



# **REPORT**

**OF THE**

**Comptroller and Auditor General of India  
for the year 1979-80**

**(CIVIL)**

**Government of Himachal Pradesh**



# REPORT

OF THE

Comptroller and Auditor General of India  
for the year 1979-80

(CIVIL)

Government of India, Financial Section

## TABLE OF CONTENTS

	<i>Paragraph(s)</i>	<i>Page(s)</i>
PREFATORY REMARKS		(vi)
<b>CHAPTER—I</b>		
<b>GENERAL</b>		
Summary of transactions	.. 1.1	1-2
Revenue surplus/deficit	.. 1.2	2-3
Revenue receipts	.. 1.3	4
Expenditure on revenue account	.. 1.4	5-6
Expenditure on capital account	.. 1.5	6-7
Loans and advances by the Government	.. 1.6	7—10
Sources of funds for capital expenditure and net outgo under loans and advances	.. 1.7	10
Debt position	.. 1.8	10—12
Investments by the Government	.. 1.9	12-13
Guarantees given by the Government	.. 1.10	13
Plan performance	.. 1.11	13—15
<b>CHAPTER—II</b>		
<b>APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE</b>		
Summary	.. 2.1	16-17
Excess over grants/charged appropriations requiring regularisation	.. 2.2	17—19
Supplementary grants/charged appropriations	.. 2.3	19—22
Savings in grants/charged appropriations	.. 2.4	22—26
Non-receipt of explanations for savings/excesses	.. 2.5	26-27
Advances from the Contingency Fund	.. 2.6	27
Rush of expenditure	.. 2.7	27-28
Drawal of funds in advance of requirements	.. 2.8	28
Shortfall/excess in recoveries	.. 2.9	28-29

## CHAPTER—III

### CIVIL DEPARTMENTS

	<i>Paragraph(s)</i>	<i>Page(s)</i>
<b>Department of Agriculture—</b>		
Small Farmers Development Agency ..	3.1	30—36
Seed Distribution Scheme ..	3.2	36—39
<b>Department of Revenue—</b>		
Free distribution of wheat among flood/cyclone affected people ..	3.3	39—43
<b>Department of Industries—</b>		
Incentives to Small Scale Industries ..	3.4	43—47
Development of industrial areas ..	3.5	48—55
<b>Department of Labour, Employment and Training—</b>		
Craftsmen Training Scheme ..	3.6	55—60
<b>Department of Health and Family Welfare—</b>		
Loss of Government money ..	3.7	61
Irregular purchase ..	3.8	62
<b>Department of Rural Integrated Development—</b>		
Non-recovery of cost of material ..	3.9	62
Schemes not functioning for want of maintenance and repairs ..	3.10	62-63
<b>General—</b>		
Idle equipment ..	3.11	63—65
Misappropriations, defalcations, etc. ..	3.12	65

## CHAPTER—IV

### WORKS EXPENDITURE

<b>Public Works Department—</b>		
Food for Work Programme ..	4.1	66—72
Giri Irrigation Project ..	4.2	72—74
Working of Ground Water Organisation, Una ..	4.3	75—76
A bridge over the Uhl river ..	4.4	76—77

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Unfruitful expenditure	4.5	77—80
Advance payments to firms	4.6	80-81
Idle machinery	4.7	81-82
Irregular payment for supplies not received	4.8	82-83
Surplus staff in mechanical workshop at Nahan	4.9	83
Running of condemned vehicles/machinery	4.10	84
Splitting up of purchases	4.11	84-85

### CHAPTER—V

#### STORES AND STOCK

Synopsis of important stores accounts	5.1	86-87
<b>Public Works Department—</b>		
Reserve stock limits	5.2	87
Physical verification	5.3	87
Minus balances	5.4	87-88
Shortage/non-accountal of stores	5.5	88—90
Issue of excessive material beyond the scope of work	5.6	90
Surplus stores	5.7	90
<b>Department of Animal Husbandry—</b>		
Shortage of butter	5.8	91
<b>Department of Home—</b>		
Locking up of funds	5.9	91-92
Non-accountal of stores	5.10	92
Excessive purchase of stores	5.11	93

### CHAPTER—VI

#### FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

Grants and their utilisation	6.1	94—96
<b>Department of Rural Integrated Development—</b>		
Grants-in-aid works	6.2	96—98

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Department of Local Self Government—		
Grants/loans to urban local bodies	.. 6.3	98—102
Department of Welfare—		
Grants and loans	.. 6.4	102—104
Department of Tourism—		
Grants to Himachal Pradesh Tourism Development Corporation	6.5	104-105

## CHAPTER—VII

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### Section A—

General	.. 7.1	106
---------	--------	-----

#### Section B—

Statutory Corporations	.. 7.2	106
Himachal Pradesh State Electricity Board	.. 7.3	106—142
Himachal Pradesh Financial Corporation	.. 7.4	142—173
Himachal Road Transport Corporation	.. 7.5	173—176

#### Section C—

Government Companies	.. 7.6	176—180
Himachal Pradesh State Handicrafts and Handloom Corporation Limited	.. 7.7	180—182
Himachal Pradesh State Small Industries and Export Corporation Limited	.. 7.8	182-183
Himachal Pradesh Agro-Industries Corporation Limited	.. 7.9	183-184
Nahan Foundry Limited	.. 7.10	184—188

#### Section D—

Departmentally managed Government commercial and <i>quasi</i> -commercial undertakings	.. 7.11	189
Department of Food and Supplies	.. 7.12	189

## CHAPTER—VIII

### OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

Outstanding audit observations	.. 8.1	190—192
Outstanding inspection reports	.. 8.2	192—195

	<i>Page(s)</i>
<b>I. Statement showing reasons for significant variations in revenue expenditure during 1979-80 over the previous year under broad sectors</b>	199
<b>II Statement showing reasons for significant variations in capital expenditure during 1979-80 over the previous year under broad sectors</b>	200
<b>III Cases in which savings (Rupees twenty lakhs or more in each case) exceeded ten per cent of the total provision</b>	201
<b>IV Drawal of funds in advance of requirements</b>	202—206
<b>V Irregular payment of subsidy</b>	207
<b>VI Misappropriations and defalcations reported upto 31st March 1980 and outstanding on 30th September 1980</b>	208
<b>VII Outstanding cases (30th September 1980) of misappropriations, defalcations, etc., and the stage at which they are pending</b>	209—210
<b>VIII Advance payments to firms</b>	211-212
<b>IX Reserve stock limits</b>	213-214
<b>X Details of issue of excessive material beyond the scope of work</b>	215-216
<b>XI Summarised financial results of Statutory Corporations</b>	217
<b>XII Summarised financial results of Government Companies</b>	218

## PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1979-80 together with other points arising from audit of financial transactions of the Government of Himachal Pradesh. It also includes certain points of interest arising from the Finance Accounts for 1979-80.

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

3. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during 1979-80 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1979-80 have also been included wherever considered necessary.

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



**CHAPTER I**  
**GENERAL**

**1.1 Summary of transactions**

The receipts and expenditure of the Government of Himachal Pradesh for 1979-80 are given below, with the corresponding figures for the preceding year :—

	1978-79	1979-80
<b>(i) Revenue—</b>		
	(Rupees in crores)	
<b>Revenue receipts</b>		
(a) Revenue raised by the State Government ..	44.56	50.97
(b) Receipts from the Government of India ..	1,21.53	1,41.64
<b>Total : Revenue receipts</b> ..	<b>1,66.09</b>	<b>1,92.61</b>
<b>Revenue expenditure</b>		
(a) Non-Plan ..	88.36	1,09.80
(b) Plan ..	37.61	39.94
<b>Total : Revenue expenditure</b> ..	<b>1,25.97</b>	<b>1,49.74</b>
<b>Revenue surplus (+)</b> ..	<b>+40.12</b>	<b>+42.87</b>
<b>(ii) Public Debt—</b>		
Receipts ..	17.28	18.54
Repayments ..	7.36	1.98
<b>Increase (+)</b> ..	<b>+9.92</b>	<b>+16.56</b>
<b>(iii) Loans and advances by the State Government—</b>		
Recoveries ..	1.31	1.60
Disbursements ..	15.71	15.69
<b>Increase (—)</b> ..	<b>—14.40</b>	<b>—14.09</b>

(iv) *Public Account—*

Receipts	..	2,44.32	2,86.76
Disbursements	..	2,36.22	2,82.76

Increase (+)	..	+8.10	+4.00
Decrease (—)			

(v) *Capital expenditure—*

Non-Plan	..	—0.06	2.47
Plan	..	38.73	44.87

Increase (—)	..	—38.67	—47.34
--------------	----	--------	--------

(vi) *Inter-State Settlement (Net)—*

Payments (—)	..	—0.26	..
--------------	----	-------	----

Net deficit (—)	..	+4.81	+2.00
-----------------	----	-------	-------

Net surplus (+)

Opening cash balance	..	—8.75	—3.94
----------------------	----	-------	-------

Net surplus (+) as above	..	+4.81	+2.00
--------------------------	----	-------	-------

Closing cash balance	..	—3.94	—1.94*
----------------------	----	-------	--------

**1.2 Revenue surplus/deficit**

(a) *Revenue receipts*—The actuals of the revenue receipts for 1979-80 compared with (i) the budget estimates and (ii) the budget estimates plus

\*The closing cash balance of Rs. (—)1.94 crores was made up of Rs.0.74 crore (Cash in Treasuries) and Rs.—2.68 crores (Deposits with Reserve Bank). There was a difference of Rs.—0.78 crore between the figure reflected in the accounts (Rs.—2.68 crores) and that intimated by the Reserve Bank (Rs.—1.90 crores) regarding "Deposits with Reserve Bank" included in the cash balance. The difference to the extent of Rs.—0.06 crore has since been reconciled; the remaining difference (Rs.—0.72 crore) is under reconciliation (October 1980).

additional taxation during the year alongwith the corresponding figures for 1977-78 and 1978-79 are given below :—

Year	Budget	Budget plus additional taxation	Actuals	Variation between columns (4) and (3)	
				Amount	Percent- age
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1977-78	1,25.47	1,25.66	1,32.55	+6.89	5
1978-79	1,48.26	1,50.53	1,66.09	+15.56	10
1979-80	1,78.33	1,81.95	1,92.61	+10.66	6

The receipts in 1979-80 exceeded the budget estimates mainly under 'Grants-in-aid from Central Government' (Rs. 4.91 crores); 'Forest' (Rs. 5.28 crores) and 'State Excise' (Rs. 3.87 crores) partly offset by shortfall mainly under Miscellaneous General Services (Rs. 1.39 crores), Taxes on Income other than Corporation Tax (Rs. 0.95 crore) and Water and Power Development (Rs. 0.45 crore).

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

Year	Budget	Budget plus supple- mentary	Actuals	Variation between columns (4) and (3)	
				Amount	Percent- age
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1977-78	1,02.01	1,07.44	98.89	—8.55	8
1978-79	1,19.31	1,33.85	1,25.97	—7.88	6
1979-80	1,44.15	1,65.62	1,49.74	—15.88	10

(c) The year ended with a revenue surplus of Rs. 42.87 crores as against a surplus of Rs. 34.18 crores anticipated in the budget.

**1.3. Revenue receipts**

The revenue receipts in 1979-80 (Rs. 1,92·61 crores) compared to those in 1978-79 (Rs. 1,66·09 crores) were as follows:—

	Receipts		Increase (+)	Decrease (—)
	1978-79	1979-80	(1)	(4)
	(2)	(3)	(Rupees in crores)	
(i) Revenue raised by the State Government—				
Tax Revenue	24·01	28·67	+4·66	
Non-Tax Revenue	20·55	22·30	+1·75	
(ii) Receipts from the Government of India—				
Taxes on Income other than Corporation tax	4·24	5·15	+0·91	
Estate Duty	0·06	—	—0·06	
State's share of Union Excise Duties	7·69	14·39	+6·70	
(c) Grants under the Constitution (Distribution of Revenues) Order and proviso to Article 275(1) of the Constitution	36·67	38·85	+2·18	
Other grants	72·87	83·25	+10·38	
<b>Total</b>	<b>1,66·09</b>	<b>1,92·61</b>	<b>+26·52</b>	

The receipts from the Government of India during 1979-80 (Rs. 1,41·64 crores) formed 74 per cent of the total revenue receipts in the year.

More information on the subject will be found in the Report of the Comptroller and Auditor General of India for the year 1979-80—Government of Himachal Pradesh—Revenue Receipts.

### 1.4. Expenditure on revenue account

(i) The following table compares the expenditure on revenue account during 1979-80 under broad headings with the provision of funds made thereunder :—

Head of expenditure	Non-Plan				Plan			
	Budget estimates	Budget plus supplementary	Actuals*	Variations	Budget estimates	Budget plus supplementary	Actuals*	Variations
(Rupees in crores)								
A—General Services	32.85	39.56	35.72 (30.79)	—3.84	1.48	1.53	1.30 (1.34)	—0.23
B—Social and Community Services	46.75	48.98	46.74 (38.61)	—2.24	8.81	13.46	12.03 (10.59)	—1.43
C—Economic Services								
(a) General Economic Services	1.59	1.59	1.40 (1.09)	—0.19	1.00	1.41	1.25 (0.85)	—0.16
(b) Agriculture and Allied Services	18.90	19.40	17.92 (12.85)	—1.48	19.77	24.35	20.69 (18.43)	—3.66
(c) Industry and Minerals	1.30	1.30	0.63 (0.46)	—0.67	4.18	4.18	2.14 (1.95)	—2.04
(d) Water and Power Development	..	..	0.50 (0.50)	+0.50	1.05	1.55	0.67 (0.99)	—0.88
(e) Transport and Communications	5.70	5.78	6.76 (3.94)	+0.98	0.64	2.40	1.86 (3.46)	—0.54
Total : C—Economic Services	27.49	28.07	27.21 (18.84)	—0.86	26.64	33.89	26.61 (25.68)	—7.28
D—Grants-in-aid and contributions	0.13	0.13	0.13 (0.12)	..	..	..	.. (..)	..
Total	1,07.22	1,16.74	1,09.80 (88.36)	—6.94	36.93	48.88	39.94 (37.61)	—8.94

The shortfall in Non-Plan expenditure (Rs. 6.94 crores) was 6 per cent of the provision whereas the shortfall (Rs. 8.94 crores) in Plan expenditure was 18 per cent of the provisions. The savings in Plan expenditure were mainly under "Agriculture and Allied Services" (Rs. 3.66 crores) and "Industry and Minerals" (Rs. 2.04 crores).

\*The figures in brackets are the expenditure figures for 1978-79.

Significant variations in expenditure during 1979-80 over the previous year, under broad sectors, are analysed in Appendix I.

### 1.5 Expenditure on capital account

(i) The capital expenditure during the three years ending 1979-80 as compared with the budget estimates and the budget *plus* supplementary provision is given below :—

Year	Budget	Budget <i>plus</i> supple- mentary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1977-78	25.02	29.71	28.10	-1.61	6
1978-79	30.56	37.82	38.67	+0.85	2
1979-80	37.04	45.38	47.34	+1.96	4

(ii) The following table compares the expenditure on capital account during 1979-80 under broad headings with the provision of funds made thereunder :—

Head of expenditure	Non-Plan				Plan			
	Budget esti- mates	Budget <i>plus</i> supple- mentary	Actuals*	Vari- ations	Budget estima- tes	Budget <i>plus</i> supple- mentary	Actuals*	Vari- ations
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(Rupees in crores)								
Capital expenditure on—								
(i) General Services	..	..	(..)	..	1.41	1.41	1.26 (0.97)	-0.15
(ii) Social and Commu- nity Services	0.37	0.37	0.36	-0.01	5.58	10.15	11.83 (9.82)	+1.68
(iii) Economic Services—								
(a) General Economic Services	..	2.00	2.00	..	0.98	1.25	1.53 (1.33)	+0.28

\*Figures in brackets are the expenditure figures for 1978-79.

(b) Agriculture and Allied Services	0.10	0.10	0.11	+0.01	3.96	4.52	5.16	+0.64
			(-0.06)				(3.51)	
(c) Industry and Minerals	..	..	(..)	..	1.10	1.10	0.96	-0.14
							(1.45)	
(d) Water and Power Development	..	..	(..)	..	2.50	2.50	2.33	-0.17
							(2.06)	
(e) Transport and Communications	..	..	(..)	..	21.04	21.98	21.80	-0.18
							(19.59)	
Total : Economic Services	0.10	2.10	2.11	+0.01	29.58	31.35	31.78	+0.43
			(-0.06)				(27.94)	
Total	0.47	2.47	2.47	..	36.57	42.91	44.87	+1.96
			(-0.06)				(38.73)	

The increase (Rs. 1.96 crores) in Plan expenditure was mainly under 'Social and Community Services' (Rs. 1.68 crores).

Significant variations in expenditure during 1979-80 over the previous year, under broad sectors, are analysed in Appendix II.

#### 1.6 Loans and advances by the Government

(i) The actuals of disbursement of loans and advances by the Government for 1979-80 as compared with the budget estimates and the budget estimates *plus* supplementary provision alongwith the corresponding figures for 1977-78 and 1978-79 are given below :—

Year	Budget	Budget <i>plus</i> supple- mentary	Actuals	Variation between]	
				Amount	Percen- tage
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1977-78	11.09	11.43	11.59	+0.16	1
1978-79	15.34	16.97	15.71	-1.26	8
1979-80	15.84	19.23	15.69	-3.54	18

The saving (column 5) during the year was mainly due to less payment of loans to Himachal Pradesh State Electricity Board (Rs. 2.68 crores) because of reduced plan allocation.

(ii) The budget and the actuals of recoveries of loans and advances for the three years ending 1979-80 are given below:—

Year	Budget	Actuals	Variation between columns (3) and (2)	
			Amount	Per-centage
(1)	(2)	(3)	(4)	(5)
(Rupees in crores)				
1977-78	1.75	1.11	—0.64	37
1978-79	1.65	1.31	—0.34	25
1979-80	1.46	1.60	+0.14	9

(iii) The details of disbursement of loans and advances and recoveries made during the three years ending 1979-80 under different categories together with the outstandings at the beginning/end of each year are indicated below:—

Categories	1977-78			1978-79			1979-80			
	Out-stand- ing bal- ance on 1st April 1977	Loans dis- bursed	Loans reco- vered	Out-stand- ing bal- ance on 31st March/ 1st April 1978	Loans disbur- sed	Loans reco- vered	Out-stand- ing bal- ance on 31st March/ 1st April 1979	Lo-ans dis- bur- sed	Loans re- cov- ered	Out-stand- ing bal- ance on 31st March 1980
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(Rupees in crores)										
(i) Loans for Social and Community Services	4.66	0.83	0.19	5.30	1.25	0.20	6.35	1.32	0.21	7.46
(ii) Loans for Economic Services—										
(a) General Economic Services	1.10	0.49	0.08	1.51	0.59	0.09	2.01	0.58	0.11	2.48
(b) Agriculture and Allied Services	3.03	0.37	0.30	3.10	0.41	0.34	3.17	2.34	0.34	5.17



(c) Industry and Minerals	2.20	0.23	0.10	2.39*	0.28	0.11	2.56	0.24	0.16	2.64
(d) Water and Power Development	19.75	8.81	...	28.56	11.83	...	40.39**	9.14	...	49.53
(e) Transport and Communications	0.04	..	..	0.04	..	0.04	..	0.07	..	0.07
Total (ii)	26.12	9.90	0.48	35.60*	13.11	0.58	48.13	12.37	0.61	59.89
(iii) Loans to Government servants	0.97	0.87	0.44	1.40	1.35	0.53	2.22	2.00	0.78	3.44
(iv) Loans for miscellaneous purposes	0.06	..	..	*	..	..	..	..	..	..
Total	31.81	11.60	1.11	42.30	15.71	1.31	56.70**	15.69	1.60	70.79

(iv) Recoveries in arrears—(a) Recoveries aggregating Rs. 2.45 lakhs were in arrears at the end of 1979-80 (Rs. 1.31 lakhs at the end of 1978-79) in respect of loans to Simla Municipal Corporation and various Municipalities (principal: Rs. 1.09 lakhs, interest : Rs. 1.33 lakhs) and to land holders and other notabilities (principal: Rs. 0.02 lakh, interest: Rs. 0.01 lakh), the detailed accounts of which are maintained by the Audit office.

An analysis of year-wise break-up of loans and interest due for recovery is given below:—

Nature of loan	Loans outstanding as on 31st March 1980		Amount overdue for recovery pertaining to					Total as on 31st March 1980
			1966-67 to 1975-76	1976-77	1977-78	1978-79	1979-80	
(Rupees in lakhs)								
Loans to Simla Municipal Corporation and various Municipalities	17.58	Principal	0.42	0.03	0.12	0.16	0.36	1.09
		Interest	0.31	0.02	0.05	0.17	0.78	1.33
Loans to landholders and other notabilities	0.02	Principal	0.02	..	..	..	..	0.02
		Interest	0.01	..	..	..	..	0.01
Total	17.60	Principal	0.44	0.03	0.12	0.16	0.36	1.11
		Interest	0.32	0.02	0.05	0.17	0.78	1.34

\*Rupees 0.06 crore transferred from "Loans for miscellaneous purposes" to "Industry and Minerals".

\*\*Differs from the figure mentioned in paragraphs 1.6 (iii) of previous Report by Rs. +0.01 crore due to rounding.

(b) The details of arrears in recovery of loans as on 31st March 1980, the detailed accounts of which are maintained by departmental officers, to the extent information has been received, are given below:—

Department	Nature of loan	Principal	Interest	Total
(Rupees in lakhs)				
Industries	Loans to village and small scale industries	61.95	48.22	110.17
Agriculture	Loans to cultivators (Taccavi Loans)	45.75	11.73	57.48
	Loans for general improvement of land			
Horticulture	Loans for horticulture	29.62	16.91	46.53
Co-operation	Loans for Co-operative Institutions	11.98	13.45	25.43
Education	Loans under national loan scholarship scheme (Centrally sponsored scheme)	3.49		3.49
Technical Education	Loans for technical education	0.22	0.22	0.44
Animal Husbandry	Loans for Poultry development	0.08	0.08	0.16

(c) The balances are communicated to the departmental officers concerned every year for acceptance thereof. In a large number of cases such acceptance has not been received. Acceptances in respect of 4,431 cases (amount outstanding: Rs. 24.62 crores) were outstanding to end of March 1980. Details of these cases are given in Appendix 'D' to Finance Accounts 1979-80.

### 1.7 Sources of funds for capital expenditure and net outgo under loans and advances

The capital expenditure (Rs. 47.34 crores) and the net expenditure under 'Loans and Advances by the State Government' (Rs. 14.09 crores) during 1979-80 were met mainly from Revenue Surplus (Rs. 42.87 crores) and Loans and Advances from the Central Government (Rs. 14.19 crores).

### 1.8 Debt position

(a) The total debt liability of the Government at the close of 1979-80 was Rs. 2,35.65 crores. A comparative analysis of the debt liability as at the

end of March 1978, 1979, and 1980 is given below:—

Nature of debt	Balance on 31st March		
	1978	1979	1980
	(Rupees in crores)		
(1) Internal debt of the State Government	13.00	16.07	18.44
(2) Loans and advances from the Government of India	1,46.18	1,53.03	1,67.22
(i) Total Public Debt	1,59.18	1,69.10	1,85.66
(ii) Provident Funds	27.66	33.03	39.28
(iii) Reserve Funds (Interest bearing)	0.01	0.01	0.01
(iv) Non-Interest bearing obligations such as Civil deposits, deposits of local funds, other earmarked funds, etc.	5.80	8.51	10.70
<b>Total Debt</b>	<b>1,92.65</b>	<b>2,10.65</b>	<b>2,35.65</b>

Under section 54 (1) of the Punjab Reorganisation Act, 1966, the public debt of the composite State of Punjab attributable to the loans raised by issue of Government securities and outstanding with the public immediately before 1st November 1966 became the debt of the State of Punjab and the State of Himachal Pradesh is to pay to the State of Punjab its share of the amount due from time to time for servicing and repayment of the debt. The liability of Himachal Pradesh had been provisionally estimated at Rs. 1.31 crores as on 1st November 1966. Against this, Rs. 1.33 crores were paid upto the end of 1978-79 (no payment was made during 1979-80). The matter regarding adjustment of the payment already made in excess is under correspondence with the State Government. The payment on this account is recorded under '768-Inter-State Settlement' and is therefore, not included in the total debt.

(b) *Ways and means advances and overdrafts from the Reserve Bank of India*—Under an agreement with the Reserve Bank of India, the State Government has to maintain a minimum cash balance of Rs. 20 lakhs with the Bank on all days. The Bank makes ways and means advances when the cash balance falls short of this minimum.

The limit for ordinary ways and means advances during 1979-80 was Rs. 4 crores. The Bank also gives special ways and means advances upto Rs. 2 crores against pledge of Government of India securities.

The Government maintained the minimum balance with the Bank during 1979-80 on all the days.

(c) *Interest charges*—The table below shows the burden of interest charges on the revenues (with figures for the previous year):—

(1)	1978-79	1979-80
	(2)	(3)
	(Rupees in crores)	
Interest paid by the State Government	11.22	9.87
Interest received by the State Government		
(a) Interest received on loans and advances	0.63	0.42
(b) Interest received on investment of cash balances	0.92	1.27
Net burden of interest on revenue	9.67	8.18
Net interest as a percentage of total revenue receipts	5.82	4.24

Taking into account the dividend/interest of Rs. 0.03 crore, the net burden of interest in 1979-80 on the revenues was Rs. 8.15 crores.

### 1.9 Investments by the Government

The total investment of the Government in the share capital, bonds and debentures of different concerns during 1979-80 and to end of 1979-80 together with the dividend/interest received therefrom was as under:—

Categories of bodies	Investment				Dividend/interest received during the year with percentage of return on cumulative investment in brackets (Rupees in crores)
	During 1979-80		To end of 1979-80		
	Number of concerns	Amount (Rupees in crores)	Number of concerns	Amount (Rupees in crores)	
(1)	(2)	(3)	(4)	(5)	(6)
(i) Statutory Corporations	3	1.40	4	10.08	0.02(0.20)
(ii) Government Companies	6	1.96	9	15.63*	@
(iii) Joint Stock Companies	..	..	15	0.10	†
(iv) Co-operative Institutions	1155	3.48	1155	7.82	0.02**(0.26)
Total	1164	6.84	1183	33.63	0.04(0.12)

\*Includes Rs. 0.01 crore being the loss on investments in Kulu Valley Transport Limited (Liquidated in November 1971) which remains to be written off.

\*\*Includes dividend for the year 1977-78 to the extent of Rs. 23,505 received from Co-operative Bank by the State Government.

@All the Companies are in arrears in finalising the accounts for 1979-80 except Himachal Pradesh Agro Industries Corporation which has not declared dividend for 1979-80.

†Dividend to the extent of Rs. 5,160 only was received during 1979-80 by the State Government.

Details are given in Statement No. 13 of Finance Accounts 1979-80.

### 1.10 Guarantees given by the Government

(i) The Government has given guarantees for repayment of loans, etc., raised by Statutory Corporations, Co-operative Societies and others.

The guarantees are in the nature of contingent liabilities on the State revenues. Brief particulars of these contingent liabilities based on the available information are given below (further details are given in Statement No. 5 of Finance Accounts 1979-80).

Body on whose behalf guarantee was given	Maximum amount guaranteed	Sums guaranteed outstanding on 31st March 1980
	(Rupees in crores)	
Statutory Corporations and Boards	47.46	35.68
Government Companies	2.53	1.20
Co-operative Banks and Societies	7.89	3.25
Local Bodies	3.08	1.75
Total	60.96	41.88

(ii) In consideration of the guarantees given, the Government charges guarantee fee at the rate of 0.5 per cent of the total amount of guarantee given. This guarantee fee is, however, not applicable in the case of co-operative concessional finance provided by the Reserve Bank of India. The total amount of guarantee fee received by the Government during 1979-80 was Rs. 3.13 lakhs.

(iii) No law under Article 293 of the Constitution has been passed by the State Legislature laying down time limits within which the Government may give guarantee on the security of the Consolidated Fund of the State.

(iv) No guarantee was invoked during 1979-80.

### 1.11 Plan performance

(a) *Shortfall in plan expenditure*—During 1979-80, against total plan provision of Rs. 48.88 crores under Revenue Section, expenditure of Rs. 39.94 crores was incurred leading to a shortfall of Rs. 8.94 crores (18 per cent).

Some of the plan schemes where the budget provision remained substan-

tially unutilised are mentioned below :—

Sr. No.	Grant number, Head and Scheme	Plan provision	Actual expenditure	Saving (and its percentage)	Reasons for saving and remarks
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in lakhs)					
1.	18—320—Industries				
	(c)—Industrial Productivity				
	(c) (ii) Incentive to Entrepreneurs in Himachal Pradesh	2,06.00	24.00	1,82.00 (88 per cent)	Shortfall was attributed mainly to release of subsidies to the Industrial Units through the corporate bodies direct by the Government of India. During 1977-78 and 1978-79 also, 24 and 69 per cent respectively of the provision remained unutilised mainly due to less receipt of subsidy from Government of India/non-finalisation of cases of subsidy.
2.	20—282—Public Health, Sanitation and Water Supply				
	B—Sewerage and Water Supply				
	(a) Direction and Administration				
	(a) (ii) Execution	34.00	..	34.00 (100 per cent)	Shortfall was stated to be due mainly to non-release of grant to Simla Municipal Corporation for execution of Simla water supply scheme, as the Corporation was having unutilised amount of assistance of the previous years and was not in need of any assistance during 1979-80.

3.	21—308—Area Development				
	(a) Development of Desert Area	1,50.00	50.10	99.90 (67 per cent)	Shortfall was attributed mainly to non-release of its share by the Government of India.
4.	21—314—Community Development				
	(d) Animal Husbandry	95.60	17.31	78.29 (82 per cent)	Shortfall was stated to be mainly due to non-release of its share by the Government of India.
5.	(e) Health and Sanitation	55.00	32.05	22.95 (42 per cent)	Shortfall was attributed mainly to non-availability/non-selection of sites for the construction of buildings.
6.	24—331—Water and Power Development Services				
	B—Power Development				
	(a) Survey and Investigation				
	(a) (i) Special Programmes for Investigation of Power Schemes	80.00	50.00	30.00 (38 per cent)	Shortfall was attributed to release of less assistance by the Government of India.

(b) *Growth of non-plan expenditure*—Non-plan expenditure in Revenue Section, increased by 17 per cent from Rs. 75.50 crores in 1977-78 to Rs. 88.36 crores in 1978-79 and by 24 per cent from Rs. 88.36 crores in 1978-79 to Rs. 1,09.80 crores in 1979-80.

The significant growth in non-plan expenditure under broad sectors/activities is analysed below :—

Sector/Activity	Year	Expenditure (Rupees in crores)
(1) A—General Services		
(d) Administrative Services—		
Salary	1977-78	8.49
	1978-79	8.79
	1979-80	11.77

The growth in expenditure during the previous three years was attributed mainly to revision of pay scales and allowances of the staff.

(2) C—Economic Services		
(e) Transport and Communications—		
Maintenance	1977-78	2.90
	1978-79	3.69
	1979-80	5.87

Reasons for the increase in expenditure on maintenance have not been intimated (October 1980).

## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### 2.1 Summary

(a) The following table compares the total expenditure during 1979-80 with the total of grants and charged appropriations :—

		Total grants/ appropriations	Actual expen- diture	Excess (+) Saving(-)	Percen- tage
(Rupees in crores)					
Voted—					
Original	2,23.74	}	2,54.78	2,56.09	+1.31
Supplementary	31.04				
Charged—					
Original	24.61	}	26.77	12.79	—13.98
Supplementary	2.16				
Total—					
Original	2,48.35	}	2,81.55	2,68.88	—12.67
Supplementary	33.20				

The overall saving of Rs. 12.67 crores was the result of saving of Rs. 33.30 crores in twentyseven grants (Rs. 19.32 crores) and eight appropriations (Rs. 13.98 crores) partly offset by excess of Rs. 20.63 crores in seven grants (Rs. 20.63 crores) and two appropriations (\*).

(b) Further details are given below :—

	Revenue	Capital	Loans and advances	Public Debt	Total
(Rupees in crores)					
Grants and charged appropriations—					
Original	1,70.35	46.25	15.84	15.91	2,48.35
Supplementary	21.47	8.34	3.39	..	33.20
<b>Total</b>	<b>1,91.82</b>	<b>54.59</b>	<b>19.23</b>	<b>15.91</b>	<b>2,81.55</b>

\*Rupees 10,893 only.



Actual expenditure	1,98.24	52.80	15.86	1.98	2,68.88
Shortfall (—)					
Excess(+)	+6.42	—1.79	—3.37	—13.93	—12.67

## 2.2 Excess over grants/charged appropriations requiring regularisation—

(a) *Grants*—The excess of Rs. 20,63,28,576 in the following seven grants requires regularisation under Article 205 of the Constitution :—

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

Number and name of grant	Total grant	Expenditure	Excess
	Rs.	Rs.	Rs.

### (i) 3—Administration of Justice

O	69,51,000	} 71,91,000	72,32,507	41,507
S	2,40,000			

Excess occurred mainly under “Civil and Sessions Courts” due to revision of pay scales of the staff.

### (ii) 9—Medical and Family Planning

O	11,12,07,000	} 11,28,57,000	11,78,80,919	50,23,919
S	16,50,000			

Excess was due mainly to purchase of more medicines than anticipated, payment of honorarium to the community health workers, more expenditure on buildings to complete the works in progress and purchase of more material to organise more orientation camps.

### (iii) 10—Public Works

O	20,89,30,000	} 23,36,30,000	28,75,49,885	5,39,19,885
S	2,47,00,000			

Excess was mainly due to purchase of more stores than anticipated.

Excess occurred under this grant in 1978-79 (Rs. 95,82,734 ) also.

## (iv) 12—Minor Irrigation

O	7,75,87,000	}	9,13,54,000	15,23,60,493	6,10,06,493
S	1,37,67,000				

Excess was mainly due to purchase of more stores than anticipated.

Excess occurred under this grant in 1978-79 (Rs. 3,92,09,154) also.

## (v) 17—Roads and Bridges

O	26,51,82,000	}	28,93,88,000	29,12,13,144	18,25,144
S	2,42,06,000				

Excess was due mainly to clearance of contractual liabilities in respect of works relating to roads and bridges and more expenditure on maintenance of rural roads.

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

O	14,80,54,000	}	20,61,10,000	28,89,34,803	8,28,24,803
S	5,80,56,000				

Excess was mainly under "B-Sewerage and Water Supply-Minimum Needs Programme-Suspense" (Rs. 6,76.85 lakhs) due mainly to purchase of more stores than anticipated. Other significant excesses were due to the adjustment of cost of material and equipment supplied by the Government of India for Anti-Malaria Organisation and accelerated progress of works under Rural Piped Water Supply Schemes.

Excess occurred under this grant in 1977-78 (Rs. 3,13,98,664) and 1978-79 (Rs. 10,72,86,866) also.

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

O	3,21,00,000	}	3,71,00,000	3,87,86,825	16,86,825
S	50,00,000				

Excess was mainly under "G—Flood Control and Anti-Sea Erosion Projects—Suspense" due mainly to purchase of more stores than anticipated.

Excess occurred under this grant in 1978-79 (Rs. 27,39,787) also.

(b) *Charged appropriations*—The excess of Rs. 10,893 over the following two charged appropriations also requires regularisation:—

Number and name of appropriation	Total appropriation Rs.	Actual expenditure Rs.	Excess Rs.
(i) 8—Education, Art and Cultural Affairs and Scientific Research			
O			
S	54,496	62,778	8,282

Reasons for the excess which was under “Secondary Schools” have not been intimated (October 1980).

(ii) 9—Medical and Family Planning

O			
S	29,400	32,011	2,611

Reasons for the excess which was under “Medical Relief” have not been intimated (October 1980).

Excess occurred in 1978-79 (Rs. 35,650) also.

### 2.3 Supplementary grants/charged appropriations

Supplementary provision of Rs. 33.20 crores (13 per cent of the original provision) was obtained in March 1980 under twentyeight grants (Rs. 31.04 crores) and nine appropriations (Rs. 2.16 crores).

The details of significant cases of unnecessary, excessive and inadequate supplementary grants/charged appropriations are given below:—

(a) *Unnecessary supplementary grants/charged appropriations*—In the following six cases, the supplementary provision (each exceeding Rs. 5.00 lakhs) of Rs. 4.92.70 lakhs remained wholly unutilised as the expenditure did not come up even to the original provision:—

Number and name of grant/appropriation	Original grant/appropriation	Supplementary grant/appropriation	Actual expenditure (Rupees in lakhs)	Saving
(i) 8—Education, Art and Cultural Affairs and Scientific Research	34,53.15	9.86	32,83.12	1,79.89

Saving was mainly under "A-Primary Education (f)-Minimum Needs Programme" and "B-Secondary Education-(b)-Government Secondary Schools" due to less expenditure on 'Salaries' attributed mainly to vacant posts.

(ii) 13—Soil and Water Conserva- tion	4,08.45	30.00	4,00.63	37.82
---	---------	-------	---------	-------

Saving was due mainly to economy in expenditure, vacant posts and engagement of less labour.

(iii) 14—Animal Husbandry and Dairy Develop- ment	6,65.74	54.00	6,25.90	93.84
--	---------	-------	---------	-------

Saving was due mainly to economy in expenditure, less procurement of milk under certain milk supply schemes and reportedly less allocation of funds by the Government of India for certain Centrally sponsored schemes.

(iv) 21—Community Development	6,28.51	1,51.99	5,76.38	2,04.12
----------------------------------	---------	---------	---------	---------

Saving was stated to be due mainly to non-release of its share by the Government of India which was to be utilised mainly for the "Development of Desert Area" and "Community Development Programme".

(v) 23—Food and Nutrition	6,74.23	40.00	3,66.85	3,47.38
------------------------------	---------	-------	---------	---------

Saving occurred mainly under "Purchase of Wheat" and "Purchase of Rice" and was attributed to less procurement/purchase of wheat/rice during the year due to free flow of wheat and rice in the open market.

(vi) 33—Finance (Charged)	24,25.00	2,06.85	12,36.09	13,95.76
------------------------------	----------	---------	----------	----------

Saving was due mainly to non-requirement of any ways and means advances from the Reserve Bank of India and non-availing of loan facility for purchase of foodgrains under the cash credit arrangement with the State Bank of India.

(b) *Supplementary grants which proved excessive*—In the following six grants, among others, the supplementary provision (exceeding Rs. 5.00

lakhs each) proved excessive; against the supplementary grant of Rs. 7,33.35 lakhs, Rs. 5,26.88 lakhs were actually utilised :—

Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Saving
--------------------------	----------------	---------------------	--------------------	--------

(Rupees in lakhs)

(i) 5—Land Revenue	2,99.61	87.76	3,57.43	29.94
--------------------	---------	-------	---------	-------

Saving was due mainly to non-availability of timely air service for dropping wheat among people affected by snow-storm, avalanches and other natural calamities, etc., and non-finalisation of subsidy cases.

(ii) 6—Excise and Taxation	89.30	28.09	1,06.05	11.34
----------------------------	-------	-------	---------	-------

Saving was due mainly to non-fixation of pay of various categories of staff in the revised pay scales.

(iii) 7—Police and Fire Protection	7,03.34	80.00	7,49.78	33.56
------------------------------------	---------	-------	---------	-------

Saving was stated to be due mainly to economy in expenditure and vacant posts.

(iv) 11—Agriculture	12,45.27	3,66.00	15,26.29	84.98
---------------------	----------	---------	----------	-------

Saving was stated to be due mainly to economy in expenditure, vacant posts and less demand for subsidy from cultivators.

(v) 30—Housing	2,03.12	67.00	2,44.31	25.81
----------------	---------	-------	---------	-------

Saving mainly occurred under (i) "Assistance to Housing Boards/Corporations—Subsidy for the development of house sites for landless workers in rural areas (other than tribal areas)" and (ii) "Grant of loans for Housing" due to non-payment of any subsidy/loan and (iii) "Government residential buildings—Construction", reasons for which have not been intimated (December 1980).

(vi) 34—Loans to Government Servants	1,16.20	1,04.50	1,99.86	20.84
--------------------------------------	---------	---------	---------	-------

Saving was attributed to less demand for loans and advances from the Government servants for purchase of warm clothes and for celebration of festivals.

(c) *Inadequate supplementary grant*—In the following six cases, the supplementary grant (exceeding Rs. 5.00 lakhs each) of Rs. 12,73.79 lakhs, proved inadequate; the final uncovered excess (reasons to the extent received mentioned in paragraph 2.2) was Rs. 20,62.87 lakhs:—

Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Excess
(Rupees in lakhs)				
(i) 9—Medical and Family Planning	11,12.07	16.50	₹11,78.81	50.24
(ii) 10—Public Works	20,89.30	2,47.00	28,75.50	₹ 5,39.20
(iii) 12—Minor Irrigation	7,75.87	1,37.67	15,23.60	6,10.06
(iv) 17—Roads and Bridges	26,51.82	2,42.06	29,12.13	18.25
(v) 20—Public Health, Sanitation and Water Supply	14,80.54	5,80.56	28,89.35	₹8,28.25
(vi) 25—Irrigation, Navigation, Drainage and Flood Control	3,21.00	50.00	3,87.87	16.87

#### 2.4 Savings in grants/charged appropriations]

(a) Rupees 33.30 crores remained unutilised in twentyseven grants (Rs. 19.32 crores) and eight appropriations (Rs. 13.98 crores) as mentioned in paragraph 2.1 (a).

(b) In the case of eight grants and one appropriation the saving (more than Rs. 20 lakhs each) was more than 10 per cent of the total provision; in seven out of the eight grants and in one appropriation, the savings ranged between 21 and 65 per cent.

The details of these grants are given in Appendix III.

(c) Under the sector 'Industry and Minerals' in the Revenue section, substantial provision remained unutilised in two successive years as shown below:—

Year	Provision	Expenditure	Shortfall	
			Amount	Percentage
(1)	(2)	(3)	(4)	(5)
			(Rupees in crores)	
1978-79	4.85	2.41	2.44	50
1979-80	5.48	2.77	2.71	50

The shortfall in expenditure was mainly under "320—Industries" and "321—Village and Small Industries" and was attributed mainly to less demand for subsidy under various industrial schemes.

(d) *Savings due to vacant posts/non-creation of posts*—Saving of Rs. 6,10.86 lakhs was anticipated mainly under "Salaries" due either to vacant posts or non-creation of posts. Of this, Rs. 1,68.50 lakhs were surrendered and Rs. 4,42.36 lakhs were re-appropriated mainly to meet increased expenditure on existing posts due to revision of pay scales and on travelling and other allowances (Rs. 2,03.87 lakhs).

Major part of the saving pertained to Agriculture (Rs. 1,86.81 lakhs), Education (Rs. 1,64.19 lakhs), Industries (Rs. 43.67 lakhs), Forest (Rs. 37.76 lakhs), Animal Husbandry (Rs. 34.88 lakhs), Medical (Rs. 31.50 lakhs), Police (Rs. 24.50 lakhs) and General Administration (Rs. 11.18 lakhs) departments.

(e) An analysis of certain major schemes other than those mentioned in paragraph 1.11 of Chapter I where the provision remained substantially/wholly unutilised is given below:—

Serial number	Number and name of grant and head of account	Provision	Saving (percentage of saving)
		(Rupees in lakhs)	
17—	Roads and Bridges		
337—	Roads and Bridges		
(a)—	Strategic and Border Roads		
(a) (i)—	Maintenance and Repairs		
(i) (a) (i) (iii)	Old Hindustan and Tibet Road	30.00	24.58 (82 per cent)

Saving was attributed mainly to less expenditure on maintenance of this road.

537—Capital Outlay on Roads and Bridges		
(ii) (b)—Roads of Inter- State Importance	₹37.00	35.21 (95 per cent)

Saving was attributed to reduced Plan allocation by the Government of India.

(g)—Tribal Areas Sub-Plan

(iii) (g) (ii)—Construction of Roads and Bridges under Minimum Needs Programme	1,21.00	62.91 (52 per cent)
--	---------	------------------------

Reasons for the saving have not been intimated (October 1980).

18—Supplies, Industries and  
Minerals

(iv) 320—Industries (b)(ii)—Promotion of Electronic Industries	12.77	12.77 (100 per cent)
---	-------	-------------------------

Saving was attributed mainly to non-receipt of demand from the Himachal Pradesh Mineral and Industrial Development Corporation which was to utilise the amount for purchase of machinery and equipment for electronic industries.

During 1977-78 and 1978-79 also, 52 and 99 per cent respectively of the provision remained unutilised for the same reason.

321—Village and  
Small Industries

(c)—Small Scale  
Industries

(v) (c) (vii)—Incentive to Small Scale Industries	22.05	13.05 (59 per cent)
--	-------	------------------------

Saving was stated to be due to less payment of subsidies.



During 1978-79 also, 62 per cent of the provision remained unutilised reportedly due to less receipt of claims for subsidies.

721—Loans for Village and Small Industries

(a) Small Scale Industries

(vi) (a) (iv)—District Industries Centres	40.00	28.00	(70 per cent)
---	-------	-------	---------------

Saving was stated to be due to less release of funds by the Government of India.

20—Public Health, Sanitation and Water Supply

282—Public Health and Sanitation

B—Sewerage and Water Supply

(h)—Tribal Areas Sub-Plan

(h) (i)—Rural Water Supply Schemes—

(vii) Public Works Department	53.40	32.01	(60 per cent)
-------------------------------	-------	-------	---------------

Reasons for the saving have not been intimated (October 1980).

482—Capital Outlay on Public Health, Sanitation and Water Supply

(viii) (c)—Urban Water Supply Schemes	56.00	16.09	(30 per cent)
---------------------------------------	-------	-------	---------------

Saving was attributed to the fact that funds for water supply schemes in Kulu, Chamba, Solan, Simla, Sirmur, Hamirpur and Una districts were limited to actual requirements during the year.

314—Community Development

B—Community Development Programme

(ix) (b)—Agriculture

(b) (i)—General Agriculture	47.56	45.00	(95 per cent)
-----------------------------	-------	-------	---------------

Saving was attributed mainly to non-release of its share by the Government of India.

C—Rural Works Programme

(x) (a)—Roads	60.00	59.99	(100 per cent)
---------------	-------	-------	----------------

Reasons for the saving have not been intimated (October 1980).

24—Water and Power Development

734—Loans for Power Projects

(a)—Transmission and Distribution Schemes

(xi) (a) (i)—Loans for Inter-State Transmission Lines	60.00	30.00
		(50 per cent)

Saving was stated to be due to release of less Central assistance by the Government of India.

(b)—Other Loans to Electricity Board

(xii) (b) (i)—Loans to Himachal Pradesh Electricity Board	11,52.00	2,68.00
		(23 per cent)

Saving was due to reduction in Plan allocation.

25—Irrigation, Navigation, Drainage and Flood Control

533—Capital Outlay on Irrigation, Navigation, Drainage and Flood Control Projects

(b)—Other expenditure

(xiii) (b) (i)—Investigation of Medium Irrigation Schemes in various districts	20.00	14.56
		(73 per cent)

Saving was reportedly due to reduced Plan allocation by the Government of India.

## 2.5 Non-receipt of explanations for savings/excesses

After the close of the accounts of each financial year, the detailed appropriation accounts showing the final grants/appropriations, the actual expenditure and the resultant variations are sent to the Controlling Officers, requiring them to explain the variations in general and those under important heads in particular. It is, however, observed that in regard to many important heads, the reasons for variations are not furnished in time to Audit by the Controlling Officers.

In regard to the Appropriation Accounts for 1979-80, explanations for variations were not received (October 1980) in the case of 227 out of 482 heads. These formed 47 per cent of the number of heads, the variations under which were required to be explained. Such delay in submission of material for

inclusion in the Appropriation Accounts results in the Audit Report being incomplete in certain essential respects. The matter was reported to the concerned Controlling Officers and also to the Government from time to time.

