Epitome of the CAG's **Audit Reports** for the State of **Himachal Pradesh** for the year ended March 2009



# PREFACE

This brochure presents, at a glance, the important contents of the Audit Reports (State Finances, Civil, Revenue Receipts and Commercial) of the Comptroller and Auditor General of India relating to the Government of Himachal Pradesh for the year ended 31 March 2009. 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.

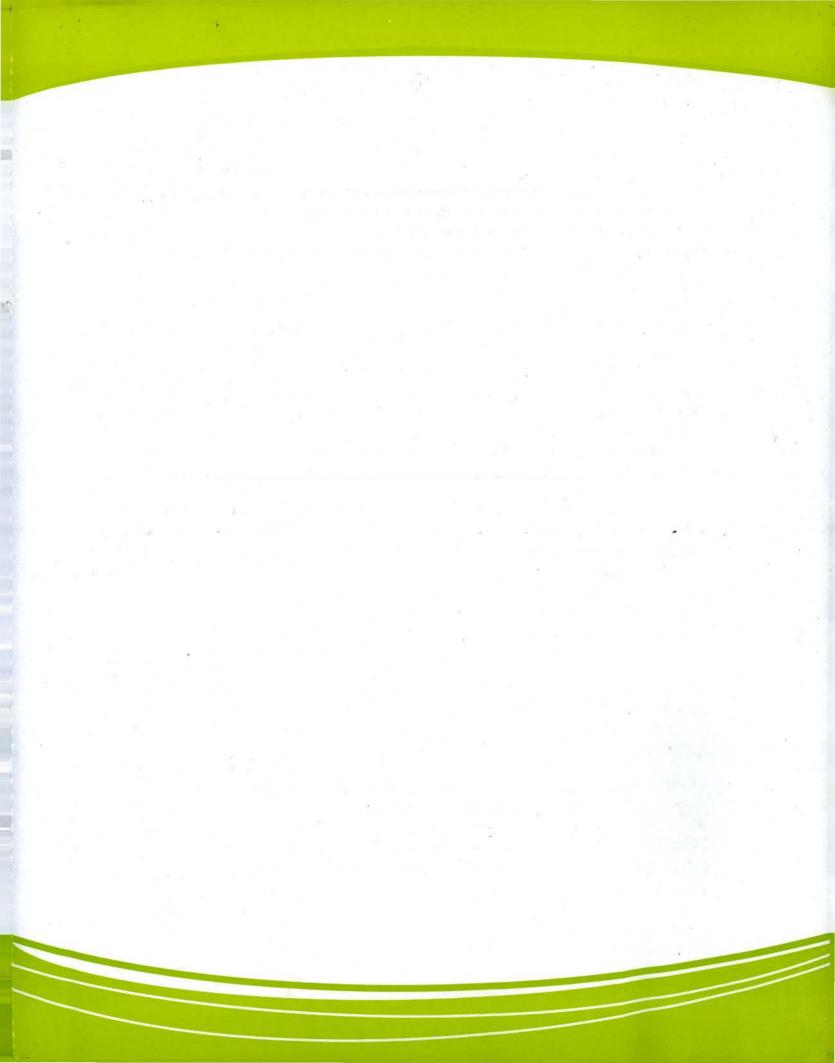
In accordance with Article 151 of the Constitution, the Comptroller and Auditor General of India forwards his Audit Reports on the accounts as well as on the points noticed during audit of financial transactions of the State Government to the Governor, who causes them to be laid on the table of the Vidhan 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 State Finances, Civil and Revenue Receipts and the Committee on Public Undertakings (COPU) in respect of Commercial Report. 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 Principal 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.

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# Time Series Data on State Government Finances

				(Ru	pees in crore)
	2004-05	2005-06	2006-07	2007-08	2008-09
Part-A: Receipts					
1. Revenue Receipts	4,635	6,559	7,835	9,142	9,308
(i) Tax Revenue	1,252 (27)	1,497 (23)	1,656 (21)	1,958 (21)	2,242 (24)
Taxes on Agricultural Income	-	-	-	-	-
Taxes on Sales, Trade, etc.	542 (43)	727 (49)	914 (55)	1,092 (56)	1,246 (56)
State Excise	300 (24)	329 (22)	342 (21)	389 (20)	432 (19)
Taxes on Vehicles	108 (9)	102 (7)	106 (6)	114 (6)	136 (6)
Stamps and Registration fees	75 (6)	82 (5)	93 (6)	87 (4)	98 (4)
Taxes and Duties on electricity	88 (7)	89 (6)	30 (2)	82 (4)	79 (4)
Land Revenue	3 ()	1 ()	2 ()	2 ()	20 (1)
Taxes on Goods and Passengers	38 (3)	43 (3)	50 (3)	55 (3)	62 (3)
Other Taxes	98 (8)	124 (8)	119 (7)	137 (7)	169 (7)
(ii) Non-Tax Revenue	611 (13)	690 (11)	1,337 (17)	1,823 (20)	1,756(19)
(iii) State's share of Union taxes and duties	537 (12)	493 (7)	629 (8)	794 (9)	838 (9)
(iv) Grants-in-aid from Government of India	2,235 (48)	3,879 (59)	4,213 (54)	4,567(50)	4,472(48)
2. Miscellaneous Capital Receipts	-	-	-	-	
3. Recoveries of Loans and Advances	26	22	23	26	21
4. Total Revenue and Non-debt capital receipts (1+2+3)	4661	6581	7858	9168	9,329
5. Public Debt Receipts	2,677	1,781	2,080	1,849	2,249

					2.
Internal Debt (excluding Ways and Means Advances and Overdrafts)	2,444 (91)	1,753 (98)	2,042 (98)	1,798 (97)	2,237 (99)
Net transactions under Ways and Means Advances and Overdrafts	•		-		
Loans and Advances from Government of India	233 (9)	28 (2)	38 (2)	51 (3)	12 (1
6. Total Receipts in the Consolidated Fund (4+5)	7,338	8,362	9,938	11,017	11,578
7. Contingency Fund Receipts			-		-
8. Public Account Receipts	5,030	4,933	5,265	6,223	6,760
9. Total Receipts of the State (6+7+8)	12,368	13,295	15,203	17,240	18,33
Part B. Expenditure/Disbursemen	t				
10. Revenue Expenditure	5,793	6,466	7,644	8,292	9,43
Plan	978 (17)	1,182 (18)	1,325 (17)	1,202 (14)	877 (9
Non-Plan	4,815 (83)	5,284 (82)	6,319 (83)	7,090 (86)	8,561 (91
General Services (including interest payments)	2,723 (47)	2,818 (43)	3,300 (43)	3,429 (41)	3,918 (42
Social Services	1,890 (33)	2,309 (36)	2,586 (34)	2,876 (35)	3,332 (35
Economic Services	1,177 (20)	1,333 (21)	1,755 (23)	1,984 (24)	2,184 (23
Grants-in-aid and contributions	3 ()	6 ()	3 ()	3 ()	4 (-
11. Capital Expenditure	654	821	1,110	1414	207
Plan	630 (96)	820 (100)	1,043 (94)	1,313 (93)	1,992 (96
Non-Plan	24 (4)	1 (-)	67 (6)	101 (7)	87 (4
General Services	30 (5)	52 (6)	61 (5)	59 (4)	64 (3
Social Services	330 (50)	369 (45)	575 (52)	586 (42)	833 (40
Economic Services	294 (45)	400 (49)	474 (43)	769 (54)	1,182 (57
12. Disbursement of Loans and Advances	24	14	26	14	9
13. Total (10+11+12)	6,471	7,301	8,780	9,720	11,60
14. Repayments of Public Debt	1,659	1,308	1,311	937	88
Internal Debt (excluding Ways and Means Advances and Overdrafts)	581 (35)	1219 (93)	1,182 (90)	839	82

