to the extent of Rs. 0.39 lakh (Kangra : Rs. 0.21 lakh ; Hamirpur : Rs. 0.18 lakh) had been misutilised and are included in the cases mentioned in the previous sub-paragraph.

(d) In the cases detailed below, the industrial units, started with loans advanced under the Rural Industries Project, were not functioning (May 1978) and had been closed down :—

Name of district	Number of units	Amount of loan advanced	Balance recoverable as on 31st March 1978	
			Principal	Interest
(Rupees in lakhs)				
Kangra	24	0.34	0.27	0.08
Chamba	2	0.08	0.06	0.02
Una	1	0.05	0.05	0.01
Total	27	0.47	0.38	0.11

Similar details were not available in the case of Solan District (May 1978). The department stated (May 1978) that action to recover the amount in lump sum was in progress.

(e) The Rural Industries Project was to exclude from its operation towns having a population of more than 15,000 according to 1961 census or more than 25,000 according to 1971 census. Loans aggregating Rs. 0.97 lakh were, however, advanced between 1974-75 and 1976-77 to 17 parties in the Simla municipal area even though its population exceeded the stipulated limits. The department stated (June 1978) that these loans were disbursed under the Rural Industries Project as funds were not available for disbursement of loans under schemes financed out of State funds.

(f) The loanees are required to furnish utilisation certificates within six months from the date of grant of the loan. The utilisation is to be verified by the Extension Officers of the department. Out of loans of Rs. 11.85 lakhs disbursed to 217 beneficiaries between 1974-75 and 1977-78 in four districts (Simla, Solan, Hamirpur and Chamba), utilisation certificates were not obtained (May 1978) in 134 cases involving an amount of Rs. 6.82 lakhs as detailed below :—

District	Number of beneficiaries	Amount disbursed (In lakhs of rupees)	Number of utilisation certificates due	Amount involved (In lakhs of rupees)
Simla	90	6.21	50	3.26
Solan	29	1.43	21	1.34
Hamirpur	47	1.81	19	1.00
Chamba	51	2.40	44	1.22
Total	217	11.85	134	6.82

(g) Properties and assets like plants, machinery, etc., mortgaged to the State Government as security for loans and also assets created with amounts advanced as loans by the Government, required to be got insured by the loanees as provided in the Himachal Pradesh State Aid to Industries Rules, 1972, had generally not been got insured. The department stated (May 1978) that the loanees were generally hesitant in this regard mainly because of their financial difficulties.

5. *Levy of interest on loans at higher rates*—The rate of interest charged by the Government of India on the loans advanced to the State Government upto 1974-75 varied from 4.75 per cent to 7.5 per cent. Against this, according to the Government of India's guidelines, the State Government was to charge interest at a rate not exceeding 3 per cent from individual entrepreneurs (7 per cent for loans advanced in 1974-75). The difference in the rates of interest was to be claimed as subsidy by the State Government from the Government of India. From 1975-76, the scheme of subsidy was discontinued and the State Government was permitted to charge interest from individual entrepreneurs at the rates at which loans were advanced to it by the Government of India.

The rates of interest charged by the Government of India for loans given to the State Government and the rates charged by the latter from the entrepreneurs were as follows:—

Year	Interest rate charged by the Government of India for loans given to the State Government	Interest rate authorised to be charged by the Government of India from individual entrepreneurs	Interest rate charged by the State Government from individual entrepreneurs
1971-72	4.75 per cent	3 per cent	6.5 per cent
1972-73	Ditto	Ditto	7 per cent
1973-74	Ditto	Ditto	Ditto

1974-75	7.5 per cent	7 per cent	9 per cent
1975-76	5.5 per cent	5.5 per cent	Ditto
1976-77	Ditto	Ditto	10 per cent
1977-78	Ditto	Ditto	Ditto

Thus, the State Government had not extended to the entrepreneurs the benefit of subsidised rates of interest by claiming subsidy from the Government of India upto 1974-75 and since then of the rates of interest payable by the State Government on the loans received from the Government of India.

6. *Training centres*—The training centres in wool weaving and shoe making started in the Palampur Project area in 1965-66 were closed in June 1974. At present only two training centres viz. (i) Carpentry Training Centre, Nadaun (Palampur Project) and (ii) Training Centre in Silk Worms and Cocoon rearing at Palampur (Palampur Project) are functioning.

(a) *Carpentry training centre*—The centre, started in February 1965, had been functioning at Kangra, Ichhi, Ranital and Jawalaji from time to time and is now located at Nadaun (Hamirpur District) since April 1976. The number of trainees to be recruited for each course (period of training : 1 year) was 15 per course. The centre was shifted from one place to another for want of sufficient number of trainees. During its functioning at different places, 151 trainees joined the centre, out of which only 115 trainees completed their training successfully. Rupees 2.24 lakhs, (including stipend of Rs. 0.33 lakh paid to the trainees), were spent by the department on their training and thus the average cost of imparting training was Rs. 1,948 per trainee. Out of these trainees, 79 trainees have been employed in their own trades while 20 others have joined other trades. The position of the remaining 16 trainees was not known (June 1978).

(b) Training in silk worms and cocoon rearing was introduced at Palampur (Panchrukhi Block) in 1969-70 but no training was actually imparted upto 1972-73 although the department had spent Rs. 0·18 lakh under this scheme by then. The training was started in 1973-74 and 39 persons were trained upto 1976-77 against the target of 60 trainees. The department spent Rs. 0·58 lakh during the period bringing the cost of imparting training to Rs. 1,487 per trainee. Out of the persons trained, 21 had been absorbed in their own trades. The position regarding occupation adopted by the remaining 18 trainees was not known (June 1978). However, out of five persons trained in sericulture in 1976-77 at a cost of Rs. 0·27 lakh not a single person took to sericulture industry.

7. *Common Facility Workshop at Barotiwala*—(a) The department maintains a common facility workshop at Barotiwala (Solan District) since January 1968. In addition to providing common facility to local artisans and small scale industrial units, this workshop started manufacturing agricultural implements such as thrasher, maize sheller, plough, etc., from 1968-69 and steel furniture from 1969-70 with its own designs. It had provided upto 1977-78 common facility to 333 artisans and 66 small scale industrial units and also, by and large, functioned as a production centre of the department. Although accounts of its working on commercial basis had not been maintained, the workshop had a cumulative deficit of Rs. 3·17 lakhs from 1968 to 1977-78 as shown below: —

(Rupees in lakhs)

(i) Expenditure incurred at the workshop on pay and allowances and contingencies	9·89
(ii) Less sale proceeds of articles produced in the workshop	5·81
(iii) Closing balance of articles produced in the workshop but lying unsold at the end of 1977-78	0·55

(iv) Closing balance of raw materials at the workshop at the end of 1977-78	0.29
(v) Amount realised on account of common facility provided at workshop	0.07
(vi) Cumulative deficit	3.17

The deficit is exclusive of depreciation of the machinery installed at the workshop and interest on the amount of capital invested.

(b) Machines valuing Rs. 0.19 lakh (Hacksaw machine, bed lathe machine, power drilling machine, planing machine and plastic moulding machine) had been purchased for installation in the common facility workshop prior to April 1968 but had not been put to use. The department stated (May 1978) that the machines had been purchased in view of the anticipated requirement of various types of units which did not come up. The machines are now proposed to be utilised at common facility centre, Parwanoo which is expected to be set up at industrial area, Parwanoo in the near future.

8. The following table shows the employment provided in the project areas *vis-a-vis* loans advanced to industrial units in these areas as per information furnished by the department:—

Project area	Loans advanced upto 1977-78	Number of persons employed
	(Rupees in lakhs)	
Mahasu	26.41	334
Palampur	19.64	1,315
Chamba	2.40	72
Total	48.45	1,721

9. *Summing up*—It may be seen from the preceding paragraphs that the department had mainly confined its activities to the granting of loans. Out of the total of Rs. 48.45 lakhs disbursed to the end of 1977-78 to 1,404 units (persons employed : 1,721), Rs. 30.50 lakhs on account of principal and Rs. 15.01 lakhs on account of interest had fallen due for recovery, of which Rs. 14.97 lakhs on account of principal and Rs. 9.94 lakhs on account of interest had become overdue. Further, loans aggregating Rs. 10.73 lakhs involving 192 units had not been utilised for the purpose for which these were sanctioned. In 134 cases involving an amount of Rs. 6.82 lakhs, utilisation certificates, required to be furnished within six months from the date of the grant of loan, had not been obtained.

While no production unit was established by the department under the project, two out of the four training centres established were closed down in June 1974. In the remaining two centres, 154 persons were trained against the target of 255 trainees. Out of these trainees, 100 trainees had been employed in their own trades while 20 others had joined other trades. The position of the balance 34 trainees was not known. In addition, common facility was provided to 333 artisans and 66 small scale units from January 1968 to March 1978 in a centre at Barotiwala. This centre also engaged itself in production activity which resulted in a cumulative deficit of Rs. 3.17 lakhs during the period from January 1968 to March 1978.

In reply to an audit enquiry, the department stated (May 1978) that it had not conducted any evaluation of the programme as implemented.

The matter was referred to the Government in September 1978; reply is awaited (January 1979).

3.2 Subsidy for setting up industrial units in selected backward areas

To promote growth of industries in selected backward districts/areas, the Government of India formulated (August 1971) a scheme for giving subsidy for setting up new industrial units or for undertaking substantial expansion of existing units in such districts/areas. A unit

was to be treated as new, if "effective steps" for its establishment were taken on or after 1st October 1970. The term "effective steps" denoted one or more of such steps as paying up of 60 per cent of capital issued, construction of substantial part of factory building; and placing of firm orders for a substantial part of plant and machinery. Existing units (i.e. those existing prior to 1st October 1970) were eligible for subsidy for their expansion programmes if their fixed capital investment was increased by not less than 25 per cent. After 11th August 1976, new units were also eligible for further subsidy on additional fixed capital investment if the existing fixed capital investment was increased by more than 25 per cent (reduced to 10 per cent from 1st January 1977). The financial assistance payable to each selected unit was at the rate of 10 per cent (subject to a maximum of Rs. 5 lakhs) of the total fixed capital investment (land, buildings and plant and machinery) in the case of new units and of the additional fixed capital investment in the case of existing units. The rate of subsidy was enhanced to 15 per cent of capital investment (subject to a maximum of Rs. 15 lakhs) from March 1973.

The industrial units eligible for getting the subsidy were to be selected by a State Level Committee. The subsidy to each eligible unit, after sanction by the State Level Committee, was to be disbursed on its going into production and the amount so paid was to be reimbursed later by the Government of India. From 1st March 1973, 50 per cent of the subsidy (raised to 85 per cent with effect from 1st January 1977) could be paid to each self-financed unit even prior to its going into production subject to the safety of public funds being ensured. The balance subsidy was to be released only after the industrial unit had gone into production. In the case of units set up with the assistance of financial institutions, the subsidy was to be paid by the financial institution itself in as many instalments as the loan sanctioned by it was disbursed and simultaneously reimbursement of the subsidy was to be claimed by it from the Government of India. With effect from 1st January 1977, however, these claims had to be preferred by the financial institutions with the State Level Committee which after reimbursing the financial institution, was to claim reimbursement from the Government of India.

In Himachal Pradesh, the scheme was initially made applicable to Kangra District (1973-74) as it existed prior to its reorganisation (September 1972). It was subsequently extended (1973-74) to Chamba, Kulu, Sirmur and Solan districts with the modification that the subsidy was to be admissible only to those units in these districts which took "effective steps" on or after 26th August 1971.

Financial outlay—The details of disbursements made during 1973-74 to 1977-78 by the State Government and by the financial institution (Himachal Pradesh Financial Corporation) are given below :—

Year	Disbursement by the State Government		Disbursement by the Himachal Pradesh Financial Corporation	
	Amount (Rupees in lakhs)	Number of units to which subsidy paid	Amount (Rupees in lakhs)	Number of units to which subsidy paid
1973-74	..	..	11.99	12
1974-75	3.84	102	22.29	24
1975-76	3.02	39	24.12	20
1976-77	43.51	87	21.11	26
1977-78	32.15	118	26.43	30
Total	82.52	346	1,05.94	112

The total investments made by the units under the scheme in various districts were as under :—

District	Investment (Rupees in lakhs)
Chamba	5.56
Hamirpur	3.70

Kangra	1,10.00
Kulu	25.38
Solan	15,70.75
Sirmur	4,47.04
Una	3,19.92
Total	<hr/> 24,82.35 <hr/>

Note :—Year-wise break-up of the aforesaid investment was not available with the department.

A test-check of the records in the offices of the Director of Industries and the Himachal Pradesh Financial Corporation (July 1978) disclosed the following points :—

(i) *Inadmissible payments*—(a) In calculating the value of plant and machinery for computation of fixed capital investment, the cost of plant and machinery as erected at site was to be taken into account and was to include the cost of productive equipment such as tools, jigs, dies and moulds, transport charges, demurrage and insurance premium. Subsidy was, however, also allowed (Rs. 0.26 lakh), though not admissible, on the interest charges paid/payable by 3 industrial units located at Paonta Sahib, Dhalpur and Solan on machinery purchased by them on hire purchase basis.

(b) The value of investment in second hand machinery purchased by industrial units in the selected backward districts was allowed to be counted towards the fixed capital investment for claiming the subsidy with effect from 1st January 1977. The department had, however, allowed subsidy of Rs. 0.15 lakh to 18 units on account of purchase (October 1970 to December 1976) of second hand machinery even prior to 1st January 1977.

(c) Subsidy for the purchase of a generating set is admissible only if the State Electricity Board shows its inability to supply power and gives its approval for installation of the generating set. Subsidy of Rs. 0.13 lakh was, however, allowed to a unit in Sirmur District on the purchase of a generating set (value : Rs. 0.85 lakh), even though the unit had not obtained necessary approval of the State Electricity Board. Moreover, the unit was being supplied power by the Board.

(d) Elements like pre-operative expenses, interest during construction, contingencies, public issue expenses etc., aggregating Rs. 15.52 lakhs, were included in the fixed capital investment of industrial units and subsidy was paid thereon in contravention of the instructions issued (November 1975) by the Government of India. This resulted in excess payment of subsidy of Rs. 1.83 lakhs to 14 units (Solan—8 units : Rs. 1.33 lakhs ; Kangra—4 units : Rs. 0.20 lakh ; Sirmur—1 unit : Rs. 0.29 lakh ; Una—1 unit : Rs. 0.01 lakh).

(ii) *Overpayment of subsidy*—(a) The enhanced subsidy at 15 per cent of the capital investment, subject to a maximum of Rs. 15 lakhs, was admissible only to such industrial units as had taken “effective steps” on or after 1st March 1973. It was, however, noticed that 4 units which had taken “effective steps” like purchase of land/machinery and construction of building required for the plant prior to 1st March 1973 were granted subsidy at the rate of 15 per cent (instead of 10 per cent) resulting in excess payment of subsidy amounting to Rs. 2.28 lakhs (Sirmur—1 unit : Rs. 1.65 lakhs ; Kangra—2 units : Rs. 0.37 lakh and Solan—1 unit : Rs. 0.26 lakh). On similar cases of excess payment of subsidy in some other States coming to its notice, the Government of India had reiterated in August 1975 that industrial units which had taken “effective steps” prior to 1st March 1973 were to be paid subsidy at the rate of 10 per cent only and had asked the State Governments to review all such cases and recover/adjust the overpayments noticed. The department, however, took no action to review the cases and consequently the overpayments remained unnoticed and unrecovered.

(b) One industrial unit (Una District) was sanctioned a subsidy of Rs. 1.44 lakhs in November 1976 against its total fixed capital investment of Rs. 9.62 lakhs. Against this sanction, however, the Himachal Pradesh Financial Corporation released (July 1974—September 1977) subsidy of Rs. 1.57 lakhs to the unit resulting in an overpayment of Rs. 0.13 lakh. The unit was asked (October 1978) by the Corporation to refund the excess subsidy of Rs. 0.13 lakh ; further developments are awaited (January 1979).

(iii) *Payment of subsidy to an individual/company/group*—The matter whether an individual/company/group/legal entity which sets up two or more industrial units in one or more backward districts/areas would be eligible for subsidy separately for each of the units irrespective of the overall limit of Rs. 15 lakhs was examined by the Government of India, which issued orders (June 1978), effective from the date of issue, that in such cases the entitlement of subsidy would be limited to Rs. 15 lakhs to an individual/company/group/legal entity within a State. Cases already decided by the State Government in good faith were not to be re-opened but in cases where more than one unit set up by the same party were engaged in the manufacture of identical products or were involved in the same process of manufacture, the overall subsidy was to be limited to Rs. 15 lakhs. It was, however, noticed in audit that subsidy amounting to Rs. 15 lakhs and Rs. 1.10 lakhs was paid (December 1977 and July 1976) to two individual units in Solan District, the ownership of which vested in the same individual and were involved in the same process of manufacture and were also manufacturing identical products.

Again, two units owned by the Himachal Pradesh State Mineral and Industrial Development Corporation were sanctioned subsidy of Rs. 15 lakhs each, against which Rs. 11.75 lakhs and Rs. 12.62 lakhs were disbursed (March 1978). The two units were engaged in the same process of manufacture and being owned by the same company were entitled to a maximum subsidy of Rs. 15 lakhs.

No action had been taken for recovery of the amounts paid in excess (August 1978).

(iv) *Subsidy paid direct to units instead of to the hire purchase agency—*

The subsidy admissible on fixed assets, taken on hire purchase basis from Government undertakings, is required to be set off against the cost of the assets. It was, however, noticed that in two cases (Kangra District) subsidy of Rs. 0.27 lakh was disbursed to the units direct instead of being adjusted against the cost of assets taken on hire purchase basis from two Government agencies. The department stated (July 1978) that it would look into these cases.

(v) *Refund of subsidy—*(a) According to the scheme, the entire subsidy paid to a unit should be refunded if it goes out of production within five years after commencement of production or if the owner of the industrial unit, without prior approval of the State Government, changes the location of the unit or effects any substantial contraction or disposes of a substantial part of its fixed capital investment within a period of five years after going into production. It was, however, observed that 16 units which had been paid subsidy totalling Rs. 8.70 lakhs (Solan—9 units : Rs. 7.97 lakhs; Una—3 units : Rs. 0.38 lakh ; Kangra—2 units : Rs. 0.18 lakh; Sirmur—2 units : Rs. 0.17 lakh) had closed down within five years after commencement but in none of these cases recovery proceedings had been initiated (August 1978).

(b) Two units which were paid subsidy of Rs. 0.54 lakh (Sirmur—1 unit : Rs. 0.48 lakh; Chamba—1 unit : Rs. 0.06 lakh) between January and March 1977 were reported by the District Industries Officers (January and March 1978) to be not regular in production due to marketing difficulties in regard to their products. No steps either to recover the subsidy granted to these units or to investigate their production position had been taken (July 1978).

(c) A unit at Parwanoo (Solan District), which was paid a subsidy of Rs. 0.36 lakh (October 1977), revised its operational scheme in April 1978 and sought permission (April 1978) from the disbursing agency to rent out a portion of the building constructed by it since it was too big for the revised scheme. The revised scheme had not been got approved by the State Level Committee nor did the department initiate action to recover

the subsidy (Rs. 0.14 lakh) paid for the portion of the building not required by the unit (July 1978).

(vi) *Absence of follow-up action*—The units receiving subsidy under the scheme are required to submit annual progress reports to the State Government for a period of five years and the State Government, in turn, is to forward a consolidated statement of such reports to the Government of India annually at the end of each financial year. For this purpose, the State Government is required to maintain a register containing detailed information, district-wise, regarding setting up of industrial units, their items of manufacture, capital investment, subsidy granted, the date of receipt of annual progress reports, etc. It was, however, seen that out of 458 cases progress reports were awaited (November 1978) by the department from 122 units. The Director of Industries stated (July 1978) that the field offices had been asked to send the progress reports, complete in all respects, expeditiously. The register required to be maintained containing the detailed information (mentioned above) was also not maintained by the Director of Industries nor was any consolidated statement of progress reports submitted to the Government of India.

The subsidy is to be utilised by the beneficiaries within two months from the date of receipt of the last instalment and a certificate to this effect is to be furnished to the State Government by the party. The State Government is also required to furnish a certificate of utilisation of subsidy to the Government of India within a period of one year from the date of receipt of the last instalment of subsidy in respect of each unit.

Summing up—(i) Out of 458 units which had been paid subsidy aggregating Rs. 1,88.46 lakhs, 16 units which had been paid subsidy aggregating Rs. 8.70 lakhs had closed down within five years after commencement. Action for recovery of the subsidy paid to these units had not been initiated.

(ii) Due to inclusion of inadmissible items in the cost of plant, machinery, land and buildings, subsidy amounting to Rs. 2.37 lakhs was irregularly paid to 36 units.

(iii) Overpayments of subsidy amounting to Rs. 2.41 lakhs due to application of incorrect rates remained to be recovered from 5 units.

(iv) In order to ascertain whether the units which had been given subsidy were functioning or not and to provide a safeguard against mis-utilisation, the State Government was required to obtain annual reports from the individual units for a period of five years. The progress reports were, however, awaited (November 1978) from 122 units.

The foregoing observations were referred to the Government in September 1978; reply is awaited (January 1979).

DEPARTMENT OF EDUCATION

3.3 Scheme of post-matric scholarships to scheduled caste and scheduled tribe students

The above scheme, as approved by the Government of India, Ministry of Home Affairs, is in operation in Himachal Pradesh since 1966-67. Under this scheme, scholarships are given to scheduled caste and scheduled tribe students to take up recognised post-matriculation or post-secondary courses of study in recognised institutions. Different rates are prescribed for different courses and for hostelers and day scholars. The value of scholarship includes fees, maintenance allowance and expenses on approved study tours and typing/printing of thesis.

During the Fifth Plan (1974-79) period, the Government of India was to reimburse to the State Government the expenditure incurred on the award of scholarships over and above the 1973-74 level of expenditure (Rs. 7.62 lakhs), which was to be met by the State Government. During 1974-75 to 1977-78, the State Government disbursed scholarships amounting to Rs. 51.63 lakhs (1974-75 : Rs. 11.43 lakhs, 1975-76 : Rs. 13.84 lakhs, 1976-77 : Rs. 14.18 lakhs and 1977-78 : Rs. 12.18 lakhs) to 7,056 students (1974-75 : 1,571 ; 1975-76 : 1,896 ; 1976-77 : 1,885 and 1977-78 : 1,704) and received from the Government of India assistance totalling Rs. 20.95* lakhs (1974-75 : Rs. 4.07 lakhs ; 1975-76 : Rs. 4.88 lakhs ; 1976-77 : Rs. 6.00 lakhs and 1977-78 : Rs. 6.00 lakhs).

*Adjustment of excess/shortfall over committed expenditure is to be carried out during 1978-79.

Main points noticed in test-check (March-May 1978) of records pertaining to the disbursement of scholarships conducted in Simla, Mandi, Kulu, Kangra, Solan and Sirmur districts are mentioned below :—

(i) Under the rules, students who were in full-time employment were not eligible for payment of scholarship. The benefit of scholarship was extended to employed students during 1976-77 to cover those employed students who took leave without pay for the entire duration of the course and studied as full-time students. It was, however, noticed that during 1974-75 to 1977-78, Rs. 0.47 lakh (1974-75 : Rs. 0.28 lakh ; 1975-76 : Rs. 0.03 lakh ; 1976-77 : Rs. 0.04 lakh and 1977-78 : Rs. 0.12 lakh) were paid as scholarship to 92 students who, according to the particulars given in the application forms, were whole-time employees and had not taken leave without pay for the entire duration of the course. Of these, 21 were Government employees who irregularly drew the scholarship and also the pay of the posts held by them.

(ii) In the case of students pursuing courses other than Medical and Engineering, scholarship once sanctioned was tenable from the stage at which it was given till the completion of the course provided that the student continued to secure promotion to the next higher class except when he could not appear in the particular examination on medical grounds. In 19 cases of students pursuing courses other than Medical and Engineering, scholarships stopped due to failure to secure promotion to the next higher class in the first or second year of a continuous course were renewed/sanctioned afresh after promotion to the next higher class in subsequent year (s). This resulted in an inadmissible payment of Rs. 0.16 lakh during 1975-76 to 1977-78. In 6 other cases, scholarships amounting to Rs. 0.04 lakh were paid during 1976-77 and 1977-78 for study in the same class to students who had failed to get promotion to the next class.

(iii) In the case of students (scheduled castes from 1974-75 onwards and scheduled tribes from 1975-76 onwards), whose parent's/guardian's

income from all sources exceeded Rs. 500 per month (p.m.) but did not exceed Rs. 750 p.m., only half the maintenance allowance, in addition to full fee, was to be paid. The scholars whose parent's/guardian's income exceeded Rs. 750 p.m. were not eligible for award of scholarship.

In the case of 43 scholars whose parent's/guardian's income ranged, according to the particulars given in the application forms, between Rs. 500 p.m. and Rs. 750 p.m., full maintenance allowance (instead of half) was given, involving an overpayment of Rs. 0.11 lakh during 1974-75 to 1977-78. In 8 other cases, where no scholarship was admissible since the income of the scholars' parents/guardians was in excess of Rs. 750 p.m., Rs. 0.08 lakh were paid during 1975-76 to 1977-78.

(iv) According to the scheme, the scholarship was to be cancelled if the scholar changed the subject of the course for which the scholarship was originally awarded or changed the institution of study without the prior approval of the State Government. The amount already paid could also be recovered at the discretion of the State Government.

In 13 cases, scholarships amounting to Rs. 0.11 lakh continued to be awarded to such students as had changed the institutions of their study without the prior (or later) approval of the Government during 1976-77 and 1977-78.

In 3 cases, the scholars who were originally sanctioned scholarship in the first year of the three year degree course (Medical) had changed over to the arts group in the second year; the scholarship was nevertheless renewed for the second year involving an irregular payment of Rs. 0.02 lakh during 1974-75, 1975-76 and 1977-78.

(v) With effect from 1974-75, not more than two children of the same parents/guardians were eligible for scholarship. In 15 cases, according to the particulars given in the application forms, scholarships were given to more than 2 children of the same parents/guardians, involving overpayment of Rs. 0.12 lakh during 1974-75 to 1977-78.

(vi) Maintenance allowance was payable from 1st April or from the month of admission, whichever was later, till the month in which examina-

tions were completed at the end of the academic year, inclusive of intervening holidays, provided that if the scholar secured admission after the 20th day of a month payment was to be made from the month following the month of admission. During 1974-75 to 1977-78, in 41 cases, scholarships amounting to Rs. 0.03 lakh were paid for the period prior to the month(s) from which they were actually admissible.

(vii) In 23 cases an amount of Rs: 0.04 lakh was overpaid as detailed below :—

Period	Number of cases	Amount (Rupees in lakhs)	Remarks
1974-75 to 1976-77	7	0-01	Tuition fee paid to 7 students who had been granted fee concession by their respective institutions.
1975-76 and 1977-78	5	0-01	Day scholars paid at hosteler's rate.
1977-78	1	0-01	Contrary to departmental regulations, the amount was paid to a scholar for a three year diploma course in engineering after awarding him scholarship for Junior Basic Training course in 1975-76.
1975-76	10	0-01	Maintenance allowance paid at rates higher than those admissible.

(viii) Actual payees' receipts for Rs. 13.58 lakhs drawn by the Director of Education during 1974-75 and 1975-76 and remitted to the heads of various institutions for disbursement to scholars were not available during audit (May 1978). Scholarship amount of Rs. 15.15 lakhs was drawn by the Director of Education during 1976-77 and 1977-78, out of which actual payees' receipts for Rs. 3.52 lakhs were not produced

during audit. A sum of Rs. 0.77 lakh, representing refund of undisbursed amount of various scholarships (including scholarships under other schemes) for this period, was received back upto March 1978 and deposited in the treasury but details of the refund were not available. It could not, therefore, be verified whether scholarships amounting to Rs. 17.10 lakhs (amount drawn : Rs. 28.73 lakhs less actual payees' receipts produced : Rs. 11.63 lakhs) had actually been paid to the scholars or had been refunded into the treasury.

(ix) In the Government College, Mandi, cheques for Rs. 2,342 drawn in favour of 4 scholars during 1975-76 and shown as disbursed were lying undisbursed and in 4 other cases payees' receipts were obtained for Rs. 2,204 whereas actually cheques for Rs. 1,764 only had been drawn in favour of the scholars concerned.

(x) In the Government College, Kulu, a sum of Rs. 0.16 lakh representing scholarship amount drawn during 1971-72 to 1976-77 was lying (March 1978) in the cash chest as detailed below :—

Year of drawal	Undisbursed balance	
	(Rupees in lakhs)	
1971-72	..	0.02
1972-73	..	0.01
1973-74	..	0.01
1974-75	..	0.04
1975-76	..	0.06
1976-77	..	0.02
Total	..	0.16

No reasons were assigned for non-disbursement of the amount or its non-refund into the treasury.

It may be seen from the preceding paragraphs that out of Rs. 28.73 lakhs drawn by the department during 1974-75 to 1977-78, actual payees' receipts for Rs. 17.10 lakhs (about 60 per cent of total drawals) were not produced during audit. In the absence of payees' receipts, it could not be verified whether scholarships to this extent were actually disbursed to eligible students or not. In addition, non-observance of prescribed rules and regulations resulted in inadmissible/excess payments totalling Rs. 1.18 lakhs during the period from 1974-75 to 1977-78.

The points mentioned above were referred to the Government in July 1978 ; their reply is awaited (January 1979).

DEPARTMENT OF FOREST FARMING AND ENVIRONMENTAL CONSERVATION

3.4 Excessive consumption of barbed wire

In a range of a forest division, 75 quintals of barbed wire measuring 30,020 running metres were shown as consumed on fencing works between November 1975 to March 1977. The fencing works on which the aforesaid quantity of barbed wire was used, however, measured 18,169 running metres only. The balance quantity of 11,851 running metres of barbed wire valuing Rs. 10,407 was not accounted for nor its use explained in the records.

In another range of the same division, 159 bundles containing 18,080 running metres of barbed wire were shown to have been consumed on fencing works during August 1976 to March 1977. The completed fencing works on which these bundles were shown as consumed, however, measured 14,325 running metres only. The balance of 3,755 running metres of barbed wire valuing Rs. 3,296 was not accounted for nor its use explained in the records.

The non-accountal of barbed wire valuing Rs. 13,703 in the two cases was reported to the Government in December 1977 ; reply is awaited (January 1979).

DEPARTMENT OF FINANCE

3.5 Embezzlement of sale proceeds of stamps

In the Paonta Sub-treasury, the opening balance on 1st March 1977 of non-judicial and court fee stamps under single lock was Rs. 0.04 lakh. Stamps worth Rs. 1.77 lakhs were issued from double lock to single lock from March to October 1977. Since the single lock register showed the balance of stamps on 31st October 1977 as 'Nil', Rs. 1.81 lakhs should have been accounted for during the period as sale proceeds. However, an amount of Rs. 1.55 lakhs only had been credited to Government account as sale proceeds and the balance of Rs. 0.26 lakh had not been accounted for. When the discrepancy was pointed out (2nd December 1977) by Audit, the amount was got deposited by the Sub-Treasurer on 3rd December 1977. This amounted to temporary misappropriation of Government funds.