## 2.6 Advances from the Contingency Fund

The corpus of the Contingency Fund is Rs. 50.00 lakhs. The Fund is placed at the disposal of the Governor to enable advances to be made from it for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature.

Advances from the Fund can be made only to meet expenditure which is of such emergent character that postponement of it, till vote of the Legislature is taken, would be undesirable.

Nine sanctions were issued during 1979-80 advancing Rs. 31.44 lakhs from the Contingency Fund. It was noticed that :—

- (i) three sanctions for Rs. 21.60 lakhs were neither operated upon nor cancelled; and the actual expenditure of Rs. 21.25 lakhs was met from the Consolidated Fund out of the provision of Rs. 27.70 lakhs (Original : Rs. 0.36 lakh; Supplementary : Rs. 27.34 lakhs) under the Head "215—Election".
- (ii) the actual expenditure (Rs. 1.33 lakhs and Rs. 0.30 lakh) against two sanctions (Rs. 4.50 lakhs and Rs. 4.00 lakhs) was 30 and 8 per cent respectively of the amount sanctioned.

## 2.7 Rush of expenditure

(a) Paragraph 1.33 of Himachal Pradesh Budget Manual 1971 stipulates that orders for the purchase of furniture, office equipment, etc., should not be placed after 15th January and that no order/sanction for grants-in-aid should be issued after 1st March in a financial year. It has also been provided that the expenditure on contingencies should be staggered throughout the year and limited in March so as not to exceed 1/12th of total budget provision.

(b) A test-check of sanctions and withdrawals of over Rs. 15,000 in each case by various departments during March 1980 revealed that Rs. 1,91.04 lakhs were drawn in 203 cases from the treasuries between 11th March 1980 and 31st March 1980 for purchase of furniture, equipment, etc., investment in share capital of Government Companies/Corporations and payment of

grants-in-aid. The percentage of expenditure in all these cases as compared to the budget provision for the year was as indicated below :—

Number of cases	Amount (Rupees in lakhs)	Percentage of expenditure as compared to budget provision
53	41.91	20 to 49
45	63.92	50 to 74
105	85.21	75 and above
<b>Total</b>	<b>1,91.04</b>	

(c) Against the withdrawal of Rs. 1,91.04 lakhs during the above period, actual payees' receipts as proof of disbursement were furnished to Audit for Rs. 6.04 lakhs only and those for Rs. 1,85.00 lakhs were still awaited (June 1980). The matter was reported to the Government in September 1980. The Government intimated (November 1980) that the Finance Department had been stressing, by issuing instructions from time to time, the necessity for avoiding rush of expenditure towards the end of the financial year by taking effective/remedial steps at all levels, to ensure regular flow of expenditure throughout the year so as to avoid unnecessary strain on the financial position of the State at the end of the financial year. It was further added that instructions had been reiterated (September—October 1980) for strict compliance.

## 2.8 Drawal of funds in advance of requirements

The financial rules of Government stipulate that no money should be drawn from the treasury unless it is required for immediate disbursement or has already been paid out of permanent advance. Any unspent balance is required to be refunded into the treasury promptly. As detailed in Appendix IV, out of Rs. 10.30 lakhs drawn (between March 1968 and March 1979) for purchase of materials and execution of works, etc., Rs. 3.03 lakhs only were utilised. Of the balance of Rs. 7.27 lakhs, Rs. 3.81 lakhs were refunded between January 1978 and April 1980 and Rs. 3.46 lakhs remained unutilised.

## 2.9 Shortfall/excess in recoveries

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts in reduction of expenditure; the anticipated recoveries and credits are shown separately in the budget estimates. During 1979-80 such recoveries were anticipated at Rs. 36.41 crores (Revenue ; Rs. 27.21 crores ; Capital ; Rs. 9.20 crores).

Actual recoveries during the year, however, were Rs. 54.13 crores (Revenue : Rs. 48.50 crores ; Capital : Rs. 5.63 crores) resulting in excess of Rs. 21.29 crores under Revenue and shortfall of Rs. 3.57 crores under Capital. Some of the important cases of shortfall/excess in recoveries are detailed below, reasons therefor have not been intimated (October 1980).

Serial Number and name of grant	Budget Estimates		Actuals		Amount of shortfall/excess of recoveries over estimates	
	Revenue	Capital	Revenue	Capital	Revenue More(+) Less(-)	Capital More(+) Less(-)
(Rupees in crores)						
1. 10—Public Works	15.69	..	23.92	..	+8.23	..
2. 12—Minor Irrigation	3.54	..	9.26	..	+5.72	..
3. 20—Public Health, Sanitation and Water Supply	7.49	..	13.86	..	+6.37	..
4. 23—Food and Nutrition	..	5.00	1.91	..	..	-3.09

## CHAPTER III

### CIVIL DEPARTMENTS

#### DEPARTMENT OF AGRICULTURE

##### 3.1 Small Farmers Development Agency

1. *Introductory*—Using its own resources, the State Government set up Small Farmers Development Agencies (SFDA) in Bilaspur (April 1977), Chamba (June 1977) and Kulu districts (August 1977), on the pattern of three such agencies set up between March 1971 and November 1975 in the State under a centrally sponsored programme. The main objective was to make available to the small and marginal farmers the means to increase their out-put and thereby increase their income. Farmers having between 2.5 and 5 acres of un-irrigated land or between 1.25 and 2.5 acres of irrigated land were defined as small farmers and those with holdings less than that, as marginal farmers. Farmers having substantial off-farm monthly income of Rs. 200 or more were, however, excluded from any programme of the agencies.

The main functions of the agencies were to identify the eligible small and marginal farmers, investigate their problems, formulate economic programmes, evolve adequate institutional, financial and administrative arrangements for implementing the programmes and also to evaluate the programme from time to time.

Under the programme, subsidy admissible at 25 per cent to small farmers and 33½ per cent to marginal farmers was to be provided through financial institutions which were to arrange loans for the balance amount in favour of the beneficiaries.

A test-check of the records connected with various programmes undertaken by the three agencies which was conducted during May and June 1980 brought out the following points.

2. *Grant and expenditure*—Budget estimates were not prepared by the agencies even though required and funds were released to them in lump from time to time by the Government without following any definite criteria. The grants received and the expenditure incurred thereagainst on the programmes by these agencies during 1977-78 and 1978-79 (accounts for 1979-80 were not

ready at the time of audit were as shown below :—

	Bilaspur		Chamba		Kulu	
	1977-78	1978-79	1977-78	1978-79	1977-78	1978-79
	(Rupees in lakhs)					
Opening balance		9.32		9.56		10.45
Grant received	13.66	12.96	10.37	8.82	10.49	11.60
Other receipts on account of farmers' shares, etc.	0.80	11.04				
Total	14.46	33.32	10.37	18.38	10.49	22.05
Expenditure	5.14	32.21	0.81	4.93	0.04	8.67
Balance	9.32	1.11	9.56	13.45	10.45	13.38
Percentage of unspent balance to total receipts	64.4	3.3	92.1	73.1	99.6	60.7

The proportion of unutilised grants was quite high ranging from 60.7 per cent to 99.6 per cent. No specific reasons for shortfall in expenditure were given except by the Kulu Agency which attributed (June 1980) the shortfall to shortage of staff. The grants for 1978-79 were given without taking into account the unspent balances of the grants given earlier.

3. *Loss of interest*—The agencies had substantial unspent balances (Bilaspur : Rs. 3.50 lakhs from August 1977 to March 1978, Chamba : Rs. 6.53 lakhs and Kulu : Rs. 6.65 lakhs from April 1978 to March 1979) in current accounts with banks. Apart from non-utilisation of funds, the agencies lost revenue to the tune of Rs. 0.84 lakh due to non-investment of at least part of the unspent balances in short-term deposits etc.

4. *Project report*—Project reports indicating financial and physical targets to be achieved in a phased manner under the various schemes had not been prepared by Chamba and Kulu Agencies (July 1980) though required. Approval of the Government for the project report submitted to it in August 1976 by Bilaspur Agency was not on record.

5. *Physical targets and achievements*—Year-wise physical targets were not fixed by Chamba and Kulu Agencies, while the targets fixed in its project report were not fulfilled by Bilaspur Agency.

6. Total subsidy to a farmer under this scheme was to be limited to a maximum of Rs. 3,000 and to ensure this, each agency had to maintain a register indicating the specific programme(s) under which each farmer had benefited. No such register was maintained by any of these agencies. In its absence, total subsidy paid to each identified participant on various programme(s), and number of beneficiaries actually covered by the agencies could not be ascertained even though required under the programme. A proper beneficiary-wise evaluation of the financial assistance provided under the scheme was, therefore, not possible.

7. *Identification*—For identification of eligible participants, lists of eligible farmers were required to be prepared with reference to revenue records, by the village level workers and the Patwari etc., after wide publicity and ten per cent of the cases were to be test-checked by the Extension Officers and Block Development Officers. Further, all agencies were to keep complete lists of identified participants in their projects and furnish copies thereof to financing institutions etc. During 1977-78 and 1978-79, these agencies had identified 76,488 small and marginal farmers (SFDA Bilaspur : 23,462 ; SFDA Chamba : 23,995 and SFDA Kulu : 29,031). These included 5,717 scheduled castes/tribes farmers of Chamba District. Identification lists were prepared on the basis of applications from the beneficiaries without observing the prescribed requirements mentioned. Lists of villages selected under each programme were also not drawn.

It was also envisaged that 20 per cent of the beneficiaries under the Small Farmers Development Agency Programme would be from scheduled castes and scheduled tribes subject to their availability. It was noticed that S.F.D.A. Bilaspur and Kulu did not maintain any records of the number of scheduled castes/tribes identified and covered.

8. As per guidelines issued by the Government of India and adopted by the State Government, the beneficiaries who had completed jobs from their own resources without taking loan assistance from the financial institutions were not to be treated as really deserving beneficiaries. However, out of subsidy aggregating Rs. 17.11 lakhs disbursed during 1977-78 and 1978-79 by the three agencies, Rs. 9.09 lakhs were paid to 10,502 beneficiaries as given in Appendix V even though they had not raised loans through the financial institutions.

9. *Agriculture*—To raise the yield from the lands of small and marginal farmers, the agencies could finance, through financial institutions, schemes such as land development, distribution of agricultural implements, fertilizers, high yielding varieties of seeds, demonstration trials, soil conservation works etc.

Rupees 16.13 lakhs were spent by these agencies during 1977-78 and 1978-79 on agriculture (Bilaspur : Rs. 8.99 lakhs; Chamba : Rs. 3.03 lakhs and Kulu : Rs. 4.11 lakhs).



(a) *Soil Conservation*—In 1978-79, Rs. 1.95 lakhs were spent towards subsidy on soil conservation measures by S.F.D.A. Chamba (Rs. 0.82 lakh) and Kulu (Rs. 1.13 lakhs).

The S.F.D.A. Chamba covered 1,101 participants to whom subsidy at 25 per cent of the value of work done subject to a maximum of Rs. 75 each was paid after measurement of the work by Junior Engineer, without getting the scheme approved by the State Government. The S.F.D.A. Kulu did not even prepare the detailed scheme for regulating subsidy in this case and paid to 230 farmers subsidy ranging from Rs. 138 to Rs. 1,402 to each participant on the basis of work done.

(b) *Demonstration*—To encourage the marginal farmers to take up improved agriculture practices, new farm technology and cultivation of high yielding varieties, the agencies were required to make adequate arrangements for demonstration-cum-training for the participants. The agencies were to meet the full cost of inputs not exceeding Rs. 200 per demonstration where the demonstration plots were to be laid out on the lands of individual beneficiaries. The demonstrations on half acre plots were to cover two crop seasons and were to be taken up at the rate of one or two per panchayat/village in the areas with large concentration of small/marginal farmers.

During 1977-78 and 1978-79, Rs. 2.41 lakhs were spent on such demonstrations by the three agencies.

The details of plots as also the villages/panchayats selected/covered under the scheme were not on record with any of the three agencies. Beneficiaries covered by Bilaspur and Chamba agencies were not on record. The S.F.D.A. Kulu covered 1,227 beneficiaries but lists of demonstrations held did not bear identification number of the farmers and in its absence, it could not be verified whether the benefit of demonstration really accrued to the eligible farmers.

(c) *Farmers' training*—As per guidelines, there was no scheme of farmers training for which subsidy was payable. However, during 1977-78 and 1978-79, the agencies incurred an expenditure of Rs. 0.52 lakh on this scheme. It is interesting to note that, in October 1978, the Director of Agriculture, Himachal Pradesh, Simla had informed the S.F.D.A. Kulu that there was no provision for this scheme and it required sanction from the State Government.

(d) *Agriculture implements/inputs*—During 1977-78 and 1978-79, S.F.D.A. Bilaspur and Chamba paid Rs. 3.76 lakhs as subsidy on costly items like tractors and diesel engines which only big farmers can have and are not authorised under the scheme. Of these, 9 farmers who belonged to the same family being brothers, sisters and mother were paid subsidy of Rs. 0.22 lakh by the S.F.D.A. Bilaspur though, under the scheme, a group of farmers who became

eligible for subsidy due to fragmentation of holdings were not to be treated as really deserving farmers for this programme. Expenditure incurred had not yet been regularised (June 1980).

(e) *Transportation of agricultural implements and inputs*—During 1978-79, S.F.D.A. Kulu paid Rs. 1.61 lakhs on transportation of fertilizer purchased out of the regular budget of the Agriculture Department which was distributed amongst un-identified farmers though this was not an approved scheme. Out of the above expenditure, Rs. 1.27 lakhs had been reimbursed by the Agriculture Department in March 1980; the balance amount of Rs. 0.34 lakh was still to be reimbursed to the agency (June 1980).

#### 10. Horticulture

*Horticulture demonstration*—Rupees 0.69 lakh were spent during 1977-78 and 1978-79 by the agencies on demonstration trial under horticulture without getting the scheme approved by the State Government. It was also not verifiable whether the benefits accrued to really eligible farmers.

11. *Animal husbandry*—Under the programme, subsidy at the prescribed rates (enhanced to 50 per cent for Antodaya families in November 1978) could be given to beneficiaries for the purchase of milch cattle, sheep farming, poultry and piggery etc. The balance was to be met by the beneficiaries by taking loans from the financial institutions. The farmers who had been able to complete the job from their own resources without taking any loan assistance, were not to be treated as really deserving farmers. Further, the subsidy was payable through financial institutions and not direct to the beneficiaries. These instructions were not followed as discussed below.

(a) *Milch cattle*—The scheme "distribution of high yielding varieties of milch cattle" was not prepared by S.F.D.A. Chamba and Kulu. The S.F.D.A. Bilaspur formulated a scheme to distribute, milch cattle costing Rs. 2,000 amongst identified farmers on prescribed rate of subsidy. The agencies paid subsidy to 521 beneficiaries on milch cattle each costing more than Rs. 2,000 resulting in overpayment of Rs. 0.89 lakh.

(b) *Sheds for sheep*—Rupees 0.85 lakh were paid by S.F.D.A. Kulu to 273 farmers as subsidy for construction of 273 sheds for sheep. The sheds were actually not constructed as seen from the records.

12. *Construction of farmers' training-cum-communication centre*—The grants received by the S.F.D.A. were to be utilised towards subsidy to the small and marginal farmers and the entire expenditure on infra-structure and administration was to be met out of the regular departmental budget. There was no provision in the guidelines for the construction of a training centre for farmers nor was it included in the project report prepared by the S.F.D.A.

Bilaspur. There was also no provision for training of farmers. In spite of these, S.F.D.A. Bilaspur advanced Rs. 9.00 lakhs during 1978-79 to the Himachal Pradesh Public Works Department for the construction of a building known as farmers training-cum-communication centre (estimated cost: Rs. 14.45 lakhs) which was also proposed to cater to the needs of tourists, businessmen and other visitors considering its scenic location, by providing living accommodation in the shape of dormitories and independent suites with other facilities. This amounted to misutilisation of funds.

13. *Expenditure on administration*—S.F.D.A. Kulu spent Rs. 0.29 lakh during 1978-79 out of the grants received by it on administration though the State Government had ordered (October 1978) that such expenditure should not be incurred out of the grants.

14. *Regulated market*—The S.F.D.A. Kulu advanced Rs. one lakh in lump in August 1978 to the market committee, Kulu and Lahaul for setting up a regulated market at Kulu. As per clarification of the State Government (October 1978), the subsidy for the above purpose was not to be given by the S.F.D.A. from out of the grants received by it under the scheme. The Project Officer, S.F.D.A. Kulu stated (June 1980) that market committee had been asked to refund the amount.

15. *Evaluation of the programme*—None of the S.F.D.A. undertook any follow up action to evaluate the impact of the programme though they were expected to do so nor did Government undertake any review of the programme.

16. *Summing up*—(i) Project reports indicating clearly the proposed financial outlay on each programme, the physical target and also year-wise phasing of the programme were not prepared by the Chamba and Kulu agencies. The grants were released by the Government without obtaining the budget estimates as also utilisation certificates in respect of the grants given in previous year(s) from the agencies.

(ii) The agencies did not utilise a high proportion of the grants given during the years 1977-78 and 1978-79. Specific reasons for the short-fall were not given by the agencies except by the Kulu Agency which attributed it to shortage of staff.

(iii) The S.F.D.A. did not implement the schemes properly allowing subsidy to be paid not in accordance with the guidelines such as (a) payments to ineligible farmers and (b) grants towards transportation, administration, purchase of tractors and diesel engines, setting up a regulated market and construction of a building.

(iv) Prescribed register indicating the specific programme (s) under which each identified participant had been benefited, was not maintained by

the agencies. In its absence, the total subsidy paid to each beneficiary and number of beneficiaries actually covered by each agency could not be ascertained.

(v) No evaluation of the programme had been done either by the agencies or by the State Government (June 1980) to assess its impact on the output and income of small and marginal farmers.

The above points were referred to the Government in August 1980; reply is awaited (December 1980).

### 3.2 Seed Distribution Scheme

1. *Introductory*—The scheme of procurement and distribution of seeds, to be run on 'no profit no loss' basis, has been in operation in the State since 1954. Under this scheme, seeds of improved varieties are made available by the department to the farmers of Himachal Pradesh.

The department did not prepare the *pro forma* accounts showing the working results of the scheme despite the recommendations of the Public Accounts Committee in their Sixteenth Report (December 1971) that *pro forma* accounts of the scheme should be brought upto date without further delay. Considering the difficulties expressed by the department in preparing the *pro forma* accounts from the inception of the scheme, the Public Accounts Committee had, in their Eighth Report (March 1975), advised it to prepare the accounts from 1971-72 onwards. However, the *pro forma* accounts from 1971-72 to 1979-80 had not been prepared (September 1980).

Salient points noticed in test-check (April—June 1980) of records pertaining to the scheme for the period 1977-78 to 1979-80 in Kulu, Kangra, Kinnaur, Lahaul and Spiti, Solan and Simla districts are mentioned in the paragraphs that follow.

2. *Non-maintenance of records*—Registers of procurement and distribution of seeds and outstanding dues had not been maintained in the districts test-checked, though prescribed under departmental regulations.

3. The Government of India decided (May 1968) that the State Government may fix sale price of seeds in such a way as to cover all direct and indirect charges and include a margin to cover the risk of operation. No action was taken by the department in this regard till August 1976. In September 1976, the Director of Agriculture asked the District Agricultural Officers to take into account the following elements while fixing the sale price of seeds:—

- |  |                       |
|--|-----------------------|
| (a) Margin for grading                         | .. Rs. 5 per quintal  |
| (b) Handling charges and shortages             | .. Rs. 5 per quintal  |
| (c) Transportation charges within the district | .. Rs. 5 per quintal  |
| (d) Commission charges etc.                    | .. Rs. 10 per quintal |

While fixing the sale price, however, the District Agricultural Officers did not include the above elements of cost. In the absence of *pro forma* accounts, the loss suffered on this account could not be worked out. However, test-check of records of District Agricultural Offices for the period 1979-80 revealed that the department had short realised Rs. 1.27 lakhs due to exclusion of the above elements of cost.

4. *Outstanding dues*—(i) In August 1977, subordinate offices were directed by the department not to make sales on credit basis failing which the officer/official concerned would be held personally responsible for making good the amount of credit sales. Test-check in six districts disclosed that despite these instructions, credit sales continued and the outstanding dues on account of credit sales increased from Rs. 0.54 lakh at the end of March 1978 to Rs. 3.18 lakhs at the end of March 1980. No action was taken against the defaulting officials (September 1980) as required under the instructions issued in August 1977.

It was also seen that arrears in Kangra, Simla, Kalpa and Solan pertained to the period from 1967-68 onwards. Year-wise break-up of the outstanding amounts was not furnished (September 1980) by the department.

(ii) In Palampur (Kangra District), an amount of Rs. 0.20 lakh had been outstanding against various Block Development Officers/Agricultural Inspectors etc., in respect of seed supplied to them from Government Seed Farms, Paprola, Bhaton, Bhadhiarkher and Jachh during December 1966 to May 1974. This amount was adjusted irregularly during July 1978 by debiting the counterpart fund of the Indo-German Agricultural Project instead of recovering it from the defaulting officers.

5. *Embezzlement of Government money*—The Deputy Director of Agriculture (S&K), Simla reported (May 1980) to the Director of Agriculture/Police about embezzlement of Rs. 0.29 lakh by the cashier of the department. During test-check by Audit (May 1980), it was noticed that the embezzlement was facilitated by (i) non-closing of cash book for the year 1979-80, (ii) non-attestation of entries recorded therein by the Drawing and Disbursing Officer, (iii) both the "keys" of the cash chest being in possession of the cashier, (iv) allowing heavy cash balances in hand and (v) absence of physical verification of cash balances at regular intervals by the Drawing and Disbursing Officer.

Further development is awaited (June 1980).

6. *Shortages/non-accountal*—(i) In Simla (Theog Block) and Kulu districts, shortages of seeds valuing Rs. 0.20 lakh and Rs. 0.03 lakh respectively were noticed at the time of transfer of charge (March 1979—May 1980) by one incumbent to another. No action has been taken to fix responsibility for the shortage.

Annual physical verification of stores was not done at all during the year 1977-78 to 1979-80 in three of the six districts covered by the test-check. In two districts (Solan and Kulu), it was done in respect of a few blocks only. Physical verification of stores conducted (March 1980) in one block only of Kulu District revealed shortages of seed valuing Rs. 0.07 lakh.

The above shortages were not reconciled nor had recovery been effected from the persons responsible for the loss (June 1980).

(ii) It was noticed during test-check (June 1980) of store ledgers of Kinnaur and Kangra districts that seeds valuing Rs. 0.16 lakh in all were not accounted for/short accounted/not carried forward in the ledgers by the concerned Agricultural Inspectors.

7. *Damaged seeds*—Seeds valuing Rs. 0.41 lakh purchased/procured between July 1975 and November 1979 had either become rotten (Lahaul and Spiti : Rs. 0.26 lakh) or were procured in excess of requirement and lost germination power (Solan : Rs. 0.08 lakh and Simla : Rs. 0.06 lakh) or were damaged by the insects and pests (Kulu : Rs. 0.01 lakh).

In respect of Lahaul and Spiti District, a proposal for write off was referred (December 1979) by the District Agricultural Officer to the Director of Agriculture. Final outcome was awaited (June 1980). In other cases, no action to recover/write off the amounts had been taken (June 1980).

8. *Accounting manual*—The Seed Depot Account Rules prepared by the department and sent (May 1975) to the Government for approval, had not been approved till June 1980. Reasons for the delay in finalisation of these rules are not known.

9. *Treasury verification*—According to instructions contained in the Himachal Pradesh Financial Rules Vol. I, verification of remittances into treasury (from the treasury records) should be done every month. No such verification/reconciliation had, however, been carried out by the District Agricultural Officers, Kalpa (Kinnaur), Kulu and Solan during the period.

10. *Summing up*—(i) Due to non-preparation of *pro forma* accounts of the scheme, an analysis of results achieved under the scheme was not possible.

(ii) The Seed Depot Account Rules proposed by the department in May 1975 were still to be approved by the Government.

(iii) Sale of seeds on credit basis was prohibited in August 1977 by the department but outstanding dues on this account increased from Rs. 0.54 lakh at the close of March 1978 to Rs. 3.18 lakhs at the end of March 1980 due to continuance of the credit system inspite of the prohibitory order. No recovery had been effected from and no action initiated against the concerned officials who violated the instructions issued in this regard by the department in August 1977.

(iv) Defects in the maintenance of the cash book and failure at the level of Drawing and Disbursing Officer facilitated embezzlement of Rs. 0.29 lakh.

(v) Physical verification of seed stores was not conducted at all in three of the six districts test-checked and in two other districts, it was conducted only partially.

The facts mentioned above were referred to the Government in August 1980 ; reply is awaited (December 1980).

#### DEPARTMENT OF REVENUE

### 3.3 Free distribution of wheat among flood/cyclone affected people

1. *Introductory*—In December 1977, the Government of India sanctioned a scheme for supply of foodgrains to State Governments for relief to the population affected by natural calamities such as floods, draught and cyclones. Under the scheme, it was decided to make foodgrains available to the affected States as grant for free distribution in the affected areas to provide immediate relief to the distress stricken population, who could not be covered by food for work schemes. The scheme was to operate on the following lines during 1977-78 and 1978-79 :—

- (i) The quantum of foodgrains to be supplied to the State Government was to be determined on the basis of the recommendations of the Central Team/High Level Committee. The Central Government was to meet the cost of foodgrains at issue price and expenditure on sales tax, octroi and other charges, was to be met by the State Government.
- (ii) The relief under the scheme was to be provided for a limited period to cater to the needs of the most affected and deserving population and was not to become a measure of general social welfare or unemployment benefit.
- (iii) The scale of distribution was to be kept at the same level as applied to the public distribution system in the State.
- (iv) The State Government was required to maintain separate accounts of the utilisation of foodgrains received under the scheme and to send a monthly statement to the Central Government showing the quantity of foodgrains received and utilised and number of beneficiaries.
- (v) If any quantity of foodgrains lifted by the State Government remained unutilised on the expiry of the period of relief, specified by the Central Team, the State Government was required to pay the value at issue rates thereof to the Government of India.
- (vi) The distribution was to be handled entirely by a Governmental organisation.

- (vii) The Central Government would recover the cost of such foodgrains found to have been used irregularly, in violation of the norms laid down, or in a manner not contemplated.

The working of the scheme was test-checked in 11 out of 12 districts (except Lahaul and Spiti) of the State during September/November 1979 and the results are mentioned in the succeeding paragraphs.

2. *Demand for relief and verification*—Paragraph 4.22 of the Himachal Pradesh Emergency Relief Manual requires that the basic data for demands to be made for relief should be prepared by the village patwari. The Tehsildar/Naib Tehsildar having jurisdiction over the village should visit the spot and verify the particulars reported by the Patwari before onward transmission of the report to the Deputy Commissioner. The Deputy Commissioner should also visit all or any of the affected villages to verify the information received from the Tehsildar. It was observed that no verification either by Tehsildar or Deputy Commissioner had been made in Bilaspur, Hamirpur, Kulu, Solan and Sirmur districts.

Paragraph 4.27 of the Manual *ibid* stipulates further that a register should be maintained by the Disbursing Officer for every village where relief is afforded. The officer immediately above the Disbursing Officer should check at least 25 per cent of the entries pertaining to every village, on the spot, before the disbursement operation is over. The Deputy Commissioner or any other officer not below the rank of Assistant Collector of the first grade, deputed by him, should check at least 25 per cent of the entries in the registers of at least 50 per cent of the villages assigned to each Disbursing Officer. It was noticed that these registers were maintained only by some Disbursing Officers and even here, all the prescribed checks were not exercised (except in Una and Kinnaur districts).

3. *Allocation/lifting of wheat*—The position regarding allocation/lifting of wheat during 1977-78 and 1978-79 is tabulated below:—

	1977-78	1978-79
	(In quintals)	
(a) Quantity of wheat allotted by Central Government to the State ..	50,000	95,000
(b) Quantity of wheat allotted by the State Government to districts ..	31,473	95,000
(c) Quantity lifted in districts ..	28,397	95,000
(d) Shortfall with reference to allotment made by Central Government ..	21,603	..
(e) Percentage of shortfall ...	43.2	...



4. *Distribution of wheat*—The period of relief for distribution of wheat as fixed by the State Government was upto 31st March 1978 for 1977-78 and 31st December 1978 for 1978-79 (extended to 31st March 1979).

District-wise position of wheat distributed before/after the expiry of relief period, unutilised balances and shortages etc., for the years 1977-78 and 1978-79 (in respect of 11 out of 12 districts) is indicated below:—

Serial No.	District	Wheat lifted	Wheat distributed		Unutilised balance	Shortages	Distribution accounts not shown to Audit
			Within the relief period	After due date			
(In quintals)							
1.	Bilaspur	7,100.00	7,078.87	..	..	21.13	..
2.	Chamba	11,895.00	6,860.45	3,242.65	324.17	509.68	958.05
3.	Hamirpur	5,499.96	5,488.96	11.00	..	..	..
4.	Kangra	14,019.63	10,845.37	2,822.00	12.60	..	339.66
5.	Kinnaur	1,393.00	1,040.00	353.00	..	..	..
6.	Kulu	9,914.63	1,019.35	109.55	264.65	..	8,521.08
7.	Mandi	9,800.00	7,458.40	2,248.46	64.74	..	28.40
8.	Simla	36,975.86	18,566.81	2,462.81	132.27	1,825.50	13,988.47
9.	Solan	6,230.00	5,704.01	91.41	1.20	433.38	..
10.	Sirmur	8,578.09	6,387.06	1,495.48	404.10	160.94	130.51
11.	Una	10,126.27	7,558.87	2,567.40	..	..	..
Total		1,21,532.44	78,008.15	15,403.76	1,203.73	2,950.63	23,966.17

(Particulars in respect of Lahaul and Spiti were not available).

(i) The value of 1,203.73 quintals of wheat lying unutilised (October 1979) and of 15,403.76 quintals of wheat distributed irregularly after the expiry of relief had not been refunded (November 1979) to the Government of India.

(ii) As per information supplied by some district authorities, the time limit for affording relief could not be adhered to due to belated supplies made by the Food Corporation of India, remoteness of the areas and to the fact that in some cases beneficiaries did not attend the distribution centres within the due dates.

(iii) Shortages of 2,950.63 quintals of wheat were stated (September-November 1979) by the concerned offices to be under reconciliation.

5. *Other points of interest*—(i) In Simla District, distribution of 23,341.92 quintals of wheat was entrusted by the Tehsildars to the Gram Panchayat Pradhans in 1978-79. Simla and Kulu were the districts in respect of which distribution accounts for nearly 22,510 quintals of wheat were not shown to Audit.

(ii) 1,21,532.44 quintals of wheat in 1,18,687 bags were received during 1977-78 (28,137 bags) and 1978-79 (90,550 bags). As per instructions (June 1979) of the Divisional Commissioner, the empty bags were to be auctioned and sale proceeds thereof deposited in Government account.

It was noticed that 61,947 empty bags worth Rs. 1.86 lakhs were given away to the beneficiaries with wheat in seven out of the twelve districts which resulted in loss of Government revenue. 36,658 bags worth Rs. 1.10 lakhs were stated to be lying un-auctioned (October 1979) in 7 out of 11 districts. Further, average realisation per bag ranged between Rs. 1.35 and Rs. 3.54. Reasons for the variations in the receipt per bag were not stated (September-November 1979).

(iii) In six districts, 349.66 quintals of wheat were given in 647 cases, on the acknowledgement of persons other than the actual grantees.

(iv) In Kulu District, a sum of Rs. 0.60 lakh was drawn on 31st March 1978 purportedly to meet the transportation expenses on the foodgrains for the year 1977-78. Out of this, Rs. 0.53 lakh was paid as advance in 1978-79 to various officials. The adjustment accounts were awaited (October 1979). The balance amount of Rs. 0.07 lakh remained un-accounted. The Deputy Commissioner, Kulu stated (October 1979) that the matter was under investigation.

(v) According to the instructions of the Government of India, the State Government was required to send a monthly statement of foodgrains received, utilised and number of beneficiaries. No such monthly statement was ever sent. The Government stated (November 1979) that it was not possible to send monthly statements.

(vi) Out of 93,411.91 quintals of wheat distributed during 1977-78 and 1978-79 in 11 districts, utilisation certificates in respect of 83,982.14 quintals of wheat had not been received (October 1979) by the State Government from 10 districts.

#### *Relief*

(vii) Paragraph 4.3 (i) of Himachal Pradesh Emergency Manual stipulates that 3 kilograms of wheat or rice for one week per adult be given to those persons who are not left with any means to feed themselves and half this quantity for children below 12 years. In Bilaspur, Hamirpur and Kangra districts, 6,374.03 quintals of wheat were distributed, in 7,579 cases, at a flat rate

varying between 22 kilograms and 100 kilograms (100 kilograms in 5,075 cases, 75 kilograms in 1,240 cases and 22 to 51 kilograms in 1264 cases) without ascertaining the details of family members viz., adults/children. This resulted in uneven distribution of wheat.

6. *Summing up*—Neither was proper verification done while collecting data for the assessment of demand for relief nor were prescribed checks exercised in the disbursement of wheat. Monthly statement showing food-grains received, utilised and number of beneficiaries involved, though prescribed, had not been sent by the State Government to the Government of India. Against 50,000 quintals of wheat allocated by the Central Government during 1977-78, only 28,397 quintals were actually lifted showing non-utilisation of the benefit under this scheme upto 43.2 per cent. 15,403 quintals of wheat was distributed after the prescribed relief period. 1,203 quintals of wheat were lying unutilised and shortage of 2,950 quintals was stated to be under reconciliation. Empty bags were not properly accounted for.

The matter was reported to the Government in May 1980; reply is awaited (December 1980).

## DEPARTMENT OF INDUSTRIES

### 3.4 Incentives to Small Scale Industries

1. *Introductory*—With a view to promoting growth of industries in Himachal Pradesh and creating employment opportunities, the State Government formulated (April 1971) a scheme of incentives to new and already established industries in the State. The incentives were:—

- (i) contributions towards cost of preparation of feasibility study/project reports ;
- (ii) acquisition and allotment of land on lease-hold terms for establishment of industries;
- (iii) allotment of controlled building material like cement, iron and steel etc., to new industries, on priority;
- (iv) relief from incidence of certain taxes, duties and rates like electricity tariff, sales tax, purchase tax, octroi duty and freight charges;
- (v) under-writing of share capital of private industrial undertakings upto 25 per cent of the paid-up capital; and
- (vi) preferential treatment in Government purchase programme.

These incentives which were found inadequate by the State Government as judged by lack of growth of industries in the State were modified in October 1976 when a few more incentives viz. setting up transformers and transmission lines to give power to the industries, exemption from central sales tax, 10 per cent outright subsidy on capital investment etc., were also introduced to cover units set up/expanded in the State on or after 28-5-1974. Even the revised incentives did not prove very effective as entrepreneurs did not come forward to set up industries as expected. Therefore, the Government modified, improved and liberalised the existing incentives in May 1980 by raising the rate of subsidy on capital investment from 10 per cent to 15 per cent and the maximum amount of subsidy from Rs. 0.25 lakh to Rs. 1.00 lakh, by according priority in allotment of controlled items of building materials and by covering hotels under this scheme etc.

2. *Financial outlay*—The budget provisions and the expenditure incurred (by the State Government) during the six years ending 1979-80 on payment of incentives/subsidy to Small Scale Industries in Himachal Pradesh were as follows :—

<u>Year</u>	<u>Budget</u>	<u>Expenditure</u>
	(Rupees in lakhs)	
1974-75	2.50	Nil
1975-76	3.00	Nil
1976-77	3.05	0.60
1977-78	4.81	16.03*
1978-79	21.38	8.01
1979-80	17.00	8.76
<b>Total</b>	<b>51.74</b>	<b>33.40</b>

Out of the total outlay of Rs. 33.40 lakhs on the scheme between 1976-77 and 1979-80, Rs. 13.65 lakhs were paid (March 1978) to the Himachal Pradesh Housing Board for development of industrial plots at Parwanoo, Rs. 5.00 lakhs (March 1979) to the Himachal Pradesh Small Scale Industries and Export Corporation for the construction of godowns for storing raw material, Rs. 3.15 lakhs (1978-79 : Rs. 0.15 lakh; 1979-80 : Rs. 3 lakhs) to Himachal Pradesh Khadi and Village Industries Board for rebate on sales of Khadi products and Rs. 2.37 lakhs to the Project Officers, Integrated Rural Development Programme for further payment to rural artisans of Antodaya Families. The balance amount of Rs. 9.23 lakhs only was paid by the State Government to 297 Small Scales Industrial units set up/expanded

\*The excess of expenditure was met through reappropriation from savings under other heads of accounts.

in the State on or after 28-5-1974 in the form of subsidy as under :—

Year	Amount of subsidy paid (Rupees in lakhs)	Number of units to which subsidy paid		District-wise break-up of installed/expanded units				
		Existing units	New units	Simla	Mandi	Bilaspur	Kinnaur	Lahaul and Spiti
1976-77	0.60	..	23	11	12	..	..	..
1977-78	2.38	..	51	21	23	5	1	1
1978-79	2.86	..	75	42	25	5	1	2
1979-80	3.39	108	40	81	19	45	2	1
Total	9.23	108	189	155	79	55	4	4

133 units out of 297 units set up in the five districts were in the nature of service industries like flour mills (36), saw mills (27), composite units (25), auto servicing units (21), knitwear units (16) and furniture goods units (8).

Test-check (June-July 1980) of the records in various offices revealed the following facts.

3. *Refund of subsidy*—(a) Under the scheme, the entire subsidy paid to a unit was to be refunded if, it went out of production within five years of commencement of production. It was observed that in Simla District, 6 units which were paid subsidy totalling Rs. 0.22 lakh (1976-77 : 2 units : Rs. 0.06 lakh; 1977-78 : 3 units : Rs. 0.15 lakh and 1978-79 : 1 unit : Rs. 0.01 lakh) had closed down within five years of commencement of production but recovery of subsidy paid had not been effected (July 1980). The department stated (July 1980) that while notices for recovery had been issued to two units, efforts were afoot to revive two units and that whereabouts of the owners of remaining two units were being ascertained.

(b) A unit located in Simla District and financed by the Himachal Pradesh Financial Corporation was paid a subsidy of Rs. 0.13 lakh in April 1978. This unit was closed down in September 1978. The Corporation had issued an auction notice in one of the news papers on 8th March 1980, but actual recovery was awaited (July 1980).

4. *Unutilised funds*—(a) The Small Scale Industries and Export Corporation was paid (March 1979) Rs. 5.00 lakhs as grant-in-aid for opening and strengthening of depots/godowns (one each in Simla, Bilaspur, Hamirpur, Mandi and Sirmur districts) for storage of raw materials to be supplied to the Small Scale Industrial units in the State. This was not covered

by the scheme. This amount was lying unutilised with the Corporation (July 1980) as a scheme drawn up by the Corporation for the godowns and submitted to the Government in January 1980 was awaiting the latter's approval (November 1980).

(b) Rupees 3 lakhs paid in March 1980 to the Himachal Pradesh Khadi and Village Industries Board towards State share of 5 per cent rebate on sales of khadi products during Gandhi Jayanti period 1979-80 was lying undischursed (July 1980). The payment, in fact, was not relevant to the scheme. The Board stated (July 1980) that the accounts of sales effected by various institutions engaged in sale of khadi products in the State had been received and were under scrutiny.

5. *Position of incentives availed of*—(a) Incentives relating to (i) contribution towards cost of preparation of feasibility report (ii) electricity tariff (iii) concessions in Central sales tax (iv) installation of generating sets, transformers/transmission lines (v) underwriting of share capital had not been availed of by any of the 297 units (Simla : 155, Mandi : 79, Bilaspur : 55, Kinnaur : 4 and Lahaul and Spiti : 4).

(b) The position regarding other incentives available under the scheme and the incentives availed of by the units is indicated below :—

Serial number	Nature of incentive	Number of units which availed of the incentives (district-wise)					
		Simla	Mandi	Bilaspur	Kinnaur	Lahaul and Spiti	Total
1.	Allotment of plots	..	..	8	..	..	8
2.	Priority in supply of building material	N.A.	..	8	..	..	8
3.	Exemption from octroi duty	N.A.	43	36	..	..	79
4.	Exemption from Central sales tax	77	10	9	1	..	97
5.	Preferential treatment in purchase of products	N.A.	5	5	1	..	11

(c) The records of the Himachal Pradesh Financial Corporation which subsidises the interest on term loans charged by scheduled banks from the registered industrial units to the extent of 3 per cent below the Government lending rate revealed that out of 297 units set up in the districts selected for test-check, only 33 units (Simla : 20; Mandi : 8; and Bilaspur : 5) availed of the incentives in 1978-79 (Rs. 0.09 lakh) and 1979-80 (Rs. 0.42 lakh).

Reasons for non-utilisation of most of the available incentives were awaited from the department (July 1980).

6. *Absence of follow up action*—The industrial units receiving subsidy and other incentives under the scheme are required to submit annual progress reports to the State Government for a period of five years. For this purpose, the State Government is required to maintain a register containing detailed information, district-wise, regarding the industrial units, items of manufacture, capital investment, subsidy granted, date of receipt of annual progress reports, etc. The department intimated (July 1980) that none of the 297 units had submitted the annual progress reports. It was noticed that the prescribed register was not maintained by the Director of Industries. No record showing the quantum of employment generated was maintained. No follow up action was taken by the department to evaluate the working of the scheme and to assess the effectiveness of the various incentives in the achievement of the principal objective of the scheme i.e. speedy growth of industries in the State.

7. *Summing up*—(i) Out of the total expenditure of Rs. 33.40 lakhs spent on the scheme, only Rs. 9.23 lakhs was actually spent on payment of subsidy to the Village and Small Scale Industries and the balance amount was released to Small Scale Industries and Export Corporation, Himachal Pradesh Khadi and Village Industries Board and Himachal Pradesh Housing Board, these payments being outside the scope of this scheme.

(ii) Out of 297 units which were paid subsidy totalling Rs. 9.23 lakhs under the scheme, 7 units which had been paid subsidy aggregating Rs. 0.35 lakh, discontinued production within five years of commencement of production and the subsidy paid was awaiting recovery.

(iii) Despite modifications made from time to time in the scheme, incentives available under contribution towards cost of preparation of feasibility report, electricity tariff, concessions in Central sales tax, installation of generating sets, transformers/lines, under-writing of share capital had not been availed of by any of 297 units; reasons for non-utilisation were awaited.

(iv) Annual progress reports required to be submitted by the industrial units were not received from any of the units nor was there any follow up action by the department to evaluate the working of the scheme and to assess the effectiveness of various incentives offered under the scheme in the achievement of the principal objective of the scheme i.e. speedy growth of industries in the State.

The matter was reported to the Government in August 1980; reply is awaited (December 1980).

### 3.5 Development of industrial areas

1. *Introductory*—A scheme of development of industrial areas aimed at developing industrial activities and generating employment opportunities in the State was launched in Himachal Pradesh State in December 1972. The scheme envisaged acquisition of land at suitable places and development of the same by providing the necessary infra-structure facilities such as power, water supply, approach roads etc., and its allotment to the entrepreneurs for setting up industries. Built-up sheds facility to the entrepreneurs facing financial constraints was also envisaged.

2. *Areas established*—The State Government approved (December 1972) the establishment of industrial areas in all the 12 districts of the Pradesh. Till July 1980, industrial areas had been established only in 7 out of 12 districts of the State as under:—

Sr. No.	Name of the district	Name of the industrial area	Date of sanction	Date of acquisition of land by the department	Date of transfer of land to the Executing Agency for development	Stipulated date of completion of works	Actual date of completion of works
1.	Bilaspur	Bilaspur	December 1972	September 1973	July 1975	July 1978	March 1978
2.	Kangra	Nagrot Bagwan	December 1972	January 1976	January 1976	January 1978	February 1979
3.	Kinnaur	Reckong Peo	May 1974	July 1974	July 1974	March 1979	March 1980
4.	Kulu	Shamshi	January 1974	March 1974	March 1974	March 1976	March 1978
5.	Sirmur	Paonta Sahib	December 1972	March 1973	March 1973	March 1975	August 1978
6.	Una	Mehatpur	December 1972	May 1973	December 1973	December 1975	March 1977
7.	Solan	(i) Electronic Complex, Solan	December 1972	September 1975	September 1975	September 1977	January 1977
		(ii) Parwanoo	December 1972	January 1977	January 1977	April 1980	Partly completed
		(iii) Barotiwala	1964	1964-65	1964-65	June 1966	June 1966



Reasons for delay in completion of the works called for from the Government are awaited (October 1980). The delay in the transfer of land at Bilaspur to the executing agency was attributed (October 1980) by the General Manager, District Industries Centre, Bilaspur to the delay in finalisation of design and architectural formalities.

As regards the other five districts, land belonging to Himachal Pradesh Road Transport Corporation was transferred to the Department of Industries for establishment of industrial areas in Chamba and Mandi districts during August 1978 and June 1979 respectively but the developmental works at these places were yet to be taken up as the developmental plan of industrial areas, Chamba sent by Himachal Pradesh Mineral and Industrial Development Corporation to the Director of Industries in June 1980 was awaiting approval (October 1980). The developmental plan of industrial area Mandi had not been finalised as the possession of land had not been taken completely (October 1980). The Director of Industries stated (July 1980) that efforts were afoot to acquire land in Hamirpur District. Selection of sites for industrial areas in the remaining two districts of Simla and Lahaul and Spiti had not been made (July 1980).

3. *Financial outlay*—An expenditure of Rs. 2,10.23 lakhs had been incurred upto March 1980 on the establishment of the industrial areas. The works for development of industrial areas at Barotiwala and Reckong Peo were executed by the Himachal Pradesh Public Works Department (H.P.P.W.D.) as budgeted works while development works in other areas except Parwanoo were executed by the Himachal Pradesh Mineral and Industrial Development Corporation (H.P.M.I.D.C.) which charged 15 per cent departmental charges. The development works at Parwanoo were executed by the Himachal Pradesh Housing Board (H.P.H.B.) which charged 10 per cent departmental charges. The expenditure of Rs. 2,10.23 lakhs included an amount of Rs. 1,84.30 lakhs (H.P.M. I.D.C. : Rs. 1,65.57 lakhs; H.P. H.B. : Rs. 12.05 lakhs and H.P.P.W.D. : Rs. 6.68 lakhs) advanced for original works and annual repairs and maintenance, out of which these organisations had spent Rs. 1,75.05 lakhs (including Rs. 21.49 lakhs as departmental charges) upto March 1980. Rupees 3.33 lakhs deposited (November 1974) with H.P.M.I.D.C. for industrial area in Simla District were lying unutilised (July 1980) as the site for the area had not been finalised by the department.

