



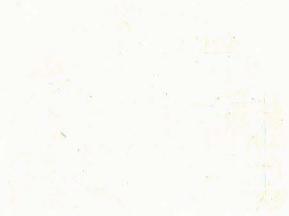
REPORT

OF THE

**Comptroller and Auditor General of India
for the year 1980-81**

(CIVIL)

Government of Himachal Pradesh



REPORT

Committee on Health Services
for the State of California

(1964)

Government Printing Office

TABLE OF CONTENTS

	<i>Paragraph(s)</i>	<i>Page(s)</i>
PREFATORY REMARKS		(vii)
CHAPTER—I		
GENERAL		
Summary of transactions	.. 1·1	1—2
Revenue surplus/deficit	.. 1·2	2—3
Revenue receipts	.. 1·3	3—4
Expenditure on revenue account	.. 1·4	4—5
Expenditure on capital account	.. 1·5	5—6
Loans and advances by the Government	.. 1·6	6—8
Sources of funds for capital expenditure and net outgo under loans and advances	.. 1·7	9
Debt position	.. 1·8	9—10
Investments by the Government	.. 1·9	11—12
Guarantees given by the State Government	.. 1·10	12
Plan performance	.. 1·11	13
Growth of non-Plan expenditure	.. 1·12	13
CHAPTER—II		
APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE		
Summary	.. 2·1	14
Excess over grants/charged appropriations requiring regularisation	.. 2·2	15—18
Supplementary grants/charged appropriations	.. 2·3	18—21
Savings in grants	.. 2·4	21—23
Non-receipt of explanations for savings/excesses	.. 2·5	24
Rush of expenditure	.. 2·6	24—25

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Drawal of funds in advance of requirements ..	2·7	25
Defective budgeting and inadequate control over expenditure ..	2·8	25—26
Shortfall/excess in recoveries ..	2·9	26—27
Reconciliation of departmental figures ..	2·10	27
CHAPTER—III		
CIVIL DEPARTMENTS		
Department of Agriculture—		
Vegetable Multiplication Farms ..	3·1	28—33
Plant Protection Scheme ..	3·2	33—38
Potato Development Scheme ..	3·3	38—48
Suspected loss ..	3·4	48—49
Department of Horticulture—		
Suspected loss ..	3·5	49
Horticultural Programme under Tribal Area Sub-Plan ..	3·6	49—52
Department of Industries—		
Industrial Extension Centre, Killar ..	3·7	52
Department of Rural Integrated Development—		
Works taken up by the Block Development Officers ..	3·8	52—53
Doubtful expenditure ..	3·9	53—54
Schemes not functioning for want of maintenance and repairs ..	3·10	54—55
Department of Welfare—		
Irregular drawal and payment of scholarships ..	3·11	55
General—		
Idle equipment ..	3·12	56—57
Misappropriations, defalcations, etc. ..	3·13	57
Department of Animal Husbandry—		
Loss of Government money ..	3·14	58

CHAPTER—IV

WORKS EXPENDITURE

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Public Works Department—		
Lift Irrigation Schemes ..	4.1	59—64
Arbitration cases ..	4.2	65—69
Unfruitful expenditure ..	4.3	69—71
Purchase of R.C.C. pipes and collars ..	4.4	71
Loss in running of vehicles/machinery ..	4.5	71—72
Loss of bitumen ..	4.6	72
Purchase of defective road roller ..	4.7	72—73
Idle ropeway ..	4.8	73

CHAPTER—V

STORES AND STOCK

Synopsis of important stores accounts ..	5.1	74—75
Public Works Department—		
Reserve stock limits ..	5.2	75
Physical verification ..	5.3	75
Minus balances in stores and stock accounts ..	5.4	75—76
Excessive consumption of fuel wood ..	5.5	76
Outstanding recoveries of stores ..	5.6	77
Department of Animal Husbandry—		
Store/stock accounts ..	5.7	77—78
Department of Agriculture—		
Shortage of fertilizer ..	5.8	78
Department of Home—		
Unutilised stores ..	5.9	78—79
Non-refund of surplus funds ..	5.10	79

CHAPTER—VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Grants and their utilisation ..	6·1	80—82
Department of Rural Integrated Development—		
Grants-in-aid works ..	6·2	82—83
Department of Housing—		
Loans ..	6·3	83—85
Department of Animal Husbandry—		
Grants ..	6·4	85—86
Department of Industries—		
Grants and loans ..	6·5	86—90
Department of Co-operation—		
Subsidies, grants and loans ..	6·6	91—95

CHAPTER—VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Section A—General ..	7·1	96
Section B—Statutory Corporations ..	7·2	96
Himachal Pradesh State Electricity Board ..	7·3	97—127
Himachal Pradesh Financial Corporation ..	7·4	128—129
Himachal Road Transport Corporation ..	7·5	129—134
Section C—Government Companies ..	7·6	134—139
Himachal Pradesh Mineral and Industrial Development Corporation Limited ..	7·7	139—156
Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited ..	7·8	156—181
Himachal Pradesh State Forest Corporation Limited ..	7·9	181—182
Himachal Pradesh State Small Industries and Export Corporation Limited ..	7·10	183
Section D—Departmentally managed Government commercial and quasi commercial undertakings ..	7·11	183—184

CHAPTER—VIII

OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Outstanding audit observations ..	8-1	185—186
Outstanding inspection reports ..	8-2	186—188

APPENDICES

	<i>Page(s)</i>
I. Significant variations in revenue expenditure during 1980-81 over the previous year under broad sectors ..	191
II. Significant variations in capital expenditure during 1980-81 over the previous year under broad sectors ..	192
III. Cases in which savings (more than Rs. 20 lakhs in each case) exceeded ten per cent of the total provision ..	193
IV. Drawal of funds in advance of requirements ..	194—197
V. Misappropriations and defalcations reported upto 31st March 1981 and outstanding on 30th September 1981 ..	198—199
VI. Outstanding cases (30th September 1981) of misappropriations, defalcations, etc., and the stage at which they are pending ..	200—201
VII. Reserve stock limits ..	202—203
VIII. Summarised financial results of Statutory Corporations ..	204—205
IX. Summarised financial results of Government Companies ..	206—207

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 1980-81 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 1980-81.

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 1980-81 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 1980-81 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 1980-81 are given below with the corresponding figures for the preceding year :—

	1979-80	1980-81
(Rupees in crores)		
<i>(i) Revenue—</i>		
Revenue receipts		
(a) Revenue raised by the State Government ..	50.97	1,34.98
(b) Receipts from the Government of India ..	1,41.64	1,57.37
Total : Revenue receipts ..	1,92.61	2,92.35
Revenue expenditure		
(a) Non-Plan ..	1,09.80	1,32.62
(b) Plan ..	39.94	55.14
Total : Revenue expenditure ..	1,49.74	1,87.76
Revenue surplus (+) ..	+42.87	+1,04.59
<i>(ii) Public Debt—</i>		
Receipts ..	18.54	24.82
Repayments ..	1.98	79.46
Increase (+) ..	+16.56	-54.64
Decrease (—) ..		
<i>(iii) Loans and advances by the State Government—</i>		
Recoveries ..	1.60	1.65
Disbursements ..	15.69	18.18
Increase (—) ..	-14.09	-16.53

(iv) *Public Account—*

Receipts	..	2,86.76	3,36.73
Disbursements	..	2,82.76	3,25.01
Increase (+)	..	+4.00	+11.72

(v) *Capital expenditure—*

Non-Plan	..	2.47	1.11
Plan	..	44.87	51.48
Increase (—)	..	—47.34	—52.59
Net deficit (—)	..	+2.00	—7.45
Net surplus (+)			
Opening cash balance	..	—3.94	—1.94
Net deficit (—) as above	..	+2.00	—7.45
Closing cash balance	..	—1.94	—9.39*

1.2 Revenue surplus/deficit

(a) *Revenue receipts*—The actuals of the revenue receipts for 1980-81 compared with the budget estimates during the year alongwith the corresponding figures for 1978-79 and 1979-80 are given below :—

Year	Budget	Budget plus additional taxation	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
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
1980-81	1,92.88	1,92.88**	2,92.35	+99.47	52

*Comprises mainly deposits with Reserve Bank. There was a difference of Rs. (—)0.83 crore between the figure reflected in the accounts (Rs. (—)9.38 crores) and that intimated by the Reserve Bank (Rs. (—)8.55 crores) regarding "Deposits with Reserve Bank" included in the cash balance. The difference to the extent of Rs. (—)0.01 crore has since been reconciled; the remaining difference (Rs. (—)0.82 crore) is under reconciliation (December 1981).

**No additional taxes were levied during 1980-81.

The receipts in 1980-81 exceeded the budget estimates mainly under 'Miscellaneous General Services' (Rs. 75.36 crores), 'Grants-in-aid from Central Government' (Rs. 9.32 crores), 'Forest' (Rs. 4.65 crores), 'State Excise' (Rs. 4.58 crores) and 'Sales Tax' (Rs. 2.61 crores).

(b) *Expenditure on revenue account*—The expenditure on revenue account during 1980-81 as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary provision and the corresponding figures for the previous two years are shown below :—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
				(Rupees in crores)	
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
1980-81	1,61.47	1,84.74	1,87.76	+3.02	2

(c) The year ended with a revenue surplus of Rs 1,04.59 crores as against a surplus of Rs. 31.41 crores anticipated in the budget.

1.3 Revenue receipts

The revenue receipts in 1980-81 (Rs. 2,92.35 crores) compared to those in 1979-80 (Rs. 1,92.61 crores) were as follows:—

(1)	Receipts		Increase(+) Decrease(-)
	1979-80	1980-81	
(1)	(2)	(3)	(4)
			(Rupees in crores)
(i) Revenue raised by the State Government—			
Tax Revenue ..	28.67	33.93	+5.26
Non-Tax Revenue ..	22.30	1,01.05	+78.75
(ii) Receipts from the Government of India—			
Taxes on Income other than			
Corporation tax ..	5.15	5.96	+0.81
Estate Duty ..	..	0.01	+0.01
State's share of Union Excise Duties ..	14.39	15.73	+1.34
Grants under the Constitution (Distribution of Revenues) Order and proviso to Article 275(1) of the Constitution ..	38.85	42.33	+3.48
Other grants ..	83.25	93.34	+10.09
Total ..	1,92.61	2,92.35	+99.74

The receipts from the Government of India during 1980-81 (Rs. 1,57.37 crores) formed 54 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 1980-81 Government of Himachal Pradesh—Revenue Receipts.

1.4 Expenditure on revenue account

(i) The following table compares the expenditure on revenue account during 1980-81 under broad headings with the provision of funds made thereunder:—

Sector/sub-sector 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	37.81	40.59	41.49 (35.72)	+0.90	1.61	1.82	1.63 (1.30)	-0.19
B—Social and Community Services	52.62	58.36	60.21 (46.74)	+1.85	11.50	20.88	23.95 (12.03)	+3.07
C—Economic Services								
(a) General Economic Services	1.76	1.79	1.79 (1.40)	..	1.61	1.65	1.47 (1.25)	-0.18
(b) Agriculture and Allied Services	19.67	21.47	21.70 (17.92)	+0.23	22.96	25.05	22.61 (20.69)	-2.44
(c) Industry and Minerals	0.92	0.92	0.91 (0.63)	-0.01	3.59	3.59	3.48 (2.14)	-0.11
(d) Water and Power Development	..	..	.. (0.50)	..	0.45	1.54	1.19 (0.67)	-0.35
(e) Transport and Communications	5.73	5.79	6.37 (6.76)	+0.58	1.08	1.13	0.81 (1.86)	-0.32
Total : C—Economic Services	28.08	29.97	30.77 (27.21)	+0.80	29.69	32.96	29.56 (26.61)	-3.40
D—Grants-in-aid and Contributions	0.16	0.16	0.15 (0.13)	-0.01	..	..	.. (..)	..
Total	..	1,18.67	1,29.08 (1,09.80)	+3.54	42.80	55.66	55.14 (39.94)	-0.52

The excess in non-Plan expenditure (Rs. 3.54 crores) was 3 per cent of the provision.

*Figures in brackets are the expenditure figures for 1979-80.

(ii) Significant variations in expenditure during 1980-81 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 1980-81 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	Percen- tage
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1978-79	.. 30.56	37.82	38.67	+0.85	2
1979-80	.. 37.04	45.38	47.34	+1.96	4
1980-81	.. 38.96	49.10	52.59	+3.49	7

(ii) The following table compares the expenditure on capital account during 1980-81 under broad headings with the provision of funds made thereunder:—

Sector/sub-sector of expenditure	Non-Plan				Plan			
	Budget estima- tes	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	..	..	.. (..)	..	1.17	1.89	2.03 (1.26)	+0.14
(ii) Social and Com- munity Services	0.37	0.37	0.36 (0.36)	-0.01	6.11	12.32	14.65 (11.83)	+2.33
(iii) Economic Services—								
(a) General Economic Services	..	..	.. (2.00)	..	1.13	1.45	1.60 (1.53)	+0.15
(b) Agriculture and Allied Services	0.10	0.64	0.75 (0.11)	+0.11	4.33	4.96	5.32 (5.16)	+0.36

*Figures in brackets are the expenditure figures for 1979-80.

(c) Industry and Minerals	..	..	(..)	..	0.80	1.00	1.02 (0.96)	+0.02
(d) Water and Power Development	..	..	(..)	..	2.54	2.54	2.64 (2.33)	+0.10
(e) Transport and Communications	..	..	(..)	..	22.41	23.93	24.22 (21.80)	+0.29
<hr/>								
Total: Economic Services	0.10	0.64	0.75 (2.11)	+0.11	31.21	33.88	34.80 (31.78)	+0.92
<hr/>								
Total	..	0.47	1.01 (2.47)	+0.10	38.49	48.09	51.48 (44.87)	+3.39
<hr/>								

The increase (Rs. 3.39 crores) in Plan expenditure was mainly under 'Social and Community Services' (Rs. 2.33 crores). There was increase of Rs. 1.68 crores under the same sector during 1979-80 also.

(iii) Significant variations in expenditure during 1980-81 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 1980-81 as compared with the budget estimates and the budget estimates plus supplementary provision along with the corresponding figures for 1978-79 and 1979-80 are given below :-

Year	Budget	Budget plus supple- mentary	Actuals	Variation between columns (4) and (3)	
				Amount	Percen- tage
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1978-79	.. 15.34	16.97	15.71	-1.26	8
1979-80	.. 15.84	19.23	15.69	-3.54	18
1980-81	.. 17.01	19.38	18.18	-1.20	6

*Figures in brackets are the expenditure figures for 1979-80.



The saving (column 5) was mainly under (i) 'Loans for Power Projects' (Rs. 0.59 crore) due to release of less loan to State Electricity Board and (ii) 'Loans for Co-operation' (Rs. 0.17 crore) due mainly to sanction of less number of godowns by the National Co-operative Development Corporation.

(ii) The budget and the actuals of recoveries of loans and advances for the three years ending 1980-81 are given below :—

Year	Budget	Actuals	Variation between columns (3) and (2)	
			Amount	Percentage
(1)	(2)	(3)	(4)	(5)
(Rupees in crores)				
1978-79	.. 1.65	1.31	-0.34	25
1979-80	.. 1.46	1.60	+0.14	9
1980-81	.. 1.78	1.65	-0.13	7

(iii) The details of disbursement of loans and advances and recoveries made during the three years ending 1980-81 under different categories together with the outstandings at the beginning/end of each year are indicated below :—

Categories	1978-79			1979-80			1980-81			
	Out- stand- ing bal- ance on 1st April 1978	Loans dis- bur- sed	Loans reco- vered	Out- stand- ing bal- ance on 31st March/ 1st April 1979	Loans dis- bur- sed	Loans reco- vered	Out- stand- ing bal- ance on 31st March/ 1st April 1980	Loans dis- bur- sed	Loans reco- vered	Out- stand- ing bal- ance on 31st March 1981
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(Rupees in crores)										
(i) Loans for Social and Community Services	5.30	1.25	0.20	6.35	1.32	0.21	7.46	1.38	0.18	8.66
(ii) Loans for Economic Services—										
(a) General Economic Services	1.51	0.59	0.09	2.01	0.58	0.11	2.48	0.50	0.12	2.86
(b) Agriculture and Allied Services	3.10	0.41	0.34	3.17	2.34	0.34	5.17	1.01	0.34	5.84
(c) Industry and Minerals	2.39	0.28	0.11	2.56	0.24	0.16	2.64	0.52	0.14	3.02
(d) Water and Power Development	28.56	11.83	..	40.39	9.14	..	49.53	12.58	..	62.11
(e) Transport and Communications	0.04	..	0.04	..	0.07	..	0.07	..	..	0.07
Total (ii)	35.60	13.11	0.58	48.13	12.37	0.61	59.89	14.61	0.60	73.90
(iii) Loans to Government Servants	1.40	1.35	0.53	2.22	2.00	0.78	3.44	2.19	0.87	4.76
Total	42.30	15.71	1.31	56.70	15.69	1.60	70.79	18.18	1.65	87.32

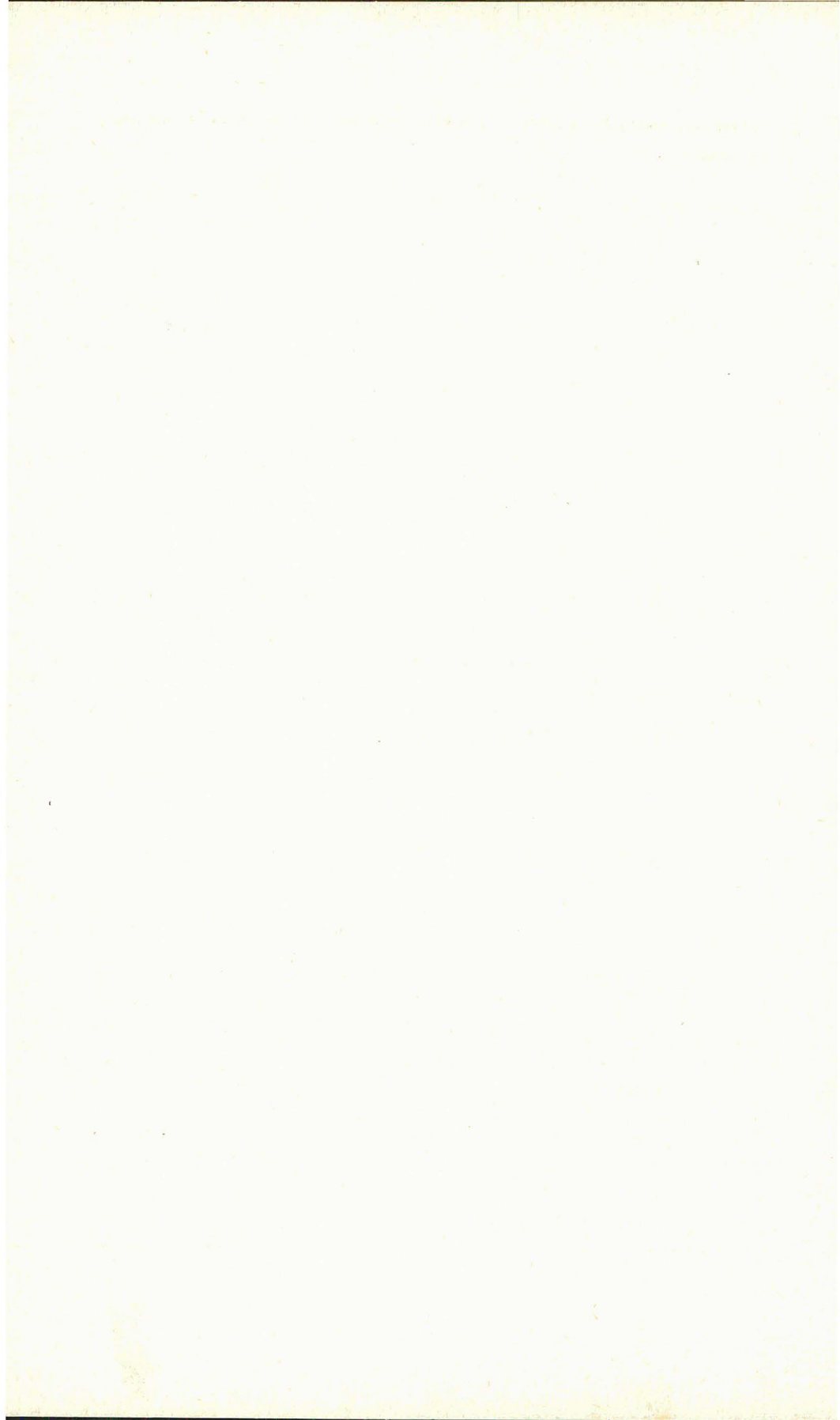
(iv) *Recoveries in arrears*—(a) Recoveries aggregating Rs. 4.50 lakhs were in arrears at the end of 1980-81 (Rs. 2.45 lakhs at the end of 1979-80) in respect of loans to Simla Municipal Corporation and various Municipalities (principal: Rs. 2.29 lakhs, interest : Rs. 2.18 lakhs) and to land holders and other notabilities (principal : Rs. 0.02 lakh, interest : Rs. 0.01 lakh), 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 1981	Amount overdue for recovery pertaining to						Total as on 31st March 1981	
		1966- 67 to 1975-76	1976- 77	1977- 78	1978- 79	1979- 80	1980- 81		
		(Rupees in lakhs)							
Loans to Simla Municipal Corporation and various Municipalities	17.58	Principal	0.42	0.03	0.12	0.16	0.36	1.20	2.29
		Interest	0.31	0.02	0.05	0.17	0.78	0.85	2.18
Loans to land holders 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	1.20	2.31
		Interest	0.32	0.02	0.05	0.17	0.78	0.85	2.19

(b) The details of arrears in recovery of loans as on 31st March 1981, the detailed accounts of which are maintained by departmental officers, have not been received (December 1981).

(c) The balances are communicated to the departmental officers concerned every year for acceptance thereof. In a large number of cases such acceptances have not been received. Acceptances in respect of 6240 cases (amount outstanding : Rs. 29.83 crores) were outstanding at the end of March 1981. Details of significant cases are given in Appendix 'D' to Finance Accounts 1980-81.



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

The sources from which the capital expenditure (Rs. 52.59 crores) and the net expenditure under 'Loans and Advances' by the State Government (Rs. 16.53 crores) during 1980-81 were met are shown below :—

	(In crores of rupees)
I. Net addition to—	
(i) Internal Debt of the State Government ..	+3.91
(ii) Loans and advances from the Central Government ..	-58.55
(iii) Small savings, Provident Funds etc. ..	+9.89
II. Miscellaneous—	
(i) Reserve funds ..	+0.50
(ii) Other items (mainly balances under Deposits, Suspense and Remittances) ..	+4.47
III. Investments and cash balances ..	+4.31
IV. Revenue surplus ..	+1,04.59

Net amount available for expenditure ..	+69.12

1.8 Debt position

(a) The total debt liability of the Government at the close of 1980-81 was Rs. 1,92.10 crores. A comparative analysis of the debt liability as at the end of March 1979, 1980 and 1981 is given below :—

Nature of debt	Balance on 31st March		
	1979	1980	1981

	(Rupees in crores)		
(1) Internal debt of the State Government ..	16.07	18.44	22.35

(2) Loans and Advances from the Government of India	1,53.03	1,67.22	1,08.67*
(i) Total Public Debt ..	1,69.10	1,85.66	1,31.02
(ii) Provident Funds ..	33.03	39.28	49.17
(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.	8.51	10.70	11.90
Total Debt ..	2,10.65	2,35.65	1,92.10

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

	1979-80	1980-81
	(Rupees in crores)	
Interest paid by the State Government ..	9.87	10.04
Interest received by the State Government		
(a) Interest received on loans and advances ..	0.42	0.37
(b) Interest received on investment of cash balances ..	1.27	1.56
Net burden of interest on revenue ..	8.18	8.11
Net interest as a percentage of total revenue receipts ..	4.24	2.77

Taking into account the dividend/interest of Rs. 0.02 crore, the net burden of interest in 1980-81 on the revenues was Rs. 8.09 crores.

*The decrease is due to write off of Rs. 75.39 crores by the Government of India on the recommendations of the Seventh Finance Commission.

1.9. Investments by the Government

The total investments of the Government in the share capital, bonds and debentures of different concerns during 1980-81 and to the end of 1980-81 together with the dividend/interest therefrom was as under :—

Category of bodies	Investments				Dividend/Interest received during the year with percentage of return on cumulative investment in brackets	
	During 1980-81		To the end of 1980-81			
	Number of concerns	Investment (Rupees in crores)	Number of concerns	Investment (Rupees in crores)	(Rupees in crores)	
(1)	(2)	(3)	(4)	(5)	(6)	
				(a)		
(i) Statutory Corporations	4	2.40	5	12.40	0.15	(1.21)
(ii) Government Companies	8	2.40	10	18.03	..	(c)
(iii) Joint Stock Companies	..	..	15	0.10	..	
(iv) Co-operative Institutions	**	(b)			(d)	
	..	1.68	1196	9.50	0.02	(0.21)
Total	..	12***	6.48	1226	40.03	0.17 (0.42)

(a) Share capital of Rs. 0.05 crore was refunded by Antyodaya Corporation and bonds of Rs. 0.03 crore in Financial Corporation of Himachal Pradesh and Haryana were encashed and deposited into treasury on maturity.

*Includes Rs. 0.01 crore being the loss on Kulu Valley Transport Limited (since liquidated) which remains to be written off.

**Information awaited (December 1981).

***Does not include the number of Co-operative Institutions as information is awaited.

(b) This figure is arrived at after deducting the amount of redemption (Rs. 0.04 crore) during 1980-81 of share capital.

(c) All the Companies are in arrears in finalising the accounts for 1980-81 except Himachal Pradesh Agro-Industries Corporation Limited, which had not declared dividend for 1980-81.

(d) Dividend for the year 1980-81 to the extent of Rs. 1.42 lakhs was received from Co-operative Societies by the State Government.

Details are given in Statement No. 13 of the Finance Accounts 1980-81 and the explanatory notes to Statement No. 2.

1.10 Guarantees given by the State Government

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

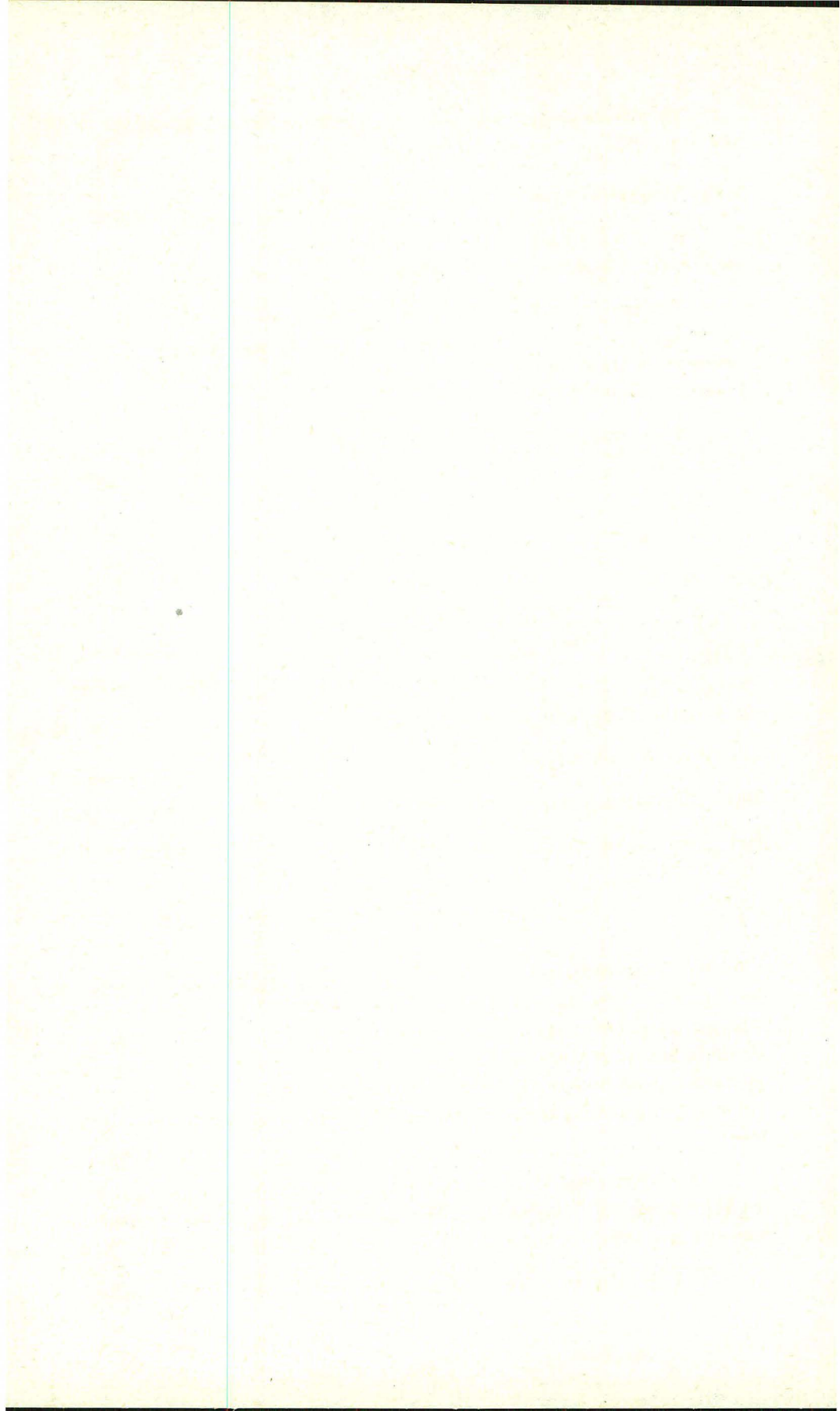
The guarantees are in the nature of contingent liabilities on the State revenues. Brief particulars of these contingent liabilities based on the available information are given below (further details are given in Statement No. 5 of Finance Accounts 1980-81).

Body on whose behalf guarantee was given	Maximum amount guaranteed	Sums guaranteed outstanding on 31st March 1981
	(Rupees in crores)	
(i) Statutory Corporations and Boards ..	55.30	43.33
(ii) Government Companies ..	2.53	2.15
(iii) Co-operative Banks and Societies ..	11.02	6.02
(iv) Local bodies/Autonomous bodies ..	3.08	0.71
Total ..	71.93	52.21

(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 1980-81 was Rs. 4.96 lakhs. Information regarding arrears of guarantee fees was not available with Government.

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

(iv) No guarantee was invoked during 1980-81.



1.11 Plan performance

The Plan provision as per State Budget and the expenditure (on revenue and capital) during 1980-81 were as under :—

	Provision in the State Budget (Budget <i>plus</i> supple- mentary)	Expendi- ture	Short- fall (—) <hr/> Excess (+)
	(Rupees in crores)		
Revenue ..	55.66	55.14	—0.52
Capital ..	48.09	51.48	+3.39

The shortfall of Rs. 0.52 crore under 'Revenue' was the result of substantial shortfall of Rs. 3.40 crores under 'Economic Services' which occurred mainly under 'Agriculture and Allied Services' (Rs. 2.44 crores) due mainly to less expenditure on Community Development Programme partly off set by excess of Rs. 3.07 crores under 'Social and Community Services' attributed mainly to increased expenditure on 'Employment and Training' (Rs. 2.48 crores).

The excess of Rs. 3.39 crores under 'Capital' occurred mainly under 'Social and Community Services' (Rs. 2.33 crores) due to more expenditure mainly on 'Public Health and Sanitation-Rural Piped Water Supply Schemes'.

1.12 Growth of non-Plan expenditure

The growth of non-Plan revenue expenditure during 1980-81 compared with that in the two preceding years was as under :—

1978-79	1979-80	1980-81
(Rupees in crores)		
88.36	1,09.80	1,32.62

The non-Plan expenditure increased by Rs. 21.44 crores (24 per cent) in 1979-80 and by Rs. 22.82 crores (21 per cent) in 1980-81. The increase during 1980-81 over the previous year was mainly under (i) 'Government Primary Schools' (Rs. 7.80 crores), 'Government Secondary Schools' (Rs. 2.60 crores), 'Police' (Rs. 1.28 crores) and 'Forest' (Rs. 0.97 crore) which occurred mainly on 'salaries' as a result of revision of pay scales and grant of additional dearness allowance and (ii) subsidy on transportation/sale of essential commodities and levy sugar (Rs. 1.41 crores), reasons for which have not been intimated (December 1981).

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Summary

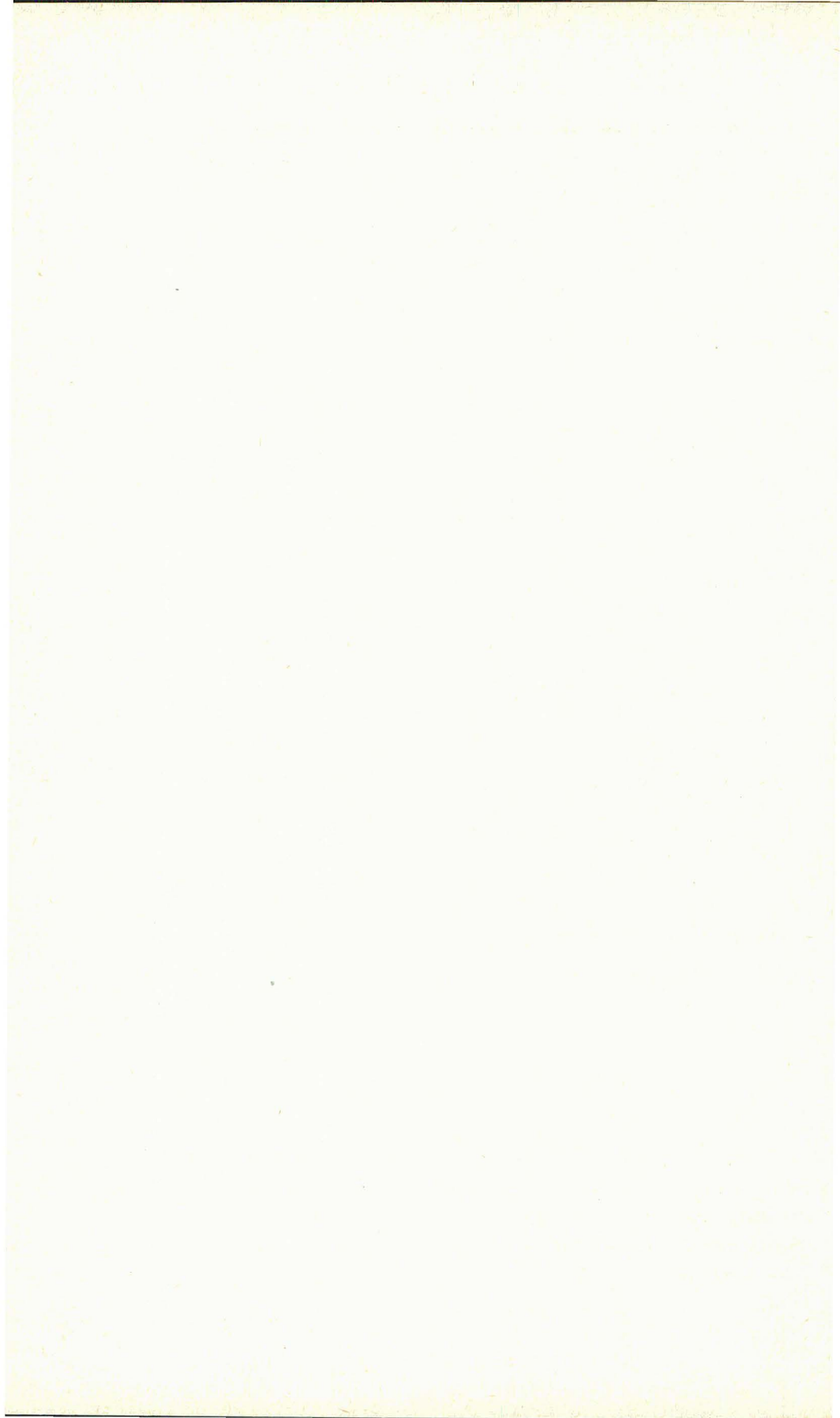
(a) The following table compares the total expenditure during 1980-81 with the total of grants and charged appropriations :—

		Total grants/ appro- priations	Actual expen- diture	Excess	Percent- tage
(Rupees in crores)					
Voted—					
Original	2,57.70	} 2,93.27	3,14.08	20.81	7
Supplementary	35.57				
Charged—					
Original	27.79	} 28.00	90.50	62.50	223
Supplementary	0.21				
Total—					
Original	2,85.49	} 3,21.27	4,04.58	83.31	26
Supplementary	35.78				

The overall excess of Rs. 83.31 crores was the result of excess of Rs. 89.64 crores in ten grants (Rs. 27.11 crores) and four appropriations (Rs. 62.53 crores) partly offset by saving of Rs. 6.33 crores in twenty four grants (Rs. 6.30 crores) and nine appropriations (Rs. 0.03 crore).

(b) Further details are given below :—

	Revenue	Capital	Loans and advances	Public Debt	Total
(Rupees in crores)					
Grants and charged appropriations—					
Original	2,03.55	47.33	17.01	17.60	2,85.49
Supplementary	23.27	10.14	2.37	..	35.78
Total	2,26.82	57.47	19.38	17.60	3,21.27
Actual expenditure	2,46.16	60.78	79.46	18.18	4,04.58
Excess	19.34	3.31	60.08	0.58	83.31



2.2 Excess over grants/charged appropriations requiring regularisation

(a) *Grants*—The excess of Rs. 27,10,62,048 in the following ten 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) 4—General Administration			
O	4,87,13,000	5,49,10,000	5,51,02,901
S	61,97,000		
			1,92,901

Excess was attributed mainly to additional expenditure on purchase of office articles and maintenance/repairs of vehicles.

(ii) 8—Education, Art and Cultural Affairs and Scientific Research

O	38,29,93,000	44,44,29,000	45,21,20,476	76,91,476
S	6,14,36,000			

Excess was mainly under ‘Government Primary Schools’ and ‘Government Secondary Schools’ due mainly to revision of pay scales and grant of additional dearness allowance.

(iii) 9—Medical and Family Planning

O	13,14,41,000	14,34,36,670	14,69,10,172	34,73,502
S	1,19,95,670			

Part of the excess occurred under ‘Allopathic Hospitals’ (Rs. 18.23 lakhs) due mainly to purchase of more linen articles, medicines and liveries than anticipated. The remaining excess was mainly under ‘Ayurvedic Dispensaries’, ‘Family Planning Centres in Rural Areas’ and ‘Medical Education-Buildings’ reasons for which have not been intimated (December 1981).

Excess occurred under this grant in 1978-79 and 1979-80 also.

(iv) 10—Public
Works

O	23,82,00,000	}	24,50,76,000	37,53,41,453	13,02,65,453
S	68,76,000				

Reasons for the excess which was mainly under 'Suspense' have not been intimated (December 1981).

Excess occurred under this grant in 1978-79 (Rs. 95,82,734) and 1979-80 (Rs. 5,39,19,885) also.

(v) 12—Minor
Irrigation

O	10,62,30,000	}	11,67,30,000	15,17,49,348	3,50,19,348
S	1,05,00,000				

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

Excess occurred under this grant in 1978-79 (Rs. 3,92,09,154) and 1979-80 (Rs. 6,10,06,493) also.

(vi) 15—Fisheries

O	35,07,000	}	39,24,000	39,65,621	41,621
S	4,17,000				

Excess occurred mainly under 'Management and Development of Reservoir Fisheries' due mainly to revision of pay scales and additional expenditure on works in progress.

(vii) 17—Roads and
Bridges

O	28,11,13,000	}	31,10,13,000	31,97,63,444	87,50,444
S	2,99,00,000				

Excess occurred mainly on major works under 'District and other Roads'. Reasons for the excess have not been intimated (December 1981).

Excess occurred under this grant in 1979-80 (Rs. 18,25,144) also.

(viii) 19—Social Security, Welfare and Jails

O	3,98,49,000	}	4,95,79,000	5,03,05,625	7,26,625
S	97,30,000				

Excess occurred mainly under 'Family and Child Welfare' ; reasons for the excess have not been intimated (December 1981).

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

O	22,99,51,000	}	30,46,88,000	38,44,20,671	7,97,32,671
S	7,47,37,000				

Excess occurred mainly under 'B—Sewerage and Water Supply—Minimum Needs Programme', reasons for the excess have not been intimated (December 1981).

Excess occurred under this grant in 1977-78 (Rs. 3,13,98,664), 1978-79 (Rs. 10,72,86,866) and 1979-80 (Rs. 8,28,24,803) also.

(x) 33—Finance

O	4,20,12,000	}	4,31,57,200	4,83,25,207	51,68,007
S	11,45,200				

Excess occurred mainly under 'Superannuation and Retirement Allowances'.

(b) *Charged appropriations*—The excess of Rs. 62,52,72,062 in respect of the following four charged appropriations also requires regularisation :—

Number and name of appropriation	Total appropriation	Expenditure	Excess		
	Rs.	Rs.	Rs.		
(i) 3—Administration of Justice					
O	20,04,000	}	23,77,000	23,97,465	20,465
S	3,73,000				

Excess occurred under High Court Establishment, reasons for which have not been intimated (December 1981).

(ii) 12—Minor Irrigation

O	..	}	..	18,000	18,000
S	..				

Expenditure was incurred without provision under 'Flow Irrigation Scheme', reasons for which have not been intimated (December 1981).

(iii) 17—Roads and Bridges

O	..	}	..	1,36,514	1,36,514
S	..				

Expenditure was incurred without provision under 'State Highways' and 'District and other Roads', reasons for which have not been intimated (December 1981).

(iv) 33—Finance

O	27,39,75,000	}	27,50,03,000	90,01,00,083	62,50,97,083
S	10,28,000				

Excess was due to adjustment of Rs. 75.39 crores under '604—Loans and Advances from the Central Government' on account of write off of Central loans on the recommendations of the Seventh Finance Commission partly off set by saving under other heads.

2.3 Supplementary grants/charged appropriations

Supplementary provision of Rs. 35.78 crores (13 per cent of the original provision) was obtained in March 1981 under all the thirty four grants (Rs. 35.57 crores) and nine appropriations (Rs. 0.21 crore).

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

(a) *Unnecessary supplementary grants*—In the following two cases, the supplementary provision (each exceeding Rs. 5 lakhs) of Rs. 1,27.19 lakhs remained wholly unutilised as the expenditure did not come up even to the original provision :—

Number and name of grant	Original grant	Supplementary grant	Expenditure	Saving
		(Rupees in lakhs)		
(i) 21—Community Development	8,39.31	1,17.19	8,17.51	1,38.99

Saving was attributed mainly to (a) release of its share by the Government

of India direct to the Integrated Rural Development Agencies, (b) non-construction of buildings and (c) non-release of foodgrains by the Government of India under 'Food for Work Programme'.

(ii) 25—Irrigation, Navigation, Drainage and Flood Control	3,98.00	10.00	3,83.71	24.29
---	---------	-------	---------	-------

Saving was attributed mainly to completion of Giri Bata Project at a lesser cost than anticipated and non-clearance of Kala Kund Project by the Central Water and Power Commission.

(b) *Supplementary grants which proved excessive*—In the following eleven grants, among others, the supplementary provision (exceeding Rs. 5 lakhs each) proved excessive ; against the supplementary grant of Rs. 10,13.58 lakhs, Rs. 6,81.77 lakhs were actually utilised :—

Number and name of grant	Original grant	Supplementary grant (Rupees in lakhs)	Expenditure	Saving
-----------------------------	-------------------	---	-------------	--------

(i) 5—Land Revenue	3,69.40	58.50	4,14.03	13.87
-----------------------	---------	-------	---------	-------

Saving occurred mainly under 'Gratuitous relief' due to receipt of less number of cases for relief.

(ii) 6—Excise and Taxation	1,08.22	17.39	1,14.60	11.01
-------------------------------	---------	-------	---------	-------

Saving occurred mainly under 'Surcharge on passenger tax' due to less realisation of surcharge than anticipated and consequential less transfer to reserve fund and under 'Headquarter's Establishment' due to non-supply of weigh bridges by the supplier during the year.

(iii) 11—Agri- culture	13,19.64	2,56.54	15,25.42	50.76
---------------------------	----------	---------	----------	-------

Saving occurred mainly under 'Small Farmer's Development Agency' (Rs. 62.38 lakhs) and 'Purchase of Fertilizers' (Rs. 64.24 lakhs) partly offset by excess under other heads.

Part of the saving was due to transfer of work relating to procurement and distribution of fertilisers to the Himachal Pradesh State Co-operative Supply and Marketing Federation Limited (Rs. 49.80 lakhs) and economy in expenditure (Rs. 9.30 lakhs). Reasons for the remaining saving have not been intimated (December 1981).

(iv) 13—Soil and Water Con- servation	4,47.55	48.88	4,55.68	40.75
---	---------	-------	---------	-------

Saving occurred mainly under 'Soil Conservation schemes' due mainly to vacant posts and reduced allocation by the Government of India.

(v) 14—Animal Hus- bandry	6,34.66	26.40	6,35.26	25.80
------------------------------	---------	-------	---------	-------

Saving occurred mainly under 'Dairy Development' due to less procurement of milk.

(vi) 16—Forests	11,50.68	76.13	11,79.13	47.68
-----------------	----------	-------	----------	-------

Saving occurred mainly under 'Consolidation and demarcation of Forests' due mainly to economy in expenditure and non-filling up of vacant posts and under 'Introductory Plantation of Fast Growing Species' due mainly to execution of less work than anticipated because of availability of less foodgrains under 'Food for Work Programme'.

(vii) 18—Supplies, Indus- tries and Minerals	5,87.98	43.20	6,04.53	26.65
---	---------	-------	---------	-------

Saving occurred mainly under 'Small Scale Industries' due to non-receipt of approval of schemes under 'Rural Artisan Programme/Rural Industries Programme' from the Government of India till 31st March 1981.

(viii) 23—Food and Nutrition	6,39.44	2,25.55	8,51.87	13.12
---------------------------------	---------	---------	---------	-------

Saving occurred mainly under 'Special Nutrition Scheme' due to less dietary charges.

(ix) 24—Water and Power Development	12,18.00	1,99.00	13,57.89	59.11
--	----------	---------	----------	-------

Saving was mainly due to release of less loans to the State Electricity Board as a result of release of less Central assistance.

