

*Epitome
of the
CAG's
Reports
on the
Government of
Himachal Pradesh
for
the year ended
March 2006*



Preface

This brochure presents, at a glance, the important contents of the Audit Reports (Civil, Commercial and Revenue Receipts) of the Comptroller and Auditor General of India relating to the Government of Himachal Pradesh for the year ended 31 March 2006. These Reports contain major findings of audit of financial transactions of Government of Himachal Pradesh, Government companies and statutory corporations. Other audit observations, which are not contained in these Audit Reports are pursued for their settlement with the respective Controlling Officers and Heads of Offices.

In accordance with Article 151 of the Constitution, the Comptroller and Auditor General of India forwards his Audit Reports on the accounts as well as on the points noticed during audit of financial transactions of the State Government to the Governor, who causes them to be laid on the table of the Vidhan Sabha.

The Reports of the Comptroller and Auditor General of India on the transactions of the State Government presented to the Vidhan Sabha stand referred to the Public Accounts Committee (PAC) in respect of Civil and Revenue Receipts and the Committee on Public Undertakings (COPU) in respect of Commercial Chapter. The Government departments are to submit *suo motu* Action Taken Notes on all Audit Paragraphs and Reviews to the Committees, duly vetted by Audit. The Committees select some of the paragraphs/reviews for detailed examination after which a report containing their observations and recommendations is presented to the Vidhan Sabha.

The drafts of the paragraphs/reviews included in the Audit Reports are always forwarded to the Secretary of the concerned Department for his comments so that the views of the Government are incorporated in the Audit Reports before their presentation to the Vidhan Sabha. Finance Department has prescribed that the draft paragraphs should be disposed of as expeditiously as possible and the comments of the concerned Department intimated to Audit within a period not exceeding six weeks. In a large number of cases, however, the Departments did not abide by the provision of furnishing the comments on the draft paragraphs within the stipulated time.

This brochure contains only a summarised version of the more important issues included in the Audit Reports. While it has been our endeavour to keep the contents of this document as close to the original Reports as possible, the original Reports ought to be referred to for authentic facts and figures. The names and telephone numbers of the Officers who can be contacted for any clarification in respect of Audit Reports are on the inner page of the back cover of this publication.

Contents

Serial number	Audit Report	Page number
1.	Civil and Commercial Volume-I	1
2.	Civil and Commercial Volume-II	14
3.	Revenue Receipts	21

Time Series Data on State Government Finances

(Rupees in crore)

		2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
1.		2.	3.	4.	5.	6.	7.
Part A. Receipts							
1.	Revenue Receipts	3,046	3,716	3,659	3,981	4,635	6,559
(i)	Tax Revenue	729 (24)	916 (25)	890 (24)	984 (25)	1,252 (27)	1,497 (23)
	Taxes on Sales, Trade, etc.	302 (41)	355 (39)	383 (43)	437 (44)	542 (43)	727 (49)
	State Excise	209 (29)	236 (26)	274 (31)	280 (29)	300 (24)	329 (22)
	Taxes on vehicles	61 (8)	133 (14)	82 (9)	78 (8)	108 (9)	102 (7)
	Stamps and Registration fees	29 (4)	34 (4)	37 (4)	52 (5)	75 (6)	82 (5)
	Taxes and duties on Electricity	28 (4)	8 (1)	--*	17 (2)	88 (7)	89 (6)
	Land Revenue	4 (1)	52 (5)	5 (1)	1 (-)	3 (-)	1 (-)
	Taxes on Goods and Passengers	43 (6)	34 (4)	32 (3)	34 (3)	38 (3)	43 (3)
	Other Taxes and Duties on Commodities and Services	53 (7)	64 (7)	77 (9)	85 (9)	98 (8)	124 (8)
(ii)	Non-Tax Revenue	177 (6)	198 (6)	175 (5)	292 (7)	611 (13)	690 (11)
(iii)	State's share in Union taxes and duties	330 (11)	325 (9)	346 (10)	450 (11)	537 (12)	493 (7)
(iv)	Grants-in-aid from Government of India	1810 (59)	2,277 (60)	2,248 (61)	2,255 (57)	2,235 (48)	3,879 (59)
2.	Misc. Capital Receipts	--	--	--	--	--	--
3.	Total revenue and Non-debt capital receipts (1+2)	3,046	3,716	3,659	3,981	4,635	6,559
4.	Recovery of Loans and Advances	27	29	29	28	26	22
5.	Public Debt Receipts	1,557	1,588	2,199	3,762	2,677	1,781
	Internal Debt (excluding Ways and Means Advances and Overdraft)	1,227 (79)	1,465 (92)	2,053 (93)	3,473 (92)	2,444 (91)	1,753 (98)
	Net transactions under Ways and Means Advances and Overdraft	--	--	--	--	--	--
	Loans and Advances from Government of India*	330 (21)	123 (8)	146 (7)	289 (8)	233 (9)	28 (2)
6.	Total receipts in the Consolidated Fund (3+4+5)	4,630	5,333	5,887	7,771	7,338	8,362
7.	Contingency Fund Receipts	--	--	--	--	--	--
8.	Public Account receipts	3,878	3,733	4,156	5,033	5,030	4,933
9.	Total receipts of the State (6+7+8)	8,508	9,066	10,043	12,804	12,368	13,295
Part B. Expenditure/Disbursement							
10.	Revenue expenditure	4,329	4,576	5,141	5,588	5,793	6,466
	Plan	1,282 (30)	1,202 (26)	1,386 (27)	840 (15)	978 (17)	1,182 (18)
	Non-Plan	3,047 (70)	3,374 (74)	3,755 (73)	4,748 (85)	4,815 (83)	5,284 (82)
	General Services (including interest payments)	1,614 (37)	1,942 (42)	2,131 (42)	2,483 (44)	2,723 (47)	2,818 (43)
	Social Services	1,561 (36)	1,543 (34)	1,609 (31)	1,933 (35)	1,890 (33)	2,309 (36)
	Economic Services	1,134 (26)	1,070 (23)	1,346 (26)	1,169 (21)	1,177 (20)	1,333 (21)
	Grants-in-aid and Contributions	20 (1)	21 (1)	55 (1)	3 (-)	3 (-)	6 (-)
11.	Capital Expenditure	549	650	860	785	654	821
	Plan	554 (100)	650 (100)	862 (100)	781 (100)	630 (96)	820 (100)
	Non-Plan	(-) 5	--	(-) 2	(-) 4	24 (4)	1 (-)
	General Services	19 (3)	8 (1)	11 (1)	23 (3)	30 (5)	52 (6)
	Social Services	228 (42)	270 (42)	244 (28)	304 (39)	330 (50)	369 (45)
	Economic Services	302 (55)	372 (57)	605 (71)	458 (58)	294 (45)	400 (49)

* Rs 25 lakh only.