Test-check conducted by Audit (April-July 1980) revealed the following facts:—

4. *Development of land*—The position in respect of utilisation of the land acquired, number of plots scheduled to be developed/actually developed

as also their disposal etc., is tabulated below:—

Serial number	Name of the industrial area	Land acquired (in square metres)	Plots			Sheds		
			To be developed	Earmarked for the construction of		To be constructed	Allotted	
			Actually developed	Sheds	Departmental buildings	Vacant	Vacant	
(In numbers)								
1.	Bilaspur	53,564	34	4	..	15	10	9
			34			15	10	1
2.	Nagrotia Bagwan	32,496	36	..	..	9	..	..
			36			27		
3.	Reckong Peo	23,473	24	..	3	15	..	..
			24			6		
4.	Shamshi	78,280	36	3	..	30	4	..
			36			3	4	4
5.	Paonta Sahib	3,78,908	101	..	..	69	..	..
			39			32		
6.	Mehatpur	4,41,123	157	26	..	113	26	26
			155			18	26	..
7.	(i) Electronic Complex, Solan	51,130	30	6	1	23	12	6
			30			..	6	..
	(ii) Parwanoo	N.A.	27	27	..	..	27	15
			27			..	19	4
	(iii) Barotiwala	1,42,931	40	..	..	39	..	..
			40			1		
	<b>Total</b>	<b>12,01,905</b>	<b>485</b>	<b>66</b>	<b>4</b>	<b>313</b>	<b>79</b>	<b>56</b>
			<b>421</b>			<b>102</b>	<b>65</b>	<b>9</b>

(i) Seventy developed plots were earmarked for sheds and departmental buildings. Out of the balance 351 developed plots available for allotment, only 277 plots were allotted to entrepreneurs. In addition, 36 undeveloped plots (out of 64) were allotted at Paonta Sahib (34 between June 1971 and May 1980) and Mehatpur (2 in May 1973 and June 1975). Applications for allotment of vacant plots in Mehatpur (15) and Reckong Peo (6) were stated (June 1980) to be under scrutiny. Of the 313 plots allotted, 256 plots where

180 factory buildings were to be constructed were occupied till June 1980. Till June 1980, construction of 82 buildings was completed and 32 were in progress. In 28 cases (out of 32) construction had been delayed beyond one year of allotment of the plot even though the factory buildings were required to be constructed within one year of allotment. The delay in construction of buildings was attributed by the General Managers, District Industries Centres to non-availability of construction material. In industrial area, Nagrota Bagwan, out of 36 plots developed, possession in respect of 9 plots allotted between October 1978 and April 1980, could not be handed over (June 1980) due to variations in areas of plots demarcated.

(ii) In regard to the 64 undeveloped plots, the non-development of 62 plots in the industrial area, Paonta Sahib was attributed (July 1980) by the H.P.M.I.D.C. to non-receipt of funds and administrative approval and expenditure sanction from the Industries Department. The H.P.M.I.D.C. stated that the two undeveloped plots at Mehatpur did not require development as per Industries Department.

(iii) Reasons for non-construction of 14 out of a total number of 79 sheds which were being executed by the H.P.M.I.D.C. (Solan : 6) and the H.P.H.B. (Parwanoo : 8) were not stated (June 1980).

(iv) Only 56 out of 65 sheds constructed were allotted. Out of these, 49 sheds were in occupation out of which 39 sheds were being utilised for production purposes and 4 sheds for non-production purposes. In 6 sheds, no industrial activity had started.

(v) Slow progress in allotment/occupation of plots and sheds was attributed by the General Managers, District Industries Centres to the hesitance of the entrepreneurs to make investments, delay in obtaining loans from financial institutions and industrial backwardness of the area which was not encouraging the prospective entrepreneurs.

(vi) As per terms and conditions of allotment of plots/sheds, the units had to go into production within 1½ years and 3 months in the case of plots and sheds respectively. Out of 153 plots allotted upto January 1979, only 60 units went into production within the stipulated time, of which 10 units were lying closed (July 1980). In the case of 54 sheds allotted upto March 1980, production was started by 33 industrial units located in 39 sheds within the stipulated time, out of which production had stopped in 8 cases (July 1980). Thus in all 75 units were in production. The 18 units were lying closed for the last one to 5 years due to lack of working capital, shortages of raw material and for want of marketing facilities though it was stated (July 1980) by the General Managers, District Industries Centres, Kulu, Solan and Sirmur

districts that the bottlenecks were being tackled under the new policy adopted in June 1978 by managing overall co-ordination for procurement of raw material, credit facilities and market development programme.

The General Manager, District Industries Centre, Una stated (May 1980) that meetings were being held with the financial institutions for arranging finance for nursing of sick units.

(vii) In 77 cases, the entrepreneurs either did not take possession of plots (48 cases) or having taken possession of the plots did not start any industrial activity (29 cases) whereupon the allotments were cancelled. No record of earnest money received/refunded was maintained in the Directorate of Industries and the District Industries Centres, and as such, the fact of forfeiture of earnest money received in these cases could not be verified in Audit.

(viii) It was stated (May 1980) by General Manager, District Industries Centre, Kangra that no building/shed had been constructed in Nagrota Bagwan (Kangra District). While the General Manager, District Industries Centre, Kinnaur stated (June 1980) that buildings were under construction at Reckong Peo. Thus no industrial activity had started in these two districts out of the seven districts where industrial areas had been established.

5. *Electricity and water charges*—Though civil works pertaining to the industrial area, Shamshi, Mehatpur and Electronic Complex, Solan had been completed in March 1978, March 1977 and January 1977 respectively, power connection was given by the Himachal Pradesh State Electricity Board (H.P.S.E.B.) in May 1979 (Shamshi), Mehatpur (date not available) and April 1980 (Solan) at a cost of Rs. 4.87 lakhs against the deposit of Rs. 8.14 lakhs made by the department between January 1975 and May 1977. Refund of balance (Rs. 3.27 lakhs) as also accounts of expenditure incurred were awaited from the Board (July 1980). At other places, the electrical work was stated to be in progress though civil works had been completed much earlier as detailed out in paragraph 2. No unit had so far come up in the industrial area at Reckong Peo and the estimate to provide 3 phase L.T. line and street light sent (February 1980) to the Directorate was awaiting approval (June 1980).

Rupees 3.32 lakhs were drawn by the Director of Industries in March 1977 for laying pipe line in the Electronic Complex, Solan but, out of this, Rs. 3.09 lakhs were advanced by him to the Public Works Department only in September 1979 for executing the work which was yet to be taken up (July 1980). Balance amount (Rs. 0.23 lakh) was lying unutilised (July 1980). However, water supply was being obtained by the units of the complex from the local

Municipal Committee which was stated (June 1980) by the department to be inadequate. In the case of industrial area, Reckong Peo, the work of water supply was yet to be started (July 1980).

6. *Employment generated*—According to the department, employment potential of the scheme could not be assessed while formulating the scheme in the absence of the type and size of industrial units likely to come up in the proposed industrial areas to be established. In 75 existing units in production in seven industrial areas (out of 9), employment had been given to 915 persons.

7. *Arrears of premium/rent and other charges*—(a) As on 31st March 1980, Rs. 13.88 lakhs (premium/rent : Rs. 7.17 lakhs and interest : Rs. 6.71 lakhs) were awaiting recovery in respect of the plots/sheds allotted in different areas. An analysis of the arrears revealed that :—

(i) Prior to September 1977, the rates of premium for plots allotted to the entrepreneurs were fixed provisionally at Rs. 12.50 per square metre. These rates were revised to Rs. 10.00 per square metre by the Government in September 1977 effective from 24th August 1977. These rates were not applicable to the allottees who did not take any action to start industries within 3 months of the issue of orders as above. In industrial area, Paonta Sahib, however, the benefit of the revised rates was given to three units which had not taken any concrete steps to start industries even till July 1980 resulting in short recovery of Rs. 0.26 lakh.

(ii) Rupees 2.81 lakhs were recoverable towards premium and rent from 22 allottees who had since closed/vacated their units either without making any payment or after making part payment.

(iii) In 19 other cases the occupants had not paid any rent and a total amount of Rs. 2.64 lakhs was due from them since occupation of the plots/sheds by them.

(iv) Rupees 0.64 lakh were recoverable from 9 more allottees who had not executed lease deeds.

(b) The above figures of outstanding did not include the following :—

Amount due for recovery (Rupees in lakhs)	Number of units/cases	Nature of recovery	Period for which due	Remarks
3.26	59	Penal interest	N/A.	Penal interest (9 per cent) was recoverable in the event of any default on the part of allottees in the payment of price of land or the interest due until the outstanding arrears were fully cleared. Except Bilaspur, in none of other industrial areas the penal interest had either been levied or realised. The department attributed (June 1980) the lapse to non-inclusion of the provision in the allotment letter and in the agreement deeds.
0.18	3	Interest	N/A.	The interest recoverable from Government department/undertaking to whom sheds were allotted in Mehatpur had not been levied/realised.

8. *Other point of interest*—Compensation amounting to Rs. 0.90 lakh was paid for trees and property standing on the land acquired between September 1973 and 1975 for industrial areas. Information regarding accountal or disposal of the trees/property acquired was not furnished to Audit. General Managers, District Industries Centres, Kulu and Solan, however, stated (June 1980) that the value of the property acquired would be recovered from the allottees.

9. *Evaluation of the scheme*—No evaluation of the working of the scheme with a view to assessing the impact of the scheme on the development of industrial activities and generating employment opportunities and taking remedial measures where necessary, had been undertaken by the department (July 1980).

10. *Summing up*—(i) Industrial areas were developed only in 7 districts out of 12 districts of the Pradesh. No industrial unit was established in 2 out of the 7 districts.

(ii) Out of 485 plots, 70 plots were earmarked for construction of sheds/District Industries Centres buildings/Test and Development Centre. 313 plots were allotted out of which only 256 plots were occupied for establishment of 180 factory buildings. The buildings had been constructed in 82 cases only and 32 buildings were in progress. In 66 cases, no industrial activity was started. Further, only 60 units went into production of which 10 units were lying closed.

(iii) Against 65 sheds constructed, only 56 sheds had been allotted, of which only 49 sheds were in occupation. Production started in 39 sheds and 4 sheds were being used for non-production purpose. In 6 cases, no industrial activity was started.

(iv) While an expenditure of Rs. 2,10.23 lakhs had been incurred on the scheme upto 31st March 1980, employment had been provided to 915 persons only in 75 existing units.

(v) There were arrears of Rs. 13.88 lakhs on account of premium/rent of plots/sheds allotted.

(vi) No evaluation of the working of the scheme had been undertaken by the department.

The above points were referred to the Government in August 1980 ; reply is awaited (December 1980).

## DEPARTMENT OF LABOUR, EMPLOYMENT AND TRAINING

### 3-6 Craftsmen Training Scheme

1. *Introductory*—A scheme for training of craftsmen was undertaken in the State in 1951, mainly (a) to ensure a steady flow of skilled workers in different trades for industry, (b) to raise the quality and quantity of industrial production by systematic training of workers and (c) to reduce unemployment among the educated youth by equipping them for suitable industrial employment. Under the scheme, training in vocational trades is imparted through Industrial Training Institutes (ITIs). This was a centrally sponsored scheme till 1968-69, with Government of India meeting 60 per cent of the cost ; from 1969-70, it is being implemented as a State scheme, the assistance from Government of India being released in the shape of block grants. The expenditure incurred on the scheme during the five years ending with March 1980 was Rs. 2,14.34 lakhs.

Important points noticed during test-check (May/June 1980) of the records in the Directorate of Labour, Employment and Training and in six of the seven ITIs (Simla, Shamshi, Nahan, Shahpur, Solan and Mandi), are mentioned in the succeeding sub-paragraphs.

2. *Utilisation of training facilities*—All the seven ITIs functioning in the State including three institutes (Simla, Shahpur and Shamshi) transferred from Punjab on re-organisation of the State (November 1966), were set up between 1954 and 1964. These institutes have an yearly intake capacity of 1864 candidates. During the period between 1975-76 and 1979-80, 4180 candidates were trained in the six institutes with an annual capacity of 1632 candidates which were covered by the test-check.

3. *Drop-outs*—The number of trainees who left the training courses during the years 1975-76 to 1979-80 in the six ITIs whose records were test-checked is given below :—

Academic year	Number of trainees on rolls	Number of drop-outs	Percentage of drop-outs to number on rolls
1975-76	1280	193	15
1976-77	1199	165	14
1977-78	1153	239	21
1978-79	1196	210	17
1979-80	1197	216	18

The number of drop-outs was quite heavy in the trade of Sheet Metal (36.47 per cent), Upholstery (34.78 per cent), Radio and T.V. (28.44 per cent) and Carpentry (27.45 per cent).

The Principals of the ITIs stated (May/June 1980) that the dropping out was due to (i) personal financial difficulties of the trainees (ii) lack of aptitude for technical lines and (iii) some of the trainees either going for higher education or taking up regular employment.

As per procedure prescribed by the Director General Employment and Training, the candidates seeking admission in ITIs in various trades are required to take a written aptitude test before they are selected for such admission. In actual practice, however, selection was based on their performance in the interview only.

4. *Utilisation of successful trainees*—(i) The Training Manual of the department contemplates maintenance of record cards in respect of ex-trainees to indicate the number of passed out trainees who had been able to secure employment. If the persons failed to secure employment, the record cards were to show their whereabouts. Record cards were only partially complete in 5 institutes and did not indicate the whereabouts of the unemployed trainees. Reply cards sent to ex-trainees at varied intervals were reportedly replied to



in a few cases only. In one ITI, such cards were not maintained. In the absence of follow up records, the impact of the scheme on employment among the educated youth could not be assessed directly.

(ii) The position of unemployment among ITI certificate holders at the end of each of the last five calendar years, as reflected in the Live Registers of Employment Exchanges of the State was as indicated below :—

Year	Number of certificate holders as per Employment Exchanges
1975	1906
1976	2924
1977	3604
1978	4334
1979	3951

It would be seen that there was a progressive increase in the number of unemployed certificate holders from 1975 to 1978 with a marginal decline during 1979.

(iii) The seat strength of the 7 institutes was 1860 in 1975 and it remained constant at 1864 from 1976 onwards. No analysis of the number of unemployed certificate holders was made to determine whether particular trades had no or poor employment potential and adjust the training capacity for these trades accordingly (May-June 1980).

5. *Raw materials*—According to the norms prescribed (1963) by the Government of India, each training institute was to be provided funds at the rate of Rs. 19 per month per trainee in the case of engineering trades and Rs. 15 per month in the case of others to cover the cost of raw materials, consumable stores etc., required by the trainees during the course of their training. In four of the six institutes whose records were test-checked, funds provided for this purpose fell short of the prescribed norms as indicated below :—

Name of the Institute	Budget provision required to be made during 1975-76 to 1979-80 as per norms prescribed in 1963	Budget provision actually made
	(Rupees in lakhs)	
Simla	3.46	3.13
Shamshi	2.77	1.85
Nahan	2.24	2.02
Solan	3.12	2.24
<b>Total</b>	<b>11.59</b>	<b>9.24</b>

The National Council for Training in Vocational Trades had recommended (August 1974) enhancement of the norms for raw materials (fixed in 1963) to Rs. 25 and Rs. 20 for engineering and non-engineering trades respectively. The Director of Employment and Training, Himachal Pradesh stated that the matter for enhancement of norms for raw material had been referred to the State Government in December 1978, but its decision was awaited (September 1980). The Principals of the ITIs stated (May/June 1980) that inadequate provision of raw material had affected the quality of training.

The Government stated (December 1980) that due to financial restraints the recommendations of National Council for Training in Vocational Trades were not considered and that these recommendations were yet to be accepted by the neighbouring Governments of Punjab and Haryana.

### 6. Machinery and Equipment

(a) *Inadequate equipment and machinery*—Data compiled (1979) in the Directorate of Employment and Training showed that compared to the standard prescribed by the Government of India, 425 items of major equipment/machinery (affecting 18 trades) costing Rs. 26.97 lakhs were deficient in all the institutes in the State. The Principals of the ITIs stated (May/June 1980) that deficiency of equipment was affecting the quality of the training.

The Director, Labour, Employment and Training took up this issue with the Secretary, Labour and Employment, Himachal Pradesh Government in January 1979 requesting the Government for allotment of Rs. 3 lakhs annually to each ITI for the purchase of machinery/equipment. The Government had, however, not conveyed its acceptance to this proposal so far (September 1980).

(b) *Outmoded and worn-out machinery*—The Principals of the institutes stated (May/June 1980) that most of the machines/equipment in use by the institutes had become obsolete or worn-out due to normal wear and tear and some of the machines had been rendered unserviceable due to non-availability of spares. Exact position regarding obsolete/worn-out machinery had not been worked out nor had steps been taken to replace such machinery.

The Government stated (December 1980) that keeping in view the financial position, about Rs. 2.00 lakhs are provided every year to each of the ITIs for procurement of deficit items of tools/machinery and for replacement of the outdated/obsolete machinery.

(c) *Idle/surplus machinery and equipment*—1138 items of machinery worth Rs. 0.62 lakh had been lying either unutilised (498 items : Rs. 0.14 lakh) or surplus due to closure of the trades (640 items: Rs. 0.48 lakh) in the six institutes from 1957—1973 onwards. The department had not taken any action

(May/June 1980) either to utilise surplus machines in other needy institutions or to dispose them of, if surplus, to the requirement of the department.

(d) *Non-utilisation of foreign aided machine*—Under the United States Foreign Aid Programme, a lathe machine was received in July 1965 by ITI, Solan. Deficiency in accessories required for this lathe machine were first noticed in February 1969 before it could be put to use but this was brought to the notice of the Director, Employment and Training only in April 1977. No action to procure necessary accessories had been taken so far (June 1980).

(e) *Defective machines*—Supply of nine lathe machines (Kaiser K—1000) was ordered (January 1968) by ITI, Nahari on a firm on rate contract with Director General, Supplies and Disposals. Six machines (value: Rs. 0.62 lakh), supplied by the firm (March-May 1968) were found sub-standard and defective. The firm was accordingly asked (September 1968) to suspend the supply and the matter was reported to Director General, Supplies and Disposals. The firm, however, despatched (November 1968) remaining 3 machines (value: Rs. 0.38 lakh) which were also defective. The Director General, Supplies and Disposals advised the department (June 1970) to get the machines repaired from a private firm as the ownership of the supplier firm as also the line of manufacture had changed. The machines could be repaired only during February 1977, and till then all machines except one remained unutilised.

A similar defective machine (value : Rs. 0.13 lakh) was received (March 1969) from the same firm by the ITI Shahpur. For similar reasons, the Director General, Supplies and Disposals advised the department to get it repaired from a private firm. The firms contacted expressed their inability to rectify the defects and the machine was lying unutilised (May 1980).

7. *Construction of a motor mechanic shed*—Construction of a motor mechanic shed (estimated cost:Rs. 1.08 lakhs) in ITI Shahpur, taken up in 1972 through Public Works Department was incomplete (May 1980) though an expenditure of Rs. 1.72 lakhs had already been incurred till March 1980. Piecemeal and insufficient allotment of funds were stated to be the reasons for delay.

8. *Other topics of interest*—(a) *Under-utilisation of hostel accommodation*—Hostels attached to ITIs, Mandi (constructed in 1972) and Shahpur (constructed in 1963) had a capacity to accommodate 150 and 125 trainees respectively. During the five years ending March 1980, the accommodation could be utilised only by 45 to 55 trainees (30 to 37 per cent) in Mandi and 50 to 64 trainees (40 to 53 per cent) in Shahpur. The department had not taken steps (May 1980) to utilise the surplus accommodation for some other purpose or allot it to some other department in need of accommodation.

(b) *Appointment of instructors not fully trained*—As per Training Manual, one year's post recruitment training in the Central Training Institute has been prescribed for a directly recruited instructor, in addition to his possessing a national trade certificate. It was noticed that in six institutes, 31 out of 125 instructors had not undergone training in the Central Training Institute.

The Government stated (December 1980) that taking into account the availability of funds and considering that the absence of a particular instructor does not affect the training work at the ITI, 2 to 3 instructors are deputed every year for training in the Central Training Institute.

(c) *Evaluation study*—No departmental evaluation of actual working of the scheme had been carried out (September 1980) with a view to ascertaining whether objectives regarding increase in production and reduction in unemployment of educated youth etc., for which the Institutes were set up had been fulfilled.

The Director of Employment and Training stated (January 1981) that no study for the introduction of new trades had so far been made.

9. *Summing up*—(i) The Craftsmen Training Scheme was launched to ensure steady flow of skilled workers for the industry in order to increase production and to reduce unemployment among the educated youth by training them for suitable industrial employment.

No departmental evaluation of the functioning of the scheme to find out its impact on absorption of the unemployed educated youths and on production had been carried out.

(ii) During 1975-76 to 1979-80, 1023 trainees left the six institutes test-checked without completing the course. The number of drop-outs was quite heavy in the trade of Sheet Metal (36.47 per cent), Upholstery (34.78 per cent), Radio and T.V. (28.44 per cent) and Carpentry (27.45 per cent).

(iii) All the seven institutes are having outmoded and worn-out equipment and machinery. Further, on the basis of prescribed standards, these institutes were short of 425 major items of machinery valued at Rs. 26.97 lakhs.

(iv) Budget provisions (Rs. 9.24 lakhs) of four institutes during the five years ending 31st March 1980 for raw materials, were far below the requirement (Rs. 11.59 lakhs) as per the norms prescribed by the Government of India in 1963. Inadequate equipment and raw materials were reported to have affected the quality of training imparted in the ITIs.

(v) A large number of ITI certificate holders could not be absorbed in trades for which they were trained.

## DEPARTMENT OF HEALTH AND FAMILY WELFARE

### 3.7 Loss of Government money

Financial rules, *inter alia*, require that all monetary transactions should be recorded in the cash book on occurrence. The head of office should attest the entries in the cash book on the strength of challans for receipts and vouchers for payments, verify the totals of the cash book, or have this done by some responsible subordinate other than the writer of the cash book and verify the cash balance at the end of each month. Reconciliation of amount drawn from and deposited into the treasury should also be done every month.

Test-check (January-April 1980) of the accounts of Snowdon Hospital, Simla revealed the following cases of deviation from the above rules:—

- (i) Rupees 0.33 lakh were deposited in the treasury by cashier of the hospital on 27th December 1978 and 5th January 1979. But, the corresponding entries in the cash book were not attested by the Drawing and Disbursing Officer. Taking advantage of this, the cashier made fresh entries in the cash book on 6th and 30th January 1979 showing same amount as having been deposited again in the treasury on the latter dates and embezzled an amount of Rs. 0.33 lakh;
- (ii) Rupees 0.23 lakh were shown as paid to suppliers/contractor between November 1978 and January 1979 even though no payment was actually made and the concerned parties demanded payments again subsequently;
- (iii) Sub vouchers/actual payees' receipts for Rs. 0.11 lakh were not produced to Audit. Out of this, payment of Rs. 0.07 lakh purported to have been made to a contractor was disowned by the latter in December 1979;
- (iv) Rupees 0.12 lakh drawn from the treasury between August 1977 and December 1978 were not entered in the cash book at all; and
- (v) In Leprosy Department, cash book from 1st November 1977 onwards was written up only in April 1979. Rupees 0.02 lakh was found short and the certificate of shortage was recorded in the cash book on 12th December 1979. The shortage was not detected earlier as the cash book was not written up regularly.

The matter was reported to the Government in May 1980; reply is awaited (December 1980).

### 3.8 Irregular purchase

Chief Medical Officers are empowered to make purchases of any one item upto Rs. 1,000 at a time and all purchases exceeding Rs. 1,000 have to be effected with proper sanction, either on rate contract or by inviting open tenders to avail of the benefit of competitive rates. In Nahan District, it was observed (January 1980) that purchases aggregating Rs. 0.31 lakh (bed sheets : Rs. 0.25 lakh, pillow covers : Rs. 0.06 lakh) had been made during March 1979 by splitting up the purchases within Rs. 1,000 each and without inviting tenders.

The matter was reported to the Government in July 1980 ; reply is awaited (December 1980).

## DEPARTMENT OF RURAL INTEGRATED DEVELOPMENT

### 3.9 Non-recovery of cost of material

Under the rules, for execution of development works, material required for bonafide consumption can be issued by the department as per terms and conditions of agreements. The recovery of cost of such material has to be made from the next bill or on actual consumption basis through running account bills, total cost being recoverable before payment of final claims.

Test-check (February 1980) of the accounts of Block Development Officer, Sangrah (Sirmur District) revealed that cost of materials like cement, G.I. pipes etc., valuing Rs. 0.59 lakh issued to 23 contractors (earliest issue was in March 1972) for use on water supply/irrigation schemes, etc., remained unrecovered though final claims in respect of 20 contractors had been paid. The remaining three contractors to whom material valuing Rs. 0.18 lakh was issued (April 1972) did not submit (February 1980) any claim. The value of work, if any, executed by them was, therefore, not known.

The matter was reported to the Government in July-August 1980 ; reply is awaited (December 1980).

### 3.10 Schemes not functioning for want of maintenance and repairs

Under the Community Development Programme, Community Development Schemes after completion by the blocks are handed over to the Panchayats for their maintenance.

During test-check (February 1980) of the accounts of Block Development Officer, Seraj (Mandi District), it was noticed that 28 water supply schemes and one irrigation scheme constructed and commissioned between April 1964 and October 1974 at a cost of Rs. 2.40 lakhs (Government share : Rs. 2.00 lakhs ; public share : Rs. 0.40 lakh) and Rs. 0.06 lakh (Government share : Rs. 0.05 lakh ; public share : Rs. 0.01 lakh) respectively were not functioning for want

of repairs/maintenance by the Panchayats from 1974-75 (1 scheme), 1975-76 (3 schemes), 1976-77 (6 schemes), 1977-78 (6 schemes), 1978-79 (12 schemes) and 1979-80 (1 scheme).

The matter was reported to the Government in May 1980 ; reply is awaited (December 1980).

### 3.11 Idle equipment

Equipment valued at Rs. 4.14 lakhs purchased by the following departments had not been put to use after their purchase for reasons and to the extent as indicated against each :—

Department/ office	Particulars of equipment	Cost (Rupees in lakhs)	Since when idle	Remarks
<b>Health and Family Welfare</b>				
1. Chief Medical Officer, Kulu (Rural Health Centre, Anti)	X-ray plant	1.07	November 1979	The Chief Medical Officer, Kulu stated (June 1980) that the plant bought in November 1979 and installed (December 1979) could not be utilised due to non-fitting of internal electric wiring and three phase electric connection for which the Himachal Pradesh State Electricity Board had been approached.
2. Chief Medical Officer, Kulu (Primary Health Centre, Banjar)	Do	0.95	During January 1978 to October 1978	The Chief Medical Officer, Kulu stated (August 1980) that the X-ray plant installed in November 1978 was being operated by the dispenser who had been given 7 days practical training against required training of one year for this job. He also stated that it was not safe to allow handling of the machine by such partially trained staff.
3. Principal, Medical College, Simla	Medical Spectrometer	0.81	January 1976	Government stated (October 1980) that (a) the actual working of the equipment could be known when it was put to use on receipt of isotope, (b) that a person had received training for its handling, (c) that it was provisionally installed in the surgery department of the Medical College and (d) that it would be shifted to a building in which a cobalt therapy unit would be set up after the building was ready.

4. Chief Medical Officer, Simla (Rural Hospital, Nankhari)	X-ray plant	0.36	February 1976	The Chief Medical Officer, Simla stated (July 1980) that the plant purchased in February 1976 and installed in May 1977 could not be utilised due to non-posting of Radiographer and non-availability of three phase electric connection. He further stated that the Director, Health Services was requested in April 1979 for the posting of a Radiographer and that Himachal Pradesh State Electricity Board was requested (July 1980) for three phase line.
--	-------------	------	---------------	--

5. Snowdon Hospital, Simla	Hot and cold water sterilizer	0.12	July 1971	The Government stated (August 1980) that the item was purchased in the expectation of availability of suitable accommodation which was, however, not available. New building had now been handed over by the Public Works Department (January 1980) and the machine would be installed in due course.
----------------------------	-------------------------------	------	-----------	---

#### Language and Cultural Affairs

6. Director, Languages (Art and Culture)	(i) Micro-film camera (ii) Micro-film reader	0.39	September 1976	These articles purchased by the department for use by the Folk Lore Commission remained unused due to shortage of accommodation/non-availability of technical staff and were subsequently transferred (January/February 1979) to Himachal State Museum where these were lying unutilised (March 1980) due to non-posting of an operator.
		0.11	March 1975	

The Government stated (August 1980) that one District Language Officer deputed for training for one year in operating the equipment would be completing it by October 1980 and that the apparatus would be utilised thereafter.



### Horticulture

7. District Horticulture Officer, Kinnaur	Water filtration and treatment plant	0.33	November 1978	The Government stated (September 1980) that administrative approval/expenditure sanction for the foundation platform for the erection of water filtration plant had been accorded (December 1979) but the work had not yet been taken up (September 1980) by the Public Works Department.
---	--------------------------------------	------	---------------	---

These cases were referred to the Government between December 1979 and June 1980; replies are awaited (December 1980) in respect of the cases at serial numbers 1, 2 and 4.

### 3.12 Misappropriations, defalcations, etc.

The position of cases of alleged misappropriations, defalcations etc., of Government money, reported to Audit upto the end of March 1980, final action on which was pending till the end of September 1980, was as follows :—

	Number of cases	Amount (Rupees in lakhs)
Cases reported upto 31st March 1979 and outstanding on 30th September 1979	120	73.24
Cases reported during 1979-80	5	0.86
Total	125	74.10
Cases disposed of till September 1980	5	0.37
Cases outstanding on 30th September 1980	120	73.73

Of these, 81 cases involving Rs. 51.58 lakhs pertained to the Public Works Department and 10 cases involving Rs. 16.35 lakhs to the Forest Department.

It would be seen from Appendix VI showing department-wise and year-wise analysis of outstanding cases that 93 cases (amount : Rs. 50.04 lakhs) were pending since 1976-77 or earlier years. Appendix VII indicates the stage at which 120 cases outstanding at the end of September 1980 were pending.

## CHAPTER IV

### WORKS EXPENDITURE

#### PUBLIC WORKS DEPARTMENT

##### 4.1 Food for Work Programme

1. *Introductory*—Food for Work Programme was introduced (April 1977) by the Government of India as a non-plan scheme to augment the resources of State Governments for maintenance of public works on which large investments had been made. The scheme was subsequently liberalised (December 1977) to include all ongoing plan/non-plan works and new items of public and community works. The basic objectives of the scheme were :—

- (i) to generate additional gainful employment for large number of unemployed and under-employed persons in the rural areas which would improve their income and consequently their nutritional levels ;
- (ii) to create durable community assets and strengthen rural infrastructure which would result in higher production and better living standard in the rural areas ; and
- (iii) to utilise surplus foodgrains for development of human resource.

Under the scheme, State Governments were supplied foodgrains free of cost to be utilised for paying entire or a part of the wages of labour employed on specified types of works. However, they had to show clearly that expenditure on existing plan and non-plan schemes, new items of capital works and the maintenance of works etc., had been augmented to the extent of the amount of additional resources made available to them in the shape of foodgrains under the scheme calculated at prescribed rates.

In Himachal Pradesh, this programme was started from December 1977 through Public Works Department and from 1979-80 Forest, Agriculture and Rural Integrated Development departments were also associated with its implementation.

2. *Organisation*—The Agriculture Production Commissioner (nodal department) was made responsible for planning, implementation, monitoring and co-ordination of the programme through State Level Steering Committee. He was to furnish reports/returns to the Government of India after collecting the information from implementing departments.

3. *Allocation/release/utilisation of foodgrains*—Position of foodgrains allocated, received/utilised by the State as a whole during 1977-78 to 1979-80 was as under :—

Year	Quantity allocated	Quantity actually received by the State	Quantity actually utilised by the State
	(In metric tonnes)		
1977-78	940	569.33	301.79
1978-79	1,500	1,398.51	1,434.04
1979-80	29,500*	29,161.59	29,355.37
Total	31,940	31,129.43	31,091.20

\*Of 29,500 metric tonnes of foodgrains allotted in 1979-80, 22,500 metric tonnes of foodgrains were allotted under Special Food for Work Programme.

4. The Public Works Department was allotted 22,349.41 metric tonnes during the three years 1977-78 (569.33 metric tonnes), 1978-79 (1,398.51 metric tonnes) and 1979-80 (20,381.57 metric tonnes) out of 31,129.43 metric tonnes received by the State. Points noticed during test-check (September 1979—June 1980) of the records of 16 Public Works divisions out of 60 Public Works divisions implementing this programme are mentioned in the paragraphs that follow.

5. *Accounting*—Under the procedure prescribed (October 1979) by the Government of India which had retrospective effect from 1st April 1978, Food Corporation of India supplying foodgrains and the executing agencies of the programme were to send a monthly report to the nodal department of the quantity supplied, received and utilised at the close of each month. Based on these reports, the nodal department was to send department-wise account by 10th of the succeeding month to the Audit Office for incorporation in State Government's Accounts. No such account was rendered (September 1980) by the nodal department to Audit Office, due to non-receipt of information by former from their subordinate offices.

6. *Monitoring of the programme and selection of works*—Steering Committees were formed at State Level (September 1978) as well as district levels (March 1979) but these were not associated with the planning, selection and execution of works contrary to the guidelines issued by the Government of India. In Public Works Department, works to be undertaken

under this programme were not selected at State Level in advance nor were the details of works already undertaken under the programme available with the Chief Engineer. There was thus no co-ordination between the Steering Committees and the executing departments in the selection, execution and monitoring of works under this programme. In the Public Works Department, the foodgrains released under this programme were utilised only on ongoing plan and non-plan works and on a few works without budget provision. No attempts were made to develop an inventory of projects to be executed under this programme which could meet not only the local needs but also fit in with the overall national priorities. The department stated (October 1980) that in the initial stages the scheme was implemented wherever labour was willing to accept foodgrains as wages.

With a view to having an idea of the works executed under the programme and for determining the quantity of foodgrains to be released, the Government of India had prescribed (October 1978) submission to them, in the prescribed proforma (Annexure II), at the beginning of every year, information regarding the name of the project/scheme, its location, estimated cost (separately in respect of cash and wheat component), the time likely to be taken for completion and additional employment generation expected. The department, however, informed (July 1980) that the schemes on which grains aid under the programme was utilised were not selected in advance and reported to the Government of India.

7. *Additionality*—In accordance with the orders of the Government of India, the State Governments were to show clearly that expenditure on works covered by programme had been augmented to the extent of the amount of additional resources provided to them in the shape of foodgrains and calculated at the rates fixed from time to time and where the total expenditure on such works fell short or was only equal to the provision originally made in the State Budget, the value of foodgrains utilised against those works was recoverable by the Central Government from the State Governments. Further, foodgrains supplied under this programme could be utilised only on works for which budgetary provision existed. Additionality of Rs. 1,32.20 lakhs and Rs. 17.92 lakhs was reported to the Government of India against 301.79 metric tonnes and 1,434.04 metric tonnes foodgrains valued at Rs. 3.77 lakhs and Rs. 17.92 lakhs utilised exclusively by the Public Works Department during 1977-78 and 1978-79 respectively. Figures for 1979-80 were not available with the department/State Government. The above figures of additionality were worked out by the department by simply subtracting the budget provision from actual expenditure under relevant heads of account without any reference to the additional outlay on works earmarked for execution under the programme as required to be intimated to the Government of India. This

explains how additionality of Rs. 1,32.20 lakhs was claimed to have been created during 1977-78 by utilisation of foodgrains valued at Rs. 3.77 lakhs only. Similarly additionality for the year 1978-79 was claimed exactly to the extent of the value of foodgrains utilised without relating it to the additional outlay on selected works/schemes.

It was also noticed during the test-check of 16 divisions that 1,162.57 metric tonnes of foodgrains worth Rs. 15.69 lakhs were utilised during the years 1977-78 to 1979-80 by 14 divisions on 125 works where expenditure was less than the budget provision and 787.38 metric tonnes foodgrains worth Rs. 9.89 lakhs on 31 works without any budget provision by 7 divisions. Thus Rs. 25.58 lakhs were refundable by the State Government to the Central Government. The position of other divisions whose records were not test-checked was not known.

8. *Generation of additional gainful employment leading to additionality in project size and asset creation*—No targets regarding the generation of gainful additional employment and creation of durable community assets were fixed by the State Government. Additional employment of 34.95 lakhs man-days was claimed to have been generated upto March 1980, in the Public Works Department (1977-78 : 0.70 lakh, 1978-79 : 2.72 lakhs and 1979-80 : 31.53 lakhs). Division-wise and work-wise figures of additional employment generated were not available in the Chief Engineer's office. The divisions intimated these figures (without work-wise details) to the Circle offices which, after consolidation, furnished the consolidated figures to the Chief Engineer's office. It was noticed that in none of the 16 divisions test-checked, the register prescribed to keep daily record of the persons employed against the foodgrains issued under this programme had been maintained. The figures of additional employment generated intimated by the divisions to Circle office were based on the number of persons to whom foodgrains were issued as indicated in the muster rolls and not on actual additionality in relation to the budget provision for concerned schemes/works. The work-wise details of additional employment generated were not maintained even in the divisions. Physical achievement regarding creation of additional assets from works undertaken utilising the foodgrains given free of cost by Government of India under the programme could not also be checked in the absence of details of specific works undertaken by the department under this programme.

9. *Issue of foodgrains beyond scope of programme*—(i) 54.43 metric tonnes foodgrains worth Rs. 0.66 lakh were issued to work-charged staff defeating the main objective of the programme of generating additional employment.

(ii) 183.15 metric tonnes foodgrains worth Rs. 2.22 lakhs were utilised on construction of National Highways, residential/official buildings, roads in the

urban areas and running/maintenance of machinery/workshop though these items did not fall within the ambit of this programme as per Government of India's instructions (March 1977).

10. *Issue of foodgrains at a rate lower than the prescribed rate*—Government of India decided (May 1979) that distribution of foodgrains at a rate lower than the prescribed rate should be stopped. 596.29 metric tonnes of foodgrains were distributed between June 1979 and January 1980 at rates of Rs. 1,000 per metric tonne (48.269 metric tonnes) and Rs. 1,100 per metric tonne (548.025 metric tonnes) against Rs. 1,200 per metric tonne resulting in a loss of Rs. 0.64 lakh.

11. Government of India had instructed (March 1979) that foodgrains issued to a skilled worker should, in no circumstances, exceed, in value, the minimum wage prescribed for an un-skilled worker. In 12 divisions this ceiling was not observed with the result that foodgrains worth Rs. 0.13 lakh were issued in excess.

12. *Improper maintenance of stock registers*—Stock registers had not been maintained in the form prescribed by the Government of India, by any of the divisions whose records were test-checked and the required monthly physical verification of stock had also not been done in any of these divisions.

13. *Shortages/Non-accountal*—158.63 metric tonnes of foodgrains worth Rs. 2.06 lakhs were short accounted/not accounted for in 6 divisions.

Reasons for irregularities/shortcomings mentioned in paras 9 to 13 above were awaited in Audit (December 1980).

14. *Issue of foodgrains through contractors*—24.71 metric tonnes of foodgrains worth Rs. 0.31 lakh were issued through contractors during 1979-80 in 3 Public Works divisions though the Government of India had prohibited (March 1979) its distribution through contractors. Moreover, it was issued at a rate lower than rate prescribed during that period resulting in short realisation of Rs. 0.04 lakh.

15. *Non-accountal of empty gunny bags*—72,186 gunny bags valuing Rs. 1.44 lakhs (on the basis of minimum value of Rs. 2 per bag) left after issue of foodgrains were not taken on the stock of the divisions whose records were test-checked.

16. *Evaluation study*—Evaluation of the programme (either departmentally or through the executing agency) had not been got done by the State Government (July 1980).

17. *Special food for work programme*—This programme was launched (October 1979) by the Government of India for generating additional gainful employment in draught affected areas. Guidelines prescribed for the (normal) food for work programme applied to this programme as well with the stipulation that separate records of receipt and distribution of foodgrains should be maintained. 22,161.60 metric tonnes foodgrains were received during 1979-80 under this programme but no separate records in respect of this programme were maintained by the divisions whose records were test-checked.

18. *Summing up*—(i) There was no proper planning for the selection of works. Foodgrains were utilised on the ongoing works on the basis of foodgrains available. The reports regarding schemes/works selected for execution under this programme as prescribed by the Government of India were not sent to the latter at all.

(ii) Steering Committees formed at State as well as district levels, were not associated with the planning, selection, execution and monitoring of works.

(iii) The figures of additionality were arrived at by subtracting the total budget provision from actual expenditure under relevant heads of account without any reference to the outlay on the works/schemes earmarked for execution under the programme. Additionality of Rs. 1,32.20 lakhs was reported to have been created during 1977-78 by foodgrains valued at Rs. 3.77 lakhs only while during 1978-79 additionality of Rs. 17.92 lakhs only was stated to have been created by foodgrains valued at Rs. 17.92 lakhs.

(iv) 1,162.57 metric tonnes foodgrains valued at Rs. 15.69 lakhs were utilised by 14 divisions on 125 works where expenditure remained less than the budget provision and 787.38 metric tonnes foodgrains valuing Rs. 9.89 lakhs utilised on 31 works without any budget provision by seven divisions.

(v) The divisions did not maintain the daily record of the persons employed against foodgrains under this programme and the figures of additional employment generated were based on the foodgrains utilised without any reference to additional persons actually employed.

(vi) 237.58 metric tonnes foodgrains valuing Rs. 2.88 lakhs were utilised by the 14 out of 16 divisions test-checked on works which were outside the scope of the programme.

(vii) 596.29 metric tonnes foodgrains were distributed at a rate lower than the prescribed rates, resulting in loss of Rs. 0.64 lakh.

(viii) Rupees 0.13 lakh were paid to skilled workers in excess of the minimum wages prescribed for un-skilled workers.

(ix) 24.71 metric tonnes foodgrains were distributed through contractors in 1979-80 though distribution through contractor had been stopped in March 1979.

(x) Foodgrains valued at Rs. 2.06 lakhs (158.63 metric tonnes) were either short accounted for or not accounted for in 6 divisions.

(xi) Monthly physical verification of stock of foodgrains had not been done by any of 16 divisions.

(xii) 72,186 gunny bags (value : Rs. 1.44 lakhs approximate) had not been accounted for by the 16 divisions.

(xiii) The accounts of foodgrains supplied/received/utilised at the close of the month were not sent by the nodal department to the Audit Office till October 1980 though required to be sent by 10th of the succeeding month.

(xiv) Separate record of the foodgrains received under special food for work programme during 1979-80 had not been maintained by the divisions.

(xv) Evaluation of the programme had not been carried out so far.

The above points, which show that the scheme has not been implemented strictly in accordance with the guidelines given by the Government of India, were referred to the Government in August 1980; reply is awaited (December 1980).

#### 4.2 Giri Irrigation Project

1. The Giri Irrigation project is intended to provide irrigation facilities for 13,000 acres of irrigable land in the command area of Bata river in Paonta Valley (Sirmur District) by utilising the tail race water of the Giri Hydel project (completed by Himachal Pradesh State Electricity Board in April 1978). Work on the irrigation project was taken up in October 1974 by the Public Works Department and is still in progress. The project which was scheduled to be completed by October 1977 is now expected to be completed by August 1981. The distribution system for providing irrigation facility to an area of 13,000 acres consists of 18 distributories and 30 outlets. Work on 7 distributories and 11 outlets only has been completed, while work on one distributory was in progress. Execution of the remaining distributories/outlets with a command area of 7600 acres has not been taken up yet (May 1980) and as a result, the tail race water of the hydel portion of this project completed in April 1978 could not be utilised so far (October 1980) as planned.



During the audit of the accounts of this project in May-June 1980 the following points were noticed :—

2. *Loss of outturn on bulldozer*—One bulldozer (D-50) purchased (January 1976) for Rs. 4.65 lakhs for the execution of the project and estimated to work for 2400 hours a year as per running and maintenance estimates, actually worked for 3418 hours from February 1976 to March 1980 and remained idle for 6582 hours. Shortfall in the utilisation of the bulldozer was attributed (May 1980) by the department to want of work, sudden break down and non-availability of spares in the market.

3. *Purchase of steel*—440.01 metric tonnes of M.S. bars valuing Rs. 17.43 lakhs were purchased by the Giri Irrigation Division, Majra between April 1978 and April 1980 from the Himachal Pradesh Agro-Industries Corporation. The Corporation charged 5 per cent profit over cost price in addition to other incidentals. Had the division purchased the steel direct from rolling mills or from their selling agents, it would have saved Rs. 0.83 lakh paid extra to the Corporation as 5 per cent profit (Rs. 0.80 lakh) and sales tax thereon (Rs. 0.03 lakh).

The Joint Plant Committee (JPC) rates for M. S. bars during this period varied from Rs. 2,529 to Rs. 2,669 per metric tonne against Rs. 3,850 to Rs. 4,610 per metric tonne paid to the Corporation. The extra expenditure incurred by the department due to purchase of steel at rates higher than the J.P.C. rates was Rs. 5.40 lakhs.

4. *Purchase of bricks and tiles*—Bricks are a controlled item and their sale price is regulated by the Deputy Commissioner of the district. However, the department procured bricks mainly from the Himachal Pradesh Housing Board Tiles Factory and to a small extent from private suppliers at rates in excess of the controlled rates which resulted in excess payment of Rs. 0.45 lakh.

Similarly, tiles required for the lining of the canal were procured from the said factory at rates in excess of the rates of private kiln owners who were supplying the same to the department resulting in extra expenditure of Rs. 0.22 lakh.

The division stated (April 1980) that purchases were made from the said factory it being a Government undertaking.

5. *Protection work to weir*—While designing the weir and the escape channel, the department and the Central Water and Power Commission did not provide for protection work in the shape of apron. As a result and due to the high velocity of water following heavy rains during July/August

1978 and February/March 1979, there were damages to the weir. The department carried out protection works by providing stone pitching and crate work during 1979-80 at a cost of Rs. 3.60 lakhs. Besides, an estimate of Rs. 3.87 lakhs for repairing the damages was submitted to the Superintending Engineer in April 1980. This work was in progress. The Executive Engineer attributed (November 1978) the damage to the velocity of water being higher than anticipated. He had also recommended provision of a suitable apron as a permanent solution, estimated cost of which was not known.

6. *Testing samples of aggregate*—Test of cement concrete mix, sand and aggregate carried out between April 1979 and May 1980 by the project authorities in their own laboratory revealed that the percentage of failure was on high side as would be evident from the following details :—

Name of the structure	Item tested	Number of tests conducted	Number of tests in which samples failed	Percentage of failure	
Bata syphon	Cement concrete mix	7 days duration	31	18	58
		28 days duration	47	27	57
Bata aqueduct	Do	7 days duration	16	15	94
		24 days duration	25	20	80
Chandpur aqueduct	Sand	14	7	50	
	Aggregate	21	12	57	
Kotri aqueduct	Sand	9	3	33	
	Aggregate	10	9	90	

The department did not take steps for rectification of defects in the erected structures or to get the works re-done. Records pertaining to tests of sand and aggregate prior to April 1980 and of cement concrete mix prior to March 1979 were not made available.

The above points were referred to the Government in August 1980 ; reply is awaited (December 1980).

### 4.3 Working of Ground Water Organisation, Una

In order to boost agricultural production and to remove the existing deficiencies in the field of collection of data and norms and procedures for hydrologic evaluation, geophysical investigations and other technical matters relating to ground water schemes, the Government of India, Ministry of Agriculture and Irrigation approved (September 1975) a centrally sponsored scheme for strengthening the ground water and surface water minor irrigation organisation in the States. For this purpose, 50 per cent matching grants were to be made available to the States for setting up additional units for investigation, planning and design in specific areas, the units being equipped with experienced and trained hands in disciplines of hydrology, agronomy and minor irrigation engineering.

In pursuance of the above decision, administrative approval was accorded (April 1978) by the Government of India, Ministry of Agriculture and Irrigation for implementation of the said scheme in Himachal Pradesh State during the year 1978-79 at a cost not exceeding Rs. 21.24 lakhs out of which State share was to be Rs. 10.62 lakhs. The period was subsequently (September 1979) extended till 1981-82 with the stipulation that the State Government would, thereafter, undertake the responsibility for continuing the technical infra-structure from its own resources. As per the administrative approval conveyed by Government of India, the organisation was to be manned, amongst others, by one Hydrologist, two Assistant Hydrologists and one Assistant Geophysicist so as to ensure smooth functioning in each discipline of the scheme. However, no specific targets were fixed at the time of approval of the scheme by the Government of India nor were any new projects added to the scheme while extending the period of implementation of the scheme.

