EPITOME OF THE CAG'S AUDIT REPORTS FOR THE STATE OF HIMACHAL PRADESH FOR THE YEAR ENDED 31 MARCH 2017

Preface

This brochure presents, at a glance, the important contents of the Reports of the Comptroller and Auditor General of India on State Finances, Revenue Sector, Public Sector Undertakings (Economic Sector) and Social, General and Economic Sectors (Non-Public Sector Undertakings) relating to the Government of Himachal Pradesh for the year ended 31 March 2017. 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 Head 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 Reports on State Finances, Revenue Sector and Social, General and Economic Sectors (Non-Public Sector Undertakings) and the Committee on Public Sector Undertakings (COPU) in respect of Report on Public Sector Undertakings (Economic Sector). The Government departments are to submit *suo motu* Action Taken Notes on all Audit Paragraphs and Reviews to the respective Committee, duly vetted by Audit. The Committee selects 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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AUDIT REPORT ON STATE FINANCES (Report No. 4 of 2017)

Based on the audited accounts of the Government of Himachal Pradesh for the year ended 31 March 2017, 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:

Summary of Finance Accounts

(₹ in crore)

Receipts			Disbursements		
	2015-16	2016-17		2015-16	2016-17
Section-A: Revenue					
Revenue receipts	**23,440**	**26,264**	**Revenue expenditure**	**22,303**	**25,344**
Tax revenue	6,696 (29)	7,039 (27)	General Services	8,788	9,728
Non-tax revenue	1,837 (8)	1,717 (6)	Social Services	7,980	9,610
Share of Union Taxes/ Duties	3,611 (15)	4,344 (17)	Economic Services	5,525	5,996
Grants from Government of India	11,296 (48)	13,164 (50)	Grants-in-aid and Contributions	10	10
Section-B: Capital and others					
Misc. Capital Receipts	--	--	**Capital outlay**	**2,864**	**3,499**
Recoveries of Loans and Advances	**26**	**30**	**Loans and advances disbursed**	**463**	**3,290***
Public Debt receipts	**6,129**	**8,603***	**Repayment of public debt**	**3,948**	**3,943**
Contingency Fund	Nil	Nil	**Contingency Fund**	Nil	Nil
Public account receipts	**11,515**	**13,630**	**Public account disbursements**	**10,577**	**12,351**
Opening cash balance	**(-) 739**	**216**	**Closing cash balance**	**216**	**316**
Total	**40,371**	**48,743**	**Total**	**40,371**	**48,743**

* Includes ₹ 2890.50 crore on account of Ujwal DISCOM Assurance Yojana.

Fiscal correction path	As per the FRBM Act/ Thirteenth Finance Commission the revenue deficit was required to be brought down to zero during 2011-12 and thereafter a revenue surplus was to be maintained. However, the target of bringing down the revenue deficit to zero had been achieved in 2015-16 and 2016-17. After performing well in 2015-16, decline was observed in all three deficit indicators during 2016-17 viz. revenue deficit, fiscal deficit and primary deficit. During 2016-17, revenue surplus of ₹ 1,137 crore declined to ₹ 920 crore over the previous year. It was also noticed that though the central transfers has increased this year, on the contrary the revenue surplus declined. Fiscal deficit increased by ₹ 783 crore from ₹ 2,165 crore in 2015-16 to ₹ 2,948 crore in 2016-17. It was 2.37 *per cent* of GSDP during current year and was within the target fixed in FRBM Act (3.17 *per cent*) and projections made by XIVth FC (i.e. 3 *per cent*). Primary surplus of ₹ 990 crore and ₹ 411 crore was observed during 2015-16 and 2016-17 respectively. **(Paragraph 1.11.1)**
Oversight of funds transferred directly to the State implementing agencies	In spite of Central Government decision to route these funds through budget from 2014-15, funds were still transferred directly to the State Implementing agencies during 2014-17. During 2016-17, these direct funds increased from ₹ 344.68 crore to ₹ 457.18 crore over the previous year. Since these funds do not pass through the State budget, the Finance Accounts do not present a complete picture of fund flow of Central Government resources to the State. **(Paragraph 1.2.2)**
Less Priority to Capital Expenditure	Priority has not been given by the State Government to capital expenditure as the percentage ratio of capital expenditure to aggregate expenditure is 11.17 in 2015-16 and 10.89 in 2016-17, which is lower than the average ratio of Special Category States 14.00 in 2015-16 and 13.60 in 2016-17. During 2016-17

it declined by 0.28 percentage point over the previous year and 2.71 percentage point less than the SCS average.

(Paragraph 1.7.1)

Review of Government investments

The average return on the Government's investments in Statutory Corporations, Rural Banks and Joint Stock companies during 2012-17 was 5.15 *per cent* whereas the Government paid average interest rate of 7.85 *per cent* on its borrowings during above period.

(Paragraph 1.8.2)

Expenditure on salary and wages

The expenditure on salaries and wages increased by ₹ 1,508 crore (18 *per cent*) over the previous year due to dearness allowance installments and other benefits paid to the staff. It constituted 37 *per cent* of revenue receipts of the State during 2016-17. The salary expenditure in the current year (₹ 9,356 crore) was within the projections made in Medium Term Fiscal Plan Statement (MTFPs) (₹ 9,445 crore).

(Paragraph 1.6.2)

Increase in fiscal liabilities, trends of maturity profile of debt and State's per capita debt

Fiscal liabilities at the end of the current year (2016-17) were ₹ 47,244 crore with increase of 15 *per cent* over the previous year and stood at 38 *per cent* of GSDP and 180 *per cent* of the revenue receipts.

The maturity profile of the State debt indicates that 9 *per cent* (₹ 3,096 crore) of the public debt is payable in the next year. Thirty one *per cent* (₹ 10,008 crore) is payable in the next 1-5 years' time while the remaining 60 *per cent* (₹ 19,466 crore) loans are required to be paid in more than five years' time which would put a strain on the Government budget during that period. It is indicative that State is required to pay 55 *per cent* debt within 7 years which is a significant stress on the financial position.

The State's per capita debt had shown increasing trend from ₹ 43,726 in 2012-13 to ₹ 65,444 during 2016-17 (an increase of 50 *per cent* in five years' time). It increased by

₹ 7,802 (14 *per cent*) during 2016-17 (₹ 65,444) over the previous year (₹ 57,642). Though the per capita debt of the State for the year 2016-17 with the UDAY Scheme is ₹ 65,444, it would be ₹ 61,439 without taking into account the UDAY scheme.

(Paragraphs 1.9.2 and 1.10.1)

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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 Acts. 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 the budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provision and are, therefore, complementary to Finance Accounts.

