
***Epitome of the CAG's Audit Reports
for the State of Himachal Pradesh
for the year ended
31 March 2010***

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 2010. 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 respective Committee, duly vetted by Audit. The Committee 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

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Part-A: Receipts					
1. Revenue Receipts	6,559	7,835	9,142	9,308	10,346
(i) Tax Revenue	1,497	1,656	1,958	2,242	2,574(25)
	(23)	(21)	(21)	(24)	
Taxes on Agricultural Income	—	—	—	—	
Taxes on Sales, Trade, etc.	727 (49)	914 (55)	1,092 (56)	1,246 (56)	1,487(58)
State Excise	329 (22)	342 (21)	389 (20)	432 (19)	500(19)
Taxes on Vehicles	102 (7)	106 (6)	114 (6)	136 (6)	134(5)
Stamps and Registration fees	82 (5)	93 (6)	87 (4)	98 (4)	113(4)
Taxes and Duties on electricity	89 (6)	30 (2)	82 (4)	79 (4)	39(2)
Land Revenue	1 (—)	2 (—)	2 (—)	20 (1)	15(1)
Taxes on Goods and Passengers	43 (3)	50 (3)	55 (3)	62 (3)	89(3)
Other Taxes	124 (8)	119 (7)	137 (7)	169 (7)	197(8)
(ii) Non-Tax Revenue	690 (11)	1,337 (17)	1,823 (20)	1,756(19)	1,784(17)
(iii) State's share of Union taxes and duties	493 (7)	629 (8)	794 (9)	838 (9)	862 (8)
(iv) Grants-in-aid from Government of India	3,879 (59)	4,213 (54)	4,567(50)	4,472(48)	5,126(50)
2. Miscellaneous Capital Receipts	—	—	—	—	—
3. Recoveries of Loans and Advances	22	23	26	21	34
4. Total Revenue and Non-debt capital receipts (1+2+3)	6,581	7,858	9,168	9,329	10,380
5. Public Debt Receipts	1,781	2,080	1,849	2,249	2,553*
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,753 (98)	2,042 (98)	1,798 (97)	2,237 (99)	2,484* (97)
Net transactions under Ways and Means Advances and Overdrafts	—	—	—	—	—

* Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for the misclassification of previous years.

	2005-06	2006-07	2007-08	2008-09	2009-10
Loans and Advances from Government of India	28 (2)	38 (2)	51 (3)	12 (1)	69(3)
6. Total Receipts in the Consolidated Fund (4+5)	8,362	9,938	11,017	11,578	12,933*
7. Contingency Fund Receipts	—	—	—	—	—
8. Public Account Receipts	4,933	5,265	6,223	6,760	6,821
9. Total Receipts of the State (6+7+8)	13,295	15,203	17,240	18,338	19,754
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	6,466	7,644	8,292	9,438	11,151*
Plan	1,182 (18)	1,325 (17)	1,202 (14)	877 (9)	1,238(11)
Non-Plan	5,284 (82)	6,319 (83)	7,090 (86)	8,561 (91)	9,913* (89)
General Services (including interest payments)	2,818 (43)	3,300 (43)	3,429 (41)	3,918 (42)	4,377(39)
Social Services	2,309 (36)	2,586 (34)	2,876 (35)	3,332 (35)	3,902(35)
Economic Services	1,333 (21)	1,755 (23)	1,984 (24)	2,184 (23)	2,868* (26)
Grants-in-aid and contributions	6 (—)	3 (—)	3 (—)	4 (—)	4 (—)
11. Capital Expenditure	821	1,110	1,414	2,079	1,943
Plan	820 (100)	1,043 (94)	1,313 (93)	1,992 (96)	1,895 (98)
Non-Plan	1 (—)	67 (6)	101 (7)	87 (4)	48(2)
General Services	52 (6)	61 (5)	59 (4)	64 (3)	63(3)
Social Services	369 (45)	575 (52)	586 (42)	833 (40)	610(31)
Economic Services	400 (49)	474 (43)	769 (54)	1,182 (57)	1,270 (65)
12. Disbursement of Loans and Advances	14	26	14	90	70
13. Total (10+11+12)	7,301	8,780	9,720	11,607	13,164
14. Repayments of Public Debt	1,308	1,311	937	885	867
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1219 (93)	1,182 (90)	839	829	811

* Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for the misclassification of previous years.

	2005-06	2006-07	2007-08	2008-09	2009-10
Net transactions under Ways and Means Advances and Overdraft	23 (2)	—	42	—	—
Loans and Advances from Government of India	66 (5)	129 (10)	56	56	56
15.Appropriation to Contingency Fund	—	—	—	—	—
16.Total disbursement out of Consolidated Fund (13+14+15)	8,609	10,091	10,657	12,492	14,031
17.Contingency Fund disbursements	—	—	—	—	—
18.Public Account disbursements	4,387	5,370	5,737	5,690	6,421
19.Total disbursement by the State (16+17+18)	12,996	15,461	16,394	18,182	20,452
Part C. Deficits					
20.Revenue Deficit(-)/Revenue Surplus (+) (1-10)	(+) 93	(+) 191	(+) 850	(-) 130	(-) 805*
21.Fiscal Deficit (-)/Fiscal Surplus (+) (4-13)	(-) 720	(-) 922	(-) 552	(-) 2,278	(-) 2,784
22.Primary Deficit (21+23)	(+) 843	(+) 747	(+) 1,151	(-) 384	(-) 828
Part D: Other data					
23.Interest Payments (included in revenue expenditure)	1,563	1,669	1,703	1,894	1,956
24.Financial Assistance to local bodies etc.,	380	399	467	582	718
25.Ways and Means Advances/Overdraft availed (days)	13	01	—	—	—
Ways and Means Advances availed (days)	13	01	—	—	—
Overdraft availed (days)	—	—	—	—	—
26.Interest on Ways and Means Advances/ Overdraft	0.32	0.89	—	—	—
27.Gross State Domestic Product (GSDP) [@]	25,685 (11.35)	28,591 (11.31)	32,221 (12.70)	36,924 (14.60)	42,278 (14.50)
28.Outstanding Fiscal liabilities (year end)	17,432	18,071	19,419	21,819	23,713

* Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for the misclassification of previous years.