Audit scrutiny further revealed that contrary to the provisions of the Sub-Treasury Rules (Volume I), the Himachal Pradesh Stamps Rules, 1973 and the Accounts Code Volume II :—

- (i) the balance in single lock register had not been worked out by the Sub-Treasurer from March 1977 onwards ;
- (ii) the balance in hand with the Sub-Treasurer had not been shown in the daily indents nor had the indents/stock books of the Sub-Treasurer been checked by the Assistant Treasury Officer ;
- (iii) the daily sales had not been compared with the challans by the Assistant Treasury Officer nor had he checked/attested the daily balance in the single lock register ;
- (iv) monthly abstract of transactions indicating opening balance, receipts, issues and closing balance, etc., had not been prepared by the Sub-Treasurer nor had monthly physical verification of stamps been done by the Assistant Treasury Officer ;

- (v) closing balance of the various kinds of stamps in the plus and minus memoranda had not been tallied with the balance in the stock registers (double lock and single lock) and had not been certified as such ;
- (vi) during his inspection (October 1977) the Assistant Superintendent, Treasury, had not conducted the surprise check of single lock balances.

The Government stated (May 1978) that departmental investigation against the concerned officials had been initiated.

DEPARTMENT OF HEALTH AND FAMILY WELFARE

3.6 National Malaria Eradication Programme

The malaria eradication programme, started in 1958, aims at the reduction of the parasite reservoir in human population to such a negligible level that once it has been achieved there would be no danger of resumption of local transmission. It also provides that such reservoir of infection be sought out and subjected to radical treatment resulting in the disappearance of the parasite. The programme is carried out in three phases, viz. (i) attack phase, (ii) consolidation phase and (iii) maintenance phase which are briefly discussed below :—

(i) *Attack phase*—Intensive spraying of insecticides is done on the inside surface of all houses and cattle sheds. The duration of spray operation under the attack phase is three to five years.

(ii) *Consolidation phase*—Regular insecticides spray is withdrawn and surveillance operations are undertaken.

(iii) *Maintenance phase*—Care is taken to prevent re-introduction of the disease by active and passive surveillance operations.

The main activities undertaken under the programme consist of (a) spray operations, (b) surveillance (collection of blood slides of fever cases detected during regular house to house visits by the Basic Health Workers) and passive surveillance (collection of blood slides by medical institutions

at 10 per cent of the total new outdoor patients) and (c) administering radical treatment in respect of positive cases of malaria.

A review of the implementation of the programme in six districts viz. Kangra, Kulu, Mandi, Simla, Sirmur and Solan, brought to notice the following points :—

1. The following table shows the budget allotment and expenditure incurred on the programme in the State during 1969-70 to 1977-78 and expenditure incurred in the six districts reviewed :—

Year	Budget allotment	Total expenditure	*Expenditure in six districts
	(Rupees in lakhs)		
1969-70	15.68	16.17	2.58
1970-71	15.33	22.27	3.37
1971-72	21.18	21.65	11.29
1972-73	24.61	25.17	13.04
1973-74	24.79	29.52	14.73
1974-75	32.73	29.82	17.41
1975-76	36.89	39.96	20.79
1976-77	42.45	42.99	20.96
1977-78	78.59	82.65	26.45

Note—*Expenditure figures in respect of following districts for the years noted against each were not available (June 1978).

Kangra : 1969-70 and 1970-71.

Simla : 1969-70, 1970-71 and 1971-72.

Sirmur : 1969-70, 1970-71, 1971-72 and 1972-73.

2. *Spray operations*—Under spray operations, regular spray is to be done in all the areas under attack phase. In addition, focal spray is to be done in a minimum of 50 houses around the area where positive cases are detected under consolidation and maintenance phases. While the targets for focal spray were more or less achieved, shortfall was noticed in regular spray carried out in attack phase areas of Sirmur District as detailed below :—

Year	Target Number of houses/ cow sheds under each spray	Achievement		Percentage of shortfall	
		Ist round	2nd round	Ist round	2nd round
1969	7,999	7,317	7,848	8	2
1970	10,195	7,557	7,661	25	24
1971	6,293	5,632	5,491	11	13
1972	12,313	11,391	11,412	7	7
1973	4,862	4,534	4,763	7	2
1974	5,082	4,721	4,135	7	19
1975	6,027	5,772	5,158	4	14
1976	6,603	6,333	Nil	4	100

(b) Due to increase in the incidence of malaria throughout the country, the Government of India introduced a modified plan in 1977, according to which all areas having API-2 (annual parasite index-2) and above were to be sprayed. The spraying was to be done in two rounds, i.e., 1st round from May to July and the 2nd round from August to October.

Targets remained generally unachieved in 1977 in all the districts except Simla as indicated below :—

District	Targets each for Ist and 2nd round (sections to be sprayed)	Achievements		Percentage shortfall	
		Ist round	2nd round	Ist round	2nd round
Kangra	37	4	4	89	89
Mandi	21	21	18	Nil	14
Kulu	9	8	2	11	78
Sirmur	54	43	34	20	37
Solan	20	16	9	20	55
Simla	19	19	19	..	..

The reasons advanced for the shortfall by the Assistant Director, Health Services (April 1978) were *inter alia* late receipt of insecticides from the Director, National Malaria Eradication Programme (delay ranged between one month and five months), non-receipt of sanction for appointment of spraying staff and refusal by the public to accept spray.

(c) *Spray in border belt areas*—Spray is to be carried out in border belt areas of the State adjoining Punjab, Haryana and Union Territory of Chandigarh in order to prevent imported infection. An expenditure of Rs. 2.84 lakhs (Kangra : Rs. 1.69 lakhs ; Simla : Rs. 0.09 lakh ; Sirmur : Rs. 0.35 lakh and Solan : Rs. 0.71 lakh) was incurred for the purpose between 1969 and 1977. However, the number of positive cases reported

continued to increase in these areas as per figures indicated below :—

District	Number of blocks	Year-wise number of positive cases									
		1969	1970	1971	1972	1973	1974	1975	1976	1977	
Kangra	3	..	..	2	40	859	4,463	7,747	7,012	7,927
Simla *	2	..	..	..	6	30	40	35	75	107
Sirmur	3	10	16	9	46	293	535	1,152	1,105	6,799	
Solan *	3	..	..	..	15	148	285	641	740	2,154
Total		11	10	16	11	107	1,330	5,323	9,575	8,932	16,987

*Spray was started in Simla and Solan districts from 1972 and 1973 respectively.

3. *Surveillance operations*—The intensity of the malaria eradication programme could be mainly gauged by the blood test programme. The targets fixed and achieved under surveillance, both active and passive, between 1969 and 1977, the number of positive cases detected and the expenditure incurred under the programme are tabulated† below :—

	1969	1970	1971	1972	1973	1974	1975	1976	1977
	(Number of cases)								
(a) Active surveillance—									
Targets (in lakhs)	2.00	2.04	2.12	2.14	2.41	1.85	1.90	1.96	2.14
Actual coverage (in lakhs)	1.01	0.95	0.91	1.05	1.16	1.06	0.97	0.89	1.84
(b) Passive surveillance—									
Targets (in lakhs)	1.26	0.79	0.85	1.05	2.69	2.47	2.51	2.69	3.03
Actual coverage (in lakhs)	0.22	0.16	0.20	0.26	0.98	0.71	0.73	0.76	1.71
(c) Number of positive cases (numbers)	59	57	81	235	2,138	6,879	12,629	16,164	29,981

†(i) Figures in respect of Solan District are from 1973 to 1977 as the district was formed in 1972.

(ii) Does not include figures under passive surveillance from 1969 to 1972 in respect of Simla and Kangra districts which were not made available.

The shortfall in active surveillance ranged between 14 per cent (1977) and 57 per cent (1971) and in passive surveillance between 44 per cent (1977) and 83 per cent (1969). The number of positive cases during the period increased from 57 (1970) to 29,981 (1977).

The Assistant Director (Malaria) attributed (April 1978) the shortfall in achievement of targets to paucity of staff and utilisation of field staff in small pox, family planning and multipurpose training programmes undertaken by the Health Department.

4. *Delay in examination of slides and radical treatment*—All the blood smears are required to be examined within a week of their collection as the crux of the surveillance phase is that every case of residual infection should be promptly located and given a course of radical treatment. It was observed during test-check (May-June 1978) that slides had not been examined in a large number of cases nor the time schedule maintained.

The delay in the examination of slides ranged from 5 days to 9 months as indicated below :—

Name of district	Number of cases of delayed examination of blood smears	Period of delay
Kangra	69,302	1 month to 3 months
Kulu	242	5 days to 15 days
Mandi	23,802	15 days to 30 days
Simla	14,447	5 days to 3 months
Sirmur	79,174	2 months to 9 months
Solan	14,447	1 month to 4 months

Thus it would be seen that the very purpose of testing blood smears for purposes of treatment was lost.

Besides delay in examination of blood smears, 51,506 blood smears were washed away/broken/misplaced in various districts as detailed below :—

District	Number of blood smears washed away/broken/misplaced
Kangra	23,361
Kulu	67
Mandi	27,480
Simla	148

In the following positive cases detected during 1969 to 1977, radical treatment was not provided :—

District	Total number of positive cases	Number of positive cases where radical treatment not given	Percentage of positive cases not given radical treatment
Kangra	37,849	14,469	38
Kulu	752	621	83
Mandi	2,285	308	13
Simla	2,228	578	26
Sirmur	15,300	2,930	19
Solan	9,822	1,661	17

The main reason advanced for not providing radical treatment was that the patients generally left the station before the workers could administer the treatment, except in Solan District where 1,661 cases (1977) could not be given treatment for want of medicines.

5. *Diversion of funds*—An expenditure of Rs. 2.71 lakhs was incurred between 1971-72 and 1977-78 on purposes other than those covered under the programme. The expenditure was mainly incurred on purchase of medicines not required for eradication of malaria, running and repair charges of vehicles not used under the malaria eradication programme and cost of two ambulances not used for the scheme.

6. *Non-accountal of stores (a)*—It was noticed during test-check of accounts that stores including medicines, insecticides and microslides, etc., worth Rs. 0.44 lakh supplied by the Assistant Director of Health Services (Malaria) to various Chief Medical Officers between 1969-70 to 1977-78 (Kangra: Rs. 0.10 lakh, Kulu: Rs. 0.22 lakh, Sirmur: Rs. 0.04 lakh and Solan: Rs. 0.08 lakh) had not been accounted for by them (May-June 1978).

(b) Similarly, stores/medicines costing Rs. 0.60 lakh issued by the Chief Medical Officers to various field units between 1969-70 and 1977-78 (Kangra: Rs. 0.10 lakh, Mandi: Rs. 0.04 lakh, Kulu: Rs. 0.01 lakh, Simla: Rs. 0.02 lakh, Sirmur: Rs. 0.22 lakh and Solan: Rs. 0.21 lakh) had not been accounted for by the recipients (May-June 1978).

7. *Unserviceable stores*—Eighty-eight items of stores valuing Rs. 0.31 lakh which became unserviceable between 1966-67 and 1977-78 were lying in the stores of various Chief Medical Officers (Mandi: 6 items valuing Rs. 0.15 lakh, Kulu: 14 items valuing Rs. 0.02 lakh, Sirmur: 66 items valuing Rs. 0.13 lakh and Solan: 2 items valuing Rs. 0.01 lakh). No action had been taken (May-June 1978) for their disposal.

8. *Physical verification*—While annual physical verification of stores had not been conducted by the Chief Medical Officers, Kulu and Solan since the inception of the programme, it had not been done in Sirmur District after 1972.

9. *Summing up*—It may be seen from the preceding paragraphs that the expenditure on the programme has been showing a steady increase over the years (1969-70 : Rs. 2.58 lakhs; 1977-78 : Rs. 26.45 lakhs); nevertheless, there has been a steep rise in the number of positive cases detected (from 59 in 1969-70 to 29,981 in 1977-78). It was noticed that there was a shortfall in the achievement of targets fixed for regular spray, which ranged between 8 and 25 per cent in 1st round and 2 and 100 per cent in 2nd round.

Due to increase in the incidence of malaria throughout the country, a modified plan was introduced by the Government of India in 1977 with the object of controlling malaria. The percentage of shortfall under the modified plan in respect of spraying ranged from 11 to 89 per cent. There were also delays in examination of slides ranging from 5 days to 9 months in 2,01,414 cases in 6 districts, the records of which were test-checked. Further, out of 68,236 positive cases detected during 1969 to 1977 in 6 districts, radical treatment was not provided in 20,567 cases. The percentage of positive cases not given radical treatment ranged from 13 per cent (Mandi District) to 83 per cent (Kangra District).

The matter was referred to the Government in August 1978; reply is awaited (January 1979).

DEPARTMENT OF HORTICULTURE

3.7 Non-accountal of sale proceeds

The rules, *inter alia*, require that a Government servant receiving money on behalf of Government should pay or remit it, at the earliest opportunity, to the nearest Government servant having a cash book or direct into a treasury. Further, the departmental controlling officers are required to obtain from their subordinates monthly accounts and returns in suitable form to see that the amount reported as collected has been duly credited to Government account.

A test-check (August 1978) of the accounts of the Assistant Fruit Technologist, Simla revealed that out of Rs. 0.45 lakh realised as sale

proceeds of departmental fruit products at the local sale counter during September 1973 to September 1974, only Rs. 0.34 lakh were deposited in the treasury and the balance amount of Rs. 0.11 lakh remained unaccounted for (August 1978). It was also noticed that the sale proceeds collected at the local sale counter of the Assistant Fruit Technologist were not being made over to the officer-in-charge of the cash book, nor were regular statements of receipts and remittances into the treasury obtained by the Assistant Fruit Technologist from the counter. Short deposits in the treasury during various months ranged between Rs. 0.01 lakh to Rs. 0.04 lakh.

The matter was reported to the Government in September 1978; reply is awaited (January 1979).

3.8 Purchase of defective anti-hail nets

With a view to protecting Government orchards/nurseries from hail and enabling them to augment their income, 22,385 kilograms of high density polythene anti-hail nets valuing Rs. 8.49 lakhs were purchased by the Director of Horticulture during 1973-74 to 1975-76 (1973-74 : 13,000 kilograms: Rs. 4.93 lakhs; 1974-75: 8,385 kilograms: Rs. 3.18 lakhs; 1975-76: 1,000 kilograms: Rs. 0.38 lakh). The Director of Horticulture had asked (October 1974) the Deputy Directors to submit a report on the performance of the anti-hail nets in terms of percentage of crop saved and additional income derived, but no such report was available on record. In March 1978, the Director observed that the anti-hail nets had not been properly used and that the department had failed to protect the orchards/nurseries from hail.

Besides, the following points were noticed (May 1978) in audit:—

- (i) In District Horticulture Office, Solan, 1,100 kilograms of anti-hail nets valuing Rs. 0.44 lakh were found defective and had started decolouring and tearing within 3 to 4 months from the date of their use;
- (ii) About 973 kilograms of nets (value: Rs. 0.39 lakh) purchased in August 1974 were lying in stock (May 1978) unused with the Deputy Director of Horticulture (West Zone), Dharamsala.

- (ii) About 58 kilograms of nets valuing Rs. 0.02 lakh were less accounted for by the Horticulture Inspector, Incharge Progeny-cum-Demonstration Orchard, Pangana (Mardi District).

The matter was reported to the Government in August 1978; reply is awaited (January 1979).

DEPARTMENT OF RURAL INTEGRATED DEVELOPMENT

3.9 Applied Nutrition Programme

1. The Applied Nutrition Programme, sponsored by the Government of India in collaboration with the United Nations Children's Emergency Fund (UNICEF), the World Health Organisation (WHO) and the Food and Agriculture Organisation (FAO), was undertaken in the State from 1963. The programme was primarily aimed at helping people, especially in the vulnerable groups in rural areas, to improve their level and consciousness of nutrition through (i) education and training of non-officials and officials in improved methods for production, preservation and conservation of balanced food, (ii) mobilising individuals (women and youth) and institutions in the rural areas for increasing the production of food rich in protein, vitamins and minerals and (iii) developing village resources, with community efforts, to implement supplementary feeding programme covering vulnerable groups *viz.* children, pregnant women and nursing mothers.

2. The programme was introduced in three community development blocks in 1963 and by March 1978 it was in operation in 36 out of 69 blocks in the State. The main activities undertaken under the programme consisted of (a) establishment of poultry units, (b) development of fisheries, (c) establishment of school, kitchen and community gardens and (d) payment of grants to social organisations for organising activities of Mahila Mandals and Youth Clubs.

3. The programme was undertaken in selected blocks for a period of five years (operational period) with one year's extension in blocks which had completed the five year period. During the operational

period, the expenditure per selected block was to be Rs. 0.85 lakh (Rs.0.81 lakh with effect from 1974-75), of which the Government of India was to bear Rs. 0.34 lakh (Rs. 0.30 lakh with effect from 1974-75) and the rest was to be provided by the State Government. During the post-operational period of one year, the Government of India was to bear Rs. 0.15 lakh for each block for completing the continuing activities. Items like barbed wire for fencing of gardens in selected schools, teaching aids, audio-visual materials, instructional literature, etc., were to be supplied by the Government/UNICEF free of cost to the functionaries.

According to departmental records, the number of blocks covered under the programme from 1973-74 onwards and the requirement/actual release of funds was as under:—

Year	Number of new blocks taken up	Number of blocks (including new blocks where programme was in operation)	Funds to be provided by the		Total	Funds actually provided by the		Total	Expenditure
			Government of India	State Government		Government of India	State Government		
(Rupees in lakhs)									
1973-74	1	22	4.76	4.90	9.66	4.08	4.30	8.38	3.72
1974-75	2	24	2.75	2.20	4.95	2.75	2.30	5.05	3.52
1975-76	4	28	5.56	2.00	7.56	2.85	2.10	4.95	5.27
1976-77	4	32	3.24	7.20	10.44	3.90	7.20	11.10	10.76
1977-78	4	36	4.65	8.16	12.81	4.00	9.00	13.00	13.18
Total			20.96	24.46	45.42	17.58	24.90	42.48	36.45

Main points noticed during test-check (April—June 1978) of the working of the programme in 9 blocks (Bajjnath, Bangana, Bilaspur,

Chauntra, Karsog, Mandi, Nagrota, Rampur and Rewalsar) are given in the succeeding paragraphs.

1. *Poultry development*—(a) With a view to providing ingredients of balanced diet to people, especially in the vulnerable groups in rural areas, and giving impetus to poultry farming at domestic level, interested persons were to be trained and assisted in establishing small domestic poultry units. As per the master plan of operation for applied nutrition programme, the State Government was to provide, at a subsidised rate (50 per cent subsidy), 10 birds and 2 cockerels each to 10 farmers in each block. In addition, subsidy for construction of poultry pens for 10 farmers at Rs. 50 each per block and subsidy on feed at the rate of 25 per cent was also to be given by the Government. The beneficiaries were required to supply free of charge an agreed number of eggs over a stated period for the feeding programme, in return for, and in proportion to the assistance provided to them.

(b) During 1969-70 to 1977-78, an expenditure of Rs. 0.77 lakh was incurred on supply of 19,660 birds at subsidised rates (Rs. 0.56 lakh), pesticides, etc., (Rs. 0.17 lakh) and feed (Rs. 0.04 lakh) in the 9 blocks. No follow up action was taken to ascertain the proper functioning of the poultry units established under the programme. There was nothing on record to show whether the agreed number of eggs required to be supplied over a stated period towards the feeding programme was supplied.

(c) In June 1969, it was decided to organise, in addition, 30 units as demonstration units in each of the blocks covered under the programme. The cost of the birds was to be met by the respective functionaries/institutions and the Government on fifty-fifty basis. Sheds were to be provided free as grant by the UNICEF to these units. The recipients of such demonstration sheds were required to contribute 50 per cent of the production of eggs towards feeding programme.

The activities undertaken in the 9 blocks for establishment of demonstration units are briefly discussed as under:—

- (i) Construction of two poultry sheds, one each in Baijnath and Nagrota blocks, was completed in April/May 1978

at a cost of Rs. 0.10 lakh but no birds had been kept in these units (June 1978). One unit in Chauntra Block on which expenditure of Rs. 0.06 lakh had been incurred was still incomplete (June 1978).

- (ii) Out of 200 birds valuing Rs. 1,400 supplied (September 1971) by the Block Development Officer, Bilaspur to Government High School, Jukhala for rearing, only 120 birds were accounted for in the school records and the account of the remaining 80 birds was not known (June 1978). The birds in stock in June 1972 (106 birds) were sold by the school for Rs. 820, the expenditure on their feed being Rs. 1,102. Further, a poultry pen constructed in February 1974 at a cost of Rs. 0.07 lakh was lying unutilised (June 1978) in the school.

(c) Veterinary medicines valuing Rs. 0.18 lakh (Bilaspur: Rs 0.04 lakh, Chauntra: Rs. 0.05 lakh, Rampur: Rs. 0.07 lakh, Rewalsar: Rs. 0.02 lakh) and poultry feed valuing Rs. 0.04 lakh (Bajnath: Rs. 0.01 lakh, Bangana: Rs 0.03 lakh) were distributed free of cost between 1969-70 and 1977-78, though not permissible under the programme.

(d) In Nagrota Block, 2,180 birds valuing Rs. 0.13 lakh were distributed during 1974-75 and 1977-78 to breeders and only Rs. 2,674 recovered from them as against Rs. 6,659 to be recovered towards 50 per cent cost to be borne by them.

(e) Birds valuing Rs. 0.13 lakh were stated to have been distributed by the Block Development Officers, Rewalsar (Rs. 0.04 lakh during 1969-70), Mandi (Rs. 0.02 lakh during 1970-71), Nagrota (Rs. 0.04 lakh during 1974-75) and Karsog (Rs. 0.03 lakh during 1977-78). Acknowledgements were, however, not available with the Block Development Officers. In the absence of acknowledgements it could not be verified whether the recipients had actually received the birds.

(f) During 1969-70 to 1977-78, against a target of 3,805 persons, 2,734 persons were trained after incurring an expenditure of Rs. 0.59 lakh.

(ii) *Fisheries*—(a) Under the programme, the Block Development Officers were required to get a survey conducted through the Fisheries Department for the stocking of existing farms, repairs of feasible ponds and digging of new ponds. After development, the available tanks and ponds were to be stocked with mirror carp fingerlings, to be supplied free of cost. In order to achieve this objective, it was proposed to establish a fish production tank at the headquarters of each block and one small fish tank in each village. Subsidy for reconstruction and renovation of fish tank was to be given on 50 per cent basis. In return for free supply of fingerlings and other assistance, the gram panchayats were to provide to Mahila Mandals/Youth Clubs, free of cost, 10 to 25 per cent of harvested fish over a fixed period towards the feeding programme.

Under the scheme, a hatchery was proposed to be set up by the Fisheries Department at Deoli (Bilaspur) at a cost of Rs. 3.82 lakhs over a period of 3 years from 1963-64. The Director of Fisheries stated (April 1978) that in the absence of budget provision no expenditure was incurred on this work.

(b) Rupees 1.19 lakhs were spent on construction of 19 fish tanks (Bangana : 3, Chauntra : 1, Karsog : 5, Mandi : 1, Nagrota : 2, Rampur : 2 and Rewalsar : 5) during 1969-70 to 1977-78. No details of release of fingerlings in the tanks were available with the Block Development Officers. No harvested fish had been supplied towards feeding programme as envisaged.

(c) Fish tank at Jeori (Rampur Block) constructed at a cost of Rs. 0.05 lakh in 1977 was stated to have been washed away during rains in the year of its construction.

(d) Rupees 0.05 lakh drawn in 1976-77 for fixing barbed wire to a fisheries tank in Nagrota Block were lying unutilised (June 1978) with the Block Development Officer.

(iii) *Fruit/vegetable gardens*—(a) The programme envisaged increased production of fruits and vegetables of high nutritive value by encouraging the establishment of school gardens, home/kitchen gardens and community gardens. In the 9 blocks under reference, 56 community and 84 school gardens were established between 1969-70 and 1977-78. Expenditure of Rs. 4.53 lakhs (irrigation schemes : Rs. 1.99 lakhs ; fencing and levelling of ground : Rs. 1.44 lakhs ; fertiliser : Rs. 0.53 lakh ; fruit plants: Rs. 0.39 lakh ; top working of trees : Rs. 0.04 lakh and pesticides etc. : Rs. 0.14 lakh) was incurred on these gardens by the Government. In view of the grants and assistance given by the Government, the community gardens were to make available to the Mahila Mandals, fruits and vegetables of value equal to 50 per cent of the net profit from the gardens for the free feeding of vulnerable groups. The remainder of the profit was to be used to build up a revolving fund for further development of fruit and vegetable gardens. The produce of the school gardens was to be made available to the school children.

According to the records maintained by the Block Development Officers, no vegetable garden was established ; there was also nothing on record to show that the community gardens established had contributed 50 per cent of their net profit for free feeding of vulnerable groups. In the case of school gardens, no records were kept of the produce received or distributed from these gardens. The present condition of these community/school gardens, i.e., number of gardens which had reached fruit bearing stage or were closed, was also not known.

(b) Fertilisers and pesticides, etc., valuing Rs. 0.26 lakh were issued to private individuals free of cost in five blocks (Bangana, Chauntra, Rampur, Karsog and Bilaspur) and grants amounting to Rs. 0.05 lakh were given to panchayats in Mandi Block for raising of nurseries although the programme did not provide for giving of such assistance. Utilisation certificates in respect of the assistance had also not been obtained (June 1978).

(iv) *Bee keeping*—In Bangana Block, against the target of imparting training in bee keeping to one hundred persons (50 persons each year),

only 13 persons were trained during 1975-76 and 1977-78. No training was imparted in other eight blocks. In three blocks (Nagrota, Chauntra and Mandi), bee keeping equipment valuing Rs. 0.04 lakh purchased during 1974-75 (Rs. 0.01 lakh), 1975-76 (Rs. 0.01 lakh) and 1977-78 (Rs. 0.02 lakh) was lying unutilised since 1975/1977. In Rampur Block, Rs. 0.03 lakh drawn in February 1977 for purchase of bee keeping equipment were lying unspent (June 1978).

(v) *Social organisations*—For successful implementation of the programme at village level, active participation of community leaders, Mahila Mandals and Youth Clubs was required to be enlisted. Between 1969-70 and 1977-78, expenditure of Rs. 0.80 lakh (training camps : Rs. 0.43 lakh; cash grants: Rs. 0.37 lakh) was incurred in the 9 blocks for organising activities of Mahila Mandals and Youth Clubs. No records were, however, produced to audit to indicate the work actually done by these organisations for implementation of the programme.

(vi) *Drinking water supply schemes*—Nine water supply schemes started in 1976-77 and 1977-78 and on which expenditure of Rs. 0.63 lakh was incurred by the Block Development Officers (Karsog-5 schemes : Rs. 0.41 lakh, Rampur-4 schemes : Rs. 0.22 lakh) were lying incomplete (June 1978) for want of pipes and other material.

(vii) *Idle stores*—Articles (pumping sets, sewing machines, polythene pipes, pressure cookers, radios, etc.) valuing Rs. 1.09 lakhs received free of cost from the UNICEF were lying unutilised (June 1978) with the Block Development Officers for 1 to 6 years (1971-72 : Rs. 0.02 lakh, 1974-75 : Rs. 0.01 lakh, 1975-76 : Rs. 0.19 lakh, 1976-77 : Rs. 0.28 lakh and 1977-78 : Rs. 0.59 lakh).

(viii) *Unspent balances*—According to the rules, no money should be drawn from the treasury unless it is required for immediate disbursement. It was noticed during test-check that Rs. 1.93 lakhs drawn from the treasury were lying unspent in the block accounts for 1 to 5 years in Bangana, Bajinath, Nagrota and Rampur blocks (1973-74 : Rs. 0.17 lakh, 1974-75 : Rs. 0.13 lakh, 1975-76 : Rs. 0.30 lakh, 1976-77 : Rs. 0.62 lakh and 1977-78 : Rs. 0.71 lakh).

(ix) *Evaluation*—No follow up action was taken by the blocks to evaluate the working of the various schemes undertaken under the programme. Further, a manageable number of blocks was to be selected in 1975 and 1976 for special study by the State Government. No such study/survey was, however, conducted. Results of survey stated to have been undertaken (December 1977—February 1978) by the National Institute of Nutrition and National Institute of Rural Development on behalf of the Government of India with the assistance of UNICEF were awaited (June 1978).

(x) *Summing up*—One of the principal objectives of this programme was to encourage additional consumption of protective foods by pre-school age and school-going children and by expectant and nursing women by means of supplementary feeding schemes. This was sought to be achieved by utilising the agreed percentage of produce received from various units established under the programme. The poultry, fruit, vegetable etc., units so established were expected to supply agreed percentage of produce for this purpose. There was nothing on record to show that the beneficiary units had actually supplied their share of the produce towards the feeding programme. Further, there has been no evaluation at block/Government level of the working of the schemes under the programme or of the impact of the programme.

Thus, though the scheme was in operation from 1963 and covered 36 out of the 69 blocks in the State by March 1978 and Rs. 36.45 lakhs were spent during the 5 years ending 1977-78, the department had no information as to what extent the objective of the scheme *viz.* improving nutritional standards of vulnerable section of the population like children and expectant mothers, was achieved.

The matter was reported to the Government in September 1978 ; reply is awaited (January 1979).

3.10 Incomplete/abandoned/damaged works

A test-check of the accounts of 7 blocks in five districts showed that 9 works (estimated cost : Rs. 3.46 lakhs) were lying incomplete/

abandoned/damaged after incurring expenditure of Rs. 2.62 lakhs. Details of four of these works are given in Appendix III.

DEPARTMENT OF WELFARE

3.11 Housing subsidy to backward classes

Comments on the subsidy given to the backward* classes in Bilaspur District for the construction of houses appeared in paragraph 3-12 of the Report of the Comptroller and Auditor General for the year 1976-77 (Civil). During the period from 1972-73 to 1977-78, subsidies aggregating Rs. 67.70 lakhs were sanctioned/drawn in the State under the scheme (started during 1951-52) for payment to 6,819 persons belonging to backward classes for purchase of house sites, construction of new houses and repair/renovation of houses.

Records relating to the scheme in 7 more districts, namely, Chamba, Hamirpur, Kangra, Kinnaur, Mandi, Simla and Sirmur were test-checked (May-June 1978) and the points noticed are mentioned in the succeeding paragraphs.