(x) 28—Tourism	87.59	14.99	94.08	8.50
----------------	-------	-------	-------	------

Saving was attributed to transfer of work of providing way-side amenities to Himachal Tourism Corporation.

(xi) 32—Other Adminis- trative Services	2,49.27	47.00	2,61.71	34.56
--	---------	-------	---------	-------

Saving occurred mainly due to non-setting up of Civil Aviation Corporation and disbandment of the office of the Commissioner of Inquiry.

(c) *Inadequate supplementary grants*—In the following eight cases, the supplementary grants (exceeding Rs. 5 lakhs each) of Rs. 20,63.20 lakhs, proved inadequate; the final uncovered excess (reasons to the extent received mentioned in paragraph 2.2) was Rs. 27,08.26 lakhs :—

Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Excess
			(Rupees in lakhs)	
(i) 8—Education, Art and Culture and Scientific Research ..	38,29.93	6,14.36	45,21.20	76.91
(ii) 9—Medical and Family Planning ..	13,14.41	1,19.96	14,69.10	34.73
(iii) 10—Public Works	23,82.00	68.76	37,53.41	13,02.65
(iv) 12—Minor Irrigation	10,62.30	1,05.00	15,17.49	3,50.19
(v) 17—Roads and Bridges	28,11.13	2,99.00	31,97.63	87.50
(vi) 19—Social Security, Welfare and Jails	3,98.49	97.30	5,03.06	7.27
(vii) 20—Public Health, Sanitation and Water-Supply ..	22,99.51	7,47.37	38,44.21	7,97.33
(viii) 33—Finance ..	4,20.12	11.45	4,83.25	51.68

2.4 Savings in grants

(a) Rupees 6.30 crores remained unutilised in twenty four grants as mentioned in paragraph 2.1(a).

(b) In five grants, the saving (more than Rs. 20 lakhs each) was more than 10 per cent of the total provision.

The details of these grants are given in Appendix-III.

(c) An analysis of certain major schemes where the provision remained substantially wholly unutilised is given below :—

Serial No.	Number and name of grant and head/ scheme	Provision	Saving (percent- age of saving)
------------	--	-----------	------------------------------------

(Rupees in lakhs)

17—Roads and Bridges

537—Capital Outlay on Roads and
Bridges

1	Strategic and Border Roads—Deepak	1,30.00	94.47 (73 per cent)
---	-----------------------------------	---------	------------------------

Part of the saving (Rs. 58.80 lakhs) was attributed to restricted Plan allocation by the Government of India. Reasons for the remaining saving have not been intimated (December 1981).

18—Supplies, Industries and Minerals

321—Village and Small Industries

2. Small Scale Industries—

	Incentive to Small Scale Industries . .	20.00	13.58 (68 per cent)
--	---	-------	------------------------

Saving was attributed to less demand for subsidy from the Himachal Pradesh State Small Industries Export Corporation Ltd. and the Industrial units. During 1979-80 also 59 per cent of the provision under this head remained unutilised due to less payment of subsidies.

721—Loans for Village and Small Industries

Small Scale Industries—

3.	District Industries Centres	24.00	24.00 (100 per cent)
----	-----------------------------	-------	-------------------------

Part of the saving (Rs. 7.67 lakhs) was stated to be due to non-completion of codal formalities for the grant of loan, by the loanees. Reasons for the remaining saving have not been intimated (December 1981).

During 1979-80 also 70 per cent of the provision remained unutilised under this scheme, which was stated to be due to less release of funds by Government of India.

Other Village Industries—

4. Interest free loans to Entrepreneurs in Himachal Pradesh	22·95	22·95 (100 per cent)
---	-------	-------------------------

Reasons for the saving have not been intimated (December 1981).

20—Public Health, Sanitation and Water Supply

282—Public Health, Sanitation and Water Supply—

5. Rural Water Supply Schemes	64·42	32·97 (51 per cent)
-------------------------------	-------	------------------------

Reasons for the saving have not been intimated (December 1981).

During 1979-80 also 60 per cent of the provision remained unutilised under this scheme.

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

6. Urban Water Supply Schemes	82·26	46·49 (57 per cent)
-------------------------------	-------	------------------------

Reasons for the saving have not been intimated (December 1981).

25—Irrigation, Navigation, Drainage and Flood Control

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

7. Investigation of Medium Irrigation Schemes in various districts	35·47	34·84 (98 per cent)
--	-------	------------------------

Saving was attributed to economy in expenditure.

8. Kala Kund Project	12·00	12·00 (100 per cent)
----------------------	-------	-------------------------

Saving was ascribed to non-clearance of the Project by the Central Water and Power Commission.

32—Other Administrative Services

536—Capital Outlay on Civil Aviation—

9. Investment in Inter-State Civil Aviation Corporation	14·00	14·00 (100 per cent)
---	-------	-------------------------

Saving occurred due to non-setting up of Civil Aviation Corporation.

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.

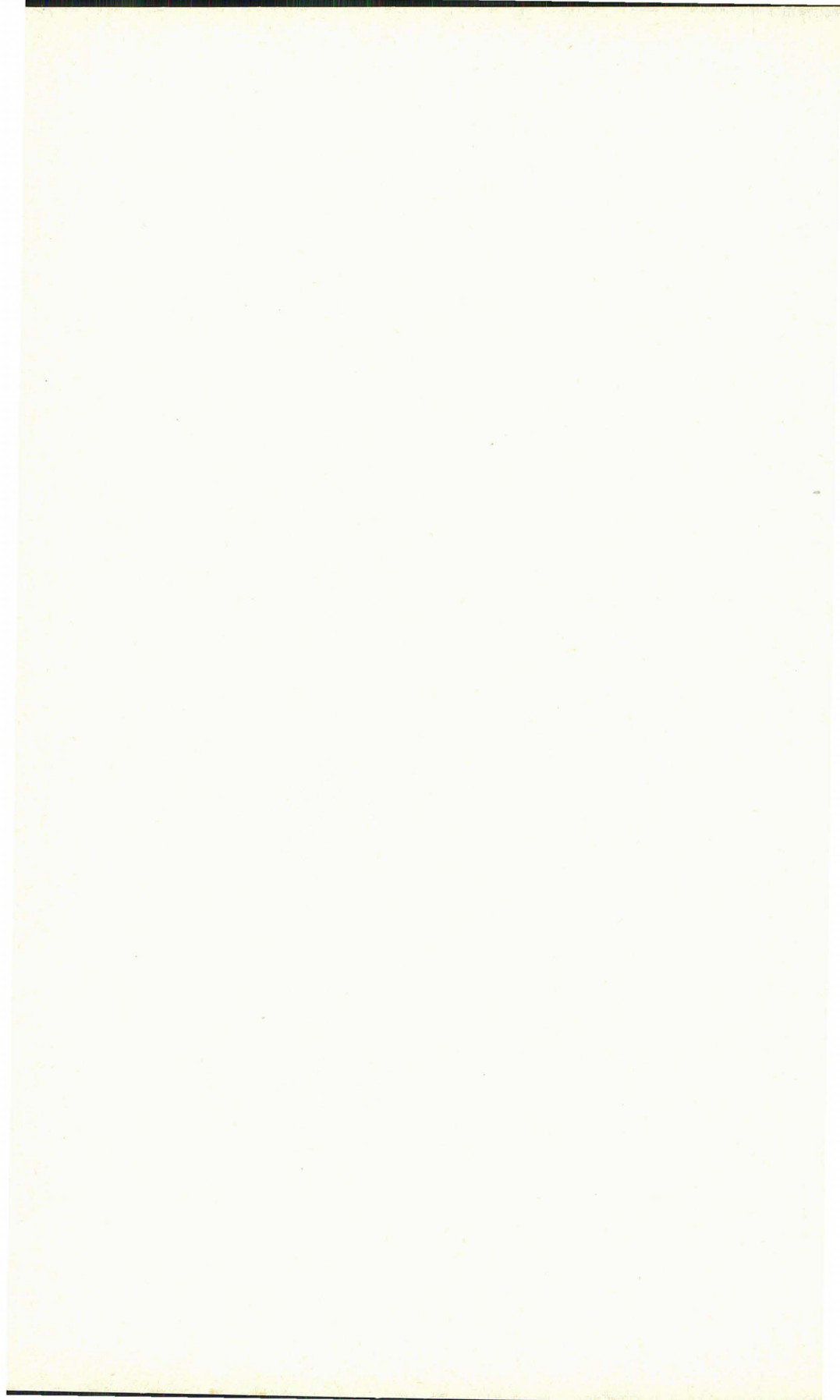
In regard to the Appropriation Accounts for 1980-81, explanations for variations were not received (December 1981) in the case of 133 out of 231 heads. These formed 58 per cent of the number of heads, the variations under which needed explanation. In respect of 1979-80 also, the explanations for substantial excess/saving were wanting in 47 per cent of the heads (227 out of 482). Such delay in submission of material for inclusion in the Appropriation Accounts results in the Audit Report remaining 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 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 further been provided in the rules that the expenditure on contingencies should be staggered throughout the year and limited in March so as not to exceed 1/12th of the total budget provision.

(b) A test-check of sanctions and withdrawals of over Rs. 15,000 by various departments during March 1981 revealed that Rs. 1,04.12 lakhs were drawn in 147 cases from the treasuries between 11th March to 31st March 1981 for purchase of furniture/equipment, investments in share capital of Government Companies/Corporations and payments of grant-in-aid. The percentage of expenditure in these cases as compared to the budget provision for the year was as indicated below:—

Number of cases	Amount	Percentage of expenditure as compared to budget provision
	(Rupees in lakhs)	
62	43.84	20 to 49
21	15.55	50 to 74
64	44.73	75 to 100
Total	1,04.12	



The Government stated (December 1981) that instructions have been issued (November 1981) again to all the Secretaries to the Government/Heads of departments to avoid recurrence of such a situation in future.

(c) Against the withdrawal of Rs. 1,04.12 lakhs during the above period, actual payees' receipts for Rs. 32.49 lakhs only as proof of disbursement were furnished to Audit and those for Rs. 71.63 lakhs were still awaited (October 1981).

2.7 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 should be refunded into the treasury promptly. In the cases mentioned in Appendix-IV out of Rs. 31.90 lakhs drawn between April 1971 and October 1980 for execution of works/purchase of materials, Rs. 7.03 lakhs remained unutilised and Rs. 14.95 lakhs were refunded into the treasury between July 1980 and June 1981. The unutilized amounts were either kept in cash chest/personal ledger accounts of panchayat samitis or retained in the form of bank drafts.

2.8 Defective budgeting and inadequate control over expenditure

An overall assessment of the excesses and savings during 1978-79, 1979-80 and 1980-81 has revealed the following :—

(a) Excess of Rs. 89.64 crores occurred in ten grants and four appropriations in 1980-81 against the excess of Rs. 20.63 crores in 7 grants and 2 appropriations in 1979-80 and of Rs. 17.75 crores in 9 grants and 5 appropriations in 1978-79. Excess has been a regular feature in the grants for (i) 10—Public Works (1978-79: Rs. 0.96 crore; 1979-80: Rs. 5.39 crores and 1980-81: Rs. 13.03 crores), (ii) 12—Minor Irrigation (1978-79 : Rs 3.92 crores ; 1979-80 : Rs. 6.10 crores and 1980-81 : Rs. 3.50 crores) and (iii) 20—Public Health, Sanitation and Water Supply (1978-79 : Rs. 10.73 crores ; 1979-80 : Rs. 8.28 crores and 1980-81 : Rs. 7.97 crores).

(b) Large savings too have occurred during 1978-79, 1979-80 and 1980-81 as shown below :—

Year	Amount of saving	Number of cases	
		Grants	Charged appropriations
	(In crores of rupees)		
1978-79	.. 34.57	25	9
1979-80	.. 33.30	27	8
1980-81	.. 6.33	24	9

Large savings persistently occurred in the following grants :—

Serial Number	Grants	Saving		
		1978-79	1979-80	1980-81
		(In crores of rupees)		
1.	11—Agriculture ..	1.68	0.85	0.51
2.	21—Community Development	0.37	2.04	1.35
3.	24—Water and Power Development ..	0.68	3.28	0.59

(c) During the three years 1978-79 to 1980-81, supplementary grants/appropriations of Rs. 23.43 crores (1978-79), Rs. 33.20 crores (1979-80) and Rs. 35.78 crores (1980-81) respectively were obtained. Of this, the supplementary grants/charged appropriations of Rs. 2.51 crores (1978-79), Rs. 4.93 crores (1979-80) and Rs. 1.27 crores (1980-81) proved unnecessary as the expenditure did not come up even to the original provision. Supplementary grants/appropriations of Rs. 9.75 crores (1978-79), Rs. 7.33 crores (1979-80) and Rs. 10.14 crores (1980-81) proved excessive by Rs. 2.64 crores (1978-79), Rs. 2.06 crores (1979-80) and Rs. 3.32 crores (1980-81) respectively.

Recurring excess/saving over the years pointed to the need for more accurate budgeting and better control over expenditure in-as-much-as, while large excesses over the provision in several grants/appropriations could not be provided for, the provision already made in several cases proved unnecessary or excessive resulting in large savings.

2.9 Shortfall/excess in recoveries

Under the system of gross budgeting followed by Government, the demand 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 1980-81, such recoveries were anticipated at Rs. 42.08 crores (Revenue) and Rs. 8.37 crores (Capital). Actual recoveries during the year were, however, Rs. 66.59 crores (Revenue : Rs. 58.40 crores, Capital : Rs. 8.19 crores) resulting in excess of Rs. 16.32 crores under Revenue and shortfall of Rs. 0.18 crore under Capital. Some of important cases of excess/shortfall in recoveries are detailed below ; reasons therefor have not been intimated (December 1981).

Sl Number 1- and name of grant	Budget Estimates		Actual		Amount of excess/ shortfall in reco- veries compared to estimates		Reasons for excess/short fall
	Reve- nue	Capi- tal	Reve- nue	Capi- tal	Revenue	Capital	
					(More +) (Less—)	(More +) (Less—)	
(Rupees in crores)							
10—Public Works	18.62	..	31.54	..	+12.92	..	
12—Minor Irrigation	6.02	...	8.38	..	+2.36	..	
20—Public Health, Sani- tation and Water Supply	12.81	..	16.96	..	+4.15	..	Excess recoveries were mainly under 'stock' due to adjust- ment of credits on account of issue of more stocks under Water Supply Scheme for providing potable drin- king water to 1600 villages.
29—Labour and Em- ployment	3.60	..	0.51	..	—3.09	..	

10 Reconciliation of departmental figures

For exercising proper control over expenditure and ensuring accuracy of figures, the departmental officers are required to reconcile periodically the departmental figures with those booked by the Accountant General before the close of the accounts of the year. Two controlling officers did not reconcile their figures for any month during 1980-81 and one controlling officer reconciled the figures for a part of the year only. Expenditure of Rs. 1.14 crores thus remained un-reconciled during 1980-81.

The matter was reported to the Government (August 1981); reply is awaited (December 1981).

CHAPTER III

CIVIL DEPARTMENTS

DEPARTMENT OF AGRICULTURE

3.1 Vegetable Multiplication Farms

1. *Introductory*—The scheme 'Vegetable Multiplication Farms' was taken up in January 1955 as a research scheme and was financed jointly by the Indian Council of Agricultural Research and State Government on 50:50 basis for a period of five years. On termination of assistance from the Indian Council of Agricultural Research in July 1960, the scheme was augmented and continued as a State scheme and was financed wholly by the State Government. The main objectives of the scheme after its continuance as a State scheme are (a) production of nucleus and foundation seed in the vegetable multiplication farms in such a way that the demand for such seeds is met within the District/State as far as possible; (b) distribution of good quality seed; (c) training of farmers and (d) promotion of off-season vegetables in the State.

The facts emerging from a review (May-July 1981) of the implementation of the scheme in four districts viz. Bilaspur, Chamba, Kangra and Solan, where vegetable multiplication farms presently exist, are brought out in the succeeding paragraphs.

2. *Budget and expenditure*—During the period 1973-74 to 1980-81, an expenditure of Rs. 26.09 lakhs was incurred on these farms against budget provision of Rs. 29.46 lakhs, and Rs. 20.45 lakhs (including Rs. 2.17 lakhs debited to other schemes in Chamba and Kangra districts for want of funds under this scheme) were spent in the four districts covered by test-check.

3. *Establishment of farms*—(a) There was nothing on record to show whether any guidelines were issued at the time the scheme was launched or subsequently indicating the need for proper survey before establishment of farms. No survey was undertaken to ascertain the suitability of land for establishment of vegetable multiplication farms. The farms were established depending upon the availability of land in areas where, according to the department, suitable agroclimatic conditions existed. Thirteen vegetable multiplication farms (gross area: 45 acres, net cultivable area: 32 acres) were established in the State during the period from 1957-58 to 1976-77. Of these, seven were closed down subsequently between 1965-66 and 1976-77 either because they were uneconomical holdings or by way of transfer to other departments or other sections of the Agriculture Department. The remaining 6 farms had a gross area of 33 acres and net cultivable area of 21 acres.

(b) Establishment of a vegetable multiplication farm (in addition to the six mentioned above), one each in Kinnaur and Lahaul and Spiti districts, was decided by the Government in its Annual Plan for 1977-78. Neither of these farms has, however, been established so far (July 1981). The proposal for establishment of a farm in Kinnaur District submitted (December 1977) to the Government was not accepted (March 1978) mainly because of non-availability of irrigation facility etc. The site for the farm at Lahaul and Spiti is yet to be selected/decided (July 1981).

(c) No norms, for example, regarding viable area for establishment of vegetable multiplication farms were fixed. The Director of Agriculture stated (September 1981) that the farms were established keeping in view the availability and productivity of land and local requirements of seed. The area of the vegetable multiplication farms being too small, the department embarked upon production of vegetable seeds in all the departmental farms in the State in 1965-66 but gave it up in the following year i.e. 1966-67.

4. *Requirements and availability*—No targets were fixed for production of seeds/seedlings in the vegetable multiplication farms. The Director of Agriculture stated (September 1981) that targets could not be fixed in advance as the crop growth was influenced by climatic factors. The following table shows the estimated requirement of seed and seedlings during 1973-74 to 1980-81 for the districts where vegetable multiplication farms were established and the actual production from the farms. Shortfall to the extent of 173.01 quintals (seed) was met by procurement from sources like the National Seed Corporation and the Himachal Pradesh Krishi Vishva Vidyalaya, etc. The balance requirement was left to be met by the farmers/growers themselves.

District	A-Seed		
	Estimated requirement	Production in the farms	Percentage of estimated requirement met by the farms
(In quintals)			
Bilaspur	45.60	1.87	4.1
Chamba	119.15	42.77	35.9
Mandi	611.30	7.41	1.2
Kangra	1065.00	102.16	0.95
Solan	1346.28	94.25	7.00
Total	3187.33	248.46	8.00

B—Seeding

District	Estimated requirement	Production in the farms	Percentage of estimated requirement met by the farms
	(In lakhs)		
Bilaspur	32.50	22.27	68.5
Chamba	57.00	4.70	8.2
Mandi	287.00	0.16	0.05
Kangra	498.00	76.38	15.3
Solan	1499.00	13.17	0.87
Total	2373.50	116.68	5.00

It would be seen that only 8 per cent and 5 per cent of the estimated requirement of seed and seedlings respectively was met by the farms. Further, in the absence of targets for production of seeds/seedlings, it was not known how Government was judging the efficiency of the vegetable multiplication farms.

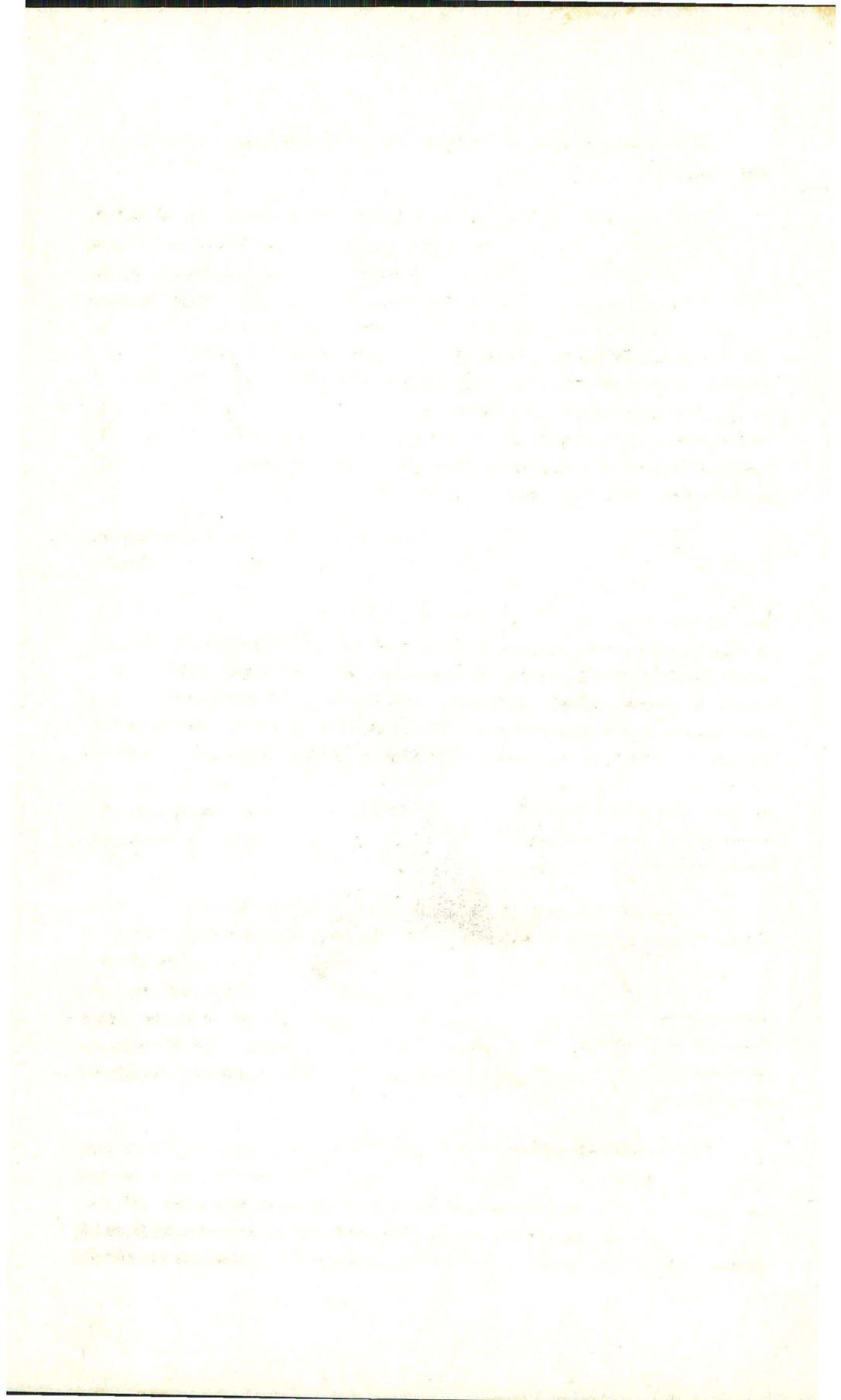
5. *Working results*—The scheme is being run by the department on no profit no loss basis but the form of accounts from which the working results can be gauged has not been finalised so far (July 1981).

No norms have been laid down regarding production on the farms *vis-a-vis* expenditure incurred on them. According to the profit and loss accounts for the years 1973-74 to 1980-81, as prepared, against the total revenue expenditure of Rs. 15.22 lakhs, the value of yield from the farms was only Rs. 7.82 lakhs indicating working loss of Rs. 7.40 lakhs (loss : Rs. 7.93 lakhs and profit : Rs. 0.53 lakh).

The loss was attributed by the department (July 1981) to :—

- (a) Land being fallow, stony, sandy and irreclaimable ;
- (b) Level of the soil being un-even ;
- (c) Lack of irrigation facilities ;
- (d) Smaller sizes of farms which reduced the scope of mechanisation ;
- and
- (e) Heavy over-head costs on staff and contingencies.

The losses were also due to the fact that the farms were set up without proper survey. It was noticed that the expenditure on salaries (Rs. 9.65 lakhs) and contingencies (Rs. 13.36 lakhs) constituted 88 per cent of the entire expenditure of Rs. 26.09 lakhs incurred on the scheme between 1973-74 and 1980-81 and expenditure on inputs was Rs. 3.08 lakhs only. The Director of Agriculture intimated (November 1981) that an expert committee had been set up to review the economic working of the farms and further action would be taken on receipt of its report.



The working of some of the farms which suffered losses is briefly discussed below :—

(i) *Luhnu farm (Bilaspur District)*—The farm was established in December 1976 on a land measuring 2.30 acres belonging to Bhakra Management Board reported to have been taken on lease. The approval of the Government for the establishment of the farm had not been accorded (May 1981) mainly because of the reported reluctance of the Board to release the land for cultivation. The department had, however, incurred an expenditure of Rs. 3.81 lakhs on the farm between 1976-77 and 1980-81, as against which its income was Rs. 0.36 lakh only. This expenditure included an amount of Rs. 1.30 lakhs booked under this scheme in 1976-77 and 1977-78 but actually utilised on other objects like purchase of tyres and tubes, office furniture, decorative fitting etc. not in any way connected with the farm.

(ii) *Ahju farm (Mandi District)*--An experimental farm at Ahju was started during 1959 on an area 3 acres of land acquired from private owners. The department decided (March 1966) to cultivate vegetable seed on this farm but the bushes on one acre of land were not uprooted and the cultivation of vegetable seeds was done only on an area of 1.5 acres of land since the balance 0.5 acre was covered under buildings and roads etc. Irrigation facilities were neither available initially nor were provided later. The department spent Rs. 0.93 lakh on the farm between 1959-60 and 1976-77 against which income realised was Rs. 0.25 lakh only. The Project Officer, Intensive Agriculture Development Programme, Mandi recommended (July 1975) closure of the farm as the area of the farm was too small and the farm was unirrigated. The Government accepted (March 1977) the proposal and the farm was transferred (May 1977) to the Industries Department.

6. *Distribution of seed*—(a) Seed produced from the vegetable multiplication farms was distributed centrally by the Assistant Development Officer (Vegetables), Solan after ascertaining demand from the farmers/other agencies at sale rates approved by the Deputy Director/Director of Agriculture. The main agency for sales to growers/farmers at other places were the Block Development Officers. In the absence of relevant records, it could not be ascertained as to what extent seeds produced/procured were actually distributed to the farmers.

(b) As per instructions of the State Government issued in September 1969 and reiterated by the department in August 1977, seed was not to be sold on credit. It was, however, noticed that recoveries amounting to Rs. 0.81 lakh on account of seed supplied between 1963-64 and 1980-81 were awaited from the various distribution agencies (May-July 1981) like Block Development Officers.

7. *Training of farmers through demonstration trials*—One of the objectives of the scheme was to hold demonstration trials to train and induce the farmers to take to vegetable cultivation. No demonstration trials had, however, been held so far (July 1981). The department stated (July 1981) that this part of the scheme did not find favour with the Government and that no funds were provided for the purpose upto 1980-81. An amount of Rs. 1.00 lakh only was provided for this propose in the budget estimates for 1981-82.

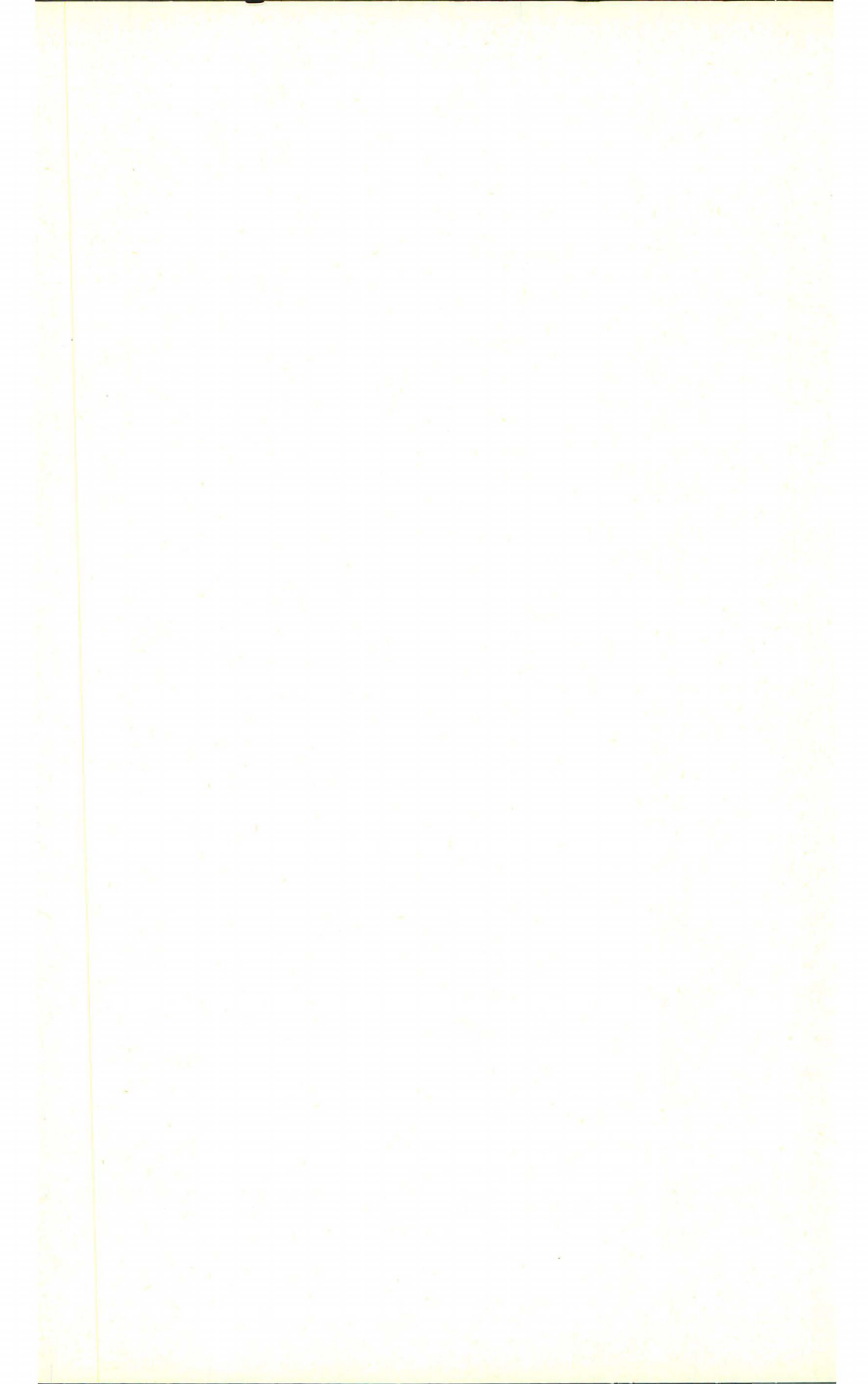
8. *Evaluation/review of the scheme*—The scheme has been in operation since 1955 but an evaluation of the working of the scheme with a view to assessing the impact of the scheme and taking remedial measures where necessary, has not been undertaken by the department so far (July 1981). An expert committee was, however, constituted by the Government in January 1979 to classify the soil and land of all types of farms including vegetable multiplication farms and assess the yield obtained relatively to the present status of the land. The committee was to submit its report within three months but the same was still awaited (November 1981).

9. *Other topics of interest*—(a) Against the ploughing requirements of one tractor at Bhaton farm (Kangra District) having a cultivable area of 8.2 acres of land, four tractors purchased at a cost of Rs. 0.79 lakh between 1967 and 1974 were being maintained at the farm. Neither were the reasons for maintenance of excess machinery at the farm furnished nor were records such as log books etc. regarding their utilisation made available.

(b) At Bhagot (Chamba District), one Mono Block Pumping set (cost : Rs. 0.10 lakh approximately) was received (April 1973) and installed in November 1975 but it could not be put to use because suction head of the pump was only 24 feet against actual requirement of 55 feet. The department conducted an inspection of the area in March 1981 for locating alternative site for installation of the pump. The pump has, however, not been installed so far (July 1981).

(c) The scheme of vegetable multiplication farms was originally taken up as a research scheme in January 1955. The research work on vegetable improvement, having been transferred to the Himachal Pradesh Krishi Vishva Vidyalaya during 1971, machinery and equipment worth Rs. 0.41 lakh purchased between 1963 and 1971 were lying idle with the Deputy Director of Agriculture, Solan. No action to transfer the equipment to ensure its profitable utilisation had been initiated (July 1981).

10. *Summing up*—(i) The vegetable multiplication farms presently exist in four districts of the State with a cultivable area of 21 acres only. Against the estimated requirement of 3187.33 quintals of seed and 2373.50



lakh seedlings between 1973-74 and 1980-81 in these districts, the production of seed and seedlings at the farms was 248.46 quintals and 116.68 lakhs respectively representing 8 per cent and 5 per cent of the requirement of seeds and seedlings respectively.

(ii) No norms had been laid down regarding the production on the farms *vis-a-vis* expenditure incurred on the farms. The proforma for maintenance of farm accounts had also not been finalised. The farms, however, showed a working loss of Rs. 7.40 lakhs during 1973-74 to 1980-81. The losses were due to the fact that the farms were established without proper survey and they suffered from lack of irrigation facilities apart from being not of viable size.

(iii) No evaluation of the working of the scheme had been undertaken by the department. The expert committee constituted for the purpose in January 1979 was yet to submit its report (November 1981).

The matter was reported to the Government in August 1981 ; reply is awaited (December 1981).

3.2 Plant Protection Scheme

1. *Introductory*—The scheme was launched in the State in 1955-56 with the object of increasing agricultural production through control of pests, diseases, etc. It envisaged distribution of pesticides and plant protection equipment amongst the farmers on 'no profit no loss basis' after providing 100 per cent subsidy on transportation/carriage of pesticides upto the distribution point. Besides, subsidy on the cost of pesticides/operational charges is also being granted at varying rates under other State/Centrally Sponsored Scheme.

Expenditure of Rs. 1,11.33 lakhs was incurred on the scheme against budget allotment of Rs. 1,14.65 lakhs during the period 1976-77 to 1980-81.

2. A test-check (May-July 1981) of the accounts of Deputy Directors of Agriculture Bilaspur, Simla, Solan, Sirmur and Una and Project Officers Mandi and Kangra districts and of the Directorate of Agriculture revealed the following position in regard to this scheme :—

(i) *Pest control/treatment of diseases*—The average cropped area in the State during 1976-77 to 1979-80 was 37.48 lakh hectares. Information regarding specific plans for coverage, in a phased manner, of the entire cropped area in the State under the plant protection scheme was not available with the department which only stated (November 1981) that it was proposed to cover the entire cropped area under the scheme. In respect of the area under food crops, the coverage under pest control and treatment of diseases during 1976-77

to 1980-81 fell short of the targets fixed as detailed below :

Year	Budget provision	Actual expenditure	Consumption of pesticides		Area to be covered		Actual coverage		Shortfall	
			Target	Actuals	Food crops	Commercial crops	Food crops	Commercial crops	Food crops	Commercial crops
1	2	3	4	5	6	7	8	9	10	11
	(Rupees in lakhs)		(In metric tonnes)		(In 000 hectares)		(Percentage of shortfall)			
1976-77	.. 12.67	12.40	60.00	93.80	300	50	170	40	130(43)	10(20)
1977-78	.. 13.59	14.12	70.00	50.64	350	56	190	55	160(46)	1(2)
1978-79	.. 28.67	23.44	75.00	102.08	400	60	261	64	139(35)	..
1979-80	.. 29.48	2.10	90.00	108.02	405	61	270	74	135(33)	..
1980-81	.. 30.24	35.27	90.00	90.00	225	61	207	61	18(8)	..

Even though the budget provision was utilised more or less fully and consumption of pesticides (except for the years 1977-78 and 1980-81) was very much higher than the targets prescribed for the same, there was shortfall ranging from 8 per cent to 46 per cent in regard to the area covered in respect of food crops while the targets in respect of commercial crops were generally achieved.

Specific reasons for consumption of more pesticides and coverage of less area than targeted were not furnished by the Department which only stated (August 1981) that the shortfall was due to adverse climatic conditions which prevailed during years from 1976-77 to 1980-81.

(ii) *Control of Phalaris minor weed in wheat crop*—According to a survey undertaken (May 1978) by the department at the instance of Government of India, 21,000 hectares of the area under wheat crop in the State was reported (July 1978) to be infested by phalaris minor and the annual loss on this account was estimated to be 80,000 metric tonnes i. e. nearly 30 to 40 per cent of the wheat crop worth Rs. 10 crores approximately.

In order to control the menace, a scheme was formulated (July 1978) by the department and was approved by the Government of India (October 1978). Under the scheme, subsidy at 50 per cent (reduced to 25 per cent from 1979-80) was to be granted to farmers on the cost of weedicide and operational charges, the amount of subsidy being shared equally by the Central Government and the State. Monthly progress reports of the scheme were to be sent by the department to the Government of India. The State Government was also to build up a proper evaluation machinery in order to monitor and evaluate the scheme and report the results to the Government of India.

During the years 1978-79 to 1980-81, 4,280 kgs. of Tribunil (cost : Rs. 5.45 lakhs) and 700 litres of Toke E-25 (cost: Rs. 0.29 lakh) adequate for covering only 2,993 hectares were purchased, while the area targeted for coverage during this period was 18,330 hectares (1978-79:11,000 hectares, 1979-80: 4,670 hectares, 1980-81 : 2,660 hectares). Against the area of 11,000 hectares targeted to be covered under the scheme during 1978-79, no area could be covered due to late receipt of weedicide in February/March 1979. The department sold during 1979-80 and 1980-81, 3,170 kgs. of Tribunil (value: Rs. 3.99 lakhs) and 455 litres of Toke E-25 (value : Rs. 0.19 lakh) which could cover an area of 2,205 hectares. 314 kgs. of Tribunil (value : Rs. 0.39 lakh) and 245 litres of Toke E-25 (value : Rs. 0.10 lakh) were also supplied to departmental farms and used on demonstrations. 796 kgs. of Tribunil (value : Rs. 1.07 lakhs) were lying with the department (July 1981). Details of area actually covered during these years were, however, not available with the department.

The following facts also came to notice :—

(a) In Simla District, 200 kgs. of Tribunil valuing Rs. 0.25 lakh was used (1979-80 and 1980-81) on demonstration though, according to the survey, no area in the district was infested with

phalaris minor. Details of demonstrations organised/weedicide utilised were not furnished to audit;

- (b) In Kangra District, 136 kgs. of life expired Tribunil valuing Rs. 0.17 lakh was sold to the farmers in 1980-81. Life expired pesticides valuing Rs. 0.09 lakh were lying in stock (May 1981) with the Project Officer, Kangra;
- (c) In Bilaspur District, 920 kgs. of Tribunil was sold to farmers between April 1979 and March 1980 at Rs. 31.25 per kg. instead of at the prescribed rate of Rs. 62.50 per kg. resulting in short recovery of Rs. 0.29 lakh;
- (d) Recovery of Rs. 0.85 lakh towards cost of pesticides released by Project Officer, Kangra (Rs. 0.71 lakh) and Deputy Director of Agriculture, Una (Rs. 0.14 lakh) was awaited (May 1981);
- (e) Monthly progress reports were not sent to the Government of India as required ; and
- (f) No evaluation of the operation was conducted by the department to assess its impact on the control of phalaris minor.

The department attributed (May 1981) the failure of the scheme to poor risk capacity of the farmers, low investment potential, general conservative nature and fatalistic attitude of the people besides exorbitant cost of the weedicides.

3. *Heavy establishment costs*—During the period from 1976-77 to 1979-80, expenditure on pay and allowances etc. of the plant protection staff employed exclusively for the implementation of the scheme in the 6 districts (Simla, Solan, Sirmur, Una, Mandi and Kangra) where the scheme was mainly implemented was Rs. 16.60 lakhs. During this period, pesticides and equipment worth Rs. 29.41 lakhs were distributed. The cost of establishment thus worked out to 56 per cent of the cost of material/equipment distributed.

4. *Surveillance and evaluation*—For realistic planning and implementation of the programme, a detailed survey for identification of the various pests and diseases and their effect on production in specific areas was needed. The department had neither established any surveillance unit nor had it devised any suitable procedure for advance reporting necessary for taking preventive or remedial measures. There is a Central Surveillance Station at Palampur (Kangra District) under Central Government which submits monthly reports to the Central Government with a copy to the State Agriculture Department in respect of infestation and attack of various pests and diseases in a particular area. These reports were, however, confined to specific and limited areas and

no plant protection measures were undertaken on the basis of such reports either. Similarly, there was no machinery for evaluation of the scheme though the Union Ministry of Agriculture was repeatedly stressing the need for the same as a permanent arrangement.

5. Other topics of interest

(i) *Diversion of vehicles*—Two vehicles were purchased for the Plant Protection Scheme during 1973 and 1980 by the Deputy Directors of Agriculture, Simla and Solan at a cost of Rs. 0.44 lakh and Rs. 0.90 lakh respectively.

It was noticed (July 1981) that out of a total distance of 15,703 kms. covered by the first vehicle between April 1978 and June 1979, only 4,001 kms. (25 per cent) related to the plant protection works. The department had no explanation for this. The vehicle was lying out of order since July 1979 and was awaiting repairs, sanction for which was awaited (July 1981).

The second vehicle covered a distance of 20,786 kms. between May 1980 and March 1981 out of which only 1,391 kms. (7 per cent of the total distance) were connected with plant protection work.

(ii) *Stores accounts*—(a) Plant protection material valuing Rs. 0.62 lakh (Project Officer, Mandi: Rs. 0.57 lakh; Deputy Director Agriculture, Sirmur: Rs. 0.05 lakh) was found short. The shortage has not been investigated so far (July 1981).

(b) Life expired pesticides valuing Rs. 0.25 lakh were lying in stores (May-June 1981) at Simla, Kangra and Mandi.

(c) The scheme did not provide for sale on credit but recovery of Rs. 0.46 lakh towards the value of plant protection material supplied (Deputy Director, Agriculture, Una: Rs. 0.31 lakh; Project Officer, Kangra: Rs. 0.15 lakh) to various Plant Protection Inspectors and other departmental officers between 1974-75 and 1980-81 for sale to farmers/other purchasers was awaited (May—July 1981).

(d) Plant protection equipment valuing Rs. 0.30 lakh were lying in store (May—July 1981) with Project Officer, Kangra, and Deputy Director of Agriculture, Sirmur and Solan as unserviceable items.

(e) Annual physical verification of stores had not been conducted in Simla and Mandi Districts since 1957-58.

6. *Summing up*—(i) Even though an expenditure of Rs. 1,11.33 lakhs was incurred against the budget provision of Rs. 1,14.65 lakhs during the period 1976-77 to 1980-81 and the consumption of pesticides was higher than

the targets prescribed for the same, the area covered under food crops fell short of the targets, the shortfall ranging from 8 to 46 per cent. In respect of commercial crops, however, the targets were generally achieved.

(ii) Under the scheme "Control of Phalaris minor weed in wheat crop," while pesticides worth Rs. 4.18 lakhs were distributed to farmers during the years 1979-80 and 1980-81, the area covered against the target of 4,670 hectares and 2,660 hectares for these years was not known.

(iii) Pesticides worth Rs. 0.17 lakh were sold after the expiry period and such pesticides worth Rs. 0.34 lakh were still lying in store.

(iv) Though the scheme was in operation in the State since 1955-56, no evaluation of the results of the scheme had been undertaken by the department.

(v) Shortage of plant protection material valuing Rs. 0.62 lakh had not been investigated (July 1981).

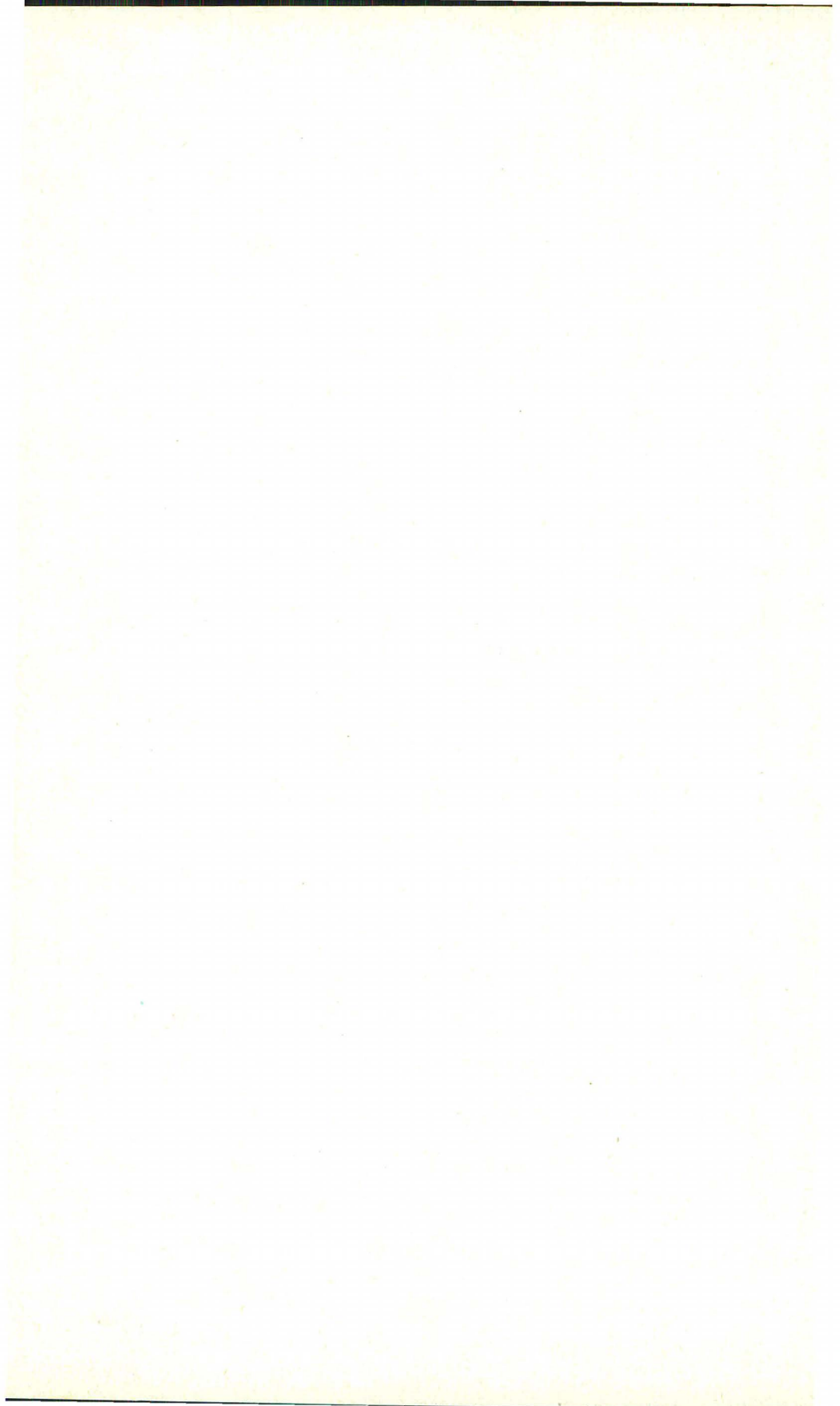
The matter was reported to the Government in August 1981, reply is awaited (December 1981).