	2005-06	2006-07	2007-08	2008-09	2009-10
29.Outstanding guarantees (year end) (including interest)	3,587	2,976	2,632	2,291	1,949
30.Maximum amount guaranteed (year end)	5,526	6,347	6,450	6,076	4,361
31.Number of incomplete projects	15	30	20	17	29
32.Capital blocked in incomplete projects	25	160	121	96	108
Part E: Fiscal Health Indicators					
I Resource Mobilization					
Own Tax revenue/GSDP	0.06	0.06	0.06	0.06	0.06
Own Non-Tax Revenue/GSDP	0.03	0.05	0.06	0.05	0.04
Central Transfers/GSDP	0.02	0.02	0.03	0.02	0.02
II Expenditure Management					
Total Expenditure/GSDP	0.28	0.31	0.30	0.31	0.31
Total Expenditure/Revenue Receipts	1.11	1.12	1.06	1.25	1.27
Revenue Expenditure/Total Expenditure	0.89	0.87	0.85	0.81	0.85
Expenditure on Social Services/ Total Expenditure	0.37	0.36	0.36	0.36	0.34
Expenditure on Economic Services/Total Expenditure	0.24	0.25	0.28	0.29	0.31
Capital Expenditure/Total Expenditure	0.11	0.13	0.15	0.18	0.15
Capital Expenditure on Social and Economic Services/Total Expenditure	0.11	0.12	0.14	0.17	0.14
III Management of Fiscal Imbalances (In per cent)					
Revenue deficit (surplus)/GSDP	0.36	0.67	2.64	(-) 0.35	(-) 1.90
Fiscal deficit/GSDP	(-) 2.80	(-) 3.22	(-) 1.71	(-) 6.17	(-) 6.58
Primary Deficit (surplus) /GSDP	3.28	2.61	3.57	(-) 1.04	(-) 1.96
Revenue Deficit/Fiscal Deficit	NA	NA	NA	(-) 5.71	(-) 28.92
Primary Revenue Balance/GSDP (ratio)	—	—	0.284	0.247	0.241
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	0.68	0.63	0.60	0.59	0.56
Fiscal Liabilities/RR	2.66	2.31	2.12	2.34	2.29

	2005-06	2006-07	2007-08	2008-09	2009-10
Primary deficit vis-à-vis quantum spread	4.153	2.223	1.741	(-) 0.364	(-) 0.591
Debt Redemption (Principal + Interest) / Total Debt Receipts	1.18	1.27	1.02	0.92	0.94
V Other Fiscal Health Indicators					
Return on Investment	28.61	1.80	0.52	89.58	73.49
Balance from Current Revenue (₹ in crore)	(-) 191	(-) 281	(+) 113	(-) 1,423	(-) 2,642
Financial Assets/Liabilities	0.54	0.57	0.60	0.68	0.67
Revenue Expenditure : Basic Parameters					
Revenue Expenditure (RE) (₹ in crore)	6,466	7,644	8,292	9,438	11,151*
Rate of Growth (<i>per cent</i>) RE	11.62	18.22	8.48	13.82	18.15
Non-Plan Revenue Expenditure (NPRE) (₹ in crore)	5,284	6,319	7,090	8,561	9,913*
Rate of Growth (<i>per cent</i>) NPRE	9.74	19.59	12.20	20.75	15.79
Plan Revenue Expenditure (₹ in crore)	1,182	1,325	1,202	877	1,238
Rate of Growth (<i>per cent</i>) PRE	20.86	12.10	(-) 9.28	(-) 27.04	41.16
NPRE/GSDP (<i>per cent</i>)	20.57	22.10	22.00	23.18	23.45
RE/TE* (<i>per cent</i>)	88.73	87.32	85.43	81.95	85.16
NPRE as <i>per cent</i> of TE	72.37	71.97	72.94	73.76	75.30
NPRE as <i>per cent</i> of RR	80.56	80.65	77.55	91.97	95.81
Percentage of NPRE to RE	81.72	82.67	85.50	90.70	88.90
PRE to RE	18.28	17.33	14.50	9.30	11.10
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.02	1.61	0.67	0.95	1.25
RRs (ratio)	0.28	0.94	0.51	7.59	1.63
NPRE (ratio)	1.19	0.93	0.70	0.67	1.15
PRE (ratio)	0.56	1.51	(-) 0.91	(-) 0.51	0.44

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

@ GSDP figures communicated by the Government adopted.

* Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for the misclassification of previous years.

* Total expenditure excludes loan and advances.

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 ended 31 March 2010, 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)

2008-09	Receipts	2009-10	2008-09	Disbursements	2009-10		
Section-A: Revenue					Non Plan	Plan	Total
9,308	Revenue receipts	10,346	9,438	Revenue expenditure	9,913*	1,238	11,151*
2,242	Tax revenue	2,574	3,918	General services	4,335	42	4,377
1,756	Non-tax revenue	1,784	3,332	Social services	3,307	595	3,902
838	Share of Union Taxes/ Duties	862	2,184	Economic services	2,267	601	2,868*
4,472	Grants from Government of India	5,126	4	Grants-in-aid and Contributions	4	—	4
Section-B: Capital							
—	Misc. Capital Receipts	—	2079	Capital Outlay	48	1,895	1,943
21	Recoveries of Loans and Advances	34	90	Loans and Advances disbursed	3	67	70
2,249	Public Debt receipts	2,553*	885	Repayment of Public Debt	—	—	867
—	Contingency Fund	—	—	Contingency Fund	—	—	—
6,760	Public Account receipts	6,821	5,690	Public Account disbursements	—	—	6,421
823	Opening Cash Balance	979	979	Closing Cash Balance			281
19,161	Total	20,733	19,161	Total			20,733

* Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for the misclassification of previous years.