	1.	2.	3.	4.	5.	6.	7.
12.	Disbursement of Loans and Advances	40	30	28	20	24	14
13.	Total (10+11+12)	4,918	5,256	6,029	6,393	6,471	7,301
14.	Repayment of Public Debt	414	164	684	1,855	1,659	1,308
	Internal Debt (excluding Ways and Means Advances and Overdraft)	47 (11)	88 (54)	146 (21)	763 (41)	581 (35)	1219 (93)
	Net Transactions under Ways and Means Advances and Overdraft	17 (4)	(-) 249 (-)(-152)	97 (14)	152 (8)	95 (6)	23 (2)
	Loans and Advances from Government of India [@]	350 (85)	325 (198)	441 (65)	940 (51)	983 (59)	66 (5)
15.	Appropriation to Contingency Fund	--	--	--	--	--	--
16.	Total disbursement out of Consolidated Fund (13+14+15)	5,332	5,420	6,713	8,248	8,130	8,609
17.	Contingency Fund disbursements	--	--	--	--	--	--
18.	Public Account disbursements	3,164	3,546	3,462	4,789	4,027	4,387
19.	Total disbursement by the State (16+17+18)	8,496	8,966	10,175	13,037	12,157	12,996
Part C. Deficits							
20.	Revenue Deficit (-)/surplus (+) (1-10)	(-) 1,283	(-) 860	(-) 1,482	(-) 1,607	(-) 1,158	(+) 93
21.	Fiscal Deficit (3+4-13)	(-) 1,845	(-) 1,511	(-) 2,341	(-) 2,384	(-) 1,810	(-) 720
22.	Primary Deficit (-)/surplus (+) (21-23)	(-) 1,047	(-) 469	(-) 1,169	(-) 911	(-) 169	(+) 843
Part D. Other data							
23.	Interest Payments (included in revenue expenditure)	798	1,042	1,172	1,473	1,641	1,563
24.	Arrears of Revenue ^φ (Percentage of Tax and non-tax Revenue Receipts)	261 (29)	264 (20)	181 (14)	405 (32)	365 (20)	397 (18)
25.	Financial Assistance to local bodies, etc.	213	169	186	273	275	380
26.	Ways and Means Advances and Overdraft availed (days)	185	300	271	250	120	13
27.	Interest on WMA and Overdraft	4.96	9.16	7.65	7.13	2.34	0.32
28.	Gross State Domestic Product (GSDP)**	13,590	14,969	16,235	18,062	20,093	22,386
29.	Outstanding Debt (year end)	8,621	10,220	12,393	14,437	16,533	17,432
30.	Outstanding guarantees (year end)	3,804	4,418	4,503	4,682	4,751	3,587
31.	Maximum amount guaranteed (year end)	4,268	5,112	5,436	6,144	6,409	5,526
32.	Number of incomplete projects	17	3	8	14	39	15
33.	Capital blocked in incomplete projects	30	4	17	46	58	25

Note: Figures in brackets represent percentages (rounded) to total of each sub heading.

[@] Includes Ways and Means Advances from Government of India.

^φ Source: Paragraph 1.6 of Audit Report (Revenue Receipts) of 2005-2006.

^{**} Source for GSDP figures: Economics and Statistics Department, Government of Himachal Pradesh. Figures for the years 2002-2003, 2003-2004 and 2004-2005 have been revised by the State Government and figures for the year 2005-2006 are 'advance estimates' supplied by the State Government.

Summary of Finance Accounts

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-2006		
Section-A: Revenue							
					Non-Plan	Plan	Total
4,634.51	I. Revenue Receipts	6,558.63	5,792.93	I. Revenue Expenditure	5,283.85	1,182.31	6,466.16
1,251.89	Tax revenue	1,497.02	2,722.58	General Services	2,799.79	18.29	2818.08
610.77	Non-tax revenue	689.68	1,890.49	Social Services	1,642.87	665.64	2,308.51
537.32	Share of Union Taxes/Duties	493.26	1,176.99	Economic Services	835.00	498.38	1,333.38
2,234.53	Grants from Government of India	3,878.67	2.87	Grants-in-aid/ Contributions	6.19	--	6.19
Section-B: Capital							
---	II. Miscellaneous Capital Receipts		653.98	II. Capital Outlay	1.33	819.43	820.76
25.79	III. Recoveries of Loans and Advances	21.97	23.78	III. Loans and Advances disbursed	0.62	13.51	14.13
2,676.92	IV. Public debt receipts	1,781.47	1,659.22	IV. Repayment of Public Debt*	--	--	1,308.03
--	V. Contingency Fund	--	--	V. Contingency Fund	--	--	--
5,029.65	VI. Public account receipts	4,933.39	4,026.94	VI. Public account disbursements	--	--	4,386.69
(-) 318.45	Opening Balance	(-) 108.43	(-) 108.43	Closing Balance	--	--	191.26
12,048.42	Total:	13,187.03	12,048.42	Total:			13,187.03

Summary of Appropriation Accounts

(Rupees in crore)

		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure **	Saving (-)/ Excess (+)
Voted	I Revenue	4,378.90	676.28	5,055.18	5,401.43	(+) 346.25
	II Capital	679.63	223.85	903.48	904.38	(+) 0.90
	III Loans and Advances	35.68	1.36	37.04	14.13	(-) 22.91
Total Voted		5,094.21	901.49	5,995.70	6,319.94	(+) 324.24
Charged	IV Revenue	1,734.93	42.53	1,777.46	1,575.84	(-) 201.62
	V Capital	3.00	11.26	14.26	6.39	(-) 7.87
	VI Public Debt	928.71	476.11	1,404.82	1,540.81 ^S	(+) 135.99
Total Charged		2,666.64	529.90	3,196.54	3,123.04	(-) 73.50
Grand Total		7,760.85	1,431.39	9,192.24	9,442.98	(+) 250.74

* Excluding Ways and Means Advances and Overdraft.