Summary of Appropriation Accounts for the year 2016-17

(₹ in crore)

Nature of expenditure	Original Grant/ Appropri-ation	Supplementary Grant/ Appropriation	Total	Actual expend-iture	Saving (-)/ Excess (+)
Voted					
I. Revenue	25,385.73	1,502.78	26,888.51	24,512.27	(-) 2,376.24
II. Capital	3,240.85	580.78	3,821.63	3,509.95	(-) 311.68
III. Loans and Advances	428.19	114.25	542.44	3,289.69	2,747.25
Total Voted	**29,054.77**	**2,197.81**	**31,252.58**	**31,311.91**	**59.33**
Charged					
IV. Revenue	3,455.44	4.49	3,459.93	3,410.75	(-) 49.18
V. Capital	-	73.85	73.85	42.06	(-) 31.79
VI. Public Debt-Repayment	2,228.52	1,660.39	3,888.91	3,942.84	53.93
Total Charged	**5,683.96**	**1,738.73**	**7,422.69**	**7,395.65**	**(-) 27.04**
Appropriation to Contingency Fund (if any)	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Grand Total	**34,738.73**	**3,936.54**	**38,675.27**	**38,707.56**	**32.29**

Savings/Excess

The overall excess expenditure of ₹ 32.29 crore registered under Grants/Appropriations during 2016-17 was the result of excess of ₹ 3,037.61 crore (includes ₹ 2,890.50 crore relating to UDAY scheme) offset by savings of ₹ 3,005.32 crore. The excess expenditure of

	₹ 3,037.61 crore during 2016-17 in addition to ₹ 6,364.57 crore for the years 2011-16 requires regularisation. **(Paragraphs 2.2 and 2.3.1.1)**
Substantial surrenders	In 58 cases ₹ 2,863 crore were surrendered at the end of the financial year (more than ₹ 10 crore surrender in each case). **(Paragraph 2.3.4.2)**
Supplementary grants	In 10 cases (₹ one crore or more in each case) supplementary provision of ₹ 119.70 crore proved unnecessary, as the expenditure did not come up to the level of original provision. In four cases (₹ one crore or more in each case) supplementary provision of ₹ 1,993.39 crore proved insufficient leaving an aggregate uncovered excess expenditure of ₹ 3,037.22 crore. Of this uncovered excess, ₹ 2,687.01 crore (88 *per cent*) was incurred under grant number 23-Power Development (Capital- Voted) by the Power Department on account of UDAY scheme. **(Paragraph 2.3.1.4)**
Injudicious re-appropriation	Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess (₹ one crore or more in each case) in 27 sub-heads. Of these, excess/ savings (₹ 10 crore or more in each case) occurred in nine sub-heads **(Paragraph 2.3.2)**
Rush of expenditure	Contrary to State Financial Rules, in respect of 39 sub-heads expenditure amounting to ₹ 1,096.09 crore exceeding ₹ 10 crore in each case and constituting 50 *per cent* or more of the total expenditure for the year 2016-17 was incurred in the month of March 2017. **(Paragraph 2.3.3)**

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.

Delay in furnishing Utilisation Certificates

There were delays in furnishing 2,587 utilisation certificates in respect of loans and grants amounting to ₹ 2,910.67 crore as on 31 March 2017.

(Paragraph 3.1)

Delay in submission of Accounts

Two boards namely HP Building and Construction Workers Welfare Board (for 2014-15 and 2015-16) and Himachal Pradesh Khadi and Village Industries Board, Shimla (for 2013-14, 2014-15 and 2015-16) have not rendered their accounts. The delay in respect of all the bodies ranged between three months to three years eight months. The accounts for the year 2016-17 in respect of all the six bodies had not been furnished as of August 2017.

(Paragraph 3.2)

Pending cases of misappropriations, losses, defalcations, etc.

The State Government reported 45 cases of misappropriations/loss, theft etc., involving government money amounting to ₹ 78.10 lakh on which final action was pending as of June 2017. Out of these, 40 cases were more than five years old.

(Paragraph 3.4)

Non-adjustment of Temporary Advances

The Government's compliance to various rules, procedures and directives was lacking in various departments as there were 76 cases of temporary advances aggregating ₹ 23.19 crore pending in the State departments for adjustments as of March 2017.

(Paragraph 3.5)

AUDIT REPORT ON REVENUE SECTOR (Report No. 5 of 2017)

Introduction

This Report contains one Performance Audit and 25 draft paragraphs relating to non/ short levy of Value Added Tax/ Central Sales Tax, State Excise, Stamp Duty and Registration fee, Passenger and Goods Tax and Royalty with revenue implication of ₹ 269.46 crore. The Departments/ Government have accepted 11 audit observations involving ₹ 8.83 crore of which ₹ 1.82 crore had been recovered in 11 cases.

General – Trend of revenue receipts

The total revenue receipts of the Government for the year 2016-17 was ₹ 26,264.34 crore as compared to ₹ 23,440.48 crore during the previous year. The Government through its own resources raised tax revenue ₹ 7,039.05 crore and non-tax revenue ₹ 1,717.24 crore accounted for 33 *per cent* of the total revenue. The balance 67 *per cent* was received from the Government of India as State's share of divisible Union taxes of ₹ 4,343.70 crore and Grants-in-Aid of ₹ 13,164.35 crore.

(Paragraph 1.1.1)

Audit findings

EXCISE AND TAXATION DEPARTMENT

Performance audit on 'Working of State Excise Department including working of distilleries'

Low yield of spirit from Molasses

One distillery of Una District put in 66,168 quintals of molasses for manufacture of spirit and yield of 23,83,348 Proof Liters (Pls) of spirit against the yield of 27,30,092 Pls, as per the norms. Thus, 2,06,395 Bulk Liters (BLs) of spirit was short produced resulted in short realisation of Excise duty of ₹ 21.23 lakh.

(Paragraph 3.3.7)

Loss of duty on inadmissible wastage

Allowance of wastage of 14.88 lakh Bulk Liters in beer production without any provision in Rules to two breweries in Solan and Sirmour Districts by the Assistant Excise and Taxation Commissioners after the beer reached the stage of bottling tanks resulted in loss of excise duty of ₹ 2.44 crore.

(Paragraph 3.3.8)

Fixation of quota of vends

Short allotment of liquor quota as compared to lifted quota of previous year (i.e. 2014-15) without any justification to 29 vends who had lifted the allotted Minimum Guaranteed Quota in previous four years in Sirmour District resulted in short levy of license fee of ₹ 4.12 crore.

(Paragraph 3.3.10)

Excess lifting of quota

There was loss of license fee of ₹ 1.82 crore due to excess lifting of liquor quota by 73 vends during the year 2015-16 and the same was neither demanded by the Department nor the licensees paid.

(Paragraph 3.3.11)

Short recovery of License fee

The Department had recovered license fee of ₹ 47.09 crore instead of recoverable license fee of ₹ 57.10 crore, resulting in short recovery of license fee of ₹ 10.01 crore from nine licensees of two Districts.

(Paragraph 3.3.13)

Non-levy of additional fee on short lifting of Minimum Guaranteed Quota

The Department had not recovered additional license fee of ₹ 4.94 crore payable on short lifting of Minimum Guaranteed Quota which was neither paid by the licensees nor demanded by Department, resulting in loss of revenue to that extent.

(Paragraph 3.3.14)

Non-levy of excise duty on Extra Neutral Alcohol

Three distilleries had produced 3,66,95,631 Bulk Liters of Extra Neutral Alcohol but no duty had been paid to Government resulting in non-recovery of revenue of ₹ 18.29 crore.

(Paragraph 3.3.16)

Irregular adjustment of D-2A/ Bonded Ware House-2 license fee in bottling fee

The dealers had paid bottling fee of ₹ 26.80 crore against ₹ 29.40 crore actually due after adjusting ₹ 2.60 crore on account of license fee of D-2 Distillery License for manufacture of Country Liquor and IMFS (D-2A) and Bonded Ware House-2 licenses, resulted in loss of revenue of ₹ 2.60 crore.