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Net transactions under Ways and Means Advances and Overdraft	95 (6)	23 (2)		42	
Loans and Advances from Government of India	983 (59)	66 (5)	129 (10)	56	56
15. Appropriation to Contingency Fund	-	-		-	на ула — 1920 —
16. Total disbursement out of Consolidated Fund (13+14+15)	8,130	8,609	10,091	10,657	12,492
17. Contingency Fund disbursements			-		-
18. Public Account disbursements	4,027	4,387	5,370	5,737	5,690
19. Total disbursement by the State (16+17+18)	12,157	12,996	15,461	16,394	18,182
Part C. Deficits					areatar a
20. Revenue Deficit(-)/ Revenue Surplus (+) (1-10)	(-) 1,158	(+) 93	(+) 191	(+) 850	(-) 130
21. Fiscal Deficit (-)/Fiscal Surplus (+) (4-13)	(-) 1,810	(-) 720	(-) 922	(-) 552	(-) 2,278
22. Primary Deficit (21+23)	(-) 169	(+) 843	(+) 747	(+) 1,151	(-) 384
Part D: Other data					
23. Interest Payments (included in revenue expenditure)	1,641	1,563	1,669	1,703	1,894
24. Financial Assistance to local bodies etc.,	275	380	399	467	582
25. Ways and Means Advances/ Overdraft availed (days)	120	13	01	-	
Ways and Means Advances availed (days)	93	13	01		-
Overdraft availed (days)	27			-	
26. Interest on Ways and Means Advances/ Overdraft	2.34	0.32	0.89	-	-
27. Gross State Domestic Product (GSDP)@	23,066	25,471	28,358	31,974	36,940
28. Outstanding Fiscal liabilities (year end)	16,533	17,432	18,071	19,419	21,819

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29.Outstanding guarantees (year end) (including interest)	4,751	3,587	2,976	2,632	2,291
30. Maximum amount guaranteed (year end)	6,409	5,526	6,347	6,450	6,076
31. Number of incomplete projects	39	15	30	20	17
32. Capital blocked in incomplete projects	58	25	160	121	96
Part E: Fiscal Health Indicators					
I Resource Mobilization					
Own Tax revenue/GSDP	0.05	0.06	0.06	0.06	0.06
Own Non-Tax Revenue/GSDP	0.03	0.03	0.05	0.06	0.05
Central Transfers/GSDP	0.10	0.15	0.15	0.14	0.14
II Expenditure Management					
Total Expenditure/GSDP	0.28	0.29	0.31	0.30	0.31
Total Expenditure/Revenue Receipts	1.40	1.11	1.12	1.06	1.25
Revenue Expenditure/Total Expenditure	0.90	0.89	0.87	0.85	0.81
Expenditure on Social Services/ Total Expenditure	0.29	0.32	0.29	0.30	0.29
Expenditure on Economic Services/Total Expenditure	0.18	0.18	0.20	0.20	0.19
Capital Expenditure/Total Expenditure	0.10	0.11	0.13	0.15	0.18
Capital Expenditure on Social and Economic Services/Total Expenditure	0.10	0.11	0.12	0.14	0.17
	2004-2005	2005-2006	2006-2007	2007-2008	2008-09
III Management of Fiscal Imbalan	ces				
Revenue deficit (surplus)/GSDP	(-) 0.050	0.004	0.006	0.027	(-) 0.004
Fiscal deficit/GSDP	(-) 0.078	(-) 0.028	(-) 0.033	(-) 0.017	(-) 0.062
Primary Deficit (surplus) /GSDP	(-) 0.007	0.033	0.026	0.036	(-) 0.010
Revenue Deficit/Fiscal Deficit	(-) 0.640	(-) 0.129	(-) 0.207	(-) 1.540	(-) 0.057
Primary Revenue Balance/GSDP				0.284	0.247

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IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	0.72	0.68	0.64	0.61	0.59
Fiscal Liabilities/RR	3.57	2.66	2.31	2.12	- 2.34
Primary deficit vis-à-vis quantum spread	(-) 1.625	4.153	2.223	1.741	(-) 0.364
Debt Redemption (Principal +Interest)/ Total Debt Receipts	0.88	1.18	1.27	1.02	0.92
V Other Fiscal Health Indicators					17 - 17 - 17 - 17 - 17 - 17 - 17 - 17 -
Return on Investment	0.58	28.61	1.80	0.52	89.58
Balance from Current Revenue (Rs in crore)	(-) 1,585	(-) 191	(-) 281	(+) 113	(-) 1,423
Financial Assets/Liabilities	0.51	0.54	0.57	0.60	0.68

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Figures in brackets represent percentages (rounded) to total of each sub-heading . @ GSDP figures communicated by the Government adopted.

# AUDIT REPORT (STATE FINANCES)

With a view to bring State finances to centre-stage, a separate stand-alone Report on State Government finances has been attempted considering an appropriate audit response to the challenge. Based on the audited accounts of the Government of Himachal Pradesh for the year ending March 2009, this report provides an analytical review of the Annual Accounts of the State Government. The report is structured in three Chapters viz. 'Finances of the State Government', Financial Management and Budgetary Control' and 'Financial Reporting'.