Dependency on central transfers

Central tax transfers and grants-in-aid from GOI constituted 58 *per cent* of the total revenue receipts of the State Government during 2009-2010.

Increase in fiscal liabilities

Fiscal liabilities of the State increased from ₹17,432 crore in 2005-2006 to ₹23,713 crore (36.03 *per cent*) in 2009-2010. These liabilities stood at 56 *per cent* of GSDP in 2009-2010 and remained at high end especially when compared with the Twelfth Finance Commission (TFC) norms of 31 *per cent* to be achieved by March 2009.

Funds mainly applied to meet revenue expenditure

Revenue expenditure had predominant share in total expenditure. The revenue expenditure of the State increased by 18 *per cent* from ₹9,438 crore in 2008-2009 to ₹11,151 crore* in 2009-10.

Non-developmental expenditure and interest payments

Expenditure on General Services and interest payments, considered as non-developmental, together consistently decreased from 39.31 *per cent* in 2005-06 to 33.73 *per cent* in 2009-10. The interest payments relative to revenue receipts which at 19 *per cent*, was higher than the norms of 15 *per cent* as recommended by TFC to be achieved during the award period.

High expenditure on salaries and pension

The expenditure of ₹4,788 crore on Salaries and Wages during 2009-2010 was ₹1,977 crore (70 *per cent*) more than the projection (₹2,811 crore) made by the State Government in its Fiscal Correction Path. The salary expenditure is 61 *per cent* of revenue expenditure, net of interest and pension payments, which is much higher than the norm of 35 *per cent* recommended by the TFC. Pension payments increased by 101 *per cent* from ₹670 crore in 2005-2006 to ₹1,348 crore in 2009-2010 and by ₹194 crore during the current year, recording a growth rate of 17 *per cent* over the previous year.

Insignificant returns from investments

The Government had invested ₹2,663 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operative Institutions till the end of 2009-2010. While the Government raised high cost borrowings from the market during 2005-2010 at an average interest rate varying between 8.59 and 9.40 *per cent*, return from investments during the same period was about 1.65 *per cent*.

* Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for the misclassification of previous years.

Loans and advances by State Government

The Government received 3.5 *per cent* return of interest receipts as percentage to outstanding loans during 2009-10 against the targeted receipt of seven *per cent* fixed by TFC. It, however, paid nine *per cent* interest on borrowings during this period.

Revenue and fiscal deficit during 2009-10

The revenue deficit and fiscal deficit was 1.90 and 6.58 *per cent* of GSDP which was higher than the projections made by TFC i.e. 0 and 3 *per cent* for the year 2008-09.

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 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 Finance Accounts

(₹ in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/Excess (+)
Voted	I Revenue	9,063.10	601.38	9,664.48	10,439.72*	(+) 775.24
	II Capital	1,895.82	319.87	2,215.69	2,030.76*	(-) 184.93
	III Loans and Advances	10.06	1.58	11.64	69.67	(+) 58.03
Total Voted		10,968.98	922.83	11,891.81	12,540.15	(+) 648.34
Charged	IV Revenue	2,067.04	6.81	2,073.85	1,980.62	(-) 93.23
	V Capital	—	12.31	12.31	12.45	(+) 0.14
	VI Public Debt-Repayment	980.73	—	980.73	866.80	(-) 113.93
Total Charged		3,047.77	19.12	3,066.89	2,859.87	(-) 207.02
Appropriation to Contingency Fund (if any)		—	—	—	—	—
Grand Total		14,016.75	941.95	14,958.70	15,400.02	(+) 441.32

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

<i>Savings/Excesses</i>	The overall excess of ₹441.32 crore was the result of excesses (₹887.80 crore) in 22 cases and savings (₹446.48 crore) in 43 cases.
<i>Excess expenditure not regularised</i>	Expenditure of ₹1989.26 crore incurred by the Government during 2007-2010 in excess of the amount sanctioned by the Legislature remained to be regularised as of September 2010.
<i>Supplementary grants</i>	Supplementary provisions of ₹13.55 crore obtained in five cases proved unnecessary as the expenditure in these cases was less than the original budget provisions.
<i>Injudicious re-appropriation</i>	Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹10 lakh in 140 sub-heads. The excess/savings were more than ₹ two crore in 35 sub-heads. Of these, in three sub-heads the savings/expenditure exceeded ₹25 crore and above.

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.

<i>Delay in furnishing Utilisation Certificates</i>	Utilisation certificates (UCs) for ₹829.48 crore due in respect of grants and loans remained to be sent to the Accountant General as of March 2010 from various Departments; this included 199 UCs involving ₹23.95 crore which have been pending for more than five years.
<i>Pending cases of Misappropriations, losses, defalcations, etc.</i>	Out of 50 cases, involving ₹76.92 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 ₹49.20 lakh (64 per cent).

AUDIT REPORT (CIVIL)

This Report includes four chapters comprising two performance reviews, one thematic review, one integrated audit of a Department and 24 paragraphs on matters arising from test audit of transactions and accounts of the Government of Himachal Pradesh.