** These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz., Revenue expenditure: Rs 511.12 crore; Capital expenditure: Rs 90.01 crore.

^S Includes Rs 255.27 crore on account of repayment of normal Ways and Means Advances obtained from Reserve Bank of India.

AUDIT REPORT (CIVIL AND COMMERCIAL) VOLUME-I

This Report contains (i) observations on the Finance Accounts and Appropriation Accounts of the Government of Himachal Pradesh for the year 2005-2006, (ii) seven performance reviews on “*Sarva Shiksha Abhiyan*”, “Sewerage schemes”, “Food security, subsidy and management of foodgrains”, “National Parks including wildlife preservation”, “*Sampoorna Grameen Rozgar Yojna*”, “Old Age/Widow Pension scheme” and “Internal control system of Horticulture Department” and paragraphs on matters arising from test-audit of transactions and accounts of the Government of Himachal Pradesh

Highlights:

- The State Government is heavily dependent upon Government of India as grants-in-aid and central tax transfers constituted 67 per cent of the revenue receipts of the State Government.
- Fiscal liabilities of the State Government increased by 102 per cent in 2005-2006 as compared to 2000-2001.
- Expenditure on General Services and interest payments, considered as non-developmental, accounted for 39.31 per cent of the total expenditure of the State during 2005-2006. Interest payments alone accounted for 24.17 per cent of the revenue expenditure during 2005-2006.
- Less than 0.3 per cent return was received from Government investments compared with high cost market borrowings at the average rate of 9.20 to 11.06 per cent during 2000-2006.
- Excess expenditure of Rs 14,718.20 crore incurred during 2001-2006 was not regularised as required under Article 205 of the Constitution of India.
- Supplementary provision of Rs 41.46 crore in three cases during the year was unnecessary as the expenditure in these cases was less than the original budget provision.
- The implementation of *Sarva Shiksha Abhiyan* suffered due to non-release of 28 per cent funds by the Central and State Governments during 2001-2006.
- Participation of community and grass root level functionaries for preparation of plans was not ensured.
- Against the minimum requirement of two teachers in each primary school only one teacher was provided in 1,488, 1,273 and 1,478 primary schools during 2003-2004, 2004-2005 and 2005-2006 respectively.
- Master plan to provide Sewerage facilities to cover all the towns in a phased manner was not prepared. In disregard of laid down policy, smaller towns were taken up for sewerage scheme, while a district headquarter and some famous pilgrim and tourist centres were not covered.

- Funds awarded by the Eleventh Finance Commission during 2001-2005 for providing sewerage system in Dharamshala, Hamirpur and Jawalamukhi towns were unauthorisedly by diverted by the State Government.
- Two completed sewerage schemes at famous pilgrim places were not made functional.
- Identification of below poverty line families for Tenth Five year Plan, which was required to be completed by 31 March 2003 had not been done.
- Ration card population of the State was more than the actual population which was indicative of lack of control over issue of ration cards.
- Management Plans for focused development and scientific and systematic growth of parks and wildlife sanctuaries were not approved.
- Removal of trees from the sanctuaries and other prohibited activities were carried out in national parks and sanctuaries in violation of orders of the Supreme Court of India.
- Annual Action Plans for the implementation of *Sampoorna Grameen Rozgar Yojna* were not prepared by the District Panchayats.
- Funds earmarked for creation of need based village infrastructure in scheduled caste/scheduled tribe habitations/wards were utilised for other components of the scheme.
- There was shortfall of 81 per cent in creation of employment opportunities to women beneficiaries.
- Time schedule for finalisation of pension cases was not fixed. Delay in finalisation of pension cases ranged between 13 and 93 months.
- Negligence of Agriculture Department to follow the specified procedure for accountal of stores resulted in pilferage of stores amounting to Rs 33.13 lakh.
- Rupees 1.54 crore were unauthorisedly spent on widening of a link road by Executive Engineer, I&PH Division No. II Shimla without observing codal formalities.
- Calamity relief funds were diverted by four Deputy Commissioners for other works not damaged by natural calamities.
- Utilisation certificates for an unutilised amount of Rs 8.07 crore under a Centrally sponsored scheme were sent by the Director of Horticulture to the Government of India.

FINANCES OF THE STATE GOVERNMENT

The Finance Accounts of the State Government present the details of all transactions pertaining to both receipts and expenditure under appropriate classifications. Apart from the summary of all the transactions in the Government Accounts, the Finance Accounts contain (a) Summary of Debt position, (b) Loans and Advances of the State Government, (c) Guarantees given by the State Government and (d) Summary of Balances. The financial position of the State Government and the audit observations thereon are as follows:

Total Receipts: Rs 7,601 crore			
Of which,		(Rupees in crore)	
♣	Tax Receipts	:	1,497 (20 per cent)
♣	Non-Tax Receipts	:	690 (9 per cent)
♣	Receipts from Government of India on account of State's share of Union Taxes and Duties and grants-in-aid	:	4,372 (58 per cent)
♣	Recoveries of Loans and Advances	:	22 (less than one per cent)
♣	Increase in Public debt other than Overdraft	:	473 (6 per cent)
♣	Net receipts from Public Account	:	547 (7 per cent)
Total Disbursements: Rs 7,601 crore		:	
Applied to		:	
♣	Revenue Expenditure	:	6,466 (85 per cent)
♣	Lending for development and other purposes	:	14 (less than one per cent)
♣	Capital Expenditure	:	821 (11 per cent)
♣	Increase in closing cash balance	:	300 (4 per cent)