# **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:

						(Rupees	in crore
2007-08	Receipts	2008-09	2007-08	Disbursements	20	008-09	
ection-A:	Revenue		143		Non-Plan	Plan	Total
9,142	Revenue receipts	9,308	8,292	Revenue expenditure	8,561	877	9,438
1,958	Tax revenue	2,242	3,429	General services	3,887	31	3,918
1,823	Non-tax revenue	1,756	2,876	Social services	2,898	434	3,332
794	Share of Union Taxes/ Duties	838	1,984	Economic services	1,772	412	2,184
4,567	Grants from Government of India	4,472	3	Grants-in-aid and Contributions	4		4

**Summary of Finance Accounts** 

Section-B:	Capital						
-	Misc. Capital Receipts	-	1,414	Capital Outlay	87	1,992	2,079
26	Recoveries of Loans and Advances	21	14	Loans and Advances disbursed	76	14	90
1,849	Public Debt receipts	2,249	936	Repayment of Public Debt	885	-	885
- 7	Contingency Fund	-	-	Contingency Fund		-	14- <del>-</del>
6,223	Public Account receipts	6,760	5,737	Public Account disbursements	5,690	-	5,690
(-)24	Opening Cash Balance	823	823	Closing Cash Balance			979
17,216	Total	19,161	17,216	Total			19,161

Dependency on central transfers Central tax transfers and grants-in-aid from GOI constituted 57 *per cent* of the total revenue receipts of the State Government during 2008-2009.

Fiscal liabilities of the State increased from Rs 16,533 crore in 2004-2005 to Rs 21,819 crore (31.97 *per cent*) in 2008-2009.

These liabilities stood at 59 per cent of GSDP in 2008-2009 and remained at high end especially when compared with the Twelfth Finance Commission norms of 31 per cent to be achieved

Increase in fiscal liabilities

Funds mainly applied to meet revenue expenditure

Revenue expenditure had predominant share in total expenditure. The revenue expenditure of the State increased by 14 *per cent* from Rs 8,292 crore in 2007-2008 to Rs 9,438 crore in 2008-2009.

Non-developmental expenditure and interest payments

Expenditure on General Services and interest payments, considered as non-developmental, accounted for 34.31 *per cent* of the total expenditure of the State during 2008-2009. The interest payments relative to revenue receipts stands at 20 *per cent* and was higher than the norms of 15 *per cent* as recommended by TFC to be achieved during the award period.

by March 2009.

High expenditure on salaries and pension	The expenditure of Rs 3,940 crore on Salaries and Wages during 2008-2009 was Rs 1,313 crore (50 <i>per cent</i> ) more than the projection (Rs 2,627 crore) made by the State Government in its Fiscal Correction Path. The salary expenditure is 62 <i>per cent</i> of revenue expenditure, net of interest and pension payments, which is much higher than the norm of 35 <i>per cent</i> recommended by the TFC. Pension payments increased by 95 <i>per cent</i> from Rs 591 crore in 2004-2005 to Rs 1,154 crore in 2008-2009 and by Rs 205 crore during the current year, recording a growth rate of 22 <i>per cent</i> over the previous year.
Insignificant returns from investments	The Government had invested Rs 2,369 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operative Institutions till the end of 2008-2009. While the Government raised high cost borrowings from the market during 2004-2009 at an average interest rate varying between 9.09 and 10.60 <i>per cent</i> , return from investments during the same period was about 1.1 <i>per cent</i> .
Loans and advances by State Government	The Government received 4.2 <i>per cent</i> return of interest receipts as percentage to outstanding loans during 2008-09 against the targeted receipt of 7 <i>per cent</i> fixed by TFC. It, however, paid 9.8 <i>per cent</i> interest on borrowings during this period.
Revenue and fiscal deficit during 2008-09	The revenue deficit and fiscal deficit was 0.35 and 6.17 <i>per cent</i> of GSDP which was higher than the projections made by TFC i.e. 0 and 3 <i>per cent</i> respectively which is a setback to the State that was

# **Financial Management and Budgetary Control**

heading towards achieving the target set forth in the FRBM Act.

Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Accounts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

# Summary of Appropriation Accounts

					(Rupe	ees in crore)
	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	8,335.22	363.06	8,698.28	8,771.51*	(+) 73.23
	II Capital	1,950.05	250.61	2,200.66	2,185.41*	(-) 15.25
	III Loans and Advances	101.76	5.37	107.13	89.61	(-) 17.52
Total Vote	ed	10,387.03	619.04	11,006.07	11,046.53	(+) 40.46
Charged	IV Revenue	1,846.16	55.02	1,901.18	1,912.09	(+) 10.91
	V Capital		0.08	0.08	0.08	
	VI Public Debt- Repayment	1,182.00		1,182.00	885.54	(-) 296.46
Total Cha	rged	3,028.16	55.10	3,083.26	2,797.71	(-) 285.55
Appropria Continger	ation to ncy Fund (if any)		-			
Grand Total		13,415.19	674.14	14,089.33	13,844.24	(-) 245.09

\*These are gross figures except in respect of Grant Nos. 10, 13 and 31 in which certain suspense heads are operated.

Savings/Excesses	The overall savings of Rs 245.09 crore were the result of savings (Rs 801.61 crore) in 48 cases and excesses (Rs 556.52 crore) in 16 cases.
Excess expenditure not regularised	Expenditure of Rs 10,455.14 crore incurred by the Government during 2003-2009 in excess of the amount sanctioned by the Legislature remained to be regularised as of September 2009.
Supplementary grants	Supplementary provisions of Rs 48.81 crore obtained in five cases proved unnecessary as the expenditure in these cases was less than the original budget provisions.
Injudicious re-appropriation	Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over Rs 10 lakh in 161 sub-heads. The excess/savings were more than Rs two crore in 36 sub-heads. Of these, in five sub-heads the savings/expenditure exceeded Rs 25 crore and above.

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# **FINANCIAL REPORTING**

This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

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Delay in furnishing Utilisation Certificates Utilisation certificates (UCs) for Rs 675.49 crore due in respect of grants and loans remained to be sent to the Accountant General as of March 2009 from various Departments; this included 306 UCs involving Rs 31.30 crore which have been pending for more than five years.

Pending cases of Misappropriations, losses, defalcations, etc. Out of 51 cases, involving Rs 77.34 lakh during a span of one year to 25 years and above, departmental proceedings and criminal investigations had not even been initiated in 23 cases involving Rs 51.06 lakh (66 *per cent*).

# AUDIT REPORT (CIVIL)

This Report includes three chapters comprising three performance reviews, one integrated audit of a Department and 32 paragraphs on matters arising from test audit of transactions and accounts of the Government of Himachal Pradesh.