3.3 Potato Development Scheme

1. *Introductory*—Potato is one of the most important cash crops in the State. On an average, about 15,200 hectares of land has been under this crop yielding produce worth Rs. 10.00 crores approximately per annum from 1976-77 onwards. The main objectives of the Potato Development Scheme which has been in operation in the State since 1949 are :—

- (a) multiplication of disease free foundation seed stocks in the Government farms ;
- (b) distribution of foundation seed amongst approved growers for multiplication and distribution to certified growers for further multiplication ; and
- (c) field inspection and seed certification of seed potato produced by the approved and certified growers.

Breeder potato seeds are purchased by the department from the Central Potato Research Institute, Simla for producing healthy seed at Government Potato Development Farm, Shilaroo. The seed so produced (Foundation Seed Stage I) is supplied to other Government Potato Development farms in the State for producing seed (Foundation Seed Stage II). This seed is further distributed amongst approved growers for further multiplication under technical supervision of the department. The produce of the approved growers is supplied to another set of growers called 'certified growers' for further multiplication.



Prior to 1979-80, there were 15 Government potato development farms in the State out of which one farm at Mashnoo (Simla District) was closed in 1979-80.

2. *Budget and expenditure*—During the period 1976-77 to 1980-81, an expenditure of Rs. 2,03.27 lakhs was incurred on the scheme against a budget provision of Rs. 2,06.03 lakhs.

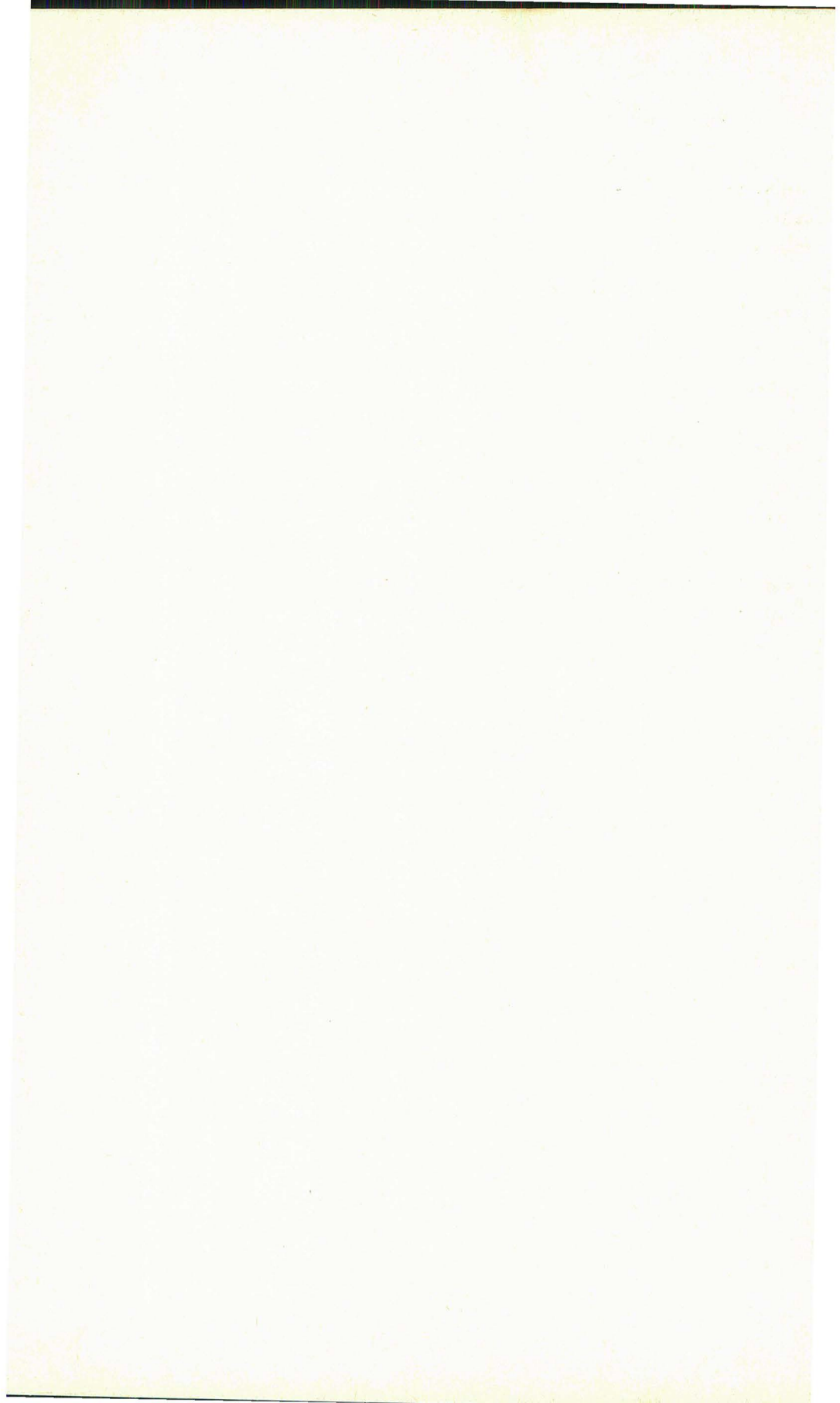
3. A review (April-July 1981) of the working of the potato development farms during the period from 1976-77 to 1980-81 disclosed the facts set out in the succeeding paragraphs.

Distribution/multiplication of seed—No targets were fixed for enrolling or providing technical guidance to the potato growers in the approved or certified category, whose fields were to be inspected or whose seed was to be certified. In the absence of a phased programme for enrolment of farmers/imparting training to them, it was not known how the department proposed to cover all the potato growers in the State which was essential for proper implementation of the scheme. In Chamba, Kulu, Mandi, Simla and Sirmur districts (information regarding other districts was not available), the position regarding approved and certified growers, area with them under potato cultivation and

quantity of seed distributed to them between 1976-77 and 1980-81 was as under :—

Year	Number of approved growers	Area of land with approved growers		Number of certified growers	Area of land with certified growers		Seed distributed amongst approved growers	Seed distributed amongst certified growers
		(In hectares)	Average area of land per approved grower		(In hectares)	Average area of land per certified grower		
1976-77	.. 685	109	0.16	1618	654	0.40	2305(21.15)	N.A.
1977-78	.. 818	116	0.14	1655	645	0.39	2357(20.32)	N.A.
1978-79	.. 1574	104	0.07	1021	568	0.56	2269(21.82)	N.A.
1979-80	.. 633	141	0.22	1834	537	0.29	2815(19.96)	N.A.
1980-81	.. 782	162	0.21	2200	405	0.18	2938(18.13)	3155(7.8)

Note: Figures in brackets represent seed distributed per hectare.



It would be seen that :—

(i) Although the number of approved growers increased by 19 per cent and 92 per cent during 1977-78 and 1978-79 respectively, the land under potato cultivation with the approved growers increased by 7 per cent during 1977-78 whereas during 1978-79 there was a decrease of 10 per cent.

(ii) There was a sharp decline in the number of approved growers during 1979-80.

(iii) The number of certified growers increased appreciably during 1979-80 and 1980-81, but strangely enough, the area with them decreased with the result that the average area of land per certified grower also declined to 0.29 hectare in 1979-80 and 0.18 hectare in 1980-81 from 0.56 hectare in 1978-79.

Reasons for the fluctuations in the number of approved/certified growers, area and distribution of seed in certain years were not known (November 1981).

4. *Average production of potato*—Targets fixed and achievements in respect of area under potato crop and the average production per hectare in the State (except Lahaul and Spiti District for which information was not furnished)

for the period from 1976-77 to 1979-80 was as under :—

Year	Targets			Achievements			Shortfall		
	Area	Production	Average yield	Area	Production	Average yield	Area	Production	Average yield
(Area in hectares and production in metric tonnes)									
1976-77	18,750	1,02,000	5.44	14,106	72,364	5.13	4,644 (25)	29,636 (29)	0.31 (6)
1977-78	14,550	1,01,850	7.00	13,613	69,962	5.14	937 (6)	31,888 (31)	1.86 (27)
1978-79	14,550	90,000	6.19	13,082	60,189	4.60	1,468 (9)	29,811 (33)	1.59 (26)
1979-80	14,550	90,000	6.19	13,504	63,168	4.68	1,046 (7)	26,832 (30)	1.51 (24)

Note : Figures in brackets represent percentage of shortfall.

Reasons for lowering the targets in respect of area under potato cultivation during 1977-78 to 1979-80 and for the shortfall in achievement of the targets were not furnished by the department.

5. *Working results*—(i) The position regarding targets fixed for potato production in the fourteen farms (except Bari-Ki-Dhar in Solan District) and actual achievements between 1976-77 and 1979-80 was as under :—

Year	Targets	Actual production	Shortfall	Percentage of shortfall
(In quintals)				
1976-77	.. 6,000	5,437	563	19
1977-78	.. 6,000	4,697	1,303	22
1978-79	.. 6,250	4,205	2,045	33
1979-80	.. 6,250	5,987	263	4

Reasons for the shortfall were not furnished by the department (November 1981).

(ii) The potato development farms are worked under more or less ideal conditions using latest techniques and best inputs and are supervised by technically qualified staff. It was, however, noticed that there were wide variations in the average yield per hectare amongst different farms in the same year and on

the same farm in different years as indicated below :—

Particulars	Ahla (Chamba)	Dhurla (Simla)	Dalang Maidan (Lahaul & Spiti)	Hamta (Kulu)	Kamrah (Mandi)	Khunah (Kulu)	Khera- dhar (Sirmur)	Khara- pathar (Simla)	Khad- rala (Simla)	Phulla- dhar (Mandi)	Rajgu- andla (Kangra)	Shilla- roo (Simla)	Thyan- bagh (Sirmur)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
(Area in hectares, production/average yield in quintals and average revenue expenditure in lakhs of rupees)														
1976-77														
Area	..	2.84	4.00	3.80	2.40	1.96	3.40	3.05	3.88	3.95	4.40	2.83	7.50	3.06
Production	..	215.35	410.00	271.20	332.25	215.00	654.60	298.80	675.48	492.00	530.20	317.20	702.35	192.60
Average yield	..	75.8	102.5	71.4	138.4	109.7	192.5	97.9	174.0	124.5	120.5	112.1	93.6	62.9
1977-78														
Area	..	2.82	4.00	4.00	2.24	1.80	3.40	3.94	4.00	3.90	3.60	2.83	7.40	3.20
Production	..	187.30	431.50	347.70	331.20	146.60	527.30	410.55	322.25	384.80	486.00	130.80	676.95	314.50
Average yield	..	66.4	107.09	86.9	147.9	81.4	155.1	104.2	80.6	98.6	135.0	46.2	91.4	98.3
1978-79														
Area	..	2.82	5.20	5.60	2.24	1.96	3.40	3.73	4.00	4.00	4.80	2.82	7.60	3.20
Production	..	120.15	394.90	420.80	343.40	95.55	527.85	370.05	429.53	310.00	270.26	122.00	642.70	113.80
Average yield	..	42.6	75.9	75.1	153.3	48.8	155.2	99.2	107.4	77.5	56.3	43.1	84.5	35.6
1979-80														
Area	..	2.95	4.00	5.40	2.52	2.16	3.60	3.05	4.00	4.20	3.80	2.83	7.40	3.05
Production	..	286.11	637.00	192.30	471.95	221.70	470.30	577.30	421.05	566.40	342.00	350.90	1013.30	256.20
Average yield	..	97.0	159.3	35.6	187.3	102.6	130.6	189.3	105.3	134.8	90.0	124.0	136.9	84.0

	1980-81													
Area	..	2.98	4.40	5.30	2.56	1.66	3.40	3.05	4.00	4.00	4.00	2.83	7.40	3.05
Production	..	194.84	661.00	426.80	311.65	112.05	548.00	329.80	560.50	507.20	470.98	320.40	1014.66	165.50
Average yield	..	65.4	150.2	80.5	121.7	67.5	161.2	108.1	140.1	126.8	117.8	113.2	137.1	54.3
Average yield during 1976-77 to 1980-81 per hectare	..	69.44	119.16	69.90	149.72	82.00	158.92	119.74	121.48	112.44	103.92	87.72	108.70	67.02
Average revenue expendi- ture per hectare	..	0.18	0.14	0.16	..	0.14	..	0.15	0.12	0.12	0.18	0.17	0.13	0.13

Reasons for the variations were not furnished by the department.

It would also be seen that the average yield per hectare had no relation to the average revenue expenditure per hectare. For example, the average yield per hectare in Dhurla farm, the average revenue expenditure per hectare on which was Rs. 0.14 lakh, was 119.16 quintals while that in Ahla farm, average revenue expenditure per hectare on which was Rs. 0.18 lakh was 69.44 quintals per hectare only. The reasons for these wide variations had not been investigated and appropriate corrective measures taken.

(iii) The farms were maintaining profit and loss accounts but these did not conform to a standard form in the absence of proper directions from the Government. Often, the expenditure on the running of the farm was mixed up with expenditure on extension work. According to the accounts maintained by the farms, 6 farms (Bari-Ki-Dhar, Dalang Maidan, Ahla, Mashnoo, Thyanbagh and Rajguandla) out of 15 farms incurred a loss of Rs. 6.39 lakhs between 1963-64 and 1980-81.

The losses were generally attributed to lack of irrigation facilities, absence of demand, nematode infestation and unsuitability of soil.

6. *Evaluation*—No evaluation of the working of the scheme with a view to analysing the factors responsible for various shortfalls in performance and taking remedial measures had been undertaken by the department.

7. *Other topics of interest*—(i) The State Government in the Co-operative Department ordered (November 1979) that the Himachal Pradesh Co-operative Marketing Federation should enter the market for the marketing of graded seed potato. The orders provided that the producer would be paid Rs. 50 per bag of 80 kgs. at specified stations (f.o.r.) by the Federation. The price was subject to deduction of transport charges from the collection centre to the specified (f.o.r.) station in case the producer could not deliver the goods at the specified station. The purchase operations were to run upto 15th December 1979. The Federation was to be helped by the staff of the Co-operation and Agriculture departments. The orders provided for daily reports from the collection centres. The Federation was to maintain proper accounts so as to enable reimbursement of losses incurred in the marketing operation.

It was noticed that as against the maximum price of Rs. 1,28.22 lakhs payable to the grower for 2,56,439 bags procured from them by the Federation, the latter claimed losses amounting to Rs. 1,53.60 lakhs out of which Rs.1,00.50 lakhs were reimbursed by Government during 1979-80 and 1980-81. The balance claim of Rs. 53.10 lakhs was under correspondence. The circumstances in which loss of this magnitude was sustained by the

Federation and the basis on which Government satisfied itself that loss had been sustained by the Federation were not intimated.

The Department of Co-operation did not supply the following information :—

- (a) details and purpose of the scheme ;
- (b) estimates regarding quantity of seed potato to be procured ;
- (c) contractual terms and conditions on which the Federation was to implement the scheme including its own commission, if any ;
- (d) the terms and conditions governing the assistance extended by Co-operation and Agriculture departments including limits thereof and financial liability of the Federation for the same ;
- (e) the precise accounts which were to be submitted by the Federation in connection with the operations ; and
- (f) the exact procedure to be followed by the Co-operation Department in verifying the extent of losses suffered by the Federation in marketing of the seed potato.

(ii) In terms of departmental instructions of 1972, potato growers could be given *taccavi* loan in the shape of seed. Under this scheme, the loan documents were to be passed on to the revenue authorities for effecting recoveries.

It was noticed that an amount of Rs. 5.59 lakhs (principal : Rs. 5.40 lakhs ; interest : Rs. 0.19 lakh) was outstanding (July 1981) on account of supply of potato seed to the farmers between 1971-72 and 1979-80.

(iii) 773 trees of Potato Development Station, Dhurla (Simla District) were sold to a contractor for Rs. 0.27 lakh through the Divisional Forest Officer, Chopal in 1971 in a public auction. The amount was recoverable in 3 to 4 instalments from the contractor. The amount was still (August 1981) outstanding in the books of the department. The department did not intimate (August 1981) the steps taken for recovery of the amount.

(iv) Two hand-driven tractors valuing Rs. 0.21 lakh purchased in 1971-72 by the Regional Potato Development Officer, Rajgarh (Sirmur District) were lying idle since 1979 due to non-availability of spares.

(v) 168 articles valuing Rs. 0.19 lakh were lying in unserviceable condition at the farms. No action was initiated for their disposal.

8. *Summing up*—(i) The targets set for production of potato in the State were generally not achieved and the shortfall ranged from 29 to 33 per cent. Similarly, in respect of targets fixed for average yield per hectare, the shortfall ranged from 6 to 27 per cent.

(ii) The shortfall in the achievement of targets for potato production in the Potato Development Farms ranged between 4 to 33 per cent.

(iii) The yield per hectare varied widely from potato development farm to farm and also from year to year in respect of the same farm.

(iv) The average running cost per hectare had no relation to the average yield per hectare from the potato development farms.

(v) The State Government reimbursed Rs. 100.50 lakhs against a loss of Rs. 1,53.60 lakhs claimed by the Himachal Pradesh Co-operative Marketing Federation under the scheme of marketing graded potato entrusted to the latter.

(vi) The outstanding recoveries under the scheme amounted to Rs. 5.59 lakhs.

(vii) Six Potato Development Farms incurred a cumulative loss of Rs. 6.39 lakhs during the period 1963-64 and 1980-81.

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

The matter was reported to the Government in August 1981 ; reply is awaited (December 1981).

3.4 Suspected loss

Financial rules, *inter alia*, require that no money should be drawn from the treasury unless it is required for immediate disbursement.

Test-check (January 1981) of the accounts of Farmers Training Centre, Sundernagar (Mandi District) revealed that against a verbal order given by the District Training Officer to an authorised dealer for supply of a diesel operated jeep, Rs.0.70 lakh were drawn (March 1979) and paid (April 1979) by the, District Training Officer, Farmers Training Centre, Sundernagar to the dealer on presentation of proforma bills on the strength of an assurance from the dealer that the vehicle would be supplied within two months from the date of deposit of the amount. The dealer informed (August 1979) the department that his dealership with the firm had expired and that it might or might not be renewed. The firm did not renew the dealership and the department has not been able to recover the amount from the dealer who has not supplied the jeep so far (January 1981). No F.I.R. was lodged by the department with the police against the dealer.

The circumstances in which advance payment was made even without proof of despatch being received by the department were not explained by the department. The Government only stated (September 1981) that payment was made to the authorised dealer as per set procedure. It stated further that the dealer had authorised (June 1981) the department to recover the amount from the Himachal Pradesh Krishi Vishva Vidyalaya, Palampur out of the sale proceeds of his orchard which was reportedly sold to the University. The amount was, however, awaiting recovery (September 1981).

DEPARTMENT OF HORTICULTURE

3.5 Suspected loss

Orders for the purchase of three pick up vans costing Rs. 1.81 lakhs required for field work by the Senior Plant Protection Officer, Simla and for three jeeps costing Rs. 1.20 lakhs required by the District Horticulture Officer, Mandi were placed by Horticulture Department with a firm in February and March 1979 respectively. Contrary to the provisions of the rate contract under which advance payment of 98 per cent was to be made against proof of despatch of goods, Rs. 3.01 lakhs representing the full cost of the vehicles were drawn (March 1979) on the basis of proforma bills submitted by the firm and paid (March 1979) to the firm which was only a distributor of the principal firm, without obtaining any proof of despatch of the vehicles or ascertaining from the principal firm that the orders had been registered with them and that the vehicles were ready for despatch. The distributor firm intimated (August 1979) that its dealership had been terminated. The distributor firm neither supplied the vehicles nor refunded the amount (March 1981). No F.I.R. was lodged with the police against the defaulting firm. Sanction of the Government was obtained (February 1981) for legal action against the distributor firm. Further development in the case was awaited (May 1981).

The department purchased three pick up vans and three jeeps from the principal firm direct at a higher cost of Rs. 3.89 lakhs during 1980-81 which involved additional avoidable expenditure of Rs. 0.88 lakh due to failure of the department to take necessary precautions while placing the orders initially.

The matter was reported to the Government in July 1981 ; reply is awaited (December 1981).

3.6 Horticultural Programme under Tribal Area Sub-Plan

1. *Introductory*—A programme for the development of horticulture in the tribal areas of the districts of Kinnaur, Lahaul and Spiti and Pangti and Bharmour tehsils of Chamba District is in operation since 1976-77. It

aims at giving due weightage to all aspects of horticulture development viz horticultural research, extension, development and administration, credit marketing and processing so as to ensure their balanced development. The main activities undertaken under the programme consist of (a) expansion of direct plantations in the potential areas, (b) top working of wild fruit trees, (c) research for development of fruits in tribal areas, (d) provision of incentive by way of subsidy on essential inputs like fencing, horticultural tools and equipments, pesticides, etc., (e) creation of necessary infrastructure for marketing of fruits and (f) training of farmers in the latest techniques in fruit cultivation, plant protection measures, top working of wild fruit trees, etc.

2. Points noticed during review (July—August 1981) of implementation of the programme in Kinnaur, Lahaul and Spiti districts and Pangi and Bharmour tehsils of Chamba District are mentioned in succeeding paragraphs.

3. An expenditure of Rs. 1,48.50 lakhs was incurred on the programme against budget provision of Rs. 2,05.19 lakhs during the period 1976-77 to 1980-81 when an additional area of 2,264 hectares was brought under horticulture, the total area under horticulture at the end of 1980-81 being 3,862 hectares.

The shortfall in expenditure was attributed by the department mainly to (i) late creation/filling up of posts, (ii) non-finalisation of administrative approvals and expenditure sanctions, (iii) non-acquisition of land, (iv) non-procurement of vehicles and machinery and equipment, (v) non-finalisation of subsidy cases and (vi) slow progress of work due to area being snow bound.

4. *Top working of wild fruit trees*—Improvement of wild fruit trees into species of economic importance was one of the main activities under the fruit production programme in the tribal areas. During the period 1976-77 to 1980-81, 64,677 wild trees were top worked against a target of 1.05 lakh trees in Kinnaur, Lahaul and Spiti districts and Bharmour and Pangi tehsils and top working proved successful in 17,133 trees (26 per cent of trees top worked) and 3,416 owners of trees were benefitted thereby. The overall percentage of wild fruit trees on which top working proved successful ranged between 25 per cent (1977-78) and 29 per cent (1978-79). The poor result was stated to be due to the fact that the owners of the fruit trees did not care to protect the top worked trees from animals and against natural hazards.

5. *Grant-in-aid to Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited*—The Corporation was given a grant of Rs. 15.00 lakhs (March 1979 : Rs. 9.00 lakhs and March 1980 : Rs. 6.00 lakhs) for construction of two packing houses (one each in Kinnaur and

Bharmour) and four cableways in tribal areas but construction has not started so far (August 1981). Sites for establishing two cableways at Bharmour and for constructing the two packing houses had been selected. The sites for other two cableways have not been finally selected yet (August 1981). In the meanwhile the Corporation spent Rs. 3.50 lakhs for the procurement of one truck, one tractor one jeep and on the salaries and wages of the staff appointed for the grading house to be set up at Reckong Peo (Kinnaur District) and deposited Rs. 0.50 lakh with the State Public Works Department for executing the civil works of the grading house in Kinnaur District. The balance amount of Rs. 11.00 lakhs was lying unspent with the Corporation (August 1981).

6. *Grant of incentive subsidy to farmers*—(a) The programme envisaged provision of incentives to farmers in the form of subsidies so as to motivate the farmers in tribal areas in taking to cultivation of horticultural crops. Essential inputs like plants, tools and implements, plant protection equipment, pesticides, etc. were distributed to 9,639 farmers during the period from 1976-77 to 1980-81, the total amount of subsidy being Rs. 33.69 lakhs. However, no targets in regard to the additional area to be brought under horticulture crops under this incentive scheme were fixed by the Government.

(b) It was noticed from the records of the District Horticultural Officer, Kinnaur that only Rs. 3.00 lakhs out of Rs. 8.14 lakhs to be recovered from the beneficiaries towards their share of the cost of the material supplied to them was deposited into the treasury. It was stated (August 1981) by the District Horticultural Officer, Kinnaur that the balance amount of Rs. 5.14 lakhs had not been deposited by the Horticulture Inspectors, through whom the material was distributed to the farmers.

7. *Training of farmers*—During the years 1976-77 to 1980-81, 222 camps were organised and 7,786 farmers were trained in the latest techniques of fruit cultivation, plant protection measures, pruning and top working of trees etc.

8. *Fruit canning unit*—Construction of the building to house a fruit canning unit in Reckong Peo (District Kinnaur) was started in December 1977 and was completed in July 1981 at a cost of Rs. 2.12 lakhs. Plant and machinery valuing Rs. 2.32 lakhs purchased for the unit between 1978-79 and 1980-81 were awaiting installation (October 1981). In addition, body of one truck chassis valuing Rs. 1.64 lakhs purchased in March 1981, was under fabrication (July 1981).

It was also noticed that no provision had so far been made for supplying water and electricity to the unit. The Executive Engineer, Irrigation and Public Health Division, Reckong Peo informed (July 1981) the department that the fruit canning unit was situated distantly from their drinking water supply

scheme and the pipe line may either be laid by the department or the Building and Roads branch of the Public Works Department be asked to lay the pipe line. The pipe line has not been laid so far (October 1981).

Meanwhile, an expenditure of Rs. 1.79 lakhs was incurred between 1978-79 and 1980-81 on the pay and allowances of the staff (laboratory attendant, driver beldars) employed by the fruit canning unit, who were reportedly utilised for other activities connected with the programme.

The matter was reported to the Government in August 1981 ; reply is awaited(December 1981).

DEPARTMENT OF INDUSTRIES

3.7 Industrial Extension Centre, Killar

A Carpentry Training Centre at Killar (Pangi) was started in September 1960. Training was imparted to only 29 candidates till March 1964 when this centre was converted into Industrial Extension Centre(Wood Working) with the object of providing employment (on piece-rate wage basis) and extension service to local artisans. Only ten artisans availed of the extension facility during 1968—70. A proposal to wind up this centre was under consideration of the department in 1971 when the Sub-divisional Officer (Civil), Pangi recommended(December 1971) re-conversion of the centre into a Carpentry Centre in view of the growing demands of the area but none of the proposals was finalised, reasons being not known. Subsequently, the General Manager, District Industries Centre, Chamba suggested(March 1980) to the Director of Industries to transfer this centre to Khadi Gram Udyog Board to enable it to start a Carpentry Training-cum-Production Centre for the benefit of local population. No decision had been taken on this proposal either (February 1981). In the meanwhile, the centre remained idle during 1971-72 to 1980-81 and expenditure of Rs. 1.91 lakhs(Rs. 1.78 lakhs on pay and allowances and Rs. 0.13 lakh on contingencies) was incurred without any results.

The matter was reported to the Government in May 1981 ; reply is awaited (December 1981).

DEPARTMENT OF RURAL INTEGRATED DEVELOPMENT

3.8 Works taken up by the Block Development Officers

Some interesting points relating to execution of works taken up by Block Development Officers noticed during test-check (January 1980 to February 1981) of the accounts of four blocks in three districts are mentioned below :—

(i) Against Government sanction (March 1975) for Rs. 0.25 lakh for construction of 2 km. long *kuhl* in Chopal Block, Simla District, through

the Gram Panchayat, G.I. pipes valuing Rs. 0.19 lakh were purchased by the Block Development Officer in June 1975. The Panchayat who had already been paid Rs. 0.04 lakh (March 1973) and had constructed 0.90 km. long *kuhl* refused (September 1977) to complete the work due to insufficient funds. A Committee comprising Block Development Officer, Chopal, District Panchayat Officer and Assistant Engineer (Development) inspected the *kuhl* in June 1979 and recommended (June 1979) that as the *kuhl* was in a very bad condition due to damages caused by rains and flood, it would be of no use in case the same was re-constructed and also that Rs. 0.04 lakh paid to the panchayat might be written off and G. I. pipes valuing Rs. 0.19 lakh purchased for the *kuhl* be utilised on other schemes. Further developments in the matter were awaited (December 1980), and in the meanwhile, the G.I. pipes (cost : Rs. 0.19 lakh) were lying unutilised with the department.

(ii) Construction of health sub-centre at Jagri (estimated cost : Rs. 0.48 lakh) sanctioned (November 1979) under the "Food for Work Programme", was taken up in December 1979 by the Block Development Officer, Bijhari (Hamirpur District) and stopped in May 1980 after incurring an expenditure of Rs. 0.36 lakh due to non-availability of cement/non-posting of Junior Engineer. The Junior Engineer had not been posted till January 1981, and as such, the work could not be resumed.

(iii) In Theog Block (Simla District) an expenditure of Rs. 0.57 lakh was incurred between 1963-64 and 1971-72 on the purchase of pipes (Rs. 0.47 lakh) and construction of tanks (Rs. 0.10 lakh) for four irrigation schemes intended to irrigate 95 acres of land (four villages) sanctioned during 1962-63 to 1969-70 (estimated cost : Rs. 0.73 lakh).

These schemes were suspended between 1964 and 1972 due to dispute over source of water, damage to source, shortage of pipes and dispute between the contractor and the panchayat. It was further observed that material valuing Rs. 0.25 lakh in respect of two schemes was either damaged or washed away. The Block Development Officer stated (October 1981) that the findings of the Committee constituted by the Government to review the position were awaited.

The matters mentioned above were reported to the Government during April 1981 to June 1981 ; replies are awaited (December 1981).

3.9 Doubtful expenditure

Construction of 3 roads which was undertaken during 1971-72 by Bharmour Development Block (Chamba District) under "Crash Scheme for Rural Employment" was handed over to Public Works Department in October 1972 for execution after incurring an expenditure of Rs. 1.37 lakhs.

2. A test-check (August 1974) of the accounts of Block Development Officer, Bharmour revealed that excess payment of Rs. 0.52 lakh was made as detailed below :—

Serial Number	Name of road	Actual expenditure	Value of work as per entries in measurement book
(Rupees in lakhs)			
(i)	Dadma-Greewa Road	.. 0.45	0.15
(ii)	Lahal-Sirdi Road	.. 0.40	0.23
(iii)	Luna-Kandi Road	.. 0.52	0.32
	Miscellaneous expenditure	.. ..	0.15
	Total	1.37	0.85

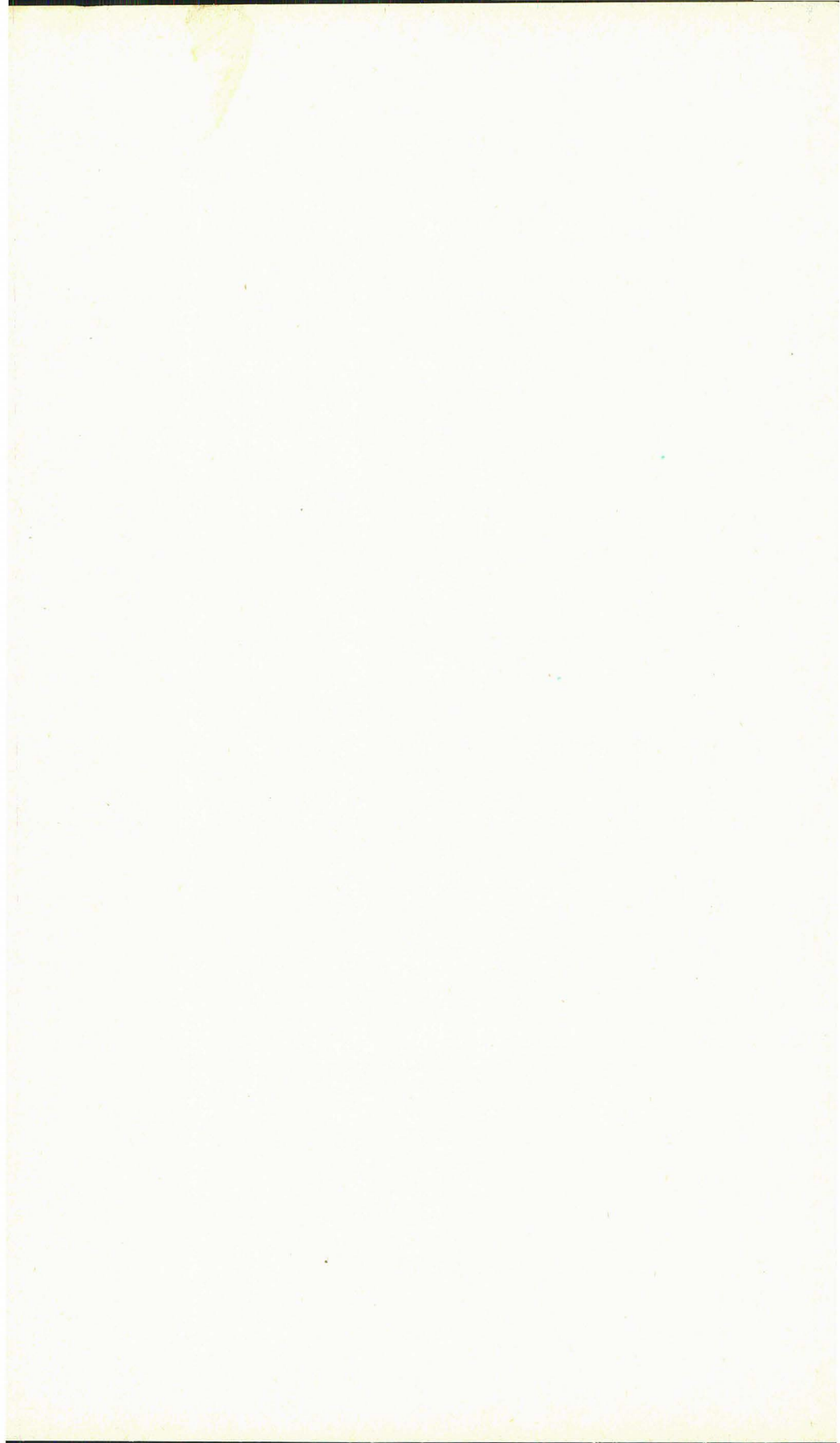
The matter was reported (January 1975) to the State Government who intimated (December 1980) that the matter had been referred to the Engineer-in-Chief, Himachal Pradesh Public Works Department for action. Final reply was still awaited (October 1981). The Block Development Officer stated (October 1981) that the case had been referred to the Vigilance Officer, Himachal Pradesh Public Works Department in July 1981 for detailed investigation.

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 (April 1981) of the accounts of Block Development Officer, Banjar (Kulu District), it was noticed that 15 water supply schemes intended to benefit a population of 1,964, constructed and commissioned between 1961 and 1974 at a cost of Rs. 0.69 lakh, were not functioning for want of repairs/maintenance by the panchayats. Similarly, seventeen irrigation schemes constructed between 1969 and 1977 at a cost of Rs. 1.84 lakhs and intended to irrigate 314 acres of land were not functioning for want of maintenance by the panchayats.





The matters mentioned above were reported to the Government during June and July 1981 ; replies are awaited (December 1981).

DEPARTMENT OF WELFARE

3.11 Irregular drawal and payment of scholarships

Under the scheme for disbursement of scholarships, aid for books and slates, mid-day meals, to scheduled caste and scheduled tribe students, funds were to be released by the District Welfare Officer after the list of deserving students were drawn by the heads of the institutions and screened by the District Education Officer. A test-check (November 1978) of the accounts of District Welfare Officer, Chamba revealed that Rs. 2.63 lakhs and Rs. 3.57 lakhs were drawn during 1976-77 and 1977-78 respectively by the District Welfare Officer even though no lists of deserving students had been drawn by the Heads of Institutions and screened by the District Education Officer. The department stated (April 1981) that it had not been possible to prepare the lists due to paucity of field staff.

Rupees 2.63 lakhs drawn in 1976-77 were placed at the disposal of District Education Officer, Chamba between September 1976 and April 1977. The District Education Officer stated (November 1980) that Rs. 2.56 lakhs had been disbursed and balance remitted (October 1980) into treasury. However, detailed accounts of disbursement and actual payees' receipts were not furnished to the Welfare Department (April 1981) even though required under the rules.

Rupees 3.57 lakhs drawn during 1977-78 were un-authorisedly deposited in a post office account. Out of this, Rs. 3.17 lakhs were disbursed to educational institutions by the District Welfare Officer upto August 1978. The department stated (October 1980/August 1981) that the balance amount of Rs. 0.40 lakh had been remitted into the treasury (January 1979 : Rs 0.29 lakh and June 1981 : Rs 0.11 lakh). However, detailed accounts of disbursements and actual payees' receipts for Rs. 2.84 lakhs out of Rs. 3.17 lakhs were still awaited in the office of District Welfare Officer (April 1981) from the educational institutions. In the absence of detailed lists of students to whom the scholarships were disbursed, detailed accounts of disbursements and actual payees' receipts, it could not be verified whether the scholarships to the extent of Rs. 5.73 lakhs (Rs. 2.56 lakhs + Rs. 3.17 lakhs) had actually been paid.

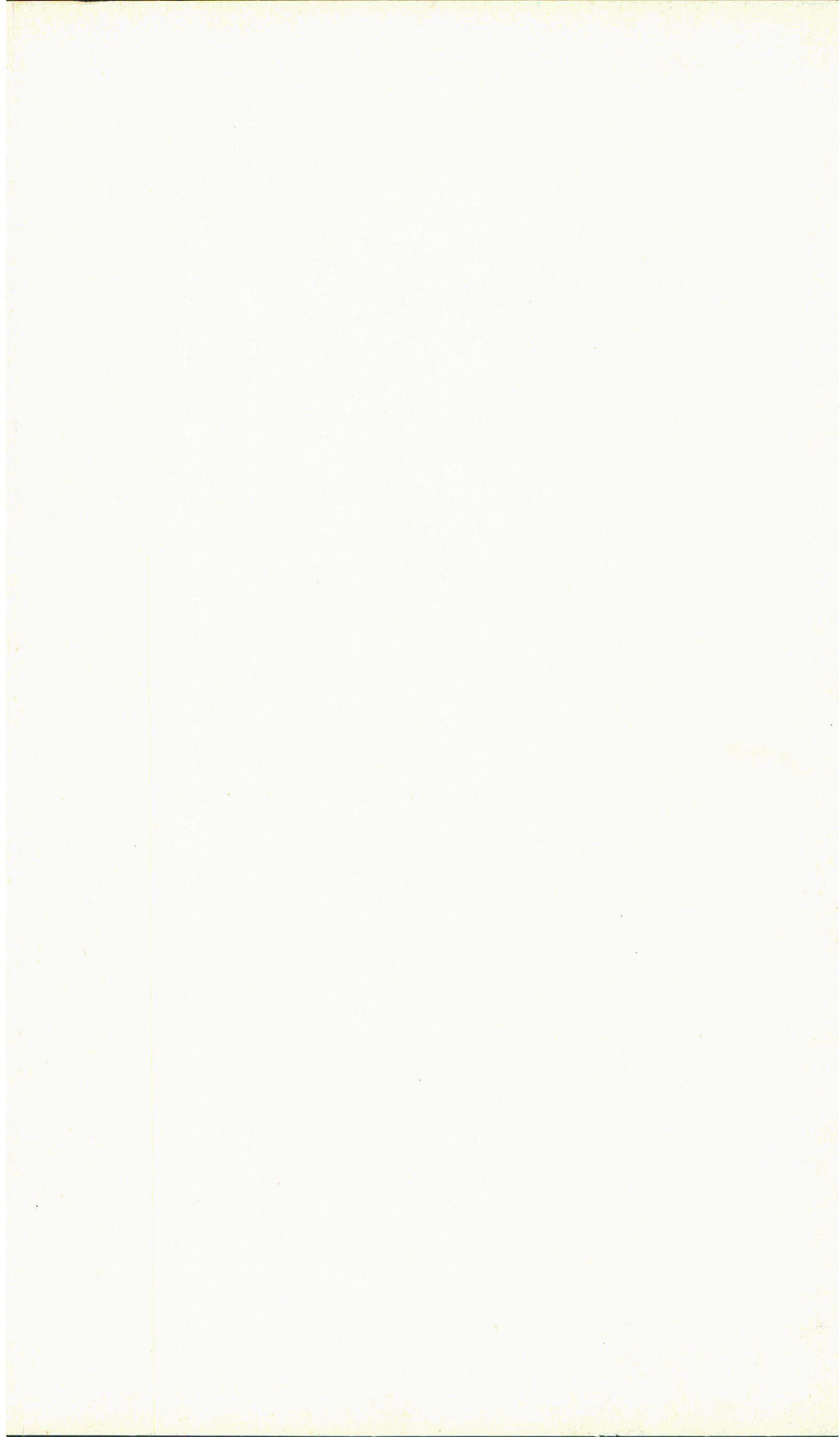
The matter was reported to the Government in June 1981 ; reply is awaited (December 1981).

GENERAL

3.12 Idle equipment

Equipment valued at Rs. 1.34 lakhs purchased by the following departments had not been put to use after their purchase for reasons and to the extent indicated against each.

Department/ office	Particulars of equipment	Cost (Rupees in lakhs)	Since when idle	Remarks
Health and Family Welfare				
1. Medical Officer, Rural Hospital, Kaza (Lahaul and Spiti District)	X-ray plant	0.35	October 1979	The equipment was lying idle due to non-availability of electricity and accommodation.
Horticulture				
2. Assistant Fruit Techno- logist, Dhaula- kuan (District Sirmur)	Deaerator and Pasturizer	0.24	1971	The Government stated (July 1981) that the Fruit Technologist who had visited the Fruit Canning Unit, Dhaulakuan in January 1981 reported some minor defects in the equipment which would be got removed from the manufacturer shortly.
	Cold store	0.21	February 1972	The Government stated (July 1981) that steps were being taken to get the equipment repaired by the original manufacturer.
	Water filtration and treatment plant	0.28	June 1978	The equipment purchased in June 1978 was found defective at the time of trial in December 1978. Out of Rs. 0.31 lakh (cost of plant : Rs. 0.28 lakh; erection and installation charges : Rs. 0.03 lakh) drawn in July 1978, Rs. 0.26 lakh were paid (July 1978) to the firm. Rupees 0.01 lakh were spent (December 1978) on the construction of platforms and the balance amount of Rs. 0.04 lakh was lying unspent in the shape of bank drafts. The Government stated (July 1981) that as 30-40 litres pressure was the minimum requirement for developing pressure in the plant before its commissioning, the firm had



suggested that a beacon centrifugal water pump might be added to create the required pressure in the plant before second and final trial could be given. Steps for procurement of the machinery for the early commissioning of the plant were reportedly being taken.

3. Assistant Fruit Technologist, Simla Drying oven 0.26 April 1976

Between 1972-73 and 1975-76, 665 kgs. of fruit was dehydrated in the oven against the dehydration capacity of 5 quintals of fruit per day. The oven was lying idle thereafter. The Government stated (November 1981) that the drying oven would be shifted shortly to Reckong Peo (District Kinnaur) and the equipment would be utilised for dehydration of apricots on commissioning of the unit.

3.13 Misappropriations, defalcations, etc.

The position of cases of alleged misappropriations, defalcations, etc. of Government money, reported to Audit upto the end of March 1981, final action on which was pending till the end of September 1981, was as follows :—

	Number of cases	Amount (Rupees in lakhs)
Cases reported upto 31st March 1980 and outstanding on 30th September 1980	.. 120	73.73
Cases reported during 1980-81	.. 14	8.11*
Total	.. 134	81.84
Cases disposed of till September 1981	.. 11	20.64
Cases outstanding on 30th September 1981	.. 123	61.20

Of these, 84 cases involving Rs. 37.30 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—V showing department-wise and year-wise analysis of outstanding cases that 92 cases (amount : Rs. 32.94 lakhs) related to 1977-78 or earlier years. Appendix-VI indicates the stage at which 123 cases outstanding at the end of September 1981 were pending.

*Includes Rs. 0.11 lakh as difference in totals pertaining to previous years.

DEPARTMENT OF ANIMAL HUSBANDRY

3.14 Loss of Government money

Financial rules, require *inter alia* that with a view to enabling the head of office to ensure that all amounts drawn from the treasury have been entered in the cash book he should obtain from the Treasury Officer, by the 15th of every month, a list of all bills drawn by him during the previous month and trace all the amounts in the cash book.

Rupees 0.15 lakh drawn (October 1978) by the Clerk of the office of the District Animal Husbandry Officer, Chamba were not accounted for in the cash book. The irregularity came to the notice of the department in July 1979 when detailed accounts of the above amount were demanded by audit. A case was thereafter registered by the department with the police in November 1979. Rupees 0.05 lakh were recovered (February—March 1980) from the official. The District Animal Husbandry Officer stated (March 1981) that the Clerk did not produce the actual list of payments for the said month supplied by the Treasury Officer, and instead, presented a hand written schedule omitting the amount fraudulently drawn which was not signed by the Treasury Officer. The embezzlement could have been detected by the head of office if he had insisted on production of authenticated list of payments.

The matter was reported to the Government in May 1981 ; reply is awaited (December 1981).

CHAPTER IV
WORKS EXPENDITURE
PUBLIC WORKS DEPARTMENT

4.1 Lift Irrigation Schemes

1. *Introductory*—Out of a total geographic area of 55.67 lakh hectares in the State, only 5.60 lakh hectares is culturable area. The total area to be covered by irrigation facilities in a phased manner has, however, not been worked out. A master plan division was created in October 1974 for preparing a master plan to indicate the total area which could be brought under irrigation in 52 tehsils. Master plans for 20 tehsils covering an area of 1.10 lakh hectares were finalised upto March 1981 by this division which incurred an expenditure of Rs. 42.46 lakhs upto end of 1980-81. Plans for the remaining tehsils are expected to be completed by 1985.