1. In accordance with the prescribed procedure, the amount drawn for payment of subsidy was to be deposited by the District Welfare Officer(s) in a nationalised bank/Himachal Pradesh State Co-operative Bank by opening a savings bank account in the name of each of the beneficiaries concerned and duly pledged in favour of the District Welfare Officer(s). The amount was to be released by the District Welfare Officer(s) in instalments after verification of the progress made by the beneficiary in construction/repairs. The construction was required to be completed within $1\frac{1}{2}$ years (2 years in snow bound areas) from the date of sanction. Out of Rs. 53.20 lakhs drawn by the department in the above districts during 1972-73 to 1977-78 for payment of subsidy to 5,574 beneficiaries, Rs. 1.50 lakhs were refunded into the treasury as the beneficiaries (153) had either failed to start construction within

*Backward classes were defined in the scheme as those belonging to scheduled castes and tribes and Vimukta Jatis.

the stipulated period or were found to be ineligible for the grant of subsidy and Rs.12.80 lakhs were lying undisbursed (June 1978) as detailed below :—

Year	Drawal		Disbursement		Refunds		Unspent balance lying in Banks/ Post Offices	
	Number of beneficiaries	Amount	Number of beneficiaries	Amount	Number of beneficiaries	Amount	Number of beneficiaries	Amount
(Amount in lakhs of rupees)								
1972-73	922	8.73	794	7.85	42	0.34	86	0.54
1973-74	1,172	10.43	1,022	8.95	53	0.49	97	0.99
1974-75	859	7.69	739	6.82	31	0.27	89	0.60
1975-76	780	8.28	649	7.14	25	0.38	106	0.76
1976-77	903	8.14	729	6.39	2	0.02	172	1.73
1977-78	938	9.93	24	1.75	..	..	914	8.18
Total	5,574	53.20	3,957	38.90	153	1.50	1,464	12.80

Out of Rs. 12.80 lakhs mentioned above, Rs. 2.89 lakhs drawn upto the end of March 1976 had become overdue for refund as the period of $1\frac{1}{2}$ years prescribed for utilisation was over.

2. According to departmental records, out of 3,640 houses (Simla District : 953 ; other districts : 2,687) to be constructed by the end of March 1978, 668 houses (subsidy involved: Rs. 4.21 lakhs) were still to be completed in districts other than Simla, the delay in completion ranging between 27 and 63 months. In Simla District, the amount of subsidy (Rs. 6.64 lakhs) was remitted to the Block Development Officers for disbursement to the concerned beneficiaries direct instead of depositing the amount in joint accounts. No information was available with

the District Welfare Officer, Simla about the progress of disbursement of subsidy for the construction of houses by the beneficiaries.

3. Certificates showing utilisation of subsidy amounting to Rs. 18.47 lakhs sanctioned and drawn in Chamba, Hamirpur, Kangra, Kinnaur, Mandi and Sirmur districts during 1972-73 (Rs. 3.63 lakhs), 1973-74 (Rs. 5.87 lakhs), 1974-75 (Rs. 4.15 lakhs) and 1975-76 (Rs. 4.82 lakhs) had not been furnished to the Directorate for onward transmission to the Audit Office (June 1978) though these certificates were required to be sent within 18 months/2 years from the date of sanction.

4. According to the rules, subsidy for new construction is required to be released in three instalments in the prescribed manner. In Hamirpur and Kinnaur districts, subsidies aggregating Rs. 1.31 lakhs were paid to 117 persons either in lump sum or in instalments which were in excess of the prescribed monetary limits. In Mandi and Simla districts, no records were produced to show how the subsidy was released.

The rules require that, at the time of releasing the last instalment of subsidy, the District Welfare Officers should certify after verification that the concerned beneficiaries had actually contributed their matching share of 25 per cent for completion of their houses. Fulfilment of this requirement was not ensured in Mandi, Kinnaur, Simla and Sirmur districts.

5. Applications of 402 beneficiaries (Kinnaur : 60, Simla : 342) to whom subsidies aggregating Rs. 2.40 lakhs were paid during 1972-73 and 1973-74 were not available on record with the concerned District Welfare Officers. Eligibility of the beneficiaries could not, therefore, be verified by Audit in these cases.

6. The District Welfare Officer is himself required to inspect at least 25 per cent of the houses constructed by the grantees. This was not done in Chamba, Hamirpur, Kangra, Simla and Sirmur districts.

7. At the end of each year, the District Welfare Officer is required to send a narrative report to the Director, Welfare Department indicating the funds utilised, persons benefited, houses constructed during

the year and particulars of persons with details of amount given to each. No such report had been sent from Chamba, Hamirpur, Mandi, Simla and Sirmur districts.

8. Subsidies aggregating Rs. 0.20 lakh (out of Rs. 38.81 lakhs paid during 1972-73 to 1977-78) were paid to 18 persons who were not eligible for the same under the rules as indicated below :—

(i) According to the rules, subsidies are admissible to persons belonging to non-scheduled caste categories upto a maximum of 25 per cent of the persons to whom subsidies are granted for construction of houses provided they undertake to construct houses in the colonies of scheduled castes. In Sirmur District subsidy of Rs. 0.08 lakh was paid to 6 non-scheduled caste persons as against admissible number of 2, the total number of persons granted subsidy in the village being eight. No undertaking about construction of houses in the colony of scheduled castes had also been obtained.

(ii) According to the rules, subsidies are payable to only those scheduled caste/tribe persons who do not possess houses of prescribed specification and who apply for grant of subsidy and it is duly sanctioned. Subsidies amounting to Rs. 0.12 lakh were, however, paid in contravention of these provisions as detailed below :—

Name of the district	Number of cases	Remarks
Chamba	6 (subsidy involved Rs. 0.05 lakh)	Four persons who did not belong to scheduled castes obtained subsidy on the basis of false declaration while 2 persons who already possessed houses of prescribed specification were given subsidy.

Hamirpur	4 (subsidy involved Rs. 0.04 lakh)	The beneficiaries concerned had actually applied for financial assistance for purposes other than construction of houses.
Simla	3 (subsidy involved Rs. 0.02 lakh)	Subsidy in one case was applied for construction of cow-shed and in the remaining 2 cases it was paid without the sanction of the competent authority.
Kangra	1 (subsidy involved Rs. 0.01 lakh)	Payment was made without sanction of the competent authority.

The department may consider the feasibility of recovering the subsidy where it was fraudulently obtained.

9. (a) The rules provide that for repair/renovation of existing houses, the maximum amount of subsidy admissible shall be half the amount of subsidy admissible for new construction. In 10 cases (Chamba:2, Hamirpur:2, Mandi:1, Kangra:2, Kinnaur:1 and Sirmur:2) subsidies aggregating Rs. 0.13 lakh were paid against the admissible amount of Rs. 0.08 lakh.

(b) In Kinnaur District, two persons were sanctioned subsidy amounting to Rs. 0.09 lakh (Rs. 0.04 lakh on first occasion and Rs. 0.05 lakh on another) on two occasions during the same year (1977-78), resulting in excess subsidy of Rs. 0.04 lakh. Again, subsidy of Rs. 0.04 lakh was given to 4 persons (Mandi:2, Kinnaur:2) for construction of houses at two sites, one each in Mandi and Kinnaur districts.

10. It would be seen from the foregoing paragraphs that out of Rs. 53.20 lakhs drawn by the department in seven districts during 1972-73 to 1977-78 for payment of subsidy to 5,574 beneficiaries, Rs. 12.80 lakhs (number of beneficiaries: 1,464) were lying unspent in

banks/post offices and Rs. 1.50 lakhs (number of beneficiaries :153) were refunded during 1973-74 to 1977-78 into the treasury. About 3,640 houses (Simla District:953, other districts: 2,687) were scheduled to be completed by the end of March 1978, of which 668 houses were still to be completed (June 1978) and no details were available about the progress of disbursement of subsidies for construction of 953 houses in Simla District. Utilisation certificates in support of subsidy amounting to Rs. 18.47 lakhs sanctioned/drawn in six districts during 1972-73 to 1975-76 had not been furnished. In the absence of utilisation certificates and other follow up action envisaged under the scheme, i.e., reports regarding funds utilised, persons benefited, houses constructed and physical verification of 25 per cent of houses constructed, the extent to which the funds had actually been utilised for construction of houses could not be verified in Audit.

The matter was referred to the Government in August 1978; reply is awaited (January 1979).

3.12 Construction of houses in Jayanti villages

As a part of the programme connected with the celebration of the silver jubilee of India's Independence, the Government of India sponsored a scheme (May 1973) for the construction of houses in selected villages (called Jayanti villages) for *harijans* who were engaged in unclean occupations or were landless labourers. To implement the scheme, the Central Government paid a grant of Rs. 5 lakhs (July 1973) to the State Government for construction of 250 houses of 220 square feet each at a cost of Rs. 2,000 each (additional expenditure, if any, was to be met by the State Government). Construction was to be started on top priority basis and substantial progress was to be made before 15th August 1973. The unfinished houses were to be completed during 1973-74 itself. The unspent balance at the close of 1973-74 was to be refunded to the Government of India.

A test-check (May-June 1978) of the records relating to the implementation of the scheme in Bilaspur, Chamba, Hamirpur, Mandi,

Kangra, Kinnaur, Simla and Sirmur districts revealed the following points:—

1. The scheme envisaged that the construction of houses should be completed by the end of March 1974 and the programme arranged in such a manner that the full amount was utilised by that date and the unspent balance refunded. Out of the grant of Rs. 5 lakhs received from the Government of India in July 1973, a sum of Rs. 4.08 lakhs was sanctioned by the Government in March 1974 as housing subsidy for the construction of 204 new houses (Simla: 43, other districts: 161). The amount was drawn by the District Welfare Officers in March 1974 and deposited in nationalised banks/Himachal Pradesh State Co-operative bank by opening savings bank accounts in the names of the beneficiaries duly pledged in favour of the District Welfare Officer concerned. The amounts were released by the District Welfare Officers in instalments. Out of Rs. 4.08 lakhs, Rs. 4.00 lakhs were utilised in the subsequent years (upto 1976-77). Out of the remaining amount, Rs. 0.06 lakh were refunded (1974-75: Rs. 0.02 lakh, 1975-76: Rs. 0.02 lakh and 1976-77: Rs. 0.02 lakh) into the treasury and the balance of Rs. 0.02 lakh was still lying in the bank(s) (June 1978).

2. Out of 202 houses (Simla District: 43, other districts: 159) required to be constructed under this scheme, 157 houses were constructed in the districts of Sirmur, Kangra, Mandi, Hamirpur, Bilaspur and Kinnaur.

The District Welfare Officer, Simla, who was asked about the position of construction of houses in Simla District could not furnish the same for want of information (November 1978).

3. During 1973-74 to 1977-78, subsidy aggregating Rs. 0.67 lakh was paid to 41 ineligible persons as shown below:—

(i) Payment of Rs. 0.25 lakh (Sirmur: Rs. 0.23 lakh, Kangra: Rs. 0.02 lakh) was made to 20 persons (Sirmur: 19, Kangra: 1)

not mentioned in the sanction order as detailed below:—

District	Number of persons	Remarks
Sirmur	9	Only first instalment paid.
Ditto	2	Two instalments paid.
Ditto	8	All the three instalments paid.
Kangra	1	Ditto

No steps have been taken to regularise or recover the amounts paid to these persons.

(ii) The scheme envisaged payment of subsidy for new houses. However, subsidy of Rs. 0.36 lakh had been given to 18 persons (Mandi : 13, Simla : 5) for reconstruction/renovation of their existing houses.

(iii) According to the rules, subsidy was admissible to scheduled castes who were engaged in unclean occupations or were landless labourers. Subsidy aggregating Rs. 0.06 lakh was, however, paid to 3 persons in Mandi District who, according to their applications, were not engaged in unclean occupations nor were landless labourers.

4. Applications of 75 persons (Mandi : 19, Hamirpur:13, Bilaspur: 2, Kinnaur: 3 and Simla: 38) to whom subsidy amounting to Rs.1.50 lakhs was paid were not available on record with the District Welfare Officers. In these cases, it could not be verified in Audit whether the subsidy was paid to eligible persons.

The matter was reported to the Government in August 1978; reply is awaited (January 1979).

3-13 Misappropriations, defalcations, etc.

The position of cases of alleged misappropriations, defalcations, etc., of Government money, reported to Audit upto the end of March 1978, final action on which was pending till the end of November 1978, was as follows:—

	Number of cases	Amount involved (Rupees in lakhs)
Cases reported upto 31st March 1977 and out- standing on 30th September 1977	121	54.52
Cases reported during 1977-78	11	3.75
Total	132	58.27
Cases disposed of till November 1978	19	3.80
Cases outstanding on 30th November 1978	113	54.47

Of these, 75 cases involving Rs. 47.87 lakhs pertained to the Public Works Department.

It would be seen from Appendix IV showing department-wise and year-wise analysis of outstanding cases that 76 cases (amount: Rs. 24.66 lakhs) were pending since 1974-75 or earlier years. Appendix V indicates the stage at which 113 cases outstanding at the end of November 1978 were pending.

CHAPTER IV
WORKS EXPENDITURE
PUBLIC WORKS DEPARTMENT

4.1 Rural Water Supply Programme

1. *Introductory*—A test-check of records pertaining to execution of water supply schemes by Public Works* and Rural Integrated Development Departments was undertaken in July-August 1978. Results of the test-check are contained in paragraphs which follow.

According to the 1971 census, out of the total population of 34.60 lakhs in the State, 32.18 lakhs forming 93 per cent of the total population resided in rural areas spread over 16,920 villages. For the purpose of execution of water supply schemes, villages were categorised into two main groups *viz.* (i) easy villages and (ii) problem villages, i.e., where the source of water was 1.5 kms. or more from the village or where lifting of water for more than 50 metres was involved or where the source was more than 100 metres higher than the location of the village or where the source was contaminated. Problem villages were required to be supplied safe drinking water on preferential basis. As per the departmental records, there were 11,137 problem villages as on 1st April 1974 with a population of 19.32 lakhs.

(A) Schemes undertaken by the Public Works Department

2. *Plan outlay, budget provision and expenditure*—The plan outlay, budget provision and expenditure on water supply schemes executed by the Public Works Department during 1973-74 to 1977-78 were as under:—

Year	Outlay		Budget Provision		Expenditure	
	Central sector	State sector	Central sector	State sector	Central sector	State sector
1973-74	96.27	89.40	59.00	68.69	77.57	81.05

(Rupees in lakhs)

*The Public Works Department is responsible for the execution of water supply schemes except those costing upto Rs. 0.25 lakh each, which are the responsibility of the Rural Integrated Development Department.

1974-75	..	90.00	..	73.15	..	96.03
1975-76	..	1,04.00	..	82.70	..	1,41.62
1976-77	..	1,05.20	2.83	76.97	..	1,30.23
1977-78	2,02.60	1,82.50	1,97.66	1,79.05	2,13.79	2,56.20

Total	2,98.87	5,71.10	2,59.49	4,80.56	2,91.36	7,05.13
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Sources of information:

- (i) Departmental records.
- (ii) Demands for grants of the Government of Himachal Pradesh.

3. *Targets and achievements*—A total number of 2,014 villages with an aggregate population of 5.14 lakhs were targeted to be covered by the State and Central sector water supply schemes to be taken up by the Public Works Department during 1969-70 to 1977-78. By March 1978, 1,603 of those villages with a population of 4.17 lakhs were reportedly covered by the water supply schemes completed by the Public Works Department. Of the 11,137 villages which were identified as problem villages in April 1974, 893 villages (population: 2.11 lakhs) were covered during 1974-75 to 1977-78. This represented 8.1 per cent of problem villages and 10.89 per cent of the population of these villages.

At the end of 1977-78, out of 16,920 villages with a population of 32.18 lakhs (1971 census), 2,358 villages with a population of 6.40 lakhs are reported to have been covered by water supply schemes undertaken by the Public Works Department.

4. *Delay in completion of schemes*—The department did not have information about the number of schemes taken up during the various five year plan periods. However, according to the department, at the beginning of the Fifth Five Year Plan (1974—79), there was a spill over from the earlier plan periods of 634 schemes (estimated cost : Rs. 8,28.37 lakhs) which were required to be completed on priority basis during the Fifth Plan period. Of these, 167 schemes (estimated cost : Rs. 5,67.60 lakhs) were completed, 78 schemes (estimated cost : Rs. 1,47.68 lakhs) were partially completed and partial water supply given and 389 schemes (estimated cost : Rs. 5,39.62 lakhs) were stated to be in progress at the time of Audit in August 1978. The department had taken up 308 new schemes (estimated cost : Rs. 19,94.36 lakhs) during 1974-75 to 1977-78 of which no scheme had been completed and all were stated to be in progress (March 1978). The department attributed the delays to paucity of funds.

Test-check of records of execution showed that in a number of cases delays were also due to disputes over the source of water or due to taking up of schemes without adequate investigation of sources. A few cases of delays are discussed below :—

(i) Twelve water supply schemes (estimated cost : Rs. 56.46 lakhs) sanctioned during September 1971 to September 1974 and scheduled to be completed within six months to three years were lying incomplete after incurring an expenditure of Rs. 15.42 lakhs upto July 1978. The non-completion of these works was attributed mainly to non-availability of sufficient funds.

(ii) Ten water supply schemes (estimated cost : Rs. 21.24 lakhs) were lying incomplete due to disputes over their sources of water, although it was required to be ensured before commencing the works that the sources of water were free from all encumbrances/disputes.

Expenditure of Rs. 9.21 lakhs had (July 1978) been incurred on these schemes as detailed below :—

Name of the scheme	Estimated cost	Expenditure incurred upto July 1978	Date of commencement	Stipulated period of completion	Held up since
(Rupees in lakhs)					
Water supply scheme, Namhol (Bilaspur)	0.43	0.16	June 1971	One year	1971
Water supply scheme, Kanpur (Kangra)	4.07	0.76	Not commenced	N.A.	1972-73
Water supply scheme, Sadwan Maniala (Kangra)	2.65	1.21	1970-71	Six months	1972-73
Water supply scheme, Maira Maist (Mandi)	6.02	3.06	1974-75	Three years	March 1978
Water supply scheme, Ladbharol (Mandi)	2.50	1.34	1977-78	Three years	1977-78
Water supply scheme, Kothi Malothi (Bilaspur)	0.91	0.09	N.A.	One year	N.A.
Water supply scheme, Darwa (Solan)	1.39	1.14	N.A.	Two years	March 1978
Water supply scheme, Jakhlian Tikkar etc. (Simla)	1.72	0.54	N.A.	One year	July 1978
Water supply scheme, Chairakatori (Simla)	0.95	0.72	N.A.	1½ years	N.A.
Water supply scheme, Chass (Sirmur)	0.60	0.19	N.A.	N.A.	1977-78
Total	21.24	9.21			

(iii) Information supplied (August 1978) by the Irrigation-cum-Public Health divisions, Chamba, Hamirpur and Mandi showed that 32 schemes (cost : Rs. 26.08 lakhs) were completed after delays ranging from one year to 11 years and seven months ; reasons for their belated completion were not stated.

(iv) Water supply scheme-Punder Bhadwar Kherian group of villages, approved (December 1971) for Rs. 3.54 lakhs and designed to serve 4,305 persons, was stipulated to be completed within six months. The scheme based on two percolation wells was being executed by the Nurpur Division. When sufficient discharge of water was not available even after drilling upto 70 feet near the source during June 1975 to September 1975, the Superintending Engineer, Irrigation and Public Health Circle, Dharamsala sought the advice (December 1975) of the Director General, Ground Water Board, Chandigarh about the suitability of the site. The latter reported that the source would not give the required yield. Approval of the Superintending Engineer to the re-designed scheme submitted (April 1977) by the Executive Engineer, costing Rs. 11.16 lakhs, was awaiting approval (August 1978) . Rupees 5.99 lakhs (works : Rs. 3.56 lakhs ; materials : Rs. 2.43 lakhs) spent on the scheme, thus, remained unfruitful.

(v) The Government approved (August 1972) a water supply scheme for villages Panol and Amarpur (Bilaspur District) for Rs. 0.73 lakh. The scheme with a *nallah* as its source and designed to serve 730 persons was stipulated to be completed within six months. Expenditure of Rs. 0.81 lakh was incurred on laying of pipes by Division No. 1, Bilaspur between 1972-73 and 1977-78. The Irrigation Division, Bilaspur, to which the scheme was transferred, reported (March 1978) that further execution of the work was inadvisable due to inadequate discharge at the source. After re-investigation, an estimate of Rs. 8.25 lakhs for the scheme based on another source was sponsored by the Superintending Engineer, Irrigation Circle, Simla in July 1977 and was awaiting sanction (August 1978). Expenditure of Rs. 0.81 lakh already incurred on the scheme thus remained unfruitful.

5. *Avoidable expenditure*—A water supply scheme for the Kangru-Gasota group of villages in Hamirpur District was sanctioned for Rs. 3.67 lakhs in December 1970 (revised to Rs. 5.65 lakhs in February 1974).

Construction of pump house-cum-sump well and intake works was entrusted to a contractor for Rs. 0.56 lakh in March 1974. The contractor alleged (February/April 1976) that no work could be done due to non-supply of drawings and cement by the department. The total requirement of cement for this work was 904 bags. The Divisional Officer cancelled the contract in May 1976 on account of non-availability of funds. The position regarding availability of cement and funds was as under :—

Date	Cement		Budget provision
	(Number of bags)	Year	Amount (Rupees in lakhs)
15-6-1974	450	1974-75	0.50
22-8-1974	480	1975-76	0.10
28-10-1974	695	1976-77	0.24
25-11-1974	2,572		
7-1-1975	397		
19-4-1975	521		

It was further observed that pipes worth Rs. 0.26 lakh had been issued to the work in 1974-75 even when they were not immediately needed and later written back to stock in March 1976.

In December 1977, the same work was re-awarded to another contractor for Rs 0.76 lakh. The delay in the execution of work would result in an extra liability of Rs. 0.20 lakh.

6. *Irregular expenditure*—(i) Rules require that approval/expenditure sanction should be obtained before any work is taken up for execution. In eight divisions administrative approval and expenditure sanction for 21 water supply schemes started between 1974 and 1978 and on which

aggregate expenditure of Rs. 7.94 lakhs had been incurred upto March 1978 had not been obtained (August 1978).

(ii) Work should be commenced or liabilities should be incurred only after a detailed estimate has been sanctioned by the competent authority. Expenditure of Rs. 4,71.32 lakhs had been incurred upto March 1978 on 235 water supply schemes in ten divisions without obtaining technical sanctions to the estimates (August 1978).

(iii) In case where the expenditure exceeds the amount administratively approved by more than 10.25 per cent or the amount of technical sanction by more than 5 per cent, revised administrative approval/technical sanction is required to be obtained from the competent authority. Expenditure till the end of March 1978 exceeded administrative approval (Rs. 1,85.75 lakhs) by Rs. 92.80 lakhs in the case of 75 water supply schemes in ten divisions. In the case of 19 water supply schemes, expenditure to end of March 1978 exceeded the technically sanctioned estimates (Rs. 37.13 lakhs) by Rs. 18.23 lakhs. The excess in these schemes ranged from 11 per cent to 578 per cent and 9 per cent to 281 per cent respectively. The excess expenditure had not yet been got regularised (August 1978) by obtaining revised administrative approval/technical sanction.

7. *Accounts*—(i) According to the rules, the accounts of works should be closed as soon as possible after the actual work of construction is completed. In two divisions, work accounts in respect of 60 schemes (estimated cost of 59 schemes : Rs. 39.74 lakhs; estimated cost of one scheme not known) completed between 1958 and 1977 (1958 to 1971 : 48 schemes ; 1973-74 to 1976-77 : 12 schemes) had not been closed (August 1978). The non-closure was attributed to non-settlement of old liabilities in respect of three schemes ; reasons for non-closure of accounts in other cases were not intimated by the divisions concerned.

(ii) Materials (pipes and water supply fittings) worth Rs. 0.94 lakh pertaining to 13 completed schemes (between 1962 to 1978) were lying at site as per material-at-site accounts for June 1978.

(iii) In six divisions, in respect of 50 water supply schemes, materials worth Rs. 23.22 lakhs debited to the work accounts of the schemes were lying unutilised at site for one to five years (July-August 1978).

(iv) In five divisions, materials valuing Rs. 5.82 lakhs were booked (June 1973 to March 1978) against 17 water supply schemes, work on which had not been taken up (July 1978) due to paucity of funds/non-finalisation of the scope of the schemes. Out of these, materials worth Rs. 1.44 lakhs booked (March 1978) against water supply scheme Seri Kothi Chacharwas (Chamba District) had (August 1978) not even been carted to the site of the work from the stores.

8. *Supply of sub-standard material*—A supply order for 200 mm. dia mild steel black pipes (f.o.r. destination rail head Hoshiarpur) was placed (March 1975) on a firm 'K' on rate contract with the Controller of Stores, Himachal Pradesh by the Superintending Engineer, Irrigation Circle, Simla. The material which was required to be inspected before despatch by the Stores Purchase Organisation of the State was despatched after inspection (June 1975) by an Assistant Engineer of the Public Works Department instead of by the Stores Purchase Organisation. On taking delivery (August 1975) of the material, it was found by the receiving Assistant Engineer that the material was not in accordance with the specifications given in the supply order. When the department asked (August 1975) for replacement of material, the firm offered (September 1975) five per cent reduction in price of the pipes supplied instead of replacing the defective pipes. The offer was not accepted as the value of pipes received was assessed at Rs. 1.67 lakhs which was less than the 90 per cent advance payment made to the firm by Rs. 0.38 lakh which amount remained to be recovered (August 1978) from the firm. The pipes had not been used so far (November 1978).

9. *Maintenance*—After completion, the rural water supply schemes were to be handed over to the panchayats for maintenance and necessary enabling provisions for the same were contained in the Himachal Pradesh Water Supply Act, 1968. However, due to unwillingness on the part of panchayats to take over responsibility for maintenance of the completed

schemes, the schemes are being maintained by the Public Works Department. The expenditure on maintenance during 1975-76 to 1977-78 was as follows :—

Year	Expenditure on maintenance
	(Rupees in lakhs)
1975-76	31.91
1976-77	31.92
1977-78	30.64

Water rates are recovered from consumers at rates fixed by the department. Water rates collected during 1975-76 to 1977-78 were as follows :—

Year	Water rates collected
	(Rupees in lakhs)
1975-76	3.75
1976-77	3.72
1977-78	7.66

Water rates outstanding to be recovered at the end of March 1978 amounted to Rs. 12.82 lakhs. Delay in recovery was attributed (January 1977) to objection from public to recovery of water rates.

(B) Schemes undertaken by Rural Integrated Development Department

1. *Planning*—No specific plan indicating the manner in which the programme to provide potable drinking water was to be implemented had been formulated nor had priorities for the works been fixed. Targets were decided either at the district level in the department or by the Panchayat Samitis who drew up their own priorities for schemes to be taken up. The Directorate of Rural Integrated Development was informed about the number of schemes to be undertaken in each of the blocks on the basis of which State level targets were fixed. According to the departmental records, the department had provided drinking water to 2,212 villages (population : 4.58 lakhs) by the end of March 1978.

2. *Plan outlay, budget provision and expenditure*—The plan outlay, budget provision and expenditure on water supply schemes executed by the Rural Integrated Development Department during 1972-73 to 1977-78 were as under :—

Year	Plan outlay	Budget provision	Actual expenditure
	(Rupees in lakhs)		
1972-73	14·80	14·80	14·66
1973-74	21·60	20·00	19·49
1974-75	23·00	23·00	22·15
1975-76	8·00	8·00	8·01
1976-77	8·00	8·00	7·90
1977-78	17·00	17·00	16·68
Total	92·40	90·80	88·89

3. *Targets and achievements*—Information prior to 1974-75 regarding physical targets (water supply schemes proposed to be taken up) and achievements thereagainst was not available with the department as the records for the period were reported to have been destroyed in a fire. The targets from 1974-75 onwards and the achievements thereagainst were as follows :—

Year	New schemes proposed to be taken up	Schemes, including those taken up in earlier years, completed
1974-75	135	152
1975-76	40	88
1976-77	45	67
1977-78	97	142 (anticipated)

4. *Delay in completion of schemes*—It was noticed during test-check (July-August¹⁹⁷⁸) of the working of the schemes in 20 blocks that a number of schemes were lying incomplete, mainly for the following reasons :—

- (i) Misappropriation of material handed over to beneficiary panchayats.

- (ii) Dispute over source of water or dispute amongst villagers regarding laying of pipes, etc.
- (iii) Insufficient discharge of water at the source.
- (iv) Work not started by the contractor, non-availability of cement, construction of alternative water supply schemes by the Public Works Department, etc.

Details of a few cases of delays are given below:—

- (i) Twenty-eight water supply schemes taken up between 1960-61 and March 1972 in 8 blocks (Jubbal, Theog, Chohara and Rampur blocks in Simla District and Mandi Sadar, Chauntra, Drang and Chachiot blocks in Mandi District) were lying incomplete after incurring an expenditure of Rs. 1.74 lakhs because of disputes over source of water or dispute amongst the villagers regarding laying of pipes (8 schemes), setting of cement (1 scheme) and suspension of panchayat (1 scheme). The remaining 18 schemes were lying incomplete as the materials handed over to the beneficiary panchayats were reported to have been misappropriated even before work on these schemes was started.

- (ii) The position of completion of schemes taken up after March 1972 in 14 blocks of Simla and Mandi districts was as follows:—

Name of district	Number of schemes taken up from April 1972 and due to be completed by March 1978	Number of schemes completed	Number of schemes not taken up and amounts refunded	Number of incomplete schemes at the end of July 1978	Percentage of incomplete schemes to those taken up
Simla	139	103	1	35	25
Mandi	165	154	2	9	5
Total	304	257	3	44	14

The position of the 44 incomplete schemes was as under :—

(a) Estimate of one scheme (Water Supply Scheme, Karyali in Theog Block, estimated cost : Rs. 0.18 lakh), sanctioned in October 1973 and awarded to a contractor in March 1974, was revised to Rs. 0.28 lakh (October 1974) on account of rise in the cost of material. Material (value : Rs. 0.18 lakh) not stipulated in the contract was issued to the contractor (October 1974-May 1975) but the work had not been started nor the material returned. The work order issued to the contractor (March 1974) was cancelled (August 1975).

(b) Out of the remaining 42 schemes, due to be completed between March 1973 and March 1978, construction of 4 schemes, sanctioned between February 1973 and September 1977, had not even been started (July 1978). While no reasons were advanced for not starting two schemes, the other two schemes could not be started reportedly due to lack of enthusiasm on the part of the beneficiaries. The remaining 38 schemes were stated to be in progress.

(iii) Three schemes (estimated cost : Rs. 0.40 lakh) were lying incomplete due to non-availability of water in the sources as detailed below:—

(a) Water Supply Scheme, Gurad in Mehla Block (Chamba District), estimated to cost Rs. 0.14 lakh and sanctioned in February 1967, was lying incomplete after incurring an expenditure of Rs. 0.10 lakh. The Agriculture Production Commissioner stated (July 1978) that the scheme was lying incomplete as originally water was proposed to be taken from the distribution tank of another scheme but meanwhile that scheme also became defunct. It was further stated that it had now been decided to tap water from another natural source. Technical sanction to the revised estimates was pending for want of spot inspection by the Assistant Engineer (Development). Further developments were awaited (January 1979).

(b) The scheme "Construction of water well" in Gram Panchayat, Deoli in Gagret Block (Una District), estimated to cost Rs. 0.13 lakh and sanctioned during 1968-69, was suspended (June 1975) after incurring expenditure of Rs. 0.09 lakh due to non-availability of water in the source.