### Highlights:

- A mid-term review of the implementation of the programme in the fourth year of the Mission period (2005-2012) highlights the areas of concern and issues which need to be addressed for successful achievement of the objectives set out for the Mission. The review underlines glaring gaps in planning, implementation and monitoring activities. Absence of a household survey and perspective plan and lack of inputs from the community at the grass root level in the annual plans rendered the planning process an exercise in futility. While the number of health centres exceeded the norm, these could not ensure reliable and accessible health care to the targeted beneficiaries due to inadequate infrastructure and insufficient manpower. Some of the key initiatives of NRHM like ASHA and village health and sanitation committees have not received the required attention. Public spending on health sector also remained constant during the last four years.
- A performance review of the scheme "Modernisation of Police Force" covering the period 2004-09 revealed that even after 40 years of its implementation, the objectives of the scheme to modernise the State Police Force remained largely unachieved. Implementation of the scheme was not in conformity with the areas of priority identified by the MHA. Sophisticated weapons procured were not supplied to the field units and they continued to depend on outdated weaponry.
- The objective of speedy development of irrigation potential and its eventual utilisation for the benefit of the farmers was not achieved to the desired extent in the State due to inherent deficiencies in planning, execution and monitoring. Of the two medium irrigation projects and 121 minor irrigation schemes reviewed in audit, none of the medium irrigation project was completed whereas 37 minor schemes were completed as of March 2009. The execution of irrigation schemes under NABARD's loan assistance was also not satisfactory as out of 26 schemes only 13 schemes were completed within the stipulated period and remaining 13 schemes were still in progress.
- Integrated audit of the Forest Department brought out significant gaps in the functioning of the Department especially in planning, financial management and execution of projects. The database of the Department could not be relied upon, as achievement in area afforested was shown as 6,807 sq kms upto 2006-07 while the actual area available for afforestation was only 6,297 sq kms. Even after a lapse of more than three decades of commencement (1988) of settlement proceedings in the State, only an area of 4,485 sq kms has been demarcated leaving a targeted forest area of 11,033 sq kms in 10 out of 12 districts yet to be demarcated. These shortcomings underline the ineffectiveness of the existing supervision and monitoring mechanism in the Department.

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# **PERFORMANCE REVIEWS**

# **Health and Family Welfare Department**

# **National Rural Health Mission**

Main objectives of the scheme The main objectives of the Mission, to be met during the period 2005-2012 are to provide accessible, affordable, accountable, effective and reliable health care facilities in the rural areas, especially to the poor and vulnerable sections of the society; involve community in planning and monitoring; reduce infant mortality rate (IMR) maternal mortality rate (MMR) and total fertility rate (TFR) for population stabilisation; and prevent and control communicable and non-communicable diseases, including locally endemic diseases.

### Major audit findings

Lack of groundwork for implementation of scheme	Perspective Plan and District Health Action Plans were not prepared during 2005-09 and community participation was not ensured in the planning process. Absence of these plans and lack of inputs from the
	community at the grass root level in the annual plans rendered the planning process an exercise in futility.
Underutilisation of funds	Of the total available funds, 61 to 75 <i>per cent</i> remained unutilised with the Mission Director during 2005-09.
Infrastructure and manpower	While the number of health centres exceeded the norm, these could not ensure reliable and accessible health care to the targeted beneficiaries due to inadequate infrastructure and insufficient manpower.
Performance of key initiatives under the	Key initiatives of NRHM like ASHA and village health and sanitation committees have not received the required attention and public
scheme	spending on health sector also remained constant during the last four years.
Convergence with other Departments	Convergence of the Mission activities with Departments dealing with issues of safe drinking water, sanitation, nutrition, early childhood development and women's empowerment was not ensured.

# **Home Department**

# **Modernisation of Police Forces**

Main objectives of the<br/>schemeTo identify deficiencies in basic police infrastructure; improving the<br/>operational efficiency of the police force by providing it with better<br/>arms and ammunition and other equipment; enhancing the mobility<br/>of the force by providing better and more secure transportation;<br/>improving communication and information sharing among various<br/>field formations with adequate and sophisticated communication<br/>gadgets; honing the investigative skills of the force through better<br/>training and equipment; and reducing the dependence of the State<br/>Government on the Central Para Military Forces and Army to control<br/>internal security and law and order related problems.

### Major audit findings

Mobility of the PoliceThe objective of increasing the mobility of police force at cutting<br/>edge level was not fully achieved as 77 light vehicles received during<br/>2004-09 were retained at the State and District Police Headquarters,<br/>India Reserve Battalions and State Forensic Science Laboratory.Arms, ammunition and<br/>other equipmentThe Department failed to assess and procure weapons as per norms<br/>resulting in acute shortage (71 and 88 per cent) in two categories

resulting in acute shortage (71 and 88 *per cent*) in two categories (7.62 mm SLR rifles: 6,416 numbers short and LM Guns: 285 numbers short) and excess (221 per cent) in one category (9 mm pistols: 869 numbers excess) which adversely affected the striking capability of the police force.

Surveillance andDespite incurring an expenditure of Rs 1.47 crore, implementation ofCommunicationPOLNET at Police Station level suffered due to technical drawbacks<br/>and unreliable performance of MART System.

Operationalisation of<br/>DNA Profiling DivisionDNA Profiling Division sanctioned by the GOI for State Forensic Science<br/>Laboratory, Junga in May 2006 remained non-functional due to non-<br/>filling of posts. Consequently, equipment valued at Rs 69.38 lakh<br/>received from the MHA in September 2006 remained idle.

Housing facilities to Police personnels The Department failed to provide housing facilities to upper and lower subordinates as per National Police Commission norms and the satisfaction level attained during 2004-09 was only 13 to 17 *per cent*.

Monitoring and Evaluation of the scheme The State level Empowered Committee did not meet during 2004-09 to monitor the implementation of the scheme though it was required to meet once every three months. No evaluation of the scheme had been carried out by the Department to ascertain the impact of increased mobility and striking capabilities of the State police force.

# **Irrigation and Public Health Department**

# Implementation of Irrigation Projects

Objective

Accelerated Irrigation Benefits Programme (AIBP) was launched (1996-97) with the objective of accelerating the completion of ongoing major/medium irrigation projects on which substantial investment had been made and were beyond the resource capability of the State Governments. Subsequently, Minor Irrigation Projects were included for implementation under AIBP in 1999-2000.

#### Major audit findings

Masterplan for harnessing of estimated irrigation potential not	The Department had not prepared any long-term master plan for systematic harnessing of estimated irrigation potential.
prepared	
Shortfall in creation of irrigation potential	Only 17,053 hectares (22 per cent) irrigation potential could be created by the Department during 2005-09 against the target of creation of additional irrigation potential of 77,880 hectares under Bharat Nirman.
Underutilisation of completed schemes	The irrigation potential created under various schemes was not utilised optimally and the shortfall in utilisation during 2004-09 ranged between 56 and 100 per cent.
Schemes executed	Technical Sanctions for assuring that the proposals are structurally
without obtaining Technical Sanctions	sound, feasible and estimates are calculated correctly, were not obtained resulting in infeasibility of several schemes.
Non-completion of targeted projects/ schemes	Non-completion of projects/schemes within the prescribed time limits of two to four years resulted in time/cost overruns.

# **Forest Department**

### **Integrated Audit of Forest Department**

Main functions of the Department To protect environment, conserve, develop and protect the unique Himalayan biodiversity by effective management of forests and protected areas, increasing forest density and cover, soil conservation works through implementation of various State sector schemes, Centrally sponsored schemes and externally aided projects.