An area of 22,238 hectares in the State was covered under minor irrigation schemes upto end of Fourth Five Year Plan. Of this, the area covered under lift irrigation schemes was 4,134 hectares. Lift irrigation schemes accounted for 5,372 hectares out of 9,920 hectares covered under minor irrigation schemes during the Fifth Five Year Plan. 7,000 hectares out of an area of 20,000 hectares to be brought under minor irrigation during the Sixth Five Year Plan are proposed to be covered under lift irrigation schemes.

Lift irrigation schemes are being executed by the Irrigation Wing of the State Public Works Department, Agriculture Department and the Rural Integrated Development Department.

A test-check during April 1981 to July 1981 of the records relating to the execution of the lift irrigation schemes by 13 out of 26 Irrigation-cum-Public Health divisions of the Public Works Department supplemented by information from 3 divisions disclosed the points set out in the succeeding paragraphs.

2. *Execution of lift irrigation schemes* —In all, 219 schemes (estimated cost : Rs. *10,55.44 lakhs) to provide irrigational facilities for 19, 653 hectares of land were taken up for execution upto March 1981 by the 16 divisions. Of these, 100 schemes (irrigation potential : 6,704 hectares) were completed upto March 1981 at a cost of **Rs. 2,89.04 lakhs against the estimated cost of ***Rs. 2,56.38

*Does not include estimated cost of 18 schemes (13 completed and 5 in progress) as information in respect of 13 completed schemes, taken up for execution by the composite State of Punjab was not available and estimates for the remaining 5 schemes had not been sanctioned.

**Does not include expenditure incurred on 4 schemes as information was not available.

***Does not include estimated cost of 13 schemes as information was not available.

lakhs. In the case of 45 completed schemes, excess of Rs. 35.21 lakhs over the technical estimate of Rs. 80.26 lakhs had not been regularised (March 1981). Out of the remaining 119 schemes, 36 schemes (estimated cost: Rs. 2,46.43 lakhs; irrigation potential : 4.185 hectares) were targeted to be completed by March 1981. These 36 schemes on which an expenditure of Rs. 2,49.43 lakhs had been incurred (March 1981) were lying incomplete (March 1981). 139 schemes (45 completed, 94 in progress) on which an expenditure of Rs. 5,34.04 lakhs was incurred were started without technical sanction.

3. *Delay in execution of schemes*—Lift irrigation schemes are normally required to be completed in two to three years. The department took 4 to 6 years for completion of 8 schemes (cost : Rs. 45.53 lakhs) with irrigation potential of 631 hectares.

Ten schemes (out of 36 schemes mentioned above) with irrigation potential of 1,039 hectares were still in progress (March 1981) though 4 to 11 years had already elapsed since commencement of work. An expenditure of Rs. 43.61 lakhs had been incurred on these upto March 1981.

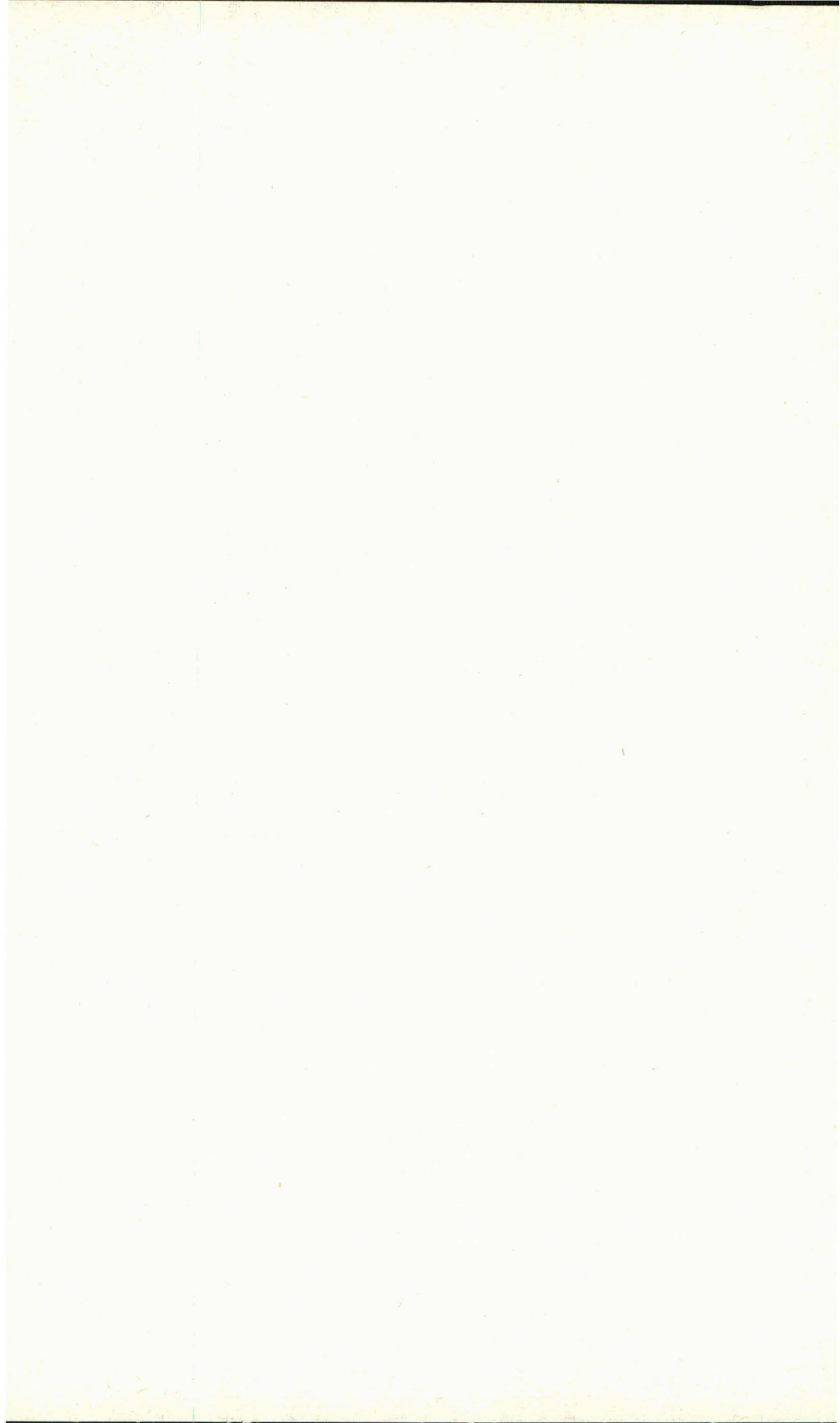
The delay in execution of the schemes was attributed to paucity of funds, non-availability of material and delay in acquisition of land.

4. *Incomplete abandoned schemes*—Some of the incomplete/abandoned schemes are mentioned below :—

(i) *Lift Irrigation Scheme, Chakmoh*—The work of construction of Lift Irrigation Scheme, Chakmoh (Hamirpur District) for irrigating 132 acres was taken up by Hamirpur Division No. II in September 1977 as a deposit work on behalf of Indo-German Agriculture Project which was being handled by the Agriculture Department. The work was scheduled to be completed by September 1979. All the components of the work except the weir were completed in December 1980 at a cost of Rs. 3.50 lakhs against the estimated cost of Rs. 3.07 lakhs. The scheme could not be completed till April 1981 for the following reasons :—

(a) The land where the weir was to be constructed had not been acquired;

(b) additional funds apart from initial deposit of Rs. 2.02 lakhs were not provided by the project authorities ; and



(c) pump and equipment (value : Rs. 0.45 lakh) received in May 1979 needed repairs.

(ii) *Lift Irrigation Project, Bhabour Sahib*—(a) Lift Irrigation Project, Bhabour Sahib in Una District, which was intended to provide irrigation facilities to 2,280 acres of land by lifting 10.26 cusecs of water from Nangal reservoir, was started in February 1978 without technical sanction and was scheduled to be completed in three years. An expenditure of Rs. 94.96 lakhs was incurred upto March 1981 against estimated cost of Rs. 75.00 lakhs. Electric connections were released in May 1980 (for 1st and 2nd pump houses) and March 1981 (for 3rd and 4th pump houses). Rupees 1.02 lakhs were paid to Electricity Board on account of minimum consumption charges from May 1980 to March 1981. However, no irrigation has been provided so far (September 1981) as the distribution system has not been completed.

(b) R.C.C. pipes of different sizes valuing Rs.0.14 lakh were damaged in transit from factory to site of work. Action to get the pipes repaired or replaced has not been taken so far (April 1981). Further, in the absence of the material-at-site account and physical verification, the exact position regarding availability at site of R.C.C. pipes and collars (value : Rs.0.54 lakh) acquired for this work was not known (July 1981).

(iii) *Lift Irrigation Scheme, Kohan*—Work on Lift Irrigation Scheme, Kohan (Simla District) for irrigating 132 acres (estimated cost : Rs. 4.04 lakhs) was started in November 1978 and was scheduled for completion by November 1980. An expenditure of Rs. 0.49 lakh was incurred upto March 1980 which included Rs. 0.44 lakh advanced (February 1979) to Himachal Pradesh State Electricity Board and spent by the latter for providing power connection. The work on the scheme was abandoned in March 1980 due to inadequate discharge of water at source.

5. *Utilisation of irrigation potential*—The department had created irrigation potential by lift irrigation schemes to the extent of 7,337 hectares upto 1976-77, according to the information furnished by the Chief Engineer, (Irrigation and Public Health), Himachal Pradesh Public Works Department, Simla. During the period from 1976-77 to 1980-81, an additional potential of 5,935 hectares was created. Information regarding actual utilisation of the available potential was, however, not available with Chief Engineer (Irrigation and Public Health), Simla (November 1981).

Utilisation of irrigation potential in 15 divisions during 1976-77 to 1979-80

was test-checked. Percentage shortfall ranged from 47.16 to 69.99, as indicated below :—

Year	Number of schemes	Area to be irrigated	Area irrigated	Percentage short-fall
		(In hectares)		
1976-77	.. 58	3,930	2,077	47.16
1977-78	.. 63	4,334	1,301	69.99
1978-79	.. 73	4,972	1,609	67.64
1979-80	.. 85	5,789	2,406	58.44

Low utilisation of the irrigation potential was attributed by Divisional Officers to :—

- (i) Low demand for water as the beneficiaries were following traditional cropping patterns.
- (ii) Adequate rainfall.
- (iii) Absence of field channels and refusal by beneficiaries to allow water to pass to adjacent fields of other beneficiaries.

6. *Supply of power to the schemes*—The electric connections in respect of 6 schemes were obtained in advance of the completion of the civil works, resulting in avoidable payment of Rs. 1.50 lakhs to the Electricity Board on account of minimum consumption charges.

Non-completion of the civil works was attributed by the Divisional Officers mainly to non-availability of R.C.C. pipes and cement.

7. *Benefit cost ratio*—No norms regarding the capital cost per acre of lift irrigation schemes have been fixed by the Government. Test-check of 100 completed schemes revealed that the capital cost varied from Rs. 351 to Rs. 6,369 per acre. An important criteria adopted for judging the viability of a lift irrigation scheme before sanctioning the same is the benefit cost ratio of the scheme. The rates per quintal of wheat adopted for computation of the benefit from schemes in Mandi, Simla, Kulu etc. between 1973 and 1980 ranged from Rs. 125 per quintal to Rs. 200 per quintal while the support price of wheat ranged from Rs. 105 to Rs. 117 per quintal between 1976-77 and 1980-81.

As a result, the estimated benefits got inflated leading to higher benefit cost ratios on the basis of which the schemes were sanctioned.

8. *Running and maintenance charges*—During the period from 1975-76 to 1979-80, the maintenance charges for the areas actually irrigated by lift irrigation schemes ranged from Rs. 97 (Lift Irrigation Scheme, Sirsa Marjholi, Solan Division) to Rs. 36,927 (Lift Irrigation Scheme, Paur, Hamirpur Division) per acre. The department had fixed no norms in this regard. High maintenance charges in some of the schemes were attributed to non-utilisation of the full irrigation potential and payment of prescribed minimum consumption charges to the State Electricity Board instead of on the basis of actual consumption of power.

9. *Revenue and maintenance charges*—The water rates (*Abiana* charges) are prescribed in Himachal Pradesh under the Minor Canal Rules, 1977 framed under the provisions of Himachal Pradesh Minor Irrigation Canal Act, 1976. The rates came into force with effect from 8th November 1977. Between 1976-77 and 1979-80, against an expenditure of Rs. 59.58 lakhs (establishment : Rs. 22.36 lakhs, electricity charges : Rs. 26.23 lakhs and other charges : Rs. 10.99 lakhs) on maintenance of 100 lift irrigation schemes constructed at a cost of Rs. 2,89.04 lakhs, revenue (*Abiana* charges) amounting to Rs. 3.18 lakhs only was assessed indicating that the water rates fixed by Government were uneconomical. Out of this, Rs. 1.69 lakhs remained to be realised (June 1981).

10. Other topics of interest

(i) *Avoidable payment to Himachal Pradesh State Electricity Board*—The electricity Board has to be informed in advance of the off season periods when no power is required and no charges are leviable for such periods. Test-check of 9 schemes in two divisions showed that the failure of the divisions to inform the Electricity Board in time resulted in avoidable payment of Rs. 1.00 lakh between January 1972 and September 1980.

(ii) *Unutilised balances lying on completed schemes*—Material valuing Rs. 1.28 lakhs was lying unused (April 1981) at the site of 6 schemes which were completed between 1975 and 1980.

(iii) *Un-authorized expenditure*—The Irrigation and Public Health Division, Bilaspur made advance payment of Rs. 10.00 lakhs (November 1978) and Rs. 6.94 lakhs (March 1979) to the Himachal Pradesh State Electricity Board for providing power connections to three Lift Irrigation Schemes viz. Kandror (left bank), Chandpur and Kandror (right bank).

Estimates for these schemes were, however, submitted to the Chief Engineer by the Executive Engineer for sanction only in January 1979. Neither

had the works been started nor had the estimates been sanctioned till November 1980. Further developments are awaited.

11. *Summing up*—(i) Out of 219 schemes (estimated cost : Rs. 10,55.44 lakhs) taken up for execution upto March 1981 (in 16 divisions) to provide irrigation to 19,653 hectares of land, only 100 schemes (irrigation potential: 6,704 hectares) were completed upto March 1981 at a cost of Rs 2,89.04 lakhs. Of the remaining 119 schemes, 36 schemes (estimated cost : Rs. 2,46.43 lakhs; irrigation potential : 4,185 hectares) were scheduled to be completed by March 1981. Ten schemes (command culturable area : 1,039 hectares) which were scheduled to be completed within 1½ to 4 years were still in progress though a period of four to eleven years has already elapsed since the commencement of work. 119 schemes on which an expenditure of Rs. 2,49.43 lakhs had been incurred were lying incomplete (March 1981). 139 schemes on which an expenditure of Rs. 5,34.04 lakhs was incurred were taken up without technical sanction and excess of Rs. 35.21 lakhs over sanctioned estimates in respect of 45 schemes remained to be regularised.

(ii) Irrigation potential of 7,337 hectares was created by lift irrigation schemes up to 1976-77. During the period from 1976-77 to 1980-81, an additional potential of 5,935 hectares was created. Information about actual utilisation of irrigation potential was, however, not available with the department. In 15 divisions, the shortfall in area irrigated *vis-a-vis* area irrigable ranged from 47.16 to 69.99 per cent during the period from 1976-77 to 1979-80. An expenditure of Rs. 59.58 lakhs (establishment : Rs. 22.36 lakhs, electricity charges : Rs. 26.23 lakhs, other charges : Rs. 10.99 lakhs) was incurred during this period on running and maintenance of completed schemes by 12 out of these 15 divisions.

(iii) The value per quintal of wheat adopted for purposes of working out the benefit/cost ratio, a criteria adopted for judging the viability of the lift irrigation schemes, was much higher than the support price of wheat resulting in exaggeration of the benefits.

(iv) Electric connections in respect of 6 schemes were obtained in advance of completion of civil works resulting in avoidable payment of Rs. 1.50 lakhs to the Himachal Pradesh State Electricity Board on account of minimum consumption charges.

(v) During the period from 1975-76 to 1979-80, the maintenance charges for providing irrigation by lift irrigation ranged from Rs. 97 to Rs. 36,927 per acre. The department had fixed no norms in this regard.

The matters mentioned above were reported to the Government in August 1981 ; reply is awaited (December 1981).

4.2 Arbitration cases

Mention was made in paragraph 4.10 of the Report of the Comptroller and Auditor General of India for the year 1976-77 (Civil) of the disputes with contractors referred for arbitration and awaiting decision on 1st April 1977. The position regarding settlement of arbitration cases during last four years was as under :—

Year	Opening balance	Cases referred to arbitration	Cases decided by the arbitrator	Closing balance
1977-78 ..	75	41	32	84
1978-79 ..	84	21	48	57
1979-80 ..	57	23	22	58
1980-81 ..	58	42	50	50

Out of 50 cases pending on 1st April 1981, 18 cases were referred for arbitration during the year 1979-80 and remaining 32 cases during the year 1980-81.

2. Out of 152 cases decided during 1977-78 to 1980-81, 100 cases were test-checked. In 86 out of these 100 cases, the amount awarded by the Arbitrator in favour of contractors was Rs. 8.27 lakhs against their claims amounting to Rs. 52.76 lakhs and that in favour of Government Rs. 0.83 lakh against latter's claims amounting to Rs. 26.24 lakhs. In 14 cases decided by the Arbitrator, the total sum awarded in favour of contractors and the department amounted to Rs. 4.93 lakhs and Rs. 1.30 lakhs respectively but the awards could not be implemented as appeals stood filed in the courts.

In five cases, a sum of Rs. 0.23 lakh was awarded by the Arbitrator in favour of the Government in June 1977 (2 cases : amount of award : Rs. 0.04 lakh), August 1977 (1 case : amount : Rs. 0.02 lakh), April 1979 (1 case : amount : Rs. 0.02 lakh) and June 1980 (1 case : amount : Rs. 0.15 lakh) but the amount had not been recovered so far (July 1981). The possibility of recovering Rs. 0.15 lakh awarded (June 1980) in favour of the department was remote as the whereabouts of the contractor were not known. The contractor was not present during the course of hearings. The work stipulated to be completed within one year was awarded to the contractor in December 1965. On failure of the contractor to complete the work, the agreement was rescinded (March 1967) and remaining work was got done (May 1969) through other contractors/departmentally. It was noticed that for the recovery of dues from the original contractor, the Arbitrator was appointed in June 1976

although the contract was rescinded in March 1967 and the Chief Engineer had directed (May 1972) the Superintending Engineer, IIIrd Circle, Himachal Pradesh Public Works Department, Solan to seek arbitration for recovering the amount from the contractor. The delay of seven years (May 1969 to May 1976) in appointing an Arbitrator could have been avoided.

An analysis of the cases indicated that the disputes arose by and large due to (i) defective agreements, (ii) changes in design, (iii) variations between quantities of work agreed to be executed and actually executed, (iv) payments for work done by contractors which were *prima facie* admissible but not paid by the department in the first instance, (v) recoveries made in excess, (vi) compensation levied by the department for delayed completion of works and (vii) increase in the cost of material/wages of labour.

Brief particulars of some of the cases are given below :—

(i) The work "Construction of steel truss bridge at Renuka on Nahan-Dadahu-Chopal Road" was awarded in November 1968 to a contractor for Rs. 13.10 lakhs. The work was to be completed by March 1970. On the recommendations of the Executive Engineer, Buildings and Roads Division, Himachal Pradesh Public Works Department, Nahan, the Superintending Engineer, IIIrd Circle, Himachal Pradesh Public Works Department, Solan granted extension upto May 1972 without levy of compensation. As the contractor failed to complete the work within the extended period, the agreement was rescinded in June 1972 and the remaining work was got completed (November 1974) at his risk and cost through another contractor. For settlement of dispute with the contractor, the department went into arbitration and an Arbitrator was appointed in July 1975. The department had filed a claim of Rs. 9.62 lakhs (10 per cent compensation for delay in completion of work : Rs. 1.04 lakhs ; forfeiture of security deposit : Rs. 1.04 lakhs and extra cost of work finished at the risk and cost of the contractor : Rs. 7.54 lakhs) while the contractor had put in counter-claims totalling Rs. 5.96 lakhs. The Arbitrator, while rejecting the claims of the department, gave (March 1979) an award of Rs. 1.12 lakhs in favour of the contractor which was paid during November 1979. The Arbitrator at the time of fourth hearing had desired to know the reasons for delay in execution of the work. The main reason advanced by the contractor was delay in approval of drawings by the department. The position in this regard was as under :—

Particulars	Date of submission of drawing by the contractor	Date of approval by the department
Drawing for well kerb and steining	November 1968	March 1969



Drawing for well cap, pier April 1969 Between January 1970 and cap and bearing August 1970 (approval was given piecemeal).

Drawing for super-structure July 1969 January 1970 and June 1970.

It was noticed further that the work was awarded to the contractor for construction of a steel truss bridge, but due to scarcity of steel, the contractor had offered to switch over to pre-stressed design at the original offer of Rs. 12.98 lakhs without claiming anything extra for increase in the cost of labour and material. The offer was accepted in the first instance (February 1972) but was subsequently rejected (April 1972) on the ground that the wells would become unsafe. Tenders were reinvited for balance work of steel truss bridge and a negotiated offer of another firm for construction of a pre-stressed bridge (instead of steel truss bridge) at a cost of Rs. 25.70 lakhs was approved in April 1973. The work was completed in November 1974 at a cost of Rs. 26.94 lakhs. The change over from steel truss bridge to pre-stressed bridge had not only weakened the case of the department but also resulted in extra expenditure. The claim of Rs. 7.54 lakhs for the balance work was based on cost of similar type of bridge built by some other firm at some other place. It was also noticed that a sum of Rs. 0.89 lakh (part of Rs. 1.12 lakhs) recovered by the department from the running bill of the contractor for not doing the work of well plugging, sand filling, etc. was awarded by the Arbitrator in favour of the contractor in view of the fact that the payment schedule as per agreement was not clear in this regard.

(ii) In the Chamba Division, the work "Construction of 300' span stiffened bridge over the river Ravi at Sitla (sub-work fabrication and erection of super-structure)" was awarded to a contractor in June 1973 for completion within eight months subject to the condition that a clear period of four months after the supply of saddles, rope grips and anchor blocks by the department was to be allowed to the contractor.

The bridge, construction of which was defective, was opened for traffic in August 1975. Cost of removal of defects was estimated by the department to be Rs. 1.18 lakhs. 17 extensions were given to the contractor between August 1975 and September 1976 for removal of defects without any response from the contractor. The contract was rescinded in September 1976 and security deposit (Rs. 0.30 lakh) forfeited. The defects were removed by the department at a cost of Rs. 0.40 lakh which was deducted from the final bill of the contractor. The contractor went in for arbitration and an Arbitrator was appointed in November 1976. The Arbitrator awarded (September 1978) Rs. 1.22 lakhs to the contractor.

The department accepted the award and made the payment in August 1979.

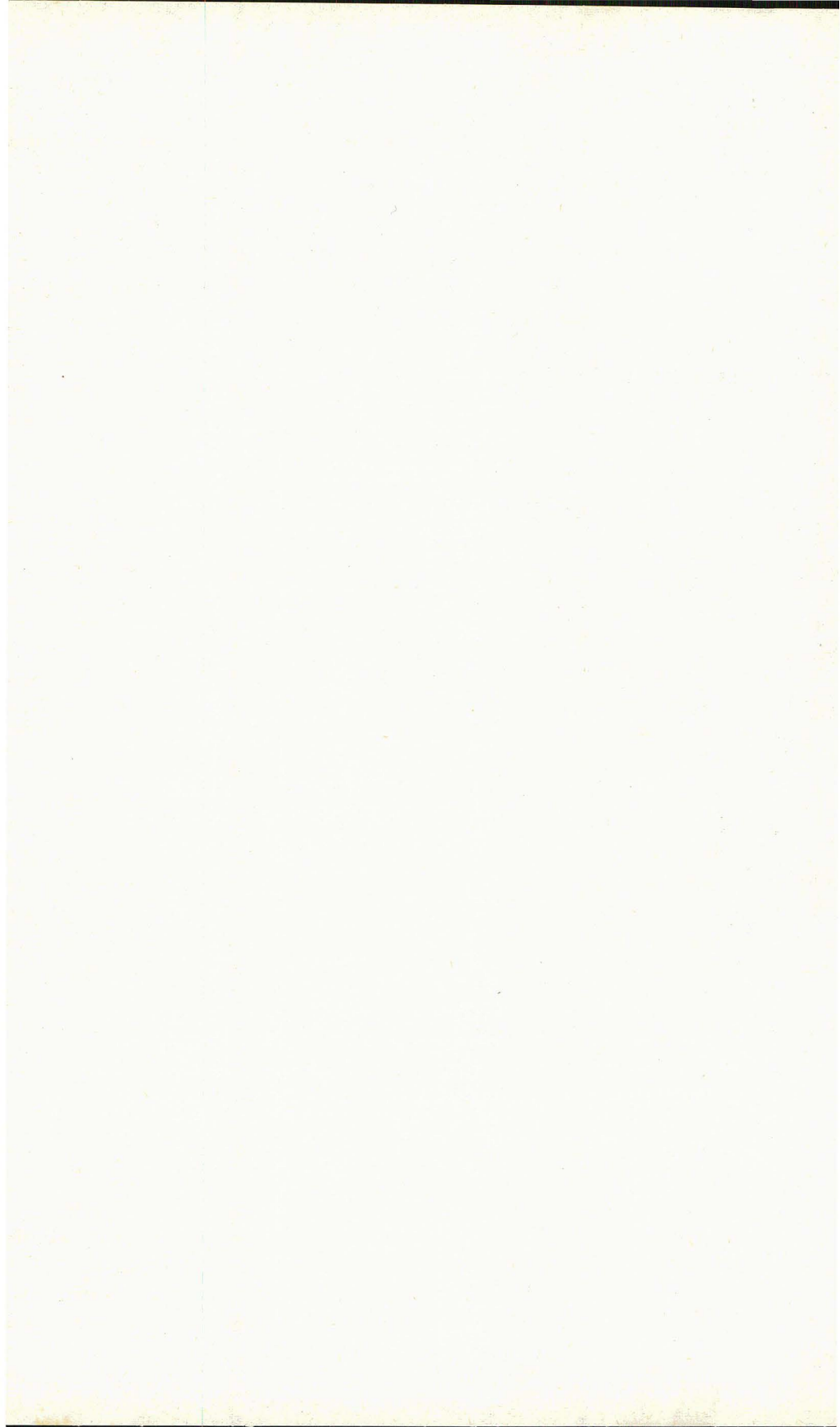
The following points were noticed in this connection :—

- (a) The department took more than one year in rescinding the agreement as the matter regarding approval of draft letter for rescinding the contract remained under correspondence between the Divisional and Circle Offices.
- (b) There was delay on the part of the department in handing over towers constructed by another agency due to delay in the acceptance or rejection of the work. The contractor had claimed idle labour charges of Rs. 0.03 lakh on this account.
- (iii) The work "Construction of 211'—6" stiffened suspension bridge at Chowrah over the river Ravi on Chowrah Bathari-Sundla Road" in Chamb District was awarded (December 1969) by the Dalhousie Division to a firm for completion within 12 months from the date of handing over of sub-structure (which was to be completed by the department) excluding monsoon period.

Under the agreement, the department was to supply the required section of steel, if available with the department, at prevailing issue rates plus normal storage charges. In case of non-availability, the firm was to fabricate and supply the bridge from its own resources and the department was to issue replenishment certificate and recommendation letter on J.P.C./Steel plant.

The firm informed (October 1971) the Executive Engineer that they were not able to procure the steel, and under the circumstances, the delivery of the bridge would be protracted until the supply position improved. The firm was requested (January 1972) to take the work in hand as sub-structure including towers and beams etc. had been completed in all respects. Because of the firm's failure to start the work, the agreement was rescinded (February 1972) and Rs. 0.20 lakh deposited by the firm for enlisting as class 'A' contractor for exemption from depositing earnest money in individual cases was treated as security and forfeited. In May 1972, exemption granted to the firm from the payment of earnest money was also cancelled. Compensation of Rs. 0.41 lakh was also levied against the contractor (February 1974).

At the instance of the firm, an Arbitrator was appointed (October 1972) to settle the disputes that had arisen between the firm and the department. After the Arbitrator had conducted three hearings in March 1976, May 1977 and June 1978, the case was transferred to the Superintending Engineer (Arbitration) in July 1978. After first hearing (March 1976) in which only the Executive Engineer was present from the departmental side, assistance of lawyer was considered necessary. The lawyer attended the second hearing (May 1977) of the case, but was not present at the third and fourth (final) hearings



The department was directed (September 1978) by the Arbitrator to file written arguments within ten days, failing which it would be presumed that the department had no comments to offer in the matter. As no written arguments were filed by the department, the Arbitrator closed the case and awarded (November 1978) Rs. 0.47 lakh in favour of the contractor. The department had made counter-claims of Rs. 4.06 lakhs for recovery of compensation from the firm for not executing the job according to the terms of agreement. 'Nil' award was given by the Arbitrator against the claims of the department.

(iv) The work "Extension of existing spur along left bank of Chakki River near village Damtal, Tehsil Nurpur" was awarded to a contractor by Irrigation Division, Dharamsala during January 1974 for completion in six months to be reckoned from 15th day of issue of award letter. On completion of work (July 1974), only provisional certificate of completion was issued to the contractor as certain work done by him was found to be below specification and recovery amounting to Rs. 0.13 lakh on account of two items of below specification work done by him and compensation amounting to Rs. 0.15 lakh was effected from his final bill. The contractor went in for arbitration and the Arbitrator awarded an amount of Rs. 0.24 lakh (out of the above recovery effected from him) in favour of the contractor. The District Attorney was of the view that the Arbitrator did not visit the spot inspite of repeated requests of the department, and that had he inspected the work, he would have certainly been able to judge the poor quality of work executed by the contractor, and it would have materially affected his judgement. In view of this, objections were filed before the Senior Sub-Judge, Kangra at Dharamsala who dismissed the objections on the ground that formal application for inspection of the spot by the Arbitrator was not made at the proper time and objections were filed after the period of limitation, and as such, the objections were time barred.

Payment of award was made during September 1978.

The matters mentioned above were reported to the Government in August 1981 ; reply is awaited (December 1981).

4.3 Unfruitful expenditure

In the instances mentioned below, works on which an expenditure of Rs. 2.68 lakhs was incurred between August 1970 and October 1980 had not served the intended purpose and the expenditure incurred proved, therefore, to be unfruitful.

(i) *Kharkoli Shillai road*—Government approved (June 1969) construction of 4' wide track (length : 56 km.) on Kharkoli Shillai road for Rs. 1.84 lakhs. The estimate was technically sanctioned (January 1970) for Rs. 1.60 lakhs. 35 km. of this road fell within the the jurisdiction of Nahan

Division. The work on this stretch of road was started by the division during August 1970 and trace cut in a length of 29 km. was completed at a cost of Rs. 0.84 lakh during 1973-74.

Test-check (November 1980) of the accounts of Nahan Division disclosed that widening work of this road from km. 0 to 8/0 was taken in hand during February 1972 and completed prior to June 1978 at a cost of Rs. 6.32 lakhs. Estimate for widening km. 8/0 to 16/0 of the road was submitted (March 1976) to the Superintending Engineer 3rd Circle, Solan but due to dispute about alignment, it has not been sanctioned (November 1980) and the widening work was held up.

Expenditure of Rs. 0.61 lakh incurred on trace cutting of 21 km.⁵ of the road (which is yet to be widened) has thus remained unfruitful so far.

(ii) *Chattari-Godagossain road*—Government approved (December 1970) the construction of 4' wide trace cut from Chattari to Godagossain (length : 33 km.) at a cost of Rs. 1.63 lakhs. Trace cutting of 4' track in the entire length of 33 km. was technically sanctioned in March 1971 for the same amount. The work was taken in hand in 1971-72. An expenditure of Rs. 0.65 lakh was incurred upto 1974-75 on survey and cutting of 4' track in a length of 15 km. except for some rocky and cultivated portions. The work was abandoned after March 1975 for want of funds.

(iii) *Kanda Katal ka Bagh road*—Mention was made in paragraph 11.1 of the Supplementary Audit Report for 1973-74 about nugatory expenditure of Rs. 0.53 lakh incurred on survey and cutting of a track 4 feet wide on the above road which was abandoned during 1974-75 due to disputes with the landowners.

With a view to providing facilities to M.E.S. Authorities for the transportation of material/heavy machinery etc. to the proposed site of the pumping station in Nauti village in respect of the work of "Augmentation of supply of water to Kasauli including civilian population and also to the inhabitants of the surrounding area", Government approved (January 1977) widening of km. % to 3/0 of this road from 4' to 5—7 metres at a cost of Rs. 2.97 lakhs. The estimate was technically sanctioned (September 1977) for Rs. 2.72 lakhs. The work which was taken in hand during July 1977 was scheduled to be completed within 3 years.

An expenditure of Rs. 0.56 lakh was incurred on this work upto October 1980 which included Rs. 0.06 lakh spent between February and June 1977 on survey and cutting of this road.

Owing to non-settlement of the earlier dispute with the landowners, the widening work was abandoned after March 1978. The M.E.S. Authorities

have since completed (May 1978) the work undertaken by them. The facility promised to them and to the inhabitants of the area could not be provided, thus rendering the entire expenditure of Rs. 1.09 lakhs (Rs. 0.53 lakh on 4 feet track and Rs. 0.56 lakh on survey and widening) unfruitful.

(iv) *Aerial ropeway foot bridge over river Ravi at Chakloo*—In order to connect Chakloo area with village Drada in Chamba District, Government approved (July 1971) construction of aerial ropeway foot bridge over Ravi River at Chakloo at a cost of Rs. 1.24 lakhs. The work which was to be executed departmentally, was scheduled to be completed within 6 months. It was started during the year 1972-73 and expenditure of Rs. 0.33 lakh was incurred on excavation, construction of abutments and approach road upto March 1978 when the work was abandoned for want of funds. The expenditure of Rs. 0.33 lakh had thus not served the intended purpose (January 1981).

The matter was reported to the Government in March—May 1981 ; reply is awaited (December 1981).

4.4 Purchase of R.C.C. pipes and collars

An order for the supply of 150 number R.C.C. pipes and 100 number collars at a cost of Rs. 1.35 lakhs was placed (September 1978) by Superintendent Engineer, 8th Circle, Hamirpur, with a Mandi firm. As per rate contract, 90 per cent advance payment was to be made against despatch of documents and inspection note. The material was inspected by the Executive Engineer, Fatehpur Division in September 1978. On receipt of intimation from State Bank of India, Fatehpur regarding despatch of material through transporter, the Executive Engineer, [Fatehpur Division made advance payment of Rs. 1.21 lakhs on 30th September 1978. However, only 78 number R.C.C. pipes and 43 number collars worth Rs. 0.69 lakh were received during January 1979 to March 1979. The firm informed (December 1978) the Executive Engineer that it was not possible to transport the balance material due to shortage of diesel and non-availability of open body trucks. The firm did not either supply the balance quantity of material (value : Rs. 0.52 lakh) or refund the money (March 1981). No action had been taken to get the balance supply till July 1981. Further developments are awaited (October 1981).

The matter was reported to the Government in June 1981; reply is awaited (December 1981).

4.5 Loss in running of vehicles/machinery

Rules provide that the accounts of manufacturing operation should not remain open indefinitely but should be closed periodically at least once a year. In all cases including operation of vehicles, the operational cost and outturn should equal each other when manufacturing account is closed.

It was noticed during test-check (August and September 1980) of the the accounts of Kulu Divison No. II (Buildings and Roads) and Bilaspur Division No. II that the vehicles and machinery in operation in the divisions were running at a loss during 1978-79 (Rs. 1.35 lakhs), 1979-80 (Rs. 3.25 lakhs) and 1980-81 (Rs. 3.96 lakhs) as the operation charges were in excess of the outturn. The Executive Engineers attributed the loss to :—

- (a) Non-revision of outturn rates to keep pace with the increase in the prices of P.O.L.
- (b) Non- adjustment of outturn in the same financial year.
- (c) Charging of cost of special repairs to running estimates.

The matter was reported to the Government in July 1981; reply is awaited (December 1981).

4.6 Loss of bitumen

The Superintending Engineer, 4th Circle, Himachal Pradesh Public Works Department, Simla placed (November 1978) a supply order on a Bombay firm for the supply of 100 metric tonnes of bitumen (cost : Rs. 0.96 lakh). The material was to be supplied to the Assistant Engineer, Shoghi Sub-division.

Test-check (November 1980) of the accounts of Simla Division No. I revealed that bitumen valuing Rs. 0.38 lakh despatched by the firm against railway receipts No. 452226 and 452227 dated 24th January 1979 (quantity: 38 M.T.) was received by the consignee but bitumen costing Rs. 0.40 lakh despatched vide railway receipt No. 452225 dated 24th January 1979 (quantity : 41 M.T.) did not reach the rail-head destination. The claim for the loss of material in transit lodged by the department with the Railways in October 1979, was not accepted (March 1980) by the latter as it was time barred. Thus, failure of the department to prefer the claim in time resulted in loss of Rs. 0.40 lakh to the Government. The Executive Engineer, Simla Divison No. I intimated (September 1981) that the matter regarding non-arrival of material was in regular correspondence with the Station Master concerned but formal claim was not lodged as it was expected that the consignment would reach the destination.

The matter was reported to the Government in May 1981; reply is awaited (December 1981).

4.7 Purchase of defective road roller

A road roller was purchased through Controller of Stores, Himachal Pradesh by the Mechanical Division, Dharamsala in June 1973 and payment of Rs. 0.77 lakh (90 per cent) was made to the firm. The roller did not work

satisfactorily. The firm had agreed (July 1974) to replace the transmission assembly of the roller at a cost of Rs. 0.18 lakh. However, instead of availing the offer of the manufacturer, repair was got done locally at Pathankot (January 1976) at a cost of Rs. 0.13 lakh. After repairs, the road roller worked for 130 hours between February 1976 and July 1979, the prescribed yearly hours being 667, and was lying idle since then for want of repairs. The case was also mentioned in para 5.3 of the Audit Report, 1974-75.

The Executive Engineer, Mechanical Division informed the Superintending Engineer, 5th Circle, Himachal Pradesh Public Works Department, Dharamsala in August 1981 that as the roller had been assembled by the manufacturer by taking various components of different makes, it would be advisable to utilise its parts in some other roller instead of incurring additional expenditure of Rs. 0.50 lakh (estimated) on its repair before it could be put to use. Final decision in the matter was awaited (September 1981).

The matter was reported to the Government in May 1981; reply is awaited (December 1981).

4.8 Idle ropeway

In order to reduce the cost of carriage of about 50,000 apple boxes per year from orchards in Kartote village to the National Highway No.22, construction of gravity type ropeway was approved by Chief Engineer, Public Works Department in September and November 1976. The work was started departmentally in September 1976 and completed in August 1977 at a cost of Rs. 0.41 lakh. An expenditure of Rs. 0.04 lakh was incurred on its renovation in August 1979.

Test-check of the accounts of Rampur Division (July-August 1980) revealed that during the apple season of 1977, only 2,660 boxes of apples were carried through this ropeway and it was utilised for only 19 days during the season. The ropeway was lying unutilised thereafter.

The Engineer-in-Chief, Himachal Pradesh Public Works Department stated (August 1981) that the ropeway could not be used during the subsequent years due to failure of fruit crops and natural calamities. The real reason for non-utilisation of the ropeway, however, appeared to be that it was not economical for the villagers to use the ropeway in as much as the department was charging at the rate of 50 paise per box from the farmers as against 2.5 paise (inclusive of depreciation and maintenance charges) estimated by the Department and a more convenient road is available close to Kartote village.

The matter was reported to the Government in April 1981; reply is awaited (December 1981).

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 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 1981) :—

Department	Year(s) for which stores accounts awaited
1. Agriculture	1970-71 and 1971-72 and 1975-76 to 1980-81
2. Animal Husbandry	1980-81
3. Forest	1973-74 to 1980-81
4. Industries	1979-80 and 1980-81
5. Health and Family Welfare	1974-75 to 1980-81

The annual stores accounts received from the Agriculture (1972-73 to 1974-75) and Industries (1971-72 to 1978-79) departments could not be checked finally as either the earlier accounts were not received or the accounts received were incomplete as in the case of Agriculture Department or the discrepancies between opening and closing balances remained to be reconciled, the accounts of finished goods or of certain units were not included and stock transferred to certain Corporate bodies was excluded though full recovery/adjustment of cost had not been made in the case of Industries Department.

A synopsis of important stores accounts for 1980-81 (other than those relating to Government commercial and quasi-commercial departmental undertakings) to the extent received (December 1981) is given below :—

Department	Name of stores	Opening balance on 1st April 1980	Receipts	Issues	Closing balance on 31st March 1981
(Rupees in lakhs)					
1. Printing and Stationery	(a) Plant, machines and spare parts	14.00	15.39	3.79	25.60
	(b) Paper and binding material	15.12	21.39	16.83	19.68
	(c) Stationery	11.08	59.69	42.90	27.87
	(d) Publications and gazettes	5.84	3.02	1.79	7.07
		46.04	99.49	65.31	80.22

2. Public Works—

(i) Buildings and Roads branch	Steel, cement, pipes, bricks and timber etc.	6,10.88	22,71.06	20,02.94	8,79.00
(ii) Irrigation-cum-Public Health branch—					
(a) Public Health	Steel, cement, pipes and bricks, etc.	3,65.82	9,70.25	10,07.61	3,28.46
(b) Irrigation	Cement, steel and pipes, etc.	2,52.31	5,78.34	5,71.85	2,58.80
		<u>12,29.01</u>	<u>38,19.65</u>	<u>35,82.40</u>	<u>14,66.26</u>

PUBLIC WORKS DEPARTMENT

5.2 Reserve stock limits

The stock held at the close of 1980-81, in 10 divisions, exceeded the reserve stock limits by more than 200 per cent and in other 11 by more than 100 per cent.

The details of these divisions are given in Appendix-VII.

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 81 Public Works divisions, physical verification for 1980-81 had not been done/been partly done in 46 divisions as detailed below :—

	Number of divisions	Number of divisions where physical verification was	
		not done	partly done
Buildings and Roads branch	48	26	3
Irrigation-cum-Public Health branch	33	16	1
Total	81	42	4

Steps taken to complete stock verification were not indicated.

5.4 Minus balances in stores and stock accounts

The stores and stock accounts of 12 divisions, as on 31st March 1981, had minus balances totalling Rs. 1,00.12 lakhs (5 Buildings and Roads divisions : Rs. 59.70 lakhs and 7 Irrigation-cum-Public Health divisions : Rs.40.42 lakhs). The minus balance would signify that while the value of materials

issued from stock for works/other divisions has been accounted for, the debits for the original receipt of the materials have not been booked in the Stock Account. It would also be due to issue of materials at market rate/issue rate which may be higher than the purchase price as accounted for in the Stock Account.

The minus balances have appeared year after year in several divisions. As reconciliation/adjustment has been pending over a long period, urgent action to investigate and clear the minus balances was called for.

5.5 Excessive consumption of fuel wood

According to the norms fixed (May 1974) by the department, six quintals of dry fuel wood are required for heating one tonne of bitumen subject to fair weather.

A test-check (October 1978) of the accounts of Jubbal Division revealed that, during May 1976 to June 1978, the aggregate consumption of fuel wood for heating 45 tonnes of bitumen was 2,571 quintals against requirement of 294 quintals as shown below :—

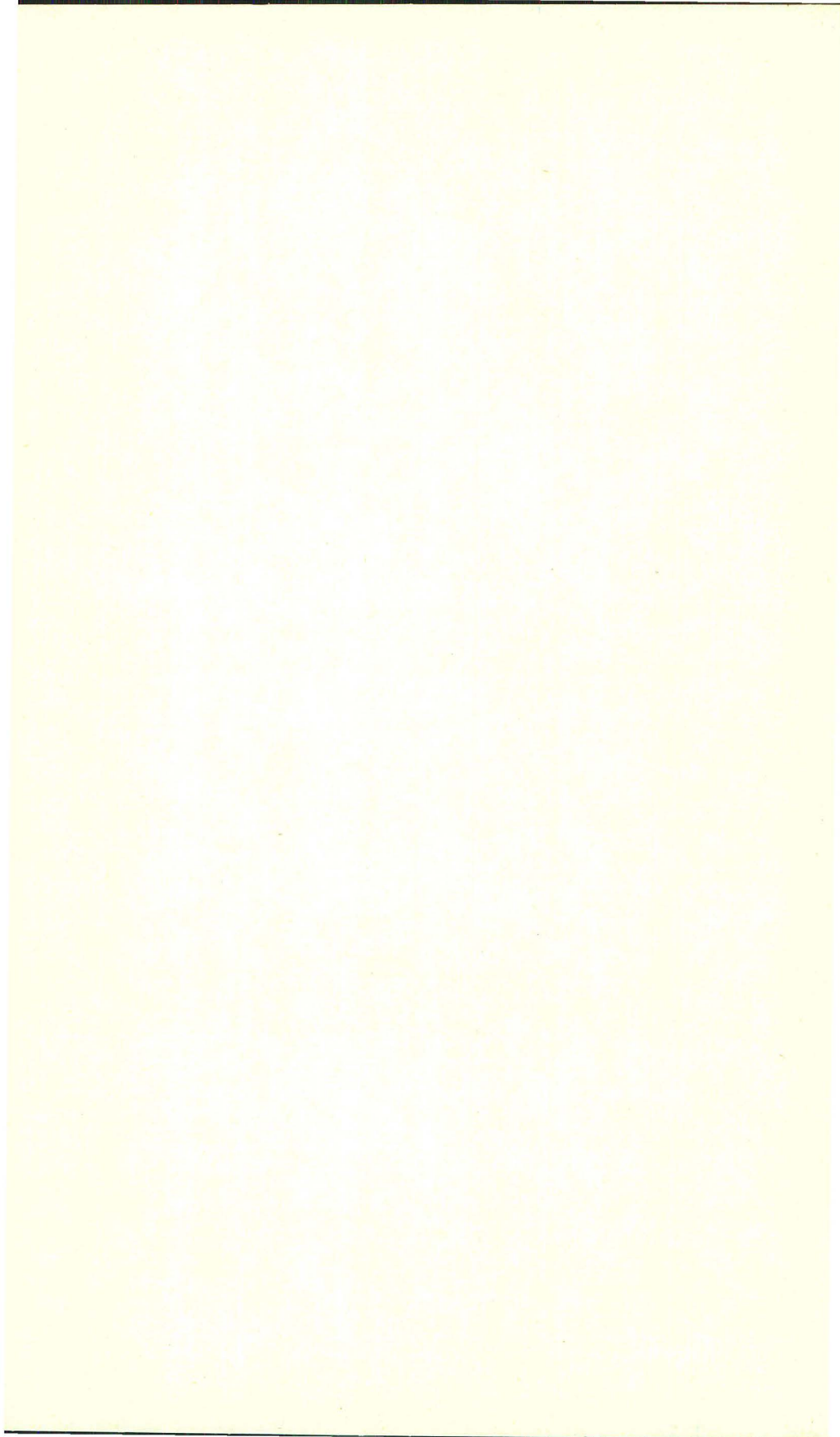
Season	Quantity of bitumen consumed (tonnes)	Fuel wood required to be consumed	Fuel wood actually consumed	Excess consumption
(In quintals)				
Summer— (May 1976 to July 1976 and October 1976) (May 1978 to June 1978)	27.9	169	1,531	1,362
Winter— (November 1976 to January 1977)	17.1	104 + 21 (20 per cent extra)	1,040	915
Total	45.0	294	2,571	2,277

The excess consumption of 2,277 quintals of fuel wood resulted in additional expenditure of Rs. 0.27 lakh.