(Paragraph 3.3.18)

Ineffective control through excise barriers

A brewery of Sirmour District during the period 2012-13 to 2015-16 had made 26 consignments carrying 1,30,816 Bulk Liters of beer which were not found entered in Excise Check Registers maintained at

	Multi Purpose Barriers involving excise duty of ₹ 21.70 lakh. **(Paragraph 3.3.28)**

Audit on 'Implementation of Himachal Pradesh Value Added Tax-Information Technology Project (HIMTAS)'

Excise and Taxation Department took up the computerisation of Value Added Tax (VAT) and allied processess to improve the compliance of tax laws, automate the allied tax administration and interface with the Tax Information Exchange System in June 2010 involving financial outlay of ₹ 20.19 crore. The Department rolled out 23 modules including Web Portal between August 2011 and January 2015. However, the usage of backend modules was low in view of the long pendency of VAT assessments and processes were still being undertaken in manual form. Besides, Go-Live, signing of System Requirement Specification, User Requirement Specification, Software Design Document, Legacy data conversion and Final Acceptance Test were also pending. In view of Department's option to utilise 'Implementation Model-2' developed by Goods and Service Tax Number on the introduction of Goods and Service Tax (GST) from 1st July 2017, the expenditure of ₹ 20.19 crore on the setting up of the project remained unproductive failing to meet the project objectives.

(Paragraph 2.3)

TRANSACTION AUDIT

A. EXCISE AND TAXATION DEPARTMENT

(i) Taxes/ VAT on Sale and Trade

Short levy of entry tax	The entry tax was leviable at the rate of five *per cent* amounting to ₹ 2.41 crore while Multipurpose Barriers of the Excise Department had charged entry tax at the rate of three *per cent* amounting to ₹ 1.38 crore on the energy meters. This resulted in short levy of entry tax of ₹ 1.03 crore. **(Paragraph 2.4)**
Incorrect determination of Gross turnover	Assessing Authority (AA) had not included the income of ₹ 3.10 crore and ₹ 3.28 crore in the taxable turnover of a dealer and AA in its assessment order did not furnish any reasons for not including ₹ 6.38 crore resulted in short levy of tax of ₹ 25.52 lakh. **(Paragraph 2.5)**

Short deduction of Works Contract tax	There was loss of revenue of ₹ 3.17 crore due to non-deduction of works contract tax at the rate of two *per cent* on Sub contract payments of ₹ 158.34 crore made to contractors. **(Paragraph 2.7)**
Inadmissible deduction of hire charges and non-levy of Entry tax	Inadmissible deduction of consumable purchases for works contract and non-levy of entry tax on inter-state purchases, resulted in loss of revenue of ₹ 77.58 lakh. **(Paragraph 2.8)**
Excess allowance of labour charges in works contracts	Excess allowance of labour charges and deduction for petty contractors payments resulted in short levy of tax by ₹ 3.46 crore. **(Paragraph 2.9)**
Short levy of tax due to calculation mistake	AAs while finalising the assessments of the dealers assessed the Taxable Turn Over at applicable tax rates but calculated output tax of ₹ 1.30 crore instead of ₹ 2.37 crore for the tax period 2010-11 to 2013-14. This resulted in short levy of tax of ₹ 1.07 crore. **(Paragraph 2.10)**
Non-realisation of Entertainment duty	There were 36 cable operators registered in five Districts who were not paying any entertainment duty payable as per Excise and Taxation Department's notification of May 2012 on the entertainment services rendered to their subscribers. Thus, non-levy of entertainment duty at the rate of 10 *per cent* on the rates charged by the cable operators from their subscribers resulted in accrual of revenue of ₹ 9.93 crore. **(Paragraph 2.11)**

(ii) State Excise

Renewal of licenses without payment of renewal fee	The Department renewed different licenses without payment of requisite renewal fee resulting in short recovery of ₹ 1.45 crore. **(Paragraph 3.4)**
Non-levy of additional fee on short lifting of Minimum Guaranteed Quota (MGQ)	Additional fee of ₹ 1.62 crore was payable during 2014-16 in 532 cases due to short lifting of 4,86,054 pls of liquor. This was not demanded by the Assessing Authorities

	resulting in short recovery of excise duty amounting to ₹ 1.62 crore. **(Paragraph 3.5)**
Non-levy of interest on delayed payment of license fee	Licensees of 109 vends had deposited license fee of ₹ 40.90 crore with a delay ranging between two and 370 days on which they were liable to pay interest of ₹ 33.31 lakh but Assistant Excise and Taxation Commissioners did not levy the same which resulted in non-levy of interest to that extent. **(Paragraph 3.6)**
Non-recovery of license fee on unsold stock of liquor	Licensees of 149 vends had not accounted for the unsold stock of 9,859.28 Proof Liters of liquor of preceding year. The license fee at the rate of 50 *per cent* of applicable license fee was payable on unsold stock by the licensees but the same was neither demanded by the Department nor deposited by the licensees resulted in non-recovery of license fee of ₹ 10.13 lakh. **(Paragraph 3.7)**
(iii) Passenger and Goods Tax	
Non-realisation of Passenger and Goods Tax	Passenger and Goods Tax (PGT) from 1,911 vehicles for the period from 2014-15 to 2015-16 was not paid by the commercial vehicle owners already registered with Excise and Taxation Department. However, the Assessing Authorities neither issued demand notices to the vehicle owners nor referred their cases to the Collector for recovery as Arrear of Land Revenue. This resulted in non-realisation of PGT of ₹ 1.10 crore **(Paragraph 5.5)**
Non-registration of commercial vehicles with Excise and Taxation Department	Lack of co-ordination between the concerned Registering and Licensing Authorities/ Regional Transport Officers and Assistant Excise and Taxation Commissioners, 2,961 commercial vehicles were not registered for the period 2014-15 to 2015-16 with Excise and Taxation Department which resulted in non-realisation of Passenger and Goods Tax amounting to ₹ 1.13 crore. **(Paragraph 5.6)**

Non-levy and collection of Additional Goods Tax	Three Cement Companies had transported 1,09,86,514 Metric Ton (MT) of lime-stone and 14,30,418 MT of shale from mining areas to their Cement Plants for use as raw material during the period 2015-16 on which Additional Goods Tax (AGT) of ₹ 39.45 crore was payable against which ₹ 8.38 lakh was paid. These companies were submitting AGT returns regularly but Assistant Excise and Taxation Commissioners did not scrutinise the returns properly and made assessments resulting in loss of revenue of ₹ 39.37 crore. **(Paragraph 5.7)**

B. REVENUE DEPARTMENT

Short recovery of Stamp Duty and Registration Fee on built up structures	While registering 163 documents of sale deeds, Sub-Registrars did not verify the plinth area rates fixed by the Himachal Pradesh Public Works Department for the built up structure resulting in incorrect valuation of the properties as ₹ 13.09 crore against ₹ 25.48 crore which resulted in short recovery of Stamp Duty and Registration Fee of ₹ 92.03 lakh. **(Paragraph 4.3)**
Short determination of market value of properties	Seven Sub-Registrars while registering 30 documents of sale deeds, did not verify the actual distance of land or holding from National Highway, State Highway or Other Road which was actually misclassified in affidavits filed by the purchasers resulted in adopting valuation of ₹ 11.46 crore against the valuation of ₹ 16.90 crore and short realisation of Stamp Duty and Registration Fee of ₹ 37.76 lakh. **(Paragraph 4.4)**
Short recovery of Stamp Duty and Registration fee on sale deeds of industrial units	The exemption of 50 *per cent* of stamp duty on sale deeds of industrial units without verification of setting up of new industrial enterprises resulted in short levy of Stamp duty and Registration fee of ₹ 60.68 lakh. **(Paragraph 4.5)**
Application of incorrect rates of Stamp Duty	Eleven SRs had registered 314 documents for a consideration amount of ₹ 27.58 crore and levied Stamp Duty of ₹ 1.38 crore on old rates against leviable Stamp Duty of ₹ 1.66 crore on

the basis of revised rates resulted in short realisation of Stamp Duty of ₹ 28.00 lakh.