<i>Dependency on central transfers</i>	Central tax transfers and grants-in-aid from Government of India during 2005-2006 constituted 67 <i>per cent</i> of the total revenue receipts of the State Government.
<i>Increase in fiscal liabilities</i>	Fiscal liabilities of the State increased from Rs 8,621 crore in 2000-2001 to Rs 17,432 crore (102 <i>per cent</i>) in 2005-2006. These liabilities stood at 2.66 times of its revenue receipts and 7.97 times of its own resources at the end of 2005-2006.
<i>Funds mainly applied to meet revenue expenditure</i>	Revenue expenditure had predominated share in total expenditure. The overall revenue expenditure of the State increased by 49.37 <i>per cent</i> from Rs 4,329 crore in 2000-2001 to Rs 6,466 crore in 2005-2006 at an average annual rate of 8.23 <i>per cent</i> .
<i>Non-developmental expenditure and interest payments</i>	Expenditure on General Services and interest payments, considered as non-developmental, accounted for 39.31 <i>per cent</i> of the total expenditure of the State Government during 2005-2006. Interest payments alone accounted for 24.17 <i>per cent</i> of the revenue expenditure during 2005-2006.
<i>High expenditure on salaries and pension</i>	The expenditure of Rs 2,515 crore on Salaries and Wages during 2005-2006 was Rs 342 crore (15 <i>per cent</i>) more than Rs 2,273 crore projected by the State Government in its Fiscal Correction Path. Pension payments increased by 71.35 <i>per cent</i> from Rs 391 crore in 2000-2001 to Rs 670 crore in 2005-2006 at an average amount rate of 11.89 <i>per cent</i> .
<i>Share of capital expenditure</i>	The share of capital expenditure during 2005-2006 was only 11 <i>per cent</i> of the total expenditure.
<i>Insignificant returns from investments</i>	The Government had invested Rs 1,842 crore in Statutory Corporations, Rural Banks, Government Companies, Joint Stock Companies and Co-operative Institutions till the end of 2005-2006. While the Government raised high cost borrowings from the market during 2000-2006 at an average interest rate varying between 9.20 and 11.06 <i>per cent</i> , return from investments during the same period was about 0.3 <i>per cent</i> .

***Ways and Means
Advances and
Overdraft***

The Government could not maintain minimum cash balance with the Reserve Bank of India and obtained ways and means advances of Rs 233 crore on 13 days during 2005-2006. Interest of Rs 0.32 crore was paid during the year on ways and means advances.

Allocative Priorities and Appropriation

Appropriation Accounts present the total amount of funds (original and supplementary) authorised by the Legislature in the budget grants under each voted grant and charged appropriation vis-à-vis the actual expenditure incurred against each and the saving or excess under each grant or appropriation. Any expenditure in excess of the grants requires regularisation by the Legislature under Article 205 of the Constitution of India.

At a glance

(Rs in crore)

Total authorisation	:	9,192.24
Original	:	7,760.85
Supplementary	:	1,431.39
Total expenditure	:	9,442.98
Total excess	:	250.74

Savings/Excesses

The net excess of Rs 250.74 crore was the result of savings (Rs 595.59 crore) in 42 cases and excesses (Rs 846.33 crore) in 24 cases.

***Excess expenditure
not regularised***

Expenditure of Rs 14,718.20 crore incurred by the Government during 2001-2006 in excess of the amount sanctioned by the Legislature remained to be regularised as of August 2006.

Supplementary grants

Supplementary provision of Rs 41.46 crore obtained in three cases proved unnecessary as the expenditure in these cases was less than the original budget provisions.

***Injudicious
reappropriation***

In the case of eleven sub-heads involving eight grants/appropriations, Rs 71.68 crore were injudiciously reappropriated as the original grants were adequate or no savings were available for reappropriation.

***Underestimation of
recoveries***

Recoveries in reduction of expenditure were grossly underestimated by Rs 302.58 crore during 2005-2006.

PERFORMANCE REVIEWS

Education Department

Sarva Shiksha Abhiyan

***Main objective
of the scheme***

To provide useful and relevant elementary education to all the children in the age group of 6 to 14 years by 2010, with active participation of the community at grass root level to bridge social, regional and gender gaps.

Major audit findings

***Programme suffered due to
inadequacy of funds and
non-participation of
community at grass root
level***

Against the approved outlay of Rs 396.19 crore for the year 2001-2002 to 2005-2006, the Central and State Governments short released Rs 109 crore (28 per cent) which affected the implementation of the scheme. Besides, participation of community at grass root level for preparation of plans was not ensured.

***Minimum number of two
teachers in each Primary
school not ensured***

Against the required deployment of minimum two teachers, only one teacher was provided in 1,488, 1,273 and 1,478 primary schools during 2003-2004, 2004-2005 and 2005-2006 respectively. Forty three schools in four districts viz. Chamba, Hamirpur, Solan and Shimla having 980 students on rolls, were functioning without any teacher during 2005-2006.

Schools without buildings

367 primary/upper primary schools of 7 districts (Chamba, Hamirpur, Kangra, Mandi, Shimla, Solan and Una) did not have their own buildings.

SSA grant diverted for obtaining LPG connections for running the mid-day meal scheme

Rupees 1.10 crore meant for replacement of non-functional school equipment were diverted in 7 districts during 2004-2006 for obtaining LPG connections in 7,200 primary schools for running the mid-day meal scheme.

Assistance to school children provided in excess of norms

Rupees 1.14 crore was spent in excess of norms during 2002-2006 for providing assistance to children with special needs.

Irrigation and Public Health Department

Sewerage schemes

Objective

To provide hygienic sanitation facilities to the community for a healthy living.

Major audit findings

Master Plan not prepared

In disregard of laid down policy, smaller towns were taken up for providing sewerage schemes, while a district headquarter and some famous pilgrim and tourist centres were not covered.

Special problem grant under the award of Eleventh Finance Commission not released fully

Against the allocation of special problem grant of Rs 30 crore by the Eleventh Finance Commission for providing sewerage system in Dharamshala, Hamirpur and Jawalamukhi towns during 2001-2005, Rs 5.13 crore was unauthorisedly diverted by the State Government for other purposes.

Two completed sewerage schemes at pilgrim places not made operational

Sewerage schemes for pilgrim towns at Jawalamukhi and Sri Naina Devi Ji though commissioned/completed in October 2005 and March 1998 respectively were not operationalised after incurring Rs 9.36 crore.

Sewage treatment plants not worked at the optimum level

6 sewage treatment plants of Sewerage System of Shimla commissioned and maintained at an expenditure of Rs 76.01 crore during 2005-2006 did not work at optimum level.

Food, Civil Supplies and Consumer Affairs Department

Food Security, Subsidy and Management of Foodgrains

Objective

To ensure availability of foodgrains to the public at reasonable prices through the Targeted Public Distribution System.

Major audit findings

Identification of below poverty line families for Tenth Five Year Plan not done

The process of below poverty line census for Tenth Five Year Plan, which was required to be completed by 31st March 2003 had not been completed.