The Engineer-in-Chief revised the norms of consumption of fuel wood in December 1980. Even on the basis of the revised norms, the excess consumption of fuel wood works out to 1,796 quintals costing Rs 0.22 lakh.

The matter was reported to the Government in July 1981; reply is awaited (December 1981).





5.6 Outstanding recoveries of stores

Test-check (November 1977) of the accounts of Solan (Buildings and Roads) Division, Solan revealed that Rs. 0.43 lakh on account of (i) short receipt of material against R/Rs (Rs 0.16 lakh), (ii) recovery of shortages from officials (Rs. 0.26 lakh) and (iii) recovery of shortages from supplier (Rs 0.01 lakh) were outstanding under the head "Miscellaneous Works Advances" pending adjustment/recovery. The shortages pointed out by Audit as well as departmental authorities during June 1955 and March 1977 were awaiting recovery/adjustment (December 1980) as the cases were not pursued vigorously. Further developments regarding recovery/adjustment of the amounts were not known (July 1981).

The matter was reported to the Government in July 1981; reply is awaited (December 1981).

DEPARTMENT OF ANIMAL HUSBANDRY

5.7 Store/stock accounts

Test-check of store/stock accounts of Animal Husbandry Department conducted between January 1981 and April 1981 revealed the position indicated below.

(i) *Surplus stores*—Under the rules, purchase of stores should be made in accordance with definite requirements and care should be taken not to purchase stores much in advance of actual requirement. It was noticed that in 15 units the purchases of medicines and drugs made by the respective District Animal Husbandry/Cattle Development Officers were much in excess of requirement as detailed below:—

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Opening balance ..	3.07	4.15	5.43
Receipts ..	5.72	6.89	7.69
Consumption ..	4.64	5.61	6.18
Closing balance ..	4.15	5.43	6.94

(ii) *Unserviceable stores/stock articles*—Unserviceable stores/stock articles like instruments, equipment, furniture, etc. valuing Rs. 7.36 lakhs lying with various offices of the department as on 31st March 1980 were awaiting disposal.

(iii) *Differences in opening and closing balances*—In three offices viz. District Animal Husbandry Office, Kinnaur, Dairy Development Office, Solan

and Small Farmers Development Agency, Nahan, there was unreconciled difference between opening and closing balances aggregating Rs. 0.88 lakh ((+) Rs. 0.45 lakh, (—) Rs. 1.33 lakhs) during the period from 1971-72 to 1977-78. The Director of Animal Husbandry intimated (November 1981) that the differences were being got reconciled.

(iv) *Physical verification*—Of the forty-four offices where test-check of accounts was conducted, physical verification had not been carried out for the period ranging between 1970-71 and 1979-80 in ten offices and had been only partly done in eight offices.

DEPARTMENT OF AGRICULTURE

5.8 Shortage of fertilizer

During physical verification of departmental store at Nadaun conducted by the Deputy Director of Agriculture, Hamirpur in October 1979 the stock of fertilizer was found to be in three different heaps and in torn bags. On re-bagging/re-weighment a shortage of 14.06 tonnes (value : Rs. 0.21 lakh) was noticed. The shortage was attributed by the store keeper in-charge to leakage of water through roof. It was found that the matter regarding repairs to the building had been taken up by the Agriculture Inspector, Nadaun with the Deputy Director of Agriculture in July 1977 who in turn had referred the matter to the Public Works Department in July 1978. No action was taken thereafter. Neither had the reasons for the shortages been investigated nor had responsibility therefor been fixed.

The Government stated (September 1981) that an enquiry had been ordered in the matter and further developments would be intimated on receipt of enquiry report.

DEPARTMENT OF HOME

5.9 Unutilised stores

Unused clothing articles worth Rs 2.69 lakhs, details given below, were lying in two offices mainly due to excessive purchases:—

Serial number	Name of office	Year	Opening balance	Clothing articles purchased	Clothing articles used	Balance
(Rupees in lakhs)						
1.	Superintendent of Police, Lahaul and Spiti, Keylong	1978-79	0.47	0.45	0.78	0.14
		1979-80	0.14	3.01	1.52	1.63
2.	Superintendent of Police, Chamba	1978-79	1.08	0.35	0.13	1.30
		1979-80	1.30	0.26	0.50	1.06

The Inspector General of Police stated (October 1981) that at the time of assessing the demand(s) the balances of stores in hand were kept in view including vacancies etc.

The matter was reported to the Government in August 1981; reply is awaited (December 1981).

5.10 Non-refund of surplus 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 Account 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 to be refunded into the treasury by short drawal.

The table given below shows unspent balances which were not refunded into the treasury by the Superintendents of Police, Bilaspur and Chamba:—

Serial number	Office	Year	Opening balance	Receipt	Expenditure	Closing balance
(Rupees in lakhs)						
1.	Superintendent of Police, Bilaspur	1976-77	1.32	1.42	1.00	1.74
		1977-78	1.74	1.45	0.94	2.25
		1978-79	2.25	1.28	0.69	2.84
		1979-80	2.84	1.26	0.57	3.53
		1980-81 (upto January 1981)	3.53	1.30	0.99	3.84
2.	Superintendent of Police, Chamba	1977-78	2.48	1.53	1.27	2.74
		1978-79	2.74	1.47	0.60	3.61
		1979-80	3.61	1.46	0.43	4.64

The Government attributed (September 1981) the accumulation of balances to (i) vacant posts, (ii) non-receipt of stores and (iii) non-issue of uniform articles on due dates for want of stock of various articles of clothing. It was also stated that there was a proposal to change the uniform of the police personnel which was approved in February 1979 and during the intervening period, some of the uniform articles were not purchased to avoid wastage.

CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

6.1 Grants and their utilisation

In 1980-81, Government paid Rs. 7,68.82 lakhs as grants to panchayats, municipalities, co-operative societies, educational institutions, etc. as detailed below :—

Department	Grants paid during 1980-81
	(Rupees in lakhs)
1. Rural Integrated Development	273.71
2. Education	219.74
3. Agriculture	70.14
4. Local Self Government	62.01
5. Industries	48.50
6. Welfare	40.93
7. Co-operation	20.78
8. Animal Husbandry	14.84
9. Forest	9.80
10. Panchayati Raj	7.19
11. Public Works	1.00
12. General Administration (Social and Community Services)	0.18
Total	768.82

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. Out of 1,303 outstanding utilisation certificates (Rs. 16,14.71 lakhs) in respect of grants paid from 1958-59 to

1979-80, only 364 certificates (Rs. 4,16.83 lakhs) had been furnished by 30th September 1981, leaving 939 certificates (Rs. 11,97.88 lakhs) in arrears (30th September 1981). Department-wise break-up of the 939 outstanding utilisation certificates is given below :—

Serial number	Department	Number of certificates	Amount (Rupees in lakhs)
1.	Agriculture	53	520.01
2.	Rural Integrated Development	244	238.98
3.	Local Self Government	315	159.69
4.	Industries	24	117.28
5.	Tourism	7	42.25
6.	Education	105	36.83
7.	Welfare	144	34.08
8.	Animal Husbandry	23	24.10
9.	Panchayati Raj	9	21.80
10.	Co-operation	1	1.50
11.	Public Works	7	1.25
12.	Medical	7	0.11
Total		939	11,97.88

The break-up of outstanding utilisation certificates is as under :—

	Number of certificates	(Rupees in lakhs)
Delayed upto three years	651	987.04
Delayed for more than three years but upto five years	150	154.79
Delayed for more than five years but less than ten years	74	51.98
Delayed for more than ten years	64	4.07
Total	939	11,97.88

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

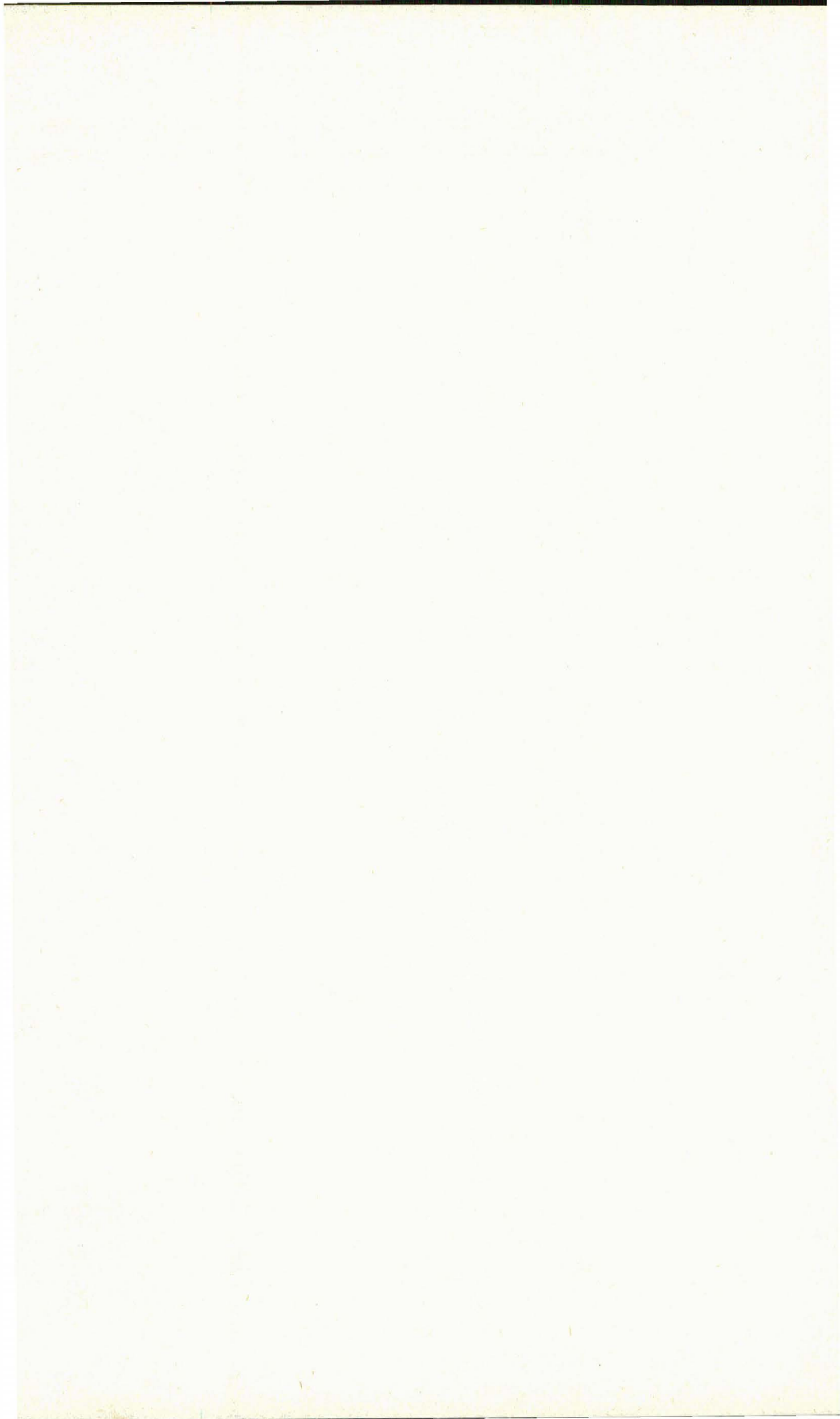
DEPARTMENT OF RURAL INTEGRATED DEVELOPMENT

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 viz. construction/repairs of minor rural water supply schemes/irrigation *kuhls*, paths, etc., to be utilised within six months from the date of payment.

Mention was made in paragraph 6.2 of the Report of the Comptroller and Auditor General of India for the year 1979-80 (Civil) about the position of execution of certain works utilising the grants given by the department to the panchayats. A further test-check (May 1980-February 1981) of the accounts of 7 Block Development Officers disclosed that 135 works for execution of which grants totalling Rs. 2.75 lakhs were paid between 1971-72 and 1980-81 to the panchayats, were either awaiting completion or had not been taken up as per details given below :—

Office	Amount paid to panchayat (Rupees in lakhs)	When paid	Number of works to be taken up	Remarks
Block Development Officer, Bhawarna (Kangra District)	0.75	Between 1976-77 and 1979-80	63	The Block Development Officer stated (October 1981) that the works were lying incomplete due to shortage of cement.
Block Development Officer, Bhoranj (Hamirpur District)	0.83	Between 1973-74 and 1980-81	24	One work (grant paid : Rs. 0.04 lakh) was not taken up due to dispute over source of water and 22 works (grant paid : Rs. 0.75 lakh) were in progress. No reasons for non-commencement of one work (grant paid : Rs. 0.04 lakh) were given (January 1981).
Block Development Officer, Mehla (Chamba District)	0.32	1978-79	6	Out of Rs. 0.32 lakh, Rs. 0.26 lakh were paid (March 1979) to the Public Works Department through the Agriculture Production Commissioner, Himachal Pradesh for the purchase of G.I. pipes. As the material was not supplied, the Block Development Officer requested the Director,



Block Development Officer, Bijhari (Hamirpur District)	0.30	Between 1974-75 and 1978-79	10	Rural Integrated Development Department in November 1980 to get the amount refunded by the Public Works Department, so that the purchase of pipes could be made through the Controller of Stores, Himachal Pradesh. Reply from the Director was awaited (April 1981) and the works were lying unexecuted.
Block Development Officer, Dehra Gopipur (Kangra District)	0.26	Between 1978-79 and 1975-80	11	5 works (grant paid : Rs. 0.14 lakh) could not be executed for want of cement, construction of one work (grant paid : Rs. 0.03 lakh) was held up due to land dispute and no reasons for non-commencement of the remaining 4 works (grant paid : Rs 0.13 lakh) were given (January 1981). The Block Development Officer stated (June 1981) that 7 works (grant paid : Rs. 0.19 lakh) could not be completed for want of cement and 2 works (grant paid : Rs. 0.04 lakh) were held up due to site disputes/shortage of cement and notices had been issued to the panchayats for completion of the remaining 2 works (grant paid : Rs. 0.03 lakh).
Block Development Officer, Hamirpur	0.18	Between 1978-79 and 1979-80	5	The Block Development Officer stated (December 1980) that 3 works (grant paid : Rs. 0.11 lakh) could not be executed for want of cement/public contribution and one work (grant paid : Rs. 0.05 lakh) was nearing completion. No reasons for non-commencement of the remaining one work (grant paid : Rs. 0.02 lakh) were given.
Block Development Officer, Nalagarh (Solan District)	0.11	Between 1971-72 and 1977-78	16	The Block Development Officer stated (February 1981) that the panchayats did not complete the works despite reminders.

These cases were referred to the Government between April and July 1981 ; replies are awaited (December 1981).

DEPARTMENT OF HOUSING

6.3 Loans

Results of scrutiny of the procedure by which the sanctioning authority is required to satisfy itself as to the fulfilment of the conditions governing grants

and loans and their utilisation by the Himachal Pradesh Housing Board during 1971-72 to 1976-77 were mentioned in paragraph 6.2 of the Report of the Comptroller and Auditor General of India for the year 1976-77 (Civil). Results of further scrutiny (July 1981) of the procedure followed by the sanctioning authority for payment of loans and grants during 1977-78 to 1980-81 are given below.

1. Loans totalling Rs. 3,70.25 lakhs, as detailed below were sanctioned by the department to the Himachal Pradesh Housing Board during 1977-78 to 1980-81 for execution of various housing schemes :—

Year	Amount (Rupees in lakhs)
1977-78	61.75
1978-79	90.00
1979-80	110.00
1980-81	108.50
Total	370.25

It was seen that :—

- (i) Loan ledgers had not been maintained by the department since 1971-72 in respect of loans disbursed, and the position regarding recovery of principal and interest was not known to the sanctioning authority (July 1981). The Government stated (November 1981) that the loan ledgers have been started and are now being maintained.
- (ii) There was no provision in the sanctions for loans totalling Rs. 1,76.75 lakhs sanctioned to the Housing Board (1977-78 : Rs. 61.75 lakhs ; 1978-79 : Rs. 90.00 lakhs and 1979-80 : Rs. 25.00 lakhs) for recovery of penal interest in case of default. While confirming that no provision was made in the sanctions for recovery of penal interest in case of default, the Government stated (November 1981) that this clause had been added in the sanction order(s) issued with effect from 26th December 1979.
- (iii) The terms and conditions governing repayment of loans totalling Rs. 1,08.50 lakhs sanctioned during 1978-79 (Rs. 25.00 lakhs), 1979-80 (Rs. 30.00 lakhs) and 1980-81 (Rs. 53.50 lakhs) under the Rental Housing Scheme had not been decided (July 1981).



The Government stated (November 1981) that the case for deciding terms and conditions governing repayment of loans under the scheme has been taken up with the Finance Department.

2. Repayment of loans and payment of interest were deferred by the Board (without approval of the sanctioning authority) after September 1978 and have not been resumed till date (July 1981). The Board intimated (March 1981) that upto September 1980, overdue amount stood at Rs. 62.48 lakhs (principal : Rs. 10.39 lakhs and interest : Rs. 52.09 lakhs). The Government stated (November 1981) that the repayment of loans and payment of interest was deferred due to poor financial position of the Board. It was stated further that an undertaking had been given by the Board for repayment of principal and payment of interest from the next year.

DEPARTMENT OF ANIMAL HUSBANDRY

6.4 Grants

The Animal Husbandry Department paid grants totalling Rs. 38.94 lakhs to the Himachal Pradesh University, the Himachal Pradesh Krishi Vishva Vidyalaya, Palampur (for poultry and yak breeding research schemes) and for Indo-Newzealand livestock improvement project and other institutions between 1977-78 and 1980-81.

A test-check (June 1981) of the records of Government/department disclosed the following position :—

- (i) A grant of Rs. 0.99 lakh to 66 Primary Milk Producers Co-operative Societies at the rate of Rs. 1,500 per society was sanctioned by the department on 30th March 1981. The amount was drawn from the treasury on the same date, and instead of disbursing it to the concerned Co-operative Societies, it was converted into a bank draft which was still lying with the Director of Animal Husbandry (July 1981).
- (ii) Details of assets created wholly or substantially out of Government grants, required to be furnished annually by the grantee to the sanctioning authorities were neither furnished by the grantee nor were such details ever called for by the sanctioning authorities in respect of grants paid upto 1979-80.
- (iii) No system/machinery by way of periodical inspections (apart from submission of utilisation certificates) had been evolved by the department to ensure that the objectives for which the grants were meant had been attained.

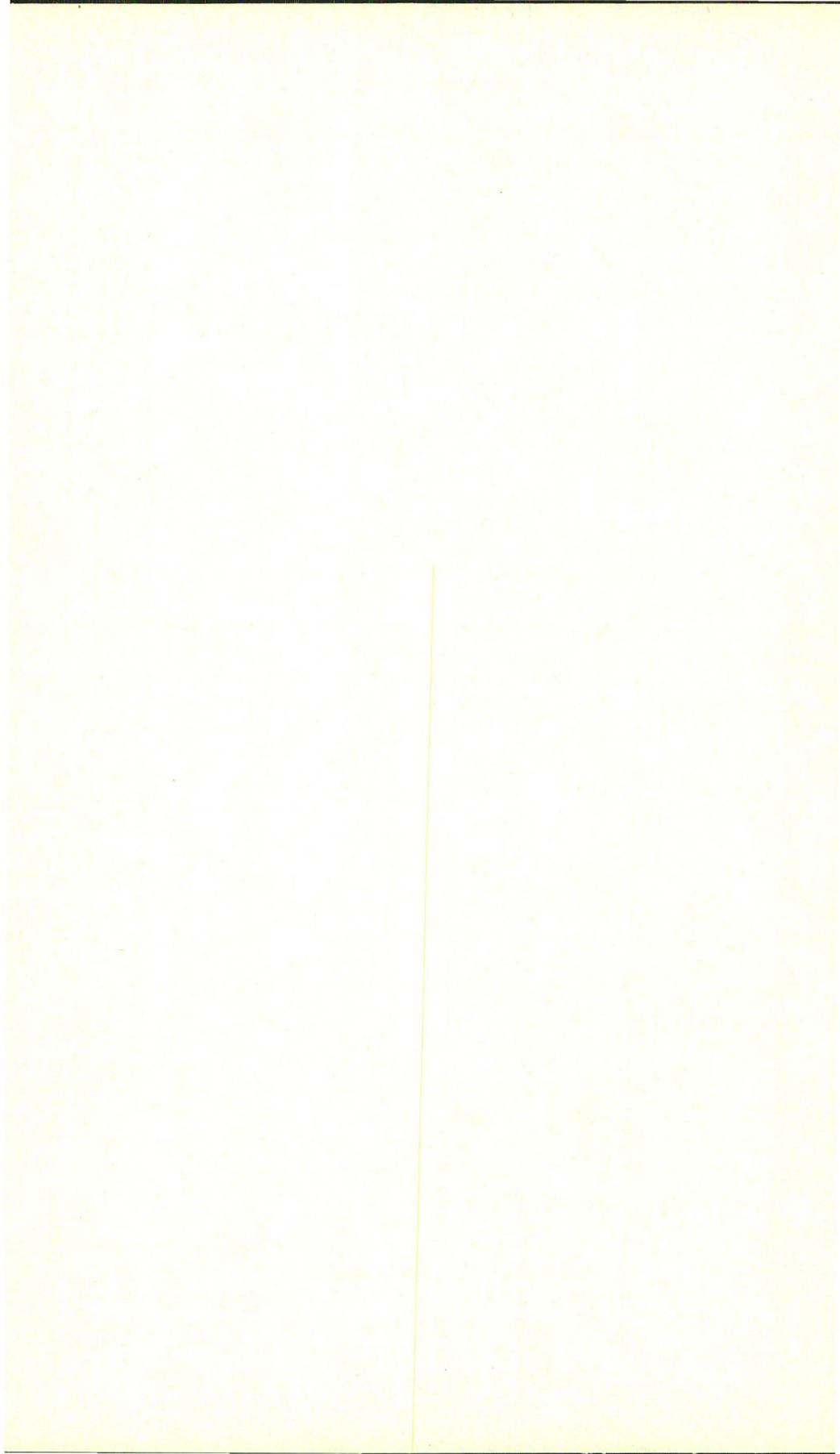
- (iv) The prescribed register of grants maintained in the Directorate was incomplete in as much as the date of drawal of the amount from the treasury and voucher number etc., were not indicated therein.
- (v) Utilisation certificates of grants, required to be furnished within reasonable period after expiry of the period of utilisation were due in the Audit Office in 23 cases for a grant amount of Rs.24.10 lakhs given during 1977-78 to 1979-80.
- (vi) Periodical progress reports were neither prescribed by the department nor furnished by the grantee. The department stated (June 1981) that the progress reports would be called for.

The matter was reported to the Government in August 1981 ; reply is awaited (December 1981).

DEPARTMENT OF INDUSTRIES

6.5 Grants and loans

Grants-in-aid are released every year by the Industries Department to the Himachal Pradesh Khadi and Village Industries Board for meeting the expenditure for performance of its functions under the Khadi and Village Industries Act, 1966 and to the Himachal Pradesh State Handicrafts and Handloom Corporation for promotional and developmental activities. Results of scrutiny of the procedure followed by the sanctioning authority to satisfy itself about the utilisation of these grants by these bodies in relation to grants paid during 1971-72 to 1977-78 were mentioned in paragraph 6.3 of the Report of the Comptroller and Auditor General of India for the year 1977-78. A test-check (July 1981) of the accounts/records maintained in the office of the sanctioning authority (Industries Department/Director of Industries, Himachal Pradesh) in relation to grants given to these bodies during 1978-79 to 1980-81 for the objects specified above as well as to the Himachal Pradesh State Small Scale Industries and Export Corporation (a Government Company incorporated in October 1966) for the opening and strengthening of raw material depots disclosed the following points.



1. Grants totalling Rs. 1,94.11 lakhs were paid to these bodies during 1978-79 to 1980-81 as under :—

Year	Grants paid to			
	Himachal Pradesh Khadi and Village Industries Board	Himachal Pradesh State Handicrafts and Handloom Corporation	Himachal Pradesh State Small Scale Industries and Export Corporation	Total
	(Rupees in lakhs)			
1978-79	23.70	32.86	5.00	61.56
1979-80	29.50	21.75	5.00	56.25
1980-81	41.80	29.50	5.00	76.30
Total	95.00	84.11	15.00	194.11

It was noticed that grants were sanctioned in the last week of March in all these years.

2. Rules to regulate payment of grants to the Himachal Pradesh State Small Scale Industries and Export Corporation have not been finalised so far (July 1981).

3. While deficiencies/irregularities in the maintenance of the register of grants for the Himachal Pradesh State Handicrafts and Handloom Corporation as mentioned in paragraph 6.3 of the Audit Report (Civil) for the year 1977-78 still persisted and entries of grants paid to it in 1979-80 and 1980-81 were not found recorded in the register maintained in the Directorate, the said register of grants pertaining to the Himachal Pradesh Khadi and Village Industries Board and the Himachal Pradesh State Small Scale Industries and Export Corporation between 1978-79 and 1980-81 were not produced to Audit. The Director of Industries stated (July 1981) that these registers could not be made available due to some un-avoidable circumstances.

4. Audited statements of accounts were not obtained from these three recipient bodies by the sanctioning authority even though the Finance Department had reiterated (January 1976) the need for the same to enable the sanctioning authority to satisfy itself that the amount had been spent for the

purpose(s) for which grants were intended and that further grants were justified by the financial position of the grantees.

5. No procedure to keep track of the outstanding utilisation certificates had been evolved (July 1981) and the information regarding the outstanding utilisation certificates was not available with the department as intimated (July 1981) by the Director of Industries in spite of the fact that the same deficiency was pointed out in the Audit Report mentioned earlier.

According to the records of Audit Office, 18 utilisation certificates for Rs. 84.80 lakhs were awaited (July 1981) as tabulated below :—

Year	Himachal Pradesh Khadi and Village Industries Board		Himachal Pradesh Handicrafts and Handloom Corporation		Himachal Pradesh State Small Scale Industries and Export Corporation		Total	
	No. of outstanding utilisation certificates	Amount	No. of outstanding utilisation certificates	Amount	No. of outstanding utilisation certificates	Amount	No. of outstanding utilisation certificates	Amount
(Amount in lakhs of rupees)								
1977-78	3	16.40	1	3.75	..	..	4	20.15
1978-79	3	9.29	4	9.11	1	5.00	8	23.40
1979-80	3	29.50	2	6.75	1	5.00	6	41.25
Total	9	55.19	7	19.61	2	10.00	18	84.80

6. The sanctioning authority had no information about the assets created out of the grants-in-aid given by it to the grantee institutions nor did it call for the same from the recipient bodies.

7. Even though a self-contained scheme for opening/strengthening the existing raw material depots at Hamirpur, Bilaspur, Simla, Paonta Sahib, Mehatpur, Parwanoo, Kangra and Mandi and establishment of the District Industries Centre at the Headquarters of each district had not been finalised and sanctioned by Government, fresh grant of Rs. 5.00 lakhs in continuation of grants totalling Rs. 10.00 lakhs released during 1978-79 and 1979-80 was sanctioned to the Corporation by the sanctioning authority in March 1981. Further, the utilisation period of the grant of Rs. 10.00 lakhs sanctioned earlier was extended by the Government upto September 1981.

8. Specific schemes for which the grants were to be utilised by the Himachal Pradesh Khadi and Village Industries Board were neither mentioned in the sanctions accorded by the sanctioning authority (except the sanction for Rs. 5.00 lakhs issued in March 1981) nor were they available with the sanctioning authority (July 1981).

9. Contrary to the rules, unutilised balances of Rs. 7.51 lakhs, Rs. 7.98 lakhs and Rs. 4.19 lakhs as on 31st March 1976, 31st March 1977 and 31st March 1978 respectively out of grants given by the Government to the Board for meeting establishment expenditure were neither refunded nor was any extension sought for from the sanctioning authority. The accounts of the Board for the subsequent years (1978-79 to 1980-81) having not been finalised (July 1981) the position of unutilised balances at the end of these years was not known.

Loans—

1. Non-completion of the register of loans maintained in the Directorate was mentioned in paragraph 6.3 of the Audit Report 1977-78 (Civil). The register of loans was still incomplete (July 1981) in as much as the purpose of loan and the due date of repayments of principal and interest in respect of loans advanced during 1978-79 to 1980-81 were not entered therein.

2. Between 1978-79 and 1980-81, loans totalling Rs. 24.50 lakhs were advanced to the Himachal Pradesh State Small Scale Industries and Export Corporation (Rs. 2.00 lakhs) and Himachal Pradesh State Handicrafts and Handloom Corporation (Rs. 22.50 lakhs). Scrutiny of the records relating to sanctions for these loans disclosed the following :—

(a) The terms and conditions of the loan of Rs. 2.00 lakhs sanctioned to the Himachal Pradesh State Small Scale Industries and Export Corporation for the scheme of hire purchase of machinery were neither mentioned in the sanction accorded in March 1981 nor had these been spelt out till July 1981 even though the Corporation had requested Government in April 1981 for these details to enable it to implement the scheme.

(b) Against an anticipated outlay of Rs. 66.00 lakhs approved by the Government of India in August 1976 for the development of Handloom Industry under the Centrally sponsored Export Oriented Project, the sanctioning authority sanctioned Rs. 55.00 lakhs (grant : Rs. 13.75 lakhs and loan : Rs. 41.25 lakhs) to the Himachal Pradesh State Handicrafts

and Handloom Corporation between 1976-77 and 1980-81 on the basis of budget proposals of the Corporation.

It was noticed that :—

- (i) The entire amount of Rs. 55.00 lakhs was sanctioned by the sanctioning authority in the last week of March in various years.
- (ii) Being a Centrally sponsored project, funds for its implementation were to be provided by the Government of India in the shape of loan (75 per cent) and subsidy (25 per cent), by way of reimbursement of the expenditure to the State Government on receipt of duly audited statements of expenditure from the latter.

Against the aforesaid grant/loan of Rs. 55.00 lakhs, the Central Government had released only Rs. 20.00 lakhs for this project upto March 1980 on an "on account" basis adjustable after submission of audited statements of accounts. The Government of India did not agree to release any further assistance without audited statements of accounts. These audited statements of accounts were, however, not available with the Director of Industries (July 1981), and consequently, reimbursement of the expenditure already incurred by the State Government could not be obtained.

- (iii) No system was devised either by the sanctioning authority or by the Director of Industries to keep an effective watch to ensure that the money was utilised fruitfully and for the purpose such as modernisation of handlooms, training dyeing and finishing, providing margin money, design centre etc. for which it was sanctioned to the Corporation.
- (iv) 1,000 handlooms (Kulu : 300 ; Bilaspur : 150 ; Chamba : 125 Kangra : 125 ; Simla : 100 ; Kinnaur : 100 and Mandi : 100) were proposed to be developed under the scheme. Information regarding district-wise position of the handloom developed and also expenditure incurred on this scheme was not available with the Director of Industries (July 1981).

The above points were referred to the Government in August 1981 reply is awaited (December 1981).

DEPARTMENT OF CO-OPERATION

6.6 Subsidies, grants and loans

Subsidies/grants and loans totalling Rs. 4,57.20 lakhs were sanctioned by the department to co-operative institutions for various purposes between 1978-79 and 1980-81 as under :—

Year	Number of institutions	Subsidies/ grants sanctioned	Loans sanctioned	Total
(Rupees in lakhs)				
1978-79	1519	67.09	57.45	124.54
1979-80	1923	114.40	56.44	170.84
1980-81	2094	115.07	46.75	161.82
Total	..	296.56	160.64	457.20

(i) *Loans and subsidies for the construction of godowns*—Under a Central Sector Scheme for development of co-operative marketing, processing, supply and storage in co-operatively under-developed States, the National Co-operative Development Corporation was to provide assistance for the construction of 148 godowns (rural : 133 ; marketing : 10). According to the pattern of assistance, 75 per cent of the total cost (50 per cent as loan and 25 per cent as subsidy) was to be provided by the Corporation on reimbursement basis and the balance 25 per cent was to be borne by the State Government by way of subsidy.

Accordingly, subsidy of Rs. 22.28 lakhs and loan totalling Rs. 15.33 lakhs were sanctioned by the State Government between 1977-78 and 1978-79 for the construction of 148 godowns. According to a condition laid down by the Corporation, the construction of godowns was to be started within three months from the date of receipt of the first instalment of assistance from the State Government and was to be completed within two working seasons or eighteen months from the date of sanction whichever was earlier. The Corporation further enjoined upon the State Government to prescribe a suitable time schedule for completion of godowns within the prescribed period and also to ensure execution accordingly by the societies concerned.

According to the above stipulations, 148 godowns should have been completed on or before 30th September 1980. However, only 43 godowns were completed by December 1980. While construction of 7 godowns (Kangra : 2, Simla : 5) were not started (December 1980), the proposal for construction of one godown was dropped (Una District), reasons being not known. The remaining 97 godowns were still under construction (December 1980). None of the co-operative societies sought any extension of time in the case of godowns under construction (July 1981) nor was any extension granted by the Department which did not also prescribe any time schedule for completion of the godowns within the prescribed period. For godowns not taken up/dropped, subsidy/loan assistance of Rs. 2.09 lakhs was sanctioned during 1977-78 and 1978-79. Neither did the grantees refund the amount of assistance given to them for the purpose nor did the department take any action to recover the same along with interest (June 1981). Non-commencement of construction of two godowns in Kangra District was attributed (June 1981) by the department to non-availability of cement. The department had, however, no knowledge (June 1981) about the reasons for non-commencement of 5 godowns in Simla District.

Contrary to the instructions of the Government of India, department released Rs. 0.37 lakh (loan : Rs. 0.15 lakh and subsidy : Rs. 0.22 lakh) to the Bilaspur District Fishermen Co-operative Marketing and Supply Federation Limited in 1979-80 for construction of godown-cum-office room, even though the latter had not acquired any site for the godown. The department also secured (March 1980) reimbursement of Rs. 0.22 lakh (loan : Rs. 0.15 lakh and subsidy : Rs. 0.07 lakh) from the Corporation by intimating (February 1980) the latter incorrectly that land for the godown had been acquired by the beneficiary Co-operative Society. The society was still functioning in rented premises (June 1981). The amount of Rs. 0.37 lakh paid to it in 1979-80 was also lying unutilised with it (June 1981).

A subsidy of Rs. 0.76 lakh under Tribal sub-Plan was paid (March 1980) by the department to the Kinnaur Bher Palak Udyogic Sehkari Vipnon Sabha, Tapri (District Kinnaur) for the construction of a godown subject to the condition that the amount must be spent within one year from the date of release. The department was not aware (June 1981) of the position regarding construction of the godown/utilisation of the amount by the society.

(ii) *Subsidy to the Himachal Pradesh Fruit Growers Co-operative Marketing and Processing Society Limited (Himprocess)*—The society was paid subsidies aggregating Rs. 20.54 lakhs (factory : Rs. 7.50 lakhs; warehouse : Rs. 6.37 lakhs; additional machinery : Rs. 0.93 lakh; industrial subsidy : Rs. 5.32 lakhs and truck : Rs. 0.42 lakh) by the department upto 1980-81.



The departmental audit report for the period ended June 1980 put the cumulative losses of the society at Rs. 83.89 lakhs (1976-77 : Rs. 1.07 lakhs; 1977-78 : Rs. 23.65 lakhs; 1978-79 : Rs. 22.43 lakhs and 1979-80 : Rs. 36.74 lakhs). The loss was, however, found (April 1981) to be actually Rs. 88.55 lakhs by the Registrar, Co-operative Societies. Amounts shown as blocked with the sundry debtors (Rs. 18.52 lakhs) were reported as unconfirmed and doubtful. The society had still to pay the growers Rs. 13.25 lakhs being the payment for cull fruit and Rs. 0.91 lakh as sales tax to the Government. Processing in the factory was discontinued from July 1980 as stocks worth Rs. 45.23 lakhs were lying with it undisposed of. Keeping in view the above position, the Management Committee of the Society was dissolved (May 1981) by the State Government and an Administrator was appointed with a view to making it a viable unit.

According to the rules governing payment of subsidy to the Co-operative societies, the grant of subsidy each year is dependent upon the satisfactory progress registered by the society from year to year. Despite the fact that the losses sustained by the society rose from Rs. 1.07 lakhs during 1976-77 to Rs. 23.65 lakhs during 1977-78, further subsidies totalling Rs. 4.42 lakhs (Rs. 0.42 lakh for the purchase of a truck and Rs. 4.00 lakhs as managerial subsidy) was sanctioned by the department to the society between 1978-79 and 1980-81 when it incurred further losses. Information as to whether the society had utilised the subsidy for the purposes for which it was given was not available with the sanctioning authority.

(iii) *Establishment of Ice Plant and Cold Storage*—For the establishment of an Ice Plant and Cold Storage (estimated cost ; Rs. 4.69 lakhs) at Mehatpur (Una District) through a Co-operative Society, the National Co-operative Development Corporation sanctioned a loan of Rs. 2.82 lakhs and subsidy of Rs. 0.94 lakh to the State Government on 23rd March 1979. This sanction was valid upto 31st March 1980 by which date the State Government was to ensure completion and commissioning of the project and also drawal of the entire sanctioned assistance from the Corporation. Assistance of Rs. 4.69 lakhs was paid by the State Government to the Co-operative Society upto March 1980, but the project has not been commissioned so far (July 1981), reasons being not known.

Monthly progress reports regarding the installation of the unit as prescribed by the Corporation while sanctioning the loan and subsidy to the State Government had also neither been called for by the State Government from the Federation for onward transmission to the Corporation nor were these submitted by the Federation.

The Corporation reimbursed (February 1980) to the State Government Rs. 0.71 lakh as loan and Rs. 0.23 lakh as subsidy against the amounts of Rs. 2.82 lakhs and Rs. 0.94 lakh sanctioned by the Corporation as loan and subsidy

respectively. For releasing the balance amount, the Corporation demanded details of the expenditure incurred on the project, which have not been supplied so far (June 1981).

(iv) *Rehabilitation grant*—Under a scheme formulated in January 1972 for granting assistance to weak Central Co-operative Banks to cover a part of their bad debts, a sum of Rs. 4.88 lakhs (State and Central shares at the rate of Rs. 2.44 lakhs each) was sanctioned between 1977-78 and 1979-80 as a rehabilitation grant to be paid to the Jogindra Central Co-operative Bank Limited, Nalagarh.

One of the important considerations for selection of a bank for assistance under the scheme was that the bank should become a viable unit within a reasonable period after receiving rehabilitation grant. According to the departmental audit report for the period ended 30th June 1980, the loss of the Jogindra Central Co-operative Bank Limited rose from Rs. 1.56 lakhs during 1977-78 to Rs. 1.97 lakhs in 1979-80, and as such, it was still far from becoming viable. Further, as on 30th June 1980, the Jogindra Central Co-operative Bank Limited had still to realise Rs. 7.10 lakhs towards principal and interest from societies under liquidation to which it had given assistance.

(v) *Grants-in-aid*—Following defects were noticed in respect of grants sanctioned by the department:—

- (a) Departmental rules to regulate the payment of grants to co-operative institutions had not been framed (June 1981).
- (b) The prescribed register of grants has not been maintained in the proper form though the requirement was reiterated (May 1973) by the State Finance Department. Entries made therein were also not authenticated (June 1981).
- (c) The sanctions for grants did not specify the time limit within which the grants were to be utilised by the grantees.

(vi) *Loans*—(i) Mention was made in paragraph 6.3 of the Report of the Comptroller and Auditor General of India for the year 1975-76 (Civil) that the individual ledger accounts of the loanee societies maintained by the department were neither authenticated by the officials compiling them nor checked/counter-checked by any other official. The deficiency was found to be still persisting (June 1981). Acceptances of the outstanding balances of loans at the end of the financial year, though reported to have been obtained from the loanee institutions, were neither produced before audit nor were these found on record.

(ii) Rupees 31.71 lakhs (principal : Rs. 15.16 lakhs ; interest : Rs. 16.55 lakhs) were outstanding as on 31st March 1981 in respect of loans of Rs. 2,79.17 lakhs paid by the department upto 31st March 1981.

Non-recovery was attributed (November 1981) by the department to weak financial position of the societies and natural calamities etc.

(iii) The terms and conditions of loans totalling Rs. 14.69 lakhs sanctioned by the department between June 1979 and December 1979 to Baijnath Co-operative Tea Factory for establishing tea factory under a Central Sector Scheme were not specified in the sanctions issued by the department. The matter was stated to be under correspondence with the Government (June 1981).

The matter was reported to the Government in August 1981; reply is awaited (December 1981).

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Section A—General

7.1 This chapter deals with the results of audit of :—

- (i) Statutory Corporations ;
- (ii) Government Companies ; and
- (iii) Departmentally managed Government Commercial and *quasi-Commercial* undertakings.

Section B—Statutory Corporations

7.2 As on 31st March 1981, there were three Statutory Corporations, *viz.*, Himachal Pradesh State Electricity Board, Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

The certified accounts of the Himachal Pradesh State Electricity Board for the year 1979-80 together with audit certificate and report thereon were forwarded to the State Government in December 1980 for being placed before the State Legislature in terms of Section 69(4) and (5) of Electricity (Supply) Act, 1948.

The accounts of Himachal Pradesh State Electricity Board for the year 1980-81 were made available to Audit on 19th September 1981. Draft comments on the accounts were issued to the State Government in October 1981 ; reply was awaited (December 1981).

The Audit Report on the certified accounts of Himachal Pradesh Financial Corporation (certified by Statutory Auditors) for the year 1979-80 was forwarded to the State Government in December 1980 for being placed before the State Legislature in terms of Section 37(7) of the State Financial Corporations Act, 1951.

The annual accounts of Himachal Road Transport Corporation for 1979-80 together with Audit Report thereon were forwarded to the State Government in March 1982 for being placed before the State Legislature in terms of Section 33(4) of State Road Transport Corporations Act, 1950. The accounts for the year 1980-81 were, however, in arrears (December 1981).

A synoptic statement showing the summarised financial results of the working of the Corporations on the basis of latest available accounts is given in Appendix VIII.

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 1981 was Rs. 1,35,66.24 lakhs and represented an increase of Rs. 21,59.52 lakhs, *i.e.*, 18.93 *per cent* on the long-term loans of Rs. 1,14,06.72 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 1981 were as follows :

Source	Amount outstanding as		Percentage increase
	on 31st March		
	1980	1981	
	(Rupees in lakhs)		
State Government ..	78,86.34	91,44.23	15.95
Other sources :			
Rural Electrification Corporation ..	16,65.11	20,63.65	23.93
Life Insurance Corporation of India ..	2,95.77	4,68.86	58.52
Bonds/debentures ..	15,59.50	18,89.50	21.16
Total ..	1,14,06.72	1,35,66.24	18.93

7.3.2 Guarantees

Government had guaranteed the repayment of loans raised by the Board to the extent of Rs. 51,46.28 lakhs and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1981 was Rs. 39,53.15 lakhs. Government charges a guarantee fee of half *per cent* for the loans guaranteed. A sum of Rs. 2.04 lakhs was payable to the State Government as guarantee fee as on 31st March 1981.

7.3.3 Financial position and working results

(i) Financial position

The financial position of the Board at the close of the three years upto 1980-81 is given in the following table :

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
<i>Liabilities</i>			
(a) Loans from Government ..	69,72.34	78,86.34	91,44.23
(b) Other long-term loans (including bonds) ..	29,76.38	35,20.38	44,22.01
(c) Reserves			
—Subvention and subsidy from State/Central Government ..	2,91.82	3,50.48	4,50.48*
—Consumer's contribution received (towards service lines)	21.26	26.46	31.83*
—Other capital receipts ..	39.66	50.44	58.51*
(d) Current liabilities ..	24,50.82	28,23.49	37,69.67
Total ..	1,27,52.28	1,46,57.59	1,78,76.73
<i>Assets</i>			
(a) Gross fixed assets ..	61,38.53	62,48.75	63,99.81
(b) Less : Depreciation ..	5,79.27	7,28.12	7,32.91
(c) Net fixed assets ..	55,59.26	55,20.63	56,66.90
(d) Capital work-in-progress ..	41,37.68	58,47.22	77,63.50
(e) Investments ..	1,94.46	2,46.89	2,68.17
(f) Current assets ..	24,04.51	25,23.14	32,72.00

* The increase of Rs. 1,00.00 lakhs under subvention and subsidy appearing under the head "Reserves" represents grant of (a) Rs. 50 lakhs received from the Central Government towards survey and investigation of the Parvati/Baspa and Nathpa Jhakri Schemes and (b) Rs. 50 lakhs from Himachal Pradesh Government for electrification of left out Harijan Bastis/hamlets.