(Paragraph 4.6)

C. TRANSPORT DEPARTMENT	
Non-realisation of Token Tax	The token tax of ₹ 2.66 crore for the years 2013-14 and 2015-16 was neither paid by 12,365 vehicle owners nor demanded by the Department. **(Paragraph 5.3)**
Non/ short recovery of Special Road Tax (SRT)	Special Road Tax amounting to ₹ 22.39 crore was not recovered from Himachal Road Transport Corporation and private stage carriages resulted in loss of revenue to that extent. **(Paragraph 5.4)**

D. FOREST DEPARTMENT	
Non-raising of demand for arbitrarily withheld royalty	The Department did not raise demand for royalty payment of ₹ 31.12 crore including excess payment towards cost/ transportation charges of fuel wood from Himachal Pradesh State Forest Development Corporation Limited resulted in non-recovery of revenue to that extent. **(Paragraph 6.3)**
Non-payment of differential resin royalty	The Department had neither demanded differential amount of resin royalty for resin season 2014 on finalization of royalty rates nor paid by the Himachal Pradesh State Forest Development Corporation Limited resulted in loss of revenue of ₹ 2.48 crore. **(Paragraph 6.4)**
Non-levy of interest on short payment of royalty	Interest of ₹ 70.47 lakh on short payment of royalty of ₹ 6.52 crore, from November 2015 to June 2016, was neither levied by the Department nor paid by the Himachal Pradesh State Forest Development Corporation Limited. **(Paragraph 6.5)**

AUDIT REPORT ON PUBLIC SECTOR UNDERTAKINGS – ECONOMIC SECTOR (Report No. 1 of 2018)

This Report contains one performance audit on Integrated Kashang Hydro Electric Project and 13 paragraphs with financial implication of ₹ 846.91 crore relating to issues of avoidable payment due to the non-compliance of rules, directives and procedures, non/ short recovery of energy charges and infructuous expenditure that resulted in losses to the companies / corporations.

FUNCTIONING OF STATE PUBLIC SECTOR UNDERTAKINGS

Introduction

The State of Himachal Pradesh has 21 working PSUs (19 Government companies and two statutory corporations) and two non-working companies which employed 36,071 employees. As on 31 March 2017, the investment (paid up capital, free reserves and long-term loans) in 23 PSUs was ₹ 12,657.73 crore. Of the total investment in State PSUs, 99.38 *per cent* was in working PSUs and the remaining 0.62 *per cent* in non-working PSUs. The total investment consisted of 30.56 *per cent* towards paid up capital, 0.66 *per cent* towards free reserves and 68.78 *per cent* in long-term loans. The thrust of PSU investment was in the power sector, at ₹ 11,108.62 crore (87.77 *per cent)* of the total investment of ₹ 12,657.73 crore in 2016-17. The budgetary outgo towards share capital, loans and grants / subsidies which stood at ₹ 1,189.98 crore in 2014-15 decreased to ₹ 755.60 crore in 2016-17.

(Paragraphs 1.1, 1.6, 1.7 and 1.8)

Arrears in finalisation of accounts

The State government had invested ₹ 3,462.41 crore in 17 PSUs for which accounts have not been finalised. In the absence of finalisation of accounts and their audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amount was invested had been achieved or not. Thus, government's investment in such PSUs has remained outside the scrutiny of the State Legislature.

(Paragraph 1.11)

Performance of PSUs as per their latest finalised accounts

The turnover of 21 working PSUs increased from ₹ 4,945.29 crore in 2012-13 to ₹ 8,344.31 crore in 2016-17. The percentage of turnover of PSUs to State GDP increased from 6.48 in 2012-13 to 6.70 in 2016-17.

During the period from 01 October 2016 to 30 September 2017, 21 accounts were received in respect of 18 working PSUs. One working Government company (Beas Valley Power Corporation Limited) has not prepared its profit and loss account whereas in respect of one working PSU *viz.* Himachal Pradesh Road and Other Infrastructure Development Corporation Limited, excess of expenditure over income is reimbursable by the State Government. The Himachal Pradesh Beverage Limited incorporated in 2016-17 has not prepared its first accounts.

As *per* their latest finalised accounts, 12 PSUs earned an aggregate profit of ₹ 24.29 crore out of which only two (PSUs declared / paid a dividend of ₹ 1.89 crore during 2015-16. The remaining 10 profit making PSUs had not paid any dividend to the State government.

(Paragraphs 1.15, 1.16 and 1.18)

Disinvestment, Restructuring and Privatisation of PSUs

During the year 2016-17, there was no case of privatisation of Government companies and statutory corporations. The State government has not prepared any policy on disinvestment of Government equity invested in State PSUs.

(Paragraph 1.27)

PERFORMANCE AUDIT OF GOVERNMENT COMPANIES

Performance audit on Integrated Kashang Hydro Electric Project (Himachal Pradesh Power Corporation Limited) was conducted. The important audit findings are as under:-

Introduction

The Integrated Kashang Hydro Electric Project (Project) was conceived as a run of river development on Kashang *Khad* (a tributary of Satluj River) in Kinnaur district of Himachal Pradesh. A special purpose vehicle (SPV) named as Jal Vidyut Vikas Nigam (JVVN) was created (March 2003) for execution of Hydro Electric

Projects in Beas and Satluj river valleys which was subsequently merged with Himachal Pradesh Power Corporation Ltd (Company) in August 2007. The project was part of two projects to be executed in the Satluj river valley. The techno-economic clearance for the project with installed capacity of 195 MW (Stage-I, 65 MW and Stage-II & III, 130 MW) was accorded by Himachal Pradesh State Electricity Board in two parts *i.e.* Stage-I (July 2008) for ₹ 478.02 crore and Stage II & III (September 2009) for ₹ 488.19 crore. The financial arrangements were envisaged with Debt Equity Ratio of 70:30 (Debt ₹ 676.35 crore and equity ₹ 289.86 crore). The Project was designed to generate 238.62 Million Units (MUs) with one unit during first two years and 713 MUs thereafter. The construction work of both Stages of the Project was scheduled for completion between January 2014 and November 2015. The construction work started during April 2009 and was envisaged to be completed within 48 months but first unit of the Project could only be commissioned in September 2016.

(Paragraph 2.1)

Financial Management

The Asian Development Bank loan received through Government of India in the shape of 90 *per cent* grant (₹ 498.99 crore) and 10 *per cent* loan (₹ 55.44 crore) was converted into 100 *per cent* loan by Government of Himachal Pradesh placing extra burden of ₹ 651.82 crore including interest of ₹ 152.83 crore on the Project cost.

(Paragraphs 2.7.1 and 2.7.2)

Time and Cost overrun

Stage-I of the project was completed for ₹ 789.84 crore against ₹ 478.02 crore (DPR cost) involving a cost overrun of ₹ 311.82 crore. Consequently, per unit generation cost up to the completion of Stage-I had increased from ₹ 2.85 to ₹ 4.78 per unit against prevailing sale rate of ₹ 2.20 per unit. The Stage II & III of the Project is now scheduled for completion in January 2021 and on completion, the generation cost is expected to increase further.

(Paragraph 2.8)

AUDIT OF TRANSACTIONS

Transaction audit observations included in the Report highlight deficiencies in the management of State Government Companies, which had serious financial implications. Gist of the important audit observations is given below:

Incorrect waiver of fixed charges

The Himachal Pradesh State Electricity Board Limited waived fixed demand charges of ₹ 5.06 crore chargeable in terms of Electricity Supply Code, 2009 approved by the Himachal Pradesh Electricity Regulatory Commission.