Ration card population of the State more than the actual population

The ration card population of the State was more than the actual population. Periodical checking and weeding out of ineligible and bogus cards had not been done as per the provisions of the Public Distribution System (Control) Order, 2001.

Foodgrains distributed in excess of the fixed scale

1,02,691 MTs of foodgrains involving subsidy of Rs 24.82 crore was distributed to BPL families in excess of the prescribed scale during 2003-2006.

Sub-standard foodgrains supplied to the consumers

Under Public Distribution System, 16,305 MTs of sub-standard foodgrains was supplied to the consumers during 2001-2006.

Forest Department

National Parks including Wildlife Preservation

Objective

To protect, develop and scientifically manage the wildlife in protected areas and to carry out integrated eco-development work in the vicinity of protected areas.

Major audit findings

Management plans for development and systematic growth of parks and sanctuaries not finalised

Management plans for the development and systematic growth of parks and sanctuaries had not been finalised in respect of all the 32 wildlife sanctuaries and two national parks.

<i>Department failed to recover the cost of damages of protected areas</i>	Failure of the Department to recover the cost of treatment plan works, compensation for loss of environment and cost of trees standing on the diverted land resulted in loss of Rs 8.77 crore to the State Government.
<i>Prohibited non-forestry activities allowed in violation of Supreme Court orders</i>	Prohibited activities such as encroachment of wildlife area, illicit felling of trees and grant of permission to migratory graziers were carried out in national parks and sanctuaries in violation of the orders of the Supreme Court of India.
<i>Department failed to check illicit felling of trees</i>	3,774 trees valued at Rs 17.18 crore were allowed to be removed from the sanctuaries in violation of the orders of the Supreme Court of India.

Rural Development Department

Sampoorna Grameen Rozgar Yojna

<i>Objective</i>	To provide additional wage employment, creation of durable community, social and economic assets and infrastructural development in rural areas.
------------------	--

Major audit findings

<i>Annual Action Plans not prepared</i>	Expenditure of Rs 49.08 crore was incurred in four test-checked districts without preparation of Annual Action Plans by the District <i>Panchayats</i> .
<i>Earmarked funds for the creation of need based village infrastructure in SC/ST habitations utilised for other components</i>	Rupees 8.92 crore earmarked for the creation of need based village infrastructure in SC/ST inhabitations/wards were utilised for other components of the scheme during 2002-2006. Similarly, Rs 1.66 crore meant for individual works of SC/ST beneficiaries of BPL families were utilised on other components of the scheme.
<i>Inadequate employment generation for women</i>	Against the 42.85 lakh mandays required to be generated for women beneficiaries, the State Government could generate only 8.25 lakh mandays during 2002-2006.

Social Justice and Empowerment Department

Old Age/Widow Pension Scheme

Objective

To provide social security and financial assistance to old persons/widows living with inadequate means of livelihood.

Major audit findings

Year-wise data of pending cases for grant of social security pension not prepared

The department had not maintained the year-wise consolidated data for grant of social security pension, in the absence of which grant of pension to the eligible persons could not be ensured. There was no linkage between the number of pensioners, budget allotment and actual expenditure on pension during 2001-2006.

Finalisation of pension cases delayed

Time schedule had not been fixed for finalisation of pension cases. The delay in finalisation of pension cases ranged between 13 and 93 months after allowing a period of one year as time taken for processing a pension case.

Horticulture Department

Internal Control System

Major audit findings

Submission of false utilisation certificates

Against the actual utilisation of Rs 22.03 crore, the whole amount of Rs 30.50 crore received under a Centrally sponsored scheme, namely "Technology Mission for Integrated Development of Horticulture" during 2003-2006 was reported to the Government of India as having been utilised. Rupees 8.47 crore were actually not spent as of March 2006.

Shortfall in achievement of targets

Reasons for shortfall in achievement of targets fixed in respect of four components of a Centrally sponsored scheme and four State schemes ranged between 16 and 100 *per cent* during 2001-2006 were not investigated.

AUDIT OF TRANSACTIONS

Fraud/misappropriation/embezzlement/losses

Pilferage of stores

Negligence on the part of the Director of Agriculture, Himachal Pradesh to follow the specified procedure for accountal of stores resulted in pilferage of stores amounting to Rs 33.13 lakh by an Extra Assistant Engineer.

Overpayment/wasteful/unfruitful/infructuous expenditure

Overpayment to pensioners/family pensioners

Non-observance of instructions by the Treasury/Sub-treasury Officers and Banks regarding reduction in family pension after the prescribed period and reduction in commuted value of pension, etc., given on the Pension Payment Orders resulted in an overpayment of Rs 21.34 lakh.

Wasteful expenditure on construction of irrigation/ water supply schemes, road and toilets

Expenditure of Rs 39.94 lakh incurred on construction of Lift Irrigation Schemes, Mashoo (Sirmour district) and Sri Naina Devi ji (Bilaspur district), proved wasteful as these schemes did not function due to inadequate survey and investigation. Similarly, expenditure of Rs 61.23 lakh on link road to village Chikzar (Spiti valley) and toilets at four tourist spots in Kullu district proved wasteful, as intended objectives were not achieved due to improper planning of these projects.

Unfruitful expenditure on Irrigation schemes, road and mini hydel project

Expenditure of Rs 131.96 lakh incurred on 6 irrigation works, completed between 2001-2005 proved unfruitful as no irrigation was provided to the CCA due to frequent damages caused by rains and non-execution of field channels, etc.

Expenditure of Rs 65.21 lakh on construction of approaches (November 2002) between Hansa and Kiamo village in Lahaul and Spiti district (Rs 19.07 lakh) and construction of a steel truss bridge (March 2005) over Arnodi *khad* in Mandi district (Rs 46.14 lakh) proved unfruitful due to non-finalisation of site for a bridge in the former case and non-construction of approaches in the latter case.

Due to negligible generation of power in Purthi Mini Hydel Project in Pangi valley (Chamba district) expenditure of Rs 1.99 crore on its construction and operation-maintenance rendered unfruitful.