Test-check (April 1980) of the accounts of Ground Water Organisation, Una disclosed the following :—

- (a) The organisation started functioning in August 1978, and an amount of Rs. 12.94 lakhs had been spent upto March 1980 on staff (Rs. 2.06 lakhs) and equipment etc., (Rs. 10.88 lakhs) against the approved outlay of Rs. 21.24 lakhs (staff : Rs. 1.24 lakhs, equipment : Rs. 20 lakhs).
- (b) One post of Hydrologist and two posts of Assistant Hydrologists were filled by the department by posting one Executive Engineer and two Assistant Engineers respectively while one post of Assistant Geophysicist remained vacant till April 1980. This arrangement was made by the Chief Engineer till officers of requisite qualification could be obtained, on deputation, from the Central Ground Water Board for which

State Government was requested (August 1978) to initiate action. Final outcome was not known (April 1980). With the existing staff, the organisation carried out hydrological survey of existing wells and tubewells and also conducted geophysical investigation of 104 points in the area. The data so collected by the organisation could not be interpreted by it due to non-availability of a competent geophysicist. The Director, Central Ground Water Board also did not agree to interpret the data on the ground that the data collected could be wrong.

- (c) It was also noticed that one hand operated drill purchased (October 1979) at a cost of Rs. 0.39 lakh by the organisation was lying idle (April 1980) for want of a trained operator.

Thus the main objective of the scheme on which an expenditure of Rs. 12.94 lakhs was incurred upto (March 1980) has not been achieved.

The matter was reported to the Government in August 1980 ; reply is awaited (December 1980).

#### **4.4 A bridge over the Uhl river**

Construction of a 160 feet span steel truss bridge across the river Uhl near village Tikram (Mandi District) on Ghatasani-Jhatingri-Tuin road was awarded to a contractor (September 1970) and the work was to be completed by him within 18 months thereof. In paragraph 32 (i) of the Comptroller and Auditor General's Report for 1973-74 (Civil) mention was made that the completed structure and abutment had to be demolished and reconstructed because of development of cracks leading to infructuous expenditure of Rs. 0.39 lakh.

A further test-check conducted by Audit during June 1980 disclosed the following position :—

- (i) The work which had been stopped in September 1973 was resumed by the contractor in October 1974, but the work done by him was washed away in May 1975 due to improper staging done by him in the bed of the river as stated by the Executive Engineer (July 1975). As the contractor failed to maintain good progress and could not salvage the entire quantity of steel washed away in May 1975, the contract was rescinded (July 1975) by the Executive Engineer, Mandi Division No. 1 and compensation for delay in completion of work amounting to Rs. 0.26 lakh, which was subsequently (May 1978) reduced to Rs. 0.01

lakh by the Superintending Engineer, 1st Circle, Mandi, without recording any reasons, was levied on the contractor and the remaining work was taken up departmentally at the risk and cost of the contractor.

- (ii) The remaining work was completed by the department during July 1976 and an amount of Rs. 0.83 lakh had been worked out by the Assistant Engineer, Jogindernagar Sub-division No. II as recoverable from the contractor in terms of the provisions of the agreement. The final bill of the contractor has not been finalised (June 1980) in the divisional office, because the Junior Engineer who had been in charge of work has not produced the records connected with the execution of the work though called upon to do so. No action has been initiated against the Junior Engineer or to realise the amount due from the contractor who has since expired.

The matter was reported to Government in March-August 1980; reply is awaited (December 1980).

#### 4.5 Unfruitful expenditure

In the instances mentioned below, works on which an expenditure of Rs. 3.63 lakhs was incurred between March 1970 and September 1979 had not served the intended purpose and the expenditure incurred proved, therefore, to be unfruitful.

(a) *Tissa-Kandolu-Jhajja-Koti road (Chamba District)*—The Government approved (May 1962) the survey and cutting of a 4 feet track (length: 22 miles) Tissa-Kandolu-Jhajja-Koti road at an estimated cost of Rs. 1.08 lakhs which was revised (February 1969) to Rs. 1.40 lakhs. The strategy adopted for construction of road works in the State is that, initially, four feet wide trace cutting is done throughout the alignment including difficult terrains so as to judge the feasibility of construction of a motorable road. When this is done, the track is widened to motorable (16/24') standard at the earliest, so that the benefits of the public money invested in the work could be provided to the population of the area by providing necessary means of transport and communication. Technical sanction was accorded by the Superintending Engineer, 5th Circle, Dharamsala in April 1969, for Rs. 1.34 lakhs. The work, which was taken up departmentally by Chamba Division in March 1965, was scheduled to be completed within one year. After incurring an expenditure of Rs. 1.63 lakhs by March 1970, the track was completed, except for some rocky portion.

The widening of this road from 4 feet to 16 feet in mile 0/0 to 2/4 at a cost of Rs. 4.56 lakhs was administratively approved by Government in January 1971. Test-check (November 1979) of the accounts of Churah Division;

to which the work was subsequently transferred, disclosed that as per quarterly progress report for September 1979 submitted to the Superintending Engineer, 7th Circle, Dalhousie in November 1979, the widening work of the road had not been taken up due to non-availability of funds.

The road constructed earlier could not be used due to some missing links and also for want of widening thereof to the requisite standard for plying vehicular traffic. The expenditure of Rs. 1.63 lakhs incurred on this road as early as March 1970 is yet to serve the intended purpose.

The matter was reported to the Government in March 1980; reply is awaited (December 1980).

(b) *Construction of Primary Health Centre with staff quarters at Sangrah*—Government approved (March 1961) construction of a Primary Health Centre including 2 numbers type I staff quarters at Sangrah (Sirmur District) at a cost of Rs. 1.00 lakh. The estimate for construction of the staff quarters was technically sanctioned (January 1971) for Rs. 0.20 lakh. The work was scheduled to be completed within four months.

Test-check (January 1980) of the accounts of Nahan (Buildings and Roads) Division disclosed that the work was started departmentally in January 1971 and by March 1976, masonry work upto roof level was completed and R.C.C. slab over roof laid after incurring an expenditure of Rs. 0.35 lakh. Further work was not done on the building and no recorded reasons were available (January 1980) for stoppage of the work. The work which was conceived in 1961 and was taken up in 1971 was lying incomplete and an expenditure of Rs. 0.35 lakh incurred thereon was thus rendered unfruitful.

The matter was reported to the Government in March 1980; reply is awaited (December 1980).

(c) *Additional accommodation for Government Middle School, Bakani (Chamba District)*—Government approved (September 1974) construction of additional accommodation for Government Middle School, Bakani in Chamba District at an estimated cost of Rs. 0.36 lakh. Technical sanction was accorded (December 1974) by the Superintending Engineer, 7th Circle, Dalhousie for Rs. 0.31 lakh.

Test-check (November 1979) of the accounts of Chamba (Buildings and Roads) Division disclosed that the work was taken up departmentally in February 1975 and was completed during March 1978 at a cost of Rs. 0.37 lakh. The possession of the building, however, remained to be taken (February 1980) by the Education Department despite requests from the Executive Engineer, Chamba (Buildings and Roads) Division. Reasons for the building not being taken over by the Education Department were not known.

The matter was reported to the Government in March 1980; reply is awaited (December 1980).

(d) *Construction of storage tanks, filter bed and sedimentation tank for water supply schemes*—The work “construction of storage tank for lift water supply scheme for villages Salasi, Jangla, Barsand and Gehrwin area” and “construction of storage tank, filter bed and sedimentation tank for water supply scheme for villages Barsand-wari, Pasol and Dari Bari” in Bilaspur District were initially awarded by the Executive Engineer, Bilaspur Division No. I to a contractor in January 1973 and March 1974 for Rs. 0.40 lakh and Rs. 0.32 lakh respectively. The stipulated period for completion was four months in the former case and three months each for construction of storage tank, filter bed and sedimentation tank in the second. The contractor was paid Rs. 0.61 lakh by the division for the work done upto March 1977. No extension of time was either sought by the contractor or granted by the department.

On instructions from the Chief Engineer (August 1977), the two works were transferred to Irrigation-cum-Public Health Division, Bilaspur. The incomplete works remained suspended thereafter for reasons not known, rendering an expenditure of Rs. 0.61 lakh incurred already infructuous. No action was initiated by the department against the contractor for non-completion of the works.

The matter was reported to the Chief Engineer in November 1979 and to the Government in June 1980; reply is awaited (December 1980).

(e) *Fishing Lodge at Kamand (Mandi District)*—For the development of tourist industry in Mandi District, Government approved (March 1974) construction of a Fishing Lodge in trout area at Kamand at a cost of Rs. 0.43 lakh. Due to change in specification and high cost of labour and material, the estimate of the work was revised (November 1977) to Rs. 0.56 lakh. Technical sanction to the estimate was awaited (June 1980). The work was scheduled to be completed within three months.

Test-check (June 1980) of the accounts of Mandi Division No. I revealed that the work was started departmentally during March 1975 and an expenditure of Rs. 0.67 lakh had been incurred on it upto March 1980. The building was completed in September 1976 except for electric installations, water supply and sanitary fittings. Even after completion of the residual work by September 1979, the said building was not handed over (June 1980) by the Public Works Department to the Fisheries Department due to non-removal of certain defects such as leakage in the roofs pointed out by the latter department in January 1979. Thus, the fishing lodge on which an expenditure of Rs. 0.67 lakh had been incurred, had not served the intended purpose so far (June 1980).

The matter was reported to the Government in August 1980 ; reply is awaited (December 1980).

#### 4.6 Advance payments to firms

Under the rules, payment for supplies is not permissible until the stores have been received and surveyed. The Administrative Departments/Heads of departments are empowered to make advance payments to the suppliers upto 80 per cent of the cost of stores, on production of (i) an inspection note signed by an officer of the stores, clearly indicating that the goods were sealed in his presence, in token of acceptance ; and (ii) railway receipts or goods receipts indicating that the consignment has been booked at railway risk or at the risk of approved goods carriers. The instructions issued (June 1973) by the State Finance Department further enjoin that the advance payments in such cases should be subject to the fulfilment, *inter alia*, of the following conditions :—

- (a) The advance payment is made on the basis of a valid expenditure sanction issued with the concurrence of competent authority ;
- (b) The amount of advance should not exceed Rs. 10,000 in any case ; and cases involving payment in excess of Rs. 10,000 should be referred to Finance Department for concurrence ;
- (c) Such payment should be adjusted within a period of one month from the date of drawal falling which a detailed report should be sent to the Administrative Departments ; and
- (d) A second advance should not be drawn for making advance payment to a firm/supplier unless the earlier advance, if any, made to the same firm/supplier has been adjusted.

Test-check (November 1979-March 1980) of the accounts of 10 Public Works divisions disclosed that advance payment of Rs. 14.40 lakhs, made to firms/suppliers in 274 cases between November 1947 and March 1979 on receipt of proof of despatch of material, were awaiting adjustment.

Year	Number of items	Amount of advance payment
		(Rupees in lakhs)
Upto 1975-76	137	4.17
1976-77	35	1.37
1977-78	43	4.05
1978-79	59	4.81
<b>Total</b>	<b>274</b>	<b>14.40</b>



Further details are given in Appendix VIII.

Nelther were the payments made with the concurrence of competent authority nor were cases (23) involving payments (Rs. 8.69 lakhs) in excess of Rs. 10,000 (which arose after June 1973) referred to Finance Department for concurrence, as required. In all these 274 cases, either the material had not been received or, if received, the same had not been accounted for with the result that the amounts continued to be outstanding under the suspense head "Miscellaneous Works Advances", from year to year pending adjustment/recovery. Reasons for non-adjustment of these amounts for the last several years were not on record.

The matter was reported to the Government in July 1980 ; reply is awaited (December 1980).

#### 4.7 Idle machinery

It was noticed (December 1979 and February 1980) during test-check of the accounts of two divisions that following items of the machinery were lying idle for a considerable period of time :—

Name of the division	Particulars of machinery with cost	Period when the machinery was lying idle	Remarks
Rajgarh (Buildings and Roads)	Two Air compressors (Rs. 0.85 lakh)	From July 1977 to December 1979 in one case and since July 1978 in the other case	One Air compressor which went out of order in July 1977 was brought to working order during December 1979 and the second was still awaiting repairs (February 1980). Apart from loss of working hours, expenditure of Rs. 0.47 lakh was incurred between July 1977 and January 1980 on pay and allowances of the staff employed on running and maintenance of the Air compressors and the bulldozers.
	Two bulldozers (Rs. 6.50 lakhs)	Since January 1978 and September 1978	
Solani (Buildings and Roads)	One Air Compressor (Rs. 0.40 lakh)	Since May 1978	The compressor was lying in mechanical workshop at Dharampur for want of repairs since May 1978.
	Three trucks (Rs. 1.35 lakhs)	From November 1978, March 1979 and July 1979 respectively	Three trucks were awaiting repairs in mechanical workshop at Dharampur since November 1978, March 1979 and July 1979.
	One bulldozer (Rs. 3.25 lakhs)	September 1978 to November 1979	It was commissioned in November 1979 after repairs.

The division spent Rs. 0.35 lakh (from May 1978 to November 1979) on the staff employed for running these machines without utilising their services elsewhere.

The above cases were reported to the Government in May 1980 ; replies are awaited (December 1980).

#### **4.8 Irregular payment for supplies not received**

For construction of Mukerian-Talwara-Nurpur road in kilometre 12/0 to 19/2750 in Kangra District, two contracts for supply of stone soling metal of size 40 mm to 63 mm and 20 mm to 50 mm for Rs. 1.67 lakhs and Rs. 3.41 lakhs respectively were awarded (May 1978) by the Executive Engineer, National Highway Division, Fatehpur to a contractor. According to the schedule of quantities attached to the agreements, 28610 cum of stone metal (8960 cum of size 40 mm to 63mm and 19650 cum of size 20 mm to 50 mm) were to be supplied within one year against both the contracts. As per the terms of the contracts, the measurements of the supplies were to be recorded from stone stacks at the site of works.

Test-check (March 1980) of the divisional records disclosed that entries for receipt of 4788 cum and 6165 cum of stone metal stated to have been supplied between June 1978 and September 1978 were made in the Measurement Books on the basis of number of truck load of stone supplied instead of stack measurements as required under the contract and payments of Rs. 1.05 lakhs and Rs. 1.48 lakhs released (September 1978) to the contractor. In addition, an amount of Rs. 0.08 lakh was also paid to the contractor for breaking up the stones (12000 cum) to the required sizes in one case even though this was not admissible under the contract. After receiving the payment, the contractor suspended the work. The Executive Engineer directed (October 1978) the contractor to expedite the supplies in both the cases. When the contractor did not resume the supplies despite several notices, 10 per cent compensation amounting to Rs. 0.40 lakh (Rs. 0.11 lakh and Rs. 0.29 lakh) was levied (December 1979) and both the contracts were rescinded (February 1980) by the Executive Engineer. The Executive Engineer issued orders for taking up the balance work at the contractor's risk and cost under the provisions of respective contracts. The contractor was also informed by the Executive Engineer (February 1980) that quantities actually supplied were 3999 cum and 2041 cum of stones respectively and balance quantity of 4913 cum valuing Rs. 1.16 lakhs for which he had already been paid for was not supplied by him.

The Chief Engineer, Himachal Pradesh Public Works Department, Simla appointed (February 1980) a committee comprising two Executive Engineers to investigate the causes of overpayment to the contractor. While forwarding

its report to the Chief Engineer after visiting the site during February 1980, the Committee *inter alia*, observed that :—

- (a) the entries were made by the Junior Engineer without carrying out proper check of supplies effected by the contractor and further exaggerated in the measurement books by making cuttings a number of times;
- (b) scrutiny note (September 1978) put up by the Divisional Accountant pointing out that the payments were irregular was ignored by the Executive Engineer while passing the bills. Further developments were awaited (November 1980).

The above failures on the part of departmental officers resulted in over-payment of Rs. 1.16 lakhs to the contractor. Recovery of the amount was yet (March 1980) to be made. The contractor had sought arbitration in respect of both the contracts:

The matter was reported to the Government in May 1980; reply is awaited (December 1980).

#### 4.9 Surplus staff in mechanical workshop at Nahan

Buildings and Roads Division, Nahan is running a mechanical workshop with its Sub-divisional headquarters at Nahan for carrying out repairs to departmental machinery/vehicles. As a result of declaration (January 1978) of some machinery/vehicles under its charge as un-serviceable, the work-charged posts, one each of a Welder, Mechanic, Electrician, Helper and a Driver were considered surplus by the Executive Engineer, Nahan Division and the Superintending Engineer, 3rd Circle, Solan was requested (March 1978) to transfer the incumbents to other needy divisions. Decision of the Superintending Engineer, 3rd Circle, Solan was not received till December 1979.

Test-check (January 1980) of the accounts of Nahan Division disclosed that pending decision of the Superintending Engineer regarding transfer of the above work-charged staff elsewhere, expenditure of Rs. 0.54 lakh on their pay and allowances (for the period January 1979 to December 1979) was incurred on the idle workmen. At the same time between January 1979 and March 1979 repairs to vehicles belonging to the very same division were carried out through outside agencies at a cost of Rs. 0.51 lakh without obtaining 'no objection certificate' from the mechanical workshop as required under the departmental instructions.

The matter was reported to the Government in March 1980; reply is awaited (December 1980).

#### 4.10 Running of condemned vehicles/machinery

On the recommendations (June 1978) of the State Condemnation Board, the Chief Engineer, Himachal Pradesh Public Works Department, Simla declared (September 1978) 13 vehicles/machinery comprising four items each of trucks, jeeps and road rollers and a tractor under Rajgarh Division as un-serviceable, and after fixing reserve price for each item, accorded sanction for their disposal. It was, *inter alia*, stipulated that for the disposal of vehicles/machinery the prescribed reserve price of which exceeded Rs. 0.10 lakh, the cases for auction should be referred to the Controller of Stores, Himachal Pradesh, Simla and the remaining vehicles/machinery should be auctioned by the division after giving wide publicity.

Test-check (February 1980) of the accounts of Rajgarh Division disclosed that, between July 1978 and August 1979, the division incurred an expenditure of Rs. 2.06 lakhs on the repairs and maintenance of eight units of the condemned vehicles/machinery whereas their out-turn amounted to Rs. 1.30 lakhs. Further, except two trucks (reserve price : Rs. 0.27 lakh) which were sold (June 1979) by the Controller of Stores for Rs. 0.51 lakh and one jeep and one road roller (reserve price : Rs. 0.14 lakh) disposed of (September 1979) by the division for Rs. 0.88 lakh, remaining nine units of vehicles/machinery were awaiting disposal (February 1980).

The matter was reported to the Government in April 1980; reply is awaited (December 1980).

#### 4.11 Splitting up of purchases

Rules enjoin that in making purchases, the system of open competitive tenders should, as far as possible, be adopted. Executive Engineers are empowered to make local purchase of materials against stock upto Rs. 500 per item subject to an annual ceiling of Rs. 2,000 provided all approved sources of supply and the rate contracts arranged by the Controller of Stores, Himachal Pradesh are exhausted. Departmental instructions issued (June 1974 and October 1977) by the Chief Engineer (Buildings and Roads) prohibited the Executive Engineers/Superintending Engineers from procuring material for 'stock' or 'works' and vested all such powers in the Purchase Committee to be constituted at divisional/circle level.

Test-check (September 1979) of account records of Mechanical Division, Karcham, revealed that the Executive Engineer made local purchase of spares and tyres and tubes valuing Rs. 1.29 lakhs (Rs. 1.17 lakhs against 'stock' and Rs. 0.12 lakh against running and maintenance of vehicles) between August 1978 and December 1978 by splitting up the purchase orders, collecting spot quotations and making spot payments. This was irregular as the purchases

should have been made with the approval of the Purchase Committee as per the instructions issued by the Chief Engineer (Buildings and Roads) in October 1977. It was also noticed that the same firm was found the lowest in 23 cases out of 28 where purchases were made.

The matter was reported to the Government in March 1980; reply is awaited (December 1980).

Sl. No.	Particulars	Amount	Remarks
1	...	...	...
2	...	...	...
3	...	...	...
4	...	...	...
5	...	...	...
6	...	...	...
7	...	...	...
8	...	...	...
9	...	...	...
10	...	...	...
11	...	...	...
12	...	...	...
13	...	...	...
14	...	...	...
15	...	...	...
16	...	...	...
17	...	...	...
18	...	...	...
19	...	...	...
20	...	...	...
21	...	...	...
22	...	...	...
23	...	...	...
24	...	...	...
25	...	...	...
26	...	...	...
27	...	...	...
28	...	...	...
29	...	...	...
30	...	...	...
31	...	...	...
32	...	...	...
33	...	...	...
34	...	...	...
35	...	...	...
36	...	...	...
37	...	...	...
38	...	...	...
39	...	...	...
40	...	...	...
41	...	...	...
42	...	...	...
43	...	...	...
44	...	...	...
45	...	...	...
46	...	...	...
47	...	...	...
48	...	...	...
49	...	...	...
50	...	...	...
51	...	...	...
52	...	...	...
53	...	...	...
54	...	...	...
55	...	...	...
56	...	...	...
57	...	...	...
58	...	...	...
59	...	...	...
60	...	...	...
61	...	...	...
62	...	...	...
63	...	...	...
64	...	...	...
65	...	...	...
66	...	...	...
67	...	...	...
68	...	...	...
69	...	...	...
70	...	...	...
71	...	...	...
72	...	...	...
73	...	...	...
74	...	...	...
75	...	...	...
76	...	...	...
77	...	...	...
78	...	...	...
79	...	...	...
80	...	...	...
81	...	...	...
82	...	...	...
83	...	...	...
84	...	...	...
85	...	...	...
86	...	...	...
87	...	...	...
88	...	...	...
89	...	...	...
90	...	...	...
91	...	...	...
92	...	...	...
93	...	...	...
94	...	...	...
95	...	...	...
96	...	...	...
97	...	...	...
98	...	...	...
99	...	...	...
100	...	...	...

**CHAPTER V**  
**STORES AND STOCK**

**5.1 Synopsis of important stores accounts**

According to Government orders of July 1973, annual consolidated accounts of stores are required to be furnished by the departments to the Audit Office by June every year. The stores accounts of the following departments for the year indicated against each were, however, awaited (September 1980).

Department	Year(s) for which stores accounts awaited
1. Agriculture	1970-71 and 1971-72 and 1975-76 to 1979-80
2. Animal Husbandry	1978-79 and 1979-80
3. Forest	1973-74 to 1979-80
4. Industries	1978-79 and 1979-80
5. Health and Family Welfare	1974-75 to 1979-80

The annual stores accounts received from the Agriculture (1972-73 to 1974-75), Animal Husbandry (1970-71 to 1977-78) and Industries (1971-72 to 1977-78) departments could not be checked finally as the discrepancies pointed out in paragraph 5.1 of the Report of the Comptroller and Auditor General of India for the year 1976-77 had not been set right (September 1980).

A synopsis of important stores accounts for 1979-80 (other than those relating to Government commercial and *quasi*-commercial departmental undertakings) to the extent received (September 1980) is given below :—

Department	Nature of stores	Opening balance on 1st April 1979	Receipts	Issues	Closing balance on 31st March 1980
(Rupees in lakhs)					
1. Printing and Stationery	(a) Plant, machines and spare parts	13.45	2.95	2.40	14.00
	(b) Paper and binding material	9.31	19.94	14.13	15.12
	(c) Stationery	11.46	31.56	31.94	11.08
	(d) Publications and gazettes	3.87	3.44	1.47	5.84
Total		38.09	57.89	49.94	46.04

2. Public Works—					
(i) Buildings and Roads branch	Steel, cement, pipes, bricks and timber etc.	3,43·23	16,48·45	13,80·80	6,10·88
(ii) Irrigation-cum-Public Health branch					
(a) Public Health	Steel, cement, pipes and bricks etc.	45·88	9,45·61	6,25·67	3,65·82
(b) Irrigation	Cement, steel and pipes etc.	68·39	6,71·47	[4,87·55	2,52·31
Total		4,57·50	32,65·53	24,94·02	12,29·01

## PUBLIC WORKS DEPARTMENT

### 5.2. Reserve stock limits

The stock held at the close of 1979-80, in 12 divisions, exceeded the reserve stock limits by more than 100 per cent and in other 12, by more than 200 per cent. The details of these divisions are given in Appendix IX.

### 5.3 Physical verification

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

Out of 75 divisions, physical verification had not been done/been partly done in 55 divisions as detailed below :—

	Number of divisions	Number of divisions where physical verification was	
		not done	partly done
Buildings and Roads branch	45	32	1
Irrigation-cum-Public Health branch	30	21	1
<b>Total</b>	<b>75</b>	<b>53</b>	<b>2</b>

Steps taken to complete stock verification were not indicated.

### 5.4 Minus balances

A minus balance in the stock accounts is indicative of non-adjustment of (i) value of stores of sub-divisions transferred from one division to another or (ii) profit on stock. There were minus balances in stock accounts of 13 divisions at the end of March 1980.

The particulars of divisions having minus balance above Rs. 0.50 lakh are given below :—

Serial No.	Division	Minus balance at the end of March 1980 (Rupees in lakhs)	Head of account
1.	Kulu-II	15.81	259—Public Works
2.	Bridge Construction, Paonta	6.71	Do
3.	Irrigation-cum-Public Health, Solan	0.80	Do
4.	Delhi	0.89	Do
5.	Hamirpur (Buildings and Roads)	28.15	282—Public Health, Sanitation and Water Supply
6.	Irrigation-cum-Public Health, Solan	5.13	Do
7.	Barsar	10.47	Do

No action to reconcile/adjust the minus balances had been taken (September 1980) though the matter had been brought to the notice of the Divisional Officers/Chief Engineer.

### 5.5 Shortage/non-accountal of stores

(i) Rules provide that value of stores found short during physical verification of stock should be shown under "Miscellaneous Works Advances" against the officials allegedly responsible therefor, pending recovery or adjustment under orders of the competent authority, and the stores found surplus during such verification should be taken as a receipt.

A test-check (August-September 1979) of the accounts of following Irrigation-cum-Public Health divisions showed that shortages noticed during physical verification had neither been investigated nor kept under "Miscellaneous Works Advances" against the officials concerned. Similarly, excesses



in stores noticed in one division (as detailed below) had not been taken as receipt.

Division	Particulars of stores	Value		When noticed
		Short-ages	Exces-ses	
(Rupees in lakhs)				
Sundernagar	G.I. pipes and other miscellaneous items	4.10	7.29	Between October 1978 and March 1979
Palampur	G.I. pipes and cement	0.18	...	November/December 1978
<b>Total</b>		<b>4.28</b>	<b>7.29</b>	

(ii) Shortages were noticed at the time of transfer of charge by the incumbents etc., in the following cases :—

Division	Particulars of stores	Value (Rupees in lakhs)	When noticed	Remarks
Chenab Valley	M.S. bars/plates/ G.I. pipes/cement/ angle irons/bitumen and wheel barrow etc.	4.98	February 1976	These shortages were noticed on physical verification of the ground balances of material (February 1976) following failure of a Junior Engineer to hand over charge on his promotion (October 1975). Despite issue of instructions (June 1978) by the Superintending Engineer, no action against the officer had been initiated.
Irrigation-cum-Public Health, Bilaspur	R.C.C. pipes and other miscellaneous items	0.43	July 1979	The concerned Junior Engineer who had proceeded on leave (June 1979) without handing over complete charge did not resume duty till October 1979. Shortages of materials (valuing Rs. 0.43 lakh) were reported in July 1979 by the Assistant Engineer, Irrigation-cum-Public Health Sub-division, Bilaspur. Whereabouts of the official were stated to be not known. Further developments are awaited (October 1980).

Irrigation-cum- Public Health, Palampur	G.I. pipes	0.12	November/ December 1978	The material was not handed over by one Junior Engineer to another at the time of transfer of charge in January 1978. Shortages of material valuing Rs. 0.12 lakh were detected during physical verification conducted by Assistant Engineer for the year 1978. The shortages had not been placed under "Miscellaneous Works Advances" for pursuance. Further developments are awaited (October 1980).
---	------------	------	-------------------------------	--

### 5.6 Issue of excessive material beyond the scope of work

Issue of excessive material such as debiting to a work, the cost of material not required or in excess of actual requirements, writing back the cost of material to avoid excess outlay over the appropriation, etc., are strictly prohibited.

Test-check (September 1979—February 1980) of the accounts of 5 divisions revealed that in the case of 38 works, out of material valued at Rs. 18.42 lakhs debited to these works, material valued at Rs. 9.58 lakhs was either written back to stock or transferred to other works/divisions or sold to other parties and material valued at Rs. 8.84 lakhs was lying unutilised. Details are given in Appendix X.

### 5.7 Surplus stores

Rules require that purchases of stores must be made in the most economical manner against specific requirements.

In Mandi Division No. II, spare parts of vehicles/machinery valuing Rs. 10.76 lakhs, acquired mostly during the years 1971 to 1973, were declared surplus to the requirement of First Circle, Mandi in June 1977.

The Executive Engineer, Mandi Division No. II stated (August 1979) that the amount of surplus items had been reduced to Rs. 6.98 lakhs by corresponding transfer to other divisions.

The matter was reported to the Government in March 1980; reply is awaited (December 1980).

## DEPARTMENT OF ANIMAL HUSBANDRY

## 5.8: Shortage of butter

Test-check (October 1978) of the accounts of Composite Milk Supply Scheme, Mandi revealed that, on a surprise physical verification conducted by the Joint Director, Animal Husbandry in January 1977, shortage of 4,975 kilograms of butter costing Rs. 0.90 lakh was noticed. Neither had the shortage been reconciled nor had responsibility been fixed for the loss.

The Director, Animal Husbandry, reported (October 1979) that the matter was under investigation by the Commissioner, Departmental Enquiries, whose findings were still awaited (June 1980).

The Government stated (September 1980) that the Commissioner, Departmental Enquiries was examining the matter and further action would be initiated on the basis of the findings of the enquiry.

## DEPARTMENT OF HOME

## 5.9: Locking up of funds

Police rules, *inter alia*, require that funds for clothing and equipment of police personnel should be drawn each year and deposited under the Police Fund Deposit Accounts in the treasury. During the course of the year, the expenditure on clothing and equipment is met out of this fund. The amount remaining unutilised in the fund at the end of the financial year is required to be refunded into the treasury.

The table given below shows unspent balances at the end of March 1978, March 1979 and March 1980 which were not refunded into the treasury by the Superintendents of Police, Kulu, Sirmur, Kinnaur, Kangra at Dharamsala and Hamirpur resulting in locking up of funds to that extent :—

Serial No.	Office	Year	Opening balance	Receipt	Expenditure	Closing balance
(Rupees in lakhs)						
1.	Superintendent of Police, Kulu	1977-78	0.90	0.57	0.14	1.33
		1978-79	1.33	0.71	0.61	1.43
		1979-80	1.43	1.96	1.95	1.44
2.	Superintendent of Police, Sirmur	1977-78	2.76	1.22	0.24	3.74
		1978-79	3.74	1.31	0.31	4.74
		1979-80	4.74	1.29	0.72	5.31

3. Superintendent of Police, Kinnaur	1977-78	1.89	1.35	0.93	2.31
	1978-79	2.31	1.34	1.59	2.06
	1979-80	2.06	1.26	1.41	1.91
4. Superintendent of Police, Kangra at Dharamsala	1977-78	3.01	2.32	1.60	3.73
	1978-79	3.73	2.54	2.27	4.00
	1979-80	4.00	3.54	1.06	6.48
5. Superintendent of Police, Hamirpur	1977-78	0.45	0.40	0.18	0.67
	1978-79	0.67	0.39	0.09	0.97
	1979-80	0.97	0.39	0.28	1.08

The matter was reported to the Government in August 1980 ; reply is awaited (December 1980).

#### 5.10 Non-accountal of stores

As per rules, all material purchased/procured should be accounted for immediately on its receipt.

Test-check (December 1979—February 1980) disclosed that stores valued at Rs. 0.68 lakh as detailed below purchased/received between March 1972 and March 1979 had not been accounted for :—

Department	Cost	Remarks
Office	(Rupees in lakhs)	
<b>Rural Integrated Development</b>		
Block Development Officer, Sangrah	0.38	Galvanised iron pipes, purchased during the period from March 1972 to March 1973 for use on various water supply schemes had neither been accounted for nor was their bonafide consumption on works available on record. Payment was also made to supplier without proper accountal.
	0.06	Stationery and store articles worth Rs. 0.06 lakh purchased/received from another office between March 1976 and March 1979 remained unaccounted for.
<b>Animal Husbandry</b>		
Dairy Manager, Nahan Town Milk Supply Scheme	0.24	107 aluminium milk cans (40 litres capacity) received (November 1974) from the Small Farmers Development Agency, Nahan were not accounted for in the stock.

The matters referred to above were reported to the Government in July-August 1980 ; reply is awaited (December 1980).

### 5.11 Excessive purchase of stores

Financial rules, *inter alia*, require that stores should be purchased economically and in accordance with definite requirements of public service and that stores should not be purchased much in advance of actual requirements.

Test-check (December 1979 and January 1980) of records of two offices revealed that, out of stores valued at Rs. 1.55 lakhs purchased between July 1978 and March 1979, stores valued at Rs. 1.23 lakhs were lying unutilised as under:—

Name of the department/office	Nature of stores purchased	Value (Rupees in lakhs)	Month of purchase	Remarks
<b>Home</b>				
Superintendent of Police, Simla	Tyres and tubes	0.82	March 1979	Stores valued at Rs. 0.50 lakh were lying unutilised (January 1980). The Government stated (June 1980) that purchases were made because there was scarcity of these commodities and these were available only with prior booking. It was further stated that Government had benefited by making excessive purchases because of increase in prices of these commodities. Reserve stock limit of these commodities was reportedly being fixed.
<b>Animal Husbandry</b>				
Dairy Manager, Nahian Town Milk Supply Scheme	Spare parts of vehicles	0.73	July to October 1978	The spare parts were purchased from four firms stationed at Chandigarh, Manimajra (Chandigarh), Ambala City and Ambala Cantt. without definite requirement and were lying unutilised (December 1979). The Government stated (September 1980) that investigations ordered in this case in September 1979 had been completed and action on the basis of investigations would be taken in due course. The Government further stated in November 1980 that it had been decided to initiate disciplinary proceedings against the defaulting officials and the charge sheets were under preparation.

## CHAPTER VI

### FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

#### 6.1 Grants and their utilisation

In 1979-80, Government paid Rs. 7,39.64 lakhs as grants to panchayats, municipalities, co-operative societies, educational institutions, etc., as detailed below:—

Department	Grants paid during 1979-80
	(Rupees in lakhs)
1. Agriculture	2,40.22
2. Education	1,89.59
3. Rural Integrated Development	1,78.78
4. Industries	43.25
5. Local Self Government	30.08
6. Welfare	22.08
7. Forest	13.00
8. Tourism	10.50
9. Panchayati Raj	9.33
10. Co-operation	1.50
11. Public Works	1.13
12. Health and Family Welfare	0.18
Total	7,39.64

Under the rules, certificates to the effect that the grants had been utilised for the purposes for which they were paid are required to be furnished by the departmental offices to the Audit Office within one year of the disbursement of the grants unless specified otherwise. The Public Accounts Committee had repeatedly expressed dissatisfaction with the slow progress of submission of utilisation certificates and recommended that cases of unusual delays on the part of field officers should be duly investigated. The latest position is that out of 1,762 certificates (Rs. 11,43.24 lakhs) to be received upto 30th September 1980 in respect of grants paid from 1958-59 to 1978-79, only 1,048 certificates

(Rs. 2,98.15 lakhs) had been furnished. Department-wise break-up of the 714 utilisation certificates (Rs.8,45.09 lakhs) due is given below:—

Serial No.	Department	Number of certificates	Amount (Rupees in lakhs)
1.	Agriculture	62	4,64.59
2.	Local Self Government	251	1,29.97
3.	Rural Integrated Development	176	82.30
4.	Industries	17	74.03
5.	Tourism	3	31.75
6.	Welfare	118	21.55
7.	Education	74	17.27
8.	Panchayati Raj	6	12.47
9.	Forest	5	11.00
10.	Public Works	1	0.13
11.	Medical	1	0.03
<b>Total</b>		<b>714</b>	<b>8,45.09</b>

The number of utilisation certificates awaited for three years or more was as follows:—

	Number of certificates	(Rupees in lakhs)
Delayed upto three years	395	6,94.71
Delayed for more than three years but upto five years	115	96.30
Delayed for more than five years but less than ten years	118	46.82
Delayed for more than ten years	86	7.26
<b>Total</b>	<b>714</b>	<b>8,45.09</b>

In the absence of utilisation certificates, it was not possible to state whether the recipients spent the grants for the purpose (s) for which they were given and whether or not there was any mis-appropriation of funds.

## DEPARTMENT OF RURAL INTEGRATED DEVELOPMENT

### 6.2 Grants-in-aid works

Grants-in-aid are paid to the panchayats by the Development Department through the Block Development Officers for the execution of community works, to be utilised within six months from the date of payment.

Test-check (July 1979-April 1980) of the accounts of 11 Block Development Officers showed that the position of 189 works for execution of which amounts aggregating Rs. 3.99 lakhs were paid between 1962-63 and 1979-80 to the panchayats was as under:—

Office	Amount paid to panchayat (Rupees in lakhs)	When paid	Number of works to be taken up	Remarks
Block Development Officer, Panchrukhi (Kangra District)	0.88	Between 1976-77 and 1978-79	58	33 works involving Rs. 0.37 lakh had not been taken up for execution (February 1980) and the remaining works were in progress (February 1980). No reasons for non-commencement/delay in completion were given.
Block Development Officer, Lambagaon (Kangra District)	0.54	Between 1977-78 and 1979-80	16	The Block Development Officer stated (January 1980) that 2 works (grant paid : Rs. 0.08 lakh) could not be taken up due to non-availability of cement and that the remaining works were in progress.
Block Development Officer, Nagrota Bagwan (Kangra District)	0.43	Between 1973-74 and 1978-79	17	The Block Development Officer stated (April 1980) that all the works were in progress. Delay in completion was attributed (August 1980) by the Block Development Officer to non-availability of cement.
Block Development Officer, Kangra (Kangra District)	0.30	Between 1972-73 and 1978-79	20	The Block Development Officer stated (February 1980) that seventeen works (grant paid : Rs. 0.25 lakh) were in progress. Reasons for non-execution of remaining works were not advanced.



- Block Development Officer, Baijnath (Kangra District)** 0.22 Between 1968-69 and 1972-73 12 The Block Development Officer stated (April 1980) that the Panchayat Pradhan to whom the money was advanced had since expired and that a case for recovery of the amount paid was under process at the panchayat level. He further stated (November 1980) that the records of the panchayat had been obtained for assessing the extent of works actually done and that the recoveries of advances would be effected after measuring the works done.
- Block Development Officer, Una (Una District)** 0.62 Between 1974-75 and 1978-79 13 8 works (grant paid: Rs. 0.20 lakh) had not been commenced and the remaining 5 works (grant paid: Rs. 0.42 lakh) were in progress. No reasons for non-commencement/ delay in completion of works were advanced (March 1980).
- Block Development Officer, Sujanpur Tira (Hamirpur District)** 0.38 Between 1977-78 and 1978-79 13 The works were in progress (January 1980).
- Block Development Officer, Bihari (Hamirpur District)** 0.22 Between 1962-63 and 1978-79 11 The amounts were lying unutilised due to non-commencement of works. The Block Development Officer stated (December 1979) that 3 works (grant paid: Rs. 0.04 lakh) could not be started because of land disputes and one work (grant paid: Rs. 0.04 lakh) required revision of estimates due to increase in costs. No reasons for non-commencement of the remaining works were advanced.
- Block Development Officer, Hamirpur (Hamirpur District)** 0.18 Between 1972-73 and 1978-79 11 The Government stated (July 1980) that (i) 3 works (grant paid: Rs. 0.05 lakh) were in progress, (ii) action was being taken against the panchayats for showing reluctance in regard to the execution of two works (grant paid: Rs. 0.04 lakh), (iii) final site in respect of one work (grant paid: Rs. 0.04 lakh) was yet to be decided, (iv) for 3 works (grant paid: Rs. 0.03 lakh) cement had been procured and works would be completed soon and (v) 2 works (grant paid: Rs. 0.02 lakh) were not taken up due to non-availability of cement.

Block Development Officer, Mehla (Chamba District)	0.10	Between 1973-74 and 1976-77	3	The amounts were lying unutilised. The Block Development Officer stated (January 1980) that in two cases (grant paid: Rs. 0.07 lakh) works had not been taken up as the beneficiaries were not interested in their execution and the source of water had dried up in respect of the other work.
Block Development Officer, Sangrah (Sirmur District)	0.10 0.02	August 1974	15 (repair works)	The amounts were paid to eight panchayats. The works were awaiting completion (February 1980).

These cases were referred to the Government between March and June 1980; replies are awaited (December 1980) except in the case of Block Development Officer, Hamirpur.

#### DEPARTMENT OF LOCAL SELF GOVERNMENT

### 6.3 Grants/loans to urban local bodies

The rules for payment of grants-in-aid to local bodies, *inter alia*, stipulate that:—

- (a) applications for grant should be submitted to Government through the Deputy Commissioner concerned, by 30th June every year, to enable the sanctioning authority to scrutinise the applications before sanctioning the grant;
- (b) technical sanction of the competent authority, as prescribed under the Municipal Works Rules, 1973, in respect of the work must be obtained before an application for grant-in-aid for any work is submitted;
- (c) the work or service for which the grant is paid must be commenced within one year and completed within a period of two years from the date of receipt of the grant;
- (d) necessary completion certificate should be furnished by the local body concerned to the Government/Audit within three months from the date of completion of the work failing which no further grant would be paid unless the delay is satisfactorily explained by the local body; and
- (e) administrative approval in respect of water works and electrical works shall not be accorded unless the Municipal Committee has created a depreciation fund to meet expenditure on maintenance etc.

The Local Self Government Department sanctioned grants to the extent of Rs. 3,15.36 lakhs during the years 1976-77 to 1979-80 to urban local bodies for certain specified objects as detailed out below:—

Purpose of grants	1976-77		1977-78		1978-79		1979-80	
	Number of works	Amount	Number of works	Amount	Number of works	Amount	Number of works	Amount
(Amount in lakhs of rupees)								
1. For construction works etc.	315	33.88	375	93.06	587	1,44.65	417	42.14
2. For initial expenses in respect of newly constituted Committees.	..	0.20	..	0.05	..	0.05	..	0.10
3. Compensation for abolition of octroi duty.	..	0.06	..	0.06	..	0.06	..	0.06
4. Payment of interest on loans received by Municipal Corporation, Simla.	..	0.23	..	..	..	0.21	..	0.20
5. Payment of compensation for operating cattle ponds.	..	0.13	..	0.13	..	0.09	..	..
<b>Total</b>	<b>315</b>	<b>34.50</b>	<b>375</b>	<b>93.30</b>	<b>587</b>	<b>1,45.06</b>	<b>417</b>	<b>42.50</b>

Test-check (May-June 1980) of the records of the sanctioning authority disclosed the following:—

- Against the estimated cost of Rs. 1.24 lakhs for the construction of "Lindi khad temporary bridge in Haryan Basti Bhojpur", a grant of Rs. 0.30 lakh was sanctioned (31st March 1980) to the Municipal Committee, Sundernagar without obtaining the plan and estimate of the work technically approved by the competent authority.
- (a) During 1972-73, the department sanctioned a grant of Rs. 0.80 lakh to the Municipal Committee, Mandi for construction of Rest House at Padal Maldan. The work could not be started till 1975 as the technical sanction from the Superintending Engineer was awaited. The work was undertaken by the Municipal Committee during 1975 but was stopped on receipt of instructions from the Chief Minister not to use land in Padal

Maldan for construction. Though the period of utilisation was extended (30th September 1978), the construction had not been taken up again for want of alternative site and the amount remained unutilised with the grantee. No action had been taken by the department to recover the amount (June 1980).

(b) Notified Area Committee, Rajgarh (Sirmur District) constituted in June 1975 was sanctioned grants totalling Rs. 0.98 lakh (1975-76: Rs. 0.48 lakh; 1976-77 : Rs. 0.50 lakh) for construction of roads, improvement of bus stand, installation of street lights etc. The Committee was abolished by the State Government in July 1978. The department was not aware as to how the amount had been utilised by the grantee (June 1980).

(c) The following grants were sanctioned to the Municipal Committee, Sundernagar for different works:—

Serial No.	Particulars	Amount (Rupees in lakhs)	Date of sanction	Date of payment
1.	Construction of vegetable and meat market ..	0.25	19-3-1976	31-3-1976
2.	Construction of stalls at Sundernagar ..	0.16	30-3-1976	31-3-1976
3.	Construction of urinals at Sundernagar ..	0.10	29-3-1977	31-3-1977
4.	Construction of retaining wall, Bhojpur ..	0.07	29-3-1977	31-3-1977

As these works could not be started within the period stipulated in the sanction(s) for the grant (s), the Committee applied (September 1979) for extension which was rejected (November 1979) by the Government which also directed the Committee to refund the amount. No land was available for the works at serial number 1 to 3 and there was no need for the work at serial number 4 as the Committee requested for the diversion of the amount to another work. The grants were released without obtaining the preliminary survey, specifications and estimates for works to be prepared by the Municipal Engineer.

According to the financial rules, the sanctioning authority is required to maintain a register showing the grants sanctioned and utilisation certificates received thereagainst. This register maintained upto 1977-78 was incomplete and un-authenticated. No register was maintained from 1978-79 onwards. The department was thus not aware of the grants released, utilisation certificates received during this period and the unutilised amounts lying with various grantees. Grants were, thus, released year after year without ascertaining the proper utilisation of grants given during the previous years.

3. Though required, neither the quarterly progress reports nor the audited statements were being received from various grantees.

4. According to the available departmental records, out of 1171 works for which grants totalling Rs. 1,99.98 lakhs were given to various bodies from 1974-75 to 1977-78, only 459 works had been completed at a total cost of Rs. 61.86 lakhs leaving 712 works estimated to cost Rs. 1,38.12 lakhs incomplete (June 1980) as detailed below:—

Year	Number	Amount of grants sanctioned (Rupees in lakhs)	Stipulated date of completion of the works	Works completed	Amount utilised (Rupees in lakhs)
1974-75	210	38.80	March 1977	179	34.56
1975-76	271	33.38	March 1978	166	18.01
1976-77	315	34.50	March 1979	87	6.84
1977-78	375	93.30	March 1980	27	2.45
<b>Total</b>	<b>1171</b>	<b>1,99.98</b>		<b>459</b>	<b>61.86</b>

Inspection of works as prescribed by the Chief Engineer, Public Works Department under the rules, was also not carried out at any stage.

5. It was noticed (June 1980) that although no depreciation fund had been created in respect of water works and electrical works, grants totalling Rs. 7.02 lakhs (1976-77: 2 bodies: Rs. 0.84 lakh; 1977-78: 5 bodies: Rs. 0.97 lakh; 1978-79: 12 bodies: Rs. 2.99 lakhs and 1979-80: 10 bodies: Rs. 2.22 lakhs) were given to Committees for the aforesaid works in contravention of the rules.

**Loans**

6. The department sanctioned (March 1973) a loan of Rs. 8.00 lakhs to Municipal Corporation, Simla for execution of Jagroti Water Supply Scheme without completing the prescribed formalities. The formal loan application was received in the department in December 1973 i.e. nine months after the sanction of loan. The terms and conditions regulating this loan were intimated after the lapse of three years (8th June 1976) by which time interest of Rs. 1.68 lakhs had already become due. First instalment of repayment of principal payable on 31st March 1976 by the loanee was deposited on 9th June 1977. Thereafter, neither the principal nor the interest was deposited by the loanee nor insisted upon by the department. Apart from the principal, interest of Rs. 3.92 lakhs at the prescribed rate of 7 per cent for period upto March 1980 was still recoverable (June 1980).

The matter was reported to the Government in August 1980; reply is awaited (December 1980).