(g) Miscellaneous expenditure			
—Deferred revenue expenditure and intangible assets ..			
	65.98	71.59	91.09
—Accumulated losses ..			
	3,90.39	4,48.21	8,15.07*
Total ..	<u>1,27,52.28</u>	<u>1,46,57.59</u>	<u>1,78,76.73</u>
Capital employed @ ..	55,60.31	52,75.34	52,22.95
Capital invested £ ..	99,48.72	1,14,06.72	1,35,66.24

(ii) Working results

The working results of the Board for the three years upto 1980-81 are summarised below :—

	1978-79	1979-80	1980-81
	₹(Rupees in lakhs)		
(a) Revenue receipts ..	13,36.46	13,74.39	12,57.58
(b) Revenue expenditure ..	11,78.17	13,74.39	13,74.14**
(c) Gross surplus ..	1,58.29	..	..
(d) Appropriations—			
Interest on loans and bonds other than Government loans ..	1,58.29	1,89.84	2,50.30

* No provision was made for interest on Government loans the liability of which, as on 31st March 1981, was to the tune of Rs. 31,02.51 lakhs. Further, no provision was made for depreciation to the extent of Rs. 3,51.86 lakhs for want of surplus.

The increase in loss by Rs.3,66.86 lakhs during the year 1980-81 was mainly due to increase in expenditure on salaries and wages on account of revision of pay scales with effect from January 1978 and also due to lower generation of electricity because of flooding of Giri Power House.

@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 reserve.

** Difference of Rs. 1,16.56 lakhs between revenue receipts and revenue expenditure has been met from capital.

(e) Total return on capital employed ..	1,58.29	(—)1,89.84	(—)2,50.30
(f) Total return on capital invested ..	1,58.29	(—)1,89.84	(—)2,50.30
(g) Rate of return (<i>per cent</i>) on			
—Capital employed ..	2.9	(—)3.6	(—)4.8
—Capital invested ..	1.6	(—)1.7	(—)1.8

The total return on capital employed/capital invested during the three years does not take into account the deferred charges towards interest on Government loans and depreciation for the respective years which have not been provided for want of surplus as detailed below :—

Particulars of charges not provided for	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Interest on Government loans for the year ..	4,34.73	5,27.60	6,67.08
Depreciation for the year ..	..	..	1,56.25
Total ..	4,34.73	5,27.60	8,23.33

The total return on the capital employed/capital invested after taking into account the expenses not provided, which are deferred liabilities to be provided in the accounts of the subsequent years when the Board will earn sufficient surplus, would be negative for all the three years as depicted in the following table :—

Particulars	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Total return on capital employed :			
—Already accounted ..	(+)1,58.29	(—)1,89.84	(—)2,50.30
—Deferred charges for the year	(—)4,34.73	(—)5,27.60	(—)8,23.33
—Net return (negative) ..	(—)2,76.44	(—)7,17.44	(—)10,73.63



Total return on capital invested :

—Already accounted ..	(+)1,58.29	(-)1,89.84	(-)2,50.30
—Deferred charges for the year	(-)4,34.73	(-)5,27.60	(-)8,23.33
—Net return (negative) ..	(-)2,76.44	(-)7,17.44	(-)10,73.63

Rate of return (*per cent*) on :

—Capital employed ..	(-)4.97	(-)13.60	(-)20.56
—Capital invested ..	(-)2.78	(-)6.29	(-)7.91

As on 31st March 1981, the accounts of the Board showed a cumulative contingent liability of Rs. 34,54.37 lakhs as detailed below :

	For the year 1980-81	Cumulative as on 31st March 1981
	_____	_____
	(Rupees in lakhs)	
Interest on Government loans ..	6,67.08	31,02.51
Depreciation ..	1,56.25	3,51.86
	_____	_____
Total ..	8,23.33	34,54.37
	_____	_____

7.3.4 Operational performance

(i) The following table indicates the operational performance of the Board for the three years upto 1980-81 :—

Particulars	1978-79	1979-80	1980-81
	_____	_____	_____
	(Mkwh)		
1. Installed capacity—			
—Hydro ..	965.97	972.54	976.91
—Diesel ..	22.01	22.01	22.01
	_____	_____	_____
Total ..	987.98	994.55	998.92
	_____	_____	_____

2. Normal maximum demand	586.92	692.04	744.60
3. Power generated			
—Hydro ..	397.61	354.88	244.94
—Diesel ..	0.06	0.03	..
Total ..	<u>397.67</u>	<u>354.91</u>	<u>244.94</u>
Less power used on auxiliaries	2.23	1.94	1.60
Total (net) ..	<u>395.44</u>	<u>352.97</u>	<u>243.34</u>
4. Power purchased from other agencies ..	216.35	232.92	267.94
5. (a) Total power available for sale ..	611.79	585.89	511.28
(b) Less power sold outside the State ..	309.21	258.54	151.82
6. Power available for sale within the State ..	302.58	327.35	359.46
7. Power sold within the State	193.50	216.26	264.84
8. Loss in transmission and distribution (6-7) ..	109.08	111.09 (per cent)	94.62
9. Load factor ..	51.55	47.30	41.71
10. Percentage of transmission and distribution losses ..	36.05	33.94 (Kwh)]	26.32
11. Number of units generated per KW of installed capacity	3,526	3,126	2,148*

*The decrease in the number of units generated during the year 1980-81 was due to closure of Giri Power House from 24th June 1980 to 29th November 1980. The installed capacity of Giri Power House (60 MW) was 53 per cent of the total installed capacity of the State.

(ii) The following table gives other details about the working of the Board as at the end of three years upto 1980-81 :—

Particulars	1978-79	1979-80	1980-81
(1) Villages/towns electrified (in numbers) ..	8,329	8,921	10,050
(2) Pump sets/wells energised (in numbers) ..	1,548	1,633	1,725
(3) Number of applications received for tube wells/load pending ..	196	135	137
(4) Number of sub-stations ..	2,754	3,006	3,432
(5) Transmission/distribution lines (KM)			
—High/Medium voltage ..	8,342.842	8,838.946	9,616.675
—Low voltage ..	14,086.811	15,433.143	17,542.811
(6) Connected load (MW) ..	348.799	373.455	415.599
(7) Number of consumers ..	3,75,782	4,00,536	4,42,493
(8) Number of employees ..	12,116	13,096	15,276

The following table gives the details of power sold and revenue expenses and profit/loss per KWH during the three years upto 1980-81 :

	1978-79	1979-80	1980-81
		(Mkwh)	
1. Units sold			
(a) Agriculture ..	3.32	5.42	8.86
(b) Industrial ..	69.98	93.34	104.37
(c) Commercial ..	26.96	28.00	33.33
(d) Domestic ..	49.81	54.93	65.61
(e) Others ..	350.42	293.11	204.49*
Total ..	500.49	474.80	416.66

*Includes 151.82 Mkwh power sold outside the State.

		(Paise)	
2. Revenue per Kwh	26.00	28.94	30.18
3. Expenditure* per Kwh	32.08	44.05	58.75
4. Loss per Kwh	6.08	15.11	28.57

The targets fixed in regard to power sold under agricultural sector (3.5, 5.5 and 9.00 MkwH respectively) were almost achieved during all the three years ; the shortfall was 0.18, 0.08 and 0.14 MkwH respectively.

7.3.5 Cash accounting

7.3.5.1 Introductory

The Board's receipts mainly comprise the following :—

- revenue from sale of power.
- open market borrowings by issue of bonds and debentures.
- loans from banks, Life Insurance Corporation of India and the State Government.
- subventions from the State Government.

After formation of the Board on 1st September 1971 for the initial period upto 31st March 1972, the accounting functions of the Board were entrusted to the Accountant General, Himachal Pradesh and Chandigarh by special arrangements. With effect from 1st April 1972, the accounting function was being managed by the Board. The Board's Finance and Accounts wing is headed by the Member, Finance and Accounts and is assisted by the Deputy Financial Adviser. The Manual of Banking Operations and Accounting contain instructions relating to the collection of revenue and compilation of accounts. The Board's centralised cash accounting system is operated with 16 current accounts with various banks operated by 76 drawing/disbursing officers. The Board is operating the current accounts styled collection account (for recording receipts) and drawing account (for recording expenditure). The daily closing balance of the collection account is transferred at the close of the banking business to the drawing account. Payments are authorised from the drawing account on the basis of monthly drawing limits fixed by the Member, Finance and Accounts.

As on 31st March 1981, the Board had 20 circles, 64 divisions and 287 sub-divisions. A test-check of the records of certain sub-divisions and a review of information of certain other units revealed the following :

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

7.3.5.2 Collection of revenue

The energy charges are deposited by the customers in cash or by local/outstation cheques and drafts in the sub-divisional offices. The amount so collected by the various sub-divisional offices is deposited in such of the branches of the Banks as are advised by the Board. As on 31st March 1981 there were 16 bankers having 196 numbers of collection accounts of the Board. Para 2.3 of the Manual of Banking Operations contemplates that at the close of each day, net daily balance of collection over and above Rs. 5,000·00 should be remitted by the branches of the Banks to their respective main branches on the following day by telegraphic transfer for credit to the Board's collection account. A test-check of three sub-divisions (Mehtapur, Parwanoo and Paonta Sahib) revealed that the cash/cheques received by the branches of two banks (Punjab National Bank : Rs. 82.41 lakhs and Union Bank : Rs. 50.57 lakhs) were transferred to the main branch of the respective Banks after a lapse of 2 to 73 days, resulting on an average loss of interest of Rs. 1.65 lakhs. The Board had not taken up the matter with the Banks for recovery of the loss so far (October 1981). The amounts collected by 12 sub-divisions (Rs. 2.66 lakhs) were deposited belatedly by 2 to 20 days during April 1977 to March 1980.

It was further noticed that in case of Electrical Sub-division, Parwanoo, an amount of Rs. 0.49 lakh deposited in the branch of Punjab National Bank in August 1980 had not been transferred (July 1981). The failure of the bank to transfer the deposits made in its branch was not noticed by the Board in the absence of monthly reconciliation of its figures with those of the bank.

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. In Electrical Sub-division, Mandi, Rs. 0.24 lakh were remitted belatedly by 5 to 12 days by the officials entrusted with spot collections.

As per rules of the Board, employees entrusted with the duties of handling cash are required to furnish cash security of Rs. 500 and surety bonds of Rs. 2,500 each. It was noticed that out of 48 sub-divisions (23 test-checked ; 25 information received) security and surety bonds were not obtained from 11 employees in seven units. It was also noticed that Rs. 16,618 were misappropriated in seven units of the Board during 1978-79 and 1979-80. The matter was under investigation and final results were awaited (December 1981).

A sum of Rs. 7,15.23 lakhs outstanding for recovery from various consumers as on 31st March 1981 included arrears as detailed below :—

Consumer	Amount (Rupees in lakhs)	Details
Municipal Corporation, Simla ..	4,56.21	Energy charges for supplies during the period from January 1974 to March 1981.
Uttar Pradesh State Electricity Board	95.65	Energy charges (from 1978-79).
Punjab State Electricity Board ..	17.02	Energy charges (from 1977-78).
Consumers ..	15.03	Recoverable from the consumers, whose connections had been permanently disconnected during the period from April 1978 to March 1981.

Delay in payment by Municipal Corporation is attributed by the Board to non-determination of the value of assets and liabilities of the Corporation's electrical wing taken over by the Board with effect from 1st January 1974.

The dues from UPSEB were realized during 1981-82.

7.3.5.3 Bank reconciliation

The internal control procedure of the Board requires prompt reconciliation of the bank accounts for further follow up of any discrepancy/short remittance *etc.* The reconciliation made by the Head Office of the Board with the main branches of the banks at Simla upto March 1981, however, revealed that amount aggregating Rs. 16.95 lakhs deposited during February 1973 to September 1980 had not been credited to the Board's account till March 1981. The delay ranged from 6 to 96 months, resulting in avoidable payment of interest of Rs. 6.58 lakhs (approximately) for 3 years.

Out of 48 sub-divisions test-checked, bank reconciliation statements were not prepared in 11 sub-divisions since their formation.

7.3.5.4 Cash credits from banks

The Board in its meeting held in November 1974 had authorised the Member, Finance and Accounts to obtain funds temporarily (to the extent required by the ways and means position) from time to time by way of overdrafts/cash credits from bankers by hypothecating the assets/stores of the Board or as a clean overdraft cash credit or by way of hypothecating the General Provident Fund (GPF) balances of employees lying in fixed deposits with Banks/Post Offices and to pay such rate of interest as may be prescribed by the Banks.

The Board availed overdrafts against employees' GPF deposits (for which Bank charged 2 *per cent* more interest than admissible on FDR's) in contravention of the Provident Funds Act, 1925. Interest of Rs. 0.04 lakh, Rs. 0.07 lakh and Rs. 10.94 lakhs was paid on these overdrafts during the years 1978-79, 1979-80 and 1980-81 respectively. The Board also obtained clean overdrafts at higher interest rates of 19 *per cent* during the year 1980-81 for short periods and paid interest of Rs. 2.43 lakhs out of Rs. 10.94 lakhs.

The Board had a credit balance of Rs. 21.23 lakhs ranging from Rs. 0.05 lakh to Rs. 9.60 lakhs in 9 Banks and overdraft balance ranging from Rs. 1.42 lakhs to Rs. 93.64 lakhs in 7 Banks as on 31st March 1981. Whereas the amount in deposit account did not earn any interest, the Board had to pay interest on overdraft (Rs. 1,75.71 lakhs). Had the amount in deposit with 9 Banks been got adjusted against the overdraft taken from other Banks, it would have resulted in saving of interest amounting to Rs. 2.06 lakhs on overdraft.

During the period from September 1979 to May 1980, the Board had a minimum credit balance of Rs. 12.57 lakhs in current accounts. By keeping the amount in current accounts instead of in fixed deposits, the Board was deprived of an interest income of Rs. 0.38 lakh.

7.3.5.5 Avoidable payment of guarantee fee

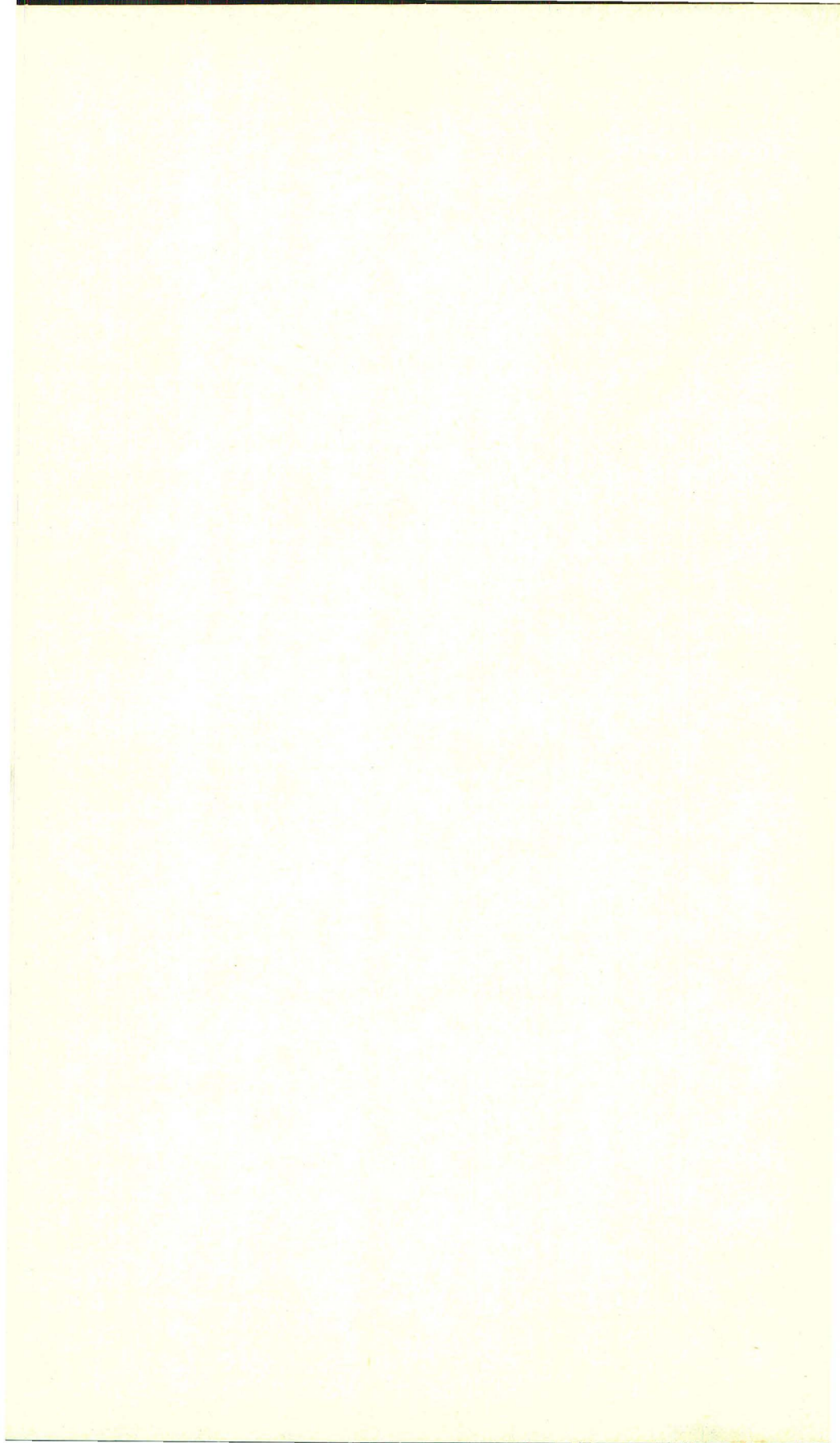
The Board is required to furnish to the Banks guarantee from the Government in respect of loans obtained by it from the Rural Electrification Corporation Limited (REC). In consideration, the State Government charges a guarantee fee of half *per cent* of the amount of loan. Upto the end of 1980-81, the Board obtained guarantees from State Government aggregating Rs. 32,56.78 lakhs for drawing loans from the REC in respect

of 80 schemes but against these, Rs. 21,45.05 lakhs had only been drawn as on 31st March 1981 as detailed below :-

Year		Amount of loan guaranteed by the State Government	Amount of loan actually drawn
		(Rupees in lakhs)	
1971-72	..	1,43.62	42.63
1972-73	..	2,49.81	1,53.14
1973-74	..	2,45.92	1,41.37
1974-75	..	3,75.76	2,42.52
1975-76	..	3,95.88	1,47.66
1976-77	..	2,33.41	1,51.23
1977-78	..	3,32.82	2,12.62
1978-79	..	4,87.69	2,98.63
1979-80	..	3,75.81	3,18.52
1980-81	..	4,16.06	4,36.73
	Total	32,56.78	21,45.05

In respect of 44 out of 80 schemes, the amounts of loan drawn were below 75 per cent of the amounts guaranteed as detailed below :-

Number of schemes	Total amount of loan		Percentage variation (range)
	Guaranteed	Drawn up-to 31st March 1981	
	(Rupees in lakhs)		
(1)	(2)	(3)	(4)
8	39.08	2,55.46	50 to 75
31	10,74.33	3,78.06	25 to 49
5	1,95.64	43.37	Below 25



The guarantee fee paid by the Board on loans not actually drawn amounted to Rs. 5.56 lakhs.

The matter was reported to the Government in August 1981 ; reply was awaited (December 1981).

7.3.6 Stores and purchases

A—Stores

7.3.6.1 Organisation

The stores organisation comprises 5 Central Stores, 59 divisional stores and 287 sub-divisional stores under the charge of concerned Divisional and Sub-divisional Officers. Materials purchased are received directly in these stores from where the supplies are drawn by the Divisional/Sub-divisional Officers according to their requirements.

7.3.6.2 Inventory

The table below indicates the opening balance, receipts, issues and closing balance of capital and other operating stores for the three years upto 1980-81 :—

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Opening balance ..	4,26.76	4,86.67	8,09.37
Receipts ..	14,13.28	21,95.05	31,56.30
Issues ..	13,53.37	18,72.35	27,43.90
Closing balance ..	4,86.67	8,09.37	12,21.77
Closing balance in terms of month's issues ..	4.3	5.1	5.3

The values of stock are the values according to books and do not represent the values of actual stock as per physical verification.

The values of receipts and issues do not represent the values of purchases and consumption since these figures also include inter-divisional transfers. Under the present system of accounting, it is not possible to ascertain the values of purchases and consumption.

Minimum and maximum limits of stock to be held by the divisions, sub-divisions and Central Stores have not been laid down. The reserve stock

limits for the years 1978-79 and 1979-80 were fixed after closure of the years in September 1979 and June 1980 respectively. Reserve stock limits for the year 1980-81 were not fixed. *Ex post facto* fixation of the reserve stock limits did not serve any useful purpose.

It was further noted that the Board decided (May 1981) to form a committee to determine the extent of surplus, obsolete and unserviceable stores in various divisions for taking a decision for their disposal, but the same had not been constituted so far (July 1981). As per information received from 16 divisions (out of 64 divisions), stores valuing Rs. 18.95 lakhs were lying surplus (March 1981).

7.3.6.3 Physical verification

In accordance with the instructions issued by the Board physical verification of stores is to be carried out annually in all the Divisional and Sub-divisional stores.

The table below shows the results of physical verification conducted during 1978-79 to 1980-81 :—

Year	Total number of stores	Number of stores physically verified	Shortages	Surplus
			(Rupees in lakhs)	
1978-79	223	20	1.48	0.48
1979-80	225	20	1.53	1.53
1980-81	287	22	2.83	1.66
		Total	5.84	3.67

It would be seen from the above that approximately 10 per cent units were subjected to physical verification during each year. It was intimated (July 1981) by the Finance and Accounts wing of the Board that shortages of Rs. 0.82 lakh and surpluses of Rs. 0.95 lakh had been adjusted and the remaining items were under investigation.

B—Purchases

7.3.6.4 Organisation

A Central Purchase Organisation started functioning under a Superintending Engineer from March 1972. In January 1974 a Central Stores Purchase

Committee was constituted which decides on purchases in the range of Rs. 5.00 lakhs to Rs. 50.00 lakhs. Powers to make purchases in the range of Rs. 0.50 lakh to Rs. 5.00 lakhs have been delegated to the Central Purchase Organisation, and upto Rs. 0.50 lakh to various field officers. Purchases in excess of Rs. 50.00 lakhs are sanctioned by the Board.

7.3.6.5 Procedure

Procedure for purchase of material has been manualised. The field officers are required to send indents covering half-yearly requirements of stores by 15th May and 15th November each year. In addition, supplementary indents, urgent indents for unforeseen demands and emergent indents covering demands for special materials are also sent by the field offices.

The stores budget is not being prepared and presented to the Board annually for approval. In its absence, it has not been possible to achieve planned result, and the purchases were arranged for specific items of stores as and when such demands were received.

7.3.6.6 Procedural deficiencies

According to provisions of the Manual of Purchases and Material Management, the duties of the Chief Purchase Officer are not merely confined to placing of the orders, but extend to ensuring that the materials reach the consignees. This necessitates a continuous watch over the various situations that would arise from the time of placement of the order till its final execution. To ascertain the extent of supply to the various consignees, detailed record is required to be maintained by the Chief Purchase Officer in the prescribed form for submission to the Executive Engineer, Chief Purchase Officer and Member (Administration) and Member (Finance and Accounts) showing the weekly, fortnightly and monthly position in this regard.

During test-check by audit, the following points were noticed :

- The supply position registers had not been submitted at the prescribed intervals to the specified authorities ;
- Position of defective/short supply was not depicted in the registers;
- The Purchase Organisation was not certain whether the supplies were received by the consignees against each of the purchase orders placed by the Chief Purchase Officer.

7.3.6.7 Non-reconciliation of revolving fund/deposits

The Board's purchase manual provides that the payments against supply orders on rate or running contracts shall be made by the Pay and

Accounts Officer of the Director General, Supplies and Disposals (D.G.S. & D.). For this purpose, the Board is required to keep a revolving deposit of Rs. 5.00 lakhs with the Pay and Accounts Officers at Delhi/Calcutta/Bombay to be replenished from time to time. No such revolving deposit was kept with the Pay and Accounts Officers reportedly due to paucity of funds. Payments are, however, being made through advance deposits with the Pay and Accounts Officer concerned.

The table below shows the amount of deposit lying in excess with the Pay and Accounts Officers, New Delhi and Bombay as communicated to them by the Board :—

Name of Pay and Accounts Officer	Period	Amount deposit- ed	Material received	Re- funds received	Balance recover- able as on Feb- ruary 1981	Remarks
----------------------------------	--------	--------------------	-------------------	--------------------	---	---------

(Rupees in lakhs)

Pay and Accounts Officer, New Delhi	April 1972 to Decem- ber 1980	4,65.73	2,74.66	56.26	1,34.81	Accounts from July 1976 to September 1977 and June 1980 to December 1980 were awaited (August 1981).
Pay and Accounts Officer, Bombay	April 1972 to Decem- ber 1980	3,90.62	2,27.12	24.88	1,38.62	Accounts from January 1974 to March 1974, April 1977 to June 1977 and April 1980 to December 1980 were awaited (August 1981).

The Pay and Accounts Officer, New Delhi intimated (April 1981) that some of the deposits mentioned in the statements sent by the Board were not traceable with them whereas certain other deposits, which appeared in their books were not included by the Board in the statements. The reconciliation of these deposits had not been conducted since inception (April 1972) by the Board so far (December 1981). As against the balance of Rs. 1,35.81 lakhs shown in the Board's records as recoverable from the Pay and Accounts Officer, New Delhi as on 31st December 1980, the latter had confirmed (February 1982) a balance of only Rs. 2.28 lakhs (provisional). No confirmation had been received by the Board so far (February 1982) in respect of the amount of Rs. 1,38.62 lakhs (according to the Board's books) recoverable from the Pay and Accounts Officer, Bombay.

7.3.6.8 Purchase performance

7.3.6.8.1 The following are the details of purchase orders placed by the Chief Purchase Officer of the Board during three years ending 1980-81 :—

	1978-79		1979-80		1980-81	
	Number of orders	Value (Rupees in lakhs)	Number of orders	Value (Rupees in lakhs)	Number of orders	Value (Rupees in lakhs)
Open tenders ..	140	4,72.69	132	9,71.44	79	6,69.96
Rate contract ..	41	81.59	46	77.79	38	1,06.11

Some points noticed during scrutiny of purchase orders placed with various firms are dealt with in succeeding paragraphs.

7.3.6.8.2 Purchase in excess of requirement

A purchase order for the supply of 60 tonnes of Indomite explosives required for use in Bhabha Project was placed with a firm during April 1980. The firm supplied (May 1980 to September 1980) 69 tonnes of Indomite, *i.e.*, 9 tonnes (value : Rs. 1.15 lakhs) in excess of the quantity ordered for. While seeking (February 1981) approval of the Board for regularisation of the excess purchase of the explosives, it was stated that these were not required during 1980-81 as there were sufficient stocks ; and keeping in view the past good relations with the firm regularisation of the excess quantity of explosives supplied was sought. The proposal was accepted by the Finance and Accounts wing (April 1981) subject to the condition that the material was utilised within a reasonable period and would not be rendered surplus/obsolete with the passage of time.

While supplying literature on Indomite explosives to the sub-divisional stores at Girinagar the firm had stated (October 1981) that the storage life of the explosives was one year. It was further indicated that for maximum efficiency the explosives should be consumed as early as possible.

In addition to the 69 tonnes of explosives (valued Rs. 8.23 lakhs) received between May 1980 and September 1980 against the purchase order of April 1980, Indomite explosives (42.500 tonnes) valued Rs. 5.46 lakhs purchased between December 1979 and March 1980 had been lying unused (June 1981) in the sub-divisional stores of Girinagar since the date of purchase. Out of this, only 20.975 tonnes (value : Rs. 2.37 lakhs) of explosives were issued between July 1981 to October 1981 leaving a balance of Rs. 90.525 tonnes. This balance of stock (value : Rs. 11.32 lakhs) received between December 1979 and September 1980 had outlived (October 1981) its life of one year.

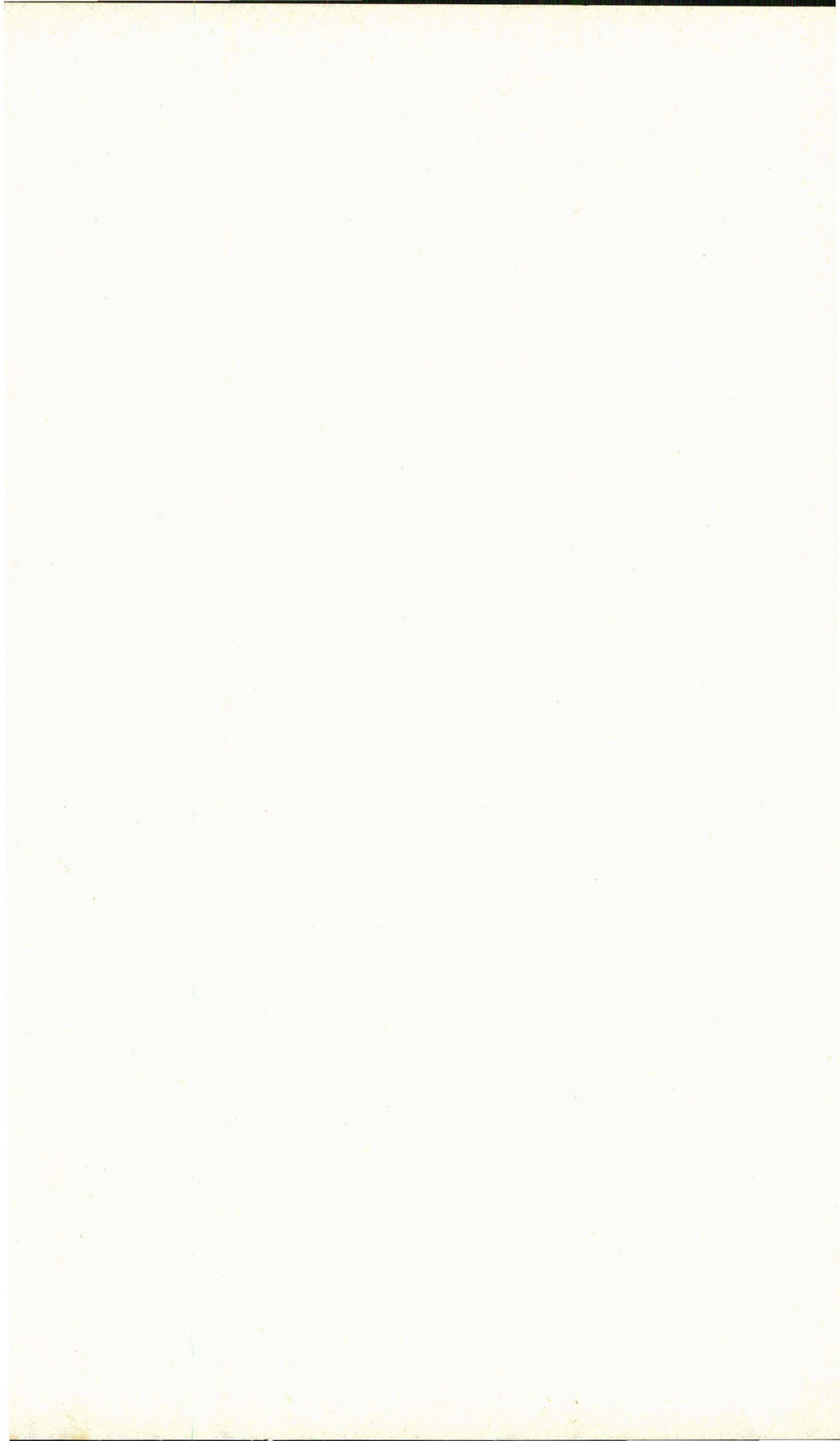
7.3.6.8.3 Purchase of conductors

(a) The Board, after calling for tenders, placed purchase orders in September 1978 on three firms (whose rates were the lowest, after allowing a price preference of $17\frac{1}{2}$ per cent) for supply of 4925 kms. of conductors, of various descriptions and specifications at different rates; the supplies were required to be completed as indicated below :—

Due date for completion of supplies	Supplies to be made by		
	Firm 'A'	Firm 'B'	Firm 'C'
	(Quantity in kms.)		
22nd October 1978	.. 350	530	350
22nd December 1978	.. 550	850	600
22nd February 1979	.. 438	744	513
Total	.. 1338	2124	1463

In the execution of the purchase contracts, the following points were noticed :—

(i) Firm 'A' was granted two extensions upto 28th February 1979 and upto 17th March 1979. The prices agreed to were inclusive of all taxes and statutory levies. It was stipulated that any imposition of fresh taxes/levies would be payable by the Board. The firm offered the last lot of materials for inspection on 15th February 1979, whereas the inspection was carried out on 12th/13th March 1979 and the materials were delivered soon afterwards. In the meantime, the excise duty was enhanced from 5.25 per cent to 10 per cent with effect from 1st March 1979. The delay in delivery of conductors due to delayed inspection by the Board's inspection agency resulted in an extra expenditure towards excise duty amounting to Rs. 0.28 lakh which was avoidable.



(ii) The prices mentioned in the purchase order were variable on account of revision in the controlled price of E.C. grade aluminium, sales tax, excise duty and other levies. The basic price of aluminium (E.C. grade) which was Rs.14,253 per tonne at the time of placing the order fell to Rs. 13,390.15 per tonne with effect from 18th October 1978. Consequently, the revised prices of different varieties of conductors which were lower by Rs. 54 to Rs. 134 per km. on various conductors were worked out (March 1979).

The price variation formula was, however, issued to firms/consignees in February 1979. In the meantime, 100 per cent payments on pre-revised rates were made in respect of material supplied after 17th November 1978. This resulted in excess payment of Rs. 0.39 lakh.

The matter was stated (May 1981) to be under arbitration and the award of the arbitrator was awaited (December 1981).

(b) Under the terms of the purchase orders placed (April 1979) on firm 'A' for supply of 4600 kms. of conductors, of different specifications valued Rs. 78.32 lakhs, the rates were variable ; the variation was to be allowed on account of decrease/increase in the controlled price of E.C. grade aluminium and on account of statutory variations in sales tax, excise duty and other levies. Only 1309 kms. of conductors were supplied within the delivery periods stipulated (May 1979 to November 1979).

The delivery period in respect of the balance quantities (3291 kms.) was extended (March 1980) upto 30th June 1980. Increase in the rates to the extent shown below was also allowed due to increase in aluminium price with effect from 4th October 1979 :—

Particulars of material	Original rates	Revised rates	Difference
	(In rupees per km.)		
AAC 'Gnat' 7/2 ·21 mm.	1,513 ·00	1,764 ·50	251 ·50
ACSR 'Squirrel' 6/1/2 ·11 mm.	1,391.00	1,597 ·92	206 ·92
ACSR 'Rabbit' 6/1/3 ·35 mm.	3,401 ·00	3,916 ·07	515 ·07

Note : The above increase was applicable in respect of supplies made from 4th November 1979 to 30th June 1980.

In another amendment issued (August 1980), the delivery period was further extended upto 30th September 1980, but, the increase in aluminium price with effect from 15th July 1980 (on the basis of which the firm had claimed escalation) was disallowed. However, as a special case, the firm was allowed to claim 5 per cent special duty on basic excise duty with effect from 19th June 1980.

As per clause 9 of the purchase orders the price variation was admissible only on account of variation in the controlled price of E.C. grade aluminium and increase in statutory levies. There was no stipulation in the purchase orders regarding any escalation on account of rise in the price of H.T.G.S. wire to be used in ACSR conductor. The firm, while accepting the purchase orders, had requested (April 1979) the Board to review the rate of ACSR conductors in view of the rise in price of H.T.G.S. wire. The Store Purchase Committee of the Board decided (5th May 1979) to reconsider the price variations of steel wire also as a gesture of goodwill to the firm. This was reconsidered on 17th October 1980, and the following price hikes due to increase in the rates of H.T.G.S. wire used in ACSR conductors which were supplied during the period shown against each were allowed to the firm :—

Month of the invoice	Increase allowed per km. of ACSR conductor	
	Squirrel 6/1/2.11 mm.	Rabbit 6/1/3.35 mm.
	(Rupees)	
May 1979	28.63	..
August 1979 to February 1980	39.53	85.93
March 1980 to September 1980	49.08	99.68

As the original delivery schedule had already expired on 30th November 1979, price hikes were not admissible in terms of the purchase orders placed. Instead of penalising the firm for not adhering to the contracted delivery schedule, the firm was granted extensions without disallowing price increases sought resulting in avoidable payment of Rs. 8.78 lakhs which lacked justification.

It was stated (May 1981) by the Chief Purchase Officer of the Board that in spite of best efforts put in by the firm, it was unable to cope with the delivery schedule and it was the normal duty of the Board to help the firm to stand on its feet.

7.3.6.8.4 Installation of portable steel bridge

The Superintending Engineer, Bhabha Planning Circle, placed (November 1978) an order on a Calcutta firm for supply and erection of a single lane bailey type portable bridge of 200' span at a cost of Rs.17.17 lakhs. The bridge was to be erected on the River Sutlej for transportation of material and machinery to the project site across the river and to carry cables from the transformer gallery inside the power house to the switch-yard site on the opposite bank. The bridge components complete in all respects were to be despatched by the firm by 31st March 1979.

As per terms of payment 25 per cent of total value was to be paid in advance and the balance 75 per cent was to be paid against *pro forma* invoice duly supported by inspection note and other documents. The price was variable depending on variation in the cost of material and labour over that prevailing in August 1978 (base month). Rupees 4.01 lakhs were advanced to the firm in December 1978. In June 1979, the due date of delivery was extended upto 30th November 1979 on the request of the supplier. The bridge components were, however, not supplied upto 30th November 1979. By another amendment (March 1980) price increase was allowed to the extent of Rs. 1.49 lakhs besides waiving of the condition for obtaining prior approval of design calculations specified in the order. Rupees 14.40 lakhs were paid in March 1980 on receipt of *pro forma* bills which were not supported by inspection notes. The components were supplied between March 1980 and December 1980. The bridge had, however, not been erected (July 1981) due to heavy slide at the original location of the bridge, in September 1978 (before placing the order for the equipment). A new site had not been selected so far (July 1981). Meanwhile, the firm claimed (January 1981) Rs. 18.23 lakhs representing escalation on labour on the basis of difference in wage structure in August 1978 and December 1980 (highest wage structure prevailing in any month during the period of despatch). The claim for escalation had, however, not been settled so far (July 1981). It was further noticed that bridge components valuing Rs. 0.49 lakh were received in excess of requirement. No action, had, however, been taken (June 1981) to get refund of cost of the excess supplies paid for in March 1980. There was no provision in the purchase order regarding furnishing of security deposit by the firm and levy of liquidated damages in case the supply was delayed beyond the stipulated date of delivery.

7.3.6.8.5 Purchase of Truck Mounted Diesel/Electric Crane

Tenders for supply of Truck Mounted Diesel/Electric mobile Crane having maximum lifting capacity of 12.5 tonnes were opened on 27th July 1979. Three firms tendered and the order was placed (December 1979) on firm price basis on firm 'B', the second lowest tenderer, as detailed below :—

Description	Units	Amount (Rupees in lakhs)
Truck Mounted Crane (including cost of chassis : Rs. 3.95 lakhs)	1	9.73
Jib extension	1	0.08
Extra for P6 engine for high altitude operation above 5000 feet M.S.L. in lieu of P4	..	0.15
Recommended spare parts for 2 years' normal maintenance programme	1	1.13
Total (including excise duty)	..	11.09

In the evaluation of the offers and performance of the contract, the

following points were noticed :—

(i) None of the three firms had offered for crane having a rated capacity of 12.5 tonnes specified.

(ii) The rated capacities of the cranes offered by firm 'A' (which was lowest and ignored) and by firm 'B' were the same, viz., 10 tonnes.

(iii) Offer of firm 'A' was ignored as the crane was proposed to be mounted on indigenous chassis (Ashoka Leyland make) which was a new model introduced, and as such, its behaviour was reported to be not yet established.

The performance of the new model of chassis was neither got checked nor ascertained before rejecting the lowest offer.

(iv) Firm 'B' had also proposed to use Ashoka Leyland Hippo chassis after necessary modification.

(v) Tenders opened on 27th July 1979 were finalised only by 28th November 1979 when the recommendations of the Chief Engineer (Projects) were sent to the Board. The proposal to place the purchase order was approved on 30th November 1979 which was the last day of expiry of the validity of offer. The firm communicated (21st December 1979) its disagreement with the standard terms and conditions stipulated in the purchase order. The amendments as desired by the firm were issued on 8th February 1980. This included revision of the price in respect of chassis from Rs. 3.95 lakhs (including excise duty) to Rs. 4.57 lakhs (excluding excise duty to be paid at "current rates" on the total value of the equipment including chassis but excluding spare parts). By virtue of the amendment dated 8th February 1980 the Board had not only to pay Rs. 0.62 lakh extra due to increase in the cost of chassis but also 8 per cent excise duty on Rs. 4.57 lakhs i.e., Rs. 0.36 lakh plus 4 per cent C.S.T. thereon, i.e., Rs. 1,440. The Board had to pay Rs. 12.09 lakhs against the offer of Rs. 8.82 lakhs (Rs. 9.00 lakhs less 2 per cent discount) of firm 'A' resulting in extra expenditure of Rs. 3.27 lakhs.

7.3.6.8.6 Purchase of galvanised steel wire

The orders for supply of galvanised steel wire (150 tonnes) and galvanised stray strand wire (80 tonnes) valuing Rs. 5.15 lakhs and Rs. 2.90 lakhs respectively were placed (December 1976) on firm 'A'. The material was required to be delivered between February and April 1977 in respect of both the orders. The firm supplied 70.215 tonnes of galvanised steel wire and 50.360 tonnes of galvanised stray strand wire between February 1977 and April 1977. Part of the wire

supplied, viz., 37.750 tonnes valued Rs. 1.25 lakhs, was reported to be of sub-standard quality as per test reports of the various consignees. As per terms of the order 95 per cent payment of the value of supplies received had already been made against railway receipts.

The firm was approached (February 1977 to October 1977) by the consignees as well as the Chief Purchase Officer to replace the sub-standard material and to complete supply of the balance quantity. The firm neither replaced the material nor completed the balance supplies. It was stated (June 1981) by the consignees that details of works on which the sub-standard material was utilised were not available.

On 12th October 1978, the firm was served with a notice asking it to supply balance quantity of material within one month failing which the material was proposed to be purchased at its risk and cost. As there was no response, it was purchased in May 1979 (alongwith other requirements of wires) from firm 'B'. A claim of Rs. 2.16 lakhs was raised (October 1979) against firm 'A' towards the extra expenditure incurred by the Board, and the firm was asked to remit the amount within a fortnight, or, to agree to refer the dispute to the Arbitrator as per terms of the contract. Neither the claim had been settled so far (December 1981) nor the case was pursued further.

7.3.6.8.7 Purchase of P.C.C. poles

(a) Nine orders for supply of pre-stressed cement concrete poles were placed (October 1973) on a firm on rate contract with Director General, Supplies and Disposals. Against these supply orders, 234 poles valuing Rs. 0.48 lakh (excluding forwarding, loading, insurance and freight charges and Central Sales Tax) supplied by the firm were reported by the consignee divisions to be broken/damaged (110), rejected (3) and unstamped (121). Though the matter was taken up with the firm (April 1975) by the consignee divisions and claims also lodged with the insurance company (October 1977), neither the poles were replaced nor the claims honoured by the Insurance Company so far (December 1981).

(b) A purchase order for supply of pre-stressed cement concrete poles of two lengths (2585 number) valued Rs. 5.41 lakhs was placed with firm 'A' on 11th January 1979. Even though the firm failed to effect timely supply of the materials within the stipulated period, i.e., before 10th April 1979, another order for supply of 1575 P.C.C. poles of two lengths valued Rs. 3.69 lakhs was placed on firm 'A' on 5th May 1979. The supply in respect of the second supply order was to be completed within six months (4th November 1979). The table below

shows the position in respect of supplies received against both the orders (upto May 1981) *vis-a-vis* delivery schedule :—

Date of supply order	Date by which supply was to be completed	Poles ordered		Poles received		When received	Balance to be supplied	
		8 m len-gth	9 m len-gth	8 m len-gth	9 m len-gth		8 m len-gth	9 m len-gth
11th January 1979	10th April 1979	1965	620	750	172	June 1979 to December 1979	1215	448
5th May 1979	4th December 1979	1000	575	140	..	December 1979	860	575

As per the terms of the orders, the prices were firm, f.o.r. destination. The supplier had informed (October 1979) that either the order of January 1979 for the balance quantity be cancelled, or, price escalation in respect of both the orders be given including escalation on P.C.C. poles already supplied. In December 1980, the price escalation on steel and H.T. wire was acceded to in respect of both the orders.

It was noticed by the Board on inspection of the poles received that 140 P.C.C. poles valued Rs. 0.29 lakh received in December 1979 against the order of May 1979 were of poor quality. In spite of assurance given (March 1980) by the firm for replacing the material, neither the rejected poles had been replaced nor the amount refunded so far (December 1981). The matter had not been pursued with the firm since March 1980.

According to terms of the orders, liquidated damages at certain specified rates were to be imposed, or, risk purchases effected at the cost of the supplier. It was noticed that neither liquidated damages aggregating Rs. 0.35 lakh were recovered nor risk purchases made in respect of both the orders.

7.3.6.8.8 Purchase of steel from Steel Authority of India Limited (SAIL)

(a) It was noticed that against advance payments of Rs. 8.12 lakhs made

during 1979-80, material valuing Rs. 2.64 lakhs only was received from SAIL as detailed below :—

Date of advance payment	Amount of advance payment	Value of material received	Material to be supplied at the end of June 1981
(Rupees in lakhs)			
27th July 1979 ..	3.48	1.36	2.12
13th December 1979 ..	1.49	..	1.49
27th February 1980 ..	3.15	1.28	1.87
Total ..	8.12	2.64	5.48

Non-receipt of the material resulted in locking up of funds.

(b) In respect of an order placed on SAIL in December 1979 for supply of steel materials valued Rs. 5.96 lakhs, the full amount was advanced by a Bank Draft in the same month. It was intimated on 1st January 1980 by SAIL that the Bank Draft had not been honoured on presentation to their bankers. Though the matter was taken up by the division on 15th January 1980 with the bankers, it was not pursued thereafter till pointing out by audit (July 1981).