Infructuous expenditure on construction of irrigation schemes, tube wells, link roads and foot bridge Expenditure of Rs 43.36 lakh incurred on the construction of Flow Irrigation Schemes, Bandi-Masandkar and Chabatra in Kangra district (Rs 25.72 lakh) and drilling of two tube wells at village Ratyor and Dhabota Majra in Solan district (Rs 17.64 lakh) during February 2000-April 2003 proved infructuous, as further execution of these works was held up due to unauthorised deviation and insufficient discharge of water respectively. Expenditure of Rs 1.99 crore incurred on construction of link road Sichling to Pomrang in Lahaul and Spiti district, (Rs 0.85 crore) and link road Luri-Suni to village Teshan, Chillala-Ritwasa, Samala-Jabrallu–Junidhar and Kanda in Shimla district (Rs 1.14 crore) during February 2000-August 2004 proved infructuous as further execution was held up due to non-acquisition of land.

Unauthorised deviations Against the working estimate of Rs 29.28 lakh for the widening of 2.5 kms link road to Drabla (Shimla district), the Executive Engineer, Irrigation and Public Health Division No. II, Shimla incurred Rs 1.54 crore, while the work was actually executed in the length of 904 meters. Huge deviations were made by the Executive Engineer without the approval of the competent authority.

Undue favour to contractors/avoidable expenditure

Avoidable payment of interest and undue financial aid

Delay in payment of cost of office building to Himachal Pradesh Urban Development Agency by the Director, Food, Civil Supplies and Consumer Affairs resulted in avoidable payment of interest amounting to Rs 52.60 lakh. In another case, Rs 4.46 crore drawn by the Executive Engineer, Irrigation and Public Health Division, No. II, Shimla in March 2005 for procurement of cement were deposited with the Himachal Pradesh State Civil Supplies Corporation (HPSSC). The amount was, however, taken back by the division in January 2006, which was lying unutilised as of March 2006. This resulted in undue financial aid of Rs 4.46 crore to the HPSSC and loss of interest amounting to Rs 26.60 lakh.

Idle investment/blocking of funds/diversion of funds

Idle investment and blocking up of funds

Investment of Rs 239.56 lakh proved idle due to non-commissioning of Zone-I of sewerage scheme for Paonta Sahib town (Sirmour district) costing Rs 29.88 lakh (1999-2000), unsystematic construction of Sub-Jail, Solan at a cost of Rs 44.67 lakh (December 2002), steep grades of Bhadwar-Kherian road (Kangra district) constructed at a cost of Rs 43.33 lakh (March 2004) and non-start of courses in Government Polytechnic, Talwar (Kangra district) constructed at a cost of Rs 121.68 lakh (March 2003).

Diversion of calamity relief funds

Funds amounting to Rs 1.69 crore sanctioned for restoration of damages, caused by natural calamities were diverted for fresh works by the Deputy Commissioners, Bilaspur, Kullu, Shimla and Una districts.

Regulatory issues and other points

Irregular crediting of Government revenue receipts to the societies.

In violation of the provisions of the Financial Rules, Government revenue receipts amounting to Rs 5.35 crore were credited to Society/Board, registered under Societies Act by the Director, Mountaineering and Allied Sports, Manali (Kullu district) and the Director, Animal Husbandry.

Fictitious booking of materials

Twelve divisions of the Irrigation and Public Health Department and eleven divisions of Public Works Department fictitiously booked material costing Rs 14.85 crore to show utilisation of available funds in contravention of the provisions of financial rules.

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES (VOLUME-II)

This volume contains an Overview of Government companies and Statutory corporations and Reviews on (i) Operational performance of Agro Industrial Packaging India Limited (ii) Implementation of Transmission and Distribution Schemes by HPSEB (iii) Manpower Management in HPSEB (iv) IT Audit Review of Billing Applications in Himachal Pradesh State Electricity Board and (v) Internal Control System in Himachal Pradesh Financial Corporation. It also contains 14 paragraphs containing observations on loss due to avoidable payment of interest, avoidable extra expenditure, deficient purchase system, undue favour to a supplier, defective orders, incorrect billing, avoidable payment of excise duty, etc.

Highlights:

- As per the latest finalised accounts, nine working PSUs' (seven Government companies and two Statutory corporations) incurred losses. The accumulated losses of three working Government companies and two working Statutory corporations have exceeded their paid-up capital.
- One working Government company had incurred losses for the last five years ended 31 March 2006 leading to negative net worth.
- In Agro Industrial Packaging India Limited, the capacity utilisation of carton manufacturing plant was very low since inception, low capacity utilisation resulted in payment of idle salary and wages to the staff and also the Company failed to provide packing material to the apple growers of the State at reasonable rates and in time.
- In Himachal Pradesh State Electricity Board (Board), there was delay in completion of Transmission and Distribution Schemes; the schemes were taken up without obtaining clearance from the concerned authorities; there was unrealistic assessment of the power requirement of the area resulting in unproductive expenditure and there was failure to contain Transmission and Distribution losses within the level prescribed by the Himachal Pradesh Electricity Regulatory Commission (HPERC).
- The Board had not revised the manpower norms after 1991, it could not justify regularisation of daily wagers to the HPERC, there was no independent monitoring unit at the corporate level to review deployment and utilisation of manpower and unskilled persons were deployed on duties specified for skilled persons.
- There was undue delay in implementation of computerisation in the Board, electronic meters were purchased without provision of ports for downloading the data to the SBMs, the system was not being utilised to monitor recoveries, deficiency in process control resulted in wrong billing of demand charges and the Master data was found to be incomplete.
- In Himachal Pradesh Financial Corporation, the appraisal of loan applications was deficient, the system of monitoring and follow up was weak and the Corporation neither followed the guidelines of the Small Industries Development Bank of India nor its own guidelines for settlement of cases under the One Time Settlement scheme.
- In addition to above, test check of records in transaction audit also revealed cases of loss due to avoidable payment of interest, avoidable expenditure, deficient purchase system, undue favour to a supplier, defective orders, etc.

Overview of Government companies and Statutory corporations

Introduction

As on 31 March 2006, the State had 21 Public Sector Undertakings (PSUs) comprising 18 Government companies (including four non-working companies) and three Statutory corporations. In addition, there were two companies under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2006. The total investment in working PSUs increased from Rs 3,561.30 crore as on 31 March 2005 to Rs 3,743.45 crore as on 31 March 2006. The total investment in non-working PSUs decreased from Rs 1,359 crore as on 31 March 2005 to Rs 705.26 crore as on 31 March 2006.