### Major audit findings

Unrealistic achievements of afforested area Achievements relating to area afforested by the Department are questionable, as against the available area of 6,297 sq kms for afforestation, the Department had shown afforestation in an area of 6,807 sq kms.

Shortfall in utilisation of<br/>allocated fundsUnder the Mountain Livelihood Enhancement component of<br/>Mid-Himalayan Watershed Development Project, the financial<br/>performance was quite poor as funds ranging from 42 to 86 per cent<br/>were not utilised for the intended purpose.

Non-release of funds for maintenance of plantations

Fewer deposit of funds by the user agency

Against assessed environmental value of Rs 64.13 crore for Koldam Project, the user agency had deposited only Rs 13.47 crore as of July 2009.

During 2004-08, Rs 7.45 crore were spent on plantations (1,753.50 ha)

under different CAT plans but funds for maintenance were not

provided by the State Government to ensure their success.

Non-conclusive research and development For research and education, grants aggregating Rs 29.76 crore were paid to Dr. Y.S.Parmar University of Horticulture and Forestry, Nauni during 2004-09 without specifying the subjects for research.

# AUDIT OF TRANSACTIONS

### Wasteful/unfruitful/infructuous expenditure

Unfruitful expenditure on construction of jeepable bridge The Public Works Department did not plan and construct jeepable road to village Suru in Shimla district resulting in unfruitful expenditure of Rs 85.80 lakh on construction of jeepable suspension bridge, thereby depriving inhabitants of Suru village of the road connectivity. Avoidable loss due to washing away of bridge The Rampur Division of the Public Works Department did not maintain the road and bridge over Brauni Nallah resulting in avoidable loss of Rs 1.86 crore to the State Government due to washing away of the bridge.

Unfruitful expenditure in construction of Eklavya Model Residential School building Infructuous expenditure on implementation of Rashtriya Sam Vikas Yojana The Public Works Department did not get construction of Eklavya Model Residential School building works at Nichhar (Kinnaur district) completed in time, rendering an expenditure of Rs 91.49 lakh unfruitful as even after rescission of the work, considerable time and money is likely to be consumed to get the balance work done.

Action of the District Rural Development Agency, Sirmaur to release periodic payments to the firm (VIMARSH) and consultants (NABCONs) without monitoring their performance in accordance with the provisions of the memorandum of understanding resulted in infructuous expenditure of Rs 44.53 lakh on implementation of scheme "Rashtriya Sam Vikas Yojana".

Unproductive expenditure on construction of Stadium Decision of the Youth Services and Sports Department to convert athletics stadium to cricket stadium midway during construction resulted in unproductive expenditure of Rs 53.50 lakh and blocking of Rs 1.30 crore.

### Undue favour to contractors/avoidable expenditure

Undue benefit to contractors

Due to acceptance of sub-standard work of Jawalamukhi-Dehra-Nehranpukhar road" (Kangra district) executed at Rs 1.23 crore, the Public Works Department could not provide quality road connectivity and further inaction to recover levied compensation of Rs 50 lakh resulted in extending undue financial benefit to the contractor.

Karsog and Rajgarh divisions of the Public Works Department, did not observe the relevant provisions of the Standard Bidding Document before making advance payments of Rs 1.87 crore to the contractor, resulting in extending undue favour to him. Besides, Government dues to the extent of Rs 2.16 crore had been put at high risk in the absence of valid Bank Guarantees.

Retention of Government receipts outside Government account In violation of Constitution of India and existing financial principles, the Animal Husbandry Department retained revenues received from sale of departmental property and refund of Government funds aggregating Rs 3.93 crore outside Government account.

# Idle investment/blocking of funds/diversion of funds

Delay in construction of kitchen sheds and blocking of funds

Blocking of Calamity Relief Funds Improper planning and identification of schools for construction of kitchen shed-cum-stores under Mid-day-Meal scheme by Education Department resulted in delay in providing the facility to 1,077 schools and blocking of funds to the tune of Rs 6.46 crore.

Failure of the Animal Husbandry Department in ensuring the timely release of transportation subsidy out of Calamity Relief Funds on cattle feed to the farmers resulted in blocking of unutilised amount of Rs 57.20 lakh. The funds were actually released by the Divisional Commissioner, Shimla Division after the drought was over.

Idle investment on Auxiliary Nurse-cum-Midwife Training Centre and injudicious expenditure on idle staff Idle investment on Flow Irrigation Scheme

Idle expenditure on construction of road and bridge

Diversion of Calamity Relief Fund

**Blocking of funds** 

Expenditure of Rs 51.90 lakh incurred by the Health and Family Welfare Department on construction of Auxiliary Nurse-cum-Midwife training centre at Chamba and salary of staff deployed did not serve the intended purpose and proved largely unfruitful since the State Government had not sponsored the candidates for ANM courses.

The Irrigation and Public Health Department did not carry out adequate investigations initially and arrange encumbrance-free land for the Flow Irrigation Scheme, Oddigad to Neri in Shimla district resulting in idle investment of Rs 66.79 lakh.

Poor planning by the Public Works Department resulted in idle expenditure of Rs 1.87 crore on construction of road and bridge over Spiti river and non-achievement of the objective of providing transport facility to Sumra village in Kinnaur District.

The State Government and Deputy Commissioners of Kangra, Kinnaur and Mandi districts diverted Rs 24.36 crore from calamity relief fund for works not admissible under CRF guidelines.

Funds of Rs 3.49 crore were sanctioned by the Urban Development Department for installation of Solid Waste Management projects at Palampur, Shimla and Solan without ensuring availability of suitable sites and at Nalagarh without obtaining technical sanction.

# **Regularity issues and other points**

Denial of scholarship benefits to eligible students Non-compliance with the financial rules and scheme guidelines by the Education Department deprived the students of the benefit of scholarship apart from blocking of Rs 9.16 crore. Unauthorised investment in SBI Mutual Fund

Injudicious raising of Jatropha Nurseries Action of the Vice Chancellor, Himachal Pradesh University to invest Rs 3.32 crore in Mutual Fund without authorisation from the Executive Council has subjected the investment to market risks.

Expenditure of Rs 75 lakh incurred by Rural Development Department on raising, distribution and plantation of Jatropha plants by the implementing agencies lacked justification due to non-maintenance of proper records and non-identification of cluster lands before getting money from GOI.

Incorrect booking of materials Material costing Rs 4.60 crore was incorrectly booked against 54 works by nine Public Works Divisions to show utilisation of budget in contravention of rules.