7.3.6.8.9 Local purchase of tyres and tubes

Two orders were placed (January 1978) on firms 'A' (Rs. 0.36 lakh) and 'B' (Rs. 1.57 lakhs) which were on rate contract for supply of tyres and tubes. The delivery was to be completed within 15 and 30 days respectively. Both the firms defaulted in supply of the materials. The firm 'B' however, demanded (April 1978) enhancement of the rates which was not accepted. As the supplies were not forthcoming, the overall limit for the local purchase of tyres and tubes was relaxed (December 1978) as a special case and the field officers were authorised to make local purchases to the extent of their requirements at the rates fixed by the producers.

A test-check (June-July 1981) of the records of two divisions revealed that tyres and tubes were purchased (May 1979 to May 1980) from the same firms, *i.e.*, 'A' (Rs. 1.72 lakhs) and 'B' (Rs. 0.07 lakh). The purchases involved avoidable payment of Rs. 0.88 lakh on the basis of the rates prevalent at the time of placing of orders in January 1978. Similarly, in one division, the purchase of tyres and tubes valued Rs. 0.52 lakh from some other firm entailed an extra expenditure of Rs. 0.25 lakh.

7.3.6.8.10 Purchase of cement

Cement is purchased by the Board from firms which are enlisted with the Director General, Supplies and Disposals on rate contract basis. Full value of the orders is required to be deposited with the concerned Pay and Accounts Officers.

A sum of Rs. 44.61 lakhs was advanced (March 1978 to January 1979) to the Pay and Accounts Officers, Madras and Bombay in respect of 12,228 tonnes of cement ordered on two firms. The firms supplied 10,666.70 tonnes of cement between April 1978 and June 1979. The balance quantity (1561.30 tonnes) valued Rs. 5.96 lakhs had neither been supplied nor the amount got refunded/adjusted from the concerned Pay and Accounts Officers so far (December 1981).

7.3.6.8.11 Non-placing of purchase order within the validity period

Tenders due for opening on 23rd February 1979 were invited (January 1979) for supply of different types of materials, including P.V.C. cables. The offers were valid upto 23rd April 1979. It was decided in the meeting of the Stores Purchase Committee held on 21st May 1979 to accept the offer of firm 'A' for supply of 2800 metres (185 square mm.) and 2000 metres (300 square mm.) P.V.C. cables and an order for materials valued Rs. 5.14 lakhs was placed on 11th June 1979. The firm declined to accept the order on the plea that the order was placed after elapse of the validity period, viz., 23rd April 1979. The order was subsequently cancelled (July 1979).

Tenders were re-invited on 27th July 1979 and only one firm responded. A purchase order for the same quantity of material (value : Rs. 6.22 lakhs) was placed (October 1979) on the firm (received during January 1980 to June 1980).

The delay in finalisation of the tender called for earlier in March/April 1979 resulted in an avoidable expenditure of Rs. 1.08 lakhs.

7.3.6.8.12 Irregular payments

According to the Manual of Purchases and Material Management of the Board, it was necessary to clearly stipulate in the contracts that in the event escalation is accepted by the Board, the actual escalation claimed thereunder shall be admitted only on furnishing such documentary evidence, as may be required by the Board, in support of the increase in respect of each item of raw material/component, wages, etc., for which the escalation is claimed and further, that in addition to the documentary evidence, the supplier shall also furnish a certificate from Chartered Accountants to the effect that raw materials/components, etc., for which the escalation has been claimed, have actually been utilised for manufacture of items meant for supply to the Board.

A test-check (April-July 1981) of the records revealed that in 13 cases, an amount of Rs. 1,69.36 lakhs was paid between 1978-79 and 1980-81 against original orders valued Rs. 1,52.75 lakhs due to escalations allowed from time to time. The escalations (Rs. 16.61 lakhs) were allowed without obtaining the requisite certificate(s) from the firms.

7.3.6.8.13 Procurement of Distribution Transformers

Tenders for the purchase of 7 power transformers (6.3 MVA, 66/22 KV 3 phase) were invited (September 1979) and the purchase order valued Rs. 51.91 lakhs was placed on firm 'A'. The lowest offer (Rs. 49.89 lakhs) of firm 'B' was rejected on the grounds of insufficient experience in the design and manufacture and technical deficiencies in the transformers. It was, however, noticed that another order valued Rs. 48.12 lakhs was placed (February 1980) with the same firm (firm 'B') for the supply of four transformers (of 4 MVA 33/11 KV and 13 number 25 MVA 33/11 Kv).

The seven transformers received from firm 'A' during January 1981 to May 1981 were lying unused (July 1981), thus, resulting in locking up of funds. It was stated (July 1981) by the Executive Engineer, Transmission and Construction Division, Simla that these transformers were expected to be installed by March 1983. An amount of Rs. 0.41 lakh (demurrage charges : Rs. 0.40 lakh and wharfage charges : Rs. 0.01 lakh) was paid to the railways ; according to the Divisional Officer, the delivery of the consignment could not be taken from the railways for want of funds.

7.3.6.9 Other topics of interest

(a) Sale of cement

During test-check (June 1981) of records of Bhabha Store and Procurement Division, Parwanoo, it was noticed that 8,200 bags of cement valuing Rs. 2.39 lakhs as per details given hereunder were sold/issued on loan basis :

Serial number	Name of office/ party to whom cement was issued	Month of sale/issue	Quantity (bags)	Amount (Rupees in lakhs)	Remarks
1.	Public Works Department, Himachal Pradesh Government (Irrigation branch)	November 1978	2000	0.40	No action to recover the cost of cement had been taken so far (December 1981).

2.	Himachal Pradesh Public Works Department	December 1979	200	0.18	Issued on loan basis and case was being pursued for its return on sale account.
3.	Himachal Pradesh Housing Board, Parwanoo	(i) July 1979 (ii) Decem- ber 1979	(i) 2000 (ii) 4000	} 1.81	(i) No action to recover the cost of cement had been taken so far (December 1981). (ii) 4,000 cement bags were given on loan basis but Housing Board had not returned the same so far (December 1981).

(b) Spot purchases

According to Delegation of Financial Powers, 1975, spot purchases could be effected in the interest of the Board after observing the prescribed formalities when the material is urgently required for the works in hand for immediate use. An Executive Engineer of the Board, made (December 1978) spot purchases totalling Rs. 0.31 lakh while he was on training at Bombay. The material received during January and March 1979 was lying unutilised (November 1979). The matter was reported (February 1980) to the Superintending Engineer concerned ; reply was awaited (December 1981).

(c) Overpayment of Central Sales Tax

In November 1974, Central Sales Tax on cement to be used for construction of Hydrel Channel and power houses was reduced from 10 *per cent* to 4 *per cent* subject to production of Form 'C'. Central Sales Tax at the rate of 10 *per cent* was paid to various suppliers on the purchases made between January 1975 and February 1976, resulting in overpayment of Rs. 3.52 lakhs. The Chief Purchase Officer stated (April 1981) that overpayment was as a result of non-receipt of instructions in time and efforts were being made to get the amount refunded. It was, however, noticed that the requisite instructions were issued by the Secretary of the Board on 8th January 1975 to all the units of the Board including the Chief Purchase Officer.

(d) Wasteful expenditure

A test-check (June 1981) of the records of Nurpur Electrical Division revealed that demurrage charges (Rs. 0.15 lakh) and wharfage charges (Rs. 0.37 lakh) were paid during 1980-81 to the railways due to delay in lifting of materials. According to the Divisional Officer the material could not be lifted in time mainly due to non-availability of funds.

The matter was referred to the Government in August 1981 ; reply was awaited (December 1981).

7.3.7 Purchase of defective fire fighting equipment

(1) The Board placed a purchase order in March 1976 on firm 'A' for fire fighting equipment (cost : Rs. 4.03 lakhs). The equipment was got inspected in firm's premises (October-November 1976) by deputing an Assistant Engineer and 98 *per cent* payment was made against the proof of despatch in November 1976. The fire fighting equipment was received in December 1976 and installed between January 1977 and March 1977. Valves of the equipment were found defective on installation by the Project Engineers. It was apprehended that, since water for equipment was arranged by connecting the fire protection header to the tappings from both the penstocks, any leakage of water from the valves might result in flooding of the power house. The firm was requested several times between August 1977 and June 1980 to depute engineers to repair or replace the valves (as per clause 10 of the purchase order) but the firm did not respond. The valve of the fire fighting equipment of Unit-I, which was installed in the high pressure pipe, tapped from the penstock, and burst on 24th June 1980 which resulted in flooding of the power house. As the layout of the power house did not provide for any outlet for the water in such an eventuality, the water had to be pumped out, and dewatering could be completed only by 26th June 1980. The recommissioning of the power house was delayed due to prolonged flooding of the generating equipment. In a special repair estimate, the loss to generators and other machinery and equipment, *etc.*, of the power house was worked out (February 1981) to be Rs. 29.04 lakhs. The estimate had not been sanctioned so far (October 1981) but an expenditure of Rs. 12.87 lakhs had been incurred upto May 1981. The Resident Engineer, Giri Power House Division, Girinagar intimated (October 1981) that the estimate had been revised (September 1981) to Rs. 18.33 lakhs and was awaiting approval (October 1981). The power house started generating electricity on 20th November 1980 after replacement of the damaged valve with a valve manufactured in workshop at Girinagar, Nahan at a cost of Rs. 7,768.

(2) The power house could not generate power for 148 days resulting in loss of revenue to the tune of Rs. 2,26.33 lakhs (based on electricity generated

during the corresponding period during 1979-80). An enquiry committee was constituted (October 1980) and its report was still under examination of the Board (October 1981). The report of the enquiry committee called for in October 1981 had not been furnished to Audit so far (February 1982).

3. The same firm was entrusted with the work of installation and commissioning/commissioning test of automatic multisfire system (fire protection system) at a cost of Rs. 0.76 lakh (March 1976) which was installed in March 1977. The multisfire system had not been commissioned by the firm although several requests were made between August 1977 to January 1981 and 98 per cent payment of the amount had already been made in November 1976.

The matter was reported to the Government in August 1981 ; reply was awaited (December 1981).

7.3.8 Sale of power to Uttar Pradesh State Electricity Board

Giri Power House (installed capacity : 60 MW) was commissioned in April 1978. The construction of transmission lines for distribution of electricity within the State was, however, still in progress (August 1981).

The test-check (August 1981) of the accounts of Giri Power House disclosed that in order to utilise the surplus power generated at the Power House, it was decided (January 1978) to sell such power to the U.P.S.E.B. at a negotiated rate of 18 paise per unit (July 1977). The negotiated rate did not provide for revision of rates from time to time on account of increase in the capital cost of the project and cost of generation of electricity. It was seen that the Board did not maintain a separate *pro forma* account in respect of Giri Power House and the actual cost of generation of electricity is not periodically worked out. Further, no detailed agreement regarding supply of power to U.P.S.E.B. had so far been executed by the Board (October 1981). In the absence of any firm commitment on the part of U.P.S.E.B. to purchase power from Giri Power House, the Power House had to be closed intermittently due to "no load demand". The loss in generation on this account during four months between June 1978 and February 1979 was worked out by the Resident Engineer, Giri Power House as under :—

<u>Month</u>	<u>Loss of power</u>
	(Mkwh)
June 1978	.. 2692
August 1978	.. 2625
January 1979	.. 1088
February 1979	.. 5085

The forced closure of the power house, thus, resulted in a loss of revenue of Rs. 20.68 lakhs.

The matter was reported to the Government in August 1981 ; reply was awaited (December 1981).

7.3.9 Undue financial aid

A contract for construction of 15 blocks of type-I quarters at Sungra (estimated cost : Rs. 40.52 lakhs) was awarded to a firm (6th December 1978) at 27.42 per cent above the estimate contained in Detailed Project Report (DPR). The firm was, however, directed to complete the work of five blocks in the first instance within a period of five months but not later than 21st December 1979. It was asked not to procure material in excess of that required for the construction of five blocks. It was, however, noticed that against the requirement of 120.09 cum of timber for the construction/completion of five blocks, the firm procured 344.179 cum of timber against which a secured advance of Rs. 3.61 lakhs was granted (January 1979 : Rs. 1.60 lakhs and March 1979 : Rs. 2.01 lakhs). The firm was entitled to an advance of Rs. 1.26 lakhs only. Thus, granting of secured advance to the firm against full quantity resulted in extension of undue financial aid to the tune of Rs. 2.35 lakhs.

The firm was granted extension to complete the work from time to time. According to the latest extension (October 1980) the work was required to be completed by 30th November 1980. The firm was later served a final notice on 15th December 1980 to complete the work by 31st January 1981, failing which the remaining work would be got done by the Board at the risk and cost of the firm under clause 3 of the agreement. No action was taken against the firm for the non-completion of the work. Action to rescind the agreement or to get the work executed at the cost of the firm had not been initiated by the Board. The work was still lying incomplete (August 1981).

The matter was reported to the Government in August 1981 ; reply was awaited (December 1981).

7.3.10 Idle machinery

Prag Jhonshipman Tool and Cutter Grinder Machine valued Rs. 0.92 lakh (including accessories : Rs. 0.11 lakh) was purchased during 1968. The machine had not been put to any use since its purchase and was lying idle (December 1981) in Giri Power House Workshop (Nahan). Reasons for the purchase of the machine and its non-utilisation for such a long period were awaited (December 1981).

The matter was reported to the Government in July 1981 ; reply was awaited (December 1981).

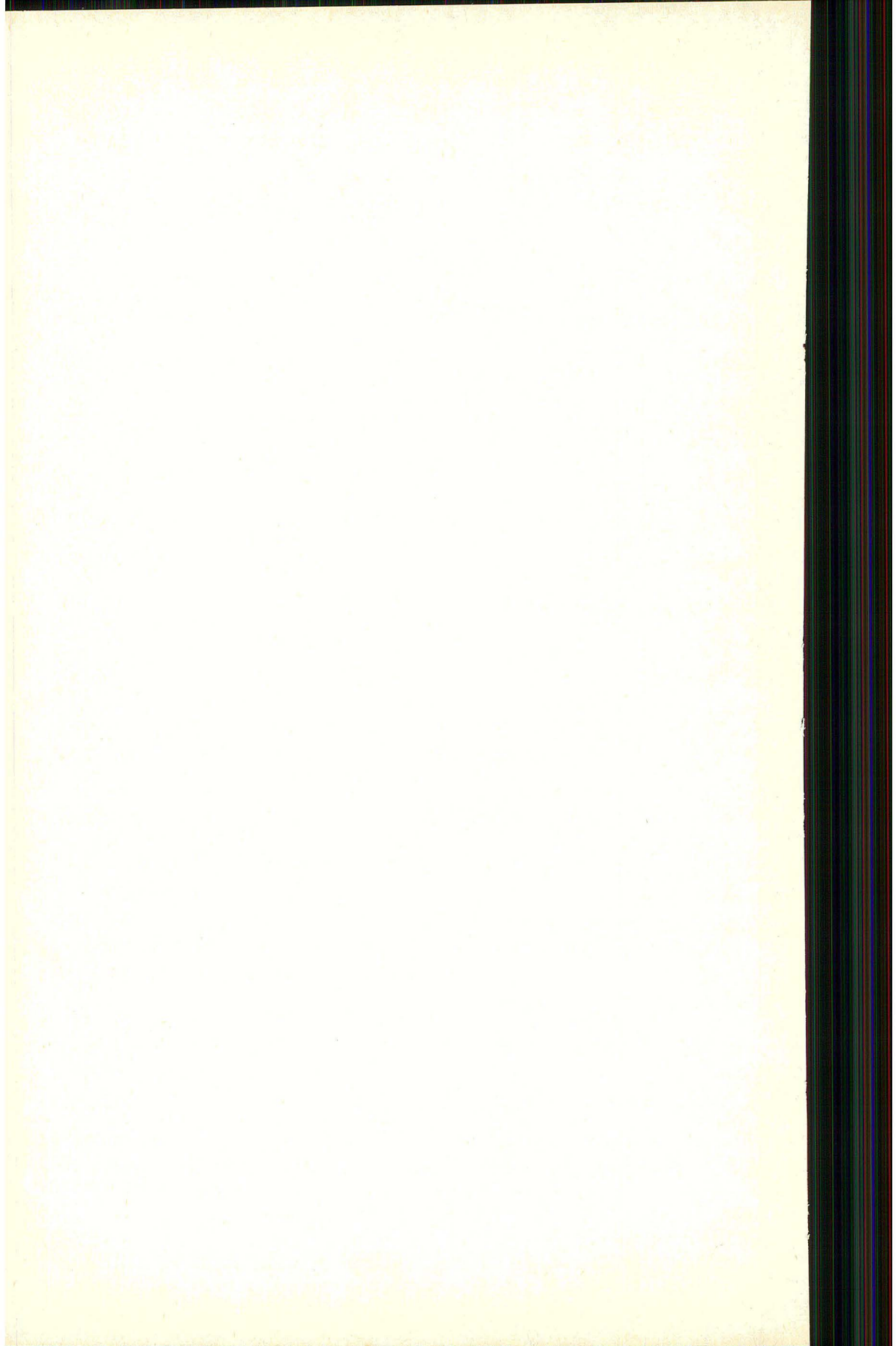
7.4 Himachal Pradesh Financial Corporation

7.4.1 The Himachal Pradesh Financial Corporation was established on 1st April 1967 under the State Financial Corporations Act, 1951. The paid-up capital of the Corporation as on 31st March 1981 was as under :—

<u>Under Section 4(2) of the Act</u>	<u>Amount</u>
	(Rupees in lakhs)
(a) State Government ..	64.25
(b) Industrial Development Bank of India ..	64.25
(c) Scheduled Banks, Insurance Companies, Co-operative Banks, Investment Trusts and other Financial Institutions ..	4.06
(d) Others ..	0.39
Total ..	<u>1,32.95</u>
 <u>Under Section 4(A) of the Act</u>	
(a) State Government ..	17.00
(b) Industrial Development Bank of India ..	17.00
Total ..	<u>34.00</u>
Grand Total ..	<u>1,66.95</u>

Under the provisions of the State Financial Corporations Act, 1951, repayment of principal of the shares issued under Section 4(2) of the Act (Rs. 1,32.95 lakhs), the payment of annual dividend thereon, repayment of bonds and debentures raised by the Corporation (Rs. 2,47.00 lakhs and interest thereon) have been guaranteed by the State Government. The amount guaranteed and outstanding as on 31st March 1981 was Rs. 3,79.95 lakhs (besides interest on bonds and debentures).

During 1980-81, the Corporation earned a net profit of Rs. 24.04 lakhs which represented 14.40 per cent of its paid-up capital. Dividend of Rs. 1.98 lakhs on the capital contributed by the State Government (Rs. 54.25 lakhs) at the rate of 3 per cent, Rs. 10.00 lakhs at the rate of 3½ per cent was transferred to a Special Reserve Fund created under the State Financial Corporations Act, 1951.



The table below indicates the working results of the Corporation for the three years upto 1980-81 :

	1978-79	1979-80	1980-81
(Rupees in lakhs)			
(a) Income ..	84.58	76.49	91.89
(b) Expenditure ..	53.23	55.31	67.85
(c) Profit before tax ..	31.35	21.18	24.04
(d) Provision for tax ..	10.91	9.04	10.24
(e) Other appropriations ..	17.55	9.09	10.68
(d) Amount available for dividend ..	3.05	3.05	3.12
(g) Dividend paid ..	3.05	3.05	3.12
(h) Capital employed*	8,42.75	9,29.78	10,93.82
(i) Total return on capital employed** ..	72.96	62.84 (per cent)	74.24
(j) Percentage of return on capital employed ..	8.66	6.76	6.79

7.5 Himachal Road Transport Corporation

7.5.1 The erstwhile Mandi Kulu Road Transport Corporation established under State Road Transport Corporations Act, 1950 was renamed as Himachal Road Transport Corporation on 24th September 1974. From 2nd October 1974, the functions of the erstwhile Himachal Government Transport (a departmentally managed Government Undertaking), were also taken over by it.

(i) **Capital**—The capital of the Himachal Road Transport Corporation (under Section 23(1) of the State Road Transport Corporations Act, 1950), was Rs. 12,25.30 lakhs (State Government : Rs. 9,15.23 lakhs ; Central Government—Northern Railways: Rs. 3,10.07 lakhs) as on

*Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, bonds and debentures, reserves and borrowings.

**Profit plus interest charged to Profit and Loss Account.

31st March 1980 as against the capital of Rs.10,82.80 lakhs (State Government: Rs. 7,95.23 lakhs; Central Government—Northern Railways : Rs. 2,87.57 lakhs) as on 31st March 1979. Interest on the capital is payable at 6.25 per cent per annum.

(ii) **Financial position**—The financial position of the Corporation for the three years ending 1979-80 is shown below :—

		1977-78	1978-79	1979-80
(Rupees in lakhs)				
<i>Liabilities</i>				
(a) Capital	..	8,75.32	10,86.45	12,25.30
(b) Reserves and surplus	..	1,16.88	1,45.53	1,53.56
(c) Borrowings	..	10.23	1.11	8.11
(d) Trade dues and other current liabilities	..	2,97.37	3,04.16	3,99.19
Total	..	12,99.80	15,37.25	17,86.16
<i>Assets</i>				
(a) Gross block	..	8,21.96	10,10.97	12,23.16
(b) Less : Depreciation	..	3,99.99	4,78.84	5,38.63
(c) Net fixed assets	..	4,21.97	5,32.13	6,84.53
(d) Investment	..	87.62	1,08.89	1,35.20
(e) Current assets, loans and advances	..	3,55.33	4,86.25	6,01.67
Accumulated losses	..	4,34.88	4,09.98	3,64.76
Toal	..	12,99.80	15,37.25	17,86.16
Capital employed*	..	4,79.93	7,14.23	8,87.02
Capital invested**	..	8,85.05	10,87.56	12,33.41

*Capital employed represents net fixed assets *plus* working capital.

**Capital invested represents subscribed capital *plus* long-term loans.

(iii) **Working results**—The following table gives the details of the working results of the Corporation for three years upto 1979-80 :

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
1. (a) Operating			
Revenue ..	8,81.02	10,33.57	12,60.10
Expenditure ..	9,54.79	10,38.78	13,12.08
Surplus (+)/Deficit(—) ..	(—)73.77	(—)5.21	(—)51.98
(b) Non-Operating			
Revenue ..	42.96	92.71	1,71.25
Expenditure ..	52.17	62.59	74.05
Surplus (+)/Deficit(—) ..	(—)9.21	(+)30.12	(+)97.20
(c) Total			
Revenue ..	9,23.98	11,26.28	14,31.35
Expenditure ..	10,06.96	11,01.37	13,86.13
Profit (+)/Loss(—) ..	(—)82.98	(+)24.91	(+)45.22
2. Interest on capital contributions and loans ..			
	47.33	57.75	69.21
3. Return on			
(a) Capital employed ..	(—)30.81	87.50	1,19.27
(b) Capital invested ..	(—)35.65	82.66	1,14.43
	(per cent)		
4. Percentage of return on			
(a) Capital employed ..	..	12.24	13.45
(b) Capital invested ..	..	7.60	9.28

(iv) **Operational performance**—The table below indicates the operational performance of the Corporation for the three years upto 1980-81 :—

	1978-79	1979-80	1980-81
1. Average number of vehicles held ..	874	889	912
2. Average number of vehicles on road ..	795	836	865
3. Percentage of utilisation ..	91	94	95
4. Kilometres covered(in lakhs) ..			
(a) Gross ..	431.31	519.03	560.27
(b) Effective ..	424.38	511.96	552.21
(c) Dead ..	6.93	7.07	8.06
5. Percentage of dead kilometres to gross kilometres(<i>per cent</i>) ..	1.6	1.4	1.4
6. Average kilometres covered per bus per day ..	149	178	185
7. Average revenue per kilometre (paise) ..	2.48	2.64	2.79
8. Average expenditure per kilometre(paise) ..	2.47	2.58	2.99
9. Profit (+)/Loss(—) per kilometre(paise) ..	(+)0.01	(+)0.06	(—)0.20
10. Route kilometres ..	60,088	68,926	73,141
11. Number of operating depots ..	16	16	16
12. Average number of accident per lakh kilometre ..	0.24	0.33	0.25
13. Average number of break-down per lakh kilometre ..	0.08	0.07	0.053
14. Occupancy ratio (<i>per cent</i>)* ..	78	78.5	78

*Occupancy ratio represents the percentage of actual passenger revenue per kilometre to estimated passenger revenue per kilometre for full seating capacity.

7.5.2 Embezzlement

(a) The internal audit party of the Corporation reported (May 1980) to the Management that a sum of Rs. 32,437 had been embezzled by two clerks of Parwanoo office by producing forged/bogus receipts/challans in support of advances taken by them for deposit of token tax, permit fee, *etc.*, into the treasury. Report was lodged with police in August 1980 by the Regional Manager, Parwanoo. A sum of Rs. 15,025 was recovered by the Corporation from both the clerks and the balance amount of Rs. 17,412 was still to be recovered (May 1981). During test-check in audit (August 1980), it was noticed that the embezzlement was facilitated due to non-checking of registers of registration fee, permit fee, token fee, *etc.*, by the head of office as stipulated in the Accounting Manual.

The General Manager, Himachal Road Transport Corporation, Simla intimated (October 1981) that out of Rs. 17,412 a sum of Rs. 2,922 had been recovered from the salary of the official concerned and the balance amount was being recovered at the rate of Rs. 250 per month. It was further noticed in audit (September 1980) that two contingent vouchers for adjustment of Rs. 0.30 lakh (from advance account) were not produced at the time of special audit. A complaint was lodged by the Corporation with the police in August 1980. The General Manager intimated (October 1981) that vouchers awaiting adjustment were being traced.

(b) The internal audit party had further reported (October 1979) to the Management that a sum of Rs. 5,313 had been embezzled by the various officials of Dhalli region between July 1979 to October 1979 by issuing goods receipts for lesser amount than the amount shown in the challans. No report was lodged with the police (June 1981). The General Manager of the Corporation intimated (October 1981) that out of embezzlement of Rs. 5,313 (one case : amount involved : Rs. 90.60) had been decided and the concerned official was exonerated. The remaining cases were under enquiry (December 1981).

The matter was reported to the Government in July 1981; reply was awaited (December 1981).

7.5.3 Failure to obtain refund of road tax

Under the Himachal Pradesh Motor Vehicles Taxation Act, 1972, road tax is payable on every motor vehicle for each quarter commencing from the first day of April, July, October and January each year. The Act and rules framed thereunder further lay down, *inter alia*, that when the registered owner or the person having possession or control of a motor vehicle has given previous intimation in writing to the taxation authority that the motor vehicle would not be

used in any public place for a particular period, being not less than one month, and deposits the certificate of registration of such motor vehicle with the taxation authority and obtains an acknowledgement thereof from that authority, he shall be exempted from the payment of the tax for that period.

Test-check of the records of 9 depots of the Corporation revealed that 172 vehicles remained off the road due to major repairs, overhauling, and the vehicles were not put to use for the periods ranging from 1 to 7 months falling between March 1977 to March 1980. Neither their registration certificates were deposited with the taxation authorities nor any previous intimation was sent for claiming exemption from payment of the Motor Vehicle Tax. Failure to file intimations and to deposit the registration certificates had resulted in excess payment of road tax amounting to Rs. 1.07 lakhs.

The matter was reported to the Government in August 1981 ; reply was awaited (December 1981).

7.6 Section C—Government Companies

7.6.1 Introduction

There were 12 Government Companies including four subsidiaries in the State as on 31st March 1981. During the year 1980-81, one new Company, *viz.*, Himachal Pradesh Civil Supplies Corporation Limited, was incorporated.

7.6.2 Compilation of accounts

Only two Companies (including one subsidiary) had finalised their accounts for the year 1980-81. In addition, 7 Companies (including 3 subsidiaries) finalised their accounts for the earlier years. A synoptic statement showing the summarised financial results of seven Companies based on the latest available accounts is given in Appendix IX. The accounts of the following 10 Companies (including 3 subsidiaries) were in arrears for the period noted against each :

<u>Name of the Company</u>	<u>Extent of arrears</u>
(i) Himachal Pradesh State Forest Corporation Limited	1978-79, 1979-80 and 1980-81.
(ii) Himachal Pradesh State Handicrafts and Handloom Corporation Limited	1978-79, 1979-80 and 1980-81.
(iii) Himachal Pradesh Tourism Development Corporation Limited	1979 and 1980.

- (iv) Himachal Pradesh State Small Industries and Export Corporation Limited 1979-80 and 1980-81.
- (v) Himachal Pradesh Mineral and Industrial Development Corporation Limited 1979-80 and 1980-81.
- (vi) Nahan Foundry Limited .. 1980-81.
- (vii) Himachal Pradesh Civil Supplies Corporation Limited .. 6th September 1980 to 31st March 1981.

Subsidiaries

- (i) *Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited 1979-80 and 1980-81.
- (ii) **Himachal Worsted Mills Limited .. 1979-80 and 1980-81.
- (iii) **Himachal Wool Processors Limited .. 1979-80 and 1980-81.

The position of arrears in the finalisation of accounts was last brought to the notice of Government in October 1981.

7.6.3 Paid-up capital

Against the aggregate paid-up capital of Rs. 17,32.06 lakhs in 7 Government Companies (excluding 4 subsidiaries) as on 31st March 1980, the aggregate paid-up capital as on 31st March 1981 increased to Rs. 19,72.20 lakhs in 8 Government Companies (Rs. 50.00 lakhs in Himachal Pradesh Civil Supplies Corporation Limited incorporated in 1980-81) as detailed below :

Particulars	Number of Companies	Invested by		
		State Government	Central Government	Total
(Rupees in lakhs)				
(i) Companies wholly owned by the State Government	7 (6)	15,16.70 (12,95.99)	..	15,16.70 (12,95.99)

*Subsidiary of Himachal Pradesh Agro-Industries Corporation Limited.

**Subsidiary of Himachal Pradesh Mineral and Industrial Development Corporation Limited.

(ii) Companies jointly owned with Central Government	1 (1)	2,84.00 (2,64.57)	1,71.50 (1,71.50)	4,55.50 (4,36.07)
Total	.. 8 (7)	18,00.70 (15,60.56)	1,71.50 (1,71.50)	19,72.20 (17,32.06)

Note : Figures in brackets are as at the end of 1979-80.

7.6.4 Loans

The balance long-term loans outstanding in respect of 8 Companies (excluding 4 subsidiaries) as on 31st March 1981 was Rs. 5,76.63 lakhs (State Government : Rs. 2,61.80 lakhs ; others : Rs. 3,14.83 lakhs) as against Rs. 3,45.13 lakhs (State Government : Rs. 2,23.63 lakhs ; others : Rs. 1,21.50 lakhs) as on 31st March 1980 (6 Companies).

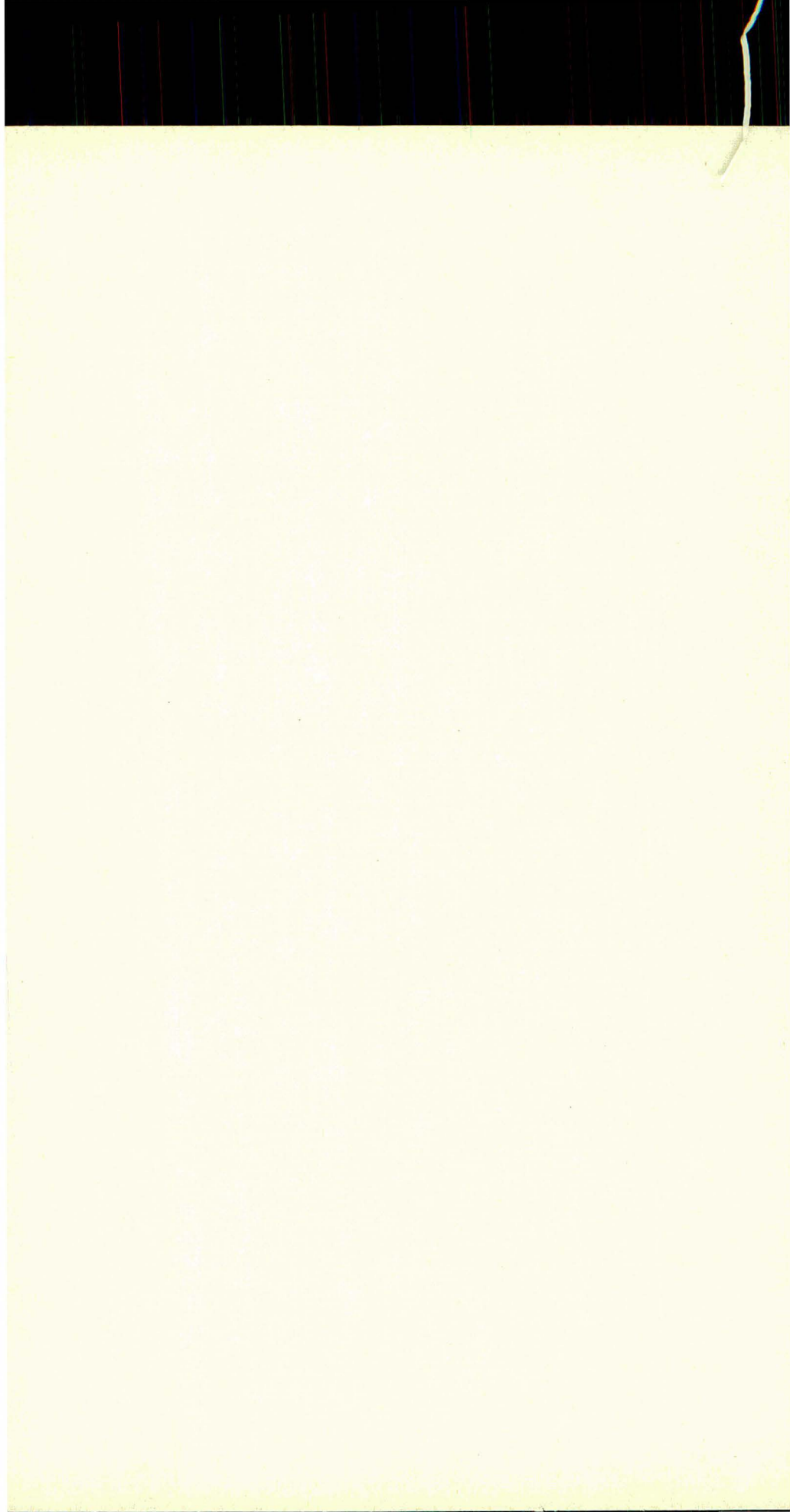
7.6.5 Guarantees

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 1981 was Rs. 2,53.14 lakhs and Rs. 2,14.68 lakhs respectively as detailed below:—

Name of the Company	Amount guaranteed	Amount outstanding as on 31st March 1981
(Rupees in lakhs)		
(a) Nahan Foundry Limited (Cash credit term loan)	.. 55.00	55.00
(b) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	.. 1,68.14	1,29.68
(c) Himalaya Fertilizers Limited	.. 30.00	30.00

7.6.6 Performance of the Companies

1. Out of 12 Companies (including 4 subsidiaries) only two Companies, viz., Himachal Pradesh Agro-Industries Corporation Limited and Him-



alaya Fertilizers Limited had finalised their accounts for the year ended 31st March 1981 and had earned a profit of Rs. 29.69 lakhs and Rs. 30.37 lakhs respectively (before taxation).

2. According to the annual accounts of 9 Companies (including 4 subsidiaries) there was a total net loss of Rs. 88.70 lakhs during the year 1978-79 as against the total net loss of Rs. 74.90 lakhs of these Companies during the previous year. Of these 3 Companies (Himachal Pradesh Agro-Industries Corporation Limited, Himachal Pradesh State Small Industries and Export Corporation Limited and Himachal Pradesh Mineral and Industrial Development Corporation Limited) earned net profit of Rs. 12.62 lakhs (Rs. 8.62 lakhs, Rs. 3.49 lakhs and Rs. 0.51 lakhs respectively) during the year 1978-79 as against profit of Rs. 6.87 lakhs earned by 3 Companies (Himachal Pradesh Tourism Development Corporation Limited : Rs. 0.88 lakh ; Himachal Pradesh Mineral and Industrial Development Corporation Limited : Rs. 1.67 lakhs and Himachal Pradesh Agro-Industries Corporation Limited : Rs. 4.32 lakhs) during 1977-78.

3. The working results of these 9 Companies (including 4 subsidiaries) which had finalised their accounts for the year 1978-79 are analysed in the table given below :—

Particulars of the Company	Paid-up capital	Profit(+) Loss(—)	Percentage of profit to paid-up capital
(Rupees in lakhs)			
(a) Which earned profit(before taxation)			
(i) Himachal Pradesh Agro-Industries Corporation Limited	3,75.50	(+)8.62	2.30
(ii) Himachal Pradesh State Small Industries and Export Corporation Limited	68.87	(+)3.49	5.07
(iii) Himachal Pradesh Mineral and Industrial Development Corporation Limited	2,78.20	(+)0.51	0.18

(b) Which incurred losses

(i) Nahan Foundry Limited ..	1,25.00	(—)26.16	..
(ii) Himachal Tourism Development Corporation Limited ..	2,00.00	(—)6.40	..
Subsidiary companies which incurred losses			
(i) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited ..	2,00.00	(—)14.18	..
(ii) Himalaya Fertilizers Limited ..	27.37	(—)4.89	..
(iii) Himachal Worsted Mills Limited ..	91.99	(—)9.45	..
(iv) Himachal Wool Processors Limited ..	94.50	(—)27.62	..

The Companies Act, 1956 empowers the Comptroller and Auditor General to issue directives to the professional auditors of Government Companies in regard to performance of their functions. In pursuance of the directives so issued, special reports of the Company auditors on the accounts have been received in three cases, viz., Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited, Himachal Pradesh Mineral and Industrial Development Corporation Limited for the year 1978-79 and Himachal Pradesh Tourism Development Corporation Limited for the year ended 31st December 1978. The important points noticed in these reports are summarised below :

1. Failure to obtain confirmation of balances under Sundry Debtors.
2. Absence of accounts manual.
3. Absence of manual laying down the procedure of compilation and maintenance of accounts.
4. Non-fixation of maximum/minimum limits of stores and spares.
5. Absence of system for ascertaining idle time for labour and machinery.
6. Absence of regular costing system.
7. Sale below cost of production.
8. Failure to conduct physical verification of fixed assets.

Under Section 619(4) of the Companies Act, 1956 the Comptroller and Auditor General 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) Short provision of depreciation.
- (iii) Non-provision/short provision of doubtful debts.
- (iv) Short provision of interest.
- (v) Non-provision of expenses.
- (vi) Profits were overstated.
- (vii) Overvaluation of closing stocks.

7.7 Himachal Pradesh Mineral and Industrial Development Corporation Limited

7.7.1 Introductory

The Himachal Pradesh Mineral and Industrial Development Corporation Limited was incorporated on the 25th November 1966 with a view to securing and assisting in the rapid and orderly establishment and organisation of middle and large scale industries and development of industrial areas and industrial estates in the State. It was declared a Financial Institution in the year 1976-77.

The Company is having three subsidiaries, *viz.*, Himachal Wool Processors Limited, Himachal Worsted Mills Limited and Himalaya Fertilizers Limited.

7.7.2 Objects

The main objects of the Company are:—

- (i) to promote, improve, establish, execute, manage and administer industries, projects or enterprises for manufacture and production of plant, machinery, tools, implements, materials, chemicals, substances, goods or things of any description which are likely to promote or advance the industrial development in Himachal Pradesh;
- (ii) to acquire, sell, search for, prospect, examine and explore mines and grounds; and

(iii) to aid, assist and finance any industrial undertaking, project or enterprise.

7.7.3 Organisational set up

The management of the Company is vested in a Board of Directors consisting of nine Directors including the Chairman and Managing Director. The Managing Director is the Chief Executive and is assisted by Personnel Manager, Industrial Advisor, Superintending Engineer, Marketing Manager, Senior Accounts Officer, Project Officer and Purchase Officer in the day to day working.

As on 31st March 1981, the Company had eleven units each managed by a Manager/Assistant Manager.

7.7.4 Capital structure

The authorised capital of the Company is Rs. 5,00 lakhs divided into 5,00,000 equity shares of Rs. 100 each. As on 31st March 1981, the paid-up capital was Rs. 3,86,20 lakhs wholly subscribed by the State Government.

7.7.5 Borrowings

The Company also obtained loans from financial institutions and banks and deposits from the public from time to time for financing new projects in public as well as private sector to be located in the State under the Refinance Scheme of the I.D.B.I. The balance of borrowings as on 31 March 1981 was Rs. 3,41.44 lakhs as detailed below :—

Details of loan	Date of drawal	Amount of loan	Terms of repayment	Amount outstanding	Amount overdue	
					Principal	Interest
		(Rupees in lakhs)		(Rupees in lakhs)		
Long-term loan from State Financial Corporation	19-5-75	12.00	Repayable in 16 instalments on 10th day of June and December each year.	2.00	0.50	..
Mid-term loan from State Bank of Patiala	23-6-77	10.50	Repayable in 10 half yearly instalments.	4.20	..	..
Public Deposits	10-7-76 14-6-79	24.21 14.84	Repayable after 12,24 and 36 months (months of maturity).	26.80	..	..

In addition, the Company had borrowed funds from Industrial Development Bank of India under refinance scheme and nationalised banks against cash credit limits. The amount outstanding as on 31st March 1981 was Rs. 2,54.64 lakhs and Rs. 53.80 lakhs respectively.

7.7.6 Financial position

The accounts of the Company for the year 1979-80, though due for finalisation by 31st December 1980, had not been finalised so far (December 1981). The table below indicates the financial position of the Company for the three years ending 1980-81:

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Liabilities			
(a) Paid-up capital ..	2,78.20	3,14.20	3,86.20
(b) Reserves and surplus ..	13.09	12.06	4.77
(c) Borrowings—			
(i) Long-term loans	1,12.74	1,29.97	2,87.64
(ii) Cash credit from Banks ..	34.56	57.60	53.80
(d) Trade dues and other current liabilities (including provisions)	97.85	61.38	29.54
Total	5,36.44	5,75.21	7,61.95
Assets			
(e) Gross block ..	75.49	88.60	91.70
(f) Less : Depreciation ..	19.60	20.90	21.21
(g) Net fixed assets ..	55.89	67.70	70.49
(h) Capital work-in-progress ..	15.44	20.50	7.65
(i) Investments ..	1,24.59	1,24.59	1,36.24
(j) Current assets, loans and advances	3,39.04	3,59.99	5,32.53
(k) Intangible assets—			
(i) Miscellaneous expenditure ..	1.48	1.40	1.35
(ii) Loss ..	..	1.03	13.69
Total	5,36.44	5,75.21	7,61.95
Capital employed ..	2,97.08	3,66.31	5,73.48
Net worth ..	2,89.81	3,23.83	3,75.93

Notes : (1) Figures for the years 1979-80 and 1980-81 are provisional and unaudited.

(2) Capital employed represents net fixed assets *plus* working capital.

(3) Net worth represents paid-up capital *plus* reserves less intangible assets.

7.7.7 Working results

During the period from 1967-68 to 1980-81 the Company earned profits in 9 years and sustained losses in five years. The working results of the Company for the three years upto 1980-81 are tabulated below:—

	1978-79	* 1979-80	* 1980-81
	(Rupees in lakhs)		
Profit (+) Loss(—) before tax ..	(+)0.51	(—)1.03	(—)13.69
Less provision for tax/tax paid ..	0.21	..	..
Profit (+) Loss(—) after tax ..	(+)0.30	(—)1.03	(—)13.69
Percentage of profit before tax to—			
(a) Sales ..	0.31	(—)0.62	(—)6.75
(b) Gross fixed assets ..	0.68	(—)1.16	(—)14.93
(c) Capital employed ..	0.17	(—)0.28	(—)2.36
Percentage of profit after tax to—			
(a) Net worth ..	0.10	(—)0.32	(—)3.51
(b) Equity capital ..	0.11	(—)0.33	(—)3.54
(c) Capital employed ..	0.10	(—)0.28	(—)2.36

7.7.8 Analysis of performance

The main activities of the Company during the three years ending 1980-81 were:—

- (i) Production and sale of goods such as liquor, television sets, silk yarn and cloth, furniture, detergents, hosieries, carpets and crushed stones, etc.; and
- (ii) Commercial exploitation of mineral wealth in the State.

The turnover achieved by the different units of the Company during the three years ending 31st March 1981 is given below:—

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Sale of liquor ..	73.55	63.69	97.63
Sale of television sets ..	42.72	68.71	72.99

Note : *Provisional.

Sale of silk yarn and cloth (2 units)		9.78	12.40	11.88
Sale of furniture (2 units)	..	5.62	5.91	7.77
Sale of hosiery	..	2.30	3.96	4.50
Sale of detergents	..	8.44	7.23	3.73
Sale of carpets	..	1.83	0.99	0.51
Carriage income	..	2.10	2.60	2.91
Sale of crushed stones	..	0.82	0.85	0.82

Performance of the units excepting the motorised and stone crusher units is analysed hereunder:—

A—Country Liquor Bottling Plant—This plant produces liquor and works in single shift basis. The following table indicates the particulars of production, sales, *etc.*, of liquor during 1978-79 to 1980-81 :—

		1978-79	1979-80	1980-81
		(Proof-litres in lakhs)		
Installed capacity	..	20.00	20.00	20.00
Licensed capacity	..	11.00	12.00	15.00
Budgeted production	..	10.50	11.00	15.02
Actual production	..	11.89	9.78	13.62
Percentage of actual production to budgeted production	..	113.24	87.32	90.68

(Rupees in lakhs)				
Raw material consumed	..	51.32	46.51	90.78
Wages	..	4.42	4.72	5.35
Overheads	..	6.28	6.34	7.64
Accretions(+)/Decretions(—) to closing stocks	(—)	2.14	(+)8.88	(—)2.79
Value of production	..	59.88	66.45	100.98
Sales	..	73.56	63.69	97.63
Other income	..	0.15	0.25	0.34
Profit (+)/Loss(—)	..	(+)11.79	(+)6.37	(—)5.80
Closing stock	..	5.74	14.62	11.83

The working of the liquor bottling plant was adverse during the year by Rs. 12.17 lakhs as it incurred a loss of Rs. 5.80 lakhs during 1980-81 as against a profit of Rs. 6.37 lakhs during 1979-80. The loss during the year was mainly due to increase in cost of raw material consumed (spirit) without commensurate increase in selling price of liquor sold.