Arrears in finalisation of accounts

Out of 14 working Government companies and three Statutory corporations, the accounts of nine Government companies and one Statutory corporation were in arrear for periods ranging from one to four years as on 30 September 2006.

Profit and dividend

According to the latest finalised accounts of 17 working PSUs (14 Government companies and three Statutory corporations), seven Government companies and one Statutory corporation earned aggregate profit of Rs 19.18 crore and Rs 20.48 crore respectively.

Only one company declared a dividend of Rs 52.73 lakh during 2005-2006.

Loss incurring companies/corporations

Nine working PSUs (7 Government companies and 2 Statutory corporations) incurred aggregate loss of Rs 49.64 crore as per their latest finalised accounts. Of the loss incurring working Government companies, three companies had accumulated losses aggregating Rs 94.97 crore, which exceeded their paid-up capital of Rs 39.67 crore. Two Statutory corporations incurred losses aggregating Rs 37.93 crore. These two loss incurring Statutory corporations had accumulated loss of Rs 456.72 crore, which exceeded their paid-up capital of Rs 281.08 crore.

PERFORMANCE REVIEWS

Operational Performance of Agro Industrial Packaging India Limited

The Company was incorporated in February 1987 with the objective of manufacturing corrugated cartons.

Production planning and capacity utilization

The Company has been dependent upon the State Government for fixation of target for manufacture of cartons, their sale rate and subsidy to be given for sale of each carton. The Company has not been able to achieve the capacity utilisation envisaged in the detailed project report, since inception. The actual capacity utilisation since inception ranged only between 1.85 and 34.37 *per cent*. Low capacity utilisation resulted in payment of idle salary and wages of Rs 4.49 crore during 2001-2006.

Low share in the sale of cartons

The share of the Company in the sale of 20 kg cartons in the State declined from 48.51 *per cent* in 2001-2002 to 7.94 *per cent* in 2005-2006. Thus, the Company failed to provide packing material to the apple growers of the State at reasonable rates and in time.

Surplus manpower

The Government/Company failed to reduce surplus manpower. The annual incidence of salary and wages of surplus manpower was Rs 45 lakh.

HIMACHAL PRADESH STATE ELECTRICITY BOARD

Implementation of Transmission and Distribution Schemes

Delay in completion of the schemes

There was delay in completion of the schemes which resulted in cost overrun of Rs 65.80 crore and also deprived the Board of potential revenue of Rs 158.77 crore due to non-achievement of envisaged savings in T&D losses and additional sale of power.

<i>Taking up of schemes without obtaining clearance</i>	Taking up of schemes without obtaining clearance from the concerned authorities resulted in unfruitful expenditure of Rs 12.32 crore besides interest loss of Rs 8.38 crore on this expenditure. Further, the intended benefits of reducing the T&D losses to the extent of 21.5 million units valued at Rs 3.76 crore could not be achieved.
<i>Unproductive expenditure</i>	Incorrect and unrealistic assessment of the power requirement of an area resulted in unproductive expenditure of Rs 6.01 crore on construction of three sub-stations.
<i>Non-availing of grant</i>	Failure to execute ongoing system improvement schemes being financed by Rural Electrification Corporation under the Accelerated Power Development Reforms Programme (APDRP) resulted in non-availing of grant of Rs 2.75 crore available under APDRP.
<i>Failure to contain Transmission and Distribution losses</i>	Failure to contain Transmission and Distribution losses within the level prescribed by the Himachal Pradesh Electricity Regulatory Commission resulted in the disallowance of 289 million units valued at Rs 72.25 crore at the time of fixation of tariff for the years 2004-2006.

Manpower Management

<i>Non-revision of manpower norms</i>	The Board has been following the manpower norms of 1991, which have not been revised in spite of changes in working conditions and infrastructure. The recommendations of the Committees set up in 1996 and 2001 to review the norms were also not accepted for which no reasons were on record.
<i>Unjustified regularisation of daily wagers</i>	The Board could not justify regularisation of daily wagers to the Himachal Pradesh Electricity Regulatory Commission (HPERC) resulting in disallowance and consequent non-recovery of employees' cost of Rs 37.24 crore at the time of tariff fixation.

Improper deployment of manpower

There was no independent monitoring unit at the corporate level to ensure proper deployment and optimum utilisation of available manpower. This resulted in improper deployment of manpower and non-utilisation of regularised daily wages leading to payment of idle wages (Rs 100.49 crore), incurring of extra expenditure (Rs 1.42 crore) on getting the work assigned to the staff done from outside parties and delay in receipt of revenue (Rs 48.77 crore).

IT Audit Review of Billing Applications

Delay in computerisation

There was undue delay in implementation of computerisation by the Board. Primary target of computerisation of industrial billing remained unfulfilled as billing in respect of 74.45 per cent of the HT revenue was not done through computers.

Purchase of electronics meters without provision of ports

The Board purchased electronic meters worth Rs 15.98 crore which had no provision of ports for downloading the data to the SBMs which could have facilitated computerised billing.

Non-monitoring of recoveries and outstanding amounts

The system was not being utilised to monitor recoveries resulting in loss of interest of Rs 2.04 crore on amounts remaining outstanding each month from LT and HT consumers.

Wrong billing of demand charges

Deficiency in process control resulted in wrong billing of demand charges. The system failed to compute demand charges in HT billing to the tune of Rs 15.20 lakh and subsidy of Rs 11.84 lakh to be recovered from the Government. Failure of internal control in IT environment led to non-plugging of these loopholes.

HIMACHAL PRADESH FINANCIAL CORPORATION

Internal Control System

Delay in preparation of annual Business Plan and Resources Forecasts

The Corporation prepared the annual Business Plan and Resources Forecasts after one to three months of the commencement of the respective year without any data base or market study.

<i>Non-preparation of Manuals</i>	Functional and Internal Audit Manuals have not been prepared by the Corporation.
<i>Deficient appraisal of loan applications</i>	Appraisal of loan applications was deficient as there was inadequate managerial appraisal. Financial soundness of the promoters and acceptance of data furnished by the applicants was not backed by independent verification.
<i>Weak monitoring system</i>	The system of monitoring and follow up was weak due to non-conducting of periodical pre and post disbursement inspections, non-obtaining of audited accounts and non-appointment of Directors on the Board of the financed units.
<i>Failure to bring down non-performing assets</i>	The Corporation failed to bring down the level of non-performing assets (NPAs) to the agreed level of 10 per cent. Percentage of NPAs to total loan assets ranged between 48.30 and 75.47 during 2001-2002 to 2005-2006.
<i>Failure to follow guidelines for one time settlement scheme</i>	The Corporation neither followed the guidelines of the Small Industries Development Bank of India nor its own guidelines for settlement of cases under the One Time Settlement scheme. This resulted in settlement of many cases for amount less than the outstanding principal amounts of loans.