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# **AUDIT REPORT (REVENUE RECEIPTS)**

This Report contains important audit findings on the working of various departments on non/short levy of taxes, duties, royalty, interest and penalty, etc. Reviews on "Transition from sales tax to value added tax", "Collection of duties and fees on working of distilleries in Himachal Pradesh" and "Assessment and collection of water charges including *abiana* charges" have also been included in the Report.

#### **Highlights:**

- Non-payment of VAT on rental charges on account of electric meters and service lines collected from consumers by Himachal Pradesh State Electricity Board resulted in non-realisation of revenue of Rs 14.05 crore including interest.
- In the absence of any mechanism for cross-verification of tax paid by 134 selling dealers, the Assessing Authorities could not ensure the genuineness of Input Tax Credit of Rs 15.33 crore claimed by the dealers.
- Excess allowance of Input Tax Credit to 69 dealers on the entire branch transfer/local purchases of Rs 314.35 crore, instead of on proportionate basis, resulted in loss of revenue of Rs 2.23 crore.
- Deficient provisions for cross verification of local purchases exceeding rupees one lakh made from a single dealer in a year, resulted in non-verification of genuineness of Input Tax Credit of Rs 6.06 crore, allowed to the dealers.
- Non-payment of value added tax on the sale of SIM cards and irregular allowance of deduction of material from gross turnover in the case of 34 dealers resulted in nonrecovery of revenue of Rs 4.52 crore.
- Acceptance of defective/incomplete statutory forms by the Assessing Authorities and allowing exemption/concessional rate of tax in case of 28 industrial units resulted in short levy of tax of Rs 10.03 crore in seven districts.
- Allowance of inadmissible wastage to a brewery licensee in Solan district without provisions in the Act resulted in loss of excise duty of Rs 1.97 crore.
- Low yield of spirit from molasses in two distilleries in Solan and Una district resulted in short collection of excise duty of Rs 4.31 crore.
- Non-application of distillery rules resulted in non-recovery of license fee of Rs 2.86 crore on the production of 425.80 quarts of country liquor in five distilleries.

- 1,05,723.662 proof litres of country liquor and 52,513.188 proof litres of Indian Made Foreign Liquor was surrendered by the outgoing licensees on 31<sup>st</sup> March 2007 of Mandi district. License fee of Rs 2.21 crore, recoverable from incoming licensees of 2007-08, was not recovered.
- Token tax and penalty of Rs 1.68 crore for the year 2006-07 to 2007-08 was neither paid by 2,574 vehicle owners nor recovered by 19 Registering and Licensing Authorities.
- Non/short payment of special road tax and non-levy of penalty resulted in non-recovery of Government dues of Rs 3.23 crore in seven Regional Transport Authorities.
- In RLA, Shimla (Urban), Rs 20.05 lakh collected during April 2007 to August 2007, November 2007, January 2008 and February 2008 on account of fees and taxes etc. was neither entered in the Cash Book nor found deposited in the Government account. This resulted in embezzlement/ misappropriation of Government money.
- Non/short charging of costs of 8,329 trees of different species falling in the alignment area of projects/transmission lines etc. resulted in non/short recovery of revenue of Rs 2.15 crore in eight forest divisions.
- Against Rs 74.61 crore due for assessment on account of water charges, the department assessed Rs 72.87 crore, resulting in short assessment of Rs 1.74 crore during the years 2003-04 to 2007-08.
- Due to non-installation of meters and levy of water charges on flat rates, the Government suffered a revenue loss of Rs 4.73 crore (calculated on average basis) in 35,847 cases during 2005-06 to 2007-08 in 27 sub divisions.
- Non-levy of surcharge on delayed payments of water charges for bulk supply of water to the committees/municipal corporation resulted in loss of revenue of Rs 4.03 crore during 2003-04 to 2007-08.
- Non-deposit of electricity duty of Rs 102.41 crore by the Himachal Pradesh State Electricity Board resulted in non-recovery of revenue to that extent.
- Incorrect determination of the market value of property resulted in short realisation of stamp duty and registration fee of Rs 1.81 crore in 489 cases.

# **Trend of Revenue Receipts**

The total receipts of the State Government for the year 2008-09 were Rs 9,307.99 crore against Rs 9,141.54 crore during the previous year. Revenue raised by the State Government during the year was Rs 3,998.73 crore comprising Rs 2,242.49 crore from tax and Rs 1,756.24 crore from non-tax revenue as against Rs 1,958.18 crore and Rs 1,822.43 crore respectively in the previous year.

Audit observations

The financial effect of the paragraphs and reviews in the Report was Rs 182.02 crore. The Government/Department accepted audit observations of Rs 126.33 crore of which an amount of Rs 38.92 crore was realised at the instance of audit.

### SYSTEM APPRAISALS

#### Major Audit findings

#### Review on 'Transition from Sales Tax to Value Added Tax'

Non realisation of revenue due to nonregistration of Himachal Pradesh State Electricity Board under HPVAT Act

Non-payment of VAT on rental charges on account of electric meters and service lines collected from consumers by Himachal Pradesh
I State Electricity Board resulted in non-realisation of revenue of Rs 14.05 crore including interest.

Absence of mechanism to verify the tax paid before allowing input tax credit In the absence of any mechanism for cross verification of tax paid by 134 selling dealers, Assessing Authorities could not ensure the genuineness of Input Tax Credit of Rs 15.33 crore claimed by the dealers.

Excess allowance of input tax credit Excess allowance of input tax credit to 69 dealers on the entire branch transfer/local purchases of Rs 314.35 crore, instead of on proportionate basis, resulted in loss of revenue of Rs 2.23 crore.

Deficiency in provisions for cross verification of local purchases Deficient provisions for cross verification of local purchases exceeding rupees one lakh made from a single dealer in a year, resulted in non-verification of genuineness of Input Tax Credit of Rs 6.06 crore, allowed to the dealers.

Deficiency in provision for deduction of tax at source on hire charges Deficient provisions for deduction of tax at source on hire charges involved in execution of works contract, resulted in non-recovery of revenue of Rs 56.58 lakh.

Non-payment of VAT and underassessment due to wrong deduction of material Non-payment of value added tax on the sale of SIM cards and irregular allowance of deduction of material from gross turnover in the case of 34 dealers resulted in non-recovery of revenue of Rs 4.52 crore.

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# Review on 'Collection of Duties and Fees on working of Distilleries in Himachal Pradesh'

Loss of duty on	Allowance of inadmissible wastage to a brewery licensee in Solan
inadmissible wastages	district without provisions in the Act resulted in loss of excise duty of
	Rs 1.97 crore.
Low yield of spirit from	Low yield of spirit from molasses in two distilleries in Solan and Una
molasses	district resulted in short collection of excise duty of Rs 4.31 crore.
Non-application of	Non-application of distillery rules resulted in non-recovery of license
distillery rules	fee of Rs 2.86 crore on the production of 425.80 quarts of country
	liquor in five distilleries.