**DEPARTMENT OF WELFARE****6.4 Grants and Loans**

Grants totalling Rs. 66.77 lakhs were sanctioned by the department during 1977-78 to 1979-80 to various organisations in the State for running Balwaris, Bal Ballka Ashrams, Tailoring Centres, Working Women Hostels etc.

2. A test-check of the records of the sanctioning authority conducted in June 1980 revealed the following:—

(1) A grant-in-aid of Rs. 5 lakhs was sanctioned on 31st March 1979 to three organisations (Rs. 2 lakhs : State Social Welfare Advisory Board; Rs. 1.93 lakhs: Bhartiya Bal Parishad, Mandi and Rs. 1.07 lakhs : Municipal Committee, Dharamsala for construction of hostel buildings for working women at Simla, Mandi and Dharamsala). None of these organisations could start the work for want of land, nor had they refunded (June 1980) the amounts although, in the event of non-utilisation within one year, they were required to do so.

Another amount of Rs. 0.48 lakh was paid to Bhartiya Bal Parishad, Mandi on 27th March 1980 and the department directed the Parishad on 10th April 1980, to deposit the whole amount of Rs. 2.41 lakhs with the Himachal Pradesh Public Works Department for the execution of work. The Parishad deposited Rs. 0.50 lakh only. Further progress of this work was not on record.

The amount of Rs. 1.07 lakhs sanctioned to the Municipal Committee, Dharamsala in March 1979 was not released but kept by the department in the shape of bank draft which was got revalidated on 10th May 1980 and sent to the District Welfare Officer, Kangra. This amount along with a further amount of Rs. 0.61 lakh for the same purpose received during March 1980 were deposited (May 1980) in a joint account in the name of grantee and the District Welfare Officer, Kangra.

(ii) Without checking the accuracy of the estimates, the department released Rs. 2.50 lakhs instead of the correct amount of Rs. 1.51 lakhs in December 1979 to the State Social Welfare Advisory Board, Simla for opening Balwaris. The excess amount of Rs. 0.99 lakh though erroneously paid had not been recovered.

Under a condition of the grant, the grantee was required to obtain approval of the Government for the location of Balwaris all of which were planned to be opened in backward areas. No such approval was obtained and no Balwari was located in backward areas. Department had received no progress report on the utilisation of grant (June 1980).

(iii) Under a scheme approved by the Government of India for the construction of a dining hall with kitchen, for the rehabilitation of Tibetan Lamas, the Himachal Pradesh Government released a grant of Rs. 0.30 lakh in February 1978 and a loan of Rs. 0.30 lakh in November 1978 to the Sangey Chholing Tibetan Association, Sanjauli, Simla. The loan was recoverable in 22 annual instalments commencing after 4 years of the date of payment of loan and interest at the rate of  $5\frac{1}{2}$  per cent per annum after one month of the payment of loan plus  $2\frac{1}{2}$  per cent per annum as penal interest in case of default in the repayment of loan and payment of interest.

The department was not, however, aware of the progress of work nor had any attempt been made to ascertain it. Interest amounting to Rs. 0.04 lakh upto June 1980 had also not been recovered.

(iv) Against an amount of Rs. 0.35 lakh recommended by the Director Welfare, Himachal Pradesh Government paid Rs. 0.50 lakh to the Chairman, Pradesh Nashabandi (Prohibition) Parishad on 31st March 1979 to organise camps and to distribute prizes among Panchayats implementing the Nashabandi programme effectively.

The department was not, however, aware of the progress of the programme.

(v) The Government of India sanctioned a grant of Rs. 2.66 lakhs on 30th March 1976 (and released Rs. 0.67 lakh as first instalment on the same date) towards 75 per cent cost of the construction of hostel buildings for

working women, by Himachal Pradesh Kalyan Nidhi subject to the production of the proof of ownership of plot and approved site plan. The balance 25 per cent of the cost was to be met by the State Government which released Rs. 0.60 lakh on 29th March 1976.

As the grantee had no suitable plot and approved site plan, the amount of Rs. 0.67 lakh was refunded to the Government of India on 5th November 1977. The unutilised amount of Rs. 0.60 lakh paid by the State Government was still with the grantee (June 1980).

No action was taken by the State Government on a request of the department made in September 1979 seeking advice as to further action to be taken (June 1980).

3. *Summing up*—The above instances would show that the department did not follow the proper procedure for sanction of the grant/loan and for watching utilisation thereof.

The matter was reported to the Government in August 1980; reply is awaited (December 1980).

## DEPARTMENT OF TOURISM

### 6.5 Grants to Himachal Pradesh Tourism Development Corporation

*Grants*—A sum of Rs. 76.50 lakhs as per details given below was given as grants-in-aid during the years 1974-75 to 1979-80 to the Himachal Pradesh Tourism Development Corporation, which is a fully owned Government Company incorporated in September 1972 for non-commercial and promotional activities.

Year	Amount
	(Rupees in lakhs)
1974-75	5.00
1975-76	5.00
1976-77	5.50
1977-78	35.00
1978-79	13.50
1979-80	12.50
<b>Total</b>	<b>76.50</b>



The grants-in-aid rules notified by the Himachal Pradesh Government on 19th January 1979, *inter alia*, provide:—

- (i) that the grants should be sanctioned on receipt of audited statement of account in respect of grants released during the previous year,
- (ii) the Corporation should submit a quarterly statement of expenditure within a period of one month succeeding the quarter,
- (iii) the accounts of grantee should be test-checked by an Internal Audit Agency of the department, and
- (iv) the Grantee Institution and the department should maintain assets register.

Test-check (April 1980) of the records of the department disclosed the following :—

(1) The grants were sanctioned without obtaining the audited statement of account in respect of grants released during the previous years. In the absence of these statements, it was not known how the department satisfied itself that the grants had been spent for the purpose (s) for which they were intended/sanctioned.

(2) The prescribed quarterly progress reports of expenditure were not received from the Tourism Development Corporation nor were these insisted upon by the department.

(3) No Internal Audit Agency had been set up by the department to test-check the accounts of the grantee.

Out of grants for Rs. 35.00 lakhs paid in 1977-78, Rs. 25.00 lakhs were paid to the Corporation in March 1978 without any estimate being received from the Corporation for the construction of a Cultural Centre at New Delhi. The amount was to be utilised within one year of disbursement of the grant, and the unspent balance, if any, surrendered to the Government.

During the course of audit (April 1980) of the accounts of the Commissioner, Tourism Himachal Pradesh, it was noticed that the grant was lying unutilised and the amount was placed in fixed deposit account of the Corporation since its receipt. The Corporation earned interest of Rs. 3.13 lakhs on this amount upto April 1980. The Corporation had not even applied for extension of time for utilisation of grant. Government had not taken any action for getting the amount of grant as also the interest earned by the Corporation on Government funds refunded.

No separate account of expenditure out of grants-in-aid had been maintained by the Corporation.

The matter was reported to the Government in August 1980 ; reply is awaited (December 1980).

## CHAPTER VII

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### Section A—General

7.1 This chapter deals with the results of audit of :

- Statutory Corporations;
- Government Companies; and
- Departmentally-managed Government commercial and *quasi*-commercial undertakings.

#### Section B-Statutory Corporations

##### 7.2 Introduction

There were 3 Statutory Corporations as on 31st March 1980 viz. Himachal Pradesh State Electricity Board, Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

The accounts of the Himachal Road Transport Corporation for the year 1979-80 were in arrears. This was brought to the notice of Government in October 1980.

A synoptic statement showing the summarised financial results of the Corporations based on the latest available accounts is given in Appendix XI.

##### 7.3 Himachal Pradesh State Electricity Board

The Himachal Pradesh State Electricity Board was constituted on 1st September 1971 under Section 5(1) of the Electricity (Supply) Act, 1948.

###### 7.3.1 Capital

The capital requirements of the Board are met through loans from the Government, the public, the banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) at the end of 31st March 1980 was Rs. 1,14,06.72 lakhs and represented an increase of Rs. 14,58.00 lakhs i.e. 14.66 per cent on the long-term loans of Rs. 99,48.72 lakhs as at the end of the previous year. Details of loans

obtained from different sources and outstanding at the close of the 2 years upto 31st March 1980 were as follows :

Source	Amount outstanding as on 31st March		Percentage increase
	1979	1980	
	(Rupees in lakhs)		
—State Government	69,72.34	78,86.34	13.11
—Other sources	29,76.38	35,20.38	18.28
Total	99,48.72	1,14,06.72	14.65

### 7.3.2 Guarantees

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 44,00.22 lakhs and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1980 was Rs. 32,24.62 lakhs. Government charges a guarantee fee of 1/2 per cent for the loans guaranteed. A sum of Rs. 3.25 lakhs was payable to the State Government as guarantee fee as on 31st March 1980.

### 7.3.3 Financial position and working results

#### (i) Financial position

The financial position of the Board at the close of the 3 years upto 1979-80 is given in the following table :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
<i>Liabilities</i>			
(a) Loans from Government ..	57,89.55	69,72.34	78,86.34
(b) Other long-term loans (including bonds) ..	24,37.74	29,76.38	35,20.38
(c) Deposits from public ..	..	..	..
(d) Reserves and Surplus ..	2,75.66	3,52.74	4,27.38
(e) Current liabilities ..	19,07.42	24,50.82	28,23.49
Total ..	1,04,10.37	1,27,52.28	1,46,57.59

*Assets*

(a) Gross fixed assets ..	29,47.62	61,38.53	62,48.75
(b) Less : Depreciation ..	4,33.73	5,79.27	7,28.12
(c) Net fixed assets ..	25,13.89	55,59.26	55,20.63
(d) Capital work-in-progress ..	59,40.82	41,37.68	58,47.22
(e) Current assets ..	13,63.16	25,98.97	27,69.94
(f) Miscellaneous expenditure ..	58.48	65.98	71.59
(g) Accumulated loss ..	5,34.02	3,90.39	4,48.21
	<hr/>	<hr/>	<hr/>
Total ..	1,04,10.37	1,27,52.28	1,46,57.59
	<hr/>	<hr/>	<hr/>
Capital employed*	19,73.29	54,91.71	54,40.62
Capital invested**	82,27.29	99,48.72	1,14,06.72
	<hr/>	<hr/>	<hr/>

## (ii) Working results

The working results of the Board for the 3 years upto 1979-80 are summarised below :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
(a) Revenue receipts ..	7,20.75	13,36.46	13,74.39
(b) Revenue expenditure ..	7,20.75	11,78.17	13,74.39

\*Capital employed represents net fixed assets (excluding capital works-in-progress) plus working capital.

\*\*Capital invested represents paid-up capital plus long-term loans plus free reserves.

(c) Gross surplus		1,58.29	
(d) Appropriations			
Interest on other loans and bonds	1,30.34	1,58.29	1,89.84
(e) Total return on capital employed		1,58.29	
(f) Total return on capital invested		1,58.29	
			(Per cent)
(g) Rate of return on			
—Capital employed		2.9	
—Capital invested		1.6	

As on 31st March 1980 accounts of the Board showed a cumulative contingent liability of Rs. 26,31.04 lakhs as detailed below :

	For the year 1979-80	Cumulative as on 31st March 1980
	(Rupees in lakhs)	
Interest on Government loans	5,27.60	24,35.43
Depreciation	..	1,95.61
Total	5,27.60	26,31.04

### 7.3.4 Operational performance

(i) The following table indicates the operational performance of the Board for the three years upto 1979-80 :

Particulars	1977-78	1978-79	1979-80
1. Installed capacity		(Mkwh)	
—Hydro	440.37	965.97	972.54
—Diesel	22.01	22.01	22.01
Total	462.38	987.98	994.55
2. Normal maximum demand	65	67	79
		(MW)	
3. Power generated		(Mkwh)	
—Hydro	212.74	397.61	354.88
—Diesel	0.11	0.06	0.03
Total	212.85	397.67	354.91

Less : auxiliary consumption ..	0.84	2.23	1.94
4. Net power generated	212.01	395.44	352.97
5. Power purchased ..	179.29	216.35	232.92
<hr/>			
6. Total power available for sale	391.30	611.79	585.89
7. Power sold ..	309.74	502.71	474.80
8. Transmission and distribution losses ..	81.56	109.08	111.09
(Per cent)			
9. Load factor ..	49.86	51.55	47.30
10. Percentage of transmission and distribution losses ..	28.73	36.05	33.94
(Kwh)			
11. Number of units generated per KW of installed capacity ..	4,032	3,526	3,126

(ii) The following table gives other details about the working of the Board as at the end of three years upto 1979-80 :

Particulars	1977-78	1978-79	1979-80
1. Villages/towns electrified (in numbers) ..	7,753	8,329	8,921
2. Pump sets/wells energised (in numbers) ..	1,464	1,548	1,633
3. Number of sub-stations ...	2,574	2,754	3,006
4. Transmission/distribution lines (KM)			
— High/medium voltage ..	7,874.835	8,342.842	8,838.946
— Low voltage ..	13,042.890	14,086.811	15,433.143
5. Connected load (MW) ..	320.897	348.799	373.455
6. Number of consumers ...	3,53,449	3,75,782	4,00,536
7. Number of employees ..	11,129	12,116	13,096

(iii) The following table gives the details of power sold and revenue, expenses and profit/loss per Kwh during the three years upto 1979-80 :

	1977-78	1978-79	1979-80
	(Mkwh)		
1. Units sold			
(a) Agriculture ..	5.46	3.32	5.42
(b) Industrial ..	40.95 *	69.98	93.34
(c) Commercial ..	23.87	26.96	28.00
(d) Domestic ..	49.98	49.81	54.93
(e) Others ..	189.48	350.42	293.11
Total ..	309.74	500.49	474.80
	(Paise)		
2. Revenue per Kwh ..	23.00	26.00	28.94
3. Expenditure* per Kwh ..	35.62	32.08	44.05
4. Loss per Kwh ..	12.62	6.08	15.11

### 7.3.5 Hydel projects under construction

#### 7.3.5.1 Introduction

According to the Administrative Report of the Board for 1977-78, Himachal Pradesh accounts for about 8,700 MW out of the total estimated hydro-power potential of 41,000 MW for the country. The installed capacity of hydro-electric power houses (March 1980) controlled by the Board was 111.020 MW, 5 projects with an installed capacity of 158 MW were under implementation as detailed below :

Project/Scheme	Month of commencement of works
Bassi Augmentation Scheme 15 MW	August 1977
Binwa Hydel Project 6 MW	September 1977
Andhra Hydel Project 15 MW	June 1978
Rongtong Hydel Scheme 2 MW	May 1978
Bhabha Hydel Project 120 MW	Not yet commenced

\*Inclusive of total depreciation for the year and interest on loans.

The work on the infra-structure for **Bhaba Hydrel Project** was in progress (March 1980). The following is a review of the progress of construction of the remaining 4 projects :

### 7.3.5.2 Bassi Augmentation Scheme

(i) The third stage of Bassi hydro-electric power house (Mandi District) was commissioned in July 1971. The present scheme drawn up in March 1974, envisages augmentation of the existing installed capacity from 45 to 60 MW by utilising the additional tail race water releases from **Shanan Power House** (of Punjab State Electricity Board) expected to become available after augmentation of its installed capacity to 100 MW from August 1981.

The project, at an estimated cost of Rs. 4,44.50 lakhs, was cleared by the Planning Commission in September 1976 and administrative approval was accorded by the Board in August 1977. The project was taken up for departmental execution in August 1977 and was to be completed within 2 years.

#### (ii) Progress of expenditure

The table below indicates the year-wise progress of expenditure during August 1977 to October 1980 :

Particulars of work	Estimated expenditure	Expenditure incurred				Total
		1977-78 (August-March)	1978-79	1979-80	1980-81 (April-October)	
(Rupees in lakhs)						
Penstocks ..	1,32.67	..	52.40	26.28	24.80	1,03.48
Power House Plant and electrical equipment ..	2,61.70	..	1,22.89	1,06.93	13.77	2,43.59
Civil works ..	4.92	..	2.73	2.68	1.24	6.65
Establishment	30.29	0.08	2.85	3.45	1.49	7.87
Miscellaneous and other expenses ..	14.92	0.05	0.10	0.24	0.04	0.43
<b>Total</b> ..	<b>4,44.50</b>	<b>0.13</b>	<b>1,80.97</b>	<b>1,39.58</b>	<b>41.34</b>	<b>3,62.02</b>

**Note:** The total expenditure is subject to adjustment of inter-divisional transfers and finalisation of firm's bills.



**(iii) Progress of works**

The scheduled (original and revised) and actual dates of completion of various works are given below :

Particulars	As scheduled		Actual date of completion	Delay in months with reference to	
	Original	Revised		Original schedule	Revised schedule
Supply of plant and equipment	May 1978	December 1979	March 1980	22	3
Fabrication and erection of penstocks	February 1979	June 1980	October* 1980	20	4
Civil works (anchor blocks/saddles)	March 1980	July 1980	October* 1980	19	3

The delay was attributed by the Divisional Officer and the suppliers (BHEL) to :

**(a) Generation and electrical equipment**

- imposition of power cuts and strike (4 weeks) in BHEL ; and
- non-availability of rail wagons.

**(b) Fabrication and erection of penstocks**

- delay in finalisation of drawings by the supplier (11 months) ;
- delayed, inadequate and piece-meal supply of steel plates ( for fabrication of pipes) by the Board to the contractor ;
- imposition of power cuts and labour trouble at the fabricator's works;
- transportation bottlenecks due to scarcity of high speed diesel oil and non-availability of rail wagons; and
- inadequate resources (e.g. staff, labour, equipment, stores, etc.) employed by the fabricator at the time of erection.

**(c) Anchor blocks**

- mainly due to delay in the erection of penstocks.

\*Nearly completed.

**(iv) Fabrication and erection of penstocks**

In regard to the work of design, fabrication, transportation and erection, etc., of penstocks (Rs. 45.20 lakhs) awarded (November 1977) to a firm of Pune, the following points were noticed :

**(a) Undue financial assistance**

The agreement with the firm provided for running payments at 80 *per cent* of the value of the fabricated assemblies/accessories of penstocks (complete in all respects duly inspected for despatch by the Board's Engineer) against proof of despatch and the balance 20 *per cent* after the receipt of assemblies/accessories in good condition at the work site. Contrary to the above provisions of the agreement, the Project authorities released (during October 1978 to November 1980) full payments of Rs. 21.98 lakhs (after deducting Rs. 1.18 lakhs on account of certain defects and failure to carry out radiology and stress relieving tests etc.). This resulted in an undue financial assistance of Rs. 3.45 lakhs (Rs. 4.63 lakhs *minus* Rs. 1.18 lakhs) to the firm.

**(b) Stress relieving and radiology tests**

The agreement with the firm provided, *inter alia*, for the radiographic examination of all longitudinal and circumferential joints (value : Rs. 1.96 lakhs) and stress relieving of straight shells with plate thickness of 30 mm and above (value : Rs. 0.49 lakh). The Chief Engineer (Projects) by an amendment to the contract (December 1978) allowed 50 *per cent* (approximately) reduction in radiographic examination. At the request of the firm (in view of scarcity of furnace oil) he further agreed (October 1979) to dispense with the stress relieving tests in respect of shells manufactured from 32/36 mm sheets provided pre-heating to a minimum temperature of 200°F was done before welding. No such relaxation was on record in respect of 30/40/45 mm sheets which were also used. The technical and financial implications in dispensing with the above tests were also not considered. The rates payable for the above work, after the above relaxations, are yet to be determined (December 1980).

**(v) Other points of interest****(a) Payment of sales tax at higher rate**

As per the terms and conditions of the supply order of steel sheets (August 1977), the Board was required to furnish 'C' forms to Hindustan Steel Limited (HSL) for availing of exemption from the levy of higher rate of central sales tax. The Board, however, failed to supply the required 'C' forms in respect of 282.220 tonnes of steel sheets supplied in April 1978 (value : Rs. 8.28 lakhs). This led to the levy of higher rate (8 *per cent* instead of 4 *per cent*) of sales tax treating the Board as an unregistered dealer resulting in an avoidable expenditure of Rs. 0.33 lakh. The Board was

informed by HSL in May 1979 that refund claim for the excess sales tax paid would be lodged after the receipt of 'C' form(s) and the amount would be refunded after the final assessment of sales tax by the concerned authorities for the relevant year. While the Board had submitted the 'C' forms in October 1979 the refund was still awaited (December 1980).

#### (b) Under-utilisation of machinery

The following items of machinery received in July 1979 had remained under-utilised during 1979-80 as per details given below :

Particulars	Value (Rupees in lakhs)	Available working hours as per the norms in the project report	Estimated hours of utilisa- tion	Actual hours utilised	Percentage of utilisation to	
					Avail- able hours	Esti- mated hours
Concrete mixer (3 numbers)	0.45	3,000	2,160	240	8	11
Air compressor (1 number)	0.38	1,000	240	50	5	21

The reasons for the under-utilisation of machinery were not available.

#### 7.3.5.3 Binwa Hydro-Electric Project

(i) The project with an installed capacity of 6 MW is located near Baijnath in Kangra district and is intended to meet the power requirements of the nearby areas of Kangra and Mandi districts. The project was administratively approved by the Board in September 1977 for Rs. 4,32.29 lakhs after it had been cleared (September 1976) by the Planning Commission for Rs. 4,06.85 lakhs. No reasons were assigned by the Board for the upward revision in the cost of the project. The execution of the project was taken up in September 1977 and was to be completed in 4 years.

According to an assessment made by the Board in November 1979 due to escalation in cost of material and labour, the cost of the project would go up to Rs. 6,90.00 lakhs. The project estimates have, however, not been revised so far (May 1980).

#### (ii) Expenditure

As per the project report (October 1975) the project was scheduled to be completed in 4 years at a cost of Rs. 4,06.85 lakhs (civil works : Rs. 1,24.39

lakhs; electrical works: Rs. 1,91.65 lakhs; roads, buildings and special tools and plants, etc., : Rs. 90.81 lakhs) as indicated below:

	Civil works (including roads and buildings, etc.)	Electrical works	Total
(Rupees in lakhs)			
1st year	45.00	2.00	47.00
2nd year	70.00	30.00	1,00.00
3rd year	70.00	1,10.00	1,80.00
4th year	30.20	49.65	79.85
<b>Total</b>	<b>2,15.20</b>	<b>1,91.65</b>	<b>4,06.85</b>

While no firm orders for the procurement of electrical equipment, except for control and relay boards (value : Rs. 4.46 lakhs) had been placed (June 1980), the cumulative budget provision and the actual expenditure upto 31st March 1980 on civil works, buildings and roads were as follows :

Particulars of works	Estimated cost as per project report	Budget provision	Actual expenditure
(Rupees in lakhs)			
<b>Civil works</b>			
Diversion dam and intake structure	27.08	..	..
Tunnel and desilting tank	35.13	32.46	40.62
Forebay and spill channel	32.65	10.00	8.56
Penstocks, anchor blocks and saddles	22.44	16.46	1.77
Power house	6.91	9.42	1.34
Tail race channel	0.18	..	..
<b>Total</b>	<b>1,24.39</b>	<b>68.34</b>	<b>52.29</b>
<b>Buildings</b>	<b>15.98</b>	<b>35.04</b>	<b>38.50</b>
<b>Roads</b>	<b>28.82</b>	<b>34.96</b>	<b>39.46</b>
<b>Grand Total</b>	<b>1,69.19</b>	<b>1,38.34</b>	<b>1,30.25</b>

## (iii) Progress of works

The entire civil works were expected to be completed at a cost of Rs. 1,24.39 lakhs by September 1981. The physical progress of civil works (other than infra-structure facilities) as on 31st March 1980 after incurring an expenditure of Rs. 52.29 lakhs (42 per cent of the estimated cost of Rs. 1,24.39 lakhs) was as under :

Name of work	Month of commencement of work	Estimated quantity	Quantity actually executed	Per cent
Tunnel-excavation, steel supports, anchorage and dewatering (length in metres)	April 1978	1,880.6	950	51
Forebay-excavation (cubic metres)	August 1979	32,450	62,624*	..
Penstock, anchor blocks and saddles (excavation in trench cubic metres)	February 1980	3,200	2,015	63
Power House (excavation in cubic metres)	December 1979	9,000	1,800	20

The drawings in respect of the diversion dam and intake structure, desilting tank, forebay and spill channel, penstocks, anchor blocks and saddles, power house and tail race channel are yet to be finalised by the Planning and Design Circle of the Board (December 1980).

## (iv) Tunnel alignment

The Project Report (October 1975) envisaged the construction of a 1312 metre tunnel which was technically sanctioned by the Chief Engineer (Projects) in March 1978 for Rs. 17.84 lakhs on the basis of drawings appended to the Project Report. The work, envisaged for completion in 2 years, was taken up for departmental execution in April 1978. The detailed survey work of the project (including the tunnel), was carried out by the Survey of India in field season 1978 and the survey data sent to the Chief Engineer (Project) in August 1978. As per the final alignment of the tunnel approved by the Chief Engineer (Project) on the basis of the tunnel alignment given by the Survey of India, the length of the tunnel increased from 1,312 to 1,786.8 metres.

\* Para 7.3.5.3(v) refers.

After the work at the tunnel outlet had reached a stage when the work at the tunnel inlet could be excavated upto the tangent point, the Superintending Engineer, Binwa Construction Circle, requested the Director, North Western Circle, Survey of India, Chandigarh (April 1979) to check the points for ascertaining the correctness of the excavated alignment (inlet heading : 40 metres ; outlet heading : 174 metres) of the tunnel. In August 1979 the Superintending Surveyor, Survey of India, Chandigarh after checking the tunnel alignment pointed out that due to wrong sighting at the tunnel intake, the tunnel was going out by about  $21^\circ$  and the excavation of the tunnel was leading to the river side. As per the revised drawing prepared in September 1979 the length of the tunnel increased by 93.8 metres due to the wrong alignment involving an infructuous expenditure of about Rs. 3.98 lakhs (on the basis of Rs. 43.33 lakhs incurred upto April 1980 on 1,020 metres). The Superintending Engineer, Binwa Construction Circle, intimated the Chief Engineer (Project) of the Board (March 1980) that ".....the error crept in due to some misunderstanding regarding status of official of the Survey of India Party and Junior Engineer and the Surveyor of the Binwa Construction Division." Upto April 1980 the physical progress achieved was 1,020 metres (cost : Rs. 43.33 lakhs). The revised estimates covering the length of 1,880.6 metres have not yet been prepared (May 1980).

#### (v) Excavation of forebay

The geological report of the forebay site appended to the Project Report pointed out that ".....no rock exposures are available at the proposed forebay site and the whole of this area is occupied by landslide debris. The depth of this material may be ascertained by exploratory pits and if the depth of the sound rock is very high, the forebay will have to be designed for the debris material and necessary protection to the slopes will have to be accorded." Instead of digging exploratory pits, and finalising the design of the forebay, excavation of forebay (65x30x9.5 cum) for a storage of 20,350 cum was taken up departmentally in August 1979. The work involving excavation of 32,450 cum was estimated to cost Rs. 5.82 lakhs and was to be completed in 6 months. The work was suspended in March 1980 after excavation of 62,624 cum (an increase of 93 per cent) at a cost of Rs. 8.56 lakhs as the drawings of the forebay had not been finalised (October 1980).

Meanwhile, during the course of inspection of excavation work (January 1980) the Superintending Engineer, observed that ".....in the first part of forebay, it was found that rock was not being encountered though a lot of excavation had been done there. So Executive Engineer, Binwa

Construction Division No. I should remove the shovel from that portion and deploy it in the second portion of the forebay." As per entries in the measurement books, excavation work aggregating 10,817 cum had been done in the first part of the forebay at a cost of about Rs. 1.48 lakhs. As the drawings had not been finalised and revised estimates had also not been prepared (October 1980), the extent of infructuous expenditure could not be assessed.

(vi) **Injudicious expenditure on colony**

Against the provision of Rs. 15.98 lakhs in the Project Report (October 1975) for the construction of residential and non-residential buildings, colony roads, water supply, etc., an expenditure of Rs. 45.15 lakhs had been incurred upto April 1980 as detailed below :

Particulars	As per the project report	Actual (April 1980)	Excess (per cent)
<b>I. Residential Buildings</b>			
(a) No. of quarters ..	@ 43	197	358
(b) Area (in square feet) ..			
Permanent ..	10,000	11,476	15
Temporary ..	17,810	63,477	256
(c) Expenditure (Rupees in lakhs) ..	5.97	27.26	357
Non-residential (Rupees in lakhs) ..	4.74	7.43	57
<b>II. Colony roads, water supply and drainage, etc. (Rupees in lakhs) ..</b>	<b>5.27</b>	<b>10.46</b>	<b>98</b>

It would be seen that excavation of major civil works had not been taken up so far and even the drawings for major civil works had not been finalised. Priority was given to the construction of the colony for housing the staff and excess expenditure amounted to Rs. 21.29 lakhs (357 per cent).

@Based on the technical staff required for the construction as per the project report.

The Executive Engineer had also pointed out to the Superintending Engineer (October 1979) that ".....the project would be delayed by one year in case we divert our attention for constructing the buildings". The works are still in progress and the revised estimates have yet to be framed (December 1980).

(vii) **Locking up of Board's funds**

A part (8.5 Km) of the 12 Km link road which connects the Binwa Hydel Project with the State Highway is under the control of the State Public Works Department (P.W.D.). To facilitate the execution of the project, the Board requested the P.W.D. (March 1977) to improve and develop the stretch of the road into an all-weather road as the traffic remained disrupted during the rainy season. It was decided (June 1977) to share the improvement cost of Rs. 4.00 lakhs between the Board and the P.W.D. on 50 : 50 basis and accordingly the Board deposited Rs. 2.00 lakhs with the P.W.D. (September 1977). In March 1978, the Superintending Engineer, Binwa Construction Circle, informed the Chief Engineer (Projects) that neither any funds (representing the departmental share) were available with the P.W.D. for improvement nor had the road been given any priority by the P.W.D. He, therefore, proposed to get the road transferred to the Board so that it could be developed into an all-weather metalled road within the expenditure proposed by the P.W.D. He further assessed that the Board would have to incur an additional expenditure of about Rs. 7.37 lakhs on the transportation of different items of material and equipment and on account of wastage of labour in the absence of reliable road communication. The proposal was, however, not accepted and as per the Board's decision (September 1978) a further sum of Rs. 3.00 lakhs was deposited with the P.W.D. in January 1979 for metalling and tarring of the road. The Executive Engineer, P.W.D. intimated (July 1979) that Rs. 2.24 lakhs (out of Rs. 5.00 lakhs deposited) had since been spent on the improvement of the road. The P.W.D. further informed the Board that 50 per cent of the work would be completed by the end of March 1980 and further progress would depend on funds to be provided by the State Government. Details of the expenditure incurred or of the actual progress of work were not available (December 1980).

(viii) **Under-utilisation of machinery**

(a) It was noticed during test-check that machinery valuing Rs. 15.55 lakhs received from the Giri (Rs. 8.81 lakhs) and the Bassi (Rs. 6.74 lakhs) projects was utilised to the extent of 7 to 24 per cent of the available working



hours and 22 to 81 per cent of the estimated hours as detailed below :

Particulars	Month of receipt	Value (Rupees in lakhs)	Year	Avail-able hours as per the project report	Esti-mated working hours	Actual hours worked	Percentage of utilisation to	
							Avai-able hours	Estima- ted hours
D—7 Caterpillar Bulldozer	January 1978	1.86	1977-78	600	100	55	9	55
			1978-79	2,400	720	173	7	24
			1979-80	2,400	1,200	389	16	32
D—80—A Kamatsu March Bulldozer	March 1978	3.85	1977-78	200	100	22	11	22
			1978-79	2,400	720	584	24	81
			1979-80	2,400	1,200	304	13	26
B.M. Road Roller	January 1979	0.64	1978-79	N.A.	100	4	..	4
			1979-80	N.A.	1,200	512	..	43
Tata P&H Shovel	June 1979	6.44	1979-80	2,000	1,200	415	21	35
C—Pull Rear Dumper	August 1979	2.46	1979-80	1,750	1,200	353	20	29
Concrete Mixer (2)	Septem-ber 1978	0.30	1978-79	N.A.	600	136	..	23

Reasons for under-utilisation of the machinery were not made available by the Board (November 1980).

(b) 4 locomotives valuing Rs. 7.78 lakhs for the transportation of materials, muck etc., from the tunnel, indented from the Giri Project, were received in Binwa Construction Division No. I in March 1978. The locomotives remained idle since their receipt and were transferred to Binwa Construction Division No. II in April 1979 where only 1 locomotive worked for 489 hours during January—March 1980 and the remaining 3 locomotives were lying idle (October 1980).

(ix) Other points of interest

(a) *Purchases in excess of requirements*—M.S. rounds (10 mm: Rs. 1.24 lakhs and 25 mm: Rs. 4.36 lakhs) and M.S. squares (32 mm: Rs. 0.16 lakh) valuing Rs. 5.76 lakhs were either purchased (Rs. 5.20 lakhs) or indented

(Rs. 0.56 lakh) from other projects during 1978-79 and 1979-80, out of which material valuing Rs. 1.23 lakhs was transferred to other divisions of the Board during 1978-79 (Rs. 0.09 lakh) and 1979-80 (Rs. 1.14 lakhs). Out of the balance quantity (value : Rs. 4.53 lakhs), material valuing Rs. 0.09 lakh was utilised and the remaining material (value : Rs. 4.44 lakhs) was lying unutilised (May 1980) for which reasons were not available.

(b) *Estimates and their approval*—It was noticed that expenditure incurred on 55 works (value : Rs. 1,26.35 lakhs) had exceeded the technical sanctions (Rs. 60.20 lakhs) by Rs. 66.15 lakhs i.e. 110 per cent. The excess expenditure had not been regularised (December 1980).

#### 7.3.5.4 Andhra Hydro Electric Project

(i) The project with an anticipated installed capacity of 15 MW is intended to meet the power requirements of the Pabbar valley and the adjoining areas of Rohru and Theog tehsils in Simla district. The project was cleared by the Planning Commission at an estimated cost of Rs. 9,46.53 lakhs in September 1976 and administratively approved by the Board in June 1978 for Rs. 9,74.23 lakhs. The project was taken up for execution in June 1978 to be completed in 4 years.

#### (ii) Expenditure

As per the Project Report (October 1975), an expenditure of Rs. 9,46.53 lakhs (civil works: Rs. 3,09.32 lakhs; electrical works: Rs. 4,71.41 lakhs, and roads, buildings, special tools and plants, etc., : Rs. 1,65.80 lakhs), was to be incurred as detailed below:

	Civil works (including roads and buildings etc.)	Electrical works	Total
(Rupees in lakhs)			
Ist year	1,00.00	75.00	1,75.00
2nd year	2,00.00	1,25.00	3,25.00
3rd year	1,50.00	1,75.00	3,25.00
4th year	25.12	96.41	1,21.53
<b>Total</b>	<b>4,75.12</b>	<b>4,71.41</b>	<b>9,46.53</b>

The estimated and actual expenditure upto 31st March 1980 was as under:

	Estimated cost as per project report	Expenditure		
		1978-79	1979-80	Total
(Rupees in lakhs)				
<b>Civil works</b>				
Diversion and intake structure	12.40	..	..	..
Desilting tank ..	3.40	..	..	..
Storage tank ..	53.25	..	1.76	1.76
Aqueducts ..	3.35	..	..	..
Power channel ..	81.17	1.24	4.18	5.42
Tunnel ..	76.65	..	..	..
Forebay-cum-surge shaft	2.24	..	..	..
Penstocks, anchor blocks and saddles ..	50.56	..	..	..
Power house ..	24.22	..	..	..
Tail race channel ..	2.08	..	..	..
<b>Total</b> ..	<b>3,09.32</b>	<b>1.24</b>	<b>5.94</b>	<b>7.18</b>
Roads, buildings, special tools and plants, etc. ..	1,65.80	35.71	35.22	70.93
Electrical works ..	4,71.41	..	..	..
<b>Grand Total</b> ..	<b>9,46.53</b>	<b>36.95</b>	<b>41.16</b>	<b>78.11</b>

*Note* :—Lumpsum budget provisions were made during 1978-79 for Rs. 28.22 lakhs and in 1979-80 for Rs. 43.68 lakhs.

(iii) **Physical progress**

The civil works estimated to cost Rs. 1,74.90 lakhs have not been taken up for execution so far (October 1980). Physical progress in respect of the power channel and storage tank (October 1980) is indicated below:

Name of work	Estimated quantity (cum)	Quantity actually executed (cum)	Percentage
Power channel (bench cutting) ..	60,790	38,666	64
Storage tank (excavation) ..	28,832	8,092	28

The drawings in respect of all the civil works, except for the first stage excavation and bench cutting of the power channel and the storage tank had not been finalised so far (October 1980). The slow progress was attributed (May 1979—June 1980) mainly to :

—non-submission of preliminary data in time by the field staff and non-finalisation of the drawings by the design wing; and

—delay in making arrangements for carrying out survey work by the Survey of India resulting in non-fixation of the alignments of 4 tunnels and co-ordinates.

(iv) Water conductor system

The Project Report (October 1975) envisaged completion of the project during a period of 4 years. Though the project was cleared by the Planning Commission in September 1976, the Board made further techno-economic studies, changed the alignment as a result thereof, and requested the State Geologist (December 1979) to take up further geological investigation of the area covered by the changed alignment of the water conductor system. The geological note was received in May 1980 and was under the consideration of the Board (November 1980).

Due to the proposed changes, the cost of the water conductor system would increase from Rs. 2,17.82 lakhs to Rs. 2,61.71 lakhs as detailed below:

Name of work	Projected provision		As revised	
	Length	Cost	Length	Cost
	(In metres)	(Rupees in lakhs)	(In metres)	(Rupees in lakhs)
Desilting tank	55	3.40	55	3.40
Aqueducts	135	3.35	145	3.60
Power channel	4192	81.17	2430	47.05
Tunnel	2285	76.65	4120	1,38.20
Storage tank	115	53.25	150	69.46
Total	6782	2,17.82	6900	2,61.71

*Note*:—The above increase has been calculated on the basis of estimated cost given in the Project Report (October 1975) and is exclusive of escalation in labour and material rates thereafter.

## (v) Under-utilisation of machinery

(a) It was noticed during test-check that machinery valued at Rs. 7.74 lakhs was utilised to the extent of 3 to 19 per cent of the available working hours and 12 to 41 per cent of the estimated hours as detailed below:

Particulars	Month of receipt	Value (Rupees in lakhs)	Year	Available hours as per the project report	Estimated working hours	Actual hours worked	Percentage of utilisation to	
							avail-able hours	estima-ted hours
Dozer	October 1978	5.79	1978-79	1,200	450	97	8	22
			1979-80	2,400	1,080	450	19	41
Air Compressor (4)	2 in August 1978, 1 each in December 1978 and August 1979	1.95	1978-79	5,000	1,940	734	15	38
			1979-80	11,000	2,288	282	3	12

Reasons for under-utilisation of the machinery were not made available by the Board (November 1980).

(b) Further, certain items of machinery valued at Rs. 9.72 lakhs were lying idle (May 1980) since their receipt for want of spare parts, repairs, etc., as detailed below:

Particulars	Value (Rupees in lakhs)	Month of receipt	Remarks
Tata Shovel (655-B)	8.68	July 1979	Machine not assembled so far.
Air Compressor (60/236131)	0.38	August 1978	Lying idle for want of spare parts.
Air Compressor (60/227804)	0.35	August 1979	Do
Air Compressor (60/225487)	0.31	August 1978	Lying at Simla workshop for repairs.

## (vi) Other points of interest

(a) *Non-erection of power transmission line*—In June 1979, the project authorities requested the operation wing of the Board to make available three phase power supply for operating the power-driven machines to be installed at various sites such as weir, tunnels, aqueducts, workshop, etc. The operation wing demanded (December 1979) full payment of Rs. 2.41 lakhs in advance in cash. In the absence of an agreement between the two wings of the Board regarding the mode of payment (in cash or through book adjustment) the erection of the line had not been taken up so far (November 1980).

(b) *Irregular expenditure*—In respect of 44 other works, an expenditure of Rs. 69.58 lakhs had been incurred against sanctioned estimates for Rs. 40.14 lakhs. The excess expenditure (Rs. 29.44 lakhs) had not been regularised (November 1980). The reasons for the excess over the estimates were awaited (December 1980).

## 7.3.5.5 Rongtong Hydel Project

(i) The Project with an anticipated installed capacity of 2 MW envisages the utilisation of water discharge of Rongtong *nalah* in Lahaul-Spiti district.

The Project was approved by the Planning Commission in September 1976 and was administratively approved by the Board in March 1977 for Rs. 2,81.00 lakhs. The Project, taken up for execution during May 1978, was scheduled to be completed within 4 years.

## (ii) Project estimates and expenditure

Upto March 1980, against the projected and budgeted expenditure of Rs. 2,81.00 lakhs and Rs. 2,20.00 lakhs respectively, the actual expenditure amounted to Rs. 97.64 lakhs.

## (iii) Physical progress

The excavation of water conductor system, started in 1977-78 was to be completed in 1979-80. The progress achieved upto 31st March 1980 is indicated below:

Name of work	Estimated quantity (cum)	Quantity actually excavated (cum)	Per cent
Open channel	20,000	8,922	45
Tunnel	4,000	..	..
Storage tank	7,000	5,600	80

The remaining works, viz. desilting tank, storage tank (except excavation) diversion weir and intake structure, required to be completed by 1979-80 were yet to be taken up as the drawings had not yet been finalised (October 1980).

The detailed designs and drawings in respect of fabrication and erection of penstocks and excavation and construction, etc., of the power house had not been finalised though, as per the Project Report, these works were to be completed by 1980-81. The work regarding construction of the transmission lines and switch-yard had also not been taken up. While the procurement of electrical equipment as per the Project Report was to be completed by 1979-80 it was noticed that the supply orders were yet to be finalised (October 1980).

The delays were attributed by the Executive Engineer, Rongtong Division (April 1980) mainly to :

- delay in the finalisation of drawings and designs of most of the works;
- bad road conditions;
- shortage of skilled staff during 1978-79; and
- non-finalisation of fabrication of steel frame work for the power channel and tunneling work.

#### (iv) Workload of a Division

According to the revised norms fixed (August 1975) by the Board, the work-load for the creation of a Civil Division (taking into account stipulated factors) should not be less than Rs. 50—60 lakhs annually.

It was noticed that in the Rongtong Construction Division created in June 1975 the workload during 1975-76 to 1978-79 was far below the fixed norms as detailed below :

Year	Establishment expenditure (including miscellaneous expenses)	Works expenditure (including stock suspense)	
		Actual	After applying multiplying factor
(Rupees in lakhs)			
1975-76	3.65	6.81	10.22
1976-77	4.34	2.10	3.15
1977-78	5.27	23.23	34.85
1978-79	6.24	25.90	38.85

It was further noticed that while the division was created during June 1975 the project was sanctioned in March 1977. It has been stated by the Board (September 1980) that the Division was created for making arrangements for the staff as well as stores immediately on sanction of the Project.

(v) **Non/under-utilisation of machinery**

(a) Machinery valuing Rs. 3.12 lakhs either purchased or received from other projects during 1973-74 (Rs. 0.35 lakh), 1977-78 (Rs. 0.62 lakh) and 1979-80 (Rs. 2.15 lakhs) was lying unutilised (October 1980). Reasons for non-utilisation were awaited from the Board (December 1980).

(b) It was noticed during test-check that machinery valuing Rs. 8.14 lakhs was under-utilised as detailed below:

Particulars	Month of receipt	Value (Rupees in lakhs)	Year	Available working hours for 5 months as per norms in project report	Estimated hours	Actual hours	Percentage of utilisation to	
							Available hours	Estimated hours
Dozer D-5A-15	March 1978	5.75	1978-79	1000	1000	459	46	46
			1979-80	1000	960	443	44	46
Compressors (4)	One in September 1975 and 3 in July 1977	1.76	1977-78	5000	1800	260	0.52	14
			1978-79	5000	2700	1043	21	39
			1979-80	5000	2800	801	16	29
Concrete mixers (3)	September 1977	0.63	1978-79	2250	..	..	..	..
			1979-80	2250	900	270	12	30

The reasons for under-utilisation of machinery were awaited from the Board (December 1980).

### 7.3.5.6 Summing up

#### Bassi augmentation scheme

(i) The project scheduled for completion by August 1979 as per the Project Report was still in progress (October 1980).

(ii) (a) Agreement for the fabrication of the penstocks provided for payment at 80 per cent of the price of fabricated assemblies/accessories of penstock. Full payments were, however, released resulting in undue financial assistance of Rs. 3.45 lakhs to the contractor.

(b) Technical and financial implications were not worked out while allowing reduction in the quantum of stress relieving and radiology tests in respect of penstocks.



(iii) Due to non-submission of 'C' forms in time to the supplier, the Board had to pay Rs. 0.33 lakh extra as sales tax which was awaiting refund (November 1980).

#### **Binwa Hydro Electric Project**

(iv) While the project was scheduled to be completed by September 1981, the excavation work of Tunnel Forebay Power House etc., was still in progress; the drawings in respect of most of the works had also not been finalised (December 1980).

(v) Due to wrong sighting of the tunnel intake the length of the tunnel increased by 93.8 metres involving an infructuous expenditure of Rs. 3.98 lakhs approximately.

(vi) Non-implementation of the recommendations of Geological Survey of India for digging exploratory pits before excavation of forebay resulted in infructuous expenditure (not yet assessed).

#### **Andhra Hydro Electric Project**

(vii) No civil work (except for part excavation of power channel and storage tank) was taken up for execution (October 1980) although as per the Project Report, the project was to be completed by June 1982. Even the drawings in respect of all the civil works (except for first stage excavation and bench cutting of power channel and storage tank) have yet to be finalised (October 1980).

#### **Rongtong Hydel Project**

(viii) (a) The works of desilting tank, storage tank (except for excavation, diversion weir and intake structure) scheduled to be completed by 1979-80 were not even taken up as the drawings had not been finalised (October 1980).

(b) Though the project was taken up for execution in May 1978, the Rongtong Construction Division was set up in June 1975 resulting in under-utilisation of staff.

#### **General**

(ix) Machinery of the value of Rs. 32.26 lakhs was under-utilised in all the four Projects and machinery of the value of Rs. 20.62 lakhs was lying idle in Binwa, Andhra and Rongtong Hydel Projects (October 1980).

The above points were referred to the Government in August 1980; replies were awaited (December 1980).

### 7.3.6 Billing and Collection of revenue

**7.3.6.1 Introduction**—The assessment, billing and collection of revenue for the energy sold is carried on through 124 Electrical Sub-divisions scattered over the entire State.

(a) The electricity connections given are classified into 6 categories. The growth in the number of services (category-wise) and the amount realised by way of sale of energy during the 3 years upto 1979-80 are given below :

Category of services	Number of consumers at the end of March			Units of energy sold during			Revenue from the sale of energy during		
	1978	1979	1980	1977-78	1978-79	1979-80	1977-78	1978-79	1979-80
				(In Mkw) <sup>2</sup>			(Rupees in lakhs)		
Domestic	3,03,503	3,23,541	3,45,929	49.98	49.81	54.93	1,59.18 (31.9)	1,78.41 (35.8)	2,14.77 (39.1)
Commercial	43,811	45,435	47,172	23.87	26.96	28.00	86.49 (36.2)	1,20.22 (44.6)	1,49.73 (53.5)
Industrial	4,480	4,974	5,511	40.95	69.99	93.34	1,33.47 (32.6)	1,77.54 (25.4)	2,59.28 (27.8)
Public lighting	153	159	174	1.90	1.96	1.85	18.36 (96.6)	13.50 (68.9)	16.84 (91.0)
Agriculture	1,464	1,640	1,713	5.46	3.32	5.42	12.20 (22.3)	15.07 (45.4)	15.38 (28.4)
Bulk grid and miscellaneous	38	33	37	187.58	348.45	291.26	2,19.77	7,02.97	5,91.55
<b>Total</b>	<b>3,53,449</b>	<b>3,75,782</b>	<b>4,00,536</b>	<b>309.74</b>	<b>500.49</b>	<b>474.80</b>	<b>6,29.47</b>	<b>12,07.71</b>	<b>12,47.55</b>

Note—Figures in parenthesis denote revenue in paise per kwh. sold.