(c) Water Supply Scheme, Chhatole (Bijhari Block) was sanctioned in March 1973 at an estimated cost of Rs. 0.13 lakh. The amount was drawn by the Block Development Officer from the treasury in March 1973 and deposited in the personal ledger account of the Panchayat Samiti. On visiting the site (July 1973) the Block Development Officer found that the source of water had dried up.

(iv) One scheme (Water Supply Scheme, Bharara in Kumarsain Block of Simla District), estimated to cost Rs. 0.16 lakh and sanctioned in March 1966, envisaged construction of distribution tanks in three villages. Only two tanks were constructed (October 1977) after incurring an expenditure of Rs. 0.10 lakh and the scheme was lying incomplete for want of galvanised iron pipes (July 1978).

(v) Six water supply schemes were sanctioned (July 1970 to March 1975) in three blocks viz. Bijhari (Hamirpur District), Gagret (Una District) and Pragpur (Kangra District). Rupees 0.83 lakh drawn by the Block Development Officers between March 1967 and March 1975 for execution of these schemes were deposited in personal ledger accounts/post office savings banks accounts. Out of these six schemes, work on three schemes had not started. While reasons for not starting these schemes were not known, the remaining three schemes could not be completed for the following reasons :—

Bijhari Block

(i) Drinking Water Well,
Thumani Manjholi

Work awarded to the contractor in May 1974 not started. No reasons were on record for not starting the work (April 1978),

Gagret Block

(ii) Side Channel, Badoh

Administrative approval for revised estimates of Rs. 0.12 lakh awaited. Work not started as the tubewell from which water was to be tapped was not in working order. No proposal was made to put the tubewell in order or to have alternate source (April 1978).

Pragpur Block

(iii) Water Supply Scheme,
Pirsaluhi

Galvanised iron pipes valuing Rs. 0.09 lakh purchased in November 1976 were lying unutilised (October 1977) as acceptance of tenders by the Executive Engineer (Panchayati Raj) was awaited.

5. The programme of rural water supply in the State was carried out both by the Public Works Department and Rural Integrated Development Department. To avoid overlapping, proper co-ordination was required to be maintained between the two departments at the district level. It was, however, noticed during test-check of accounts in Simla and Mandi districts that 9 schemes (6 after completion and 3 incomplete), undertaken between 1955-56 to 1972-73 in Chopal, Kumarsain and Rampur blocks in Simla District and Chachiot Block in Mandi District, had to be abandoned after incurring an expenditure of Rs. 0.59 lakh as water was being supplied to the population by the Public Works Department through other schemes executed by the latter.

6. Schemes under the Rural Integrated Development Department were undertaken on behalf of the panchayats and handed over to them after execution for operation and maintenance. Survey of 614 schemes handed over to panchayats upto March 1978 conducted by the department during March 1978 in 9 blocks (Rewalsar, Mandi Sadar, Chauntra, Drang, Chachiot and Gopalpur blocks in Mandi District and Chopal, Rampur and Kumarsain blocks in Simla District) revealed that 38 schemes completed at a total

cost of Rs. 2.83 lakhs and handed over to panchayats between 1959 and 1974 were not working at all, while 92 schemes completed at a cost of Rs. 8.14 lakhs were working only partially and required extensive repairs to make them function efficiently. No remedial measures had been taken (July 1978).

7. The rules stipulate that no money should be drawn from the treasury unless it is required for immediate disbursement or has already been paid out of permanent advance. Any unspent balance is required to be refunded into the treasury promptly. Rupees 0.96 lakh drawn between March 1967 and March 1975 for execution of 7 schemes (in respect of 3 schemes even before the works were administratively approved) were deposited in the personal ledger account of the Panchayat Samitis/Post Office in the name of the panchayats. Material valuing Rs. 0.18 lakh only was purchased (August 1972: Rs 0.09 lakh and November 1976 : Rs. 0.09 lakh) for 2 works. Of this, material worth Rs. 0.09 lakh became unserviceable with the passage of time and the remaining material was lying unutilised (August 1978). The balance amount of Rs. 0.78 lakh was lying unutilised for 3 to 11 years as the schemes had not been started.

Further, a sum of Rs. 0.22 lakh was drawn in February 1973 for construction of a water supply scheme at Birchowgan in Baijnath Block in Kangra District on the basis of budget allotment. The amount was kept in the personal ledger account of the Panchayat Samiti upto March 1974 and in cash chest thereafter until it was refunded into the treasury in April 1978. The scheme was later dropped as an alternate water supply scheme had in the meantime been taken up and completed by the Public Works Department.

8. Departmental instructions require that final payments in respect of schemes costing above Rs. 5,000 should be made only after the work had been inspected by the Assistant Engineer/Executive Engineer (Panchayati Raj). Final payments in respect of 120 such schemes costing Rs. 8.90 lakhs were released without getting the schemes inspected by the competent authority.

9. Water supply schemes were required to be started after getting the water tested by the Medical Department. No record was available in any of the blocks test-checked to indicate whether the water was ever got tested to find out if it was fit for human consumption.

10. *Summing up*—Against a target of 2,014 villages to be covered by water supply schemes to be taken up by the Public Works Department during 1969-70 to 1977-78, only 1,603 villages were covered during the period. Out of 634 schemes (estimated cost: Rs. 8,28.37 lakhs) which had spilled over from the Fourth Five Year Plan to Fifth Five Year Plan, only 167 schemes (estimated cost : Rs. 5,67.60 lakhs) could be completed and the remaining 467 schemes (estimated cost:Rs. 6,87.30 lakhs) were lying partially completed or incomplete (August 1978). Out of 11,137 villages, which were considered problem villages in the matter of drinking water supply as on 1st April 1974, 893 villages only were covered by schemes taken up from 1974-75 to 1977-78.

Water supply schemes for 2,212 villages with a population of 4.58 lakhs were completed by Rural Integrated Development Department by March 1978. Twenty-eight schemes taken up by the Rural Integrated Development Department during 1960-61 to 1971-72 were lying incomplete in 8 blocks and of 304 schemes taken up in 14 blocks of Simla and Mandi districts from 1972-73 to 1977-78, 44 were incomplete.

The main reasons for incomplete schemes were non-availability of sufficient funds, sources of water not being identified or arranged before taking up works or objection from landowners to laying of pipes through their land.

Survey by the department during March 1978 of 614 completed schemes handed over to panchayats revealed that, in 9 blocks, 38 schemes completed at a total cost of Rs. 2.83 lakhs were not working at all, while 92 schemes completed at a cost of Rs. 8.14 lakhs were working only partially and required extensive repairs to make them function efficiently.

The matter was referred to the Government in September 1978 ; reply is awaited (January 1979).

4.2 Construction of boat bridge over river Beas at Harsipattan

Construction of a boat bridge over river Beas at Harsipattan (Kangra District) was approved by the Government in March 1972 for Rs. 6.93 lakhs. Estimates for 30,318 cubic meters of earthwork for the boat bridge were sanctioned by the Chief Engineer in January 1973 for Rs. 2.38 lakhs with the stipulated period of completion as 9 months.

The earthwork was taken up departmentally in December 1972. During 1972-73 and 1973-74, an expenditure of Rs. 1.07 lakhs (earthwork : Rs. 0.99 lakh ; material : Rs. 0.08 lakh) was incurred and earthwork of 1,887 cubic meters (cu. ms.) was done departmentally besides procurement of material in March 1974. The material was still (January 1978) lying unutilised.

In May 1974, earthwork of 17,995 cu. ms. was awarded to a contractor . During 1974-75 and 1975-76, an expenditure of Rs. 0.79 lakh was incurred and earthwork of 18,140 cu. ms. was completed by July 1975. The remaining 10,291 cu.ms. of earthwork still (January 1978) remained to be done.

The budget provision of Rs. 3.50 lakhs existing for this work during 1977-78 was diverted to other work(s). Thus, even after incurring an expenditure of Rs. 1.86 lakhs upto 1975-76, the work is at a standstill.

The Government stated (December 1978) that the work had been held in abeyance till the completion of high level bridge over Beas at Sujanpur Tira and that the existing boat bridge at Sujanpur Tira would be shifted to Harsipattan thereafter. It was also intimated that material valuing Rs. 0.08 lakh procured for this work had been utilised on other works.

4.3 Ropeway bridge at Shaur (Pangi Valley)

The existing bridge at Shaur on river Chandra-Bhaga in Pangi Valley was washed away during March 1963. The Government in Welfare Department sanctioned (July 1965) reconstruction of the bridge (ropeway) at a cost of Rs. 0.81 lakh after taking into consideration the urgency and importance of the work. The work was to be executed by the Public

Works Department as a deposit work. The estimate was revised to Rs. 2.17 lakhs in 1971 and Rs. 6.05 lakhs in July 1976. The revised estimate of 1971 provided for its completion in three working seasons and the estimate of 1976 is yet to be sanctioned (October 1978).

The work started in June 1971 had not been (October 1978) completed. By March 1975, besides collecting 80 percent of stones and timber required therefor, the abutments and masonry work of left anchorage block upto 2.25 metres were completed at a cost of Rs. 1.19 lakhs. Expenditure of Rs. 0.58 lakh was incurred thereafter during 1975-76 on procuring and carting to the site steel ropes which were still lying unutilised (May 1978). In December 1977, cracks were noticed in the left abutment made of dry masonry and wooden bands. The Executive Engineer, Churah Division proposed their reconstruction at an estimated cost of Rs. 0.36 lakh (December 1977 and February 1978). Final decision on this was awaited (October 1978).

The Executive Engineer reported (December 1977) that Rs. 1.77 lakhs had been spent against a deposit of Rs. 1.86 lakhs and that the Welfare Department had been requested to deposit a further amount of Rs. 4.19 lakhs to enable the Public Works Department to restart the work. While according to the Block Development Officer, Pangri, Rs. 2.17 lakhs had been deposited with the Public Works Department further funds had not been deposited (October 1978).

The work, which was commenced as a deposit work on urgent basis, is still pending while the estimate has been revised to more than seven times of its original value, due to administrative delays.

The matter was reported to the Government in September 1978 ; reply is awaited (January 1979).

4.4 Hot mix plants

The Director General (Road Development), Ministry of Shipping and Transport allotted (July 1973) to the Himachal Pradesh Public Works Department four hot mix plants (Garlicks-6 to 10 tons per hour capacity), originally purchased out of funds provided for strategic roads. These

plants had been purchased by the Rajasthan Public Works Department in 1967-68 and used upto 1972 and were to be collected from that department.

The Chief Engineer, Himachal Pradesh Public Works Department directed the Mechanical Division, Simla to collect the plants and get them repaired. The plants so collected were despatched (September, October and December 1973) to a firm at Delhi for repairs. While three plants were got repaired (November 1973 to January 1974) at a cost of Rs. 0.49 lakh, the fourth plant was brought to Simla without getting it repaired. Government had stated in March 1976 that repairs to the fourth hot mix plant were intended to be carried out in the departmental workshop at Simla after arranging for spare parts from the market. The Mechanical Division, Simla stated later (September 1977) that the plant worth Rs. 1.00 lakh (approximately) was beyond economical repairs and was being considered for condemnation.

Thus the hot mix plant valued at Rs. 1 lakh acquired from the Rajasthan Government in 1972 could not be put to any use during the last 6 years and is now stated to be beyond economical repairs.

The matter was reported to the Government in May 1978 ; reply is awaited (January 1979).

4.5 Purchase of sub-standard paints

Mandi Division No. 1 purchased paints worth Rs. 0.54 lakh from a rate contract firm (Solan District) during 1976-77. The rate contract envisaged inspection of paints by the Technical Officer (Chemicals) of the Industries Department but no such inspection was carried out. It was reported (7th March 1977) by the Executive Engineer to the Superintending Engineer, Ist Circle, Mandi that the paints supplied by the firm were sub-standard and were neither glossy nor durable and that their colours did not conform to those indicated on the packings.

The purchases made by the division included paints worth Rs. 0.20 lakh purchased in the last week of March 1977 after their unsuitability had been established and reported to the Chief Engineer.

The matter was reported to the Government in May 1978 ; reply is awaited (January 1979).

4.6 Splitting up of works

The rules require that in giving out works on contract, tenders should invariably be invited in the most open and public manner possible. The Divisional Officers (Buildings and Roads) may, however, issue work orders without call of tender upto Rs. 20,000 if the estimated cost of the work does not exceed that amount.

A test-check (November 1977 to January 1978) revealed that in three Buildings and Roads divisions, 14 major works, where the contracts had to be awarded by authorities higher than the Divisional Officers, were split up and entrusted by the Divisional Officers to contractors on 95 work orders of the aggregate value of Rs. 11.69 lakhs during the years 1976-77 (Rs. 3.04 lakhs) and 1977-78 (Rs. 8.65 lakhs) without call of tenders and without obtaining the sanction of the competent authorities.

In the Nahan Irrigation Division, a Sub-divisional Officer split up a work and issued 24 work orders for an aggregate amount of Rs. 2.81 lakhs during 1976-77 (Rs. 2.62 lakhs) and 1977-78 (Rs. 0.19 lakh), ranging from Rs. 4,000 to Rs. 20,000, although he was authorised to award specific works on such orders only upto Rs. 0.05 lakh.

The matter was reported to the Government in July 1978 ; reply is awaited (January 1979).

4.7 Excess wastage of wood in sawing operations

The Public Works Department procured (1975-76) wood in the form of sleepers through the Forest Department to provide relief to the earthquake affected people in Kinnaur District. Conversion of the sleepers into suitable sizes was arranged by the Public Works Department. The method of sawing adopted at Karcham, Peo and Ribba for this purpose was identical.

A test-check (June-July 1977) of the divisional records indicated varying percentages of wastage (Deodar : 8.1 to 22 per cent ; Kail : 17 to 21.5 per cent ; Fir: 11.5 to 20.6 per cent) in sawing operations with reference to the quantities received, issued and balances in hand. The permissible

wastage in such cases as per norms fixed by the Government is a maximum of 15 per cent but this limit was exceeded, as per details in the statement below :—

Centre	Percentage of wastage in excess of permissible limit of 15 per cent		
	Deodar	Kail	Fir
Ribba	7	6.5	5.6
Karcham	..	4	0.6
Peo	..	2	..

The excess wastage in sawing over and above the prescribed norms resulted in a loss of Rs. 0.34 lakh, which has not been investigated.

The matter was reported to the Government in April 1978 ; reply is awaited (January 1979).

4.8 Unauthorised occupation of Government premises

Metropole Hotel, Simla was acquired for Rs. 8.52 lakhs by the Himachal Pradesh Government during March 1970. However, certain portions of the hotel continued to be in the possession of nine private persons and three Central Government employees. The records of the Estate Officer lacked exact information about the area/premises so occupied as also their assessed rental value. Since no demands were assessed and raised for over eight years, the amount recoverable on that account could not be advised by the department.

The matter was reported to the Government in March 1978 ; reply is awaited (January 1979).

4.9 Outstanding recoveries

Wheat atta is issued to labour engaged on works in remote localities. The cost of atta is debited to 'Miscellaneous Works Advances' against the Junior Engineer in charge of the works, who recovers the amount from the

wages and deposits the money with the Assistant Engineer to clear the advance.

Test-check of the Jubbal Division revealed (August 1977) that amounts aggregating Rs. 1.45 lakhs pertaining to the period from December 1967 to July 1976 were outstanding on this account.

The matter was reported to the Government in March 1978 ; reply is awaited (January 1979).

4.10 Outstanding recoveries against contractors

For works executed through contractors, bills are preferred on the basis of work actually done. Bills are finally paid after deducting the cost of material supplied, hire charges of machinery and compensation or penalty, if any.

In the Jubbal Division, final bills of 15 contractors were passed for minus amounts between July 1966 and April 1971 leaving recoverable amounts aggregating Rs. 0.65 lakh. The Divisional Officer stated (August 1977) that no more claims were pending against the contractors whose whereabouts were also not known.

The matter was reported to the Government in March 1978 ; reply is awaited (January 1979).

4.11 Idle machinery

One drilling machine and an earth rammer were purchased during the years 1960 and 1976 respectively by the Buildings and Roads and Irrigation Divisions, Nahan at a total cost of Rs. 0.23 lakh.

A test-check (July 1977, December 1977 and January 1978) of the divisional accounts revealed that the drilling machine (cost : Rs. 0.13 lakh) was not put to use for want of work since its purchase in 1960. The earth rammer (value : Rs 0.10 lakh) worked for 53 hours during November-December 1976, after which it went out of order. The divisional records did not indicate whether the one year's guarantee commencing May 1976 was invoked. The Executive Engineer (Buildings and Roads) Division,

Nahan intimated (November 1978) that the drilling machine was required for large building/bridge works and could not be utilised as no such work was undertaken in the division. The machine was still lying with Nahan (Buildings and Roads) Division (October 1978).

The non/under-utilisation of the machinery has resulted in blocking of Government funds.

The matter was reported to the Government in May 1978 ; reply is awaited (January 1979).

4.12 Incomplete/abandoned road works

Comments on the implementation of the "Roads Development Programme" in the State were included in the Supplementary Report of the Comptroller and Auditor General of India for the year 1973-74.

Commenting on the non-completion of a number of road works the Public Accounts Committee had recommended in its Fifth Report (1978-79) that an independent central planning agency be established to determine the priority for execution of ongoing works or alternatively that such decisions be taken by the State Planning Board for execution by the department. The Committee also desired that the tendency of starting too many works at the same time without completing any of them should be checked and the topmost priority should be given to completing the works in progress.

A test-check of accounts of 11 divisions showed that several road works (not mentioned in earlier Audit Reports) were lying incomplete/abandoned after incurring an expenditure of Rs. 16.28 lakhs. Details of some of these works are given in Appendix VI.

CHAPTER V

STORES AND STOCK

5.1. Synopsis of stores accounts

A synopsis of stores accounts for 1977-78 (other than those relating to Government commercial and *quasi*-commercial departmental undertakings) received (November 1978) in the Audit Office is given below :—

Department	Nature of stores	Opening balance on 1st April 1977	Receipts	Issues	Closing balance on 31st March 1978
(Rupees in lakhs)					
1. Printing and Stationery	(a) Plant, machines and spare parts	14.66	0.63	1.77	13.52
	(b) Paper and binding material	12.16	7.52	11.04	8.64
	(c) Stationery	6.38	18.94	23.93	1.39
	(d) Publications and gazettes	2.81	0.87	0.67	3.01
	Total	36.01	27.96	37.41	26.56
2. Public Works					
Buildings and Roads branch	Iron, cement, pipes, bricks and timber, etc.	7,03.61	8,72.06	11,58.82	4,16.85
Public Health branch	Iron, cement, pipes, bricks, etc.	77.29	2,87.45	3,77.57	(—)12.83*
Irrigation branch	Cement, iron, pipes, etc.	48.41	75.90	1,09.14	15.17
	Total	8,29.31	12,35.41	16,45.53	4,19.19

According to Government orders, annual consolidated accounts of stores are required to be furnished by the departments to the Audit Office

*Minus balance is under investigation.

by June every year. The stores accounts of the following departments for the years indicated against each were, however, awaited (November 1978).

Department	Year(s) for which stores accounts awaited
1. Agriculture	1970-71 to 1971-72 and 1975-76 to 1977-78
2. Animal Husbandry	1977-78
3. Forest	1973-74 to 1977-78
4. Industries	1977-78
5. Health and Family Welfare	1972-73 to 1977-78
6. Medical	1972-73 to 1977-78

The annual stores accounts received from the Agriculture (1972-73 to 1974-75), Animal Husbandry (1970-71 to 1976-77) and Industries (1971-72 to 1976-77) departments could not be checked finally as the discrepancies pointed out in paragraph 5.1 of the Report of the Comptroller and Auditor General of India for the year 1976-77 had not been set right (September 1978).

PUBLIC WORKS DEPARTMENT

5.2 Reserve stock limits

A test-check (1977-78) of the accounts showed that the reserve stock limits for 1977-78 were exceeded in 15 divisions, the peak balances held being as follows :—

Division	Sanctioned reserve stock limit	Peak balance	Month of peak balance	Excess over reserve stock limit	Percen- tage of excess
	(Rupees in lakhs)			(Rupees in lakhs)	
1. Mandi II	14.00	31.57	September 1977	17.57	126
2. Kulu I	18.00	36.60	March 1978	18.60	103

3. Irrigation-cum-Public Health, Dharamsala II	38·00	68·91	May 1977 and January 1978	30·91	81
4. Hamirpur (B&R)	27·00	48·20	June 1977	21·20	79
5. National Highway, Simla	8·00	13·71	October 1977	5·71	71
6. Giri Irrigation, Majra	2·01	3·39	October 1977	1·38	69
7. Chenab Valley	31·00	52·20	August 1977	21·20	68
8. Nahar	16·00	26·06	April 1977	10·06	63
9. Solan (B & R)	20·00	30·24	April-May 1977	10·24	51
10. Karsog	14·00	19·57	September 1977	5·57	40
11. Irrigation-cum-Public Health, Kulu	6·00	8·26	May 1977	2·26	38
12. Chamba	8·22	10·95	August 1977	2·73	33
13. Dalhousie	45·00	56·76	January 1978	11·76	26
14. Dehra Gopipur	13·00	15·84	October 1977	2·84	22
15. National Highway, Solan	10·63	12·81	October 1977	2·18	21

5.3 Physical verification

According to the rules, physical verification of all stores should be made at least once in every year by a person who is not the custodian, ledger keeper or the accountant of the stores.

Out of 55 divisions, physical verification was not done in the case of 31 divisions (Buildings and Roads and Public Health : 21 and Irrigation: 10).

5.4 Shortage/non-accountal of stores

(i) The rules provide that the value of stores found short at the time of physical verification of stock should be kept under "Miscellaneous Works Advances" against the officials allegedly responsible therefor, pending recovery or adjustment under orders of the competent authority.

A test-check (June 1977-January 1978) of the accounts of the following Public Works Divisions showed that shortages valuing Rs. 1.23 lakhs had neither been investigated nor kept under "Miscellaneous Works Advances" against the officials concerned :—

Division	Particulars of stores	Value (Rupees in lakhs)	When noticed
Kinnaur	Cast iron/galvanised iron pipes, mild steel bars, paints, etc.	0.43	October 1976
Narkanda	Gelatine, cement, paints and other miscellaneous items	0.41	September- October 1976
Jubbal	Spare parts and lubricants, etc.	0.22	1976-77
Dharamsala Mechanical	M.S. sheets and miscellaneous articles	0.17	1976-77
Total		1.23	

(ii) In addition, shortages valuing Rs. 2.30 lakhs were noticed at the time of transfer of charge by one incumbent to another in the following cases :—

Division	Particulars of stores	Value (Rupees in lakhs)	When noticed	Remarks
Mandi I	Steel, cement, etc.	1.01	October 1977	The concerned Junior Engineer did not hand over the

stores in his charge on his transfer (July 1976) to another Division. A shortage of Rs. 1.01 lakhs was reported (October 1977) to the Executive Engineer, Mandi Division I by the Assistant Engineer on the basis of the balances in the bin cards. Out of material valuing Rs. 1.01 lakhs, shortages valuing Rs. 0.77 lakh had been reconciled but the balance (Rs. 0.24 lakh) remained to be reconciled/recovered (October 1978).

Public Health,
Dharamsala

Galvanised iron
pipes, mild
steel bars, etc.

0.63 Febru-
ary 1977

In anticipation of the acceptance of his resignation submitted on 8th August 1974, the Junior Engineer left his headquarters on 13th August 1974 without handing over charge of stores. The Assistant Engineer reported (February 1977) shortages of stores valuing Rs. 0.63 lakh against the Junior Engineer to the Superintending Engineer, Irrigation-cum-Public Health Circle, Dharamsala. Neither the resignation of the official was accepted nor the amount in question debited to "Miscellaneous Works Advances" pending recovery. It was stated (August 1978) by the Executive Engineer that proceedings for recovering the amount from the official would be initiated after final shortages were worked out by the Assistant Engineer concerned.

National Highway, Simla	Maxphalt, detonator, etc.	0.40	February 1974	Instead of accounting for the deficiency, the successor Junior Engineer brought down the actual balances in the relevant stock bin cards. As such the shortages remained out of accounts. No action to investigate the matter had been taken (October 1978).
Lahaul and Spiti	Gelatine, petrol, wheat atta, empty drums, etc.	0.26	March 1976	The shortages were not reconciled nor recovery effected (October 1978).
Total		2.30		

(iii) In the Nurpur and Jubbal divisions, stores valuing Rs. 1.58 lakhs were not properly accounted for (December 1977—February 1978) as detailed below :—

Division	Value of stores (Rupees in lakhs)	Period during which the material was issued	Reasons
Nurpur	0.32	September 1976—April 1977	(i) Not taken to material-at-site account
	0.50	October 1976—April 1977	*(ii) Not posted in contractors ledger
Jubbal	0.20	October 1963—July 1973	(i) Not taken to stock
	0.56	April 1971—February 1976	(ii) Shortage of stores

*The material was issued to the contractors for the works (i) Construction of Bhul Khad bridge on Raj-Ka-Tilab, Jawali Road (Rs. 0.47 lakh) and (ii) construction of type-I quarter for veterinary hospital at Fetehpur (Rs. 0.03 lakh).

5.5 Unused stores

The rules provide that stores should be purchased in accordance with definite requirements of the works. A test-check (June 1978) of the records of the Irrigation Division, Una revealed that material (spare parts of vehicles) valuing Rs. 0.62 lakh purchased during 1973-74 (Rs. 0.33 lakh) and 1974-75 (Rs. 0.29 lakh) was lying unused in the divisional stock (October 1978). Action to declare the articles surplus and to ascertain their requirement by other divisions had also not been taken (October 1978).

DEPARTMENT OF AGRICULTURE

5.6 Irregularities in stores accounts, etc.

A test-check (April-May 1978) of the accounts of the Plant Protection Scheme disclosed the following points:—

- (i) About 2,000 kilograms of a pesticide (Dithene) were purchased in July 1975 by the Plant Protection Officer, Simla for Rs. 0.57 lakh. The expiry date of the pesticide was August 1975. Out of the quantity purchased, pesticides valuing Rs. 0.08 lakh were sold/transferred to other districts before the expiry date. Pesticides worth Rs. 0.49 lakh were sold to farmers after the date of expiry between September 1975 and July 1976 (Rs. 0.29 lakh), between July 1977 and March 1978 (Rs. 0.03 lakh) and between May 1978 and September 1978 (Rs. 0.17 lakh).
- (ii) In Solan District, expired pesticides valuing Rs. 0.14 lakh were in stock (May 1978), of which pesticides worth Rs. 0.12 lakh had been purchased in October 1966.
- (iii) Out of 4,000 kilograms of 'Weedon' valuing Rs. 0.46 lakh procured in March 1974 by the Project Officer, Mandi, 566 kilograms were sold to farmers and the balance quantity valuing Rs. 0.40 lakh was lying in stock (May 1978). Similarly, out of 1,000 kilograms of 'Captan' valuing Rs. 0.25 lakh purchased (March 1973) in Project Office,

Kangra, 651 kilograms worth Rs. 0.16 lakh were in stock (May 1978).

- (iv) Rupees 0.38 lakh were outstanding (May 1978) since 1973-74 against various Plant Protection Inspectors and other departmental officers towards value of plant protection material supplied to them by the department for sale to farmers/other purchasers.
- (v) Pesticides and plant protection equipment worth Rs. 0.13 lakh issued (Rs. 0.03 lakh by the Plant Protection Officer, Simla to district offices and Rs. 0.10 lakh by the district offices to the blocks) between 1971-72 and 1975-76 had not been accounted for by the recipients (May 1978).
- (vi) The Project Officer, Mandi purchased plant protection material worth Rs. 3.05 lakhs between 1974-75 and 1977-78 but no account of its issue had been maintained. Annual physical verification of stores had not been done since 1957-58.
- (vii) Plant protection material amounting to Rs. 0.38 lakh (Project Officer, Kangra : Rs. 0.33 lakh; Plant Protection Officer, Solan: Rs. 0.05 lakh) was purchased in 1976-77 and 1977-78 without obtaining sanction of the competent authority. In respect of purchases worth Rs. 0.93 lakh made by the Plant Protection Officer, Sirmur (1973-74: Rs. 0.16 lakh), Plant Protection Officer, Solan (1975-76: Rs. 0.23 lakh), Project Officer, Kangra (1976-77: Rs. 0.37 lakh) and Project Officer, Mandi (1977-78: Rs. 0.17 lakh), purchase orders were split up to avoid sanction of higher authorities.

Thus, out of pesticides valuing Rs. 0.71 lakh purchased between March 1973 and March 1974, pesticides worth Rs. 0.56 lakh were lying in stock (May 1978). Further, pesticides worth Rs. 0.49 lakh were sold after their expiry period. Besides, there was a loss of Rs. 0.14 lakh in the shape of expired pesticides.

The matter was reported to the Government in August 1978; reply is awaited (January 1979).

DEPARTMENT OF WELFARE

5.7 Non-accountal of sewing machines

The scheme "Grant of sewing machines under follow up programme in Himachal Pradesh" envisaged assistance upto Rs. 200 per beneficiary in the shape of sewing machine provided 25 per cent contribution was paid by the beneficiary to the Welfare Department before the delivery of the sewing machine.

The District Welfare Officer, Simla purchased (1974-75) 250 sewing machines (value : Rs. 0.56 lakh) from a local firm for distribution to beneficiaries. Neither receipt entries of the machines were made in the stock register nor distribution records thereof were available with the department (November 1978). Records did not also show whether the beneficiaries had paid 25 per cent contribution as required.

The matter was reported to the Government in March 1978; reply is awaited (January 1979).

DEPARTMENT OF INDUSTRIES

5.8 Unused stores

(a) A test-check (November 1977) of the accounts of the Silk Seed Production Officer, Nadaun (Hamirpur District) revealed that out of 3,754 numbers of iron poles valuing Rs. 0.52 lakh purchased in March 1973 for fencing of sericulture farms, only 745 iron poles (value: Rs. 0.10 lakh) were used/consumed (upto November 1977). The balance quantity of 3,009 poles valuing Rs. 0.42 lakh was lying in the store unused (July 1978), reportedly for want of allotment of waste land by the Government.

(b) Further, it was noticed in test-check (December 1977) of the accounts of the Silk Seed Production Officer, Palampur (Kangra District) that 180 quintals of barbed wire (value: Rs. 0.48 lakh) were purchased in September 1973. Sixty-five quintals of barbed wire were consumed and the balance,

quantity of 115 quintals (value : Rs. 0.31 lakh) was lying in the store unused (July 1978) for the past more than 5 years and the condition of the wire was not known.

The matter was reported to the Government in May 1978; reply is awaited (January 1979).

DEPARTMENT OF HEALTH AND FAMILY WELFARE

5.9 Excess payments

(i) The rules *inter alia* require that materials should on receipt be examined, counted, measured and taken into stock and a certificate to that effect recorded on the bills of supply and that a proper note of payment should be kept against the indents and invoices in order to avoid double payment. A test-check (July 1978) of the accounts of the Medical Superintendent, Ripon Hospital, Simla revealed that for 585 quintals of coal valuing Rs. 0.09 lakh received between January 1972 and March 1972 the prescribed procedure was not observed with the result that payment was made twice for the same supply.