Highlights:

- *A performance review of upgradation and improvement of State Highways (SHs) and Major District Roads (MDRs) covering the period 2005-10 revealed that the Department had not formulated a State Road Policy for future plans and actions for development of an efficient road network in the State. Allotment of funds for maintenance was made by the Department based on yard-stick rates which remained unrevised since June 1997 overlooking the escalation in costs of labour and material; as a result, funds provided at the unrevised rates were insufficient to meet the expenditure on maintenance thereby affecting the quality of the roads. Audit also noticed instances of diversion of funds meant for SHs/MDRs to other works. Roads were executed without technical sanctions. Poor contract management and inadequate monitoring of works contributed to instances of sub-standard road works, delay in completion of works and damages to roads due to improper drainage system.*
- *A performance review of the implementation of Mahatama Gandhi National Rural Employment Guarantee Act (MNREGA) in the State during 2005-10 highlights the areas of concern and issues which need to be addressed for successful achievement of the objective set out for implementation of the Act. The review revealed that there were deficiencies in the planning process, particularly in the preparation of five year District Perspective Plans (DPPs). While Audit did not notice any case of denial of 100 days employment in a year to any household in the test-checked districts, there were instances of delay in payment of wages to the workers. Absence of DPPs and lack of inputs from the community at grass root level in the annual plans to ensure linkage between REGS works and long term employment development resulted in execution of developmental works in an unplanned manner. Implementing agencies ignored statutory priorities in execution of works which impacted upon strengthening of nature resource base of rural livelihood by not taking up works of highest priority such as water conservation, drought proofing, afforestation and minor irrigation to address the issue of poverty. Monitoring mechanism particularly at higher level was also found deficient.*
- *Thematic review on audit of schemes involving land acquisition highlights the failure of the Departments/Government to ensure acquisition of Forest/Private land for execution of works as per provisions of Forest Conservation Act, 1980 and Land Acquisition Act, 1894 which led to suspension of these works resulting in idle investment/infructuous expenditure of ₹15.21 crore.*

- *Integrated audit of Department of Indian Systems of Medicines and Homeopathy revealed that the Department could not provide the expected level of health care services due to shortages of 14,49 and 40 per cent in the cadres of Ayurvedic Medical Officers (AMOs), Paramedical Staff and supporting staff respectively coupled with non-provision of adequate infrastructure facilities like laboratories, operation theatres, separate male/female wards in hospitals. The efforts of the Department also proved inadequate, especially relating to implementation of Centrally Sponsored Schemes (CSSs).*

PERFORMANCE REVIEWS

Public Works Department

Upgradation and improvement of State Highways and Major District Roads

Main objectives

To provide good quality road connectivity between towns and cities by taking up improvement/upgradation and periodic maintenance.

Major audit findings

Long term policy for development of an efficient road network

A long term policy and integrated approach for improvement/upgrading of identified roads was essential for efficient utilisation of funds.

The State Government has not evolved a State Road Policy for future plans and actions for development of an efficient road network in the State.

Underutilisation of funds

Of the total funds made available to Himachal Pradesh Roads and Other Infrastructure Development Corporation Limited, 39 to 65 per cent remained unutilised during 2007-10.

Annual targets for improvement/ upgradation of State Highways and Major District Roads

During 2005-10 against the target of improvement/upgradation of State Highways and Major District Roads (including rural roads) in a cumulative length of 25,074.630 kms (SHs: 137.630 kms; MDRs: 24,937 kms) in the State, achievement thereagainst was 17,719.496 kms (SHs: 58.496kms; MDRs: 17,661 kms) resulting in an overall shortfall of 29 per cent. In 14 test-checked divisions, the overall shortfall was 25 per cent.

Completion of works delayed

In seven test-checked divisions, 51 jobs of road works awarded to 38 contractors for ₹8.51 crore were not completed within the stipulated time by the contractors. Compensation of ₹91.66 lakh was leviable on them but only two divisions levied compensation of ₹56.85 lakh in five cases which also remained unrecovered as of March 2010.

Rural Development Department

Implementation of Mahatama Gandhi National Rural Employment Guarantee Act

Main objectives of the Act

To enhance livelihood security in rural areas by providing at least 100 days' of guaranteed employment in a financial year, besides generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity, among others.

Major audit findings

Lack of ground work for implementation of the Act

District Perspective Plans and Annual Action Plans were not prepared in the five test-checked districts to facilitate advance planning.

Absence of a District Perspective Plan to ensure linkage between REGS works, long term employment development and lack of inputs at the grass root level in the annual plans resulted in execution of works in an unplanned manner on adhoc basis.

Statutory priorities in execution of works not ensured

Implementing agencies ignored statutory priorities in execution of works. As a result, out of total expenditure of ₹1008.87 crore incurred on works, ₹471.56 crore (47 per cent) pertained to low priority works of road construction. This impacted upon non-strengthening of natural resource base of rural livelihood by not taking up works of highest priority such as water conservation, drought proofing, afforestation and minor irrigation to address the issue of poverty.

Payment of wages

In 37 out of 48 GPs selected for test-check, labourers engaged on 672 Muster rolls during 2008-10 were not paid wages (₹97.45 lakh) on time. The delay in payment of wages ranged between 15 and 90 days.

Monitoring Mechanism

The monitoring mechanism was also weak as status of inspection of works and formation of Vigilance Monitoring Committees was also not upto the mark. Besides, monitoring at high level by the SEGC was not being ensured as per provision of the Act for its effective implementation.

Department of Indian Systems of Medicines and Homeopathy

Integrated Audit of the Department

Main functions of the Department

To provide health care especially to the people in remote areas of the State and to popularise the centuries old system of drug/treatment among the people by setting up Ayurvedic hospitals, Dispensaries and Pharmacies in the State.

Major audit findings

Preparation of unrealistic budget estimates

Expenditure of the Department exceeded the budgetary allocations every year during 2005-09 thereby indicating non-preparation of budget estimates on realistic basis.

Shortfall in achievement of targets

Shortfall in achievement of targets of opening/upgradation of hospitals and dispensaries was 89 *per cent* and indicated failure of the Department to provide better health care services to the people of the State.

Lack of infrastructure

In 189 dispensaries out of 314 test-checked dispensaries essential facilities like electricity and water were not available. Besides, 42 dispensaries were manned by one ANM/Dai/Class-IV staff who were not even authorised to prescribe medicines to the needy patients.