While there was an upward revision of tariffs in respect of all categories of services effective from April 1978, the average revenue per kwh sold in respect of public lighting services dropped from 96.6 paise in 1977-78 to 68.9 paise in 1978-79. Similarly the average revenue per kwh in respect of agricultural services dropped from 45.4 paise in 1978-79 to 28.4 paise in 1979-80. The reasons for these variations had not been analysed by the Board.

(b) Details regarding the length of the transmission and distribution lines, expenditure on consumer servicing and other particulars for the 3 years upto 1979-80 are given below :

	1977-78	1978-79	1979-80
		(Kms.)	
(i) Total length of lines ..	20,918	22,430	24,272
		(Rupees in lakhs)	
(ii) Expenditure on consumer servicing ..	48.83	57.90	N.A.
(iii) Revenue from sale of energy ; Total ..	6,29.47	12,07.71	12,47.55
		(Paise)	
—per kwh sold ..	20	24	26
—per consumer ..	178	321	311
		(Rupees)	
—per km. of line ..	3,009	5,384	5,140

The reasons for the fall in revenue per consumer and per km. of line during 1979-80 had not been analysed by the Board (November 1980).

#### 7.3.6.2 Billing procedure

Meter readings are taken by the officials of the Board on allotted dates. Charges are collected through monthly/bi-monthly bills. For domestic and commercial consumers, the Board ordered the introduction of a spot billing system (August 1977) which was not implemented by the Hamirpur sub-division whereas Dharamsala and Shahpur sub-divisions discontinued the system from August 1979 and May 1980 respectively due to paucity of staff and bill books.

7.3.6.3 A test-check (May/June 1980) of the billing and collection records of 20 sub-divisions and the information received from 55 other sub-divisions revealed

the following :

(i) Pending applications

The applications for new service connections received from prospective consumers are entered in a register (Service Register) indicating the load and the category of connection applied for. Thereafter, the estimated cost is approved by the competent authority, and a demand notice indicating the amount of security deposit and cost of service (if any) is served on the consumer. Simultaneously entries are made in the register. On receipt of the 'test-report' and the security deposit, the connection is given. According to the sales manual followed by the Board the maximum time limit for the release of service connections is 4 months (agricultural category).

As on 31st March 1980, 6,490 applications for the release of new connections were pending in 61 sub-divisions for 2 to 24 months (5,940 cases for less than 6 months and 550 cases for more than 6 months) due to shortages of material, non-preparation of service estimates, non-compliance of the demand notice/ non-payment of security deposit by the consumers, etc.

(ii) Billing

(a) In 18 sub-divisions, 1,877 cases of under/non-billing of energy charges relating to the period 1978-79 and 1979-80 amounting to Rs. 6.16 lakhs came to notice during audit (May/July 1980):

Reasons	Number of cases	Amount of short billing (Rupees in lakhs)
Non/short levy of minimum monthly charges	127	3.48
Non/short levy of charges for		
—general service	1,678	0.83
—rental	2	0.16
Non-recovery of surcharge	66	0.99
Wrong application of tariff	2	0.38
Arithmetical errors	2	0.32
<b>Total</b>	<b>1,877</b>	<b>6.16</b>

The action taken in respect of the above short billings is awaited (November 1980).

(b) As per the procedure prescribed in the Sales manual, the meters are required to be checked at the time of monthly reading and also during the

periodical inspections by the Meter Inspector/Junior Engineer. The periodical inspection of meters and timely replacement of defective meters are also essential for the correct determination of the energy consumed. It was noticed that in 57 sub-divisions, 6,985 cases were reported with 'nil' consumption continuously for 2 to 24 months whereas in 1,866 cases pertaining to 53 sub-divisions the consumers' premises were reported as locked. These cases had not been investigated and where the premises were found to be continuously locked action was not initiated to disconnect the supply as required in terms of the manual (June 1980).

(c) It was noticed that in 9 sub-divisions, 80 meters were reported from time to time during 1977-78 to 1979-80, to be running in the reverse direction. No action had, however, been taken either to replace the defective meters or to bill the consumers on the basis of monthly average of the past consumption (June 1980).

(d) To prevent theft of energy by the consumers seals are provided to the meters. In 5 sub-divisions seals of 36 services were found broken and there was no record to show that the meters had been re-sealed (June 1980). Further, since December 1977, 6,838 meters in 27 sub-divisions had been installed without seals due to non-availability of sealing pliers, etc.

(e) In 42 sub-divisions, 7,311 defective meters lying in the stores for 2 to 24 months had not been sent to the Maintenance and Testing Division of the Board for repairs. The reasons for the delay were not furnished by the Sub-divisional Officers concerned (November 1980).

(f) In 13 sub-divisions there were delays of 2 to 24 months in 549 cases in issuing the first bills. The delay in billing was attributed (May-July 1980) by the Sub-divisional Officers mainly to the dearth of staff.

(g) While drop in the power factor below 85 per cent in respect of industrial services attracts penalty at the prescribed rates, it was noticed that the meters to record the power factor had not been installed (July 1980) in the case of 283 out of 285 large and medium industrial establishments by 22 sub-divisions and consequently penalty for low power factor, if any, was not imposed. This was stated to be due to the non-availability of meters.

### (iii) Collection

(a) Before February 1979, payments towards energy charges were received at the sub-divisions or at the collection centres. From February 1979, spot collection of payments from domestic consumers was introduced which was later (September 1979) extended to commercial consumers in the rural areas as well. However, 15 out of 20 sub-divisions test-checked had not introduced the system due to shortage of staff (May-July 1980).

**(b) Arrears of revenue**

A sum of Rs. 4,83.43 lakhs was outstanding recovery, as on 31st March 1980. The arrears included Rs. 13.60 lakhs recoverable from consumers whose connections had been permanently disconnected during the period April 1978 to March 1980.

**(iv) Disconnection on default in payment**

The non-payment of the energy charges on the due dates entails disconnection of supply. Against 4,163 disconnection orders issued during 1977-78 to 1979-80 by 4 sub-divisions, supply had been disconnected in only 2,461 cases upto July 1980. No reasons were given (November 1980) by the concerned Sub-divisional Officers for not having disconnected supply in the remaining cases.

During test-check of Solan Sub-division it was noticed that in respect of a service the disconnection order was issued on 30th May 1976 and the records indicated that the supply to the consumer was permanently disconnected. However, the Inspector on checking the installation on 19th September 1979 found that the supply was actually not disconnected and the consumer was availing of the supply for the past 39 months, a bill had since been raised (May 1980).

**(v) Refund of money utilised against deposit work**

A sum of Rs. 0.31 lakh was deposited by a consumer in June 1972 against a deposit work for which an estimate of Rs. 0.31 lakh was sanctioned by the Superintending Engineer, Hydrel Circle, Solan (October 1972) for providing an electrical connection. The work was completed at a cost of Rs. 0.25 lakh (date of completion was not available). On the directions of the Superintending Engineer (January 1980), the Executive Engineer, Electrical Division, Solan refunded (February 1980) the amount of Rs. 0.31 lakh to the consumer and transferred the expenditure to the scheme "Supply of power to large industries in Himachal Pradesh during Fourth Five-Year Plan". Neither was there any provision in the sanctioned estimate nor in the rules of the Board for the refund of the cost of service connection deposited by the consumers. The reasons for refunding the amount after 8 years were not on record.

**(vi) Un-metered supply**

122 dead meters of domestic consumers were removed (December 1978) by Kandrori Sub-division for repair and testing. The consumers were getting un-metered supply (June 1980) and were being charged on the basis of past average consumption. The reasons for non-installation of meters were awaited from the Board (November 1980).

Besides removal of dead meters, 12 meters of large and medium industrial units which were not defective were also removed by the Sub-divisional Officer, Kandrori during October-December 1978 without assigning any reasons and new meters were installed after one to two months of removal. The consumers received un-metered supply during the intervening period.

(vii) Electricity duty

(a) Under the Himachal Pradesh Electricity (Duty) Rules, 1975 electricity duty is recoverable from all consumers with effect from 1st July 1975 and Corporations/semi-Government bodies are not exempted from the payment of such levy. A sum of Rs. 0.50 lakh leviable on this account from July 1975 to March 1980 had not been levied/recovered by 7 sub-divisions from Corporations/Government bodies.

(b) Electricity duty was revised upward from April 1979. However, in 10 sub-divisions this duty continued to be charged at the old rates upto December 1979 (due to delay in the receipt of orders) resulting in a short realisation of Rs. 2.25 lakhs. The additional demand for the short realisation is yet to be raised by the Board.

(viii) Security deposits

Security deposits were to be collected from the consumers at the rate of Rs. 20 per KW of connected load or part thereof. A sum of Rs. 0.17 lakh on this account had not been recovered (May/June 1980) by Solan, Mehatpur and Parwanoo sub-divisions from the Corporations/semi-Government bodies since their formation (1966 onwards).

7.3.6.4 Inspection of installation

For safeguarding against pilferage of energy and thereby minimising the losses, a flying squad unit consisting of one Executive Engineer and one Junior Engineer was set up by the Board (May 1975). No norms or targets were, however, fixed for the squad.

(i) The table below indicates the total number of consumers, number of cases checked and number of cases in which irregularities were noticed during the last 3 years upto 1979-80 :

Year	Total number of connections	Number of connections checked	Number of cases in which irregularities were noticed
1977-78	3,53,449	641	342
1978-79	3,75,782	630	471
1979-80	4,00,536	211	96

No reasons for such low checking nor for the absence of any follow up action in such cases were available on record (November 1980).

(ii) In February 1978, the flying squad noticed that the meter of a large industrial connection at Paonta Sahib (installed in April 1977 by the consumer himself) was found 'dead'. The meter temporarily installed (February 1978) by the sub-division, replacing the consumer's meter, was also found to be old and untested by the squad (July 1978), and thereafter another meter was installed on 15th July 1978. The recovery of Rs. 0.43 lakh towards estimated amount of short consumption for the period January to August 1978 (based on the average consumption for the period August 1978 to February 1979) though debited to the account of the consumer (March 1979), was pending recovery for want of a final decision (on the observations of the flying squad) by the Director, Commercial of the Board (November 1980).

#### 7.3.6.5 Short accountal of dismantled material

At the request of the military authorities (May 1979) the distribution system at the upper Dharamsala Cantt. (Kangra District) was dismantled during November 1979—January 1980 at a cost of Rs. 0.10 lakh. Against the dismantled material valuing Rs. 0.85 lakh material valuing Rs. 0.54 lakh had neither been accounted for nor handed over on transfer of charge (April 1980) by the concerned Junior Engineer. No action had yet been taken to recover the value of material not accounted for (July 1980). The expenditure (Rs. 0.10 lakh) incurred on the dismantling of the service (required to be recovered under rules) was also awaiting recovery (July 1980) from the military authorities.

#### 7.3.7 Other topics of interest

(i) *Delay in finalisation of a purchase order*—The Board invited tenders in April 1973 for the procurement of 17 transformers of 1 MVA and 6 transformers of 2.5 MVA alongwith spares. The offers received from 10 firms (valid upto 6th November 1973) were opened on 7th July 1973. Decision could be taken only on 5th November 1973 and a telegraphic order was issued on a Calcutta firm (lowest offer) on 5th November 1973 followed by a detailed purchase order on 4th January 1974, at a total cost of Rs. 15.96 lakhs. The supply order was, however, not honoured by the firm, the reasons for which could not be ascertained as the file was stated to be missing. While it was stated (May 1980) that a legal notice was issued to the firm on 21st April 1975, further progress of the case could not be ascertained (November 1980).

To meet the requirements, fresh tenders were invited in November/December 1974. Offers received from 15 firms were opened on 12th February 1975. Telegraphic acceptance of the rates tendered by a Chandigarh



firm was conveyed on 19th June 1975 followed by a detailed purchase order on 11th July 1975, for 17 transformers of 1 MVA and 9 transformers of 2.5 MVA (alongwith spares) at a total cost of Rs. 37.25 lakhs. Computed at the rates offered by the Calcutta firm in July 1973, the Board had to incur an extra expenditure of Rs. 15.22 lakhs in the procurement of 17 transformers of 1 MVA and 6 transformers for 2.5 MVA (alongwith spares).

The matter was reported to the Government in August 1980 ; reply is awaited (December 1980).

(ii) *Purchase of G.I. and G.S.S. wires*—The Chief Purchase Officer, of the Board placed an order in May 1979 on a New Delhi firm for the supply of 770 tonnes of G.I. and G.S.S. wire at a cost of Rs. 36.63 lakhs. According to the terms and conditions of the supply order, 95 per cent payment was to be made through bank against proof of despatch and the balance 5 per cent within 6 months of the receipt of material in good condition at the site. The supplies were to commence within 30 days of the receipt of the supply order and completed within 6 months thereafter in 4 instalments. In the event of delay in supplies, the firm was liable to pay liquidated damages at 0.5 per cent per week or part thereof subject to a maximum of 5 per cent of the value of the delayed supplies. The supply order, however, did not stipulate any cash security or bank guarantee for the due fulfilment of the contract, although according to the 'Manual of purchases and material management' of the Board, cash security or equivalent Banker's Guarantee bond was required to be furnished by the supplier within one month of the order unless otherwise agreed to between the parties.

The material was inspected at the supplier's factory by the representatives of the Board in June 1979 (580 tonnes) and September 1979 (190 tonnes) and the firm claimed 95 per cent advance for 770 tonnes reported to have been despatched by lorries to various consignees at Simla, Jogindernagar, Parwanoo and Kandrori as follows :

<u>Date of Despatch</u>	<u>Quantity despatched</u>
(1979)	(Tonnes)
16th June	160
30th June	100
2nd July	70
4th August	127
11th August	60
17th August	63
29th September	190
<b>Total</b>	<b>770</b>

Only 411 tonnes were, however, received upto 31st March 1980 by different consignees. The balance of 359 metric tonnes for which 95 per cent advance payments totalling Rs. 17.34 lakhs were claimed through bank against G. Rs. in June 1979 (Rs. 1.25 lakhs), July 1979 (Rs. 0.48 lakh), August 1979 (Rs. 6.20 lakhs) and September 1979 (Rs. 9.41 lakhs) had not been received despite repeated reminders. On 1st April 1980, two officers of the Board visited the offices of the transport company and were informed that the material covered by the G. Rs. had been returned to the firm. On contacting the firm, (1st April 1980) it was found that the firm had no material and the firm gave an assurance that it would manufacture and despatch the material to the consignees at the rate of 50 tonnes per week. In May 1980, one of the proprietors of the firm, after discussion with the Chief Purchase Officer, agreed to refund the amount of the advance payments in instalments by the end of June 1980 after adjustment of the cost of material delivered till then. A sum of Rs. 2.50 lakhs was refunded by the firm in May 1980 and the Board had upto July 1980 received 62.090 tonnes of wire valuing Rs. 2.97 lakhs. The material received during May and June 1980 was, however, neither inspected by any representative of the Board nor was there any record to show that it had been got tested at the Government laboratory before despatch. Further, no action has so far been taken to claim liquidated damages from the firm (July 1980).

It would thus be seen that the firm had with the connivance of the transporters unauthorisedly claimed Rs. 11.87 lakhs (Rs. 17.34 lakhs less Rs. 2.50 lakhs refunded in cash and Rs. 2.97 lakhs for material received in May and June 1980). A complaint was lodged with the police against the firm and transporters in May 1980, which is still under investigation (February 1981).

The fraud was facilitated mainly due to (i) failure on the part of Board's authorities to obtain a bank guarantee from the firm (ii) failure on the part of concerned divisions to withhold release of subsequent G. Rs. when material against G. Rs. already negotiated through banks had not been received in full and (iii) failure on the part of Board's authorities to take up the matter promptly with the transporters when the material was not received.

The matter was reported to the Government in August 1980; reply is awaited (December 1980).

(iii) *Undue favour to a firm*—Tenders were invited by the Board (June 1975) for the supply of 2100 metres of ventilation duct against which 15 offers were received in July 1975. The lowest offer of a Patiala firm was accepted and a purchase order was placed (September 1975) for the supply of 2,100 metres of ventilation duct at the rate of Rs. 115 per metre (value : Rs. 2,29,425) subject to 5 per cent discount. Soon after (26th September 1975), an amendment was issued at the request of the supplier (due to difficulty in availability of sheets of required size/thickness) (i) allowing the supplier to use M.S. sheets of 16 to 22

gauge instead of 22 gauge stipulated earlier; (ii) agreeing to accept the ducts of 560 to 600 mm dia against 600 mm prescribed earlier; and (iii) co-relating the price payable on the actual weight of ducts manufactured (with the above changes) to the weight of "sample duct manufactured as per original specification".

The specified weight of the sample piece of ventilation duct (including iron angle) as per the purchase order was 33 kgs. (27th November 1975). The firm supplied the entire material (840 pieces of 2.5 metre each) during December 1975 to March 1976 and an amount of Rs. 5.06 lakhs was paid to the firm (May 1976). Due to the use of M.S. sheets of higher gauge and change in dia, the average weight of each duct supplied increased from 33 to 65 Kgs.

The change in specifications and payment by "weight" instead of "length" resulted in an extra payment of Rs. 2.68 lakhs.

According to the terms and conditions of the supply order, the supplies were to be completed within 3 months of the order (i.e. mid-December 1975) failing which, a penalty was to be levied at the rate of 0.5 per cent per week or part thereof subject to a maximum of 5 per cent. The supplies were actually completed on 2nd March 1976 and no extension of time was allowed. While the firm became liable for a penalty of Rs. 0.25 lakh no penalty was, however, imposed the reasons for which were not on record.

The matter was reported to the Government in August 1980; reply is awaited (December 1980).

(iv) *Rejection of a claim*—Under an agreement dated 3rd March 1925 between the Government of Punjab and the Raja Sahib of Mandi Darbar, which was later (9th April 1965) enforced between the successors, viz., Punjab State Electricity Board and the Government of Himachal Pradesh, the Government of Himachal Pradesh was entitled to (i) free supply of power subject to limits laid down in the agreement and (ii) royalty on the maximum demand generated on a sliding scale in consideration of benefits allowed to the former for the construction of Shanan Power House. The Himachal Pradesh State Electricity Board came into existence on 1st September 1971 as a successor to the Department of Multipurpose Projects, Government of Himachal Pradesh. The Board preferred 2 claims as under :

Particulars of claim	Date of claim	Amount (Rupees)
In lieu of 500 kW of free supply of power for the period May 1967 to March 1978 ..	10-2-1978	32,86,440
Royalty on maximum demand generated for the period 1970-71 to 1977-78 ..	15-2-1978	10,72,500

In respect of free supply, no bill was raised prior to May 1967 as the value thereof was deducted by the Punjab State Electricity Board from the bill for the electricity supplied to Himachal Pradesh. As regards royalty, it could not be verified from the Board's records whether any bill was raised and realised prior to 1970-71.

The bill for Rs. 32,86,440 relating to free supply of power is under the consideration of the Punjab State Electricity Board (November 1980). The bill in respect of royalty for the period 1970-71 to December 1973 (Rs. 4,25,000) was rejected (October 1978) on the ground that the claim was time-barred. Against the remaining amount (Rs. 6,47,500), claim amounting to Rs. 0.81 lakh was accepted. The matter was referred to the Legal Officer of the Board in December 1978 and his opinion is still awaited (December 1980) and the claim is still pending (December 1980). The delay in submitting the claims resulting in a loss of Rs. 4.25 lakhs was attributed to "Field Units" by the Power-Controller-cum-Sales Engineer (March 1979). No responsibility for the delay has, however, been fixed (December 1980).

The matter was reported to the Government in August 1980; reply is awaited (December 1980).

(v) *Procurement of A.C. high voltage testing set*—Mention was made in paragraph 7.3-XVII (iii) (b) of the Audit Report (Civil) for the year 1974-75 regarding the purchase of an A.C. high voltage testing set through the Indian Supply Mission, London in April 1973 involving an extra expenditure of Rs. 1.70 lakhs. This equipment was to be utilised for high pressure tests on the distribution and power transformers repaired at the transformer repair shop of the Maintenance and Testing Division, Solan. The set was, however, received in the Maintenance and Transmission Sub-division, Sundernagar (District Mandi) in July 1975 after payment of demurrage amounting to Rs. 0.47 lakh at Bombay. An estimate (Rs. 3.58 lakhs) covering the cost of equipment and related expenditure (Rs. 3.11 lakhs) besides demurrage charges (Rs. 0.47 lakh) was sanctioned in January 1977 by the Superintending Engineer, Transmission and Construction Circle without obtaining the sanction of the Board for the payment of demurrage. The equipment remained idle upto July 1976 in the Sub-division (for want of a catalogue and a trained person) when it was transferred to the Giri Project, Division No. IV, Girinagar. It was utilised at Girinagar for high voltage testing of only 2 hydro-generators and was again transferred (April 1980) to the Maintenance and Testing Division, Solan (for which it was originally purchased). The Executive Engineer, Maintenance and Testing Division, Solan intimated (July 1980) that the equipment has not been put to any use by the division since its receipt.

It would thus be seen that the set has hardly been used since its purchase over 5 years ago.

The matter was reported to the Government in August 1980; reply is awaited (December 1980).

(vi) *Physical verification—shortages and excesses*—(a) Particulars of shortages and excesses noticed in physical verification of stores, adjusted and outstanding at the end of each year for the 4 years upto 1979-80 are indicated below :

<u>Excesses</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>
	(Rupees in lakhs)			
(i) Noticed during the year	0.89	2.01	0.26	0.87
(ii) Adjusted				
(iii) Balance as on 31st March 1980	0.89	2.01	0.26	0.87
<u>Shortages</u>				
(i) Noticed during the year	2.56	4.08	0.98	1.27
(ii) Adjusted	0.88	1.09		
(iii) Balance as on 31st March 1980	1.68	2.99	0.98	1.27

To the end of 1979-80, shortages amounting to Rs. 6.92 lakhs and excesses amounting to Rs. 4.03 lakhs were awaiting investigation and adjustment. Final action to either adjust or recover the amounts is still awaited (September 1980).

(b) While handing over charge (August 1978) a Junior Engineer of Bhaba Store and Communication Division, Parwanoo did not hand over to his successor stores and tools and plant valued at Rs. 0.48 lakh. These shortages have not been investigated so far (October 1980).

The Government stated (December 1980) that the stores worth Rs. 0.31 lakh had been traced out and adjusted in the accounts and Rs. 0.17 lakh representing the value of the stores still remaining unaccounted for would be placed in the personal ledger account of the defaulter for effecting recovery from his pay if he failed to reconcile these within one month.

(vii) *Procurement of material without requirement*—Against the indent of March 1973 of the Chief Purchase Officer of the Board, an order for the supply of 9 numbers of 11 KV outdoor Current Transformers/Potential Transformers

(value: Rs. 0.65 lakh) was placed by the Director General of Supplies and Disposals on firm 'A' in October 1974. The material (value: Rs. 0.67 lakh) received in the Maintenance and Transmission Division, Solan was lying unused since its receipt as the material was not indented by that division.

The matter was brought to the notice of Chief Engineer (Operation) of the Board in March 1979 and again in May 1980; reply is awaited (December 1980).

#### 7.4 Himachal Pradesh Financial Corporation

**7.4.1 Introduction**—The Himachal Pradesh Financial Corporation was established on 1st April 1967 under the State Financial Corporations Act, 1951 (hereinafter referred to as the Act) with an authorised capital of Rs. 50.00 lakhs which was raised to Rs. 1 crore during 1971-72 and to Rs. 2 crores during 1977-78.

**7.4.2 Objectives** (a) The Corporation is empowered, under Section 25 (1) of the Act, to carry on and transact the following kinds of business:

- (i) granting loans and advances or subscribing to debentures of industrial concerns;
- (ii) underwriting and subscribing to shares, bonds and debentures;
- (iii) guaranteeing loans raised by industrial concerns and deferred payments due from industrial concerns for the purchase of capital goods; and
- (iv) acting as an agent of the Central or State Governments or the Industrial Development Bank of India (IDBI) or Industrial Finance Corporation of India or other financial institutions in respect of the grant of loans and advances or subscription to the debentures of industrial concerns.

(b) Under Section 39 (i) of the Act, the Corporation shall be guided by such instructions on questions of policy as may be issued to it by the State Government. The study team of the Administrative Reforms Commission in its report on Economic Administration (April 1976) underlined the need for the State Governments to issue specific instructions to the Corporation in order that the industrial potential is systematically exploited. No such instructions have, however, been issued by the State Government so far (June 1980).

#### 7.4.3 Organisational set-up

The management of the Corporation is vested in a Board consisting of 12 Directors, 5 of whom (including the Managing Director) are nominated by the State Government, 1 by the Reserve Bank of India (RBI), 2 by the IDBI, and 4 are elected.

In terms of Section 17(1) (a) of the Act, the Managing Director shall be a whole-time officer of the Corporation. From 1st April 1967 upto 31st March 1971, however, the post of the Managing Director was held by the then Deputy Director of the State Industries Department in addition to his own duties.

#### 7.4.4. Paid-up capital

As on 31st March 1980, the Corporation had a paid-up capital of Rs. 1,20,00 lakhs (State Government : Rs. 76.26 lakhs, IDBI : Rs. 39.31 lakhs and others : Rs. 4.43 lakhs) as against the paid-up capital of Rs. 1,10,00 lakhs as on 31st March 1979 (State Government : Rs. 66.26 lakhs, IDBI : Rs. 39.31 lakhs and others : Rs. 4.43 lakhs).

#### 7.4.5. Guarantees

The Government has guaranteed the repayment of share capital of Rs.96.00 lakhs (excluding special share capital of Rs. 24.00 lakhs) under Section 6 (1) of the Act and payment of minimum dividend of 3 per cent (on Rs. 61.00 lakhs) and 3.5 per cent (on Rs. 35.00 lakhs) per annum. The subvention paid by State Government from 1967-68 to 1969-70 towards the guaranteed dividend amounted to Rs. 1.13 lakhs which was repaid to the State Government during 1976-77. The table below indicates the details of other guarantees given by the Government for the repayment of loans raised by the Corporation and payment of interest thereon :

Particulars (in lakhs)	Year of guarantee	Amount guaranteed	Amount of principal outstanding as on 31st March 1980
(i) 6% Bonds (Rs. 100 each) redeemable in	1984	27.00	27.00
(ii) 6½% Bonds (Rs. 100 each) redeemable in	1985 (1st series)	27.50	27.50

(iii) 6½% Bonds (Rs. 100 each) redeemable in 1985 (2nd series) ..	1975	27.50	27.50
(iv) 6½% Bonds (Rs. 100 each) redeemable in 1986 (1st series) ..	1976	27.50	27.50
(v) 6½% Bonds (Rs. 100 each) redeemable in 1986 (2nd series) ..	1976	82.50	82.50
(vi) 6½% Bonds (Rs. 100 each) redeemable in 1988 ..	1978	55.00	55.00

<b>Total</b> ..	<b>2,47.00</b>	<b>2,47.00</b>
-----------------	----------------	----------------

#### 7.4.6 Financial position

The financial position of the Corporation for the last three years upto 1979-80 is summarised below :

	1977-78	1978-79	1979-80
(Rupees in lakhs)			
<b>Liabilities</b>			
<b>Paid-up capital</b> ..	1,03.00	1,10.00	1,20.00
<b>Reserves and surplus</b> ..	65.41	85.88	97.89
<b>Borrowings</b> ..	6,19.16	7,02.05	7,43.75
<b>Trade dues and current liabilities</b> ..	45.34	45.95	57.80
<b>Total</b> ..	<b>8,32.91</b>	<b>9,43.88</b>	<b>10,19.44</b>



<i>Assets</i>				
Net fixed assets	..	2.15	2.23	2.29
Investments (at cost)	..	5.20	5.95	8.34
Loans and advances	..	7,42.93	8,10.06	9,27.76
Other current assets	..	82.63	1,25.64	81.05
<b>Total</b>	..	<b>8,32.91</b>	<b>9,43.88</b>	<b>10,19.44</b>
Capital employed*	..	7,25.60	8,42.75	9,29.78
Net worth**	..	1,66.65	1,94.30	2,16.52

#### 7.4.7 Working results.

The table below indicates the working results of the Corporation for the three years upto 1979-80 :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
<b>1. Income</b>			
(a) Interest on loans and advances***	74.70	82.05	73.92
(b) Other income	1.62	2.53	2.57
<b>Total</b>	<b>76.32</b>	<b>84.58</b>	<b>76.49</b>
<b>2. Expenses</b>			
(a) Interest on long-term loans	36.89	41.61	41.66
(b) Other expenses	11.18	11.62	13.65
<b>Total</b>	<b>48.07</b>	<b>53.23</b>	<b>55.31</b>

\*Capital employed represents the mean of the aggregates of the opening and closing balances of paid-up capital, bonds and debentures, reserves and borrowings including re-finance and deposits.

\*\*Net worth represents paid-up capital plus reserves and surplus less intangible assets.

\*\*\*Interest accrued, but not taken into account: Rs 9.62 lakhs, Rs. 12.11 lakhs and Rs. 27.57 lakhs in 1977-78, 1978-79 and 1979-80 respectively.

3. Profit before tax	..	28.25	31.35	21.18
4. Provision for tax	..	9.84	10.91	9.04
5. Other appropriations	..	15.36	17.55	9.09
6. Amount available for dividend	..	3.05	3.05	3.05
7. Dividend paid	..	3.05	3.05	3.05
8. Total return on capital employed				
2(a)+3	..	65.14	72.96	62.84
9. Capital employed	..	7,25.60	8,42.75	9,29.78
Percentage of return on capital employed	..	8.98	8.66	6.76

#### 7.4.8 Special share capital

With the object of providing assistance on soft terms in the shape of disbursement of loans and subscription to shares to new projects, to be set up by technicians/entrepreneurs/craftsmen in the small scale sector, which are basically viable but face difficulties in raising finances, the Corporation had, upto April 1980, raised special share capital (under Section 4-A of the Act) of Rs. 17.00 lakhs each from the State Government and the I.D.B.I.

(i) Under the terms of the scheme as adopted by the Board (December 1977), the amount of soft loan per project (carrying interest at 1 per cent with a moratorium of 5 years from the date of disbursement of the first instalment of the loan) was not to exceed 20 per cent of the cost of project (excluding margin money for working capital) or Rs. 2.00 lakhs, whichever was less, and the project was to be the first enterprise of the promoter (though no such restrictions were imposed in the guidelines given by the IDBI) these terms were approved by the State Government in February 1979. The impact of the deviations for determining the eligibility of the loanees had not been analysed by the Management (June 1980). The Management stated (June 1980) that the revised guidelines issued (September 1979) by the IDBI relaxing the restrictions imposed were under consideration of the State Government.

The following table indicates the position of loans applied for and sanctioned during the period December 1977 to March 1980 :

Period	Applied for		Sanctioned	
	Number of units	Amount (Rupees in lakhs)	Number of units	Amount (Rupees in lakhs)
December 1977 to March 1978..	2	2.25	1	0.80
1978-79	.. 3	1.98	3	1.92
1979-80	.. 7	8.36	2	2.11
<b>Total</b>	.. 12	12.59	6	4.83

A sum of Rs. 3.71 lakhs (as against Rs. 4.83 lakhs sanctioned) was disbursed to 6 units during 1979-80 (Rs. 3.60 lakhs) and April 1980 (Rs. 0.11 lakh). The Management attributed (June 1980) the slow utilisation of funds to non-receipt of relevant documents from the applicants.

The Corporation did not, however, explain the reasons for the inadequate response from the entrepreneurs and for raising the special capital from Rs. 14 lakhs to Rs. 34 lakhs (upto April 1980) when applications for loans of Rs. 12.59 lakhs only had been received upto 1979-80.

The State Government stated (December 1980) that an effort was being made to popularise the scheme.

(ii) The assistance was also in the form of subscription to redeemable preference shares (with a minimum dividend of 6 per cent) in the case of private limited companies and ordinary shares in public limited companies.

The subscription by way of preference shares in private limited companies was to the extent of Rs. 2.39 lakhs against Rs. 4.00 lakhs applied for and Rs. 2.68 lakhs sanctioned. None of these Companies had declared any dividend so far. The Corporation had not provided assistance to any public limited company under this scheme so far (June 1980).

(iii) Section 4 A (4) of the the Act stipulates that the rate of dividend declared on the special class of shares for any accounting year shall not exceed the rate of dividend in respect of other shares. The corporation had not so far (June 1980) declared any dividend on special shares though it had earned a profit of Rs. 31.35 lakhs in 1978-79 and Rs. 21.18 lakhs in 1979-80 and had declared a dividend on other shares.

#### 7.4.9 Issue of bonds

(i) With the approval of RBI/IDBI the Corporation floated bonds for Rs. 2,47.00 lakhs during 1974-75 to 1978-79. Out of these 10—year bonds for Rs. 1,65.00 lakhs issued during February 1976 to December 1978 were floated in advance of requirements in view of the cash and

bank balances held at that time resulting in loss of differential interest of Rs. 1.67 lakhs as detailed below :

Date of issue of bonds	Amount of bonds	Amount and month upto which cash and bank balance was in excess of the value of bonds			Period during which the amount of bonds remained unutilised	(Amount in lakhs of rupees)		Loss of interest	
		Month	Cash and current account	Fixed Deposit		Total	Interest earned on fixed deposit		Interest paid on bonds
February 1976	27.50	February 1976	35.27	5.00	40.27	16th January to 30th April 1976	0.06	0.36	0.30
		March 1976	24.96	8.00	32.96				
		April 1976	26.24	8.00	34.24				
September 1976	82.50	September 1976	11.73	1,00.00	1,11.73	20th September to 30th November 1976	0.69	1.01	0.32
		October 1976	12.79	1,00.00	1,12.79				
		November 1976	9.10	1,00.00	1,09.10				
December 1978	55.00	December 1978	20.72	99.50	1,20.22	11th December 1978 to 31st July 1979	1.23	2.28	1.05
		January 1979	8.91	97.50	1,06.41				
		February 1979	6.70	79.50	86.20				
		March 1979	6.33	86.50	92.83				
		April 1979	4.09	80.50	84.59				
		May 1979	7.57	81.00	88.57				
		June 1979	8.42	66.00	74.42				
July 1979	3.47	57.50	60.97						
								1.67	

148

It was also noticed that an amount of Rs. 34.00 lakhs was deposited in December 1978 with 6 banks who had subscribed Rs. 22.50 lakhs to the 10-year bonds issued for Rs. 55.00 lakhs on 11th December 1978, as detailed below :

Name of Bank	Amount subscribed by Banks	Amount kept in fixed deposits	Period of fixed deposits
(Rupees in lakhs)			
State Bank of India ..	2.50	3.50	14-12-1978 to 11-5-1979
State Bank of Patiala ..	5.00	2.00	14-12-1978 to 4-9-1979
		8.50	26-12-1978 to 29-4-1979
Union Bank of India ..	5.00	5.00	14-12-1978 to 26-10-1979
Indian Overseas Bank ..	2.50	5.50	14-12-1978 to 25-7-1979
Central Bank of India ..	2.50	2.50	14-12-1978 to 9-7-1979
Bank of India ..	5.00	7.00	14-12-1978 to 30-5-1979
Total ..	22.50	34.00	

The State Government stated (December 1980) that the surplus funds became available due to non-disbursement of loans because of the failure on the part of loanee concerns to fulfil certain procedural formalities,

(ii) *Management commission*—The Corporation entrusted during 1974-75 to 1976-77 the management of issue, repayment, etc., of 5 bonds series to the State Bank of India. The bank was to be paid a remuneration of Rs. 2,000 per Rs. 1 crore (minimum : Rs. 2,000) for the issue of the bonds and an annual payment of Rs. 5,000 per Rs. 1 crore (minimum : Rs. 3,000) for the management of bonds. The remuneration for the repayment of the bonds was to be paid at the rates to be fixed by the Bank at the time of repayment. During 1974-75 to 1979-80 the Corporation had paid the State Bank of India Rs. 0.71 lakh as remuneration for the issue and management of bonds. This expenditure to be incurred upto the repayment of the bonds could have been avoided had the issue and management of the bonds been taken up by the Corporation itself as in the case of 10-year bonds for Rs. 55.00 lakhs issued in December 1978 which was managed by the Corporation itself with the existing staff and without incurring any extra expenditure.

Government stated (December 1980) that "the management of bonds issued by the Corporation upto December 1978 was entrusted to the State Bank of India on the analogy of Punjab Financial Corporation. It was on the advice of IDBI that we managed our 1978 bond issue ourselves and propose to continue this management ourselves in future also".

#### 7.4.10 Refinance and commitment charges

(a) *Refinance*—From September 1964, the IDBI has been providing refinance facilities. Normally refinance is given upto 80 per cent of the loan sanctioned by the Corporation but in respect of loans sanctioned to certain categories of small scale units and the units in backward areas refinance is admissible to the full extent. The normal rate of interest charged by IDBI on the refinance is 6 per cent but certain concessional rates are allowed for refinance in respect of industries located in backward areas. The year-wise particulars of the refinance applied for, sanctioned and drawn during the three years upto 1979-80 are indicated below :

	(Amount in lakhs of rupees)					
	1977-78		1978-79		1979-80	
	Number	Amount	Number	Amount	Number	Amount
1. Applications pending with IDBI at the beginning of the year	63	1,33.67	20	1,14.44	7	61.33
2. Applications submitted to IDBI during the year	139	2,80.52	43	1,31.87	39	2,74.11
3. Total	202	4,14.19	63	2,46.31	46	3,35.44
4. Refinance sanctioned	156	2,77.48	44	1,56.80	32	2,03.93
5. Refinance drawn	116 + (16)	1,84.51	41 + (3)	1,44.89	36 + (36)	1,64.73
6. Applications lapsed/withdrawn or rejected	26	22.57	12	27.22	6	21.99
7. Applications pending with IDBI at the end of the year	20	1,14.44	7	61.33	8	1,09.50

Note:—Figures in brackets indicate cases of partial disbursements (previous years).

Out of the total refinance of Rs. 10,45.70 lakhs drawn up to 31st March 1980, the balance outstanding was Rs. 4,97.44 lakhs.

(b) As the Corporation's funds are tied up to the extent of the sanctions to the loanees, a nominal commitment charge is levied on such loans which remain undrawn after a specified period. The levy of commitment charge is 1 per cent (0.5 per cent for specified backward districts) on the amount of loan remaining undrawn after the expiry of a period ranging from 3 to 6 months of the date of sanction which is incorporated as a condition in the sanctions issued by the Corporation. For the amount of refinance sanctioned, the IDBI charges the Corporation commitment charges at 1 per cent (0.5 per cent for loans in specified backward districts) for the amount remaining undrawn after 6 months and the Corporation levies commitment charges as levied by the IDBI.

The total commitment charges paid by the Corporation to IDBI from April 1975 to March 1979 amounted to Rs. 1.35 lakhs; information about the corresponding amount recovered from the loanees was not available with the Corporation. Out of an amount of Rs. 0.82 lakh paid as commitment charges by the Corporation to the IDBI during 1979-80, an amount of Rs. 0.11 lakh was yet to be recovered from the parties as on 31st March 1980.

The Management stated (July 1980) that "the commitment charges are mostly paid to IDBI half-yearly but they are recovered from the parties with the instalment of principal or interest which are due half-yearly. No separate account is maintained in respect of commitment charges recoverable".

It would appear that the commitment charges are being paid to IDBI after a random test-check without properly verifying and linking the undrawn amount in the ledger account of each loanee. Moreover, the cases where the amounts have remained undrawn are not being reviewed specifically to find out why the loanees are not availing of the sanctioned loans, how they have proceeded with their projects, whether the balance loan undrawn could be cancelled together with the undrawn limit of refinance from the IDBI to save the incidence of commitment charges.

#### 7.4.11 Operations

In fulfilment of its objects, the Corporation has taken up the following activities :

- grant of loans to small scale and other industries;
- underwriting of shares issued by new industries ; and
- acting as an agent of the Central and State Governments in respect of matters connected with or arising out of sanction and disbursement of subsidies.

These activities are discussed in the succeeding paragraphs.

#### 7.4.12 Loan operations

(a) Sole proprietors, partnership firms, private and public limited companies, co-operative societies and Hindu Undivided Families which have set up or propose to set up manufacturing, mining, transport, hotel or any other type of industry located in the State are eligible for financial assistance from the Corporation.

(b) *Interest rate structure*—The rate of interest charged from small scale units by the Corporation (12.5 per cent per annum) was at par with the rates in the States of Andhra Pradesh, Jammu and Kashmir, Kerala, Madhya Pradesh, Maharashtra and Punjab and lower than those in the States of Assam, Haryana, Gujrat, Tamil Nadu, Uttar Pradesh, West Bengal, Orissa and Mysore (13 per cent to 14 per cent per annum).

(c) *Disbursement and recovery of loans*—(i) The performance of the Corporation in the sanction/disbursement/recovery of loans during the three years upto 1979-80 is indicated below:

Particulars	(Amount in lakhs of rupees)							
	1977-78		1978-79		1979-80		Cumulative since inception	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1. Applications pending at the beginning of the year	37	1,67.89	33	1,61.94	40	1,90.96		
2. Applications received	148	3,72.06	95	3,91.59	92	6,23.23	1,555	34,75.77
3. Total	185	5,39.95	128	5,53.53	132	8,14.19	1,555	34,75.77
4. Applications sanctioned	127	2,23.83	43	1,47.09	56	3,02.28	1,188	20,71.14
5. Applications cancelled/withdrawn/rejected	25	1,29.35	45	2,03.55	39	1,52.81	330	9,22.74
6. Applications pending at the close of the year	33	1,61.94	40	1,90.96	37	3,10.29	37	3,10.29
7. Loans disbursed	91	1,90.49	39	1,51.82	35	1,99.26	959	13,97.81
8. Amount outstanding at the close of the year	535	7,43.24	457	8,10.39	374	9,26.88		



9. Amount overdue for recovery					
Principal	352	1,09.69	309	1,39.50	271 1,55.75
Interest	352	48.15	309	77.48	271 1,12.80
Total	704	1,57.84	618	2,16.98	542 2,68.55

(Per cent)

10. Percentage of default to total loans  
- outstanding 21.24 26.77 28.98

(ii) The following is the age-wise analysis of the overdue amount :

Period	Amount overdue for recovery of		
	Principal	Interest	Total
(Rupees in lakhs)			
Upto 1 year	20.71	15.50	36.21
1-2 years	21.85	8.72	30.57
Over 2 years	1,13.19	88.58	2,01.77

The above amount includes Rs. 1,55.29 lakhs (principal Rs. 86.11 lakhs; interest : Rs. 69.18 lakhs) in respect of 53 cases in which suits have been filed for the recovery of dues.

(d) Processing of applications—The Corporation has not prescribed any time-frame for processing the loan applications. It was noticed during audit that for finalising 73 applications pending at the close of 1977-78 and 1978-79, the Corporation had taken the following time :

Period	Number	Amount
(Rupees in lakhs)		
Upto 6 months	25	1,03.54
6—12 months	29	1,54.12
1-2 years	16	72.24
Over 2 years	3	23.00
Total	73	3,52.90

Out of 37 applications for Rs. 3,10.29 lakhs pending on 31st March 1980, only 6 applications for Rs. 8.47 lakhs had been dealt with upto 20th May 1980 and 31 applications for Rs. 3,01.82 lakhs were still pending.

The State Government stated (December 1980) that with the strengthening of its technical wing, the Corporation expects to curtail the time taken in processing the loan applications.

(e) *Industry-wise classification of effective loans sanctioned/disbursed*—According to the IDBI (as quoted in the Report of April 1967 on "Economic Administration" by the study team of Administrative Reforms Commission) the following industries are to be given priority treatment in the matter of assistance by the Corporation :

—Defence-oriented industries

—Industries which are substantial savers of foreign exchange

—Industries producing essential consumer goods which have a sure base in domestic raw materials

—Industries which provide a basis for agricultural development and further industrialisation

—Residual financial needs of projects which are in an advanced stage.

50-101	RS	1000000000
51-101	RS	1000000000
52-101	RS	1000000000
53-101	RS	1000000000
54-101	RS	1000000000
55-101	RS	1000000000
56-101	RS	1000000000
57-101	RS	1000000000
58-101	RS	1000000000
59-101	RS	1000000000
60-101	RS	1000000000

The industry-wise analysis of the pattern of assistance rendered by the Corporation upto 1979-80 is given below:

Type of industry	Small scale		Others		Total		Percentage to total sanctioned/disbursed amount	
	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Number	Amount (Rupees in lakhs)	Small scale	Others
Beverages	1 (1)	12.00 (12.00)	1 (1)	30.00 (29.63)	2 (2)	42.00 (41.63)	0.8 (1.2)	2.2 (2.9)
Chemicals	23 (19)	70.42 (40.54)	6 (5)	1,60.45 (1,27.86)	29 (24)	2,30.87 (1,68.40)	5.1 (4.0)	11.6 (12.7)
Electric appliances	10 (9)	59.70 (45.22)	1 (1)	30.00 (9.05)	11 (10)	89.70 (54.27)	4.3 (4.5)	2.2 (0.9)
Food manufacturing	20 (20)	99.83 (60.93)	(..)	(..)	20 (20)	99.83 (60.93)	7.2 (6.0)	(..)
Hotel	27 (25)	55.26 (38.85)	(..)	(..)	27 (25)	55.26 (38.85)	4.0 (3.8)	(..)
Metal products	50 (42)	2,29.57 (1,18.86)	2 (2)	25.00 (21.00)	52 (44)	2,54.57 (1,39.86)	16.6 (11.8)	1.8 (2.1)
Mineral products	4 (3)	29.00 (18.14)	(..)	(..)	4 (3)	29.00 (18.14)	2.1 (1.8)	(..)
Miscellaneous Industries	60 (53)	1,01.98 (68.54)	(..)	(..)	60 (53)	1,01.98 (68.54)	7.4 (6.8)	(..)
Paper products	6 (6)	24.45 (23.33)	2 (2)	40.12 (28.98)	8 (8)	64.57 (52.31)	1.8 (2.3)	2.9 (2.9)
Petroleum and Coal products	1 (1)	1.21 (1.21)	(..)	(..)	1 (1)	1.21 (1.21)	2.0 (0.1)	(..)
Plastic and Rubber	9 (8)	27.66 (18.79)	1 (1)	30.00 (30.00)	10 (9)	57.66 (48.79)	2.0 (1.9)	2.2 (3.0)

Printing Press	7 (6)	13·64 (4·81)	(..)	(..)	7 (6)	13·64 (4·81)	1·0 (0·5)	(..)
Stone Crushing	21 (19)	29·31 (21·27)	(..)	(..)	21 (19)	29·31 (21·27)	2·1 (2·1)	(..)
Textiles	3 (3)	4·29 (3·82)	1 (1)	10·65 (10·65)	4 (4)	14·94 (14·47)	0·3 (0·4)	0·7 (1·1)
Transport equipment	9 (7)	11·30 (8·79)	2 (2)	60·00 (60·00)	11 (9)	71·30 (68·79)	0·8 (0·9)	4·3 (5·9)
Watches and parts	3 (3)	26·94 (12·38)	4 (4)	99·76 (97·27)	7 (7)	1,26·70 (1,09·65)	1·9 (1·2)	7·2 (9·6)
Transport Operators	131 (129)	98·56 (96·39)	(..)	(..)	131 (129)	98·56 (96·39)	7·1 (9·5)	(..)
Leather Products	1 (1)	3·60 (2·35)	(..)	(..)	1 (1)	3·60 (2·35)	0·3 (0·2)	(..)
<b>Total</b>	<b>386 (355)</b>	<b>8,98·72 (5,96·22)</b>	<b>20 (19)</b>	<b>4,85·98 (4,14·44)</b>	<b>406 (374)</b>	<b>13,84·70 (10,10·66)</b>	<b>64·9 (59·0)</b>	<b>35·1 (41·0)</b>

Note:—Figures in brackets denote disbursements.