# Review on 'Assessment and Collection of Water Charges including Abiana Charges'

Short assessment of	Against Rs 74.61 crore due for assessment on account of water charges,
water charges	the department assessed Rs 72.87 crore, resulting in short assessment
	of Rs 1.74 crore during the years 2003-04 to 2007-08.

Non-installation ofDue to non-installation of meters and levy of water charges on flatmeters for water supplyTates, the Government suffered a revenue loss of Rs 4.73 crore(calculated on average basis) in 35,847 cases during 2005-06 to2007-08 in 27 sub divisions.

Non-imposing of<br/>surcharge for delayed<br/>payment of waterNon-levy of surcharge on delayed payments of water charges for bulk<br/>supply of water to the committees/municipal corporation resulted in<br/>loss of revenue of Rs 4.03 crore during 2003-04 to 2007-08.charges

# **Results of Transaction Audit**

Important audit findings included as paragraphs

# TAXES ON SALES, TRADE/VAT ETC.

Evasion of tax due to acceptance of defective statutory forms Acceptance of defective/incomplete statutory forms by the assessing authorities and allowing exemption/concessional rate of tax in case of 28 industrial units resulted in short levy of tax of Rs 10.03 crore in seven districts. Evasion of tax due to suppression of sales Non/short disclosure of sales of Rs 2.91 crore by 16 dealers of four districts who sold *khairwood* to a dealer of Sirmaur district, resulted in evasion of tax of Rs 87.40 lakh.

# **STATE EXCISE**

Non/short recovery of license fee on the closing stock

In AETC Mandi, 1,05,723.662 proof litres of country liquor and 52,513.188 proof litres of Indian made foreign liquor surrendered by the outgoing licensees. The license fee of Rs 2.21 crore recoverable from incoming licensees of 2007-08, was not recovered.

# TAXES ON VEHICLES, GOODS AND PASSENGERS

Non/short realisation of<br/>token taxToken tax and penalty of Rs 1.68 crore for the year 2006-07 to 2007-08<br/>was neither paid by 2,574 vehicle owners nor recovered by 19<br/>Registering and Licensing Authorities.

Non/short payment of special road tax and non-levy of penalty for late payment of special road tax In seven Regional Transport Authorities, non/short payment of special road tax and non-levy of penalty resulted in non-recovery of Government dues of Rs 3.23 crore.

Embezzlement/ temporary misappropriation of Government money In RLA, Shimla (Urban), Rs 20.05 lakh collected during April 2007 to August 2007, November 2007, January 2008 and February 2008 on account of fees and taxes etc. was neither entered in the Cash Book nor found deposited in the Government account. This resulted in embezzlement/ misappropriation of Government money.

# FOREST RECEIPTS

Non/short recovery of<br/>revenueNon/short charging of costs of 8,329 trees of different species falling<br/>in the alignment area of projects/transmission lines etc. resulted<br/>in non/short recovery of revenue of Rs 2.15 crore in eight forest<br/>divisions.

Non-levy of interest on<br/>delayed payment ofIn six forest divisions, royalty of Rs 3.28 crore in respect of 53 lots<br/>handed over for exploitation were paid late by the Himachal Pradesh<br/>State Forest Corporation, on which interest of Rs 98.97 lakh was not<br/>levied by the department.

# **OTHER TAX AND NON-TAX RECEIPTS**

# **Multipurpose Projects and Power Department**

Non-recovery of electricity duty	Non-deposit of electricity duty of Rs 102.41 crore by the Himachal Pradesh State Electricity Board resulted in non-recovery of revenue to that extent.
	Revenue Department
Incorrect determination of market value of	Incorrect determination of the market value of property was made by

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property

Incorrect determination of the market value of property was made by 34 Sub Registrars in 489 cases which resulted in short realisation of stamp duty and registration fee of Rs 1.81 crore.

# AUDIT REPORT (COMMERCIAL)

This Report contains a general overview of Government companies, Statutory corporations and performance review on functioning of Himachal Road Transport Corporation.

This Report also contains 14 paragraphs including a para on follow-up action on Audit Reports based on a test check of the records of Government companies and Statutory corporations.

#### **Highlights:**

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Himachal Pradesh had 20 working PSUs (17 companies and three Statutory corporations) and three non-working PSUs (all companies), which employed 42,204 employees. The working PSUs registered a turnover of Rs 4,629.88 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 12.53 per cent of State GDP indicating an important role played by the State PSUs in the economy. However, the working PSUs incurred overall loss of Rs 0.12 crore in 2008-09 and had accumulated losses of Rs 943.78 crore.

#### **Investment in PSUs**

As on 31 March 2009, the investment (Capital and long term loans) in 23 PSUs was Rs 4,256.01 crore which declined by over 16 per cent from Rs 5,104.22 crore in 2003-04. Power sector accounted for nearly 72 per cent of the total investment in 2008-09. The Government , contributed Rs 703.85 crore towards equity, loans and grants/subsidies during 2008-09.

#### Performance of PSUs

During the year 2008-09, out of 20 working PSUs, eight PSUs earned profit of Rs 47.68 crore and equal number of PSUs incurred loss of Rs 47.80 crore. Three working PSUs had not started commercial activities and in respect of one working PSU, excess of expenditure over income was reimbursable by the State Government. The major contributors to profit were Himachal Pradesh State Electricity Board (Rs 32.31 crore) and Himachal Pradesh State Industrial Development Corporation Limited (Rs 9.74 crore). The heavy losses were incurred by Himachal Road Transport Corporation (Rs 34.18 crore) and Himachal Pradesh Financial Corporation (Rs 6.32 crore). The losses were attributable to various deficiencies in the functioning of PSUs. A review of three years Audit Reports of CAG shows that the state PSUs losses of Rs 550.50 crore and infructuous investment of Rs 8.58 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and minimise/eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

**Quality of accounts** 

The quality of accounts of PSUs needs improvement. Of the 16 accounts of working companies finalised during October 2008 to September 2009, eight accounts received qualified certificates and seven accounts received adverse certificates. There were 44 instances of non-compliance with Accounting Standards. Of the three accounts of Statutory corporations finalised during October 2008 to September 2009, audit of only one account was completed and it received qualified certificate. The Reports of the Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

 Twelve working PSUs had arrears of 15 accounts as of September 2009. The arrears need to be cleared by setting targets for individual PSUs. There were three non-working PSUs. As no purpose may be served by keeping these PSUs in existence, Government need to expedite closing down of the non-working PSUs.

Discussion of Audit Reports by COPU

 The Audit Reports (Commercial) for 2002-03 onwards are yet to be fully discussed by COPU. The six pending Audit Reports contained 17 reviews and 80 paragraphs of which 16 reviews and 56 paragraphs were pending for discussion.