(ii) The quota of levy sugar for indoor patients in Government hospitals, fixed at 900 grams per bed per month for the sanctioned bed accommodation was reduced to 800 grams per bed from February 1976. On receipt of a report from the Civil Supplies Department that the quota of levy sugar was not being lifted by Government hospitals, the Director of Health Services directed the subordinate offices to lift the full quota of levy sugar. A test-check (July 1978) of the accounts of the Medical Superintendent, Ripon Hospital, Simla, however, showed that between January 1976 and June 1978, the hospital did not lift its quota of 36 quintals of levy sugar on the basis of the sanctioned strength of 150 indoor patients and incurred excess expenditure of Rs. 0.09 lakh by purchasing an equivalent quantity from the open market.

The matter was reported to the Government in September 1978; reply is awaited (January 1979).

CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

6.1 Grants and their utilisation

(i) In 1977-78, Government paid Rs. 5,60.58 lakhs as grants to panchayats, municipalities, co-operative societies, educational institutions, etc., as detailed below:—

Department	Grants paid during 1977-78
	(Rupees in lakhs)
1. Agriculture	1,52.26
2. Education	1,44.68
3. Local Self Government	83.82
4. Rural Integrated Development	70.92
5. Tourism	35.00
6. Industries	27.23
7. Panchayati Raj	14.28
8. Forest Farming and Environmental Conservation	12.03
9. Welfare	8.42
10. Animal Husbandry	6.86
11. Irrigation	3.13
12. Co-operation	1.30
13. Medical	0.38
14. General Administration	0.27
Total	5,60.58

(ii) Under the rules, certificates to the effect that the grants had been utilised for the purposes for which they were paid are required to be furnished by the departmental offices to the Audit Office within one year of the disbursement of the grants unless specified otherwise. The Public Accounts Committee had repeatedly expressed dissatisfaction with the slow progress of submission of utilisation certificates and recommended that the cases of unusual delays on the part of field officers should be duly investigated and responsibility fixed. The latest (September 1978) position is that out of 3,277 certificates (Rs. 9,77.39 lakhs) to be received for the grants paid from 1958-59 to 1976-77, only 992 certificates (Rs. 3,75.97 lakhs) were furnished. Department-wise break-up of the awaited 2,285 utilisation certificates (Rs. 6,01.42 lakhs) as on 30th September 1978 is given below:—

Serial number	Department	Number of certificates	Amount (Rupees in lakhs)
1.	Rural Integrated Development	1,582	1,81.21
2.	Education	100	1,17.62
3.	Local Self Government	170	77.77
4.	Industries	10	75.40
5.	Agriculture	23	94.31
6.	Co-operation	165	22.88
7.	Welfare	130	17.45
8.	Medical	7	4.15
9.	Panchayati Raj	8	1.58
10.	Irrigation	90	9.05
Total		2,285	6,01.42

The position of utilisation certificates awaited for periods ranging from 3 years to more than 10 years is as follows :—

	Number of (Rupees in lakhs) items	
Delayed for more than three years but less than five years	463	61.73
Delayed for more than five years but less than ten years	705	1,11.86
Delayed for more than ten years	150	18.62
	<hr/>	
Total	1,318	1,92.21
	<hr/>	

In the absence of the certificates, it is not possible to state whether the recipients spent the grants for the purpose(s) for which they were given.

6.2 Bodies and authorities financed by Government grants and loans

According to the provisions of Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the receipts and expenditure of bodies/authorities substantially financed by grants or loans from the Consolidated Fund are to be audited by the Comptroller and Auditor General.

For this purpose, a body/authority is deemed to be substantially financed if the aggregate grant or loan to it in a financial year is not less than Rs. 5 lakhs and the amount of such grant or loan is not less than 75 per cent of the total expenditure of that body/authority. The table below gives the year-wise number of bodies/authorities which received grants/loans of not less than Rs. 5 lakhs in a year, the number of cases in which accounts were received by the Accountant General and the number of

bodies/authorities, the accounts of which have not been received to determine the applicability of Section 14 of the Act :—

Year	Number of bodies/authorities which received grants/loans of not less than Rs. 5 lakhs in a year	Number of accounts received by the Accountant General	Number of bodies/authorities the accounts of which have not been received
1977-78	5	3	2

According to the provisions of Section 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, where any grant or loan is given for any specific purpose, the Comptroller and Auditor General shall scrutinise the procedure by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants and loans were given. Important points noticed during audit under Section 15 together with related matters under Section 13 are given in succeeding paragraphs.

DEPARTMENT OF INDUSTRIES

6-3 Grants

The Industries Department pays grants every year to the Himachal Pradesh Khadi and Village Industries Board (formed in July 1968) for meeting the expenditure for performance of its functions under the Khadi and Village Industries Act, 1966 and to the Himachal Pradesh State Handicrafts and Handloom Corporation (a Government Company incorporated in March 1974) for promotional and developmental activities.

Grants aggregating Rs. 1,38.35 lakhs were given to these bodies during 1971-72 to 1977-78 as detailed below :—

Year	Grants paid to		Total
	Himachal Pradesh Khadi and Village Industries Board	Himachal Pradesh State Handicrafts and Handloom Corporation	
	(Rupees in lakhs)		
1971-72	3.57	1.63	5.20
1972-73	9.60	10.48	20.08
1973-74	10.00	15.00	25.00
1974-75	12.00	12.40	24.40
1975-76	12.00	6.92	18.92
1976-77	14.50 (A)	8.50 (B)	23.00
1977-78	13.00	8.75 (C)	21.75
Total	74.67	63.68	1,38.35

- (A) Includes grant of Rs. 0.50 lakh under centrally sponsored scheme for implementation of export production project.
- (B) Includes grant of Rs. 3.50 lakhs under centrally sponsored scheme for export production project (Rs. 2.50 lakhs) and for tribal areas under special central assistance (Rs. 1.00 lakh).
- (C) Includes Rs. 3.75 lakhs under centrally sponsored scheme for export production project.

Payments of grants to these bodies are regulated under rules promulgated in 1972 (Himachal Pradesh Khadi and Village Industries Board) and in 1974 (Himachal Pradesh State Handicrafts and Handloom Corporation) respectively.

A test-check (September 1978) of accounts/records in the office of the sanctioning authority disclosed the following points :—

(1) Records relating to grants sanctioned prior to 1974-75 were not available with the sanctioning authority (September 1978) at the time of test-check.

(2) The prescribed register of grants was not being maintained in respect of the grants given to the Himachal Pradesh Khadi and Village Industries Board though the requirement was reiterated (May 1973) by the Finance Department. In the case of the Himachal Pradesh State Handicrafts and Handloom Corporation, the register was not kept in the prescribed form nor were the entries made therein authenticated by any responsible officer.

(3) The financial rules *inter alia* stipulate that in cases where conditions are attached to the utilisation of grants the departmental officer under whose signature or countersignature the grant-in-aid bill was drawn should be primarily responsible for certifying the fulfilment of the conditions attaching to the grants and that before recording the certificate the certifying officer should take steps to satisfy himself that the conditions on which the grants were sanctioned have been or are being fulfilled. For this purpose, he may require the submission to him at suitable intervals of such reports, statements, etc., in respect of the expenditure from the grant as may be considered necessary. The department had, however, not evolved any procedure to keep a watch over the submission of utilisation certificates by the grantees within the stipulated period and as such the position of outstanding utilisation certificates was not known to the department. According to the records of the Audit Office, 9 utilisation

certificates (amount involved Rs. 69.15 lakhs) remained to be furnished to Audit (August 1978) as detailed below :—

Year	Himachal Pradesh Khadi and Village Industries Board		Himachal Pradesh State Handicrafts and Handloom Corporation		Total	
	Number of outstand- ing utili- sation certificates	Amount (Rupees in lakhs)	Number of outstand- ing utili- sation certificates	Amount (Rupees in lakhs)	Number of outstand- ing utili- sation certificates	Amount (Rupees in lakhs)
1973-74	1	7.65	..	..	1	7.65
1974-75	1	12.00	1	12.00	2	24.00
1975-76	1	12.00	1	5.00	2	17.00
1976-77	2	14.50	2	6.00	4	20.50
Total	5	46.15	4	23.00	9	69.15

(4) Out of grants totalling Rs. 1,38.35 lakhs sanctioned during 1971-72 to 1977-78, Rs. 1,01.63 lakhs were sanctioned in the month of March in various years.

(5) The sanctioning authority had no information about the assets created out of the Government grants ; no such reports were submitted by the grantees or even called for by the department.

Loans—Between 1971-72 and 1977-78, loans totalling Rs. 70.45 lakhs were advanced to the following corporate bodies :—

Year	Corporate bodies					Total
	Himachal Pradesh Mineral and Industrial Development Corporation	Himachal Pradesh Financial Corporation	Himachal Pradesh State Small Industries and Export Corporation	Himachal Pradesh State Handicrafts and Handloom Corporation	Nahan Foundry	
	(Rupees in lakhs)					
1971-72	..	..	..	..	12.00	12.00
1972-73	15.00	..	10.00	..	1.00	26.00
1973-74	..	10.00	..	..	1.00	11.00
1974-75	..	..	..	..	2.00	2.00
1975-76	..	..	..	..	..	..
1976-77	..	..	0.70	7.50	..	8.20
1977-78	..	..	..	11.25	..	11.25
Total	15.00	10.00	10.70	18.75	16.00	70.45

Out of the total loans of Rs. 70.45 lakhs, Rs. 26.00 lakhs were paid without specifying the purpose. The remaining loans were paid for the purposes shown below:—

Name of the body	Year	Amount (Rupees in lakhs)	Purpose
1. Nahan Foundry Limited, Nahan	1971-72	12.00	For investment.

2. Himachal Pradesh State Small Industries and Export Corpora- tion Limited, Simla	1972-73 1976-77	3·00 0·70	For distribution of machi- nery on hire purchase basis for implementation of scheme to provide assis- tance to educated unem- ployed.
3. Himachal Pradesh State Handicrafts and Handloom Corpora- tion	1976-77 1977-78	7·50 11·25	For implementation of ex- port production project.
4. Himachal Pradesh Financial Corporation, Simla	1973-74	10·00	For its own purposes.
	Total	<hr/> 44·45 <hr/>	

Points noticed in the scrutiny of records of the Director of Industries relating to sanction of these loans are mentioned below:—

- (1) The register of loans maintained in the Directorate was incomplete and did not indicate the purpose of the loans and the due date of repayment of principal and interest. The entries therein had also not been attested by any responsible officer.
- (2) Periodical reports showing the work done by the loanees/ utilisation of loans, required to be submitted to the department as per the terms and conditions embodied in the sanctions granting the loans to keep a watch over the proper utilisation of loans had neither been furnished nor called for.
- (3) Loan of Rs. 15·00 lakhs paid to the Himachal Pradesh Mineral and Industrial Development Corporation in March 1973 was repayable in 5 annual instalments of Rs. 3·00 lakhs each commencing after two years from the actual date of disbursement of the loan. Two instalments falling due in 1974-75 and 1975-76 were repaid in February 1975 and June 1975 respectively. The balance amount of Rs. 9·00 lakhs was allowed (June 1975)

to be converted into Government equity in the Corporation on 31st January 1976. Interest charges amounting to Rs. 2.82 lakhs accrued upto 30th January 1976 were neither recovered nor converted into investment.

- (4) At the time of transfer of certain industrial units to the Himachal Pradesh Mineral and Industrial Development Corporation and Himachal Pradesh State Small Scale Industries and Export Corporation, the value of the assets of these units was treated as loan to the respective Corporations till the date the value of these assets was converted into share capital. It was noticed that the interest accruing on such loans was neither recovered nor treated as investment as would be seen from the table given below:—

	Himachal Pradesh Mineral and Industrial Development Corporation	Himachal Pradesh State Small Industries and Export Corporation
(i) Number of units transferred to the corporation	5	9
(ii) Period of transfer	April 1968 to September 1971	March 1968 to February 1971
(iii) Value of assets (net) (Rupees in lakhs)	*8.20	4.55
(iv) Period of conversion of assets into share capital	*April 1971 to June 1972	**July 1974

*Excludes the Industrial Extension Centre-Rural-Dharampur in respect of which no information was available with the department.

**Covers 4 units only. Information in respect of the remaining 5 units was not available with the department.

(v) Interest accrued (Rupees in lakhs)	2.24	..
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- (5) In accordance with the conditions stipulated in the sanctions, repayment of loans was to commence after two years from the date of disbursement. Out of loans of Rs. 16.00 lakhs paid to the Nahan Foundry Limited between 1971-72 and 1974-75, only one instalment of Rs. 2.00 lakhs was repaid in March 1975. No action was initiated by the department to effect recovery of the other instalments which had fallen due. A proposal for conversion of the balance loan (principal: Rs. 14 lakhs and interest : Rs. 5.95 lakhs) into investment was formulated by the Directorate (May 1978) and sent to the Himachal Pradesh Government. Decision of the Government was awaited (August 1978).

The matter was reported to the Government in September 1978; reply is awaited (January 1979).

6.4 Department of Education

Grants

To promote education in the State, the department pays grants every year to certain bodies and educational institutions such as Himachal Pradesh University, Himachal Pradesh Board of School Education and privately managed colleges and schools. Results of scrutiny of the procedure followed by the sanctioning authorities to satisfy themselves about the utilisation of these grants by these bodies and institutions in relation to grants paid during 1970-71 to 1974-75 were incorporated in paragraphs 6.3 and 6.4 of the Report of the Comptroller and Auditor General of India for the years 1974-75 and 1975-76 (Civil). Results of further scrutiny in relation to grants given during 1975-76 to 1977-78 are contained in the paragraphs which follow.

1. *Grants to privately managed colleges*—Mention was made in paragraph 6·4 of the Report of the Comptroller and Auditor General of India for the year 1975-76 (Civil) of points noticed in relation to the grants paid to certain privately managed colleges in the State. Further grants amounting to Rs. 5·18 lakhs were paid to such colleges during 1975-76 to 1977-78, as shown below:—

Year	Number of colleges	Amount of grant (Rupees in lakhs)
1975-76	3	0·71
1976-77	4	1·10
1977-78	8	3·37
		5·18
	Total	5·18

(i) Rules to regulate the payment of grants to non-government privately managed colleges in the State had still not been framed (August 1978).

(ii) According to the practice followed, the deficit qualifying for grant to a college was worked out on the basis of its accounts of the preceding year as certified by Chartered Accountants. The extent of Government assistance in any year varied from 50 per cent to 95 per cent of the deficit. Grants known as 'maintenance grants' were paid on *ad hoc* basis. Grants were also paid to private colleges to reimburse them in full with the additional expenditure arising as a result of revision of the pay scales of teachers with effect from 1st November 1966.

A test-check of the grants paid to certain privately managed colleges between 1975-76 and 1977-78 disclosed the following points : —

College—C

(a) Expenditure on salaries of teaching staff had been shown as Rs. 2.28 lakhs during 1976-77 whereas in 1975-76 it was Rs. 1.65 lakhs, thus representing an increase of Rs. 0.63 lakh. The increase in expenditure on teaching staff was attributed by the Principal to the starting of Science classes and appointment of additional staff during 1976-77, for both of which the requisite permission either of the University or of the department, as required, had not been reportedly sought (August 1978).

(b) Grant of Rs. 0.85 lakh was sanctioned in 1977-78 on the basis of the deficit of Rs. 0.91 lakh relating to 1976-77. However, receipts on account of registration of students and university and house examination fees amounting to Rs. 0.27 lakh were not taken into account while computing the deficit. Similar fees had been taken into account in determining the deficit for the year 1975-76.

College—E

The college was sanctioned a grant of Rs. 0.30 lakh in 1977-78 reportedly on the basis of a deficit of Rs. 0.60 lakh for the year 1976-77 even though according to the income and expenditure statement for that year as certified by the Chartered Accountant the college had incurred expenditure of Rs. 0.96 lakh as against income of Rs. 1.01 lakhs, leaving a surplus of Rs. 0.05 lakh. Thus, there being no deficit in 1976-77 the grant of Rs. 0.30 lakh sanctioned during 1977-78 was not justified.

2. *Grants to schools*—During 1975-76 to 1977-78, grants totalling Rs. 20.25 lakhs were given to schools as detailed below :—

Year	Amount (Rupees in lakhs)
1975-76	5.44

1976-77	13.46
1977-78	1.35
Total	<u>20.25</u>

Points noticed in test-check of the departmental records are mentioned below :—

- (i) Mention was made in paragraph 6.4 of the Report of the Comptroller and Auditor General of India for the year 1975-76 (Civil) about payment of grant of Rs. 0.10 lakh to a school during 1974-75 even though the institution was not eligible for any grant as the fees charged by the school were higher than those prescribed by the State Government. It was observed (August 1978) that even though the rates of fees charged by the school had not been brought on par with the approved rates, grants aggregating Rs. 0.32 lakh were paid to the school between 1975-76 and 1977-78.
- (ii) Under the rules (November 1962), grants to privately managed schools are to be sanctioned on the basis of applications to be submitted to the concerned District Education Officers, who are required to inspect the schools personally and recommend the amount of grant to be paid to each school. Grant of Rs. 0.15 lakh each was paid to two High Schools and of Rs. 0.08 lakh to a Middle School during 1977-78 even though the prescribed inspection had not been undertaken.
- (iii) Utilisation certificates of grants, required to be furnished within a reasonable period after expiry of the period of

utilisation, were awaited (August 1978) in the Audit Office in 33 cases as detailed below :—

Year	Number of utilisation certificates awaited	Amount
		(Rupees in lakhs)
1974-75	1 (College)	0.23
	4 (Schools)	0.21
1975-76	7 (Ditto)	0.40
1976-77	21 (Ditto)	1.41

The matter was referred to the Government in September 1978 ; reply is awaited (January 1979).

6.5 Department of Agriculture

Grants to Himachal Pradesh Marketing Board—The Agriculture Department paid grants totalling Rs. 4.33 lakhs to the Himachal Pradesh Marketing Board (a body corporate constituted in February 1972) during 1972-73 to 1977-78 as detailed below :—

Year	(Rupees in lakhs)
1972-73	0.10
1973-74	0.20
1974-75	0.25
1975-76	1.00
1976-77	1.78
1977-78	1.00

A test-check (May 1978) of the records of the department revealed the following points :—

- (1) The grant-in-aid rules (1972) stipulate that the amount of Government grant to a body at any one time should be equivalent to one-fourth of the expenditure incurred in the previous year on the specific purpose/scheme or Rs. 0.10 lakh whichever is less. In December 1975 the limit was raised to half of the expenditure incurred or Rs. 0.50 lakh, whichever is less. During 1973-74, a grant of Rs. 0.20 lakh was paid which was in excess of the prescribed limit of Rs. 0.10 lakh. Similarly a grant of Rs. 0.78 lakh (part of Rs. 1.78 lakhs) was sanctioned during 1976-77 exceeding the raised limit of Rs. 0.50 lakh prescribed in December 1975.
- (2) The rules further provide that unless in any case Government directs otherwise, every order sanctioning a grant should specify clearly the object for which it is given. A scrutiny of the sanctions showed that grant of Rs. 0.25 lakh during 1974-75 was paid without specifying the purpose.
- (3) Quarterly returns/progress reports were not submitted by the Board as required by the rules nor were these called for by the department.
- (4) Audited statements of accounts required to be obtained by the sanctioning authority to satisfy itself that the previous grants had been spent for the purposes for which these were intended and that further grant was justified by the financial position of the grantee were not so obtained in any of the years (May 1978).
- (5) Annual inspection of the working of the Board and its accounts, required under the rules, was not carried out

(April 1978) by the Director of Agriculture ever since the inception of the Board.

(6) Register of grants in the form prescribed by the Government was not maintained.

(7) As against 14 utilisation certificates due for submission to Audit in respect of grants aggregating Rs. 3.33 lakhs given from 1972-73 to 1976-77, not a single certificate had been furnished to Audit to date (June 1978).

The Director of Agriculture stated (May 1978) that the requisite certificates had been sent to the Government.

The matter was reported to the Government in June 1978 ; reply is awaited (January 1979).

6.6 Department of Health and Family Welfare

(a) *Grants*—The Department of Health and Family Welfare sanctioned grants aggregating Rs. 12.80 lakhs to autonomous bodies, voluntary organisations and other institutions during 1971-72 to 1977-78 as detailed below :—

Name of the institution	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976- 77	1977- 78	Total
	(Rupees in lakhs)							
Post-Graduate Institute of Medical Education and Research, Chandigarh	..	..	..	4.00	3.57	0.57	..	8.14
Leprosy Home and Hospital, Subathu (District Solan)	0.35	0.29	0.27	0.25	0.22	0.21	0.17	1.76
Leprosy Home and Hospital, Palampur (District Kangra)	0.14	0.16	0.17	0.12	0.10	0.11	0.11	0.91
Board of Ayurvedic and Unani Systems of Medicine, Simla	0.10	0.10	0.09	0.20	0.20	0.35	0.35	1.39
Red Cross Society, Kangra	..	0.22	0.12	..	..	..	..	0.34

Red Cross Society, Simla	0.08								0.08
Cantonment Board, Khas Yol (District Kangra)	0.02	0.03	0.02	0.03	0.02	0.03	0.03	0.18	
Total	0.61	0.88	0.67	4.60	4.11	1.27	0.66	12.80	

Points noticed in the course of scrutiny of the procedure followed by the Department to satisfy itself as to the fulfilment of the conditions subject to which the grants were given are detailed in the succeeding paragraphs.

(b) *Grants to Post Graduate Institute of Medical Education and Research, Chandigarh*—(i) Out of grants totalling Rs. 8.14 lakhs given to the Institute during 1974-75 to 1976-77, the specific objects for which the grants were intended or the conditions subject to which the grants were to be utilised by the grantee were not specified in respect of grants totalling Rs. 3.57 lakhs.

(2) Neither a register of grants was maintained by the sanctioning authority in respect of the grants sanctioned nor any system devised to keep an effective and constant check to see that the money was utilised fruitfully and the unspent balances of grants were refunded.

3. The department did not call for any report from the grantee institution regarding the assets, if any, created out of the grant.

(c) *Grant to Board of Ayurvedic and Unani Systems of Medicine*—Recurring grants are being paid to the Board of Ayurvedic and Unani Systems of Medicine constituted under the Himachal Pradesh Ayurvedic and Unani Practitioners Act, 1968 for the purpose of registration of Vaidyas/Hakims in the State. Grants totalling Rs. 1.39 lakhs were paid

to the Board during the last seven years as per details given below:—

Year	Grants (Rupees in lakhs)
1971-72	0.10
1972-73	0.10
1973-74	0.09
1974-75	0.20
1975-76	0.20
1976-77	0.35
1977-78	0.35

Rules to regulate the payment of grants to the Board or to define the pattern of assistance have not been framed (May 1978) though the Finance Department had requested the Administrative Department as early as June 1972 to do so.

It was further noticed that:—

- (i) the sanctioning authority, while according sanctions to the release of grants every year, had neither mentioned the purpose for which the grants were given nor laid down any conditions for their utilisation; and
- (ii) no machinery/system by way of periodical reports or inspections (apart from submission of utilisation certificates) had been evolved by the department to ensure that the objectives for which the grants were meant had been attained.

Points mentioned above were referred to the Government in June 1978; reply is awaited (January 1979).

DEPARTMENT OF RURAL INTEGRATED DEVELOPMENT

6.7 Abandoned work

On the basis of a sanctioned estimate of Rs 0.40 lakh for the construction of a suspension bridge over a river in Baijnath Block (Kangra District), Rs. 0.38 lakh were drawn by the Block Development Officer from

the treasury (Rs. 0.15 lakh in 1969-70; Rs. 0.23 lakh in 1970-71) against the Government's share of Rs. 0.34 lakh and deposited in the personal ledger account of the Panchayat Samiti. The work was allotted (June 1971) to a contractor at 10 per cent above the schedule of rates without obtaining earnest money and without entering into an agreement. The contractor did not start the work on the ground of price escalation. Fresh tenders were invited (October 1971) and the rates of the same contractor at 30 per cent above the schedule of rates were accepted. The work was again awarded (October 1971) to him without obtaining earnest money and without entering into an agreement. After partial execution (expenditure : Rs. 0.10 lakh), the work was abandoned and in May 1972 the Panchayat Samiti distributed the balance funds (Rs. 0.28 lakh) among other schemes without approval of the Government.

The matter was reported to the Government in July 1978 ; reply is awaited (January 1979).

DEPARTMENT OF CO-OPERATION

6.8 Loans and advances to co-operative societies

A test-check of records relating to loans advanced by the Co-operation Department to co-operative societies for the construction of godowns, cold storages, etc., in five districts (Bilaspur, Chamba, Hamirpur, Kangra and Kinnaur) indicated the following points :—

(i) *Non-recovery of loans*—During 1972-73 to 1977-78, loans aggregating Rs. 29.51 lakhs were advanced to 282 co-operative societies in the aforementioned five districts for the following purposes:—

	Number of societies	Amount of loan (Rupees in lakhs)
Marketing/rural godowns	205	18.13
Cold storage ..	1	6.71
Purchase of transport vehicles	5	3.07
Purchase of furniture/fixtures	71	1.60
	<hr/> 282	<hr/> 29.51

In the case of Bilaspur, Chamba and Kangra districts, out of Rs. 13.11 lakhs which fell due for recovery upto 31st March 1978, Rs. 11.78 lakhs were recovered leaving Rs. 1.33 lakhs (principal: Rs. 0.53 lakh and interest: Rs. 0.80 lakh). No action was taken by the department to recover the outstanding amounts as arrears of land revenue although necessary powers in this regard were delegated to the District Co-operative and Supplies Officers in January 1977.

The Government stated (November 1978) that against the overdue amount of Rs. 1.33 lakhs an amount of Rs. 0.08 lakh (principal) and Rs. 0.06 lakh (interest) has been recovered and efforts were being made to effect recovery of balance amount from the defaulting societies.

(ii) *Loans for construction of godowns*—(a) According to the rules, construction of godowns is to be started within three months from the date of payment of first instalment of loan and is required to be completed within two working seasons or 18 months from the date of sanction, whichever is earlier. Accordingly, 166 marketing/rural godowns for which loans amounting to Rs. 13.77 lakhs were sanctioned upto 1975-76 should have been completed before September 1977. The district-wise position (October 1978) of construction of godowns was as under :—

District	Number of godowns sanctioned	Number of godowns completed	Number of godowns under construction	Number of cases in which amount refunded	Number of godowns not taken up
Bilaspur	22	15	5	2	..
Chamba	19	9	7	2	1
Hamirpur	34	32	2	..	..
Kangra/Dehra	85	64	13	7	1
Kinnaur	6	5	1	..	..
Total	166	125	28	11	2

Construction of two godowns had not been started (June 1978) although the loan was sanctioned for one in 1972-73 and for the other in 1975-76. The loans paid for construction of 11 godowns were refunded between April 1973 and April 1977. In the event of violation of the terms and conditions of loans, the loans could be foreclosed and the outstanding amount of loan together with interest recovered. No action was, however, taken by the department to recover the dues.

The Government stated (November 1978) that six godowns in Bilaspur and Kangra districts were nearing completion and that these could not be completed earlier due to scarcity of cement. Work on godown in Chamba District could not be started due to dispute over link passage from the road to the site of the godown and the matter was being pursued with the land owner. The work on godown in Kangra District was likely to start soon as the dispute over selection of site has been resolved. The other godowns (28) could not be completed earlier as the societies could not procure cement from the open market.

(b) The scheme envisaged the grant of loans to co-operative institutions for construction of godowns in order to provide adequate storage facilities to be utilised upto the optimum level. The departmental records, however, revealed that out of 67 godowns constructed upto May 1978 in Kangra and Kinnaur districts, 57 godowns for which loans amounting to Rs. 5.03 lakhs had been paid during the period from 1972-73 to 1975-76 were being utilised below the available storage capacity, the shortfall ranging between 38 per cent to 75 per cent. Two godowns were lying vacant while two other godowns had been let out on rent.

The Government stated (November 1978) that :—

- (i) the godowns constructed were of the standard size of 100 tonnes which could not be kept in full use all the time but could be utilised as and when needed ;
- (ii) two godowns were lying vacant as the society had ceased to function and was under liquidation ; and
- (iii) the godowns rented out by the societies were under the control of Food and Civil Supplies Department for utilising the storage capacity in the interest of tribal people.

(c) The rules enjoin that an agreement-cum-surety bond should be got executed by the loanee before any amount is released in his favour. Loans aggregating Rs. 0.20 lakh were, however, released in Hamirpur District in favour of three societies without the execution of the prescribed bonds.

The Government stated (November 1978) that the matter regarding execution of the prescribed agreement-cum-surety bond in respect of these societies was under process.

(d) All godowns constructed with the loan assistance are required to be mortgaged to the Government until the entire amount of loan is repaid. Twelve godowns (Bilaspur : 6 and Kinnaur : 6) constructed with loan assistance (Rs. 1.20 lakhs) had not been so mortgaged (September 1978).

The Government stated (November 1978) that efforts were being made to have the godowns mortgaged.

(e) According to the rules, loan amounts were to be drawn from the treasury by the District Co-operative and Supplies Officers and deposited in the Himachal Pradesh State Co-operative Bank in the accounts of the loanee co-operative societies. The societies could withdraw the amount from the Bank on the strength of the release orders to be issued by the District Co-operative and Supplies Officers on the basis of the progress of work. Against Rs. 29.51 lakhs withdrawn from the treasury during the period from 1972-73 to 1977-78, Rs. 24.49 lakhs only had been released (May 1978) for utilisation by the societies concerned. The remaining amount of Rs. 5.02 lakhs (1972-73 to 1976-77: Rs. 0.73 lakh and 1977-78 : Rs. 4.29 lakhs) had not been released for utilisation (June 1978).

The Government stated (November 1978) that the amount of undisbursed loan would be released to the societies on receipt of completion certificates upto plinth level.

GENERAL

6.9 Grants to Himachal Pradesh University

Main points noticed during scrutiny of sanctions for payment of grants to Himachal Pradesh University (set up in 1970) during 1970-71 to 1974-75 by five departments of the State Government were mentioned in paragraph 6.3 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Civil). Results of further scrutiny of the procedure followed by some of the sanctioning authorities in relation to the grants given during 1975-76 to 1977-78 are contained in the paragraphs which follow.