TRANSACTION AUDIT OBSERVATIONS

<i>Loss due to avoidable payment of interest</i>	Failure of Himachal Pradesh State Civil Supplies Corporation Limited to follow the laid down system for submission of monthly levy sugar subsidy claims resulted in delay in submission of claims and consequent loss of interest of Rs 24.16 lakh due to delayed reimbursement.
<i>Avoidable expenditure</i>	Himachal Pradesh Tourism Development Corporation Limited delayed payment of subscription and contribution towards Employees' Provident Fund, which resulted in payment of penalty and interest of Rs 41.52 lakh.

<i>Deficient purchase system</i>	Failure of Himachal Pradesh State Electricity Board to incorporate a suitable clause in the purchase orders for proportionate reduction for under weight poles resulted in avoidable extra expenditure of Rs 1.22 crore.
<i>Undue favour to a supplier</i>	Cancellation of a repeat purchase order by Himachal Pradesh State Electricity Board for supply of additional quantity of steel tubular poles resulted in undue favour of Rs 67.11 lakh to the supplier.
<i>Loss due to defective orders</i>	The decision of Himachal Pradesh State Electricity Board to allow an industrial unit to revise its contract demand with retrospective effect resulted in short recovery of contract demand charges of Rs 50.10 lakh.

AUDIT REPORT (REVENUE RECEIPTS)

The Report on Revenue Receipt contains 28 paragraphs including one review involving Rs 58.32 crore. The Government accepted audit observations involving Rs 12.32 crore of which Rs 0.28 crore had been recovered upto August 2006.

The total receipts of the Government for the year 2005-2006 were Rs 6,558.62 crore which were 42 *per cent* more than the previous year. The revenue receipts of Rs 2,186.69 crore consisted of Rs 1,497.02 crore from tax and Rs 689.67 crore from non-tax revenue. The State received Rs 493.26 crore as its share of divisible Union taxes against Rs 537.32 crore received during 2004-2005. Rupees 3,878.67 crore were received as grants-in-aid from Government of India. Receipts under taxes on sales, trade etc. (Rs 726.98 crore), State excise (Rs 328.97 crore), taxes on vehicles (Rs 101.51 crore), taxes and duties on electricity (Rs 89.29 crore), taxes on goods and passengers (Rs 42.61 crore) and stamps and registration fee (Rs 82.43 crore) accounted for major portion of tax receipts. Under non-tax revenue, the main receipts were from power (Rs 251.47 crore), forestry and wild life (Rs 149.63 crore) and non-ferrous, mining and metallurgical industries (Rs 42.90 crore).

Results of Audit

Test-check of records of sales tax, state excise, taxes on vehicles, goods and passengers, forest receipts and other tax and non-tax receipts conducted during the year 2005-2006, revealed under-assessments/short levy/loss of revenue, revenue foregone amounting to Rs 219.88 crore, in 1,037 cases.

Sales Tax

Government dues pending for recovery as arrears of land revenue revealed as under:

In four districts, interest of Rs 1.64 crore and tax dues of Rs 1.55 crore were not included in the arrear certificates. This resulted in short declaration of Government revenue of Rs 3.19 crore.

In eight districts, properties of 18 defaulters were attached for auction. But permission for their auction, as required under rules, was not obtained from the respective divisional commissioners. This resulted in non-realisation of Government revenue of Rs 19.93 crore.

Inadequate action by the department resulted in non-recovery of Rs 1.18 crore in nine cases of four districts.

Incorrect exemption/grant of concessional rate of tax in two AETCs resulted in non-levy/short realisation of tax of Rs 1.07 crore.

State Excise

Five licensees of five districts failed to pay the monthly installments of license fee and interest thereon during 2004-2005 resulting in non-recovery of Government dues of Rs 39.97 lakh.

Taxes on Vehicles, Goods and Passengers

In seven regional transport authorities, non-payment of special road tax and non-levy of penalty resulted in non-recovery of Government dues of Rs 18.98 crore.

Token tax of Rs 99.61 lakh was not recovered in 18 registering and licensing offices and State Transport Authority, Shimla. Besides, for non-payment of token tax, penalty of Rs 99.61 lakh was also leviable.

Forest Receipts

A review on **“Exploitation of Forests”** revealed the following:

The department failed to ascertain correct position of arrears pending collection as on 31 March 2005. It showed Rs 91.70 crore pending collection against corporation while the latter admitted only Rs 11.70 crore.

No mechanism existed to ascertain correctness of weighted average sale rate, furnished by the corporation, which formed basis for fixation of rates of royalty.

Variation was found in figures supplied to Pricing Committee/Hon'ble *Vidhan Sabha* and to PCCF. Accordingly correct fixation of royalty rates could not be ascertained.

Lacuna in the decision of pricing committee in grant of rebate to half broken trees resulted in less assessment of royalty by Rs 1.63 crore.

Extension in working period of 276 lots during 2001-2002 to 2004-2005 though applied for by the corporation was not granted. This resulted in non-recovery of extension fee of Rs 1.04 crore.

Non-charging of interest on belated payment of royalty of resin blazes resulted in less realisation of revenue of Rs 1.75 crore.

Short handing over of resin blazes for tapping and non-recovery of registration fee from resin tappers resulted in non-realisation of revenue of Rs 1.78 crore.

Delay in transportation of timber to sale depots after extraction resulted in its degradation which adversely affected fixation of royalty rates. This resulted in loss of revenue of Rs 6.38 crore.

Other Tax-Non Tax Receipts

In 33 sub registrars, misclassification of documents in 137 cases and incorrect determination of market value in a conveyance deed resulted in short levy of stamp duty and registration fee of Rs 57.81 lakh.

In 20 irrigation cum public health divisions, water charges amounting to Rs 12.37 crore remained unrealised as on 31 March 2005 resulting in loss of revenue to that extent.