(Paragraph 3.1)

Systemic failure leading to non-detection of fraud

The Himachal Pradesh State Electricity Board Limited delayed conducting mandatory manual reconciliation of monthly accounts received from various field units with the main bank account of the Company and did not design a module into its systems for auto-reconciliation of payments received through NEFT/RTGS mode which enabled a consumer to forge receipts regarding transfer of funds that went undetected, resulting in a loss of ₹ 5.36 crore.

(Paragraph 3.2)

Loss due to delay in disconnection of electricity

Himachal Pradesh State Electricity Board Limited did not monitor payment of billed amount timely in a case and took 25 months to issue a temporary disconnection order by which time the consumer run up with an unpaid energy charges of ₹ 1.62 crore.

(Paragraph 3.4)

Under billing of electricity charges

By incorrect application of its sales circular and release of two separate connections in the same premises, the Himachal Pradesh State Electricity Board Limited did not bill a consumer for ₹ 25.58 lakh on account of Lower Voltage Supply Surcharge and ₹ 16.22 lakh on account of higher tariff applicable to HT-2 category.

(Paragraph 3.5)

Non-withdrawal of financial benefit

The Himachal Pradesh State Electricity Board Limited, while withdrawing the benefit of revised pay and allowances credited into provident fund accounts of employees, did not withdraw financial benefit of ₹ 37.05 lakh paid as interest.

(Paragraph 3.6)

Non-realisation of revenue	Absence of mechanism to detect excess drawl of power than sanctioned load resulted in loss of revenue of ₹ 36.78 lakh to Himachal Pradesh State Electricity Board Limited. **(Paragraph 3.7)**
Thematic audit of procurement, processing and disposal of fruits by HPMC under Market Intervention Scheme	The Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited incurred loss of ₹ 2.61 crore on implementation of MIS due to low yield of Apple Juice Concentrate/ Apple juice, spoilage of apple, excess consumption of fuel and payment of commission to the distributor besides non achievement of its objective by not releasing timely payments to the growers. **(Paragraph 3.8)**
Extension of undue favour to contractor	The Himachal Pradesh Power Corporation Limited extended undue favour to contractor by not initiating any action for recovery of interest of ₹ 15.54 crore as per the provisions of supplementary agreement executed with the contractor after advancing stage wise payment schedule incorporated in the original agreement. **(Paragraph 3.9)**
Avoidable loss	Due to putting the incomplete line to use the Himachal Pradesh Power Transmission Corporation Limited had to release the payments amounting to ₹ 0.78 crore for achieving the required clearances. **(Paragraph 3.10)**

AUDIT REPORT ON SOCIAL, GENERAL AND ECONOMIC SECTORS - NON-PUBLIC SECTOR UNDERTAKINGS (Report No. 6 of 2017)

This Report is structured in three chapters. Chapter-I of the Report covers profile of audited entities, authority for audit, planning and conduct of audit, responses of the departments to Audit, etc. The other two chapters deal with the findings of Performance Audits on Education, Research and Extension activities in *Chaudhary Sarwan Kumar Himachal Pradesh Krishi Vishvavidyalaya*, Establishment and Regulation of Private Universities, Flood protection and flood control, Information Technology Audit on e-Procurement Project and 26 paragraphs involving ₹ 913.99 crore relating to non-recovery, unfruitful expenditure, irregular withdrawal/ sanction of funds, etc. Some of the major audit findings are as follows:

PERFORMANCE AUDITS

AGRICULTURE DEPARTMENT

Education, Research and Extension activities in *Chaudhary Sarwan Kumar Himachal Pradesh Krishi Vishvavidyalaya*

Himachal Pradesh is primarily an agrarian State. As per 2011 census, more than 62 *per cent* of its population (42.56 lakh) was engaged in agriculture and allied activities. The role of an agriculture university is very significant for development of modern method of agriculture, animal husbandry, etc., and for improving the economic status of the people of the State.

The main objectives of the Agriculture University include imparting education in agriculture and allied branches of learning, furthering the advancement of learning, agriculture research and undertaking extension of such sciences, especially to the rural people of the State.

Major audit findings

Sanctioned strength and persons-in-position Against overall sanctioned strength of 380 faculties, 141 posts (37 *per cent*) were lying vacant which had affected the quality of education and research activities in the University.

(Paragraph 2.1.8.1)

Enrolment of students The percentage shortfall in enrolment of students in undergraduate programmes during 2012-17 ranged between 14 and 25 and in postgraduate programmes it ranged between 27 and 67. About 61 to 70 *per cent* seats in Doctoral programmes remained vacant.

(Paragraph 2.1.9.2)

Un-recognised degree of M.Sc. (Biology) and non-accreditation of Due to running of non-recognised M.Sc. (Biology) programme by the University during 2007-16 and non-accreditation of programmes

college of Home Science	under College of Home Science during 2013-17, the University had risked the careers of 259 students who passed out upto 2016-17 under these programmes. **(Paragraphs 2.1.9.4 and 2.1.9.5)**
Functioning of Placement Cell	Out of 1,545 students passed out under different programmes during 2011-15, only six *per cent* students (94) got placement through placement cell of the University which indicated that the University was unable to meet the aspirations of the degree holders for securing employment. **(Paragraph 2.1.9.8)**
Status of research projects and Organic farming promotion	The University had not maintained library of outcome of research projects completed during 2012-17 without which their authenticity/ results could not be verified in audit. Three research projects of ₹ 6.98 crore to be completed between April 2012 and June 2016, were lying incomplete though expenditure of ₹ 4.79 crore was incurred on these projects upto March 2017. **(Paragraphs 2.1.10.2, 2.1.10.6 and 2.1.10.7)**
Training Programmes	During 2013-17, there was shortfall of 42 to 68 *per cent* in achievement of targets of agriculture extension training to Government functionaries. Though the targets of training to farmers were achieved during 2012-17, the University had not assessed the impact of training to ascertain its effectiveness. **(Paragraph 2.1.11.1)**
Expenditure on retirement benefits and non-adjustment of advances by the University	The University had incurred irregular expenditure of ₹ 178.26 crore for pensionary benefits to its employees during 2012-17 out of the State grants and contingent advances of ₹ 20.19 crore paid in 663 cases of 38 departments during 2004-17 were lying un-adjusted as of March 2017 of which, advances of ₹ 4.55 crore were outstanding for more than five years. **(Paragraphs 2.1.7.2 and 2.1.7.5)**
Integrated university management system and non-conducting of inspections	Internal controls and monitoring mechanism were almost non-existent as the University had neither conducted internal inspections of accounts/ stock nor developed integrated management information system for monitoring the programmes/ activities during 2012-17. **(Paragraphs 2.1.13.2 and 2.1.13.3)**

HIGHER EDUCATION AND TECHNICAL EDUCATION DEPARTMENTS

Establishment and Regulation of Private Universities

Due to increasing demand for higher education, the National Knowledge Commission has noted that while Government financing will remain the cornerstone for the large-scale expansion in higher education, this will not suffice and that it is essential to stimulate private investment in higher education to extend educational opportunities.

The State Government passed the Himachal Pradesh Private Universities (Establishment and Regulation) Act, 2006 for establishment of private universities and notified Guidelines for Establishing Private University in Himachal Pradesh in 2008 (modified in 2009). Thereafter, the Himachal Pradesh Private Educational Institutions Regulatory Commission (HPPEIRC/ Regulatory Commission) was established in February 2011 for regulation of private institutions of higher education. The Departments of Higher Education and Technical Education are responsible for overall policy formulation and regulation of private universities in the State.