1. The table given below indicates the grants given during 1975-76 to 1977-78 by the Animal Husbandry, Education and Forest departments, the purposes of the grants (where specified) and the unutilised balances with the grantee at the end of the prescribed utilisation period:—

Department	Year	Amount sanctioned/paid (Rupees in lakhs)	Purpose	Spent by the University (Rupees in lakhs)	Period by which the grant was to be utilised	Unspent balance at the end of the specified year (Rupees in lakhs)
Animal Husbandry	1975-76	4.50	Implementation of Indo-Newzealand Livestock Improvement Project, Poultry and Yak breeding	4.24	March 1977	0.26
	1976-77	6.16		4.24	March 1978	1.92
	1977-78	6.86		..	March 1979	..
		<u>17.52</u>		<u>8.48</u>		<u>2.18</u>

Education	1975-76	94.50	General Education, construction/development works	94.50	March 1977	..
	1976-77	1,10.00		1,05.45	March 1978	4.55
	1977-78	1,22.00		..	March 1979	..
	<hr/>			<hr/>	<hr/>	<hr/>
		3,26.50		1,99.95		4.55
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Forest	1975-76	7.78	Forest Research Schemes	6.91	March 1977	0.87
	1976-77	7.00		6.85	March 1978	0.15
	1977-78	11.87		..	March 1979	..
	<hr/>			<hr/>	<hr/>	<hr/>
		26.65		13.76		1.02
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

It was seen that :—

(i) Ever since inception, the accounts of the University had not been subjected to check/inspection by the sanctioning authorities as enjoined in the rules framed by the respective departments of the Government. According to the Animal Husbandry Department (July 1978), the Regional Deputy Directors had been directed (December 1976) to verify the proper utilisation of grants.

The Government stated (October 1978) that one Regional Deputy Director had since submitted his report and the other Deputy Director had been asked to expedite his report.

(ii) Unspent balances of grants at the end of the specified periods as shown in the above table were not refunded to the Government (June 1978) though required under the rules nor any extensions been given for utilisation of grants.

(iii) The departments had not evolved any procedure to ensure proper control over utilisation of grants as no periodical progress reports had been prescribed or called for. The Animal Husbandry Department stated (July 1978) that the Director of Animal Husbandry, who was nominated on the Board of Management of the University, was overseeing the utilisation. In the case of the Forest Department, guidelines for selection of research projects by the State Technical Committee to be constituted by the State Government under the Chairmanship of the Chief Conservator of Forests were given by the Government of India in April 1975 and reiterated in March 1976. A Committee was constituted for the purpose in January 1977 but it was abolished in November 1977 without assigning any reasons.

(iv) Details of assets created out of Government grants, required to be sent annually to the sanctioning authorities in terms of instructions issued (January 1976) by the State Government, had not been so sent. The Education Department stated (August 1978) that the information had been called for from the University.

(v) In the case of Education Department, grants for different purposes, viz., general education and construction/development works, were sanctioned in lump without specifying the amount for each object.

(vi) Consequent upon the decision by the Government of India to implement from 1st January 1973 the scheme of revised pay scales for University and college teachers in Central Universities and other institutions fully financed by the Central Government, the State Governments were requested (November 1974) to introduce the scheme in the respective States from 1st January 1973 or a later date. It was envisaged that the Government of India would be prepared to assist the State Government which wished to adopt the revised scales of pay for University and college teachers (including Government colleges) in the States and that assistance

to the extent of 80 per cent of the additional expenditure involved in giving retrospective effect to the revised scales of pay from 1st January 1973, or later date, would be made available subject, *inter alia*, to the following conditions:—

- (a) central assistance to this extent would be available for the period from 1st January 1973 to 31st March 1979;
- (b) the State Government would meet the entire balance of expenditure and would not pass on the liability for any portion of it to the University or the management of private colleges; and
- (c) the State Government would take over the entire responsibility for maintaining the revised scales with effect from 1st April 1979.

Orders were issued by the State Government in November 1977 to implement the above scheme in the Himachal Pradesh University retrospectively from 1st January 1973 and grant of Rs. 6 lakhs was sanctioned (March 1978) to the University by the Education Department to meet the expenditure. However, no details on the basis of which the amount of assistance was arrived at were furnished by the University authorities (August 1978). The department stated (August 1978) that the requisite information had been called for from the University.

(vii) The rules enjoin that utilisation certificates of grants should be submitted to Audit within a reasonable period after expiry of the period of utilisation. In the case of Education Department, 3 utilisation certificates involving Rs. 7.50 lakhs in respect of grants sanctioned during 1975-76 and required to be utilised by March 1977 were still awaited (August 1978).

The matter was referred to the Government (Education Department) in September 1978; reply is awaited (January 1979).

CHAPTER VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Section A-General

7.1 This chapter deals with the results of audit of:—

- (i) Statutory Corporations;
- (ii) Government Companies; and
- (iii) Departmentally managed Government commercial and *quasi*-commercial undertakings.

Section B-Statutory Corporations

7.2 As on 31st March 1978, there were three Statutory Corporations, *viz.* Himachal Pradesh State Electricity Board, Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

The certified accounts of the Himachal Pradesh State Electricity Board for 1977-78, together with audit certificate and report thereon, were forwarded to the State Government in September 1978 for being placed before the State Legislature in terms of Section 69(5) of Electricity (Supply) Act, 1948.

The accounts for 1977-78 of Himachal Road Transport Corporation have not been finalised (January 1979).

A statement showing the summarised financial results of working of the three Corporations, on the basis of the latest available accounts, is given in Appendix VII.

7.3. Himachal Pradesh State Electricity Board

7.3.1 Capital structure

The Board's capital comprises of loans obtained from the State Government and borrowings from other sources. The following table indicates the balance of loans outstanding at the end of 1977-78:—

Source	Amount
	(Rupees in lakhs)
State Government	57,89.55
Public borrowings (by issue of bonds)	10,09.50
Life Insurance Corporation of India	3,40.57
Rural Electrification Corporation Limited	10,87.67
Total	82,27.29

A loan of Rs. 30,00.00 lakhs was sanctioned by the State Government (March 1972) in consideration of the provisional value of the assets transferred to the Board. The final amount of the loan on this account has not been determined as complete details of the assets transferred have not been finalised (January 1979).

Repayment of loans taken by the Board from other sources to the extent of Rs. 29,86.72 lakhs has been guaranteed by the State Government against which the amount guaranteed and outstanding as on 31st March 1978 was Rs. *20,97.17 lakhs.

The following table indicates the working results of the Board under the broad heads for the three years upto 1977-78 :—

	1975-76	1976-77	1977-78
	(Rupees in lakhs)		
A—Revenue			
(i) Sale of power	6,87.33	5,79.42	6,29.48
(ii) Miscellaneous income	34.73	59.25	91.27
Total (A)	7,22.06	6,38.67	7,20.75

*As per figures in Finance Accounts, amount outstanding is Rs. 21,00.67 lakhs. The difference of Rs. 3.50 lakhs is under reconciliation (January 1979).

B—Expenses

(i) Operation and maintenance including cost of power purchased	6,16·75	[6,16·20	[6,33·24
(ii) Depreciation provided	71·49	22·47	72·62
(iii) Provision towards arrears of depreciation	33·82	..	14·89
Total (B)	7,22·06	6,38·67	7,20·75

C—Deficit (—)

Surplus (+)

..

D—Appropriations/Interest payments—

(i) Interest on bonds	38·28	43·95	53·38
(ii) Interest on loans from Rural Electrification Corporation of India Limited	26·62	37·76	47·91
(iii) Interest on loans from Life Insurance Corporation of India	22·27	25·52	27·70
(v) Interest on overdraft	10·55	5·41	1·35
(v) Interest on loans from Government	..	..	..
E—Net Deficit	97·72	[1,12·64	[1,30·34

F—Contingent liabilities

(i) Depreciation not provided for	..	49·94	..
(ii) Interest on depreciation not provided for in the accounts	9·32	7·29	10·29
(iii) Interest on Government loans not provided for	2,49·62	2,83·22	3,41·66

Total (F)

2,58·94 3,40·45 3,51·95

7.3.2 Generation and sale of power

The installed capacity of generation of power, power generated, power available for sale, power sold and power lost in transmission and distribution, during the three years upto 1977-78 is tabulated below :—

	1975-76	1976-77	1977-78
Installed capacity—	(In Mkw/h)		
Hydroelectric	4,37.74	4,38.61	4,40.37
Diesel	22.01	22.01	22.01
Power generated—			
Hydroelectric	1,82.16	1,88.85	2,12.74
Diesel	0.08	0.12	0.11
Percentage of power generated to the installed capacity—			
Hydroelectric	41.60	43.50	48.31
Diesel	0.04	0.05	0.05
Power purchased from other States/ Union Territories	2,25.10	2,26.22	1,79.29
Power sold to other States	1,07.70	1,15.45	1,07.39
Power available for sale within the State	2,99.64	2,99.74	2,84.75
Power sold within the State (including consumption in auxiliaries)	2,20.52	2,25.66	2,02.35
Loss in transmission and distribution	79.12	74.08	82.40
Percentage of power lost to power available	26.40	24.71	28.93
Average cost of energy sold (paise per unit)	32.84	28.30	35.62
Average revenue earned (Paise per unit)	22.00	19.00	23.00

The higher average cost of energy sold during 1977-78 as compared to that of 1976-77 is mainly attributable to following reasons :—

- (i) Higher cost of transmission and distribution.

(ii) Inadequate provision of depreciation reserve during 1976-77 for want of adequate surplus and additional provision during 1977-78 towards shortfall in previous years.

The reasons for higher transmission and distribution losses are awaited from the Board (January 1979).

7.3.3 Rukti micro hydel scheme

A scheme for generating 1500 K.W. of electricity was finalised by the Board (June 1972) with the purpose of meeting power demands of Sangla Valley, the headquarters and border areas of Kinnaur District. Execution of the scheme was taken up in July 1975. All the units of the project were installed by September 1978 but have not been commissioned (November 1978). Points noticed in test audit in regard to the execution of the scheme are discussed below :—

2. Project estimates and expenditure

As per the project report (June 1972), three units of 500 K.W. each were to be installed for generation of electricity. The project was to cost Rs. 49.99 lakhs. On receipt of tenders (June 1973), it was decided (December 1973) to purchase and instal four units of 375 K.W. each from a firm of Faridabad as these were considered technically superior. The estimate of the scheme was revised to Rs. 91.36 lakhs (December 1975) after taking into consideration the actual cost of the electrical equipment, the prevalent market prices for various materials and the State P.W.D. schedule of rates for labour. Against the revised estimate, Rs. 1,37.25 lakhs had been incurred upto June 1978. The estimate of December 1975 was under further revision (November 1978).

The increase in the revised estimate of December 1975 over the estimate of June 1972 was attributable mainly to general increase in labour rates and cost of material and equipment. The further increase in cost over the revised estimate (December 1975) was attributed (June 1978) by the Board mainly to absence of provision for departmental charges (Rs. 13.36 lakhs), absence of provision for distribution

line (Rs. 6.94 lakhs), higher transportation charges, increase in labour charges and increase in the prices for certain equipment (Rs. 4.70 lakhs).

3. Execution of works

(a) *Commissioning schedule*—The following table shows the original and the revised schedule for commissioning of the units of the project :—

Particulars	Date of commissioning as per schedule	Date of commissioning as per schedule revised in December 1976	Date of installation	Date of commissioning	Delay (in months) in commissioning (upto November 1978)
Unit I (375 K.W.)	December 1976	November 1977	November 1977	Not yet commissioned (November 1978)	23 months
Unit 2 (375 K.W.)	..	November 1977	November 1977	Ditto	12 months
Unit 3 and 4 (375 K.W. each)	..	1978-79 (as intimated to the Planning Commission)	September 1978	Ditto	Not applicable

(b) *Delay in installation and commissioning*—The following were the contributory factors for the delay in installation and commissioning of the units of the project :—

- (i) Although the original project report was approved in June 1972, tenders for supply of generation units and switchyard

equipment were invited in March 1973. The supply orders were placed in January 1974.

- (ii) (a) There was considerable delay in supply of turbines, generators, switchyard equipment and transformers by the supplier. Considerable time was also taken by the Board in transporting the equipment from Jutogh (railway head), Simla to the project site resulting in further delay in their installation. The table below indicates the scheduled dates of delivery of the main equipment as per the supply order, the actual date of delivery by the supplier at Simla (Jutogh) and the date of receipt at the power house site :—

Particulars	Date of delivery as per supply order	Actual date of delivery by the supplier at Simla (Jutogh)	Delay in supply (Months)	Date of receipt at powerhouse site	Time taken from railway head to site (in months)
(i) Four turbine sets	October 1974 to January 1975	July 1975 to July 1976	9 to 18	November 1976 to May 1977	10 to 15
(ii) Four generating sets	March to May 1975	August to December 1976	15 to 18	September 1976 to January 1977	1
(iii) One 415 volts A.C. station service switch board	Ditto	February to March 1977	23 to 24	July 1977	4
(iv) Six 22 K.V. double and single core current transformers	February to March 1977	November 1977	8	March 1978	4
(v) Two 22 K.V. neutral current and one 22 K.V. potential transformer	Ditto	December 1977	8-9	February 1978	2

(vi) Seven 222 KVA step up transformers	April to May 1977	August 1977	3	November 1977	3
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(ii) (b) The switch yard for the power house was ready in September 1977 but could not be commissioned as the oil circuit breakers and control panels to be supplied by firm 'A' by June 1977 have not been received (October 1978). It was observed that these materials were surplus with Kangra sub-division of the Board and could be utilised for the purpose. No action was taken to procure these from that sub-division.

(iii) Delay in transfer (December 1975) of the electrical sub-division by the Board from its project wing to operation wing, caused delay in planning the execution of electrical works.

The table below shows the particulars of electrical works executed by the Rampur Division of the Board, scheduled/actual dates of completion of works, delay in completion and reasons therefor as analysed by Audit from Board's records :—

Name of work	Scheduled date of completion as per estimates	Date of commencement of work	Date of completion of work	Delay in months	Reasons
(a) Construction of duplicate feeder (22 KV line) — Rukti to Karcham	December 1975	April 1975	In progress (October 1978)	33 (October 1978)	For want of strain insulators and fittings for which orders were placed by the Board on the firm in October 1977 and supply was awaited (January 1979).
(b) Providing and erection of power cables and	November 1977	December 1977	July 1978	8	Supply order was placed during May 1977. Material

control cables						was to be received by August 1977 but these were actually received during August to October 1977.
(c) Providing steel gate fencing and retaining wall for switchyard	December 1977	March 1977	June 1978	6		Order for wiremesh (the requisite material) was placed in January 1978 and material received in March 1978.
(d) Providing low tension bus bars for transformer	March 1978	April 1978	July 1978	4		Order for soldering material (requisite material for completion of the work) was placed in November 1977 and material received in April 1978.

(iv) Delay in supply of drawings of penstock pipes to Nangal Workshop by the Chief Engineer (Project) of the Board, last drawing was supplied in March 1977 as against scheduled month of June 1976.

(v) Intermittent supply of electricity by the Rampur Division resulting in delayed welding of penstock (12 months).

(vi) The delay in commissioning of the first and second units was on account of failure of the thrust bearing of the turbine, owing to manufacturing defects. These have not been repaired/replaced by the firm (November 1978).

4. Purchase of generating equipment

(i) Tenders were invited in March 1973 by the Superintending Engineer, Planning and Design (Electrical), Simla for supply of three generating sets of 500 K.W. each. Two tenders were received. Firm 'B' offered to supply four generating sets of 375 K.W. each for Rs. 20.56 lakhs (the offer was valid upto 19th October 1973 for turbine, governor and valve and

upto 19th August 1973 for electrical equipment) while the other firm 'C' offered the rate of Rs. 21.65 lakhs (offer valid upto 19th October 1973) for supply of three 500 K.W. generating sets as per the requirement of the Board. On being approached by the Superintending Engineer (September 1973) both the firms agreed (September—October 1973) to extend the validity period of complete order including the electrical equipment upto 19th November 1973. But on 15th November 1973, the firm 'B' informed the Superintending Engineer that as the supply order had not been placed in time, the prices of electrical equipment would be raised by 10 per cent .

In January 1974, a supply order was placed on the same firm 'B' at a cost of Rs. 21.90 lakhs against Rs. 20.56 lakhs offered by the firm in June 1973. The delay in placing the order by two months beyond November 1973 resulted in an extra expenditure of Rs. 1.34 lakhs compared to the rates offered in June 1973. The entire equipment was received in April 1978.

(ii) As per the supply order, in the event of late delivery of the complete equipment at site and delay in erection and commissioning, the firm was liable to a penalty of 2 per cent of the contract price per month for the period of delay subject to a maximum of 5 per cent of the contract price. The firm supplied equipment after delay ranging from 15 to 18 months and there was further delay in commissioning of the units after installation, two units installed in November 1977 have not been commissioned (January 1979). But the liquidated damages amounting to Rs. 1.17 lakhs (5 per cent on Rs. 23.32 lakhs including the cost of spares and erection charges) were not claimed/recovered (January 1979).

5. Shortage of stores

Stores worth Rs. 0.24 lakh were handed over short to his successor by a Junior Engineer on his transfer in October 1973 from Rukti Investigation Sub-division, Sangla to Giri Hydrel Project, Dadahu. In August 1974, a show cause notice was served on the defaulting Junior Engineer by the Superintending Engineer, Investigation Circle, Simla. Further action in the matter has not yet been taken (January 1979).

6. Summing up

Rukti micro hydel scheme was taken up in June 1972 to supply electricity to Sangla valley, headquarters and border areas of Kinnaur District by July 1975. This object has not yet been achieved as not even one unit out of four units of 375 K.W. has been commissioned so far inspite of installation of all the four units. Consequent on the delay, the actual expenditure on the scheme has gone up by 175 per cent on the original estimate and 50 per cent on the revised estimate.

7.3.4 Purchase of diamond core bits

A supply order for purchase of 212 diamond core bits of different sizes costing Rs. 1.39 lakhs for use in drilling works during investigation of the Parbati Hydel Project was placed through the Director General, Supplies and Disposals on a firm of Bombay in December 1969. The quantity on order was revised to 392 diamond core bits in February 1970. The bits were received during April and July 1970 and an amount of Rs. 2.50 lakhs was paid to the firm. In January 1971, the Divisional Officer, Parbati Investigation Division, Kulu informed the firm that the performance of the bits was poor as compared to the diamond core bits supplied by other manufacturers. The Superintending Engineer, Planning Circle, Simla requested the Director General, Supplies and Disposals in May 1972 for replacement of the bits as the same had proved defective due to poor workmanship. In August 1972, the Superintending Engineer was informed by the Director General, Supplies and Disposals that as the case had not been referred by the Board within the guarantee period (12 months from the date of receipt) no action could be taken against the firm. The Director General, Supplies and Disposals was requested in March 1975 to direct the firm to take back 156 unused bits costing Rs. 1.03 lakhs to which the firm agreed in April 1975. The unused bits have neither been consigned to the supplier nor has any arrangement been made to obtain replacements (November 1978).

The particulars of works where the remaining 236 defective bits were used and their performance were not available on record.

The matter was reported to the Board/Government in September 1978 ; reply is awaited (January 1979).

7.3.5 Inventory

The value of opening balances, purchases, utilisation and closing balances of stores of the Board for the three years upto 1977-78 were as follows :—

	1975-76	1976-77	1977-78
	(Rupees in lakhs)		
(1) Capital stores for specific projects—			
(i) Opening balance	2,42.27	1,97.47	90.89
(ii) Purchases	7,39.27	8,53.73	10,13.13
(iii) Stores utilised	7,84.07	9,60.31	10,33.03
(iv) Closing stock	1,97.47	90.89	70.99
Stock held in terms of months' consumption	3.0	1.0	0.8
(2) Other operational stores (including stores required for capital works)—			
(i) Opening balance	3,41.77	3,45.17	3,33.42
(ii) Purchases	58.79	75.16	1,16.36
(iii) Stores utilised	55.39	86.91	1,17.27
(iv) Closing stock	3,45.17	3,33.42	3,32.51
Stock held in terms of months' consumption	75	46	34

7.3.6 Internal audit

The Board has an Internal Audit Wing headed by an Accounts Officer under the over all control of Deputy Financial Adviser. Internal audit of consumers accounts is conducted through 14 audit parties. Audit of

works, is, however, not being conducted. No Audit Manual has been prepared.

The arrears in internal audit of the Board as on 31st March 1978 were as under :—

(i) Consumer's accounts for 1975-76 (32 months), 1976-77 (82 months) and 1977-78 (577 months).

(ii) Works accounts of 20 (1972-73), 24 (1973-74), 40 (1974-75), 35 (1975-76), 42 (1976-77) and 45 (1977-78) divisions.

Arrears were stated to have accumulated owing to paucity of staff.

7.4 Other Statutory Corporations

7.4.1 The total investment of the State Government in the other two Statutory Corporations as on 31st March 1978 was as under :—

	Share capital	Loan	Total
	(Rupees in lakhs)		
Himachal Pradesh Financial Corporation	66.26*	27.72	93.98
Himachal Road Transport Corporation	7,25.98	4.13	7,30.11**

Repayment of principal and the payment of annual dividend on the shares of the Corporation and repayment of loan and interest thereon, raised by the Corporation to the extent of Rs. 2,72.43 lakhs have been guaranteed by the Government. The amount guaranteed and outstanding as on 31st March 1978 was Rs. 2,88.00 lakhs. The amount outstanding as on 31st March 1978, exceeded the total amount guaranteed as, in some cases, Government permitted the Corporation to raise loans upto 10 per cent in excess of the guaranteed amount.

*Included Rs. 7.00 lakhs for which shares had not been allotted by the Corporation upto 31st March 1978.

**Figures are from the books of accounts of the Corporation and are subject to reconciliation as these differ from those mentioned in Finance Accounts.

7.4.2 Profits and dividends

During 1977-78, the Himachal Pradesh Financial Corporation earned net profit of Rs. 28.25 lakhs which represents 27.4 per cent of its paid up capital. Dividend of Rs. 1.63 lakhs representing three per cent of capital contributed by Government was transferred to a Special Reserve Fund created under the State Financial Corporations Act, 1951.

7.5 Section C—Government Companies

7.5.1 On 31st March 1978, there were 11 Government Companies, including four subsidiaries. Government investment in the paid up capital of seven Companies (excluding the subsidiaries) as on that date was Rs. 9,81.11 lakhs. In addition, the Government of India had invested Rs. 1,71.50 lakhs in one Government Company viz. Himachal Pradesh Agro-Industries Corporation Limited as on 31st March 1978.

Two Companies viz. Nahan Foundry Limited and Himachal Pradesh State Small Industries and Export Corporation Limited also obtained loans from the State Government. The balance of these loans outstanding as on 31st March 1978 was Rs. 29.80 lakhs.

Government has also guaranteed repayment of loans and interest thereon and repayment of cash credit facilities availed of by the following companies to the extent indicated against each :—

Company	Maximum amount guaranteed	Amount guaranteed and outstanding as on 31st March 1978
	(Rupees in lakhs)	
(a) Nahan Foundry Limited	55.00	55.00
(b) Himachal Pradesh Tourism Development Corporation Limited	7.65	..
(c) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	1,68.14	15.54

7.5.2 *Delay in preparation of annual accounts*—The accounts of the following Companies were in arrears (January 1979).

<i>Name of the Company</i>	<i>Year of accounts</i>
(i) Himachal Pradesh State Handicrafts and Handloom Corporation Limited	1976-77 and 1977-78
(ii) Himachal Pradesh State Forest Corporation Limited	1976-77 and 1977-78
(iii) Himachal Pradesh Tourism Development Corporation Limited	1976-77 and 1977-78
(iv) Nahan Foundry Limited	1977-78
(v) Himachal Worsted Mills Limited	1977-78
(vi) Himachal Pradesh State Small Industries and Export Corporation Limited	1977-78
(vii) Himachal Wool Processors Limited	1977-78
(viii) Himachal Pradesh Mineral and Industrial Development Corporation Limited	1977-78
(ix) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	1977-78

A statement showing the summarised financial results of the working of Companies on the basis of the latest available accounts is given in Appendix VIII.

7.6 Himachal Pradesh State Handicrafts and Handloom Corporation Limited

1. *Introduction*—The Himachal Pradesh State Handicrafts and Handloom Corporation Limited was incorporated as a wholly-owned Government Company on 30th March 1974 with authorised capital

of Rs. 1 crore, divided into one lakh shares of Rs. 100 each. The main objects of the Company are:—

- (a) to run production centres, units, agencies, etc., in order to organise production of handicrafts and handloom products on commercial lines in all spheres of economic activities, i.e. textiles, leather, wood crafts, metal work, carpet making, musical instruments, knitwear and ceramicwares,
- (b) to carry on the business of dealers in handicrafts, handloom products and other products which are manufactured in Himachal Pradesh,
- (c) to establish, develop, promote, execute, operate and otherwise carry on projects, schemes, business and activities which are likely to facilitate or accelerate development of handicrafts and handloom industry,
- (d) to aid, counsel, assist, finance, protect and promote the interest of handicrafts and handloom industries in the State,
- (e) to revive, restore, preserve, popularise and develop the handicrafts and handloom products of the State.

In order to achieve its objects, the Company has undertaken various activities which can be broadly grouped under two heads, viz. commercial and promotional activities. The commercial activities comprise running of production centres in textiles (3), woodwork (3) leather work (3), procurement units (7) and emporia (8). The promotional activities include development of designs (1), running of training centres (8) and modernisation of handloom products (5). Promotional activities are mainly financed by grants-in-aid and are termed as grants-in-aid units. Other units are called commercial units.

To rationalise the management of various units of other companies doing similar work, ten units of the Himachal Pradesh State Small Industries and Export Corporation Limited and one unit of the Himachal Pradesh Mineral and Industrial Development Corporation Limited

were transferred to the Company on 1st April 1974. Thereafter, the Himachal Pradesh State Handicrafts Board was dissolved on 30th September 1974 and its 14 units were also transferred to the Company. All the assets and liabilities of the erstwhile Board were to be adjusted in the books of the Company.

2. *Organisational set up*—The management of the Company vests in a Board of Directors consisting of seven officials (including the Finance Secretary of the State Government) and two non-official members appointed by the State Government. The day-to-day business is conducted by the Managing Director assisted by other officials.

3. *Financial powers*—Financial powers were not properly defined/delegated till July 1977. Pending finalisation of general bye-laws, the Board of Directors had delegated (June 1974) to the Chairman full powers to incur expenditure towards salaries and wages and other administrative expenses as well as purchases not exceeding Rs. 50,000 per item, per centre/unit at a time. The limit of Rs. 50,000 was waived in September 1974 and in December 1974, the Chairman was authorised to incur expenditure (inclusive of filling up of posts by recruitment, promotion, etc.) in accordance with provision of funds in the budget. Financial powers were delegated to the Managing Director and other officers in August 1977.

4. *Capital structure*—The paid-up capital of the Company as on 31st March 1978 was Rs. 37.50 lakhs, wholly subscribed by Government. This included advances of Rs. 7.50 lakhs and Rs. 5 lakhs from the State Government and the Government of India respectively towards share capital. The advance of Rs. 7.50 lakhs received from the State Government on 31st March 1977 was subject to interest at 6 per cent per annum from the date of payment to the date of adjustment against calls. The adjustment of advance against calls has not been made (October 1978). Interest of Rs. 0.45 lakh accrued upto 31st March 1978 has not been paid (January 1979).

Loans amounting to Rs. 18.75 lakhs advanced by the State Government/the Government of India were also outstanding as on 31st

March 1978. The loans are repayable in ten equal instalments with interest at $5\frac{1}{2}$ per cent per annum from first anniversary. In case of default, penal interest at the rate of 8 per cent was payable. The first instalment of Rs. 0.75 lakh and interest amounting to Rs. 0.41 lakh due on 31st March 1978 out of the first loan of Rs. 7.50 lakhs was not paid by the Company (October 1978) due to paucity of funds.

The Company has also been receiving grants-in-aid from the State Government and the Government of India. Out of grants totalling Rs. 40.45 lakhs received upto March 1978 for promotional activities viz. development of designs, running of training centres and modernisation of handloom products, utilisation certificates for Rs. 23 lakhs had not been furnished (January 1979).

While transferring the units of the Himachal Pradesh State Small Industries and Export Corporation Limited and the Himachal Pradesh Mineral and Industrial Development Corporation Limited to the Company (January/April 1974), the State Government constituted an Evaluation/Assessment Committee to evaluate the assets. The Committee was required to complete the evaluation work within one month and submit its report to Government. Value of assets (Rs. 0.84 lakh) of one unit of Himachal Pradesh Mineral and Industrial Development Corporation Limited, assessed by the Committee, was paid by the Company on 25th June 1975. Assessment of assets of ten units transferred from the Himachal Pradesh State Small Industries and Export Corporation Limited was awaited (January 1979). Of the assets and liabilities of the erstwhile Himachal Pradesh State Handicrafts Board, transferred to the Company in September 1974, the State Government decided that the value of the net assets of three units would be treated as contribution of the State Government to the share capital and the net assets of the remaining units as grants-in-aid to the Company. Final adjustment of the value of the assets (Rs. 14.08 lakhs) to the share capital and grants-in-aid was awaited (January 1979), pending approval of the valuation by the State Government.

5. *Financial position*—The accounts of the Company for the years 1976-77 and 1977-78 are in arrears (January 1979). The summarised financial position of the Company for 1974-75 and 1975-76 is shown below :—

Liabilities	1974-75	1975-76
	(Rupees in lakhs)	
(a) Paid-up capital	10.00	21.25
(b) Borrowings	..	2.83
(c) Current liabilities	42.09	43.56
	<hr/> 52.09	<hr/> 67.64
 Assets—		
(a) Gross block	6.58	7.02
(b) Less depreciation	0.55	1.45
(c) Net block	6.03	5.57
(d) Current assets, loans and advances	45.61	61.41
(e) Miscellaneous expenses	0.19	0.17
(f) Net loss	0.26	0.49
	<hr/> 52.09	<hr/> 67.64
 Capital employed	 9.55	 23.42
Net worth	9.55	20.59

Notes—(a) Capital employed represents net fixed assets plus working capital.

(b) Net worth represents paid-up capital less intangible assets.

6. *Maintenance of accounts*—There was no effective system of internal control. The following defects were noticed in regard to the maintenance of accounts.

- (i) Surety/security was not obtained from employees handling cash and stores.
- (ii) Accounts Manual had not been prepared.
- (iii) In Production Unit, Simla, the cash book was not found to have been written regularly ; the physical verification of cash balance was not being conducted in all the units.
- (iv) Separate records for unpaid wages and salaries were not maintained. Acquittance for payments were obtained without dates.
- (v) Separate records for advances to employees and others were not maintained to watch recovery.
- (vi) There was no system of reconciliation of balances of stock/stores ledgers with the financial accounts.

7. *Working results*—(a) Analysis of the various schemes taken up by the Company showed that most of these were taken up without considering their feasibility, resulting in ultimate closure/discontinuance/negligible work being done as detailed below :—

Name of scheme	Month/ year of commence- ment	Total expendi- ture incurred on estab- lishment etc.	Month of closure of scheme	Remarks
		(Rupees in lakhs)		
Apprenticeship scheme, Simla	April 1975	0.24	March 1977	Trainees were not avail- able in adequate number and success of the scheme was found doubtful.

Procurement sub unit scheme, Pangi	October 1975	0.21	No transaction was done except issue of yarn valuing Rs. 0.02 lakh in October 1975 which was also re- ceived back in raw form during April 1976.
Apprenticeship scheme, Manali	March 1975	1.14	Scheme was started to impart training to 20 apprentices without stipulating the period. It was extended upto 28th February 1978 but was not comp- leted. No other batch was taken (January 1979).