# Performance review relating to Statutory corporation

Performance review relating to **Himachal Road Transport Corporation** was conducted. Executive summary of the Audit findings is given below:

The Himachal Road Transport Corporation (Corporation) provides public transport in the State through its 23 depots. The Corporation had fleet strength of 1,908 buses as on 31 March 2009 and carried an average of 1.20 lakh passengers per day during 2008-09. It accounted for a share of 41.26 *per cent* in public transport with rest coming from private operators. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the buses model to tap nonconventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation. Finances and Performance The Corporation suffered a loss of Rs 34.18 crore in 2008-09. Its accumulated losses and borrowings stood at Rs 512.23 crore and Rs 140.01 crore as at 31 March 2009, respectively. The Corporation earned Rs 25.19 per kilometre and expended Rs 27.34 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to reduce costs, so as to earn profit and serve its cause better.

#### Declining share

Of 4,624 buses licensed for public transport in 2008-09, about 41.26 *per cent* belonged to the Corporation. The percentage share of the Corporation increased from 40.35 *per cent* in 2004-05 to 41.82 *per cent* in 2007-08 but decreased marginally to 41.26 in 2008-09. The decline in share during 2008-09 was mainly due to its operational inefficiency. Nonetheless, vehicle density (including private operators buses) per one lakh population increased marginally from 65.31 in 2004-05 to 66.85 in 2008-09 indicating stability in the level of public transport in the State.

Corporation's buses consisted of own fleet of 1,881 buses and 27 hired buses as on 31 March 2009. Of its own fleet, 588 (31.26 per cent) were overage. The percentage of overage buses increased from 24.46 in 2004-05 to 31.26 in 2008-09 due to non-replacement of overage buses though the Corporation acquired 960 new buses during 2004-09. The acquisition was funded through grant-in-aid of Rs 40 crore and share capital contribution of Rs 36.24 crore from the State Government. Corporation's fleet utilisation at 98.67 per cent in 2008-09 was above All India Average (AIA) of 90.01 per cent. Its vehicle productivity at 224 kilometres per day per bus was above the AIA of 196 kilometres for hilly areas. Similarly, its load factor at 64.83 per cent in 2008-09 remained above the AIA of 63 per cent. Though, the Corporation did well on operational parameters, its 95 per cent schedules of buses were unprofitable due to high cost of operations. The Corporation did not carry out preventive maintenance as required in 12.70 to 13.53 per cent cases during 2004-09.

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Vehicle profile and utilisation

#### Economy in operations

Manpower and fuel constitute 72.97 *per cent* of total cost. Interest, depreciation and taxes account for 14.22 *per cent* and are not controllable in the short term. Thus, the controllable expenditure has to come from manpower and fuel. The Corporation succeeded in reducing the manpower per bus from 5.09 in 2004-05 to 4.41 in 2008-09 though the manpower cost rose from Rs 8.44 to Rs 10.60 per effective Km in 2004-09. Further, the expenditure on repairs and maintenance was Rs 66.24 crore (Rs 3.52 lakh per bus) in 2008-09 of which nearly 44 *per cent* was on manpower. The Corporation did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs 5.26 crore.

The Corporation had just 27 hired buses where bus owners provide buses with drivers and incur all expenses. The Corporation provides conductors and makes payment as per kilometres operated. Since the net loss per effective Km of hired buses was lower than the same in respect of owned buses, this arrangement has the potential to cut down the cost substantially. The Corporation needs to explore possibility to replace overage buses by hired buses in future.

**Revenue maximisation** The State Government reimburses the cost of concessional/free passes and operation on uneconomical routes. However, against the claim of Rs 311.92 crore lodged by the Corporation, the State Government had reimbursed Rs 231 crore only leaving a sum of Rs 80.92 crore unrecovered.

**Need for a regulator** The fare per kilometre stood at 92.50 paise from February 2008. Though the Government approves the fare increase, there is no scientific basis for its calculation. The Corporation has also not formed norms for providing services on uneconomical schedules. Thus, it would be desirable to have an independent regulatory body (like Public Tariff Commission as envisaged by the State Government) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Inadequate monitoring The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The shortfall in operations is required to be deliberated upon in the Board of Directors with suitable remedial actions to be taken. However, the Corporation lacked in these aspects and could not control the cost by exercising effective management control over operational parameters.

Conclusion and recommendations

Though the Corporation is incurring losses, it is mainly due to its high cost of operations, negligible reliance on hired buses and low fare structure. The Corporation can control the losses by reducing operational cost and resorting to hiring of buses. This review contains five recommendations to improve the Corporation's performance. Reduction of operational cost, hiring of buses and effective monitoring by top management are some of these recommendations.

# **Transaction Audit Observations**

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

 Loss of Rs 16.69 crore in five cases due to non-compliance of rules, directives, procedure and conditions of tender document.

(Paragraphs 3.1, 3.6, 3.7, 3.9 and 3.10)

Loss of potential revenue of Rs 1.13 crore in one case due to deficient planning.

(Paragraph 3.2)

Loss of Rs 7.51 crore in one case due to injudicious decision.

(Paragraph 3.4)

Loss of Rs 12.52 crore in three cases due to inadequate/deficient monitoring.

(Paragraphs 3.3, 3.8 and 3.12)

Gist of some of the important audit observations is given below:

 Himachal Pradesh Tourism Development Corporation Limited failed to plan construction of a car parking project properly, which led to time overrun of more than seven years in commissioning of the project, cost overrun of Rs 81 lakh besides loss of potential revenue of Rs 1.13 crore.

#### (Paragraph 3.2)

 Himachal Pradesh State Civil Supplies Corporation Limited failed to initiate timely action for revision of rates of bran in accordance with the prevailing market rates resulting in loss of Rs 3.56 crore.

(Paragraph 3.3)

 State Government's injudicious decision not to enforce the condition of the sale deed against the purchaser of property resulted in a loss of Rs 7.51 crore to Himachal Pradesh General Industries Corporation Limited.

### (Paragraph 3.4)

 Himachal Pradesh State Electricity Board failed to fix rates for supply of Steel Tubular Poles as per the tender document resulting in undue favour of Rs 1.06 crore to local suppliers.

#### (Paragraph 3.6)

 Himachal Pradesh State Electricity Board failed to implement the Expenditure Regulations resulting in revenue loss of Rs 2.90 crore due to short recovery of service connection charges from the consumers.

### (Paragraph 3.7)

 Himachal Pradesh State Electricity Board did not assess the load requirement of Sansarpur Terrace area correctly resulting in injudicious investment of Rs 3.35 crore with resultant interest loss of Rs 85.43 lakh.

### (Paragraph 3.8)

 Himachal Pradesh State Electricity Board failed to apply the provisions of applicable schedule of tariff and Electricity Act, 2003 resulting in loss of revenue of Rs 11.69 crore.

(Paragraph 3.10)