Major audit findings

Non-assessment of need for private universities	Assessment of need for private universities in the State was not made, and 17 Private Universities had been established of which 10 were located in one district alone (four in one *Gram Panchayat*) indicating that regional needs/ priorities were not considered. **(Paragraph 2.2.6 1)**
Lack of transparency, objectivity and fairness in considering applications for establishment of private universities	The State Government had not prescribed any objective criteria/ norms for assessing the financial soundness, expertise and potentiality of the courses proposed by the sponsoring bodies leading to arbitrary and non-transparent decision-making. **(Paragraph 2.2.6.2)**
Shortage of manpower in the Regulatory Commission and approval of courses	There was acute shortage of manpower in the Regulatory Commission, which was reflected in large shortfalls in conducting inspections. 1394 courses in private universities during 2011-17 had been approved by the Regulatory Commission without conducting inspections to ascertain availability of infrastructure and staff. **(Paragraphs 2.2.7.1 and 2.2.8.1)**
Non-formulation of guidelines for determining/ examining fee structure	The fees proposed by private universities had been approved by the State Government without considering costing elements; three test-checked private universities had increased fees by 21, 23

of private universities	and 58 *per cent* for the academic session 2017-18 as compared with 2016-17 without justification. **(Paragraph 2.2.9.1)**
Unauthorised collection of Development Charges and non-refund of security money to passed out students	Three test-checked private universities had made unauthorised collection of Development Charges amounting to ₹4.58 crore. Four test-checked private universities had not refunded security money of ₹ 2.89 crore to 2,906 passed out students during 2012-16. **(Paragraphs 2.2.9.2 and 2.2.9.4)**
Faculty without minimum prescribed qualification in private universities	Fifteen private universities were functioning in the State with faculty not possessing minimum qualifications especially in the Professor (22 *per cent*) and Associate Professor (28 *per cent*) levels. **(Paragraphs 2.2.10.1)**
Shortage of faculty in private universities	There was significant shortage of faculty in private universities, particularly in the Professor (38 *per cent*) and Associate Professor (61 *per cent*) levels. **(Paragraphs 2.2.10.2)**
Non-accreditation by private universities	Out of 17 private universities in the State, only three had obtained accreditation from National Assessment and Accreditation Council as of March 2017. **(Paragraphs 2.2.13.1)**

IRRIGATION AND PUBLIC HEALTH DEPARTMENT

Flood protection and flood control

Himachal Pradesh being predominantly a hilly State forms catchment of five major rivers - Beas, Chenab, Rabi, Satluj and Yamuna and their tributaries. These rivers and tributaries flow through steep slopes at high velocity causing erosion of cultivable land besides heavy loss of life and property during floods. Main causes of floods in the State include cloud bursts in the catchment areas of rivers, heavy rainfall in upper reaches, sudden breach/ burst of man-made dams/ natural lakes, landslide leading to obstruction of flow and change in river course and tectonic movement leading to slope failure/ landslide. Out of 55.67 lakh hectares area of the State, an estimated area of 2.31 lakh hectares is prone to floods. Chamba, Kinnaur, Kullu, Mandi, Shimla, Sirmour and Una districts are more prone to or affected by flood in the State.

A performance audit of implementation of flood protection projects in the State of Himachal Pradesh showed execution of flood protection projects/ works without adequate planning, delay in execution/ completion of the projects and ineffective monitoring.

Major audit findings

Scientific assessment of flood prone areas and preparation of comprehensive master plan	Department had neither made scientific assessment of flood prone areas nor prepared basin-wise comprehensive master plan and action plan for execution of flood protection works. Out of 2.31 lakh hectares estimated flood prone area of the State only 25,116.21 hectares (11 *per cent*) could be covered as of March 2017. **(Paragraphs 2.3.6.1 and 2.3.6.3)**
Morphological studies and non-planning of other flood protection measures	Absence of morphological studies in construction of flood protection projects/ works during 2012-17 and non-planning/ execution of all structural and non-structural measures (except embankments) were unlikely to achieve better results to control and mitigate disasters by floods. **(Paragraphs 2.3.6.2 and 2.3.6.9)**
Availability and utilisation of funds	There was short release of ₹ 657.36 crore by GOI and ₹ 21.25 crore by State Government under Flood Management Programme projects during 2008-17 resulting in delay of more than 12 to 60 months in execution/ completion of the projects. **(Paragraph 2.3.8.1)**
Physical and financial progress	Against seven Flood Management Programme projects approved during 2008-13 and stipulated to be completed during March 2012 to March 2017, only four projects were completed and embankment of kms 275.873 (50 *per cent*) against the target of kms 548.995 was constructed upto March 2017. **(Paragraph 2.3.8.2)**
Non restoration of damages and performance Bank Guarantee from contractors	Non-levy/ recovery of compensation for delay and non-restoration/ recovery of loss of a damaged work and non-obtaining/ renewal of performance guarantees in 48 contracts resulted in extension of undue financial benefits of ₹ 11.97 crore to the contractors. **(Paragraphs 2.3.10.1 and 2.3.10.2)**

Irregular drawl of funds

Against ₹ 67.48 crore withdrawn by six test-checked divisions during 2006-15 and irregularly charged to works without actual utilisation, ₹ 57.45 crore were utilised during subsequent financial years and balance ₹ 10.03 crore were lying unspent under deposit head for more than two to four years.

(Paragraphs 2.3.11.1)

Flood forecasting and constitution of standing committee and review committee for inspection of works

Robust flood forecasting system was non-existent in the State and the Department had not constituted standing committee and review committee for joint inspection of critical/ major flood protection maintenance works and review of major works respectively.

(Paragraphs 2.3.12.1, 2.3.13.2 and 2.3.13.3)

INFORMATION TECHNOLOGY DEPARTMENT

Information Technology Audit on e-Procurement Project

E-Procurement is a collaborative procurement of goods, services as well as selection of bidder for award of works by using internet and related technologies for bringing efficiency and transparency. It provides equal access to all eligible and qualified bidders without discrimination to promote integrity, fairness, accountability and public confidence in the procurement process. E-Procurement process also results in competitiveness and saving of cost and time by shortening of procurement cycle.

The State Government introduced (June 2011) electronic procurement (e-Procurement) project aimed at increasing the efficiency and transparency in procurement of goods, works and services. The performance audit of the conception and implementation of the project was done during March 2017 to June 2017 to assess its effectiveness.

Major audit findings

Non provision of modules and partial implementation of e-Tendering module

E-Procurement was a part of Mission Mode project of GoI on e-Governance. Only one module (e-tendering) out of seven modules of e-Procurement had been considered for implementation in 26 out of 90 organisations in the State. Even in the e-tendering module the critical activities such as online opening of bids, negotiations and award of contract is being done manually.

(Paragraphs 2.4.1, 2.4.7.1 and 2.4.7.2)

Non-mapping of business rules in the application software

Business rules have not been mapped in the application software leading to irregular opening of the tenders before the stipulated period.

(Paragraph 2.4.6.1)

Inadequate validation control in the registration of users

Use of same digital signature certificate by multiple users and participation in the tendering process defeated the very purpose of secured online bidding.

(Paragraph 2.4.6.2)

Time taken in processing of tenders and non-capturing of date of award of tender in application software

Time cycle in processing of tenders through e-Procurement system could not be reduced due to non-revision of tendering rules, and time taken in processing of tenders during 2011-17 ranged between 122 and 554 days.

(Paragraph 2.4.6.4)

Non-framing of Act/ Rules for implementing e-Procurement Project and non-execution of service level agreement

Act/ rules, service level agreement and rollout plan for effective implementation of e-Procurement system have not been prepared/ executed.