Out of ten commercial units during 1974-75, six units were running at loss (Rs. 1.34 lakhs) and four units were running in profit (Rs. 1.08 lakhs). As against this, out of total thirty-three units during 1975-76, twenty-seven units were running at loss (Rs. 8.67 lakhs) and only six units were running in profit (Rs. 1.83 lakhs).

(b) The production performance of the units run by the Company could not be evaluated as no targets were fixed for production in terms of units.

The table below indicates the unit-wise value of actual production together with the available budget figures and the percentage of the

actuals to the budget figures in respect of 20 units test-checked in audit.

Unit	1975-76		1976-77		1977-78	
	Production (Rupees in lakhs)	Percentage of actual production to budgeted production	Production (Rupees in lakhs)	Percentage of actual production to budgeted production	Production (Rupees in lakhs)	Percentage of actual production to budgeted production
1. Textiles						
(i) Industrial Extension Centre (Textiles), Bilaspur	3.22 (3.40)	94.8	8.93 (10.82)	82.6	4.00 (4.63)	86.4
(ii) Chamba Textiles, Chamba	1.25 (2.95)	42.5	1.81 (3.88)	46.8	2.84 (10.00)	28.38
(iii) Mandi Textiles, Mandi	2.05 (4.47)	45.9	Unit closed (March 1976) owing to non-availability of skilled labour.			
(iv) Kinnaur Textiles, Nichar	0.50 (0.50)	100	0.70 (0.96)	72.3	0.84 (0.90)	93.7
2. Carpet Factory, Palampur	0.74 (1.39)	53.4	0.16 (0.39)	39.6	Unit closed (December 1976) owing to non-availability of skilled labour.	
3. Wood Work						
(i) Industrial Extension Centre (Wood), Paonta	0.91 (0.50)	182.9	1.00 (1.20)	83.6	N.A.	..
(ii) Industrial Extension Centre (Toys), Palampur	0.56 (N.A.)	..	0.64 (1.20)	53.2	0.96 (N.A.)	..
(iii) Industrial Extension Centre (Wood), Banikhet	0.30 (0.60)	50.0	0.53 (1.45)	36.9	Unit closed (March 1977) owing to non-availability of skilled labour and to avoid unhealthy inter-centre competition.	

(iv) Wooden utensils, Jagti	0.28 (0.50)	55.8	0.44 (0.53)	84.3	0.34 (N.A.)	..
4. Leather and Handicrafts						
(i) Footwear Factory, Chamba	2.06 (1.81)	113.7	1.67 (1.57)	106.1	0.85 (N.A.)	..
(ii) Footwear Factory, Kandrori	..	..	0.85	..	1.05 (N.A.)	..
(iii) Rumal Centre, Chamba	0.14 (0.15)	91.4	0.08 (0.21)	37.7	0.05 (0.15)	34.1
(iv) Doll Centre, Simla	0.27 (0.20)	133.3	0.51 (0.58)	87.4	0.39 (0.68)	57.8
5. Procurement Units						
(i) Kulu	4.90 (2.00)	245.2	3.08 (10.40)	29.6	4.80 (N.A.)	..
(ii) Simla	0.72 (0.50)	144.6	0.77 (1.02)	75.5	0.36 (0.77)	46.8
(iii) Bharmour	.. (0.20)	..	0.04 (0.28)	14.5	0.09 (0.13)	70.7
(iv) Pangi	.. (0.10)	..	.. (0.16)	..	.. (0.13)	..
(v) Nichar	0.04 (0.15)	23.4	0.01 (0.27)	1.9	0.01 (0.06)	13.7
(vi) Keylong (Tandi)	0.02 (0.50)	4.0	0.11 (1.17)	9	0.19 (0.65)	28.9
(vii) Kaza	.. (0.30)	..	.. (0.13)	..	.. (0.16)	..

Note—(a) Figures in brackets represent budgeted figures.

(b) The production figures in respect of the Industrial Extension Centre (Textile), Bilaspur up to December 1977) are provisional.

noticed during cost-check (May 1978) of the accounts of the Procurement Unit, Kulu :—

Year	Closing balance of yarn with weavers		Excess (+) Less (—)
	As per job register	As per finan- cial books	
	(Rupees in lakhs)		
1974-75	0.70	0.94	(—)0.24
1975-76	1.52	0.73	(+)0.79
1976-77	0.83	0.43	(+)0.40
1977-78	1.09	0.52	(+)0.57

The discrepancies have not been reconciled by the Company (January 1979).

8. *Cost procedure*—No cost manual has been prepared by the Company. Each job is valued at cost of raw materials issued for the job, including wastage, if any, and wages. Factory overheads are charged on the prime cost and administrative overheads on factory cost. Standards of consumption of raw materials have not been fixed. There is no system to compare the cost of similar type of jobs executed by different units. Till May 1976, the percentages for overheads were not fixed. The overhead rates fixed by the Company in June/July 1976 were neither based on any analysis of the actual expenses nor were these reviewed periodically.

There was no uniform method prescribed to maintain the cost records and job-sheets were not maintained properly. Some instances are indicated below :—

(i) *Textiles*—The jobs were valued at prime cost only and taken on stock ledgers at that cost except in case of Kinner Textiles, where these were valued and posted in the ledger at the total cost.

(ii) *Leather and handicrafts*—At the leather production unit, Chamba the jobs were valued at the prime cost whereas at Kandrori, this was done at the factory cost. Only at Dolls Centre, Simla and Rimal Centre, Chamba the jobs were valued at the total cost.

(iii) *Procurement unit*—At Kulu, jobs were valued at the factory cost whereas at Nichar and Simla this was done at the total cost. The Bharmour unit had valued the jobs at the prime cost only.

9. *Apprenticeship scheme*—The Company recruits apprentices for different trades under its promotional activities. The expenditure incurred towards boarding, lodging and uniform of the apprentices and the administrative expenditure towards salary, wages and other expenses for the units during the years from 1974-75 to 1977-78 are compared below :—

	Average number of apprentices	Expenditure on		Monthly average expenditure per apprentice on		Ratio of expenditure on boarding and lodging of apprentices to that on administration
		Boarding, lodging and uniform	Administration	Boarding	Administration	
(In Rupees)						
1974-75						
Rait	19	5,560	3,799	49	33	1 : 0.68
Manali	3	225	764	75	255	1 : 3.40
Chamba	5	897	2,896	30	97	1 : 3.23
	27	6,682	7,459	45	50	1 : 1.11
1975-76						
Rait	8	7,450	10,323	78	108	1 : 1.38
Manali	16	14,532	12,899	76	67	1 : 0.89
Hourling	6	4,261	7,800	57	104	1 : 1.83
Simla	6	5,240	7,021	73	98	1 : 1.34
	36	31,483	38,043	72	87	1 : 1.21

1976-77

Rait	7	6,137	24,809	73	295	1 : 4.04
Manali	19	25,212	21,322	108	91	1 : 0.85
Hourling	5	5,091	7,746	85	129	1 : 1.52
Simla	5	4,918	6,393	88	114	1 : 1.30

	36	41,358	60,270	95	139	1 : 1.46
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1977-78

Rait	6	2,099	17,400	30	252	1 : 8.29
Manali	19	24,117	14,465	106	63	1 : 0.60
Hourling	5	4,519	7,462	75	124	1 : 1.65

	30	30,735	39,327	86	110	1 : 1.28
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It would be seen from the above that average administrative cost per apprentice increased year after year upto 1976-77 ; reasons for which have not been analysed by the Company (January 1979).

10. *Sales*—The sales are made by the Emporia/Units on commission basis. No uniform policy is being followed for charging commission on sales by emporia as well as production units. The table below indicates the group-wise sales during 1974-75 to 1977-78 in various production/sales centres:—

Group of units	1974-75	1975-76	1976-77	1977-78
	(Rupees in lakhs)			
Text ile units	6.06	6.44	5.69	3.27
Wood work	1.02	2.40	3.12	2.84
Leather and handicrafts	1.12	2.66	2.41	1.16
Procurement units	1.78	0.22	4.77	0.68
Emporia	9.20	14.26	15.55	12.51

It would be seen from the figures tabulated above that in the case of textile units, the sales had decreased from Rs. 6.06 lakhs in 1974-75 to Rs. 3.27 lakhs during 1977-78 while the sales in procurement units sharply declined to Rs. 0.68 lakh (1977-78) from Rs. 4.77 lakhs in 1976-77. Reasons for the downward trend in sales were, however, not investigated by the Company (October 1978).

11. *Inventory*—The Company had not laid down any procedure for control/review of the stores and stocks. No minimum/maximum limits for various store items were fixed. No reconciliation of the balances was made with the balances in financial books.

The unit-wise position of non-moving stores/stock for over one year, as ascertained from the ledgers, is given below :—

	1974-75		1975-76		1976-77	
	R.M.	F.P.	R.M.	F.P.	R.M.	F.P.
	(Rupees in lakhs)					
Group of units						
1. Production units—						
(a) Textiles	0.03	0.12	..	0.10	0.02	1.36
(b) Wood work	..	0.01	..	..	0.18	0.17
(c) Leather and handicrafts	0.09	0.31	0.16	0.15	0.03	0.17
2. Procurement	0.27	..	0.42	..	0.58	0.18
3. Emporia	..	1.23	..	1.11	..	3.35
4. Design centre	0.03	0.13	..	0.04	..	0.04

(Note —R.M. denotes raw materials, F.P. denotes finished products).

This accumulation of stock was owing to lack of proper assessment of demand.

12. *Physical verification*—Physical verification of the stores/stock had not been carried out regularly, i.e. every year. The year-wise physical verification actually conducted in respect of various units *vis-a-vis* the total number of units and the shortages/excesses was as under:—

Year	Total number of units	Number of units for which verification was conducted	Shortages	Excess
			(Rupees)	
1974-75	26	4	1,065	..
1975-76	28	6	2,244	..
1976-77	28	3	902	..
1977-78	38	6	1,324	3,267

The shortages/excesses have not been investigated (January 1979).

13. *Other points of interest*—(i) Industrial Extension Centre (Wood work), Banikhet was opened without preparing any feasibility report and working out the detailed economics. In view of poor performance during April 1976 to January 1977, the Company decided (April 1977) to close down the centre. On completion of the jobs-in-progress, the staff, except one chowkidar to be detained till disposal of the assets, was to be transferred to other units. Some staff was kept for selling the finished goods and other works. There was no job-in-progress as on 31st March 1977. Though sales

during the past two years were negligible, expenditure of Rs. 0.20 lakh was incurred on sale of finished goods worth Rs. 0.10 lakh during 1977-78. Recurring expenditure of Rs. 0.08 lakh per month on salaries and allowances of craftman, chowkidar and sweeper was continuing (September 1978). Tools and plants valuing Rs. 0.89 lakh were lying unutilised (January 1979).

(ii) Sales Emporium, Dalhousie opened in 1974, was shifted to Katra (J&K) in July 1976 as it was not considered economical to run the Emporium in view of the high percentage of expenditure on its running as compared to the sales. Comparison of sales with expenditure for four years, given below shows that the sales had considerably dropped during 1976-77 and 1977-78 and were not sufficient to even cover the expenditure incurred on running the Emporium.

Year	Sales (Rupees)	Expenditure (Rupees)	Percentage of expenditure to sales
1974-75	51,094	16,598	32.5
1975-76	25,246	17,791	70.5
1976-77	18,566	24,751	133.3
1977-78	7,632	15,695	205.6

The above paragraphs were reported to the Government in September 1978; replies are awaited (January 1979).

14. *Summing up*—The accounts of the Company were not maintained properly and were in arrears from 1976-77. Apart from it, the objects of the Company have not been achieved to the extent given below:—

- (i) Out of 33 units run by the Company 27 were in losses (1975-76). In 8 units, the production /procurement was below 50 per

cent of the budgeted figures. In one unit, it was only 4 and 9 per cent of budgeted figures during 1975-76 and 1976-77 respectively.

- (ii) No scheme for financing the projects of small handicrafts and handloom industries has been started except for distribution of yarn and accessories to 673 weavers for further processing during the period from 1974-75 to 1977-78.
- (iii) Scheme for providing training to apprentices was not well planned.

7.7 Himachal Pradesh State Small Industries and Export Corporation Limited

1. Introduction—The Himachal Pradesh State Small Industries and Export Corporation Limited was incorporated on 20th October 1966 with an authorised capital of Rs. 15 lakhs which was subsequently raised to Rs. 50 lakhs in September 1969 and Rs. 1 crore in December 1976, divided into one lakh equity shares of Rs. 100 each. The paid-up capital of the Company on 31st March 1977 was Rs. 49.62 lakhs (including Rs. 4.00 lakhs for which shares are still to be issued).

The main objects of the Company are to aid, counsel, assist, finance, protect and promote the interest of small scale industries in the State, to provide them with capital, credit, resources and managerial assistance for the execution of their business and to enable them to develop and improve their method of manufacture, management, marketing and their technique of production.

In order to achieve its objects, the Company undertakes various activities which can be broadly grouped as (i) arranging supply of raw material, (ii) providing machinery on hire purchase basis, and (iii) promoting export of the products. Besides, the Company has its own manufacturing units, viz. (i) Nahan Hosieries, Nahan (ii) Kulu Hosieries, Kulu, (iii) Chamba Hosieries, Chamba (iv) Pre-stressed Concrete Poles Unit, Parwanoo and (v) Paper Conversion Unit, Parwanoo.

2. *Financial position*—The accounts of the Company for the year 1977-78 have not been finalised (January 1979).

The financial position of the Company under the broad headings for the three years upto 1976-77 is summarised below:—

	1974-75	1975-76	1976-77
	(Rupees in lakhs)		
<i>Liabilities</i>			
Paid-up capital	40.62	45.62	49.62
Reserves and surpluses	12.93	13.14	10.76
Loans	34.77	31.19	38.26
Trade dues and other current liabilities (including provisions)	67.55	36.20	43.05
Total	1,55.87	1,26.15	1,41.69
<i>Assets</i>			
Gross block	4.34	7.48	11.78
Less depreciation	1.05	1.12	1.79
Net fixed assets	3.29	6.36	9.99
Current assets, loans and advances	1,52.33	1,19.54	1,31.45
Miscellaneous expenditure	0.25	0.25	0.25
	1,55.87	1,26.15	1,41.69
Capital employed	88.07	89.70	98.27
Net worth	47.15	52.35	53.98
<i>Notes :</i> (i) Capital employed represents net fixed assets (excluding capital work-in-progress) <i>plus</i> working capital.			
(ii) Net worth represents paid-up capital <i>plus</i> reserves and surpluses <i>less</i> intangible assets.			

3. *Working results*—The working results of the Company for the three years upto 1976-77 are tabulated below:—

	1974-75	1975-76	1976-77
<i>Income</i>	(Rupees in lakhs)		
Sales (including transfers etc.)	1,50.03	69.71	57.74
Other income	2.36	2.63	6.42
Closing stock	94.69	56.66	23.07
Total	2,47.08	1,29.00	87.23
<i>Expenditure</i>			
Opening stock	52.85	94.74	56.64
Raw material consumed	2.08	1.60	5.58
Purchases	1,72.52	22.47	12.58
Establishment, administrative and other expenses	10.37	9.91	14.12
Depreciation and investment allowance	0.77	0.27	1.17
Total	2,38.59	1,28.99	90.09
Profit(+)/Loss(—)	(+)8.49	(+)0.01	(—)2.86

The loss suffered during 1976-77 was attributed by the Management (September 1978) to low turnover due to recession in iron and steel and gestation period of new units.

4. *Procurement and distribution of raw material—Iron and steel—*
 (a) The Company took up the procurement of iron and steel materials for supply to small scale industrial units in 1968.

The quota of iron and steel earmarked for small scale industrial units and Government departments is allotted to the Company through the Director of Industries. The material after procurement by the Company is distributed to small scale units/Government departments on the basis of allotment letters issued by the Director of Industries. It was observed that neither the Director of Industries nor the Company could ensure that the allotted quota was actually lifted by the allottees.

The table below shows the quantity of iron and steel purchased, sold and held in closing stock during the four years upto 1977-78.

	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>
Opening balance (in tonnes)	2050.425	3744.349	2252.160	681.942
Purchases (in tonnes)	6639.360	320.166	22.510	292.985
Sales (in tonnes)	4945.436	1812.355	1558.511	466.680
Closing balance (in tonnes)	3744.349	2252.160	681.942*	508.247
Value (Rupees in lakhs)	85.62	49.41	13.21	11.27
Shortages (Quantity in tonnes)	92.617	6.639	..	3.997
Value (Rupees in lakhs)	2.07	0.16	..	0.20

*Note: This excludes 34.2 tonnes as inter unit transfers.

The accumulation of stock on 31st March 1975 and 31st March 1976 was attributed (September 1978) by the Management to slump in the market and delay in lifting of material by the allottees. While the procurement of iron and steel was made on the basis of anticipated annual requirement of the small units, advances to cover a percentage of the the total cost of material so procured were not obtained from such units. The lifting of material by such units could not, therefore, be ensured and this consequently blocked the capital of the Company.

Reasons for not executing the agreements with the units to ensure lifting of allotted quantities were not intimated (January 1979). The

Management stated (August 1978) that the consumption of iron and steel materials within the State had dwindled considerably and there was a lot of accumulated stock with the Company and hence to reduce the inventory, sales were effected outside the State at reduced margin of profit.

(b) Consignments are entered in the stock registers on the basis of the actual weight of material received. In certain cases, this quantity was found to be less than that recorded in the bills received therefor. Such shortages were of aggregate value of Rs. 3.72 lakhs during the five years upto March 1978, out of which shortages aggregating Rs. 2.99 lakhs were written off without investigating the reasons therefor.

(c) Under the "Equalised Freight Scheme" accepted by the Government of India (June 1973), the transportation charges incurred by the Company on its purchases of iron and steel from Pathankot to Kangra were to be reimbursed by the producers. It was observed that instead of debiting charges incurred on this account to the producers, the same had been debited by the Company to the cost of purchases and ultimately recovered from the customers.

However, claims for Rs. 0.85 lakh pertaining to the period 1973-74 to 1975-76 were lodged with the producers on this account. Out of Rs. 0.85 lakh, payments of claims totalling Rs. 0.30 lakh were received in March and September 1977; reimbursement of the balance amount of Rs. 0.55 lakh was awaited (October 1978).

5. *General hire purchase of machinery*—The State Government gave a loan of Rs. 7.00 lakhs to the Company in March 1973 for rendering assistance to small scale industrial units. Loans totalling Rs. 6.64 lakhs were advanced by the Company to small scale industrial units between 1973-74 and 1977-78 (1973-74 : Rs. 0.93 lakh ; 1974-75 : Rs. 4.59 lakhs ; 1975-76 : Rs. 0.31 lakh ; 1976-77 : Rs. 0.23 lakh and 1977-78 : Rs. 0.58 lakh). Against Rs. 5.98 lakhs due for recovery by 31st March 1978, amounts recovered aggregated Rs. 3.91 lakhs leaving Rs. 2.07 lakhs overdue.

Further, the Board of Directors of the Company had decided (December 1976) to earmark Rs. 8 lakhs out of Company's funds for giving

loans to entrepreneurs for hire purchase of machinery. This amount has not been utilised (August 1978) nor have the Board of Directors been apprised of this.

No criteria have been fixed to determine the eligibility of the small scale units to be covered under the scheme of advancing loans for hire purchase of machinery. In two cases, loans totalling Rs. 0.24 lakh were advanced (1974) to two restaurants in Simla. The machinery purchased by these restaurants were for preserving ice-creams and food articles rather than for manufacturing and the parties utilised the loans in their business and not for establishing any industry. Comments of Government, which were called for, are awaited (January 1979).

6. *Export of bicycle parts*—A Ludhiana based concern manufacturing bicycle parts approached the Company in April 1976 for export of their cycle parts to Nigeria as the firm did not have proper facilities to export. Without satisfying itself about the credit worthiness of the firm and taking preventive measures to safeguard the interest of the Company, the proposal of the firm was accepted in December 1976 without even informing the Board of Directors, subject to certain terms and conditions, which *inter alia* provided as follows :—

- (i) Export orders to Nigeria worth Rs. 1 crore, stated to be in hand would be transferred by the firm in favour of the Company.
- (ii) The price charged by the firm would be c.i.f. Nigeria, but the delivery of the bicycle parts was to be on f.o.r. Bombay basis inclusive of central sales tax.
- (iii) Shipping expenses, ocean freight, etc., were to be borne by the Company upto 16 per cent of net c.i.f. cost and cost beyond 16 per cent was to be borne by the firm.
- (iv) All incentives, *viz.* import replenishment, duty draw-back and cash assistance were to accrue to the Company.
- (v) The firm was to ensure that all its clients in Nigeria were on the approved list of Export Credit and Guarantee Corporation Limited in case business was done with them.

- (vi) In the case of rejection of goods by the overseas clients, the liability was to be entirely of the firm and the Company was not to be held responsible in any way.

The Company had anticipated a gross profit at 7 per cent of total amount invested in this transaction after taking into account the expenses relating to shipping charges, ocean freight and interest on investment. A Bombay based firm was appointed as shipping agent for handling the export and were to be paid commission at Rs. 10 per case plus Rs. 0.35 per case per week as storage charges. At no stage, the Company satisfied itself about the credit worthiness of the Nigeria firms, against which the Company was financing the indigenous firm.

As per the agreed terms, purchase orders aggregating Rs. 98.25 lakhs were placed by the Company on the firm (December 1976 to February 1977). As against this, 3,762 cases of bicycle parts valuing Rs. 34.98 lakhs were transported (February 1977 to May 1977) to Bombay by the firm and the Company paid Rs. 31.20 lakhs representing about 90 per cent of payment due to the firm. Out of these, 2,670 cases (valuing Rs. 23.89 lakhs) were shipped by the shipping agents to Nigeria, from which only 2,311 cases valuing Rs. 20.64 lakhs were actually delivered to the foreign buyers. It was noticed that the documents for these consignments were delivered to foreign buyers by their bankers on the basis of acceptance of bills of exchange.

Against goods of Rs. 20.64 lakhs, only a sum of Rs. 6.19 lakhs was remitted. The Company's money to the extent of Rs. 25.01 lakhs (Rs. 31.20 lakhs minus Rs. 6.19 lakhs) remained blocked (October 1978) with the foreign buyer/indigenous firm. Correspondence for payment by foreign buyers is going on (January 1979).

The despatch of bicycle parts was not properly planned in accordance with the export programme. As many as 989 cases valuing Rs. 11.13 lakhs were stated to be lying in Bombay with the transporters who refused to hand them over to the representatives of the Company and claimed Rs. 6 lakhs as demurrage charges. The dispute with the transporters for Rs. 6 lakhs has not been resolved (October 1978). Further, 103 cases (Rs. 1.14 lakhs) had been lying with the shipping agents (October 1978) undespached.

Further progress in the matter was awaited (January 1979). State Government should take corrective action urgently.

7. *Uneconomic working of Mehatpur unit*—The Company has set up a depot at Mehatpur (Una District) in December 1976 for distribution of cement. Upto March 1978, the depot handled only 330.7 tonnes of cement and incurred a loss of Rs. 0.20 lakh on its working as per the details given below :—

Year	Income	Expenditure	Loss
		(Rupees)	
1976-77	261	6,365	6,104
1977-78	4,987	19,095	14,108
Total	5,248	25,460	20,212

Survey of cement requirements in the region was not carried out and as such the considerations which weighed with the Company in establishing the depot were not known.

8. *Inventory*—Minimum and maximum stock levels had not been fixed (January 1979).

The following table indicates the comparative position of inventory at the close of each of the three years upto 1976-77 :—

	As at 31st March		
	1975	1976	1977
	(Rupees in lakhs)		
Raw material and stores	3.33	4.27	7.56
Work-in-progress	0.19	0.19	0.19
Finished goods	96.29	56.47	22.88

The stock of raw materials and stores was equivalent to 19 months' requirement in 1974-75, 32 months' in 1975-76 and 16 months' in 1976-77. The stock of finished goods represented 8 months' sales during 1974-75, 10 months' in 1975-76 and 5 months' in 1976-77.

9. *Sundry debtors and turn over*—The following table indicates the book debts at the end of each of the years 1974-75, 1975-76 and 1976-77 compared with the sales during each year :—

Year	Debts (considered good) at the end of the year	Sales during the year	Percentage of debts to sales
(Rupees in lakhs)			
1974-75	10.16	1,50.03	6.9
1975-76	17.61	69.71	25.3
1976-77	40.97	57.71	71.0

10. *Accounting manual*—The Company has not prepared any accounting manual laying down the accounting procedure to be followed and the records to be maintained (November 1978).

11. *Internal audit*—Internal audit had not been introduced in the Company upto 1976-77. A firm of Chartered Accountants was appointed (June 1977) as Internal Auditor for the year 1976-77 and again (June 1978) for 1977-78.

The above paragraphs were referred to the Government/Company in September 1978 ; replies are awaited (January 1979).

12. *Summing up*—(i) In pursuance of the objects of the Company, it took up supply of raw materials, viz., cement, coal, iron and steel etc. The Company, however, suffered losses to the extent of Rs. 2.86 lakhs during 1976-77 in these activities apart from heavy inventories of raw materials and finished products. Similarly, the Company blocked its funds amounting to Rs. 25.01 lakhs in export of bicycle parts without assessing the credit worthiness of manufacturing party. No other export trade was taken up.

(ii) No criteria has been fixed to determine the eligibility of small scale units to be covered under loan in hire purchase scheme. In two cases, loans totalling Rs. 0.24 lakh were advanced (1974) to two restaurants in Simla. The machinery purchased by these restaurants was for preserving ice-cream and food articles rather than for manufacturing and the parties utilised the loans in their business and not for establishing any industry.

7.8 Himachal Wool Processors Limited

7.8.1 Idle machinery

Two twisting frames costing Rs. 0.68 lakh were installed by the Company in December 1975 and November 1976 to manufacture fine counts which are generally in two ply instead of single yarn. Since their installation these frames have been utilised only for 10 days in January 1978 when a total quantity of 566 Kg. of yarn was got twisted for sale (October 1978). There was nothing on record to show whether before installation, the possibility of utilisation of these twisting frames was fully considered. The Management stated (August 1978) that as the performance of indigenous machinery was very poor, the Company had to import part of the machine from outside and those twisting frames would be utilised when the imported machines were commissioned. Import/commissioning of machines was expected to take one or two years.

Section D—Departmentally managed Government commercial and quasi-commercial undertakings

7.9 As on 31st March 1978, there were six departmentally managed commercial and quasi-commercial undertakings viz. (i) Fertiliser Distribution Scheme, (ii) Seeds Distribution Scheme, (iii) Scheme of Government Trading in Foodgrains, (iv) Ayurvedic Pharmacy, Jogindernagar, (v) Ayurvedic Pharmacy, Majra and (vi) Departmental Extraction of Timber.

The *pro forma* accounts of all the departmental undertakings were in arrears (January 1979) as indicated below :—

Name of scheme/departmental undertaking	Year for which <i>pro forma</i> accounts are in arrears
(i) Fertiliser Distribution Scheme	1971-72 to 1977-78
(ii) Seeds Distribution Scheme	1971-72 to 1977-78
(iii) Government Trading in Food-grains	*1973-74 to 1977-78
(iv) Ayurvedic Pharmacy, Jogindernagar	1977-78
(v) Ayurvedic Pharmacy, Majra	1976-77 and 1977-78
(vi) Departmental Extraction of Timber	1969-70 to 1977-78
(vii) Departmental Tapping of Resin	**1969-70 to 1974-75

*Preparation of *pro forma* accounts upto 1972-73 has been condoned by the State Government (March 1978).

**Ceased to be departmental undertaking with effect from 1st April 1975 and the work was transferred to the Himachal Pradesh State Forest Corporation Limited in May 1975.

7.10 Fertiliser Distribution Scheme

7.10.1 Suspected misappropriation

With effect from November 1969, fertilisers could be obtained by the depot holders and co-operative societies against cash payments or *taccavi* loans. It was noticed during test-audit (March 1978) that the District Agricultural Officer, Kangra issued fertilisers valuing Rs. 0.38 lakh to various co-operative societies and Block Development Officers (including fertilisers of Rs. 0.09 lakh to Nurpur Block) on credit, in contravention of rules. Neither acknowledgements from the recipients were obtained nor were the sale proceeds accounted for by District Agricultural Officer, Kangra in respect of issues during 1976-77 to various agencies (Rs. 0.29 lakh). In respect of issues to Nurpur Block (Rs. 0.09 lakh) during 1976-77, neither the stock was accounted for by the recipient nor was the cost thereof deposited in Government accounts. In addition, sale proceeds (1976-77) of fertilisers amounting to Rs. 0.82 lakh, though realised in various blocks in Kangra, had not been credited to the Government (October 1978).

The matter was reported to the Government in August 1978 ; reply is awaited (January 1979).

7.10.2 Extra expenditure

The Food Corporation of India sells fertilisers to the department, f.o.r. destination-nearest rail-head. The department in turn sells the fertilisers at purchase price *plus* distribution margin. During test-check (February 1978) of the accounts of the District Agricultural Officer, Bilaspur, it was noticed that Food Corporation of India wrongly consigned (December 1973) four wagons of fertilisers to Bilaspur in Madhya Pradesh instead of Bilaspur out-agency in Himachal Pradesh. The department got the consignment re-booked (February 1974) to Bilaspur (Himachal Pradesh) after incurring extra expenditure of Rs. 0.51 lakh on freight, etc. Since the supply was on f.o.r. destination basis, the extra expenditure of Rs. 0.51 lakh was to be borne by the Food Corporation of India. The claim for Rs. 0.51 lakh was lodged in March 1974. Final decision is still awaited (January 1979).

7.10.3 Shortages in transit

During test-check (February 1978), it was noticed that out of total 3,330.007 tonnes of fertilisers consigned from various places to Bilaspur through departmental vehicles during 1974-75 and 1975-76 shortage of 20.328 tonnes valuing Rs. 0.21 lakh occurred in transit. This shortage included 18.26 tonnes of fertilisers valuing Rs. 0.19 lakh consigned from Nangal to Kiratpur (distance about 30 kilometres). The District Agricultural Officer stated (July 1978) that the case was under investigation. Final results are awaited (January 1979).

7.11 Food and Supplies Department

7.11.1 Shortages of foodgrains

Two officials of the Co-operative and Supplies Department had been handling foodgrains at Chirgaon and Dodra-Kewar godowns (Simla) on behalf of the District Food and Supplies Controller, Simla since 1st September 1972 even though one Inspector from Food and Supplies Department was posted as incharge of these godowns in September 1975. As per prevalent practice, the stock of foodgrains was to be handled by the officials of the Food and Supplies Department. As per the records of the District Food and Supplies Controller, Simla, 1,538.32 quintals of wheat (valuing Rs. 2.58 lakhs) and 56.55 quintals of rice (valuing Rs. 0.11 lakh) should have been in the stock of these godowns in May 1977. There was no further sale thereafter. Departmental rules provide for physical verification twice (April and October) every year. Neither any monthly stock return was obtained from the concerned official nor was any physical verification conducted by the Food and Supplies Department till May 1977 which was stated to be due to paucity of staff. The District Food and Supplies Controller, Simla reported in November 1977 to the Director, Food and Supplies that there was no stock at these two godowns except some nominal damaged stock mixed with dust at Chirgaon godown. It was stated by the department (May 1978) that the case was reported to Police on 6th April 1978 for further action. Final results are awaited (January 1979).