(F) *District-wise assistance*—The extent of assistance sanctioned by the Corporation, district-wise, upto 1979-80 is given below :

Name of district	Effective sanctions		Disbursements		Percentage of total amount sanctioned		Percentage of total disbursements	
	Number of units	Amount (Rupees in lakhs)	Number of units	Amount (Rupees in lakhs)	Number	Amount	Number	Amount
Bilaspur	14	17.58	13	14.80	3.45	1.27	3.48	1.46
Chamba	6	4.84	5	3.28	1.48	0.35	1.34	0.32
Hamirpur	4	2.63	4	2.63	0.99	0.19	1.07	0.26
Kangra	54	89.51	53	84.18	13.30	6.46	14.17	8.33
Kinnaur	1	0.75	1	0.75	0.25	0.05	0.27	0.07
Kulu	13	35.50	10	11.78	3.20	2.56	2.67	1.17
Lahaul and Spiti	..	..	..	..	..	..	..	..
Mandi	28	21.47	27	20.61	6.90	1.55	7.22	2.05
Simla	78	86.25	74	69.46	19.21	6.22	19.79	6.87
Sirmur	37	1,58.39	33	1,11.22	9.11	11.44	8.82	11.01
Solan	110	7,43.92	98	5,21.43	27.09	53.77	26.20	51.59
Una	61	2,23.86	56	1,70.52	15.02	16.14	14.97	16.87
Total	406	13,84.70	374	10,10.66	100.00	100.00	100.00	100.00

It may be seen that of the total amount of Rs. 13,84.70 lakhs sanctioned in respect of 406 units (11 districts) as at the end of 31st March 1980, a sum of Rs. 11,26.17 lakhs (81.33 per cent of the total effective sanctions) covered 208 units (about 51 per cent of the total units assisted) in 3 districts (Solan, Sirmur and Una) which account for 21.5 per cent of the total population (34.60 lakhs) of the State, whereas a sum of Rs. 89.51 lakhs (6.5 per cent of total effective sanctions) covered 54 units (about 13 per cent of the total units assisted) in Kangra District which accounts for 23.1 per cent of the total population of the State though the district is a valley with lesser hilly terrain and would have been more suitable for establishment of industries.

Seven districts namely, Chamba, Hamirpur, Kangra, Kulu, Sirmur, Solan and Una have been declared (August 1971) industrially backward by the Central Government. Out of the total amount of Rs. 13,84.70 lakhs of effective sanctions in respect of 406 units, a sum of Rs. 12,58.65 lakhs (about 91 per cent) pertained to the above 7 districts which account for 65 per cent of the total population of the State, while the other 5 districts accounting for 35 per cent of the population had been sanctioned the balance 9 per cent of loans.

The Management stated (June 1980) that the major portion (81.33 per cent) of the effective sanctions (Rs. 13,84.70 lakhs) cover the 3 districts of Solan, Una, Sirmur because these districts are adjoining to Punjab, Haryana and Chandigarh where the industrialists can have cheaper labour and raw material and can sell the produce as well. The Management stated further that the Corporation advances loans taking into account the scope and feasibility of the units and that there was no scope for industry in Kinnaur and Lahaul and Spiti because of inadequate means of transport.

(g) *Foreign exchange loans*—The Board of Directors of the Corporation adopted (16th May 1973) the scheme of World Bank line of credit (\$ 25 million) made available by the International Development Association (IDA) through the Government of India for on-lending to the State Financial Corporations. The scheme covers industrial concerns whose projects involve an element of foreign exchange and loans are sanctioned, in two parts to cover the local cost, and the estimated foreign exchange cost of imported plant and equipment and, in special cases, the cost of technical know how. The borrower, after obtaining the import licence, was to be eligible for foreign exchange financing only if corresponding refinancing had been sanctioned by the IDBI.

This loan was eligible for refinance by the IDBI (80 to 100 per cent of the loan sanctioned, ranging from Rs. 0.10 lakh to Rs. 0.30 lakh) for the setting up of new industrial units costing not more than Rs. 1 crore and for expansion, diversification, modernisation or renovation of the existing units. The rate of interest in respect of foreign exchange portion of the loan was  $6\frac{1}{2}$  per cent from IDBI with the Corporation rate at 9 per cent in respect of loans to small scale units in the backward areas and corresponding rates of  $6\frac{3}{4}$  per cent and  $9\frac{1}{2}$  per cent in respect of other units.

A commitment charge of 1 per cent per annum was payable by the industrial concern to the Corporation on the undisbursed portion of the loan and by the Corporation to the IDBI on the undrawn portion of the refinance.

The availability of refinance was further extended by the IDBI (August 1976) after securing a second line of credit of \$ 40 million from the World Bank (Loan 1260-I.N.).

This loan was to be fully committed by the end of 1978. Under this scheme there was no ceiling on the capital outlay of an eligible project (as against the earlier ceiling of Rs. 1 crore). The free limit for sanctions without prior authorisation of the World Bank was fixed at Rs. 25.00 lakhs as against Rs. 10.00 lakhs by the IDA. This loan carried an interest burden of  $8\frac{1}{2}$  per cent and with spread of  $3\frac{1}{2}$  per cent (against  $2\frac{1}{2}$  per cent under IDA credit) available to the Corporation.

Under the above schemes, the position of applications received, amount sanctioned and disbursed upto 31st March 1980 is as under :

	Number	Rupee equivalent of foreign currency	Rupee currency	Total
		(Rupees in lakhs)		
Applications received	5 (12)	14.63 (1,99.05)	13.64 (61.89)	2,89.21
Applications sanctioned	5 (6)	10.15 (1,27.21)	10.20 (13.32)	1,60.88
Applications withdrawn/ less sanctioned	3 (7)	71.27 (..)	3.44 (40.12)	1,14.83
Amount disbursed	3 (2)	11.69 (3.21)	5.08 (10.04)	30.02
Refinance availed of	3 (2)	9.34 (5.56)	2.64 (12.36)	29.90
Percentage of			(Per cent)	
—amount sanctioned to amount applied for	..	64.28	31.14	55.63
—amount disbursed to amount sanctioned	..	10.85	64.29	18.66

Out of the applications sanctioned, 2 sanctions for Rs. 33.86 lakhs were subsequently cancelled (as the parties were no longer interested) while 1 sanction for Rs. 30.00 lakhs was converted into a Rupee loan (as the party was allowed to import plant and machinery under free foreign exchange with the approval of Government of India).

Out of the amount disbursed, repayment of Rs. 4.54 lakhs (principal : Rs. 3.56 lakhs, interest : Rs. 0.98 lakh) was in default from 4 loanees as on 31st March 1980.

The Management stated (July 1980) that the poor response to the scheme was due to the non-industrial environment in the State and the fact that most of the small scale units coming up in the State do not require imported machinery.

\*\*  
Note :—Figures in parenthesis pertain to World Bank Loan 1260-I.N.

The IDBI had re-emphasised (October 1973) the need for the widest publicity to the scheme to create an awareness of the new facilities among the prospective entrepreneurs and also proposed (June 1977) to hold a seminar at important industrial centres in the State. The Management stated (July 1980) that no seminar had been held by the Corporation and the scheme was only advertised in the newspapers.

(h) *Co-ordination with banks*—With a view to facilitating the term loan and working capital requirements of small scale industrial units assisted, the Corporation entered into participation agreements with 10 banks (June 1975 to November 1978).

The details of working capital assistance provided by these banks to the units however were not available with the Corporation (June 1980).

#### 7.4.13 Cost of operations

The cost of operations with reference to loans sanctioned, loans disbursed and recoveries effected for the three years upto 1979-80 are analysed below :

	1977-78	1978-79	1979-80
Total number of employees	53	53	56
Number of applications received	148	95	92
Recoveries effected (Rupees in lakhs)	1,40.73	1,62.63	1,45.98
Operating expenses (Rupees in lakhs)	48.07	53.23	55.31
Operating expenses per application (In rupees)	32,480	56,032	60,120
	(Per cent)		
Percentage of operating expenses			
—Loans sanctioned	21.5	36.2	18.3
—Loans disbursed	25.2	35.1	27.8
—Recoveries effected	34.2	32.7	37.9

The Management attributed (June 1980) the increase in operating expenses to increase in guarantee fee rates charged by the credit guarantee organisation of RBI with effect from 1st April 1979, expenditure on publicity, promotional work and extension of the group gratuity scheme to the employees.



#### 7.4.14 Recovery performance (other than 'suit-filed' cases)

The following are the details of recoveries effected and the extent of arrears during the three years upto 1979-80 :

	1977-78			1978-79			1979-80		
	Prin- cipal	Inte- rest	Total	Prin- cipal	Inte- rest	Total	Prin- cipal	Inte- rest	Total
(i) Total amount recoverable	1,19.72	73.29	* 1,93.01	1,60.30	87.99	2,48.29	1,52.84	1,06.39	2,59.23
(ii) Amount recovered during the year	82.87	57.85	1,40.72	1,04.48	58.15	1,62.63	83.20	62.77	1,45.97
(iii) Amount in arrears at the close of the year	36.85	15.44	52.29	55.82	29.84	85.66	69.64	43.62	1,13.26
	(Per cent)								
Percentage of arrears to total amount recoverable	30.8	21.1	26.5	34.8	33.9	34.5	45.6	41.0	43.6

The Management attributed (July 1980) the increase in the percentage of arrears to the recessionary trends in the market causing general sickness in the industry.

#### 7.4.15 Cases pending in the courts

As on 31st March 1980, 53 cases involving Rs. 1,55.29 lakhs were pending in the Courts. Of these, the value of security held by the Corporation in 22 cases (amount due : Rs. 1,37.73 lakhs) was Rs. 1,21.28 lakhs only. In 9 cases of transport loans, where the vehicles had been sold by the Corporation, the amount outstanding after adjustment of sales proceeds was Rs. 3.08 lakhs for which no security was available.

Out of the pending cases, decrees were obtained in 23 cases (Rs. 1,32.39 lakhs) for which execution petitions had been filed in 19 cases (Rs. 1,25.98 lakhs) and were pending. Execution petitions were yet to be filed in 3 cases (Rs. 5.84 lakhs) and in 1 case, the party had deposited (April 1980) the outstanding amount (Rs. 0.57 lakh) in the court which was yet to be received by the Corporation.

\* The total amount recoverable for the year 1977-78 should be Rs. 2,03.28 lakhs (principal : Rs. 1,28.81 lakhs and interest : Rs. 74.47 lakhs) instead of Rs. 1,93.01 lakhs (Rs. 1,19.72 lakhs and Rs. 73.29 lakhs) adopted by the Corporation.

The amounts of Rs. 9.09 lakhs towards principal and Rs. 1.18 lakhs towards interest were not included in the above. As a result, the corresponding figures for subsequent years were understated to that extent.

In 6 out of 23 cases decreed, the amount recoverable as on 31st March 1980 was Rs. 1,16.83 lakhs against which the security held by the Corporation was Rs. 1,04.23 lakhs as detailed below :

	Amount recoverable	Value of security	Date of decree
	(Rupees	in lakhs)	
Hypine carbon, Nalagarh	57.78	55.31	6th August 1979
Shoddy Mills, Paonta ..	23.46	17.72	21st October 1976
Himachal Paper Board Mills Limited Barotiwala ..	18.63	17.37	19th December 1977
National Disc Industries, Barotiwala ..	5.94	4.63	12th October 1977
Menu Engineering Works, Dharampur	5.83	4.69	19th December 1977
Santnam Chemical Industries, Nalagarh	5.19	4.51	15th November 1979
Total	1,16.83	1,04.23	

#### 7.4.16 Re-scheduling of loans

In cases where the parties fail to repay the amount due in respect of the principal or interest for reasons of delay in execution of the projects (such as non-availability of building materials, increase in cost of material and labour, non-availability of working capital, etc.,) the Corporation allows rescheduling of the repayment of loans on the merits of each case. It was observed that in the following cases, the parties had not adhered even to the re-scheduled dates.

Year	Number of cases	Repayment of amount re-scheduled	Amount outstanding as on 31st March 1980	Default as on 31st March 1980
		(Rupees in lakhs)		
1975-76	4	2.34	45.77	15.20
1976-77	*12	20.80	74.72	18.68
1977-78	**18	22.77	1,12.65	22.85
1978-79	9	4.65	53.47	8.27
1979-80	12	14.23	95.27	4.99

\*In 1 case re-scheduling was done twice.

\*\*In 2 cases re-scheduling was done twice,

No legal action had been taken against any of the parties.

#### 7.4.17 Sick units

In September 1976 the State Government constituted a State Level Co-ordination Committee for nursing the sick and closed industries. The Committee held its first meeting on 15th October 1979 (which was attended by the Managing Director of the Corporation as a member) and adopted the definition of a 'sick unit' as given by the Reserve Bank of India viz., an industrial unit which had incurred cash losses for one year and was likely to continue to incur cash losses. While the Corporation did not take any action to identify such sick units, the State Government, however, considered (October 1979, January/April 1980) 14 cases (2 at State Level Co-ordination Committee and 12 at District Level-Una District) financed by the Corporation and recommended various measures (such as re-scheduling of loans, making available the required working capital, raw materials, etc.) for running the units. The Managing Director of the Corporation, however, informed the Director of Industries (May 1980) not to include industrial units financed by the Corporation in the list of sick units to be revived without the consent of the Corporation.

In May 1980 the Corporation entrusted to a business Consultant the review of the working and suggestions for the revival of 4 units (not covered in the State Government list) against whom an amount of Rs. 1,22.91 lakhs was due as on 31st May 1980. Further developments are awaited (July 1980).

#### 7.4.18 Taking over of Management

Section 29 of the Act envisages that where any industrial concern which is under a liability to the Financial Corporation under an agreement, makes any default in the repayment of any loan or advance or any instalment thereof or in meeting its obligation in relation to any guarantee given by the Corporation or other-wise fails to comply with the terms of the agreement, the Corporation, shall have the right to take over the management or possession or both, of the industrial concern as well as the right to its transfer by way of lease or sale. The Corporation had taken over 3 dormant industrial concerns (1 in May 1979 and 2 in September 1979) for default in the payment of Rs. 5.15 lakhs (principal : Rs. 3.78 lakhs ; interest : Rs. 1.28 lakhs ; miscellaneous expenses : Rs. 0.09 lakh). A sum of Rs. 0.08 lakh had been incurred by the Corporation on watch and ward, etc., of these units since their take over. In 2 units the book value of assets taken over was Rs. 0.12 lakh less than the loan outstanding. The decision on the transfer of these units by way of lease or sale was awaited (June 1980).

#### 7.4.19 Transport loans

The policy laid down by the Corporation (June 1970, September 1975 and September 1979) for financing the purchase of vehicles did not provide for physical verification of the vehicles during the pendency of the loan.

During the recovery tour by the Corporation's staff (December 1977), it was noticed that 15 matador/pick up vans financed by the Corporation (Rs. 5.84 lakhs) during April 1974 to November 1977, were not fit for hilly roads, their maintenance cost was very high and all these operations were running into losses. As on 31st March 1980, 13 out of 15 loanees were in default by Rs. 4.05 lakhs. The Management stated (June 1980) that only 1 out of 15 vehicles was in a running condition and information about the other vehicles (whether under repairs, etc.) was not available.

It was observed that no proper survey/study was conducted by the Corporation before financing the matador vehicles in April 1974.

#### 7.4.20 Underwriting of shares

Upto 31st March 1980, the Corporation had underwritten equity shares of 2 companies for Rs. 12.70 lakhs (Rs. 9.70 lakhs in 1975-76 and Rs. 3.00 lakhs in 1977-78), of which liability for the purchase of shares for Rs. 5.95 lakhs devolved on it (29,929 and 29,522 shares of Rs. 10 each). Both the companies were incurring losses and were unable to declare/pay any dividend upto 1979-80. The shares of one of the companies (Rs. 2.99 lakhs) suffered a loss of Rs. 3.98 and Rs. 2.52 per share during 1976-77 and 1977-78 respectively. The loss, if any, suffered during the subsequent years had not been ascertained (June 1980).

The intrinsic value of the shares of the other company (Rs. 2.96 lakhs) had also not been ascertained (June 1980).

In pursuance of Section 25(i)(f) of the Act and in order to safeguard their interest, some of the State Financial Corporations in their underwriting agreements stipulate, *inter alia*, that in the event of the Corporation being required to hold shares as a result of underwriting agreements, the promoters would re-purchase such of the shares as may have to be held by the Corporation, not later than 7 years from the date of allotment of such shares, at the face value together with the arrears of preferential dividend, if any, at the time of such re-purchase. It was, however, observed that the underwriting agreements concluded (March 1976 and September 1977) by the Corporation did not stipulate any such condition.

The Management stated (June 1980) that the net worth as well as the value of shares of both the Companies was going down. Necessary action to debit the loss on this account to the profit and loss account would be taken at the time of finalisation of the accounts for 1980-81.

The Government stated (December 1980) that in future underwriting agreements, a suitable clause as provided for in Section 25(i)(f) would be incorporated.

#### 7.4.21. Agency business

##### Central subsidy scheme

In August 1971, the Government of India formulated a scheme for giving out-right grant or subsidy at 10 per cent (increased to 15 per cent from 1st March 1973) of the fixed capital investment to the industrial units to be set up in selected backward districts/areas (Kangra, Una, Hamirpur, Solan, Sirmur, Chamba and Kulu). The scheme, envisaged, *inter alia*, that the Corporation would work as an agent for the disbursement of the subsidy initially and claim the same from the Central Government (through the State Government) as also get the amount of subsidy refunded in case the units went out of production within 5 years or due to the closure of the units. The scheme also provided (June 1973) that the borrower would pay interest to the Corporation upto the period the amount is actually reimbursed at the rate applicable to its loans to the borrowing units.

Since the inception of the scheme (November 1973) an amount of Rs. 2,16.69 lakhs was sanctioned by the State Level Committee of which Rs. 1,65.59 lakhs had been disbursed by the Corporation upto March 1980.

The Government of India modified (January 1977) the scheme deleting the provision of payment of interest to the disbursing agencies. A sum of Rs. 2.55 lakhs taken credit of (as income towards interest on subsidy disbursed during 1973-74 to 1975-76) was written off by the Corporation in 1976-77, although the modified scheme was silent about non-payment of interest for the subsidy paid in earlier years. As per the revised procedure (January 1977) the Corporation was to prefer claims for re-imbusement of the subsidy to the State Level Committee which was to prefer consolidated claims to the Government of India. As the revised procedure was expected to streamline the re-imbusement procedure the Corporation decided (31st March 1977) not to charge interest on any amount of subsidy if the re-imbusement was received within 30 days from the date of disbursement; interest at the normal rate (13.5 per cent) was to be recovered from the borrowers in case the re-imbusement was delayed beyond 30 days. The Government of India suggested (March 1978) that this period be extended to 6 months; the Corporation, however, decided (December 1978) to extend it to 90 days. As a result, 106 industrial units in whose cases the re-imburements were delayed beyond 90 days interest was levied to the extent of Rs. 1.97 lakhs against which a sum of Rs. 0.84 lakh was outstanding as on 31st March 1980.

Out of the total subsidy of Rs. 25.89 lakhs disbursed during 1979-80, claims for Rs. 16.06 lakhs were preferred with the State Government upto

31st March 1980 and the balance amount was claimed during July-August 1980. No amount was received during 1979-80 and claims for Rs. 9.83 lakhs were outstanding with the State Government as on 30th June 1980.

Out of the total subsidy of Rs. 86.28 lakhs disbursed during the 3 years upto 1979-80, an amount of Rs. 55.60 lakhs (64.44 per cent) was disbursed in a single district (Solan) out of the 7 backward districts.

The State Government stated (December 1980) that the Corporation had taken a decision not to charge any interest on the subsidy disbursed to the industrial concerns after 1st April 1980.

#### **7.4.22 Increase in industrial production**

As per the general conditions of the loan agreement, a loanee is required to keep the Corporation informed about the progress of the project during the period of construction and thereafter till the expiry of the agreement.

It was observed that the prescribed progress reports containing particulars as to the utilisation of loans sanctioned, further borrowings, production, sales and other particulars regarding the progress of the project/unit were not being received. In the absence of the progress reports, information regarding the extent to which such assistance had resulted in increase in industrial production in the State was not available with the Corporation. The IDBI in its guidelines to the Corporation (November 1972) had stated that the progress reports should be obtained quarterly during the period of construction and half-yearly after the assisted concerns commenced commercial production. The Corporation had, however, not specified the periodicity of these reports (June 1980).

#### **7.4.23 Post-sanction inspection**

The operational guidelines issued by the IDBI (November 1972) to all the State Financial Corporations envisaged that besides the pre-sanction visit/inspection of a unit, the Corporation should work out a well thought out schedule for pre/post-disbursement inspection of the assisted units. Further, every assisted unit should be visited before the first disbursement and subsequent major disbursements. After the completion of the disbursements, the Corporation should inspect every assisted concern once a year and in the case of defaulting units inspections should take place at least every quarter. These directions/decisions were not strictly implemented by the Corporation and no statistical data regarding the number of units due for inspection, those actually inspected, short-comings noticed during inspections and remedial measures taken, etc., was compiled and maintained by the Corporation upto 1978-79.

The Management stated (June 1980) that as and when the loanees start availing of the loans, the Corporation starts conducting inspections at

various stages and all the units in production are visited once a year which generally reveals the working results, details of working capital obtained from banks, procurement of raw material, marketing, achievement of production capacity, etc., and if after post-sanction inspections it is found that the units are facing any difficulty, remedial measures are taken accordingly. The Management stated further that during 1979-80, the Corporation had selected 179 units for conducting post-sanction inspections out of which only 139 units could be inspected and the reports in respect of some of the units (number not specified) could not be prepared due to work-load and shortage of staff.

Considering the importance of exercising control over the loans in the conference of the Chairmen and Managing Directors of State Financial Corporations held in New Delhi on 23rd November 1971, it was decided *inter alia*, that the Corporations should not hesitate to recruit and train adequate staff for conducting post-disbursement inspections. Further, as against 501 units against which the effective loans stood sanctioned as on 1st April 1979 the criteria on which only 179 units were selected for inspection during 1979-80 were not on record. Out of 139 units actually inspected during 1979-80, a review of 70 cases revealed that inspection reports in the case of 36 units had not been prepared upto July 1980. Of the remaining 34 industrial units to which assistance to the extent of Rs. 72.77 lakhs had been disbursed upto June 1980 (out of sanctioned loan of Rs. 80.70 lakhs), 24 units detailed below were facing difficulties which would appear to point to the inadequacy of pre-sanction appraisals:

Difficulties experienced	Number of units	Loans sanctioned	Amount disbursed	Amount of default as on 30th June 1980
(Rupees in lakhs)				
Procurement of raw material	8	27.37	23.09	2.76
Marketing of the products	5	11.78	11.70	1.11
Working capital	5	3.94	3.55	1.86
Unsuitable location	1	1.20	0.88	0.33
Labour problems	1	0.30	0.21	0.07
Difficulty in completion of projects (Reasons not specified)	4	10.15	7.88	0.19
<b>Total</b>	<b>24</b>	<b>54.74</b>	<b>47.31</b>	<b>6.32</b>

The Management stated (June 1980) that the agreement and mortgage deeds contain a clause for inspections but there is no mention of the periodicity of inspections. It was further stated that the Corporation did not have a special cell for post-sanction inspections, and work was allotted to all the officials every year.

#### 7.4.24 Other points of interest

(a) *Credit guarantee scheme*—With a view to providing protection to the banks and credit institutions against possible losses for the advances granted to small scale industries, the Government of India formulated (July 1960) the credit guarantee scheme and entrusted the administration of the scheme to the RBI. According to the scheme the guarantee cover is available to the credit institutions to the extent of 75 per cent of the amount in default or Rs. 2.50 lakhs, whichever is less, on payment of a guarantee fee of 1/10th of 1 per cent per annum upto 31st March 1979 and 1/4th of 1 per cent per annum for advances upto Rs. 25,000 and  $\frac{1}{2}$  per cent per annum for other advances with effect from 1st April 1979.

The scheme was considered by the Corporation only in November 1969 and all eligible cases were covered under the scheme. It was decided that the entire fee/charges payable to the guarantee organisation would be recovered from the loanee concerned. Although the scheme itself was silent about who should bear the guarantee fee, the RBI, however, suggested (2nd July 1970) that in view of the crucial role being played by the small scale industry in the national economy, the fee should be borne by the lending institutions. Accordingly, the Corporation decided (August 1970) to bear the guarantee fee. With the increase in guarantee fee with effect from 1st April 1979 the matter was again re-considered (September 1979) and it was decided that for outstandings upto Rs. 3.33 lakhs the fee might be borne by the Corporation and for outstandings beyond Rs. 3.33 lakhs the fee might be borne by the borrowers. The Management stated (June 1980) that it is the discretionary power of the Corporation whether to charge the fee from the borrower in excess of Rs. 3.33 lakhs or to bear it for itself.

The Corporation had paid Rs. 1.89 lakhs during September 1979 to September 1980 towards guarantee fees. Though guarantee could have been invoked in 20 cases (6 cases upto September 1976, 10 cases during 1977-78 and 4 cases during 1978-79) no claim was lodged with the guarantee organisations instead, besides locking up of funds the Corporation paid the guarantee fee of Rs. 0.10 lakh in these cases which would not have been payable had claims (Rs. 21.68 lakhs) been lodged in time.

— 24 claims for Rs. 25.68 lakhs (6 claims in 1976-77 for Rs. 3.64 lakhs and 18 claims in 1979-80 for Rs. 22.04 lakhs) were lodged upto 31st March 1980, of



which 6 claims (Rs. 10.58 lakhs) were accepted during 1979-80 while 1 claim (Rs. 0.19 lakh) was withdrawn. Another claim for Rs. 0.56 lakh (partial) was rejected, 17 claims aggregating Rs. 14.35 lakhs were outstanding at the end of June 1980.

(b) *Assistance to concerns in which a Director of the Corporation was interested*—The Corporation had sanctioned loans aggregating Rs. 17.50 lakhs during March 1973—May 1974 and disbursed the amounts during July 1974—December 1976 to 3 firms whose sole proprietor/co-owner was elected as a Director of the Board of the Corporation on 24th June 1974. Loans aggregating Rs. 13.29 lakhs (out of Rs. 17.50 lakhs) were disbursed after 24th June 1974.

While considering the release of an additional loan of Rs. 1.00 lakh to one of the firms, a doubt arose as to whether the amount could be disbursed after 24th June 1974. The legal department of RBI opined (October 1975) that it would not be in order for the Corporation to disburse the additional loan but with regard to the earlier loan (where the documents had been executed) the opinion of the Ministry of Law, Government of India was being sought. The Board of the Corporation, however, resolved (November 1975)—without waiting for the advice of the Ministry of Law—to disburse the amounts against the loans already sanctioned. It was further resolved to withdraw the additional loan of Rs. 1.00 lakh as the documentation therefor was completed after 24th June 1974. Later, on the basis of the opinion of the Ministry of Law, the IDBI advised (December 1976) that the Corporation could not make disbursements after the loanee was elected as a Director of the Board. The Board held (March 1977) that since the loans had been disbursed to the concerns before the receipt of the advice of the Law Ministry, the disbursements already made by the Corporation were in order. The IDBI did not, however, agree with the Corporation (November 1977) and advised that necessary steps be instituted to recall the amounts disbursed after 24th June 1974. The Corporation referred the case back to IDBI for reconsideration (December 1977) but the latter expressed its inability to revise the earlier stand (April 1978).

In the meantime, the loanee's term as Director expired in June 1978. He contended in his letter dated 10th May 1979 that he did not seek re-election on the basis of informal advice of the Chairman the then Managing Director and other members of the Board as they were confident that if he did not remain on the Board, the situation would be different and the loan might not be recalled. The IDBI was accordingly informed (August 1978) that he had ceased to be a Director of the Board with effect from 23rd June 1978; the IDBI, however, advised the Corporation (October 1978) to recall the loans disbursed to the concerns immediately. The Corporation ultimately recalled the outstanding loans (Rs. 12.56 lakhs) from these concerns in January 1979, but the loanee declined (May 1979) to refund the amount on the plea that there was

no provision either in the State Financial Corporations Act or in the legal documents executed by the concerns which empowered the Corporation to recall the loans.

The case was considered by the Board (September 1979) and it was decided not to press the matter till the loanee was able to arrange for the funds from alternative sources.

The Management stated (June 1980) that the disbursement could not be stopped merely on a point of doubt, as sufficient amount had already been released and the balance release was necessary for the implementation of the projects.

Out of Rs. 13.64 lakhs outstanding on 30th June 1980 an amount of Rs. 2.19 lakhs (principal: Rs. 1.75 lakhs and interest : Rs. 0.44 lakh) was in default (Rs. 1.00 lakh from October 1978 and Rs. 1.19 lakhs from June 1980).

(c) *Financial assistance to re-rolling mills*—The Corporation had sanctioned a loan of Rs. 35.35 lakhs to 6 re-rolling mills with a total production capacity of 89 tonnes per day between June 1970 and March 1975 (against which an amount of Rs. 30.69 lakhs was disbursed upto October 1977).

A study in December 1975 revealed that while unit "F" did not commence production at all, units "A" to "E" worked for various periods during March 1973 to August 1975 and due to a slump in the steel market even these units were lying closed since March—August 1975. Accordingly, the Board of Directors decided (March 1976) to grant a moratorium for payment of interest upto 31st March 1977 and repayment of the principal upto 31st March 1978 to units "A" to "E". Despite the moratorium granted, units "A" and "D" did not resume production and units "C" and "E" diversified (August 1976/February 1978) their activity and started re-rolling of stainless steel. Only unit "B" started production in May 1976. Repayment by units "C" and "E" was regular and the total default against units "A", "B", "D" and "F" as on 30th June 1980 was Rs. 15.58 lakhs. In the case of unit "F" which did not go into production at all (amount in default: Rs. 2.91 lakhs) a suit was filed (August 1977) for the sale of the mortgaged property. The decision of the Court was awaited (June 1980). In the case of units "B" and "D" from which Rs. 9.08 lakhs were in default, the entire loan has been recalled and the Management proposed (July 1980) to take possession of the units under Section 29 of the Act. An amount of Rs. 3.59 lakhs was outstanding against unit "A" (June 1980).

The Corporation attempted (November 1978) to solve the marketing problems faced by these mills but the Public Works Department as well as the State Electricity Board (the main consumers for steel in the State) indicated (November 1978) that as they required steel of tested quality the steel produced out of ingots by these units did not suit them.

It is thus evident that the pre-sanction appraisal of these projects with regard to the demand and marketing aspects was not adequate.

The Management stated (June 1980) that at the time of sanctioning the assistance, there was an overall shortage of steel throughout the country and there was enough scope for the development of these mills. But after sometime the situation became adverse due to a slump in the steel market.

(d) *Termination of services of an employee*—A confirmed employee of the erstwhile Punjab Financial Corporation, who was allocated to this Corporation on its formation (1st April 1967), was removed from service (May 1969) by the then Managing Director as a result of disciplinary action against him on the following charges :

- (i) He disobeyed the orders of the Managing Director to go on tour (15th March 1969) on the pretext that he had to attend to some private engagements.
- (ii) He left the headquarters on 17th and 18th March 1969 without getting his casual leave sanctioned.

The employee filed (August 1969) 3 writ petitions in the High Court contesting, *inter alia*, his removal from service and also the appointment and promotion of another officer on the plea that these acts were performed by the then Managing Director whose own appointment was void because he was not the whole-time officer of the Corporation in terms of Section 17(i) (a) of the Act. The petitions were, however, dismissed (December 1974) by the High Court but on a review application filed by the petitioner (March 1975), the judgements were set aside and the writ petitions were restored for fresh consideration. On 15th July 1977, a Division Bench of the High Court allowed 2 out of the 3 petitions.

An appeal and application for stay of the Judgement of the High Court were filed by the Corporation (February 1978) before the Supreme Court. The stay of operation of the High Court Judgement was granted (March 1978) on the condition that the Corporation shall deposit (with the High Court) a sum of Rs. 1,000 per month towards the salary payable to the official with effect from 1st January 1978 and also the entire amount of arrears of salary of the petitioner (Rs. 0.83 lakh for the period March 1968 to December 1977). In all a sum of Rs. 1.12 lakhs had been deposited by the Corporation upto June 1980 and an expenditure of Rs. 1.08 lakhs had been incurred on legal expenses upto March 1980. The case is still pending in the Supreme Court (December 1980).

(e) *Purchase of station wagon*—The Corporation purchased (May 1975) a station wagon at a cost of Rs. 0.50 lakh from a dealer in New Delhi without considering other makes or consulting other dealers. The operational suitability of this type of vehicle for the hilly terrain was also not considered,

The vehicle suffered from various defects since the date of its purchase. Its radiator and engine assembly had to be replaced (free of cost) within the warranty period of one year. The vehicle generally remained under repairs after the warranty period and an expenditure of Rs. 0.13 lakh was incurred on repairs upto September 1976. The Board of Directors decided (August 1976) to dispose of the vehicle (written down value : Rs. 0.40 lakh) after it had covered 30,243 Kms. against the normal life of 1.41 lakhs Kms. fixed by the Himachal Road Transport Corporation (HRTC). The Automobile Engineer of H.R.T.C. observed (September 1976) that due to excessive weight of the body, the vehicle was not fit for operation in the hilly areas. The vehicle was sold to a business concern (December 1976) for Rs. 0.12 lakh resulting in a loss of Rs. 0.28 lakh. The State Government stated (December 1980) that the order was placed in routine course and the operational aspects of such vehicles in the hilly areas were not considered by the Corporation because such type of wagons were also plying in other Government Departments of the State.

#### 7.4.25 Summing up

(a) During the period from 1st April 1967 to 31st March 1971, a State Government Officer was holding the post of Managing Director in addition to his own duties though the Act specifically prescribes that the Managing Director shall be a whole-time officer of the Corporation.

(b) The return on capital employed had dropped from 8.98 per cent in 1977-78 to 6.76 per cent in 1979-80.

(c) During the period from 1st April 1979 to 30th April 1980, the Corporation raised special capital of Rs. 20 lakhs in addition to Rs. 14 lakhs received upto 1978-79 although it had received only 12 applications for a total amount of Rs. 12.59 lakhs and sanctioned Rs. 4.83 lakhs (6 units) to the end of 1979-80. Although the Corporation had made profits during 1978-79 and 1979-80, no dividends were declared on the special capital.

(d) The Corporation had issued bonds for Rs. 165 lakhs during February 1976 to December 1978 much in advance of requirements resulting in a loss of interest of Rs. 1.67 lakhs.

(e) The overall position of recovery of principal and interest on bonds showed a declined trend. The percentage of default to loans outstanding increased from 21.24 per cent at the end of 1977-78 to 28.98 per cent at the end of 1979-80.

(f) 53 cases involving Rs. 155.29 lakhs were pending in the Courts. The security obtained from the loanees was less than the amounts outstanding in many cases.

(g) Financial assistance was extended to 3 firms in which a Director of the Corporation was interested. The loans were disbursed and not recalled inspite of the advice given by IDBI. Out of Rs. 13.64 lakhs outstanding on 30th June 1980 in this case, Rs. 2.19 lakhs were in default.

(h) A sum of Rs. 1.12 lakhs had been deposited by the Corporation upto June 1980 in the Court towards salary payable to an official who had been removed from service as the removal was challenged in a Court of Law on the ground that the appointment of the then part time Managing Director who issued the order was itself void as he was not a whole-time officer of the Company. Besides, an expenditure of Rs. 1.08 lakhs had been incurred on legal expenses.

(i) A station wagon purchased in May 1975 (Rs. 0.50 lakh) had to be disposed of in December 1976 at a loss of Rs. 0.28 lakh due to its operational unsuitability for the hilly terrain.

## 7.5 Himachal Road Transport Corporation

### 7.5.1 Capital

The capital of the Himachal Road Transport Corporation (under Section 23 (i) of the Road Transport Corporations Act, 1950) was Rs. 10,82.80 lakhs (State Government : Rs. 7,95.23 lakhs ; Central Government—Northern Railway : Rs. 2,87.57 lakhs) as on 31st March 1979 as against the capital of Rs. 8,45.05 lakhs (State Government : Rs. 6,68.73 lakhs; Central Government—Northern Railway : Rs. 1,76.32 lakhs) as on 31st March, 1978. Interest is payable on the capital at 6.25 per cent per annum.

### 7.5.2 Financial Position

The table below summarises the financial position of the Corporation under broad headings for the three years upto 1978-79:

	1976-77	1977-78	1978-79
	(Rupees in lakhs)		
<b>Liabilities</b>			
(a) Capital (including Deposit account with Accountant General, Himachal Pradesh)	7,62.51	8,75.32	10,86.45
(b) Reserves and Surplus	98.37	1,16.88	1,45.53
(c) Borrowing	10.23	10.23	1.11
(d) Trade dues and other current liabilities	2,44.13	2,97.37	3,04.16
<b>Total</b>	<b>11,15.24</b>	<b>12,99.80</b>	<b>15,37.25</b>

<i>Assets</i>			
(a) Gross Block	7,32.77	8,21.96	10,10.97
(b) Less : Depreciation	3,17.13	3,99.99	4,78.84
(c) Net fixed assets	4,15.64	4,21.97	5,32.13
(d) Capital work-in-progress	0.72	..	..
(e) Investments	69.52	87.62	1,08.89
(f) Current assets, Loans and advances	2,75.55	3,55.33	4,86.25
(g) Intangible assets			
Miscellaneous expenditure	1.91	..	..
Accumulated losses	3,51.90	4,34.88	4,09.98
<b>Total</b>	<b>11,15.24</b>	<b>12,99.80</b>	<b>15,37.25</b>

Capital employed*	4,47.06	4,79.93	7,14.23
Capital invested**	7,72.79	8,85.55	10,87.56

### 7.5.3 Working results

The following table gives the details of the working results of the Corporation for three years upto 1978-79 :

Particulars	1976-77	1977-78	1978-79
(Rupees in lakhs)			
<b>1. (a) Operating</b>			
Revenue	8,09.54	8,81.02	10,33.57
Expenditure	9,14.14	9,54.79	10,38.78
Surplus(+)/Deficit(—)	(—)1,04.60	(—)73.77	(—)5.21
<b>(b) Non-operating</b>			
Revenue	31.10	42.96	92.71
Expenditure	44.49	52.17	62.59
Surplus(+)/Deficit(—)	(—)13.39	(—)9.21	(+)30.12

\*Capital employed represents the net fixed assets *plus* working capital.

\*\*Capital invested represents the subscribed capital *plus* long-term loans.

(c) Total			
Revenue	8,40.64	9,23.98	11,26.28
Expenditure	9,58.63	10,06.96	11,01.37
Net Profit(+)/Loss(-)	(-)-1,17.99	(-)-82.98	(+)-24.91
2. Interest on capital loans	40.89	47.33	57.75
3. Return on			
(a) Capital invested	(-)-77.03	(-)-35.65	82.66
(b) Capital employed	(-)-73.50	(-)-30.81	87.50
4. Percentage of return on		(Per cent)	
(a) Capital invested			7.60
(b) Capital employed			12.24

#### 7.5.4 Operational Performance

The table below indicates the operational performance of the Corporation for the three years upto 1979-80 :

	1977-78	1978-79	1979-80
1. Average number of vehicles held	915	874	889
2. Average number of vehicles on road	815	795	836
3. Percentage of utilisation	89	91	94
4. Kms covered (in lakhs)			
(a) Gross	397.83	431.31	519.03
(b) Effective	390.98	424.38	511.96
(c) Dead	6.85	6.93	7.07
5. Percentage of dead Kms to gross Kms (per cent)	1.7	1.6	1.4
6. Average Kms covered per bus per day	141	149	178
7. Average revenue per Km (Paise)	2.27	2.48	2.64
8. Average expenditure per Km (Paise)	2.47	2.47	2.58
9. Profit (+)/Loss(-)per Km (Paise)	(-)-0.20	(+)-0.01	(+)-0.06

10. Route Kms	53,519	60,088	68,926
11. Number of operating depots	16	16	16
12. Average number of accidents per lakh Kms	0.34	0.24	0.33
13. Average number of break-downs per lakhs Kms	0.09	0.08	0.07
14. *Occupancy ratio (per cent)	73.5	78	78.5

## 7.6 Section C—Government Companies

### 7.6.1 Introduction

There were 11 Government Companies (including 4 subsidiaries) as on 31st March 1980.

### 7.6.2 Compilation of Accounts

Only one Company had finalised its accounts for the year 1979-80. In addition, 5 Companies (including 1 subsidiary) finalised their accounts for the earlier years. A synoptic statement showing the summarised financial results of 6 Companies based on the latest available accounts is given in Appendix XII. The accounts of the following 10 Companies (including 4 subsidiaries) were in arrears for the period noted against each :

Name of the Company	Extent of arrears
(i) Himachal Pradesh State Forest Corporation Limited	1977-78, 1978-79 and 1979-80
(ii) Himachal Pradesh State Handicrafts and Handloom Corporation Limited	1977-78, 1978-79 and 1979-80
(iii) Himachal Pradesh Tourism Development Corporation Limited	1978 and 1979
(iv) Himachal Pradesh Mineral and Industrial Development Corporation Limited	1978-79 and 1979-80
(v) Himachal Pradesh State Small Industries and Export Corporation Limited	1979-80
(vi) Nahan Foundry Limited	1979-80

\*Occupancy ratio represents the percentage of actual passenger revenue per Km to estimated passenger revenue per Km for full seating capacity.



*Subsidiaries*

- \* (i) Himachal Worsted Mills Limited 1978-79 and 1979-80  
 \*(ii) Himachal Wool Processors Limited 1978-79 and 1979-80  
 \*(iii) Himalaya Fertilizers Limited 1979-80  
 @(iv) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited 1979-80

The position of arrears in the finalisation of accounts was last brought to the notice of Government in October 1980.

**7.6.3 Paid-up Capital**

Against the aggregate paid-up capital of Rs. 15,35.99 lakhs in 7 Government Companies (excluding 4 subsidiaries) as on 31st March 1979, the aggregate paid-up capital as on 31st March 1980 increased to Rs. 17,32.06 lakhs as detailed below :

Particulars	Number of companies	Invested by		Total
		State Government	Central Government	
(Rupees in lakhs)				
(i) Companies wholly owned by the State Government	6	12,95.99	..	12,95.99
(ii) Companies jointly owned with the Central Government/ others	1	2,64.57	1,71.50	4,36.07
<b>Total</b>	<b>7</b>	<b>15,60.56</b>	<b>1,71.50</b>	<b>17,32.06</b>

**7.6.4 Loans**

The balance of long-term loans outstanding in respect of 6 Companies (excluding 4 subsidiaries) as on 31st March 1980 was Rs. 3,45.13 lakhs (State Government : Rs. 2,23.63 lakhs, others : Rs. 1,21.50 lakhs) as against Rs. 1,43.97 lakhs as on 31st March 1979 (5 Companies).

\*Subsidiaries of Himachal Pradesh Mineral and Industrial Development Corporation Limited.

@A Subsidiary of Himachal Pradesh Agro Horticulture Industries Corporation Limited.

### 7.6.5 Guarantees

The State Government had guaranteed the repayment of loans (and payment of interest thereon) raised by 3 Companies. The amount guaranteed and the amount outstanding thereagainst as on 31st March 1980 was Rs. 119.80 lakhs as detailed below :

<u>Name of the Company</u>	Amount guarante- ed	Amount outstanding as on 31st March 1980
	(Rupees in lakhs)	
(a) Nahan Foundry Limited (cash credit and term loan)	55.00	55.00
(b) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (term loan)	1,68.14	34.80
(c) Himalaya Fertilizers Limited	30.00	30.00

### 7.6.6 Performance of the Companies

**7.6.6.1** Out of 11 Companies (including 4 subsidiaries) only one Company viz. Himachal Pradesh Agro-Industries Corporation, Limited had earned a profit of Rs. 18.17 lakhs during 1979-80.

**7.6.6.2** The following table gives details of 3 Companies (including 2 subsidiaries) which had finalised their accounts for the year 1978-79 :

<u>Name of the Company</u>	<u>Paid-up capital on 31st March</u>		<u>Loss</u>	
	1978	1979	1977-78	1978-79
	(Rupees in lakhs)			
<b>Company</b>				
Nahan Foundry Limited	1,00.00	1,25.00	18.02	26.16
<b>Subsidiaries</b>				
Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	1,75.50	2,00.00	11.13	14.18
Himalaya Fertilizers Limited	27.26	27.37	7.55	4.89

**7.6.6.3** The accumulated loss in respect of these three Companies (paid-up capital: Rs.3,52.37 lakhs) amounted to Rs. 1,43.22 lakhs for the period ending 31st March 1979. The accumulated loss incurred by Himalaya Fertilizers Limited to the end of 1978-79 (Rs. 34.65 lakhs) had exceeded its paid-up capital of Rs. 27.37 lakhs.

**7.6.6.4** The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directions to the auditors of Government Companies in regard to the performance of their functions. In pursuance of the directives so issued, special report of the Company auditors on the accounts for the year 1977-78 had been received in respect of Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited. The important points noted in the report are summarised below :

- (i) Absence of accounts manual ;
- (ii) Imperfect accounting system ;
- (iii) Absence of regular costing system ;
- (iv) Absence of internal audit manual ;
- (v) Absence of internal audit system ;
- (vi) Absence of effective system of reconciliation of books of accounts ;
- (vii) Non-fixation of maximum/minimum limits of stores and spares ;  
and
- (viii) Absence of system of ascertaining idle time for labour and machinery.

**7.6.6.5** Under Section 619(4) of the Companies Act, 1956 the Comptroller and Auditor General of India has a right to comment upon or supplement the reports of the Company auditors. Under this provision, review of the annual accounts of Government Companies is conducted in selected cases. Some of the errors/omissions, etc., noticed in the course of review of annual accounts are indicated below :

- (i) Cost of fixed assets brought into use was not capitalised and consequently no depreciation was charged.
- (ii) Over-valuation of closing stock.
- (iii) Short provision of depreciation.
- (iv) The share application money not shown separately or included under current liabilities.

- (v) Works-in—progress were understated.
- (vi) Profits were overstated.
- (vii) Under provision/non-provision of liabilities and expenses and doubtful debts.
- (viii) Non disclosure of the quantum of arrears of depreciation, payment of compensation for land, Director's remuneration, particulars of debts considered good/doubtful/bad, etc.
- (ix) Raw-material short supplied by the firm was treated as raw-material consumed.

### 7.7 Himachal Pradesh State Handicrafts and Handloom Corporation Limited.

#### 7.7.1 Shortages of stores/finished goods

As a result of audit of stock and sale registers conducted (October 1979) and physical verification of stocks in respect of various units conducted by the Management of the Company (31st March 1979), the following shortages came to notice which were neither investigated nor made good from the officials at fault (October 1979) :

Sr. No.	Particulars	Value <u>(Rupees)</u>	Remarks
1.	Finished goods issued for Delhi (Rs. 9,429) and Calcutta (Rs. 13,768.30) exhibitions in January and March 1979 respectively	23,197.30	Goods issued for the exhibitions were returned short.
2.	Store articles/finished goods in Jogindernagar, Kandrori, Katra-Dharamsala, Nichar, Bilaspur and Kalpa units	15,630.94	The articles/goods were found short on physical verification conducted on 31st March 1979.

*Note:*—Comments have been included on the basis of reports finally issued to the Management in respect of six Companies included in Appendix XII.

The matter was reported to the Management/Government in December 1979/July 1980 ; reply is awaited (December 1980).