Shortfall in utilisation of central assistance for development of AYUSH Institutions

Against total receipt of ₹37.23 crore from GOI for the development of AYUSH institutions in Himachal Pradesh during 2007-10, ₹30.19 crore remained unspent as of March 2010.

Monitoring and evaluation

The Department had not evolved any system for monitoring the execution of various CSSs for evaluating their impact on the health care system in the State. Besides, monitoring of Dispensaries by District Ayurvedic Officers was deficient as shortfall in conducting inspection during 2005-10 ranged between 66 and 74 *per cent*.

THEMATIC REVIEW

Public Works and Irrigation and Public Health Departments

Schemes involving Land Acquisition

Idle investment/infructuous expenditure on construction of works

Failure to ensure acquisition of Forest/Private land for execution of works such as roads, irrigation, water supply and sewerage schemes as per provisions of Forest Conservation Act, 1980 and Land Acquisition Act, 1894 led to suspension of these works resulting in idle investment/infructuous expenditure of ₹ 15.21 crore.

AUDIT OF TRANSACTIONS

Wasteful/unfruitful/infructuous expenditure

Unfruitful expenditure on establishment of Laboratory

Lack of Rain Water Harvesting Structures in the building for State Bio Control Laboratory (Mandi district) rendered the expenditure of ₹45.40 lakh unfruitful due to non-clearance by Town and Country Planning Department.

Infructuous expenditure on idle staff

Failure of the Agriculture Department to adjust/transfer idle technical staff/helpers of Deep Tubewell Irrigation works/schemes resulted in infructuous expenditure of ₹1.12 crore on pay and allowances.

Unjustified expenditure on construction of Working Women Hostel

Construction of Working Women Hostel building at a cost of ₹1.33 crore by the Chaudhary Sarwan Kumar Himachal Pradesh Krishi Vishva Vidyalaya at Palampur (Kangra district) without assessing requirement resulted in non-usage of the Hostel building for the intended purpose.

Unfruitful expenditure on Lift Water Supply Scheme

Failure of the Irrigation and Public Health Department to get the work of gravity main completed in time resulted in unfruitful expenditure of ₹4.48 crore on a Lift Water Supply Scheme from Behna *Khad* to Baragaon (Shimla district). Besides, this also resulted in non-achievement of the objective of providing sufficient potable water to 82 habitations of the District.

Unfruitful expenditure on construction of road and undue benefit to a contractor

Failure of the Public Works Department to initiate action according to the various clauses of the contract agreement resulted in unfruitful expenditure of ₹69.49 lakh on a road from Wangtoo to Panvi (Kinnaur district) and extension of undue benefit of ₹71.37 lakh to a contractor. Besides, the villagers were also denied the benefits of transport facility.

Unfruitful expenditure on setting up of Gramin Himachal Bhandars

Construction of Gramin Himachal Bhandars by the Rural Development Department in other than typical hill architecture as required at tourist places and on the sides of roads leading to tourist places and further inability of the Department to motivate Self Help Groups/people of the area for marketing their products through them has rendered expenditure of ₹2.92 crore as largely unfruitful.

Undue favour to contractors/avoidable expenditure

Undue financial benefits to contractors

The Nirmand Division of the Public Works Department extended undue financial benefit of ₹1.05 crore to two contractors by way of non-recovery of Government dues.

Undue financial benefit to a firm

Failure to ensure compliance of contractual provisions by the Executive Engineer, Sundernagar Division led to extension of undue financial benefit of ₹4.37 crore to a Delhi based firm. Besides, due to non-completion of building, the facility of modern Engineering College could not be provided timely to the students.

Incorrect computation and non-recovery of Government dues

The Public Works Department did not compute correctly Government dues of ₹17.76 lakh and failed to recover them for about two years after finalisation of contractor's bill in May 2008.

Idle investment/blocking of funds/diversion of funds

Underutilisation of funds under Prime Minister Special Package

Tardy execution of works by the Himachal Pradesh University had resulted in underutilisation of grant of ₹5 crore received by it from University Grants Commission for upgradation of infrastructure in the University and non-release of subsequent installments of ₹4 crore.

Blocking of Funds

Delays in planning for setting up of trauma centre at Regional Hospital, Kullu for upgradation of emergency facilities resulted in blocking of ₹1.50 crore for the last four years besides denial of timely medical services to the accident victims.

Unproductive investment on construction of a Flow Irrigation Scheme

Poor planning and lackadaisical approach of the Irrigation and Public Health Department for construction of a Flow Irrigation Scheme in Gram Panchayat Deothi (Shimla district) resulted in unproductive investment of ₹35.82 lakh.

Unjustified procurement of materials resulting in blocking of funds

Non-utilisation of procured materials for two sewerage schemes in Dalhousie and Chowari towns (Chamba district) for a period ranging from one to seven years resulted in blocking of funds of ₹2.30 crore and the inhabitants of the towns who had been sanctioned sewerage schemes way back in March 1996, continued to be deprived of the sewerage facility even after 14 years.

Idle investment on Lift Water Supply Scheme

The Irrigation and Public Health Department did not ensure electricity connection for the Lift Water Supply Scheme Haraboi (Mandi district), resulting in idle investment of ₹79.80 lakh.

Diversion of Sectoral Decentralised Planning funds

₹ two crore meant for works under Sectoral Decentralised Planning were irregularly diverted by the Advisor, Planning as Grant-in-aid to Dr. Yashwant Singh Parmar University of Horticulture and Forestry, Nauni (Solan district), of which, ₹1.40 crore remained parked in bank accounts in disregard of the programme guidelines.

Diversion of Rashtriya Sam Vikas Yojna funds

Funds amounting to ₹1.48 crore under Rashtriya Sam Vikas Yojna were diverted by the Deputy Commissioner, Chamba in contravention of the provisions of the scheme.