(Paragraphs 2.4.7.3 and 2.4.8.1)

Non-segregation of duties for e-Procurement system

Performance of multiple jobs by single user due to non-segregation of duties rendered the system susceptible to high risk and will make it impossible to enforce accountability.

(Paragraph 2.4.8.3)

Shortfall in holding of meetings and training to bidders

There was a shortfall of 98 *per cent* in providing training to the prospective bidders for effective use of e-Procurement system and monitoring was also inadequate as the requisite meetings of the Core Committee were not held.

(Paragraphs 2.4.9.7 and 2.4.9.8)

COMPLIANCE AUDIT

Agriculture Department

Idle investment on purchase of mobile soil testing laboratories

Lack of planning in procurement of Mobile Soil Testing Laboratories by not ensuring the operational staff for the laboratories by Agriculture Department resulted in their non-utilisation which rendered the investment of ₹ 2.02 crore as idle.

(Paragraph 3.1)

Loss in sale of organic/ orthodox black tea

Selection of a firm without competitive bidding and failure of *Chaudhary Sarwan Kumar Himachal Pradesh Krishi Vishvavidyalaya* to incorporate clause of performance bank guarantee in the memorandum of understanding (MOU) or invoke the MOU provision for liability for damages on breach of terms and conditions of the MOU resulted in loss of ₹ 75.62 lakh in supply of organic/ orthodox tea.

(Paragraph 3.2)

Agriculture and Horticulture Departments

Agriculture Crop Insurance Schemes	Coverage of farmers under the crop insurance schemes in the State was quite low. Under National Agriculture Insurance Scheme, only 1.72 *per cent* farmers for *Kharif* crops and 1.01 to 1.68 *per cent* for *Rabi* crops were covered during 2014-16. Under Weather Based Crop Insurance Scheme (WBCIS), only 0.09 to 2.43 *per cent* farmers for *Kharif* crops and 9.34 to 13.61 *per cent* farmers for *Rabi* crops were insured during 2014-17. The delay of 14 to 98 days in issue of crops/ areas notifications resulted in less coverage of farmers especially non-loanee farmers. Instead of *gram panchayat* or revenue circle being the smallest insurance unit/ area, Agriculture Department adopted tehsil or block as insurance unit due to which crop losses were not assessed accurately. Submission of cases to insurance companies after cut off dates during 2016-17 resulted in non-coverage of 5,405 farmers.

(Paragraph 3.3)

Animal Husbandry Department

Avoidable expenditure on procurement of medicines/ equipment	Failure of the Animal Husbandry Department to adhere to scheme guidelines in procurements out of *Rashtriya Krishi Vikas Yojana* and National Project for Cattle and Buffalo Breeding funds led to avoidable payment of handling charges of ₹ 60.71 lakh to HP State Cooperative Wool Procurement and Marketing Federation Limited.

(Paragraph 3.4)

Forest Department

Establishment of *Van Thanas*	Lack of proper planning by Forest Department in implementation of policy for establishment of *Van Thanas* resulted in non-utilisation of

	infrastructure worth ₹ 4.04 crore for intended purpose. **(Paragraph 3.5)**
Non-deposit of Net Present Value to *Ad hoc* Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	In violation to the Supreme Court orders, the Forest Department deposited the Net Present Value of ₹ 59.31 crore received from Koldam Hydro Electric Project Authority in Government account instead of *Ad hoc* CAMPA. Resultantly, the forest conservation activities to mitigate the environmental loss were not undertaken out of above amount. **(Paragraph 3.6)**
Health and Family Welfare Department	
Implementation of Food Safety and Standards Act, 2006	The Health and Family Welfare Department neither conducted survey to identify food business establishments nor maintained data-base of such establishments. The large number of vacant posts of Food Safety Officers was a major concern, hindering the process of proper registration and licensing, conduct of surveillance and inspections and lifting of food samples. The food testing laboratory at Kandaghat was not equipped with required infrastructure for testing of food samples. The institutional/ regulatory framework and infrastructure in the State were not adequate and monitoring of adherence to prescribed standards of food quality/ safety was weak. **(Paragraph 3.7)**
Non-enforcement of bond against defaulting Medical Officers	The State Government did not enforce bond for effecting recovery of bond money amounting to ₹ 2.25 crore from Medical Officers who reneged on their pledge to serve the State Government after completing higher study, while there remained acute shortage of specialists in the State. **(Paragraph 3.8)**
Home Department	
Idle equipment under National Highway Accident Relief Service Scheme	Non-assessment of requirement and failure of Home Department to ensure trained operators resulted in unproductive expenditure of ₹ 91.14 lakh on idle equipment for more than six years. **(Paragraph 3.9)**

Industries Department

Unjustified/ infructuous expenditure on drilling for exploration of limestone deposits	The Industries Department incurred an unjustified expenditure of ₹ 1.88 crore in excess of the amount received for prospecting and estimation of limestone reserves. In addition infructuous expenditure of ₹ 1.79 crore was incurred on deployment of staff without any work. **(Paragraph 3.11)**

Irrigation and Public Health Department

Unfruitful expenditure on sewerage scheme	Failure of Irrigation and Public Health Department in execution of sewerage scheme for Sarkaghat town in a timely manner, in spite of availability of sufficient funds, resulted in unfruitful expenditure of ₹ 4.14 crore and irregular expenditure of ₹ 0.99 crore besides blocking of ₹ 6.36 crore for more than three years. **(Paragraph 3.13)**

Labour and Employment Department

Skill Development Allowance Scheme	Skill Development Allowance (SDA) of ₹ 85.74 lakh was paid by Labour and Employment Department to 3,795 trainees enrolled in institutes which were not of acceptable standards. Payment of SDA of ₹ 1.02 lakh was made to 102 trainees of non-empanelled information technology institutes. Failure of the Department to verify authenticity of claims led to payment of SDA of ₹ 0.49 lakh to 49 persons on false documents. SDA of ₹ 25.00 lakh was paid to 625 trainees during 2013-17 who did not complete training and dropped-out midway. Non-maintenance of employment records of beneficiaries after skill development training meant that the scheme remained limited to providing direct transfer of benefits without any mechanism for measuring the achievement of envisaged outcomes. **(Paragraph 3.14)**

Medical Education and Research Department

Pradhan Mantri Swasthya Suraksha Yojana	Construction of new All India Institute of Medical Sciences at Bilaspur and super-speciality block for Indira Gandhi Medical College, Shimla

was not started by the Medical, Education and Research Department due to delay in land acquisition and lack of planning in selection of site respectively. In Dr. Rajendra Prasad Government Medical College Tanda, severe manpower shortages and lack of required equipment resulted in denial of facilities and services to patients. Indecision in selection of executing agency by the Department led to non-completion of construction of 1st year MBBS students' hostel and non-execution of work of Post Graduate students' hostel in spite of release of ₹ 15.09 crore to the executing agencies.

(Paragraph 3.15)

Non-creation of infrastructure in General Nursing and Midwifery schools and diversion of funds

Non-release of State share of ₹ 1.78 crore and diversion of ₹ 3.00 crore to General Nursing and Midwifery schools not approved by Government of India by the Medical Education and Research Department led to non-creation of intended infrastructure even after lapse of more than four years.

(Paragraph 3.16)

Multipurpose Projects and Power Department

Non-implementation of Jangi Thopan and Thopan Powari hydroelectric power projects

Decision of the State Government to refund upfront premium of ₹ 260.13 crore instead of forfeiture as per terms of pre-implementation agreement with developer of hydroelectric projects would result in loss of revenue to State Government and undue favour to the developer to the above extent.