### 7.7.2 Non-disposal of damaged/unserviceable material

During audit of stock registers (October 1979) it was noticed that damaged/unserviceable material as per details given below had been lying in the various units of the Company :

Sr. No.	Particulars	Value (Rupees)	Remarks
1.	(a) Raw material at Chamba Textiles, Chamba	53,428.08	Raw materials reported to have been transferred by the State Government (Industries Department) with some of its units (October 1966) to the Himachal Pradesh State Small Industries Corporation Limited, Simla (name changed to Himachal Pradesh State Small Industries and Export Corporation Limited, Simla in April 1970), later transferred to the Company (April 1974).
	(b) Raw material at Footwear Factory, Chamba	34,456.60	
	(c) Raw material at Rumal Centre, Chamba	1,142.78	
		89,027.46	
2.	Raw material woolen and cotton yarn, at Chamba Textiles, Chamba	13,708.00	The Management stated (September 1980) that a Committee had been appointed to look into all such cases.

3.	(a) Articles at Rupal Centre, Chamba	1,002.51	}	62,836.02	Goods found damaged/unserviceable on physical verification conducted as on 31st March 1978.
	(b) Finished goods at	33,467.03			
	(i) Chamba Textiles, Chamba				
	(ii) Chamba Footwear Factory, Chamba	28,366.48			
4.	Finished and semi-processed goods at the Doll Centre, Simla	14,937.32			Goods found damaged/unserviceable during physical verification conducted as on 31st March 1978.

The reasons for which the articles were damaged had neither been investigated nor any action taken by the Management for their disposal (October 1979). The Management stated (September 1980) that the material had been received from the Government in that condition and steps were being taken to dispose of the same.

The matter was reported to the Government in December 1979, again in July 1980 ; reply is awaited (December 1980).

#### 7.8 Himachal Pradesh State Small Industries and Export Corporation Limited

##### Avoidable expenditure

In June 1976, the Management decided to keep its surplus funds in fixed deposits. Accordingly, a sum of Rs. 12.10 lakhs was invested during June to November 1976 with a bank in fixed deposits initially for a period of one year and renewed subsequently for 2 more years. In March 1977, a cash credit account was opened with the same bank with a limit upto Rs. 20.00 lakhs against hypothecation of assets of the Dharampur depot. The Company paid interest at 18 per cent to the bank on the cash credit whereas it earned interest at 6 to 8 per cent from the bank on fixed deposits.

The table below indicates the amount invested, the period of fixed deposits, the cash credit availed and other particulars :

Serial Number	Date of fixed deposits	Dates of renewal	Amount of fixed deposit (Rupees)	Date of encashment	Amount of cash credit availed during March 1977—November 1979 (Rupees in lakhs)	Interest earned on fixed deposits (Rupees)	Interest paid on cash credit (Rupees)	Differential interest (Rupees)
1.	13-6-1976	13-6-1977 13-6-1978 13-6-1979	50,000	18-6-1979	9.00 to 10.62	10,674	27,000	16,326
2.	29-7-1976	31-3-1977 1-4-1978 1-4-1979	1,00,000	1-4-1979	Do	10,274	54,000	43,726
3.	11-8-1976	..	4,00,000	11-8-1977	12.00	32,000	72,000	40,000
4.	24-8-1976	24-8-1977 24-8-1978 24-8-1979	1,50,000	3-9-1979	9.00 to 10.62	32,000	81,000	49,000
5.	3-9-1976	3-9-1977 1-11-1977 15-12-1977	2,50,000	29-5-1978	Do	27,185	54,000	26,815
6.	15-9-1976	15-9-1977 1-11-1977	2,00,000	15-12-1977	Do	17,900	45,000	27,100
7.	11-11-1976	11-11-1978 11-11-1979 11-11-1980	60,000	Not encashed	Do	7,200 (upto 12-11-1979)	10,800 (upto 12-11-1979)	3,600

It will be seen that the Company incurred an avoidable expenditure of Rs. 2.07 lakhs towards interest. The Management stated (August 1980) that the reasons for renewals of fixed deposits were under investigation.

The matter was reported to the Government in August 1980 : reply is awaited (December 1980).

#### 7.9 Himachal Pradesh Agro-Industries Corporation Limited Damaged feed

The following items of feed were procured in February-March 1976 (without assessing the requirements) by the Company from outside the State for its units at Jach and Parwanoo :

Jach	Kgs.	Value (Rupees)
Cattle feed super mash milk ration	4,500	
Poultry feed	11,777	
Broilers feed	2,250	
Grower mash	2,250	
Chick feed	8,418	41,224

<u>Parwanoo</u>			
Broiler feed	..	1,776	
Sheep ration	..	12,480	
Grower mash	..	5,865	
Layer mash	..	2,886	21,661
		52,202	62,885
Total	..	52,202	62,885

Normally the feed is to be sold within 3 months and as these were not disposed of in time, the entire 52,202 Kgs. of feed valuing Rs. 62,885 had been declared damaged and unfit for consumption (September 1977). However, damaged feed valuing Rs. 7,316.73 was sold during 1976-77 and 1977-78 and the balance feed valuing Rs. 55,568.27 was written off (September 1979). The reasons for the purchase of feed without assessing the requirements had not been investigated.

The matter was reported to the Government/Management in July 1980 ; reply is awaited (December 1980).

#### 7.10 Nahan Foundry Limited

The working of the Company was last reviewed in paragraph 7.8 of the Audit Report (Civil) for the year 1974-75.

A test-check of the records of the Foundry (June 1980) disclosed the following further points :

##### 7.10.1 Shortage in the hiring stock

During 1975-76 to 1978-79 shortages in hiring stock aggregating Rs. 1.99 lakhs (1975-76 : Rs. 0.02 lakh, 1976-77 : Rs. 0.21 lakh, 1977-78 : Rs. 0.46 lakh and 1978-79; Rs. 1.30 lakhs) were noticed at the time of transfer of officials-in-charge of various branches/sub-branches. These shortages are pending regularisation/recovery (July 1980). 3 of the officials involved retired between 1974—1979 and Rs. 0.40 lakh were outstanding against them in addition to Rs. 0.10 lakh recoverable on other accounts. As against this the total dues payable to these officials towards retirement benefits work out to Rs. 0.17 lakh approximately.

The Management has stated that action is being initiated in the matter (June 1980).

##### 7.10.2 Embezzlement/mis-appropriations

According to the procedure in vogue daily reports on all cash accounts, vouchers, stock accounts, stores accounts, furniture accounts, tools and plant account and hiring and stock position are required to be received from various branches to the Head Office of the Company for checking and compilation



of accounts. Delays in the scrutiny and compilation of accounts at the Head Office and the practice of debiting the personal account of the officials-in-charge without any investigation had led to a number of embezzlements.

Certain cases of embezzlement, mis-appropriation, etc., are tabulated below :

Name of branch	Amount (Rupees in lakhs)	Brief particulars of embezzlement/misappropriation	Period to which relates	Remarks
Ludhiana	0.25	Misappropriation of cash : Rs. 15,368.94, saleable stock : Rs. 3,488.52, hiring of stock : Rs. 5,628.51 and outstanding dues : Rs. 986.26	1975-76	Detected in May-June 1977 when the accounts of the branch were checked. Only after 2 years on 16th May 1977 the Company lodged F.I.R. against the accused with the Police. In March 1980 the Management requested the Police to hold up investigations as negotiations with the accused were in progress. Results of negotiations were awaited (June 1980).
Mandi	0.56	Embezzlement of cash : Rs. 18,665, misappropriation of stock : Rs. 29,956.70. Further embezzlement detected after filing of F.I.R. : Rs. 7,620.00	1975 to 1977	F.I.R. was lodged with the police against the official on 27th May 1978. The results of investigation were awaited (June 1980).
Chhattar	0.15	Misappropriation of cash in hand on 27th February 1977 : Rs. 4,739.16 ; cash realised but not deposited : Rs. 7,220.00 ; misappropriation of material : Rs. 947.43 and outstanding dues : Rs. 1,969.45	1976-77	F.I.R. was lodged against the official on 24th May 1978. The outcome was awaited (June 1980).
Charonda	0.02	Cash realised from cultivators not deposited ; Rs. 1,917.00	1979-80	The official admitted the embezzlement of Rs. 1,417.00 only and gave an undertaking to deposit the amount by 8th April 1980. Neither the amount had been deposited nor any action taken against him (June 1980).

The Management stated (June 1980) that these cases could not be detected earlier due to non-reconciliation of accounts.

### 7.10.3 Legal cases

The Company filed civil suits against various cultivators for the recovery of hire money. The Courts had decreed (during 1970-71 to 1977-78) Rs. 98,407 in favour of the Company. These amounts could not be recovered (November 1980) due to the Company's failure to initiate proper action to get the decrees executed.

### 7.10.4 Disputed landed property

In the following cases the landed property of the Company was in dispute:

Place	Area	Year of possession/ purchase	Approximate present value (Rupees in lakhs)	Particulars of dispute	Remarks
Muzaffarnagar	4.8 biswas	1961	1.00	In October 1979 some persons forcibly occupied the land.	The land was attached in October 1979 by the Court as the Company had failed to prove its ownership. The Company had not yet moved the Court to prove its ownership (June 1980).
Ludhiana	4.8 bighas	1922	8.00 to 10.00	The then branch-in-charge got the sale deed executed (20th June 1922) in his own name instead of the Company.	The Company filed a suit in February 1979 for declaring it as the owner of the land/property which was rejected as time barred (May 1980). Appeal against the decision of lower Court was filed with the Session Court in June 1980.
Bahadurgarh	300 square yards	1937/1961	0.10	The Municipal Committee, Bahadurgarh removed the fencing of land for laying a street (January 1980).	The Company obtained a stay order from the Court and the final decision was awaited (June 1980).

Nahan	1625.61 square metres	1-63	As per revenue record the Company was owner of only 517.20 square metres	The Company decided to sell the land to Industries Department but could not effect the sale as the land measuring 1108.41 square metres was not in the name of Company. The Company wrote to Revenue authorities (December 1979) to record its ownership in the revenue record. The outcome was awaited (June 1980).
	For the last 100 years (possession)			
Panipat	3 bighas and 10 biswas <hr/> 1899 (possession)	N.A.	A <i>Sadhu</i> occupied this land and it was in his possession for the last 22/23 years	The Company filed (January 1972) a suit against the <i>sadhu</i> which was rejected. An appeal in the Session Court (February 1978) was also dismissed. The Company filed an appeal against the above decision before the Supreme Court in January 1979 where it was pending (June 1980).

#### 7.10.5 Fabrication of Bailey bridges

The Board of Directors of the Company decided (December 1974) to undertake the fabrication of 'Bailey' bridges (emergency bridges) to meet the requirements of the State Public Works Department (PWD). Earlier in February 1974 the design and drawings were received by the Company from the PWD. In a meeting held on 7th April 1975 (attended by the Secretaries of Industries and the Public Works Departments, the Chief Engineer and the General Manager of the Foundry) it was decided to initially manufacture one bridge for trial purposes. The required materials to the extent available were to be supplied by the PWD and the remaining materials were to be arranged by the Company. The PWD loaned (August 1975) 6605 Kgs. of M.S. sheet plates valued at Rs. 0.20 lakh and advanced (September 1976) Rs. 0.80 lakh to the Company for the procurement of remaining material. During April 1976 to January 1977 the Company purchased 6 machines costing Rs. 0.19 lakh and material worth Rs. 0.18 lakh.

The Company could not undertake the fabrication work of the bridge for want of technical know-how and it also did not try to acquire the same from any outside source. The Management had therefore decided (July 1979) to give up the fabrication of the bridges, dispose of the material already purchased and refund the advance to the PWD. Accordingly, material valuing Rs. 0.08 lakh had been disposed of (September 1979) and the balance

material was sent in May 1980 to Ambala for auction. No decision has so far been taken (December 1980) to dispose of the machinery purchased though 3 of the machines (value : Rs. 0.17 lakh) had been declared (July—September 1979) surplus.

The PWD requested (September 1979) the Company for the refund of the advance of Rs. 0.80 lakh along with interest. The Management intimated (September 1979) that the same would be refunded after disposal of the materials.

The Management stated (June 1980) that steps were being taken to return the material.

#### 7.10.6 Unsold crushers

The Foundry manufactured 64 'Sultan' cane crushers (gear box type) in the year 1978-79 on an experimental basis. In October 1978, 53 crushers were sent to Ambala depot for sale and, due to certain shortcomings in the design, only 18 crushers were sold (upto May 1980) for Rs. 0.42 lakh at Rs. 2,320 per crusher as against the actual cost of Rs. 2,966.55 resulting in a loss of Rs. 0.12 lakh to the Company.

To the end of June 1980, 46 crushers costing Rs. 1.36 lakhs were lying unsold. The Management stated (December 1980) that the product remained unsold due to certain shortcomings in the design, which were being rectified, and attempts will be made to sell the crushers in the next season.

#### 7.10.7 Non-refund of excise duty

The Company paid excise duty amounting to Rs. 1.79 lakhs between March 1975 and December 1977 on items which were exempt from the payment of duty. In May 1978 when the Company claimed the refund, the Excise Department called for (September 1978) certain clarifications. The Company furnished (June 1979) details for Rs. 1.30 lakhs only stating that documentary proof for the balance (Rs. 0.49 lakh) would be submitted shortly. Till June 1980, neither was any refund received nor were the details in respect of the balance amount (Rs. 0.49 lakh), furnished.

The matter was referred to the Government in August 1980; reply is awaited (December 1980).

### 7.11 Section D—Departmentally managed Government commercial and quasi-commercial undertakings

As on 31st March 1980, there were 5 departmentally-managed commercial and quasi-commercial schemes/undertakings as detailed below :

- Fertilizer Distribution scheme,
- Seed Distribution scheme,
- Government Trading in Foodgrains,
- Ayurvedic Pharmacy, Majra, and
- Ayurvedic Pharmacy, Jogindernagar.

The schemes of Fertilizer Distribution, Government Trading in Foodgrains and Seed Distribution involve trading activities.

The *pro forma* accounts of all the departmental schemes/undertakings (including Departmental Tapping of Resin and Departmental Extraction of Timber which ceased to be departmental undertakings from 1st April 1975 and 8th June 1978 respectively) were in arrears (December 1980) as indicated below :

Name	Extent of arrears
Departmental Tapping of Resin*	1969-70 to 1974-75
Departmental Extraction of Timber	1969-70 to 1979-80
Fertilizer Distribution Scheme	1971-72 to 1979-80
Seed Distribution Scheme	1971-72 to 1979-80
Government Trading in Foodgrains	1973-74 to 1979-80
Ayurvedic Pharmacy, Majra	1976-77 to 1979-80
Ayurvedic Pharmacy, Jogindernagar	1977-78 to 1979-80

### 7.12 Department of Food and Supplies

#### Shortages of wheat

A physical verification of two stores (Dharwas and Killar) of the District Food and Supplies Office, Chamba conducted by the Sub-divisional Magistrate, Pangi in April 1979, revealed that 105 bags of wheat valuing Rs. 0.55 lakh were missing. Neither were the reasons for shortages investigated nor was the cost recovered from the defaulting officials. (July 1980).

The matter was reported to the Government in August 1980 ; reply is awaited (December 1980).

\*The work of tapping of resin was transferred to Himachal Pradesh State Forest Corporation Limited in May 1975.

## CHAPTER VIII

### OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

#### 8.1 Outstanding audit observations

(a) Audit observations on financial transactions of the departments are reported to the departmental authorities, so that appropriate action is taken to rectify the defects and omissions. Half-yearly reports of such observations outstanding for more than six months are also forwarded to the Government to expedite their settlement.

The following table shows the number of audit observations issued upto the end of March 1980 and outstanding at the end of September 1980 as compared with the corresponding position indicated in the two preceding reports :—

	As at the end of September 1978	As at the end of September 1979	As at the end of September 1980
Number of observations	6,377	8,416	9,327
Amount involved (Rupees in crores)	11.93	11.15	19.06

(b) The following departments have comparatively heavy outstanding audit observations :-

Serial number	Department	Upto 1976-77		1977-78		1978-79		1979-80		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7	8	9	10	11	12
(Amount in crores of rupees)											
1.	Public Works—										
	(i) Buildings & Roads branch ..	59	0.10	17	1.09	121	0.70	1,215	2.45	1,412	4.34
	(ii) Irrigation branch ..	34	0.01	9	0.34	105	1.09	793	2.94	941	4.38
2.	Forest ..	78	0.05	215	0.14	1,080	0.57	2,049	1.92	3,422	2.68
3.	Agriculture ..	12	0.01	57	0.09	173	0.32	489	1.39	731	1.81
4.	Police ..	..	..	3	@	56	0.03	82	0.98	141	1.01
5.	Horticulture ..	..	..	6	0.01	12	0.04	46	0.46	64	0.51
6.	Medical ..	17	0.01	77	0.09	54	0.07	316	0.33	464	0.50

@ Rupees 0.25 lakh

(c) The following are some of the major reasons for which audit observations have remained outstanding :—

Serial number	Nature of observation	Number	Amount involved (Rupees in crores)
1.	Payees' receipts not received	4,692	8.45
2.	Excess over reserve stock limit not regularised	59	7.18
3.	Sanctions for contingent and miscellaneous expenditure not received	784	1.34

(d) It would be seen that a sizeable portion of the total outstandings is due to non-submission of payees' receipts. The department with comparatively heavy outstandings on this account and in which this irregularity has been persisting year after year are :—

Serial number	Department	Amount involved (Rupees in lakhs)
1.	Public Works— (a) Buildings and Roads branch	74.62
	(b) Irrigation branch	37.12
2.	Agriculture	1,44.91
3.	Police	1,00.28
4.	Forest	73.04
5.	Horticulture	51.28

## 8.2 Outstanding inspection reports

(a) Audit observations on financial irregularities and defects in initial accounts noticed during local audit and not settled on the spot are communicated to the heads of offices and to the next higher departmental authorities through audit inspection reports. The more important irregularities are reported to the heads of departments and the Government. The Government has prescribed that first replies to audit inspection reports should be sent within four weeks.



At the end of September 1980, 3,306 inspection reports issued upto the end of March 1980 still contained unsettled paragraphs as shown below with corresponding figures for the earlier two years :—

	As at the end of Septem- ber 1978	As at the end of Septem- ber 1979	As at the end of Septem- ber 1980
Number of inspection reports with unsettled paragraphs ..	4,193	4,163	3,306
Number of paragraphs outstanding ..	21,697	20,523	15,851

The year-wise analysis of outstanding inspection reports and paragraphs is given below :—

Year	Number of	
	Inspection reports	Paragraphs
Upto 1976-77	2,053	7,066
1977-78	430	2,279
1978-79	313	1,984
1979-80	510	4,522


(b) Of the reports outstanding at the end of September 1980, 2,868 reports related to civil departments (including Public Works), and 438 to commercial departments. These included 272 inspection reports (228 civil, 44 commercial) to which even the first reply had not been received. Of these, 148 inspection reports related to Rural Integrated Development (62), Education (25), Public Works (23), Transport (15), General Administration (14) and Welfare (9) departments.

(c) Details of certain typical irregularities noticed in various outstanding inspection reports of 5 civil departments and certain divisions (all the divisions of the Giri Irrigation Circle and 5 other divisions) of Public Works Department, are given below :—

A. Civil Departments	Number of cases	Amount
		(Rupees in lakhs)
(i) Drawal of funds in advance of requirements	35	47.77
(ii) Irregular expenditure (want of sanctions, not inviting quotations, etc.)	72	28.12
(iii) Unserviceable articles	26	3.87
(iv) Non-accountal/shortage of material	63	1.23
(v) Overpayments/recoveries pending	127	43.89
(vi) Non-verification of stores annually	19	..
(vii) Non-recovery of security	9	..
(viii) Non-maintenance of initial records like pay, travelling allowance, medical check register, repair/maintenance charges register, loan and advances register, etc.	21	..
(ix) Non-reconciliation of transactions with treasuries	12	..
<b>B. Public Works Department</b>		
(i) Expenditure incurred without detailed estimates having been technically sanctioned]	134	1,40.33

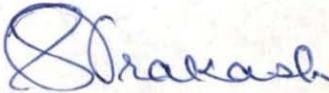
(ii) Expenditure exceeded the detailed estimates by more than 5 per cent but revised estimates not prepared/sanctioned	101	1,78.13
--	-----	---------

Simla,  
The 8th April 1981

  
(L. P. KHANNA)  
Accountant General,  
Himachal Pradesh and Chandigarh

Countersigned

New Delhi,  
The 9th April 1981.

  
(GIAN PRAKASH)  
Comptroller and Auditor General of India

... ..  
... ..  
... ..  
... ..

... ..  
... ..  
... ..

... ..  
... ..

... ..

... ..  
... ..

... ..  
... ..

---

**APPENDICES**

---

2023年10月10日

## APPENDIX I

(Reference : paragraph 1.4, page 6)

Statement showing reasons for significant variations in revenue expenditure during 1979-80 over the previous year under broad sectors

Sector/Head of expenditure	Actuals		Variation	Reasons
	1978-79	1979-80	Increase+	
(Rupees in crores)				
<b>NON-PLAN</b>				
A-General Services	30.79	35.72	+4.93	Increase was attributed mainly to revision of pay scales and other allowances of the staff and procurement of more stores than anticipated.
B-Social and Community Services	38.61	46.74	+8.13	Increase was mainly due to more expenditure on 'Government Primary Schools', 'Government Secondary Schools' and various schemes under 'Medical Relief'.
C-Economic Services—				
(b) Agriculture and Allied Services	12.85	17.92	+5.07	Increase was mainly due to payment of enhanced wages and rise in price of goods/stores.
(e) Transport and Communications	3.94	6.76	+2.82	Increase was mainly due to more expenditure on maintenance of roads.
<b>PLAN</b>				
B-Social and Community Services	10.59	12.03	+1.44	Increase was mainly because of the implementation of the scheme 'Generation of Additional Employment Opportunities in Rural Areas by utilisation of Foodgrains' under this sector.
C-Economic Services—				
(b) Agriculture and Allied Services	18.43	20.69	+2.26	Increase was mainly due to more expenditure on 'Soil Conservation Schemes'.

## APPENDIX II

(Reference : paragraph 1.5, page 7)

Statement showing reasons for significant variations in capital expenditure during 1979-80 over the previous year under broad sectors

Sector/Head of expenditure	Actuals		Variation	Reasons
	1978-79	1979-80	Increase+	
(Rupees in crores)				
<b>NON-PLAN</b>				
<b>(iii) Economic Services—</b>				
<b>(a) General Economic Services</b>		2.00	+2.00	Expenditure during 1979-80 was mainly for strengthening the co-operative structure to make the essential commodities available at reasonable rates to the consumers.
<b>PLAN</b>				
<b>(ii) Social and Community Services</b>	9.82	11.83	+2.01	Increase occurred mainly because of investment in 'Scheduled Castes Corporation' and more expenditure on Rural Piped Water Supply Schemes, Tribal Areas Sub-Plan and Urban Water Supply Schemes.
<b>(iii) Economic Services—</b>				
<b>(b) Agriculture and Allied Services</b>	3.51	5.16	+1.65	Increase was mainly due to investment in Himachal Pradesh Agro-Industries Corporation and more expenditure on dairy development.
<b>(e) Transport and Communications</b>	19.59	21.80	+2.21	Increase was mainly due to more expenditure on district and other roads.



## APPENDIX III

(Reference : paragraph 2.4 (b), page 22)

Cases in which savings (Rs. 20 lakhs or more in each case) exceeded ten per cent of the total provision

Sl. No.	Number and name of grant/ appropriation	Total provision	Expenditure	Saving	Percentage
(Rupees in lakhs)					
I—Cases in which savings were more than 20 per cent of the total provision—					
1.	18-Supplies, Industries and Minerals ..	7,25.13	4,11.42	3,13.71	43
2.	21-Community Development ..	7,80.50	5,76.38	2,04.12	26
3.	23-Food and Nutrition ..	7,14.23	3,66.85	3,47.38	49
4.	24-Water and Power Development ..	12,92.00	9,64.00	3,28.00	25
5.	26-Stationery and Printing ..	1,38.65	1,09.03	29.62	21
6.	31-Urban Development ..	64.00	41.88	22.12	35
7.	32-Other Administrative Services ..	2,56.85	1,90.39	66.46	26
8.	33-Finance (Charged) ..	26,31.85	12,36.09	13,95.76	53
II—Case in which saving was more than 10 per cent but less than 20 per cent of the total provision					
1.	14-Animal Husbandry and Dairy Development ..	7,19.74	6,25.90	93.84	13

APPENDIX IV

(Reference : Paragraph 2.8, page 28)

Drawal of funds in advance of requirements

Department/office	Amount drawn (Rupees in lakhs)	When drawn	Purpose for which drawn	Remarks
1	2	3	4	5

Forest—

Divisional Forest Officer, Soil Conservation, Bilaspur	1.37	March 1979	Purchase of 50 metric tonnes of galvanised barbed wire	Three cheques amounting to Rs. 1.37 lakhs drawn (but not delivered) in favour of a firm on which orders for the supply of wire were placed by Divisional Forest Officer on 17th March 1979 (without specifying the delivery period) were written back in March 1980 due to non-receipt of material. The Divisional Forest Officer stated (March 1980) that the cheques were drawn because the funds were available and the firm had agreed to execute the supply and that the matter regarding non-supply of material was reported to the Controller of Stores for taking action against the firm. Further progress was awaited (December 1980).
--	------	------------	--	--

Horticulture—

District Horticulture Officer, Kinnaur	1.14	March 1979	Purchase of polythene pipes	After drawal the money was converted into bank draft which was encashed in May 1979 and Rs. 0.48 lakh were paid on receipt of part supply of material. Balance amount (Rs. 0.66 lakh) was deposited (May 1979) in current account in a bank which was irregular.
--	------	------------	-----------------------------	--

The Government stated (September 1980) that the payment made in May 1979 included public share of Rs. 0.24 lakh (paid from Government funds pending collection) towards the cost of polythene pipes which was subsequently collected and deposited (January 1980) into treasury. It was further stated that the amount lying in the current account was paid to the firm in February 1980 on receipt of remaining supply of material.

**Education—**

District Education Officer, Bilaspur      0·56    March 1977      Purchase of jute matting      The amount was refunded into the treasury in April 1980 due to non-receipt of material.

**Health and Family Welfare—**

Chief Medical Officer, Kinnaur (Kinnaur District)      0·46    March 1979      Purchase of medicines and hospital material/equipment      The amount was refunded into the treasury between August-September 1979 because of non-receipt of supply.

**Agriculture—**

Deputy Director of Agriculture, Una      0·07    March 1978      } Purchase of material      The amounts were refunded into the treasury in May 1979 due to non-receipt of materials.

0·36    September 1978      }      The Government stated (September 1980) that the then Deputy Director was being chargesheeted and results thereof would be intimated after completion of disciplinary proceedings.

203

**Welfare—**

District Welfare Officer, Solan      0·15    March 1978      Execution of three water-supply schemes      The amount was drawn by the Director of Welfare and remitted to the District Welfare Officer, Solan. The amount was lying unutilised (February 1980). In the case of two schemes, the work had not been taken up (February 1980) and in respect of the third scheme (Beola Berti), the execution was held up.

**Rural Integrated Development—**

Block Development Officer, Bijhari (Hamirpur District)      0·15    February 1978      } Construction of lift irrigation scheme, Banan and Garli      Only Rs. 0.13 lakh were spent on the works upto December 1979.

0·02    March 1979 }  
0·17    March 1979 }

0·10    March 1979      Construction of lift irrigation scheme, Bal Patial }  
0·04    March 1979      Construction of lift irrigation scheme, Bal Delchre }      The works were not taken up for want of technical sanction.

0·16    March 1979      Construction of lift irrigation scheme, Ushner Kalan      No reasons for non-commencement of the work were advanced (December 1979).

	0.60	March 1979	Construction of residential quarters	The amount, after drawal, was deposited in the Post Office and transferred (May 1979) to the personal ledger account of Panchayat Samiti. The contractor was paid Rs. 0.12 lakh as advance on 6th April 1979 against the work done for Rs. 0.06 lakh measured in October 1979. Tenders were re-invited in November 1979 as the previous contractor failed to execute the work. The case was awaiting finalisation by the Executive Engineer (Panchayati Raj).
Block Development Officer, Bhoranj (Hamirpur District)	0.50	March 1968	Construction/renovation of irrigation <i>kuhls</i>	Rupees 0.26 lakh were utilised and the balance (Rs. 0.24 lakh), lying in the personal ledger account of the Panchayat Samiti, was refunded into the treasury on 31st March 1980 as the department had not framed schemes on which the amount could be utilised.
	0.19	March 1970	Construction of water-supply schemes	Rupees 0.09 lakh were utilised and the balance amount of Rs. 0.10 lakh lying in the personal ledger account of the Panchayat Samiti was refunded into the treasury on 31st March 1980 as the schemes on which the amount could be utilised were not prepared.
	0.12	March 1979	Fencing of Nahalwin school orchard	The amount paid (March 1979) to the Pradhan, Gram Panchayat for the work to be completed by September 1979 was lying unutilised (November 1979).
Block Development Officer, Hamirpur	0.25	March 1979	Construction of water supply schemes	Rupees 0.20 lakh were remitted (March 1979) to the Executive Engineer, Irrigation and Public Health, Simla for supply of G.I. pipes. The supply was awaited (July 1980). The Government stated (July 1980) that balance amount of Rs. 0.05 lakh would be utilised on receipt of pipes.
Block Development Officer, Sujanpur Tira (Hamirpur District)	0.16	March 1979	Construction of block store building	Tenders were invited in December 1979. Approval to the rates quoted by a contractor and sent (January 1980) to the Assistant Engineer (Development), Hamirpur was awaited. The amount was lying unutilised (January 1980). The Government stated (August 1980) that the construction work was in progress and that Rs. 0.09 lakh had been spent.

Block Development Officer,  
Kandaghat (Solan District)

0·17 March 1976 Construction of irrigation-cum-drinking water supply scheme, Dangheel

The estimate for Rs. 0.25 lakh providing *kacha kuhl* was technically sanctioned (December 1975) by the Executive Engineer, Panchayati Raj. The beneficiaries, however, requested for providing alkathene pipe instead of *kacha kuhl*. The Executive Engineer, Panchayati Raj observed that estimate for providing G.I. pipe might be prepared. Accordingly revised estimate for Rs. 1.12 lakhs was prepared and sent (February 1978) to the Executive Engineer, on which he observed (March 1978) that the cost having exceeded Rs. 0.25 lakh, the Public Works Department be requested to take up the scheme. The Block Development Officer stated (November 1980) that on the representation (November 1978) of beneficiaries it was decided to construct the scheme as originally planned but the Pradhan who had been requested (April 1979) to complete codal formalities had not turned up (November 1980). The work had not been commenced and the amount was lying in the personal ledger account (November 1980).

205

Block Development Officer,  
Sangrah (Sirmur District)

0·41 March 1973 Construction of Tikkari-Dasakana—Karag Road

The amount was refunded (January 1978) as the estimates for the work prepared in December 1975 were not approved by the competent authority.

0·12 March 1975 } Construction of Gram  
0·08 March 1976 } Sewak Hut, Andheri

The work was awarded to a contractor only in March 1975 and the amount drawn in March 1975 as well as another amount of Rs. 0.08 lakh drawn in March 1976 remained unutilised (February 1980). The Block Development Officer stated (November 1980) that the contractor to whom the work was awarded had not started the work and that the work order was being cancelled for reinviting the tenders.

Block Development Officer,  
Lambagaon (Kangra District)

0·14 March 1976 } Execution of 13 works  
0·09 March 1977 }  
0·38 March 1978 }  
0·36 March 1979 }

Rupees 0·10 lakh drawn (March 1976) for one work were refunded (January 1980) as the work had not been taken up for want of public contribution. The balance (Rs. 0·87 lakh) was lying unutilised due to non-commencement of works (January 1980).

Block Development Officer,  
Shahpur (Kangra District)

0·60 March 1979 Construction of Class III residential quarters

Rupees 0·10 lakh were utilised (October 1979) for the purchase of cement and the balance amount was lying unutilised (May 1980) in the Post Office. The Block Development Officer stated (August 1980) that the work could not be taken up as the tenders for the work were not approved by the Executive Engineer, Rural Integrated Development Department.

Block Development Officer,  
Bhawarna (Kangra District)

0.09 March 1977 Construction of 2 works

0.14 March 1978 Construction of 1 work  
0.03 November 1978 Construction of 1 work

0.36 March 1979 Construction of 12 works

Block Development Officer,  
Kulu

0.76 March 1979 Execution of 7 works

Material worth Rs. 0.09 lakh purchased for two works was lying unutilised (February 1980) due to non-commencement of works. No reasons for non-execution of the works were given. Rupees 0.14 lakh drawn in March 1978 were refunded (October 1978) into the treasury as execution of the work could not be taken up for want of public contribution. Out of Rs. 0.39 lakh drawn for thirteen works, Rs. 0.34 lakh were lying unutilised reportedly due to non-availability of cement.

The amount was lying unutilised due to non-commencement of the works (January 1980). The Government stated (August 1980) that the material (pipes, cement, etc.) valued at Rs. 0.76 lakh had been procured in March 1980. The position of the execution of the works was not known to the Government.

APPENDIX V

(Reference: paragraph 3.1, page, 32)

Irregular payment of subsidy

Programme	Small Farmers Development Agency	Year of payment	Total subsidy paid	Amount irregularly paid	Number of beneficiaries
(Rupees in lakhs)					
Soil conservation measures	.. Chamba	1978-79	0.82	0.82	1,101
	Kulu	1978-79	1.13	0.96	205
Purchase of agriculture implements/inputs	.. Bilaspur	1977-78	1.29	1.29	3,382
		1978-79	7.34	3.39	4,696
	Chamba	1978-79	0.34	0.10	296
	Kulu	1978-79	0.33	0.33	331
Purchase of milch cattle	.. Bilaspur	1977-78	0.28	0.01	1
		1978-79	2.80	0.31	38
	Kulu	1977-78	0.04	0.04	7
		1978-79	1.12	0.23	33
Sheep breeding	.. Bilaspur	*1977-78 and 1978-79	0.22	0.21	139
	Kulu	1978-79	1.40	1.40	273
Total			17.11	9.09	10,502

\*Accounts for 1977-78 and 1978-79 not maintained separately.

## APPENDIX VI

(Reference : paragraph 3.12, page 65)

## Misappropriations and defalcations reported upto 31st March 1980 and outstanding on 30th September 1980

(Amount in lakhs of rupees)

Serial No.	Department	Upto 1976-77		During 1977-78		During 1978-79		During 1979-80		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1.	Public Works	62	45.70	6	1.37	10	4.36	3	0.15	81	51.58
2.	Forest	7	1.83	2	0.26	1	14.26	..	..	10	16.35
3.	Agriculture	..	..	1	1.64	..	..	..	..	1	1.64
4.	Police	..	..	..	..	1	0.68	..	..	1	0.68
5.	Food and Supplies	1	0.52	..	..	..	..	1	0.39	2	0.91
6.	Finance (Treasuries and Accounts Organisation)	2	0.25	1	0.26	..	..	..	..	3	0.51
7.	Education	5*	0.46	..	..	..	..	..	..	5	0.46
8.	Health and Family Welfare	3	0.27	..	..	..	..	..	..	3	0.27
9.	Governor's Secretariat	1	0.26	..	..	..	..	..	..	1	0.26
10.	Welfare	5**	0.25	..	..	..	..	..	..	5	0.25
11.	Rural Integrated Development	1	0.18	..	..	..	..	1	0.32	2	0.50
12.	Housing	1	0.11	..	..	..	..	..	..	1	0.11
13.	Home Guards	1	0.09	..	..	..	..	..	..	1	0.09
14.	Revenue	2	0.08	..	..	..	..	..	..	2	0.08
15.	Animal Husbandry	1	0.04	..	..	..	..	..	..	1	0.04
16.	General Administration	1	***	..	..	..	..	..	..	1	***
Total		93	50.04	10	3.53	12	19.30	5	0.86	120	73.73

\*Amount of one case not known and one has an amount of Rs. 50 only.

\*\*Include one case for Rs. 40 only.

\*\*\*Rupees 50 only.



## APPENDIX VII

(Reference : paragraph 3.12, page 65 )

Outstanding cases (30th September 1980) of misappropriations, defalcations, etc., and the stage at which they are pending

(Amount in lakhs of rupees)

Serial No.	Department	Awaiting completion of criminal investigation		Awaiting completion of departmental investigation		Pending in courts of law		Investigation completed but orders of write off/recovery pending		Other reasons		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1.	Public Works	..	14 1.18	44	32.32	2	11.78	21	6.30	..	..	81	51.58
2.	Forest	..	1 14.26	1	0.18	1	0.13	5	1.02	2	0.76	10	16.35
3.	Agriculture	..	1 1.64	..	..	..	..	..	..	..	..	1	1.64
4.	Police	..	.. ..	..	..	..	..	1	0.68	..	..	1	0.68
5.	Food and Supplies	..	2 0.91	..	..	..	..	..	..	..	..	2	0.91
6.	Finance (Treasuries and Accounts Organisation)	..	.. ..	1	0.26	2	0.25	..	..	..	..	3	0.51
7.	Education	..	1 0.24	1	0.08	2*	0.14	1	**	..	..	5	0.46
8.	Health and Family Welfare	..	1 0.07	1	0.10	..	..	..	..	1	0.10	3	0.27
9.	Governor's Secretariat	..	.. ..	..	..	..	..	1	0.26	..	..	1	0.26
10.	Welfare	..	.. ..	2	0.18	2	0.07	1	***	..	..	5	0.25
11.	Rural Integrated Development	..	.. ..	1	0.32	1	0.18	..	..	..	..	2	0.50

12.	Housing	..	..	..	..	1	0.11	..	..	..	..	1	0.11	
13.	Home Guards	..	..	1	0.09	..	..	..	..	..	..	1	0.09	
14.	Revenue	..	..	..	..	1	0.02	1	0.06	..	..	2	0.08	
15.	Animal Husbandry	..	..	..	..	1	0.04	..	..	..	..	1	0.04	
16.	General Administration	..	..	..	..	1	****	..	..	..	..	1	****	
Total		..	20	18.30	52	33.53	14	12.72	31	8.32	3	0.86	120	73.73

\*Amount of one case not known.

\*\*Rupees 50 only.

\*\*\*Rupees 40 only.

\*\*\*\*Rupees 50 only.

APPENDIX VIII

(Reference : paragraph 4.6, page 81)

Advance payments to firms

(Amount outstanding in lakhs of rupees)

Name of division	Month of audit	Upto 1975-76		1976-77		1977-78		1978-79		Total		Month to which the earliest item relates
		Number of items	Amount	Number of items	Amount	Number of items	Amount	Number of items	Amount	Number of items	Amount	
1. Kulu (Buildings and Roads)-II	November 1979	48	1.13	6	0.15	3	0.07	..	..	57	1.35	March 1974
2. Solan (Buildings and Roads)	December 1979	25	0.68	16	0.52	8	0.15	1	0.70	50	2.05	November 1958
3. Lahaul and Spiti (Buildings and Roads) at Kaza	December 1979	9	0.09	2	0.05	3	0.13	7	1.77	21	2.04	June 1971
4. Nahan (Buildings and Roads)	January 1980	24	1.15	..	..	3	0.04	2	0.04	29	1.23	November 1947
5. Bharwain (Buildings and Roads)	January 1980	2	0.01	..	..	..	..	8	0.08	10	0.09	August 1971
6. Irrigation-cum-Public Health, Dehra	February 1980	1	0.01	..	..	2	0.04	12	0.66	15	0.71	September 1975
7. Una (Buildings and Roads)	February 1980	17	0.21	..	..	..	..	2	0.02	19	0.23	February 1971

8. Rajgarh (Buildings and Roads)	February 1980	4	0.06	2	0.04	3	0.05	5	0.25	14	0.40	July 1970
9. Hamirpur (Buildings and Roads)	March 1980	7	0.83	3	0.50	6	2.53	4	0.27	20	4.13	July 1972
10. Irrigation-cum-Public Health, Solan.	March 1980	..	..	6	0.11	15	1.04	18	1.02	39	2.17	November 1976

---

Total	137	4.17	35	1.37	43	4.05	59	4.81	274	14.40
-------	-----	------	----	------	----	------	----	------	-----	-------

---

APPENDIX IX

(Reference : paragraph 5.2, page 87)

Reserve stock limits

Serial No.	Division	Sanctioned reserve stock limit	Peak balance	Month of peak balance	Excess over reserve stock limit	Percentage of excess
		(Rupees in lakhs)			(Rupees in lakhs)	
1.	Irrigation-cum-Public Health, Mandi	6.83	81.17	March 1980	74.34	1088.48
2.	Irrigation-cum-Public Health, Hamirpur-II	4.17	45.21	March 1980	41.04	984.16
3.	Irrigation-cum-Public Health, Dalhousie	5.50	47.22	February 1980	41.72	758.58
4.	Irrigation-cum-Public Health, Kulu	6.00	33.90	March 1980	27.90	465.00
5.	Irrigation-cum-Public Health, Hamirpur-I	15.80	74.81	July 1979	59.01	373.47
6.	Simla-I	9.60	41.57	March 1980	31.97	333.04
7.	Irrigation-cum-Public Health, Una-II	11.00	44.80	March 1980	33.80	307.25
8.	Irrigation-cum-Public Health, Sundernagar	10.00	35.61	February 1980	25.61	256.14
9.	Palampur-II	5.40	18.73	February 1980	13.33	246.91
10.	Irrigation-cum-Public Health, Bilaspur	8.00	27.41	March 1980	19.41	242.62
11.	Irrigation-cum-Public Health, Pooh	3.00	9.27	January 1980	6.27	208.89
12.	Mandi -II	16.90	51.70	October 1979	34.80	205.91
13.	Palampur (Buildings and Roads)	6.80	20.31	February 1980	13.51	198.64
14.	Irrigation-cum-Public Health, Paonta	13.00	33.80	March 1980	20.80	160.03

15. Chamba (Buildings and Roads)	..	9.80	23.76	March 1980	13.96	142.41
16. Solan (Buildings and Roads)	..	9.10	21.91	December 1979	12.81	140.75
17. Nahan	..	13.00	30.72	March 1980	17.72	136.34
18. National Highway, Pandoh	..	7.00	16.52	March 1980	9.52	135.95
19. Mechanical, Simla	..	10.00	23.52	March 1980	13.52	135.15
20. Churah	..	10.60	24.81	February 1980	14.21	134.09
21. Hamirpur (Buildings and Roads)	..	11.95	25.05	March 1980	13.10	109.64
22. Kumarsain	..	4.00	8.23	June 1979	4.23	105.73
23. Mandi -I	..	13.20	26.97	November 1979	13.77	104.34
24. Jubbal	..	6.00	12.15	March 1980	6.15	102.44

APPENDIX X

(Reference : paragraph 5.6, page 90)

Details of issue of excessive material beyond the scope of work

Name of the division	Number of works	Particulars of stores	Value of stores (Rupees in lakhs)	When cost debited to accounts of works	Value of stores utilised on works	Value of stock transferred			Value of material sold on cash payment	Value of stock lying un-utilised	
						to other works	back to stock	to other divisions			
(When transferred)											
(Rupees in lakhs)											
Bilaspur-II	8 works	Steel, cement, bitumen, C.G.I. sheets, paints	1.61	March 1979	..	0.14 (1979-80)	..	0.85 (September 1979)	..	0.62	215
Nurpur	1 work	Structural steel	3.84	1978-79 April 1979	..	..	..	..	..	3.84	
Una (Buildings and Roads)	9 works	Bitumen and M.S. bars	0.73	1978-79	..	0.67 (1979-80)	0.06 (May 1979)	..	..	..	
Dalhousie	8 works	Cement, C.G.I. sheets, bitumen and wire ropes	2.42	1978-79	..	0.44 (1979-80)	0.82 (1979-80)	..	..	1.16	

Nahan (Buildings and Roads) 12 works Bitumen, 9 '82 1978-79 .. 4.58 0.97 0.94 0.11 3.22  
 angle iron and (1979-80) (1979-80) (1979-80) (May 1979)

Division	Works	Material	1978-79	1979-80	1979-80	1979-80	1979-80	Total
Nahan	12 works	Bitumen	4.58	0.97	0.94	0.11	3.22	8.84
		Total	18.42	5.83	1.85	1.79	0.11	
District Buildings and Roads	8 works	Bitumen	0.17	0.00	0.00	0.00	0.00	0.17
		Total	0.17	0.00	0.00	0.00	0.00	
District	1 work	Bitumen	2.07	0.00	0.00	0.00	0.00	2.07
		Total	2.07	0.00	0.00	0.00	0.00	
District II	8 works	Bitumen	1.61	0.00	0.00	0.00	0.00	1.61
		Total	1.61	0.00	0.00	0.00	0.00	

To certify that the work has been completed in accordance with the specifications and to certify that the work is satisfactory in all respects and to certify that the work is complete and ready for payment.

Work to be done and to be completed within the scope of work

1978-79



APPENDIX XI

(Reference : paragraph 7.2, page 106)

Summarised financial results of Statutory Corporations

Serial Number	Name of the Corporation/ Board	Name of the department	Date of incorporation	Period of accounts	Total capital invested	Profit (+) Loss (-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of return of capital invested	Percentage of return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14
(Figures in columns 6 to 12 are rupees in lakhs)													
1.	Himachal Pradesh State Electricity Board	Multipurpose Projects and Power.	1st September 1971	1979-80	1,14,06.72	(-),89.84	1,89.84	1,89.84	..	54,40.62*	..	..	..
2.	Himachal Road Transport Corporation	Transport	2nd October 1974	1978-79	10,87.56	(+),24.91	62.59	57.75	82.66	7,14.23*	87.50	7.60	12.24
3.	Himachal Pradesh Financial Corporation	Industries	1st April 1967	1979-80	..	(+),21.18	41.66	..	N.A.	9,29.78**	62.84	..	6.76

217

Notes :—(i) Capital invested represents paid-up capital plus long term loans plus free reserves.

(ii) \*Capital employed represents net fixed assets (excluding capital work-in-progress) plus working capital.

(iii) \*\*Represents mean capital employed i.e. mean of aggregate of opening and closing balances of (i) paid-up capital (ii) bonds and debentures (iii) reserves (iv) borrowing including refinance and (v) deposits.

APPENDIX XII  
(Reference : paragraph 7.6.2, page 176)  
Summarised financial results of Government Companies

Serial No.	Name of the Company	Name of the department	Date of incorporation	Period of accounts	Total capital invested	Profit (+) Loss(-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of return on capital invested	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14
				(Figures in columns 6 to 12 are rupees in lakhs)									
1.	Himachal Pradesh State Small Industries and Export Corporation Limited	Industries	20th October 1966	1978-79	95.99	(+)3.49	2.45	0.70	4.19	1,06.40	5.94	4.36	5.58
2.	Himalaya Fertilizers Limited	Industries	23rd November 1972	1978-79	69.50	(-)4.89	9.22	3.72	(-)1.17	59.95	(+)4.33	..	7.2
3.	Himachal Pradesh Agro-Industries Corporation Limited	Horticulture	24th September 1970	1979-80	4,67.73	(+)18.17	0.50	..	(+)18.17	4,02.28	18.67	3.88	4.64
4.	Nahan Foundry Limited	Industries	20th October 1952	1978-79	1,39.00	(-)26.16	9.83	..	(-)26.16	1,20.19	(-)16.33	..	..
5.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	10th June 1974	1978-79	2,51.48	(-)14.18	1.16	1.16	(-)13.02	1,75.99	(-)13.02	..	..
6.	Himachal Pradesh Tourism Development Corporation Limited	Tourism	1st September 1972	1-4-1977 to 31-12-1977	1,19.36	(+)0.88	0.02	..	(+)0.88	64.17	0.90	0.73	1.40

Notes :—(i) Capital invested represents paid-up capital plus long term loans plus free reserves.

(ii) Capital employed represents net fixed assets (excluding capital work-in-progress) plus working capital.