Locking up of funds meant for a housing scheme for urban poor

The Urban Development Department did not arrange suitable site for 'Ashiana' a housing scheme for Urban Poor resulting in locking up of funds of ₹1.98 crore with the Himachal Pradesh, Housing and Urban Development Authority, Shimla.

Regularity issues and other points

Irregular charging of tuition fee from girl students

₹65.92 lakh charged by the Principal, St. Bede's College, Shimla as tuition fee from girl students during 1996-97 to 2009-10 was in contravention of the instructions of the State Government and deprived the beneficiary girl students of the intended benefits.

Irregular sanction of funds

Release of ₹36.53 lakh to Kamdhenu Hitkari Manch, Namhol by the Deputy Commissioner, Bilaspur was in disregard to guidelines for implementation of Vikas Mein Jan Sehyog Scheme.

AUDIT REPORT (REVENUE RECEIPTS)

Introduction

To promote excellence in the quality of governance, our constitution provides a framework of accountability of the executive to the legislature through the institution of Comptroller and Auditor General of India (CAG). The CAG discharges this responsibility by auditing the receipts and expenditure of the Government and reporting key audit findings to the legislature.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This volume is based on Comptroller and Auditor General of India Audit Report (Revenue Receipts)-Government of Himachal Pradesh for the year ended 31st March 2010.

This Report contains two reviews and other important audit findings on the working of various departments on non/short levy of taxes, duties, royalty, fees, interest and penalty etc. having financial effect of ₹1,420.98 crore. Out of this, the Government/Department had accepted audit observations of ₹829.55 crore, of which an amount of ₹3.81 crore was realised at the instance of audit.

Trend of Revenue Receipts

The total receipts of the State Government for the year 2009-10 were ₹10,346.36 crore. Revenue raised by the State Government through its own sources during the year was ₹4,358.18 crore which accounted for 42 *per cent* of total revenue. The remaining 58 *per cent* was from Government of India as grants in aid and State's share of net proceeds of divisible union taxes and duties.

Audit Findings

Transport Department

Review on 'Levy and collection of Motor Vehicle tax'

Inadequacies in implementation of the application/general controls and non-maintenance of centralised data

The department switched over to the computerisation from April 2006 with two software; one for registration of vehicles called 'VAHAN' and other for issue of driving licenses called 'SARTHI'. We noticed that:-

Insufficient application controls in the 'Vahan' application had led to inconsistent and incomplete database maintained by the registering authorities and non-maintenance of centralised data.

	Position of arrears of token tax pending collection as on 31 March 2009 was not available with the Department. Token tax of ₹4.82 crore in respect of 7,739 vehicles was found uncollected in 17 test checked registering authorities.
Faulty system at transport barriers	Application of incorrect rate of composite fee in respect of 89,805 vehicles entering the state without valid National Permit due to installation of faulty system at transport barriers resulted in short realisation of ₹22.45 crore during the period April 2004 to May 2009.
Arrears of the HRTC	Though SRT of ₹26.83 crore was recoverable from Himachal Road Transport Corporation (HRTC), the Transport Department was not aware of it as monthly demand for payment of SRT was not being raised by the Regional Transport Officers (RTOs) on HRTC depots/units.
Arrears of private stage carriages	Non-payment of SRT by 190 private stage carriages owners during the period 2004-05 to 2008-09 resulted in accumulation of arrears of ₹1.75 crore. Action for recovery as arrear of land revenue was not initiated.
Recommendations	<p>The Government may consider:</p> <ul style="list-style-type: none"> • issuing directions to the department for not by passing the controls/procedures provided in the application; • the reasons for non-availability of user in master table; • to have an effective centralised database on the server for online application software for collection and deposit of the motor vehicles taxes; • to modify the system so as have a provision for ascertaining amount of arrear of token tax and the period for which it was due; and • incorporating a provision for levy of interest on non-payment of tax and penalty by the vehicle owners in the Acts and issue direction for maintaining SRT registers.

Multi Purpose Projects and Power Department

Review on 'Receipts from Power Sector Projects'

Return on Equity

Return on equity amounting to ₹170.42 crore for the years 2005-06 and 2007-08 to 2009-10 due from five Hydro Electric Projects (HEPs) owned by Himachal Pradesh State Electricity Board (HPSEB) on equity capital of ₹234 crore was not claimed by the Government.

Irregular deposit of upfront premium/charges

Upfront premium/charges of ₹707.69 crore realised during 2007-08 to 2009-10 was not treated as receipt of the department and irregularly deposited in the reserve fund.

Non-claiming of upfront premium/charges

Non-claiming of the upfront premium/charges on the six HEPs allotted to Satluj Jal Vidyut Nigam Ltd. and Himachal Pradesh Power Corporation during January 2007 and October 2008 deprived the State exchequer of revenue of ₹196.53 crore.

Non-invoking of provisions of Power Policy

Non-invoking of provisions of the power policy in supplementary implementation agreements executed with independent power producers in respect of the two HEPs resulted in loss of revenue of ₹114 crore.

Monitoring and Internal control

Lack of monitoring and internal control resulted in inadmissible rebate to the Power Trading Corporation of India (PTC) and non-realisation of surcharge from the PTC resulting in loss of ₹8.79 crore.

Loss of revenue due to non-transfer of power share to PTC

Non-transfer of power share of the Government to the PTC from four HEPs during February 2006 to March 2007 resulted in loss of revenue of ₹13.92 crore to the State Government.

Recommendations

The Government may consider:

- putting in place a system for maintaining the records and for raising the demands.; and
- putting in place a system for prompt raising of demands and ensuring the correctness of amount paid on account of the energy bills.

RESULTS OF TRANSACTION AUDIT

Excise and Taxation Department

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 the case of 34 dealers resulted in non/short levy of tax of ₹27.54 crore in six districts.