(Paragraph 3.17)

Public Works Department

Procurement, consumption and accountal of bitumen

In Public Works Department, against payments of ₹ 427.14 crore outstanding for adjustment under centralised allocations, the paying divisions had not adjusted ₹ 141.57 crore (33 *per cent*) from the executing divisions in support of receipt of bitumen of which ₹ 35.13 crore were outstanding for more than eight to 11 years. In test-checked divisions, there was short receipt of 663.221 MT bitumen valuing ₹ 2.51 crore against allocations/ supply orders. Under divisional level purchase, the test-checked divisions had procured 7,292.733 MT bitumen of ₹ 31.48 crore without sanction of competent authority. Details/ records of actual utilisation of 3,859.874 MT bitumen were not available with the test-checked divisions which was fraught with the risk of misutilisation/ pilferages. The database of receipt, issue and consumption was not maintained at apex level and monitoring mechanism for bitumen was almost non-existent.

(Paragraph 3.19)

Short realisation of dues for laying of optical fibre cable

Application of incorrect rates of dues from telecom companies for laying of optical fibre cables along roads by the Hamirpur Division of Public Works Department resulted in short realisation of ₹ 1.59 crore and non-compliance of instructions for restoration of the damaged roads led to irregular diversion of ₹ 0.42 crore for purchase of vehicles.

(Paragraph 3.20)

Unfruitful expenditure due to non-completion of road and bridges

Improper planning and failure of the Public Works Department to complete construction of road and bridges for the last 12 to 15 years deprived the public of the area (12 villages of Kinnaur and Lahaul and Spiti districts) of intended motorable road facility and resulted in unfruitful expenditure of ₹ 27.88 crore and blocking of ₹ 1.38 crore.

(Paragraph 3.21)

Revenue Department

Irregular allocation and misutilisation of State Disaster Response Fund (SDRF)

Irregular allocation of ₹ 26.12 crore from SDRF and misutilisation of ₹ 6.44 crore by the Revenue Department for repair and restoration of Government office/ residential buildings not damaged by calamity while there was in denial of relief of ₹ 8.24 crore to victims of natural calamities owing to non-availability of funds.

(Paragraph 3.22)

Short-realisation of due amount and excess/ improper allocation from Local Area Development Fund (LADF)

Short-realisation of ₹ 2.215 crore from developer of hydroelectric power project, excess allocation of ₹ 17.73 lakh and improper allocation of ₹ 21.44 lakh from LADF for district level schemes by the Revenue Department led to development objectives for project affected area not being fully achieved as 57 proposed schemes for local area development remained pending for want of funds.

(Paragraph 3.23)

Short release of State share and irregular utilisation of National Land Records Modernisation Programme (NLRMP) funds	Short release of State share of ₹ 2.54 crore and irregular expenditure of ₹ 1.18 crore on inadmissible items led to activities under NLRMP remaining incomplete while funds received were completely exhausted by the Revenue Department.

(Paragraph 3.24)

Rural Development and Urban Development Departments

Construction of Toilets under Swachh Bharat Mission (SBM)	Target population identified in rural areas by Rural Development Department was based on the base-line survey of 2012 which was not updated since 2012-13. The Urban Development Department had not identified the target population and need for sanitation facilities in urban areas properly due to non-conduct of house to house survey and non-preparation of city sanitation plan. Shortfall in construction of toilets ranged between 94 to 100 *per cent* during 2015-17 under SBM (Urban) while construction of community complexes under SBM (Gramin) was delayed. Weak monitoring by Block Development Officers of Baijnath and Dehra resulted in payment of incentive amounting to ₹ 7.90 crore to 6,587 beneficiaries due to non-uploading of the photographs of Individual Household Latrines on the Management Information System.

(Paragraph 3.26)

Time Series Data on State Government Finances

(₹ in crore)

	2012-13	2013-14	2014-15	2015-16	2016-17
Part-A: Receipts					
1. Revenue Receipts	15,598	15,711	17,843	23,440	26,264
(i) Tax Revenue	*4,626 (30)*	*5,121 (33)*	*5,940(33)*	*6,696 (29)*	*7,039 (27)*
(ii) Non Tax Revenue	*1,377 (9)*	*1,785 (11)*	*2,081(12)*	*1,837 (08)*	*1,717 (6)*
(iii) State's share of Union taxes and duties	*2,282(14)*	*2,491 (16)*	*2,644(15)*	*3,611 (15)*	*4,344 (17)*
(iv) Grants in aid from Government of India	*7,313 (47)*	*6,314 (40)*	*7,178(40)*	*11,296 (48)*	*13,164 (50)*
2. Miscellaneous Capital Receipts	-	-	650	-	-
3. Recoveries of Loans and Advances	21	17	41	26	30
4. Total Revenue and Non debt capital receipts (1+2+3)	15,619	15,728	18,534	23,466	26,294
5. Public Debt Receipts	3,371	4,050	10,877	6,129	8,603
6. Total Receipts in the Consolidated Fund (4+5)	18,990	19,778	29,411	29,595	34,897
7. Contingency Fund Receipts	--	--	--	--	-
8. Public Account Receipts	9,146	10,300	10,575	11,515	13,630
9. Total Receipts of the State (6+7+8)	28,136	30,078	39,986	41,110	48,527
Part-B: Expenditure/disbursement					
10. Revenue Expenditure	16,174	17,352	19,787	22,303	25,344
11. Capital Expenditure	1,955	1,856	2,473	2,864	3,499
12. Disbursement of Loans and Advances	469	531	474	463	3,290#
13. Total (10+11+12)	18,598	19,739	22,734	25,630	32,133
14. Repayments of Public Debt	2,117	1,704	8,260	3,948	3,943
15. Appropriation to Contingency Fund	--	--	--	--	--
16. Total disbursement out of Consolidated Fund (13+14+15)	20,715	21,443	30,994	29,578	36,076
17. Contingency Fund disbursements	--	--	--	--	--
18. Public Account disbursements	8,285	9,227	8,844	10,577	12,351
19. Total disbursement by the State (16+17+18)	29,000	30,670	39,838	40,155	48,427
Part-C: Deficits / Surplus					
20. Revenue Deficit (-) / Revenue Surplus (+) (1-10)	(-) 576	(-) 1,641	(-)1,944	1,137	920
21. Fiscal Deficit (-)/Fiscal Surplus (+) (4-13)	(-) 2,979	(-) 4,011	(-) 4,200	(-) 2,165	(-) 2,948##
22. Primary Deficit (-)/ Surplus (+) (21+23)	(-) 609	(-) 1,530	(-) 1,351	990	411##

	2012-13	2013-14	2014-15	2015-16	2016-17
Part-D: Other data					
23. Interest Payments (included in revenue expenditure)	2,370	2,481	2,849	3,155	3,359
24. Financial Assistance to local bodies, etc.	1,203	1,438	2,156	2,612	3,357
25. Ways and Means Advances / Overdraft availed (days)	-	11	125	31	23
26. Interest on Ways and Means Advances/ overdraft	-	0.11	14.80	6.40	16.17
27. Gross State Domestic Product (GSDP)	82,294 (13.16)	94,764 (15.15)	1,04,177 (9.93)	1,13,667 (9.11)	1,24,570 (9.59)
28. Outstanding Fiscal liabilities (year end)	30,442	33,884	38,192	41,197	47,244#
29. Outstanding guarantees (year end) (including interest)	3,353	4,333	4,281	3,714	4,550
30. Maximum amount guaranteed (year end)	9,455	9,316	9,316	9,658	12,320
31. Number of incomplete projects	12	12	13	12	12
32. Capital blocked in incomplete projects	115	130	141	143	188

Figures in brackets represent percentages.

Includes ₹ 2,890.50 crore on account of UDAY.

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