7.11.2 Shortages of stores

The District Food and Supplies Controller, Simla had been supplying foodgrains since April 1973 on consignment basis to a Co-operative Union at Chopal (Simla) for public distribution. The terms and conditions of the agreement entered into with the Union on 26th September 1974 *inter alia* provided for cash payments for supplying foodgrains. It was stated (May 1978) by the department that consignment facilities were extended due to non-availability of storage accommodation at Chopal.

During physical verification of the stores of the Union, conducted by the Tehsildar on 13th August 1977, shortages (after allowing normal shortages) of 262.15 quintals of wheat and 12.08 quintals of rice valuing Rs. 0.34 lakh were noticed. The department stated (May 1978) that the case for recovery of Rs. 0.18 lakh had been reported to Police and that the remaining shortages (Rs. 0.16 lakh) would be adjusted against the amount of commission due to the Union. Further progress is awaited (January 1979).

CHAPTER VIII

OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

8.1 Outstanding audit observations

Audit observations on financial transactions of the departments are reported to departmental authorities so that appropriate action is taken to rectify the defects and omissions. Half-yearly reports of such observations outstanding for more than six months are also forwarded to the Government to expedite their settlement.

The following table shows the number of audit observations issued upto the end of March 1978 and outstanding at the end of September 1978 as compared with the corresponding position indicated in the two preceding reports :—

	As at the end of September 1976	As at the end of September 1977	As at the end of September 1978
Number of observations ..	15,404	5,025	6,377
Amount involved (Rupees in crores) ..	6.48	4.65	11.93

The substantial increase in the amount of outstanding observations at the end of September 1978 as compared to the position at the end of September 1977 was due mainly to addition of observations relating to wanting payee's receipts and non-receipt of agreements in respect of Agriculture, Public Works and Forest Departments.

The following departments have comparatively heavy outstanding audit observations :—

Serial number	Department	Number	Amount involved (Rupees in lakhs)
1.	Public Works—		
	(a) Buildings and Roads branch	1,871	4,79.45
	(b) Irrigation branch	515	1,26.24
2.	Agriculture	364	2,55.86
3.	Forest	1,825	1,64.23

The following are some of the major reasons for which audit observations are outstanding :—

Serial number	Nature of observation	Number	Amount involved
			(Rupees in lakhs)
1.	Payees' receipts not received	3,432	5,54.64
2.	Excess over reserve stock limit	42	3,71.43
3.	Agreements not received	16	1,26.39

It would be seen that a sizable portion of the total outstandings is due to non-submission of payees' receipts. The departments with comparatively heavy outstandings on this account are :—

Serial number	Department	Amount involved
		(Rupees in lakhs)
1.	Agriculture	2,35.92
2.	Public Works	
	(a) Buildings and Roads branch	67.37
	(b) Irrigation branch	36.14
3.	Forest	91.85

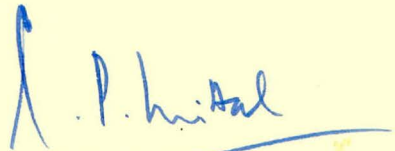
8.2 Outstanding inspection reports

Audit observations on financial irregularities and defects in initial accounts noticed during local audit and not settled on the spot are communicated to the heads of offices and to the next higher departmental authorities through audit inspection reports. The more important irregularities are reported to the heads of departments and the Government. The Government has prescribed that first replies to audit inspection reports should be sent within four weeks.

At the end of September 1978, 4,193 inspection reports issued upto the end of March 1978 still contained unsettled paragraphs as shown below with corresponding figures for the earlier two years :—

	As at the end of September 1976	As at the end of September 1977	As at the end of September 1978
Number of inspection reports with unsettled paragraphs	3,788	3,880	4,193
Number of paragraphs outstanding	18,422	19,943	21,697

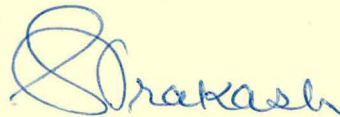
Of the reports outstanding at the end of September 1978, 2,924 reports relate to civil departments, 877 to revenue receipts and 392 to commercial departments. These include 164 inspection reports (69 civil, 71 revenue receipts and 24 commercial) to which even first replies had not been received.



(C. P. MITTAL)
Accountant General,
Himachal Pradesh and Chandigarh

Simla,
The 24th March, 1979.

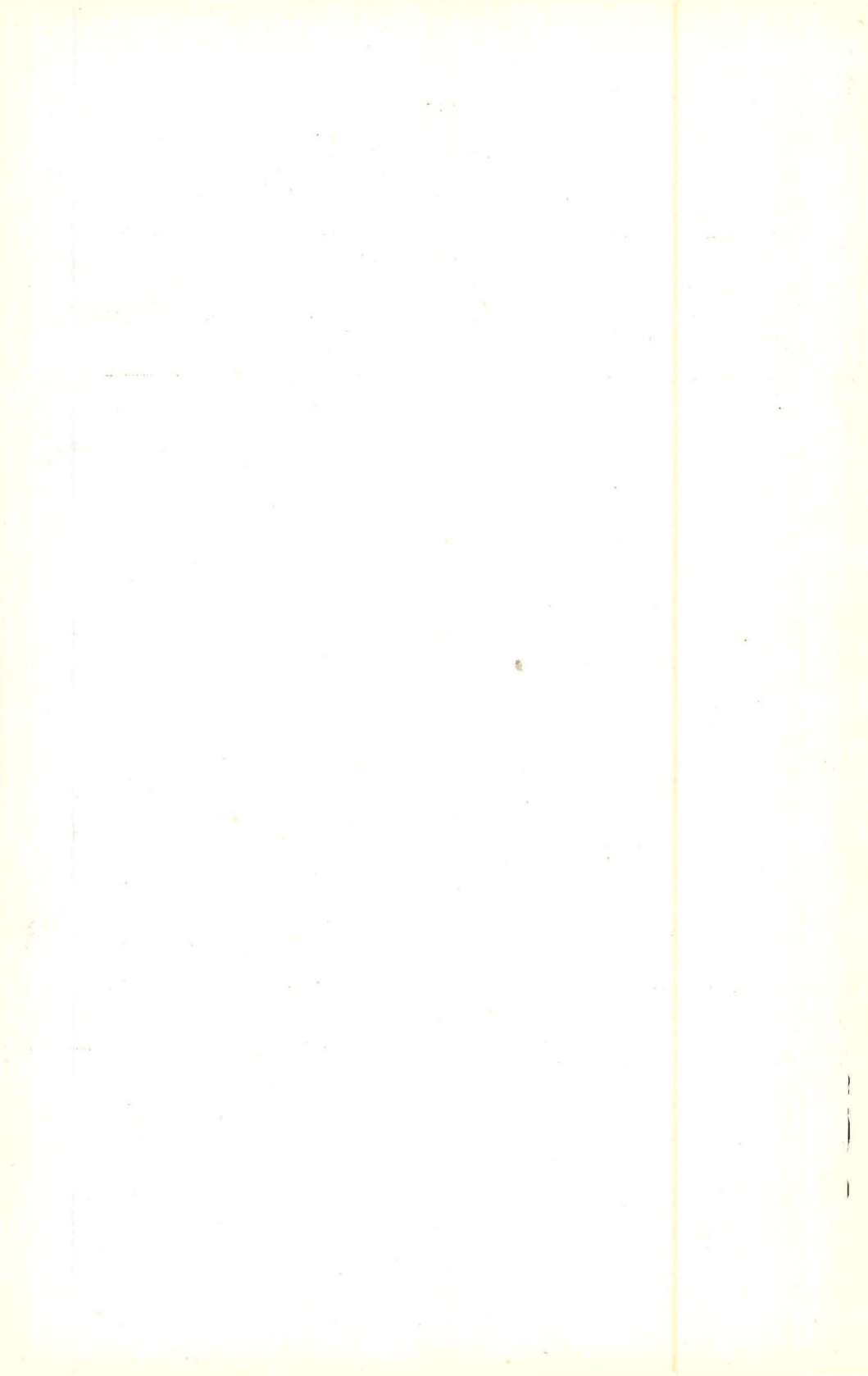
Countersigned



(GIAN PRAKASH)

New Delhi,
The 28th March 1979.
Comptroller and Auditor General of India

APPENDICES



APPENDIX I

(Reference : paragraph 2.4 page 27)

Cases in which savings (Rupees two lakhs or more in each case) exceeded ten per cent of the total provision

Serial number	Number and name of grant	Total provision	Expenditure	Saving	Percentage
1	2	3	4	5	6
(Rupees in lakhs)					
I — Cases in which savings were more than 20 per cent of the total provision					
1.	23—Food and Nutrition	8,21.43	2,90.99	5,30.44	65
2.	25—Irrigation, Navigation, Drainage and Flood Control	2,35.19	1,81.52	53.67	23
3.	26—Stationery and Printing	60.93	42.36	18.57	30
II — Cases in which savings were more than 10 per cent but less than 20 per cent of the total provision					
1.	2—Governor and Council of Ministers	23.80	20.83	2.97	12
2.	10—Public Works	19,47.25	16,16.88	3,30.37	17
3.	11—Agriculture	10,71.66	8,76.15	1,95.51	18
4.	13—Soil and Water Conservation	2,80.56	2,48.97	31.59	11
5.	14—Animal Husbandry and Dairy Development	4,43.70	3,85.89	57.81	13
6.	15—Fisheries	23.12	19.84	3.28	14
7.	33—Finance	3,11.32	2,75.68	35.64	11

APPENDIX II

(Reference : paragraph 2.5 page 27)

Drawal of funds in advance of requirements

Office	Month of drawal from the treasury	Amount drawn	Remarks
1	2	3	4
		(Rupees in lakhs)	
Education Department			
Deputy District Education Officer, Kangra at Dharamsala	March 1977	2.77	The amount, drawn for purchase of jute matting, was lying unutilised in the shape of a bank draft in favour of a firm as the material due to be received by 25th March 1977 had not been received (February 1978). Further developments are awaited (January 1979).
District Education Officer, Hamirpur	March 1977	1.04	The amount (Rs. 0.80 lakh and Rs. 0.24 lakh) was drawn on receipt of advance bills from a firm against a supply order, for 30,300 metres of jute matting, placed (March 1977) with it. Against the demand, 6,600 metres of jute matting (value : Rs. 0.22 lakh) supplied (August 1977) by the firm were found below specification. Its replacement was awaited (March 1978). Rupees 0.01 lakh were spent on transportation of the material. An amount of Rs. 0.01 lakh was also refunded (August 1977) into the treasury. The balance quantity of 23,700 metres of jute matting had not been supplied (March 1978). Unutilised amount of Rs. 0.80 lakh was lying with the District Education Officer.

Medical Department

Chief Medical Officer, Solan March 1978 1.42 The amount drawn for the purchase of mattress (Rs. 0.03 lakh), bed sheets (Rs. 0.03 lakh), X-ray plant (Rs. 1.22 lakhs) and its installation charges (Rs. 0.14 lakh) was lying unutilised (June 1978).

Rural Integrated Development Department

Block Development Officer,
Mashobra (Simla District) March 1975 to
March 1978 0.42 The amount was lying (May 1978) in the personal ledger account of Panchayat Samiti (Rs. 0.21 lakh), in the banks (Rs. 0.11 lakh) and post office (Rs. 0.10 lakh).

Block Development Officer,
Gagret (Una District) March 1974 0.25 The amount drawn (on the basis of budget allotment for the construction of irrigation *kuhl* Joh, without obtaining expenditure sanction, was transferred (March 1974) to the personal ledger account of the Panchayat Samiti. Work has not yet been started (April 1978) for want of public contribution.

The Government stated (September 1978) that the Block Development Officer had been directed to refund the amount and that suitable action would be taken against him after looking into the matter regarding delay in utilisation of funds.

Block Development Officer,
Bijhari (Hamirpur District) March 1975
March 1976 0.10
0.09 The amount was drawn for construction of Gram Sewak Hut, Saloni. The work was awarded (September 1974) to a contractor with the stipulation that it should be completed by March 1975. After incurring an expenditure of Rs. 0.04 lakh, the work was suspended (April 1975) by the contractor. No reasons for suspending the work were on record.

Block Development Officer,
Bajjnath (Kangra District)

March 1976

0-17

The amount drawn for the remodelling of Gawal kuhl was refunded into the treasury in April 1978 due to non-receipt of public contribution.

Public Relations Department
Director, Public Relations

March 1977

0-91

Sanction for the purchase of twenty-six television sets with accessories was accorded by the Government in January 1977 and accordingly a supply order was placed by the Director of Public Relations, Himachal Pradesh, with a firm in the same month with the stipulation that the sets and the accessories should be supplied by March 1977, to which the firm agreed. Inspection of the sets on 30th March 1977 revealed that the sets could function properly provided tuner of a new kind was fitted to each set. The sets were allowed to remain with the firm for modification. The amount drawn from the treasury was converted into a bank draft in favour of the firm. Though the sets were not actually received, entries for their receipt were made (March 1977) in the stock register. In August 1977, the Government decided that the sets, even if received, should be returned to the firm. The department thereupon sought (August 1977) permission of the Government to refund the amount into the treasury and strike out the stock entries.

The Government stated (May 1978) that the Director, Public Relations had wrongly made entries in the stock register which had since been scored out and that the amount was refunded into the treasury in March 1978.

Agriculture Department

Indo-German Agricultural Project, Kangra	March 1974	0-31	Due to non-receipt of insecticides the amount was refunded into the treasury in May 1975.
Deputy Director of Agriculture, Solan	March 1978	0-25	The amounts drawn for the purchase of storage bins (Rs. 0.18 lakh) and exhibition set (Rs. 0.07 lakh) were lying unutilised (June 1978).

Welfare Department

Block Development Officer, Pooh (Kinnaur District)	February 1974 March 1974	0-40 0-05	The amount was paid to the Panchayat in two instalments (February 1974 : Rs. 0.40 lakh and March 1974 : Rs. 0.05 lakh) for construction of a pipe line irrigation <i>kuhl</i> in the Pooh Block. Rupees 0.43 lakh were stated to have been sent to a firm by the Panchayat for the purchase of pipes, which were not supplied (August 1978). The work had not been started (August 1978).
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Co-operative Department

District Co-operative and Supplies Officer, Simla	March 1976	0-27	The amount (loan : Rs. 0.11 lakh and subsidy : Rs. 0.16 lakh) drawn for payment of grant to the Himachal Pradesh State Co-operative and Marketing Federation Limited, Simla for the construction of godown was refunded (February 1978) into the treasury as the Federation could not acquire land for the purpose.
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APPENDIX III

(Reference : paragraph 3.10 page 70)

Details of incomplete/abandoned/damaged works

Serial number	Block	Name of the work	Amount drawn (Rupees in lakhs)	When drawn	Expenditure-incurred (Rupees in lakhs)	Remarks
1.	Bijhari (Hamirpur District)	(a) Construction of Bijhari-Dhangota road (estimated cost : Rs. 1.21 lakhs)	0.60	March 1973	1.04	The road was completed upto RD/5900 by June 1976 after spending Rs. 1.04 lakhs. Works on the remaining reach of RD/5900 to RD/6700 has not been resumed for want of funds. The matter was reported to the Government in April 1978 ; reply is awaited (January 1979).
			0.46	March 1974		
		(b) Construction of office building at Bijhari	0.30	March 1972	0.49	
0.25	March 1973					
0.15	March 1974					

2.	Mashobra (Simla District)	Construction of irrigation <i>Kuhl</i> , Patta-Patshal (esti- mated cost : Rs. 0.47 lakh)	0.41	Not known
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The work had not been started (April 1978). The material (value : Rs. 0.46 lakh) has not been utilised and the balance amount of Rs. 0.21 lakh was lying unutilised in the personal ledger account of the Panchayat Samiti (April 1978).

0.32 The amount drawn by the Block Development Officer, Kandaghat (the then Mahasu District) for the work (sanctioned during the year 1972 by the Development Commissioner, Himachal Pradesh) was transferred to the Block Development Officer, Mashobra (Simla District) during May 1973 for execution of the scheme as the area fell under the jurisdiction of Mashobra Block on reorganisation of districts of Himachal Pradesh. The work awarded (March 1973) to a contractor with stipulation to complete it by September 1973 was not started and was later withdrawn in June 1975 due to the death of the contractor. The work awarded (October 1975) to another contractor with stipulation to complete it by January 1976 was suspended (March 1976) after incurring expenditure of Rs. 0.32 lakh due to non-receipt of public contribution. The work had not been resumed and balance amount of Rs. 0.09 lakh was lying unutilised (May 1978) in the Himachal Pradesh Co-operative Bank.

3. Drang (Mandi District) Construction of irrigation *Kuhl*, Ropa (estimated cost : Rs. 0.23 lakh)

0.20

..

0.18

The Government stated (October 1978) that a notice was served on the contractor to complete the work but the contractor was not showing any interest. The Block Development Officer was being directed to take action against the contractor under the penalty clause of the agreement and execute the remaining work departmentally at the risk and cost of the contractor.

Government accorded sanction (March 1975) for incurring expenditure of Rs. 0.20 lakh on the construction of an irrigation *kuhl* at Ropa in Gram Panchayat, Silhbadhwani (Mandi District) which was expected to irrigate 300 acres of land. The work awarded to a contractor in March 1975 was completed in August 1975 after incurring an expenditure of Rs. 0.18 lakh. The Block Development Officer, Drang (Mandi District) inspected the *kuhl* (November 1975) and reported that the entire construction was faulty and the *kuhl* was dry. The Assistant Engineer stated (January 1976) that instead of cement as provided in the original estimate, lime mortar which could not have settled at high altitude was used for construction work and as a result the *kuhl* was damaged in rains. A length of the *kuhl* which crossed the village path was damaged by

4. Gagret
(Una District)

Construction of two
rooms (estimated
cost : Rs. 0.15 lakh)

0.15 March
1975

0.15

cattle. The contractor agreed (November 1976) to have the *kuhl* repaired departmentally at his cost. However, no action had been taken (August 1977) for repairing the damaged *kuhl*.

The work awarded (May 1975) to a contractor was to be completed by November 1975. After incurring an expenditure of Rs. 0.15 lakh by November 1975, the contractor refused to complete the work due to an additional room being included in the estimate by the Executive Engineer, Panchayati Raj. In August 1977, the estimate was revised to Rs. 0.27 lakh due to increase in the cost of material but the revised administrative approval and expenditure sanction were awaited (April 1978). The work had not been resumed (July 1978). The Government stated (August 1978) that the contractor started work on three rooms instead of two originally assigned, that he did not execute revised agreement and that he could not be forced to complete the entire work for want of revised agreement ; the left out items will now be executed departmentally. Case for the revised administrative approval of Rs. 0.27 lakh was stated to be under consideration.

APPENDIX IV

(Reference : paragraph 3.13 page 78)

Misappropriations and defalcations reported upto 31st March 1978 and outstanding on 30th November 1978

(Amount in lakhs of rupees)

Serial Number	Department	Upto 1974-75		During 1975-76		During 1976-77		During 1977-78		Total	
		Num-ber	Amount	Num-ber	Amount	Number	Amount	Number	Amount	Num-ber	Amount
1	2	3	4	5	6	7	8	9	10	11	12
1.	Public Works	49	21.40	6	0.85	14	24.25	6	1.37	75	47.87
2.	Forest	3	0.89	2	0.14	2	0.80	2	0.26	9	2.09
3.	Agriculture	..	..	..	..	..	..	1	1.64	1	1.64
4.	Food and Supplies	1	0.52	..	..	..	..	..	..	1	0.52
5.	Finance (Treasuries and Accounts Organisation)	2	0.25	..	..	..	..	1	0.26	3	0.51
6.	Education	3	0.22	1	*	2	0.24	..	..	6**	0.46
7.	Health and Family Welfare	5	0.33	..	..	..	..	..	..	5	0.33
8.	Governor's Secretariat	1	0.26	..	..	..	..	..	..	1	0.26
9.	Welfare	5	0.25	..	..	..	..	..	..	5	0.25

10. Rural Integrated Development	1	0·18	..	..	..	..	..	..	1	0·18
11. Revenue	1	0·13	..	..	..	..	..	..	1	0·13
12. Home Guards	1	0·09	..	..	..	..	..	..	1	0·09
13. Labour and Employment	1	0·07	..	..	..	..	..	..	1	0·07
14. Animal Husbandry	1	0·04	..	..	..	..	..	..	1	0·04
15. Public Relations	1	0·03	..	..	..	..	..	..	1	0·03
16. General Administration	1	***	..	..	..	..	..	..	1	***
Total	76	24·66	9	0·99	18	25·29	10	3·53	113	54·47

*Rupees 327 only.

** Amount of one case not known.

*** Rupees fifty only.

APPENDIX V

(Reference : paragraph 3.13 page 78)

Outstanding cases (30th November 1978) of misappropriations, defalcations, etc., and the stage at which they are pending

(Amount in lakhs of rupees)

Serial No.	Department	Awaiting completion of criminal investigation		Awaiting completion of departmental investigation		Pending in courts of law		Investigation completed but orders of write off/recovery pending		Orders of recovery issued but recovery pending		Other reasons		Total	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1.	Public Works	7	0.69	33	27.49	3	12.34	30	6.99	2	0.36	..	..	75	47.87
2.	Forest	1	0.08	2	0.24	1	0.13	3	0.88	..	..	2	0.76	9	2.09
3.	Agriculture	1	1.64	..	..	..	..	..	..	..	..	..	..	1	1.64
4.	Food and Supplies	1	0.52	..	..	..	..	..	..	..	..	..	..	1	0.52
5.	Finance (Treasuries and Accounts Organisation)	..	..	1	0.26	2	0.25	..	..	..	..	..	..	3	0.51
6.	Education	1	0.24	1	0.07	4*	0.15	..	..	..	..	..	..	6	0.46

*Amount of one case not known.

7. Health and Family Welfare	1	0·07	2	0·11	1	0·05	..	..	1	0·10	..	..	5	0·33
8. Governor's Secretariat	..	..	..	..	1	0·26	..	..	..	..	..	..	1	0·26
9. Welfare	..	..	3	0·18	2	0·07	..	..	..	..	..	..	5	0·25
10. Rural Integrated Development	..	..	..	..	1	0·18	..	..	..	..	..	..	1	0·18
11. Revenue	..	..	..	..	..	..	..	..	..	..	1	0·13	1	0·13
12. Home Guards	..	..	..	..	..	..	..	..	1	0·09	..	..	1	0·09
13. Labour and Employment	..	..	..	..	1	0·07	..	..	..	..	..	..	1	0·07
14. Animal Husbandry	..	..	..	..	1	0·04	..	..	..	..	..	..	1	0·04
15. Public Relations	..	..	..	..	..	..	..	..	1	0·03	..	..	1	0·03
16. General Administration	..	..	..	..	1	*	..	..	..	..	..	..	1	*
Total	12	3·24	42	28·35	18	13·54	33	7·87	5	0·58	3	0·89	113	54·47

*Rupees fifty only.

APPENDIX VI

(Reference : paragraph 4.12 page 101)

Details of incomplete/abandoned road works

Division	Work	Date of administrative approval	Stipulated date of completion	Date of commencement of work	Sanctioned estimated cost	Expenditure incurred	Remarks
1	2	3	4	5	6	7	8
Sundernagar	(a) Survey and cutting of four feet track of Baggi-Dyargi-Jaidevi road	February 1970	Six months	July 1971	0.21	2.56 (upto October 1978)	Expenditure of Rs. 1.00 lakh was incurred upto July 1977 on track cutting (Rs. 0.28 lakh) and widening (Rs. 0.72 lakh). The work could not proceed thereafter due to non-acquisition of land in a length of 4.8 kilometres, proceedings for which had not been initiated till August 1977. The Executive Engineer, Sundernagar Division intimated in November 1978 that land acquisition proceedings had since been completed in March 1978 and compensation had been paid. An expenditure of Rs. 0.02 lakh only was incurred during 1978-79 (upto October 1978).
	(b) Acquisition of land for Baggi-Jaidevi road	January 1971	..	..	0.17		
	(c) Widening from four feet track to 5 metres wide Baggi-Dyargi road	December 1973	..	June 1974	7.65		
Palampur	Chobin-Bhallana road (kilometres 0 to 5)	December 1970	Three years	March 1971	8.62	2.08 (upto 1977-78)	Only three kilometres of road (one and a half kilometres from each end) were widened to motorable width upto March 1974, besides cutting four feet wide track in another one and a half kilometres. Thereafter the works are at a standstill (December 1977).
	Ditto (kilometres 5 to 9)	November 1971	Two years	February 1972			

The Government stated (August 1978) that the work in both the reaches could not be completed within the stipulated period due to inadequacy of funds. Till the end of March 1978, formation had been completed in the portions of kilometres 0/0 to 1/500 (reach : kilometres 0/0 to 5/0) and kilometres 7/500 to 9/0 (reach : kilometres 5/0 to 9/0).

Karsog	Kilodhar-Chhatri road kilometres 15/0 to 20/0	February 1971	One year	May 1973	8.05	1.76 (upto March 1978)
	Pandhar-Tattapani road kilometres 1/0 to 6/0	March 1971	Two years	March 1972	6.63	0.43 (upto March 1978)
	Jachh-Pressi road mile 5/0 to 10/0	March 1973	One and half year	October 1972	8.05	1.63 (upto March 1978)
Kulu- I	Survey and cutting of a 1.22 metre wide track for 25.5 kilometres along Sainj-Shangar road	November 1971	Two years	November 1971	1.10	0.37 (upto March 1976)

The works were lying incomplete reportedly for want of funds (April 1978).

Out of budget provision of Rs. 1.45 lakhs (Rs. 0.50 lakh in 1971-72, Rs. 0.20 lakh in 1972-73, Rs. 0.50 lakh in 1973-74, Rs. 0.25 lakh in 1974-75 and Rs. 500 in 1975-76) made for the work a sum of Rs. 0.86 lakh was reappropriated for other works and against the remaining budget

provision of Rs. 0.59 lakh, the total expenditure incurred for track cutting over a length of 12.2 kilometres was Rs. 0.37 lakh. No further progress was made during 1976-77 and 1977-78 reportedly for want of budget provision.

Kinnaur Survey and February One 1971-72 2.27 1.84
cutting of a 1972 year
1.22 metre
wide track
from Chaura
to Rupj (upto
May
1977)

Work was started in anticipation of technical sanction, which was still awaited (February 1978). The cutting of the track was completed from kilometres 0/0 to 9/5 till May 1974. The work has been at a standstill since then. Expenditure of Rs. 0.17 lakh was incurred during 1975-76 to May 1977 on payment of compensation (Rs. 0.14 lakh) under the Workmen's Compensation Act and pay and allowances of a Surveyor (Rs. 0.03 lakh).

Rampur Survey and February One 1972-73 1.56 1.20
cutting of a 1977 year
1.22 metre
wide track
for 48.5
kilometres
long Wazir-
Bowli-Sarpara
road (upto
1975)

The work was started without obtaining administrative approval and technical sanction. The work has been at a standstill since March 1975 due to objections from owners of land through which road was to pass and due to vertical rocky portion in some reaches. There are as many as 62 missing links between kilometres 4/8 and 34/8.

APPENDIX VII

(Reference: paragraph 7.2 page 139)

Summarised financial results of Statutory Corporations

Serial No.	Name of the Corporation/ Board	Name of the department	Date of incorporation	Period of accounts	Total capital invested	Profit(+) Loss(-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14
(Rupees in lakhs)													
1	Himachal Pradesh State Electricity Board	Multi-purpose Projects and Power	1st September 1971	1977-78	82,27.27	(-)1,30.34	1,30.34	1,30.34	..	..	19,73.29	..	..
2	Himachal Pradesh Financial Corporation	Industries	1st April 1967	1977-78	..	(+)28.25	36.89	..	..	..	7,25.60	(+)65.14	8.98
3	Himachal Road Transport Corporation	Transport	2nd September 1974	1975-76	6,20.05	(-)1,02.78	30.39	30.39	(-)72.39	..	4,09.23	(-)72.39	..

Notes.— (i) Capital invested represents paid up capital plus long term loans plus free reserves.

(ii) Capital employed in respect of Himachal Pradesh Financial Corporation represents the mean of the opening and closing balances of paid-up capital, reserves (other than those which had been founded specifically and backed by investments outside), borrowings (including refinance) and deposits. In the other two cases, it represents net fixed assets (excluding capital-work-in-progress) plus working capital.

APPENDIX VIII

(Reference : paragraph 7.5 page 153)

Summarised financial results of Government Companies

Serial No.	Name of the Company	Name of the department	Date of incorporation	Period of accounts	Total capital invested	Profit(+) Loss(-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14
(Rupees in lakhs)													
1.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	10th June 1974	1976-77	1,43.32	(+)6.99	0.09	..	(+)6.99	4.88	1,36.98	(+)7.08	5.16
2.	Himachal Pradesh Tourism Development Corporation Limited	Tourism	1st September 1972	1975-76	58.63	(-)11.81	..	..	(-)11.81	..	20.90	(-)11.81	..
3.	Himachal Pradesh Mineral and Industrial Development Corporation Limited	Industries	25th November 1966	1976-77	2,55.91	(+)4.27	6.53	3.14	(+)7.41	2.89	2,43.35	(+)10.80	4.43
4.	Himachal Pradesh State Small Industries and Export Corporation Limited	Industries	20th October 1966	1976-77	98.64	(-)2.87	1.16	0.89	(-)1.98	..	98.27	(-)1.71	..
5.	Himalaya Fertilisers Limited	Industries	23rd November 1972	1976-77	64.53	(-)11.94	10.47	3.01	(-)8.93	..	70.13	(-)1.47	..

6. Himachal Wool Processors Limited	Industries	11th October 1974	1976-77	1,14.88	(—)10.53	5.93	..	(—)10.53	..	91.94	(—)4.60	..
7. Himachal Pradesh State Handicrafts and Handloom Corporation Limited, Simla	Industries	30th March 1974	1975-76	24.08	(—)0.38	0.17	..	(—)0.38	..	23.42	(—)0.21	..
8. Himachal Pradesh Agro-Industries Corporation Limited, Simla	Horticulture	24th September, 1970	1977-78	3,85.47	(+)9.07	0.06	..	(+)9.07	2.3	2,10.02	9.13	4.3
9. Himachal Pradesh State Forest Corporation Limited, Simla	Forest	25th March, 1974	1975-76	64.00	(—)29.01	..	..	(—)29.01	..	30.26	(—)29.01	..

Notes.—(i) Capital invested represents paid-up capital *plus* long term loans *plus* free reserves.

(ii) Capital employed represents net fixed assets (excluding capital work-in-progress) *plus* working capital.