Incorrect deduction of cost of material

Allowing of deduction of ₹15.34 crore from the gross turnover of 19 contractors by the assessing authorities on account of material supplied by the departments to them for the execution of departmental works resulted in underassessment of tax of ₹2.54 crore in seven districts.

Excess allowance of input tax credit

Excess allowance of input tax credit to four dealers on the entire branch transfer of ₹169.36 crore instead of on proportionate basis resulted in loss of revenue of ₹2.08 crore.

State Excise

Low yield of spirit from molasses

Low yield of spirit from molasses in a distillery resulted in short collection of excise duty of ₹1.36 crore.

Forest Department

Non/short recovery of revenue

Non/short charging of costs of 23,902/6,605 trees/saplings of different species falling in the alignment area of projects/ transmission lines, etc. resulted in forgoing revenue of ₹4.69 crore in 10 forest divisions.

Non-levy of departmental charges

In one forest division, departmental charges of ₹40.52 lakh were not recovered from user agencies in two cases of diversion of forest land for non-forestry purpose.

Non-levy of interest on delayed payment of royalty

In 10 forest divisions, royalty of ₹7.40 crore in respect of 107 lots was paid late by the Himachal Pradesh State Forest Corporation, on which interest of ₹87.12 lakh was not levied by the department.

Other Tax and Non-Tax Receipts

Revenue Department

Incorrect determination of market value of property

In 25 sub registrars, short determination of the market value of property and incorrect preparation of *parta* resulted in short realisation of stamp duty and registration fee of ₹1.18 crore in 292 cases.

AUDIT REPORT (COMMERCIAL)

This Report contains a general overview of Government companies, Statutory corporations and performance reviews on:

- (i) Power Generation Activities of Himachal Pradesh State Electricity Board; and
- (ii) Information Technology Audit of Loan Monitoring System in Himachal Pradesh Financial Corporation.

This Report also contains 11 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 2010, the State of Himachal Pradesh had 21 working PSUs (18 companies and three Statutory corporations) and three non-working PSUs (all companies), which employed 38,043 employees. The working PSUs registered a turnover of ₹4,642.23 crore for 2009-10 as per their latest finalised accounts. This turnover was equal to 10.98 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 ₹21.95 crore in 2009-10 and had accumulated losses of ₹760.34 crore.*

Investment in PSUs

- *As on 31 March 2010, the investment (Capital and long term loans) in 24 PSUs was ₹4,620.83 crore which declined by over 6 per cent from ₹4,938.28 crore in 2004-05. Power sector accounted for over 74 per cent of the total investment in 2009-10. The Government contributed ₹661.38 crore towards equity, loans and grants/subsidies during 2009-10.*

Performance of PSUs

- *During the year 2009-10, out of 21 working PSUs, seven PSUs earned profit of ₹37.28 crore and nine PSUs incurred loss of ₹59.23 crore. Four 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 (₹32.31 crore) and Himachal Pradesh State Civil Supplies Corporation Limited (₹2.87 crore). The heavy losses were incurred by Himachal Road Transport Corporation (₹37.50 crore) and Himachal Pradesh Tourism Development Corporation Limited (₹6.75 crore) and Himachal Pradesh State Handicrafts and Handloom Corporation Limited (₹6.21 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 ₹1,004.88 crore and infructuous investment of ₹6.87 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 20 accounts of working companies finalised during October 2009 to September 2010, twelve accounts received qualified certificates and eight accounts received adverse certificates. There were 56 instances of non-compliance with Accounting Standards. Of the two accounts of Statutory corporations finalised during October 2009 to September 2010, 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 14 accounts as of September 2010. 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.*

Performance Review Relating to Statutory Corporations

Performance reviews relating to 'Power Generation Activities' of **Himachal Pradesh State Electricity Board** and 'Information Technology Audit of Loan Monitoring System' in **Himachal Pradesh Financial Corporation** were conducted. Executive summary of the Audit findings is given below:

Power Generation Activities of Himachal Pradesh State Electricity Board

Power is an essential requirement for all facets of life and has been recognised as a basic human need. In view of phenomenal growth in the demand of power since 2005-06, capacity addition was not adequate to meet the requirement leaving a deficit of 122.61 MW at the end of 2009-10. Out of total requirement of 8500.87MUs for the State during the year 2009-10 the Board generated only 20.06 per cent, IPP 20.47 per cent and the balance 59.47 per cent was contributed by CPSUs. The performance audit of the Board for the period 2005-06 to 2009-10 was conducted to assess the efficiency in operation, ability to meet growing demand of energy, achievement of targets for capacity addition, execution of projects and effectiveness of the top management in monitoring the affairs of the Board.

Planning and Project Management

The total installed capacity of the State increased from 1034.17 MW as on 1 April 2005 to 1285.49 MW as on 31 March 2010. During 2005-10, actual capacity addition was 251.32 MW. Time overrun of 125, 54, 41 and 36 months were noticed in implementation of Larji, Bhaba Augmentation Project (BAP), Khauli and Ghanvi Phase II Projects respectively. There was cost overrun of ₹1209.16 crore in case of two completed (Larji and Khauli) and one ongoing project (BAP) due to lack of coordination, delay in taking up of project, change in designs, preparation of DPR on unrealistic data, award of works at higher rates and booking of excessive inputs/IDC, besides mismatch of construction activities of civil and electro mechanical works. Due to delay in completion of projects and less availability of power, the State had to purchase power under unscheduled interchange ranging between 4.15 MUs and 262.95 MUs which was costly as compared to own generation cost. Further, power cuts ranging between 27.01 MUs and 178.63 MUs were also imposed.

Manpower Management

Board had not fixed norms for deployment of manpower for the operation of its power houses. Deployment of manpower over and above the CEA norms resulted in extra expenditure of ₹111.51 crore, resultantly per unit employee cost of ten power house was above 50 *per cent* of per unit generation cost.

Achievement of generation targets

The Board has not fixed generation targets as per the designed potentials of its projects. As against the designed potential of 10,983.39 MUs, the actual generation during the review period was 8508.99 MUs due to low plant load factor ranging between 42.55 and 50.73 *per cent* as against the norms of 85 *percent* fixed by the CERC, but was higher in comparison with the national average. Further, the planned and forced outages had shown an increasing trend. Against the CEA norms of 10 *per cent*, the forced outages increased from 40.71 *per cent* in 2005-06 to 43.32 *per cent* in 2009-10.

Renovation and modernisation

Renovation scheme sanctioned for the modernisation, upgradation and life extension of Bassi Power House had not been completed so far due to delay in arranging funds and excessive time taken for finalisation of tenders. This had resulted in cost overrun of ₹77.61 crore besides generation loss of 17.52 MUs per annum.

Tariff fixation

Due to non/short capitalisation of expenditure and failure of the Board to justify the higher cost of various projects before the HPERC, the Board failed to recover ₹44.06 crore through tariff during review period.

Environmental issues

The Board did not take any initiative for registration of its five plants which commenced commercial operation after 1 January 2000 with designated National Authority to sell the Carbon Emission Reduction (CER) credits available for these projects.

Inadequate monitoring

The Board did not develop a system to predict water availability, availability of operational hours of plants and plant outages to set the generation targets. There exists no mechanism to review the operational performance and efficiency of each generating unit so as to take timely action to improve the efficiency of the projects.

Conclusion and recommendations

The projects of the Board were not completed in time resulting in time and cost overruns. Most of the Plants are being operated at low PLF and low capacity. Delay in receipt of subsidy claims from Government of India resulted in non-utilisation of available financial resources to the optimum level.

Proper MIS did not exist in the Board to evaluate the execution and operational performance of power houses.

Timely completion of ongoing projects should be ensured to avoid time and cost overruns. Reasons for low plant load factor and low availability of machines need to be addressed immediately. Further development of MIS to compile and collate data on crucial parameters needs attention.

Information Technology Audit of Loan Monitoring System in Himachal Pradesh Financial Corporation

Himachal Pradesh Financial Corporation provides term loans to small and medium scale industries. The Corporation has sanctioned loan of ₹727 crore to 4,518 units since its inception up to 31 March 2010. The Information Technology review was conducted to assess the performance of the Computerised Loan Accounting System implemented in the Corporation.

Objectives of computerisation

The integrated system was developed for facilitating automatic flow of transaction data from financial accounting system to loan accounting system, generation of loan ledgers and related reports.

Non- achievement of Objectives

System is not being used for generating loan accounting ledgers and other related reports as these outputs does not depict correct balances. Besides the system is not able to calculate interest automatically. Resultantly, the loan ledgers have to be maintained manually.

General Controls

The Corporation has not framed any IT policy for IT security, passwords, segregation of duties, etc., which lead to inadequate physical access and environmental controls, inadequate network security controls and inadequate logical access controls. There is no system for online backups.

Application Controls

Accounts Module

The system is redundant with inadequate input and processing controls leading to incomplete and vague data.

Voucher Module

The system does not assign voucher number in seriatim for the complete financial year. Further, there is no provision to generate receipts by the system. Hence, receipts are being issued manually. Inadequate controls have led to acceptance of duplicate receipt numbers.

Output controls

Management Information System missing

The computers installed at management level, are not linked with loan monitoring system.

Conclusion and recommendation

The utility of application is restricted to calculate interest and generation of demand notices only. The inaccurate, incomplete and erroneous data has rendered the system useless for generation of annual returns and for effective MIS. The Corporation should get the lacunae in the system removed to facilitate generation of loan accounting ledgers. The data may be captured fully so that reports produced by the system are useful for MIS, for reports annexed to Balance Sheet and for other reporting. To ensure business continuity, online backup system should be in place. As per quality policy, the Corporation may provide online information to the customers, whereby customers can know their loan status on web.

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 ₹15.60 crore in five cases due to non-compliance of rules, directives, procedure and conditions of contracts.

(Paragraphs 3.2, 3.3, 3.5, 3.8 and 3.9)

- Loss of ₹0.48 crore in one case due to injudicious decision.

(Paragraph 3.6)

- Loss of ₹4.55 crore in four cases due to inadequate/deficient monitoring.

(Paragraphs 3.1, 3.4, 3.7 and 3.10)

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

- **Himachal Pradesh Power Corporation Limited** failed to timely exercise the option available for repayment of loan resulting in loss of ₹0.98 crore owing to avoidable payment of interest at higher rate.

(Paragraph 3.1)

- **Beas Valley Power Corporation Limited** suffered a loss of ₹8.18 crore due to its failure to recover penalty of ₹6.96 crore imposed on the contractor and payment of inadmissible price escalation of ₹1.22 crore.

(Paragraph 3.3)

- **Himachal Pradesh State Forest Development Corporation Limited** failed to deduct rebate/cash discount on sale of timber according to the provision of the Himachal Pradesh Value Added Tax Act, 2005 resulting in avoidable payment of value added tax amounting to ₹2.31 crore.

(Paragraph 3.4)

- Lackadaisical approach of the **Himachal Pradesh State Electricity Board** resulted in a loss of ₹1.63 crore due to non-recovery of expenditure incurred on survey and investigation work of a project from a private party.

(Paragraph 3.5)

- **Himachal Pradesh State Electricity Board** failed to insert the standard clause as per the prevailing practice for payment of taxes and duties on actual basis enabled the suppliers to take extra benefit of ₹1.51 crore on subsequent reduction in rates of excise duty.

(Paragraph 3.8)

- **Himachal Pradesh State Electricity Board** failed to detect non-revision of Contract Demand by two large supply consumers after up gradation of power factor value to 0.90 from 0.85, which resulted in non-recovery of contract demand violation charges amounting to ₹0.98 crore.

(Paragraph 3.10)