(a) *Decline in production*—Percentage of actual production to budgeted production varied from 113.24 in 1978-79 to 87.32 in 1979-80 and 90.68 in 1980-81. According to the Management, the decline in production was due to strike in the factory for 30 days during 1979-80 and less allocation of spirit during 1980-81. It was also noticed that in the month of September 1979, the production had to be stopped for nine days for want of P.P. seals (bottle caps).

B—Television Factory—This factory assembles EC T.V. Receivers and works on single shift basis. The following table indicates the particulars of production, sales, etc., of Television Receivers during 1978-79 to 1980-81:—

		1978-79	1979-80	1980-81
(In numbers)				
Licensed capacity	..	5,000	5,000	5,000
Installed capacity	..	5,000	5,000	5,000
Budgeted production	..	..	5,100	4,007

Actual production	..	2,075	2,658	2,923
Percentage of actual production to budgeted production	..	41.50	53.16	58.46
(Rupees in lakhs)				
Raw material consumed	..	32.95	54.46	58.07
Wages	..	4.80	4.97	5.22
Overheads	..	6.09	6.25	7.17
Accretions(+)/Decretions(—) to closing stocks	..	(+)10.47	(—)25.92	(—)3.48
Value of production	..	54.31	39.76	66.98
Sales	..	42.72	89.41	91.62
Other income	..	1.28	..	0.10
Profit	..	0.16	3.03	2.63
Closing stocks (including finished goods)		32.40	6.48	3.00
Man power (number)	..	79	80	79

(a) The decrease in production compared to licenced capacity was attributed to non-availability of vital components to be used in the manufacture of television sets.

(b) The Government of India had, in a notification dated 4th June 1979, exempted all excisable goods in the manufacture of which any goods falling under Tariff item No. 68 (hereinafter referred as "the inputs") had been used, from so much of the duty of excise leviable thereon as was equivalent to the duty of excise already paid on the inputs.

A test-check of records of Television Factory, Solan revealed that though number of items used in the T.V. Receivers fell under item No. 68 of the Ist Schedule of the Act, the Company did not avail itself of the concession of set off to the extent of Rs. 2.18 lakhs on 5,536 T.V. Receivers despatched between June 1979 and March 1981.

The procedure for claiming set off of duty was amended (April 1981) under which *pro forma* credit was available on these items of the inputs. Since the Company did not submit Form D.3 to the Central Excise Department declaring the receipt of the inputs within 24 hours of their receipt, as required under the set off procedure, the Company was put to a further loss of Rs. 0.26 lakh on this account.

(c) *Additional demand of Central Excise Duty*—The Television Receivers sets assembled by the Television Factory, Solan are being sold to Electronics Corporation of India Limited (ECIL) Hyderabad with which the Company had entered into an agreement in December 1974 which was valid for five years. The ECIL sells the sets produced by the Company to consumers throughout the country (except within the State) through its dealers, and it charges Rs. 190 per set towards warranty/after sales service charges. Since the warranty/after sales service charges were not optional, the Assistant Collector, Chandigarh, raised a demand of Rs. 4.45 lakhs towards Central Excise Duty thereon, through various demand notices issued during the period from 24th December 1980 to 19th March 1981. The Company went in appeal (December 1980) before the Appellate Collector of Central Excise, New Delhi which was rejected (April 1981) on the grounds that it was not optional to the buyer to avail of the warranty/after sales services. The Company did not take up the matter in regard to the recovery of additional excise duty from ECIL.

C—*Silk Weaving Unit*—This unit produces silk cloth and works on single shift basis. The following table indicates the particulars of production, sales, etc., of silk cloth during 1978-79 to 1980-81:—

	1978-79	1979-80	1980-81
			(Quantity in metres)
Licensed capacity ..	14,880	14,880	14,880
Installed capacity ..	14,880	14,880	14,880
Budgeted production ..	12,000	12,000	12,000
Actual production ..	12,459	9,048	10,350
	(Rupees in lakhs)		
Opening stock of			
(a) Raw material ..	0.08	0.13	0.16
(b) Finished goods ..	1.61	2.95	2.05
Purchases ..	1.73	1.65	1.98
Closing stocks			
(a) Raw material ..	0.13	0.16	} 2.08
(b) Finished goods ..	2.95	2.05	

Raw material consumed	..	0.34	1.62	2.11
Wages	..	0.55	0.49	0.67
Overheads	..	0.30	0.31	0.62
Accretions(+)/Decretions(-)to closing stocks	..	(+)1.39	(-)0.87	(-)0.13
Value of production	..	2.58	1.55	3.27
Sales	..	1.47	3.01	4.02
Profit	..	0.27	0.59	0.62

The production of silk yarn decreased from 2,424 kgs. (1978-79) to 2,121 kgs. (1980-81). The production in silk cloth also varied from 12,459 metres in 1978-79 to 9,048 metres and to 10,350 metres in 1979-80 and 1980-81 respectively.

The decrease in actual production of silk yarn and silk cloth was attributed by the Management (July 1981) to non-availability of cocoons in the State. It was, however, noticed that the Company had purchased only 283.16 kgs. of dry cocoons (1978-79 : 85.65 kgs., 1979-80 : 98.38 kgs., 1980-81 : 99.13 kgs.) out of production of green cocoons in the State aggregating 1,033.31 kgs. during the three years.

D—Furniture Factories, Bilaspur and Solan—These factories produce domestic as well as office wooden furniture on piece rate basis. The following tables indicate the particulars of production, sales, etc., of furniture during 1978-79 to 1980-81 :—

(a) Furniture Factory, Bilaspur

		1978-79	1979-80	1980-81
		(Rupees in lakhs)		
Actual production	..	3.68	4.66	4.76
Value of production	..	4.44	5.32	5.05
Purchase of semi-finished furniture	..	0.09	0.18	0.11
Raw material consumed	..	2.57	3.38	3.41
Wages on production	..	0.63	0.73	0.62
Wages on semi-finished goods	..	0.01	0.01	0.01

Other expenses	..	0.85	0.99	0.93
Overheads recovered on actual production in jobs	..	0.48	0.61	0.69
Overheads recovered on semi-finished goods..		nil	0.01	0.01
Sales				
(a) to Government departments	..	2.35	3.33	3.34
(b) to private parties	..	1.81	1.90	2.21
Accretions (+)/Decretions(—) to closing stocks	..	(—)0.39	(+)0.21	(+)0.35
(b) Furniture Factory, Solan				
Actual production	..	1.40	0.26	2.22
Value of production		1.94	0.80	3.71
Purchase of semi-finished furniture		0.10	0.11	0.12
Raw material consumed	..	1.76	0.35	1.89
Wages on production	..	0.43	0.08	0.35
Wages on semi-finished goods	..	0.01	0.01	0.01
Other expenses	..	0.25	0.37	0.66
Overheads recovered on actual production in jobs	..	0.16	0.04	0.35
Overheads recovered on semi-finished goods		nil	nil	nil
Sales				
(a) to Government departments	..	1.36	0.57	1.93
(b) to private parties	..	0.10	0.11	0.29
Accretions(+)/Decretions(—)to closing stocks	..	(+)0.03	(—)0.90	(+)1.29

It would be seen that in both the factories the margin of 10 per cent (profit) charged on the jobs was almost reduced to nil as the overheads recovered on actual production were much less than the expenditure (other than raw material and wages). The Management brought (June 1980) to the notice of the Board of Directors that losses in the Furniture Factory, Solan were due to shifting of the factory from Dharampur to Solan.

F—Hosiery Factory—This factory produces hosiery goods on single shift basis. The following table indicates the particulars of production, sales *etc.*, of hosiery goods during 1978-79 to 1980-81:—

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Raw material consumed ..	1.24	2.07	2.54
Wages ..	1.28	1.35	1.38
Overheads ..	0.30	0.42	0.68
Accretions(+)/Decretions(—) to closing stocks ..	(+)0.42	(—)0.17	(—)0.20
Value of production ..	3.24	3.67	4.40
Sales ..	2.30	3.95	4.50
Profit (+)/Loss(—) ..	(—)0.52	(+)0.11	(—)0.10
Closing stocks ..	4.57	4.40	4.20

The overhead expenditure increased from Rs. 0.30 lakh in 1978-79 to Rs. 0.42 lakh in 1979-80 and to Rs. 0.68 lakh in 1980-81 mainly due to hiring of new premises for the factory.

G—Detergent unit—This unit sells detergents after procuring these from feeder units set up by the private entrepreneurs. The following table indicates the particulars of production, sales, *etc.*, of detergents during 1978-79 to 1980-81 :

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Cost of purchases ..	6.95	6.42	3.75
Overheads ..	1.31	0.41	0.44
Sales ..	8.44	7.23	3.73
Other income ..	0.05	..	..
Profit (+)/Loss(—) ..	(+)0.23	(+)0.40	(—)0.46
Closing stocks ..	1.65	0.04	1.10
Accretions(+)/Decretions(—) to closing stocks ..	(+)1.65	(—)1.61	(+)1.06

Loss in detergent unit during 1980-81 was stated to be due to less production in feeder units (owned by private entrepreneurs) resulting in less sales by mother unit (owned by the Company).

H—Carpet Factory—This factory produces carpets on piece rate basis. The following table indicates the particulars of production, sales, etc., of carpets during 1978-79 to 1980-81:—

	1978-79	1979-80	1980-81
	(Rupees in lakhs)		
Raw material consumed ..	0.88	0.98	0.71
Wages ..	0.72	0.16	0.39
Overheads ..	0.19	0.17	0.21
Accretions(+)/Decretions(—)to closing stocks	(+)0.31	(—)0.52	(+)1.50
Value of production ..	2.10	0.79	2.81
Sales ..	1.83	0.99	0.51
Profit(+)/Loss(—) ..	(+)0.04	(—)0.32	(—)0.80
Closing stocks ..	2.04	1.52	3.02

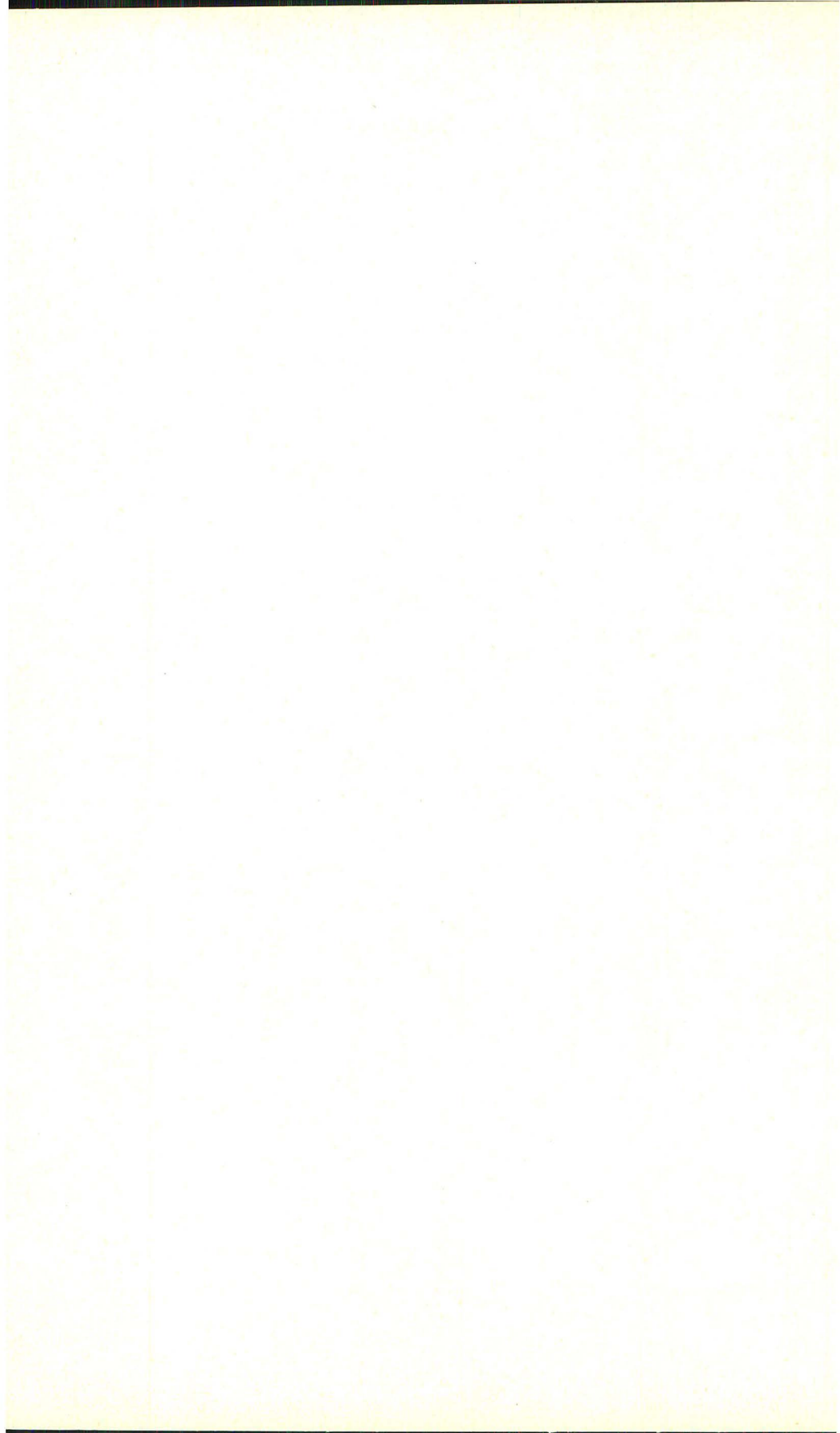
Closing stock has increased from Rs. 1.52 lakhs in 1979-80 to Rs. 3.02 lakhs in 1980-81 due to slump in the market according to the Management.

7.7.9 Mining

One of the objects of the Company is to commercially exploit the mineral wealth of the State. The first and only such venture so far undertaken (March 1981) was taken up with the establishment (November 1971) of a project to mine dolomite at Kothipura (Bilaspur District). The product is being sold to the National Fertilizers Limited (NFL), Naya Nangal, since the inception of the project.

The table below summarises the results of performance of mining of dolomite for the three years ended 1980-81 :

	1978-79	1979-80	1980-81
	(Quantity in tonnes)		
Budgeted production ..	42,000	48,000	33,000
Actual production ..	31,458	24,420	14,500



Purchases	..	4,072	2,952	1,393
Total production	..	35,530	27,372	15,892
Contracted quantity	..	36,000	36,000	36,000
Value of purchases (in Rupees)	..	48,777	44,555	23,968
Sales				
(a) Quantity in tonnes	..	35,343	27,122	15,467
(b) Value in Rupees	..	5,16,761	4,97,676	3,35,928
(Amount in Rupees)				
Rejections by N.F.L.	..	67,788	46,500	7,010
By-products	..	..	..	26,942 (Grit)
Royalty paid	..	84,215	61,050	36,250
Wages	..	1,07,205	90,639	95,275
Salaries	..	66,025	62,645	80,729
Other expenditure	..	2,17,445	3,06,997	1,19,000
Extraction cost per tonne	..	13.36	21.35	22.84
Cost of transportation	..	12,73,207	10,60,965	7,18,200
Transportation charges recovered	..	13,31,368	10,47,738	6,85,696
Profit (+)/Loss(—)on transportation	..	(+)58,161	(—)13,227	(—)32,504

Fall in actual production compared to budgeted production was attributed by the Management (June 1981) to restricted production linked with the demand of NFL which is the sole purchaser and due to heavy floods because of cloud bursts in 1979-80 and 1980-81.

The Company suffered a loss of Rs. 0.13 lakh in 1979-80 and Rs. 0.33 lakh in 1980-81 on the carriage of dolomite from project site to Naya Nangal. The transportation charges recovered during 1979-80 and 1980-81 were less than the cost incurred as the freight charges had gone up due to increase in the prices of diesel oil. There was no rate variation clause in the agreement to cover such increased cost of operation.

7.7.10 Term-loan facilities

The Company started functioning as a financial institution from 1976-77 by extending term-loan facilities to new projects in public as well as private

sector to be located in the State under the Refinance Scheme of the Industrial Development Bank of India. According to the financing scheme formulated initially the Company could finance a project where the total cost was Rs. 110 lakhs and the total term-loan requirement was Rs. 90 lakhs out of which the Company's share was fixed at Rs. 30 lakhs. The scheme was revised with effect from February 1979 whereafter the Company can finance a project costing Rs. 200 lakhs and term-loan requirement of Rs. 120 lakhs out of which the Company's share was fixed at Rs. 60 lakhs. The rate of interest charged on the term-loan is 9.5 per cent in the backward areas and 12.5 per cent in other areas. The year-wise particulars of the refinance applied for, sanctioned and drawn during the five years upto 1980-81 are indicated below :—

	1976-77		1977-78		1978-79		1979-80		1980-81	
	Num-ber	Amount	Num-ber	Amount	Num-ber	Amount	Num-ber	Amount	Num-ber	Amount
	(Amount in lakhs of rupees)									
1. Applications received ..	6	115.46	2	43.50	2	120.00	10	329.69	21	653.84
2. Loans sanctioned ..	5	102.46	1	30.00	1	13.00	4	183.97	23	654.29
3. Loans disbursed ..	..	..	..	..	4	70.49	1(2)	28.52	7(1)	162.59
4. Applications submitted to IDBI during the year ..	..	..	6	132.46	1	13.00	4	183.97	23	654.29
5. Applications pending with IDBI at the beginning of the year ..	..	..	..	..	..	..	..	..	1	2.55
6. Total of items 4 & 5 ..	..	..	6	132.46	1	13.00	4	183.97	24	656.84
7. Refinance sanctioned by IDBI ..	..	..	6	132.46	1	10.40	3	180.00	21	503.72
8. Refinance drawn from IDBI ..	..	..	..	..	3	57.49	1(2)	21.90	8(1)	175.25
9. Applications lapsed/withdrawn or rejected ..	..	..	..	..	3	46.90	..	..	..	..
10. Applications pending with IDBI at the end of the year ..	..	..	..	..	..	..	1	2.55	3	100.78

Note : Figures in brackets indicate cases of partial disbursement pertaining to previous year.



It will be seen that upto the end of 1980-81, the Company had sanctioned term-loans aggregating Rs. 9,83.72 lakhs to 34 projects against which loans disbursed aggregated Rs. 2,61.60 lakhs to 12 projects, and the refinance drawn from the Industrial Development Bank of India amounted to Rs. 2,54.64 lakhs. The balance of the term-loans outstanding as on 31st March 1981 worked out to Rs. 2,59.10 lakhs which included the instalments of principal due for repayment during 1980-81 but not paid amounting to Rs. 2.20 lakhs from two projects. The arrears of interest accrued and due for payment as on 31st March 1981 amounted to Rs. 7.04 lakhs in respect of three projects.

7.7.11 Other topics of interest

7.7.11.1 Television receivers

In December 1974, the Company entered into an agreement with ECIL for assembling television receivers of 19" and 20" sizes. The agreement was valid for a period of 5 years or till 25,000 sets were manufactured and delivered, whichever was earlier. The agreement was extended (December 1979) for a further period of five years on the existing terms and conditions. The Company could manufacture only 3,955 sets upto 1977-78 against the contracted quantity of 16,250 sets.

The Company decided (April 1979) to manufacture and market a separate television receiver of its own under the brand name 'Hionyx' in addition to assembling television receivers as per contract with the ECIL. The commercial viability of the scheme was not worked out before hand and approval of the Board of Directors for launching the project was not obtained. Approval for launching the new set was accorded in April 1979 by the Managing Director. In April 1979, it was estimated that the new venture would be earning a profit of Rs. 9.62 lakhs per annum.

The Company manufactured 100 'Hionyx' T.V. sets during the period April 1979 to December 1979 and decided to sell these sets through its own showrooms. During this period, the Company sent 24 sets to Solan, 19 to Simla, 29 to Jullundur and 27 sets to Dehradun show rooms for sale. Out of these 99 sets, only 18 sets could be sold by the Solan showroom and the remaining showrooms sent these sets back as there was no market for the same.

The Company incurred an additional expenditure of Rs. 0.53 lakh (Rs. 0.33 lakh on publicity, Rs. 0.18 lakh on salary and allowances of staff engaged for the sale of 'Hionyx' T.V. and Rs. 0.02 lakh on capital items) besides a developmental expenditure of Rs. 0.42 lakh to be written off in future.

At the end of July 1981, 82 T.V. sets valued Rs. 1.47 lakhs were lying unsold; in addition, components valued Rs. 3.67 lakhs were also lying in stock unutilised. The Management stated (June 1981) that in the absence of a proper

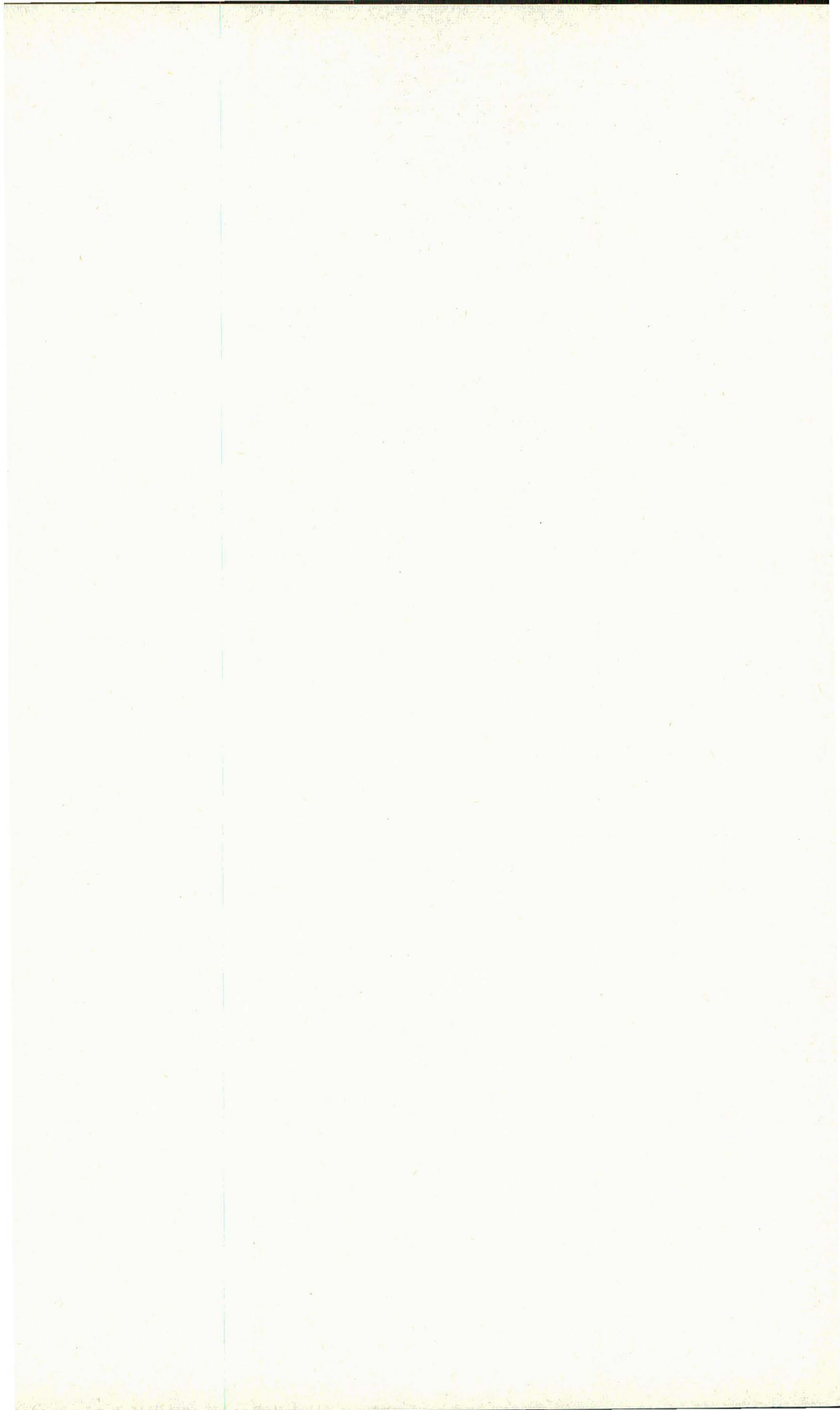
marketing set up and very heavy investments required for the job by way of advertising and putting up the infra-structure, it was felt better to concentrate on achieving maximum production of EC T.V. sets rather than going in for T.V. manufacturing under their own brand name at that stage.

7.7.11.2 Purchase of pulverising plant

The Board of Directors authorised the Managing Director (November 1974) to put up a lime-kiln and pulverised Dolomite Project at Kothipura (Bilaspur District), if found feasible and economically viable. The Managing Director decided on 30th May 1978 to establish the project at Kothipura (District Bilaspur) on the ground that there was substantial demand of pulverised dolomite powder. The commercial viability of the project was not assessed before deciding to establish the project. An order was placed (August 1978) on firm 'A' for purchase of the pulverising plant at a cost of Rs. 2.17 lakhs stipulating immediate delivery before November 1978 and an advance payment of Rs. 0.43 lakh was made (August 1978) to the firm. The Company had not acquired the land required for erecting the plant. The supplier telegraphically intimated (1st September 1978) that supply would be made by last week of September 1978/ first week of October 1978, as per the terms of the supply order. The Company requested (September 1978) the supplier for deferring the despatch of the plant by one month for the reasons that the foundations, *etc.*, at the site were not complete. The supplier issued (also September 1978) a notice to the Company that the order would be treated as cancelled if no clearance for the despatch of the plant was given within 14 days. However, at the request of the Company (September 1978) the supplier withdrew the notice, but agreed to supply the machinery at the revised cost of Rs. 2.47 lakhs. As the Company failed to give despatch instructions, the supplier issued another notice (September 1979). It was at this stage (October 1979) that the Marketing Survey Report for the product was submitted to the Industrial Adviser by the Marketing Manager, the decision of the Management on this Survey Report was still awaited (December 1981). As the despatch instructions had not been issued, the advance of Rs. 0.43 lakh made in August 1978 was still lying with the supplier (December 1981). Further developments were awaited (December 1981).

7.7.11.3 Purchase of bottles

The Company placed (December 1978 and June 1979) three orders on two firms 'A' and 'B' for an aggregate supply of 53 lakh glass bottles for filling country liquor. As per delivery schedule, the supplies were to be made within seven months. Failure to meet the scheduled supplies entailed the Company to resort to risk purchase at the cost of the suppliers. Only 20.49 lakh bottles were supplied by these firms within the delivery period stipulated. It was noticed that besides additional requirement, the bottles short supplied (32.51 lakhs) were



subsequently purchased from the same firms at higher rates resulting in extra expenditure of Rs. 11.62 lakhs.

7.7.11.4 Carpet yarn

The Carpet Factory, purchased 2,342.100 kgs. of woollen yarn valuing Rs. 0.85 lakh from firm 'A' in 1978-79. Due to the poor quality of the yarn supplied carpets valuing Rs. 0.40 lakh could not be sold till 30th June 1981. Out of 1,331 kgs. yarn valuing Rs. 0.49 lakh returned to the supplier on 6th February 1980, the unit received back 921 kgs. of yarn after improvement and the balance 410 kgs. of yarn (value : Rs. 0.22 lakh) was still lying with the supplier (July 1981).

7.7.11.5 Idle machinery

(a) Plant and machinery valuing Rs. 0.47 lakh were lying idle (December 1981) as detailed below :—

Serial number	Particulars	Date of purchase/ receipt	Value (Rupees in lakhs)	Remarks
(i)	Reeling machine	July 1968	0.09	Consequent upon the transfer (July 1968) of Silk Filature Unit to the Company, the machinery was transferred at book value and was lying idle since then as the quality of cocoons available was stated to be not suitable for reeling on these machines.
(ii)	Oil storage tank	1976-77	0.08	The tank was awaiting installation at Nurpur.
(iii)	Bandsaw and other machinery	1977-78	0.30	Plant and machinery transferred (April 1977) to Furniture Factory, Solan from Dharampur was awaiting installation.

(b) It was further noticed that two trucks (book value : Rs. 0.23 lakh) were purchased from Beas Sutlej Link Project in December 1978 and March 1979. To make these trucks road worthy, an expenditure of Rs. 0.21 lakh was incurred (1978-79). One of these trucks had so far (October 1981) covered 819 kilometres (during April 1979 to June 1979) and the other truck had remained idle.

7.7.11.6 Accounting and cost control

(i) Though the units of the Company (11) are engaged in trading activities, no separate cost records are maintained to work out the cost of each activity for purpose of fixing selling prices, controlling cost. No system of costing had been introduced in the units of the Company so far (July 1981).

(ii) No accounting manual had been prepared.

(iii) Prior to 1977-78, internal audit was being got done through a firm of Chartered Accountants and thereafter, the internal audit is being done through its own Accounts Branch. No separate Internal Audit Cell had been set up so far (December 1981) although a decision to strengthen the Internal Audit Wing was taken by the Board of Directors in November 1980.

The matter was reported to the Government in August 1981 ; reply was awaited (December 1981).

7.8 Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited

7.8.1 Introduction

Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (HPMC) was incorporated on 10th June 1974 as a subsidiary of the Himachal Pradesh Agro-Industries Corporation Limited with a view to introducing modern grading, packing and storage facilities for apple grown in the four apple producing districts of Simla, Kulu, Mandi and Sirmur and commercially oriented transportation of apple from orchards to various cold stores/markets.

7.8.2 Objects

The objects of the Corporation are :—

- (i) to organise, initiate, promote, assist, develop and execute activities relating to the marketing and processing of apples, in particular, and other fruits and vegetables in general ;
- (ii) to undertake the procurement and supply of packing material to fruit growers ;
- (iii) to undertake the business of forwarding and transit warehousing ; and
- (iv) to set up, acquire, establish, purchase, sell and/or manage large scale commercial orchards on modern lines for feeding the canning and preservation units and for other such purposes.

Its primary obligation under the World Bank Project is to develop marketing infra-structure such as the construction of Grading and Packing Centres, (10 centres), Cold Storages, (5 storages with a capacity of 1,000 tonnes each in production area), Cableways, (20 kms.) and establishment of a processing plant with annual capacity of 10,000 tonnes.

7.8.3 Organisational set up

The Management of the Corporation is vested in a Board consisting of 15 Directors, eight of whom are appointed by the Holding Company, six by the State Government including the Chairman and the Managing Director, and one by the Himachal Pradesh Fruit Development Board.

7.8.4 Paid-up capital

As on 31st March 1981, the Corporation had a paid-up capital of Rs. 2.40 crores, wholly subscribed by the Holding Company against the authorised capital of Rs. 3.00 crores.

7.8.5 Financial position

The financial position of the Corporation for the five years ending March 1981 was as follows :—

	1976—77	1977—78	1978—79	1979—80*	1980—81*
	(Rupees in lakhs)				
<i>Liabilities</i>					
(a) Paid-up capital ..	1,27.85	1,75.50	2,00.00	2,20.00	2,40.00
(b) Reserves					
(i) Development					
Rebate Reserve ..	1.80	1.80	1.80	1.80	1.80
(ii) Capital subsidy from the State Govern- ment for spray oil plant and night air cool storage ..	0.53	0.53	0.53	0.53	0.53
(iii) Grants received from the State Govern- ment for mushroom, Tribal Develop- ment and Parwanoo Projects ..		1.00	10.00	56.00	71.00

*Figures are provisional.

(c) Borrowings ..	13.14	15.54	39.14	2,34.73	3,91.33
(d) Trade dues and other current liabilities ..	49.19	40.73	53.69	55.52	55.49
Total ..	1,92.51	2,35.10	3,05.16	5,68.58	7,60.15

Assets

(a) Gross block ..	59.18	73.47	97.49	1,10.55	1,25.00
(b) Less : Depreciation	8.10	12.37	18.20	25.96	33.96
(c) Net fixed assets ..	51.08	61.10	79.29	84.59	91.04
(d) Capital work-in-progress ..	25.50	31.64	44.00	2,18.66	3,85.00
(e) Current assets ..	1,09.59	1,24.97	1,50.39	2,21.60	2,21.65
(f) Intangible assets					
(i) Intangible assets	0.17	0.09	..	..	..
(ii) Net loss (cumulative) ..	6.17	17.30	31.48	43.73	62.46
Total ..	1,92.51	2,35.10	3,05.16	5,68.58	7,60.15

Capital employed .. 1,11.48 1,45.34 1,75.99 2,50.67 2,57.20

Net worth .. 1,23.84 1,61.44 1,80.85 2,34.60 2,50.87

Notes: (1) Capital employed represents net fixed assets *plus* working capital.

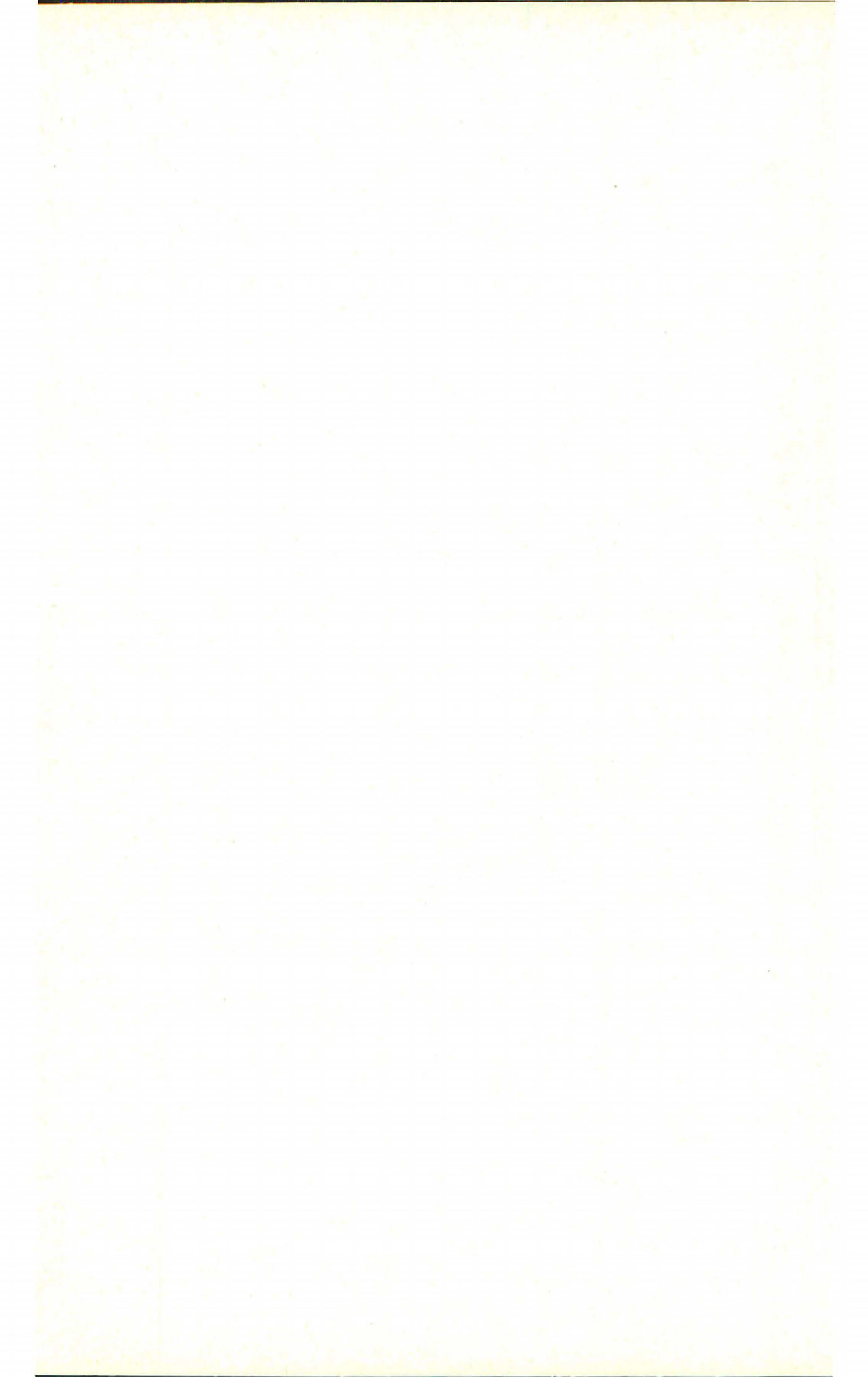
(2) Net worth represents paid-up capital *plus* reserves and surplus less intangible assets.

7.8.6 Working results

The working results of the Corporation for the three years upto 1980-81 are tabulated below :—

	1978—79	1979—80	1980—81
	(Rupees in lakhs)		
<i>Income</i>			
(a) Sales ..	44.49	75.31	71.70
(b) Other income ..	27.22	31.33	27.82
Total ..	71.71	1,06.64	99.52

*Figures are provisional.



Expenditure

(a) Raw material consumed	..	20.21	30.98	29.11
(b) Work-in-progress and finished goods	..	10.37	21.36	18.85
(c) Manufacturing, selling and administrative expenses	..	48.32	56.09	58.87
(d) Interest on loans	..	1.16	2.66	3.42
(e) Depreciation	..	5.83	7.80	8.00
Total	..	85.89	1,18.89	1,18.25
Net loss	..	14.18	12.25	18.73

7.8.7 Apple marketing and processing project

Three project agreements for providing credit for the apple processing and marketing project were entered into in January 1974 between International Development Association (IDA) (the appraiser of the project) and the (i) Government of India, (ii) Himachal Pradesh Government and (iii) Agricultural Refinance Development Corporation and Himachal Pradesh Agro-Industries Corporation Limited, the Holding Company.

As per Development Credit Agreement dated 2nd January 1974 signed between Government of India and International Development Association (an affiliate of the World Bank), the execution of the commercial components was assigned to HPMC and that of non-commercial components, such as road works, road maintenance equipments, technical assistance, training and project evaluation study to the State Government. The total financial outlay for Himachal Pradesh Apple Processing and Marketing Project to be financed by the IDA for both commercial and non-commercial components was Rs. 16.31 crores as per appraisal Report (July 1972). The IDA revised (June 1975) the component-wise cost outlay on various works without changing the overall total outlay of Rs. 16.31 crores.

Out of the total financial outlay of Rs. 16,31.00 lakhs, the outlay on commercial components to be implemented by the Corporation was of the order of Rs. 8,64.00 lakhs (including working capital) as detailed below :—

		Estimated amount
		(Rupees in lakhs)
(a) Commercial components		
Cableways (20 kms.)	..	70.00
Grading and Packing Centres (10 centres)	..	1,08.00

Cold storages (5 storages)	..	70.00
Processing Plant (1 plant)	..	2,43.00
Development programme	..	3.00
Contingencies	..	1,70.00
Sub total	..	<u>6,64.00</u>

(b) Share capital (contribution towards working capital for the project through the holding Company)

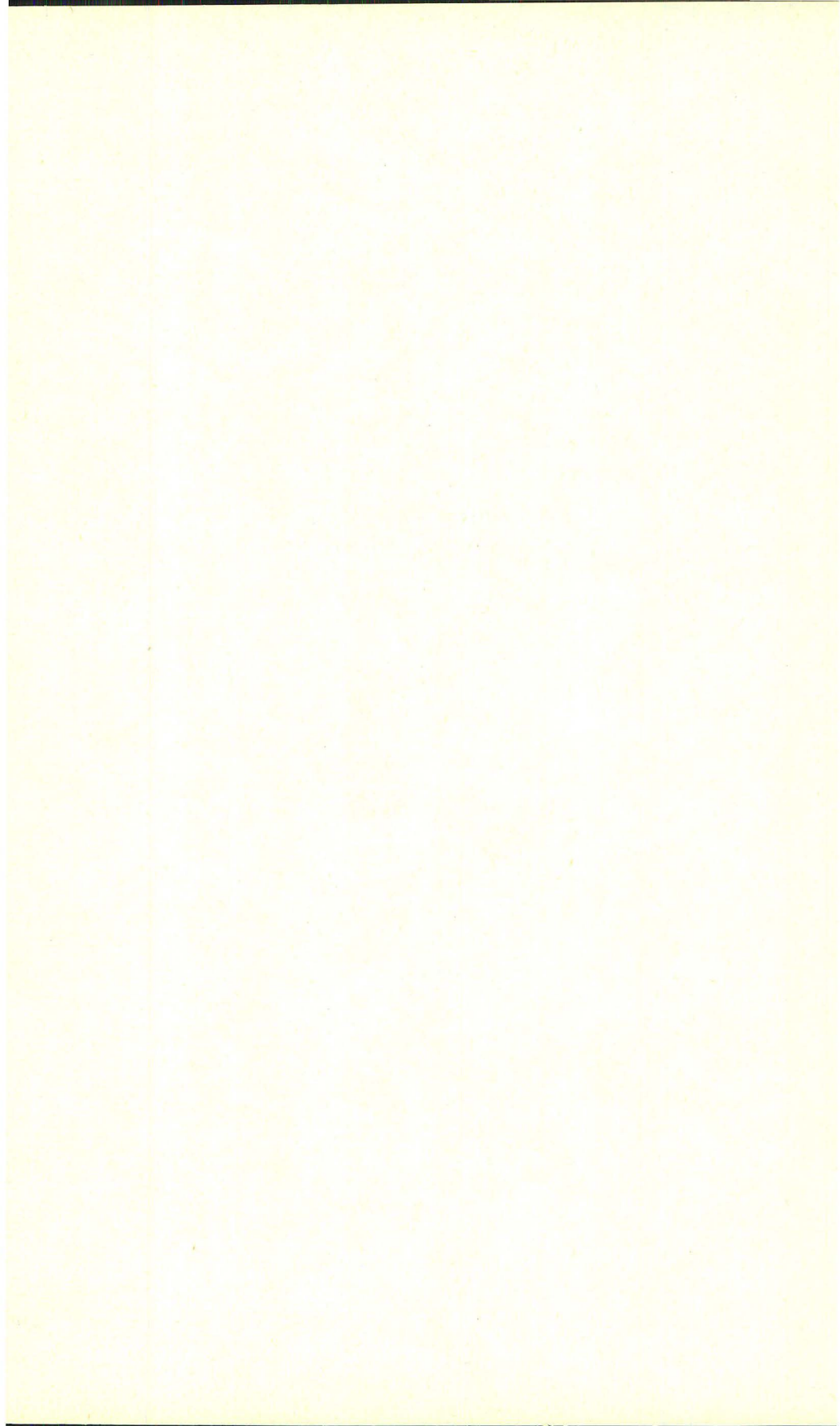
Government of Himachal Pradesh	..	1,02.00
Government of India (through the State Government)	..	98.00
Sub total	..	<u>2,00.00</u>
Grand total	..	<u>8,64.00</u>

The funds for commercial components of the project (excluding the working capital requirement) were financed by the Agriculture Refinance and Development Corporation (ARDC) through participating commercial banks. Refinancing agreement between ARDC and the commercial banks provided the rate of interest at 7 per cent per annum, whereas the commercial banks, in turn, lent amounts to HPMC at 9.5 per cent per annum up to 15 years with two to three years grace period.

The Corporation had availed of an aggregate amount of loan of Rs. 3,91.93 lakhs upto 30th June 1981 from these banks. An interest of Rs. 53.93 lakhs was charged by these banks on these loans up to 30-6-1981. Claims for the entire amount had been made with the World Bank.

The execution of the commercial component of the work involving a total outlay of Rs. 6,64.00 lakhs is being done by the following four agencies:—

Particulars of works and agencies executing them	Outlay proposed
	(Rupees in lakhs)
(i) Buildings by Himachal Pradesh Public Works Department	.. 1,48.00
(ii) Civil work of Fruit Processing Plant, Parwanoo by Himachal Pradesh Mineral and Industrial Development Corporation Limited	.. 69.00
(iii) Water supply work by Himachal Pradesh Housing Board	.. 5.80
(iv) Other components of Fruit Processing Plant, Packing and Grading Centres and Cableways by HPMC	.. 4,41.12
Total	.. <u>6,64.00</u>



As per revised Project Report (1975) the commercial components of the project were scheduled to be completed by 31st March 1978 as under :—

Particulars	1975—76	1976—77	1977—78
1. Cableways	.. ..	10 kms.	10 kms.
		(In numbers)	
2. Grading and Packing Centres	.. 2	2	2
3. Cold storages	.. 1	2	2
4. Juice Processing Plant	.. ..	..	1

The project was still in the implementation stage (July 1981). The IDA had already accorded extensions thrice for credit availment (i) upto December 1980, (ii) upto December 1981 and (iii) upto March 1982. The progress achieved in the implementation of commercial components of the project is discussed in the succeeding paragraphs.

7.8.7.1 Cableways

The original Project Report (July 1972) provided for laying aerial cableways for total distance of 40 kms. at a cost of Rs. 1,45.00 lakhs in the four districts of Simla, Kulu, Mandi and Sirmur where the steep terrain precludes road construction, and also provided for the training of an Aerial Cableways Engineer abroad. Due reportedly to lack of technical personnel with the requisite experience of aerial cableways with the Public Works Department, and the Corporation's inability to provide basic site data for preparing bid documents for the aerial cableways, the revised Project Report (1975) provided for construction of only 20 kms. of aerial cableways on experimental basis at the cost of Rs. 70.00 lakhs. A consultant was to assist the Corporation and the Public Works Department in surveying the possible sites and in preparing the tender documents for trunkway bids.

Feasibility report of the setting up of aerial cableways at Thanedar (4.8 kms.) and Pujarli (4.5 kms.) in Simla District was got prepared only in June 1980 from firm 'A' at a cost of Rs. 2.00 lakhs long after the targeted date of completion of the cableways (March 1978). The total cost was estimated by firm 'A' at Rs. 48.89 lakhs (Thanedar : Rs. 25.41 lakhs and Pujarli : Rs. 23.48 lakhs). These estimates were considered to be on higher side by the Management. However, global tenders were invited (February 1981) for 11.15 kms. of cableways (Pujarli : 5 kms. and Thanedar : 6.15 kms.). Though tenders received were opened on 2nd May 1981, their evaluation was yet to be made (July 1981). No action had been taken for laying the cableway for the remaining length of 8.85 kms. so far (July 1981). Thus, no work has started in respect of the works involving an estimated capital outlay (Rs. 70.00 lakhs) even after 3 years of the

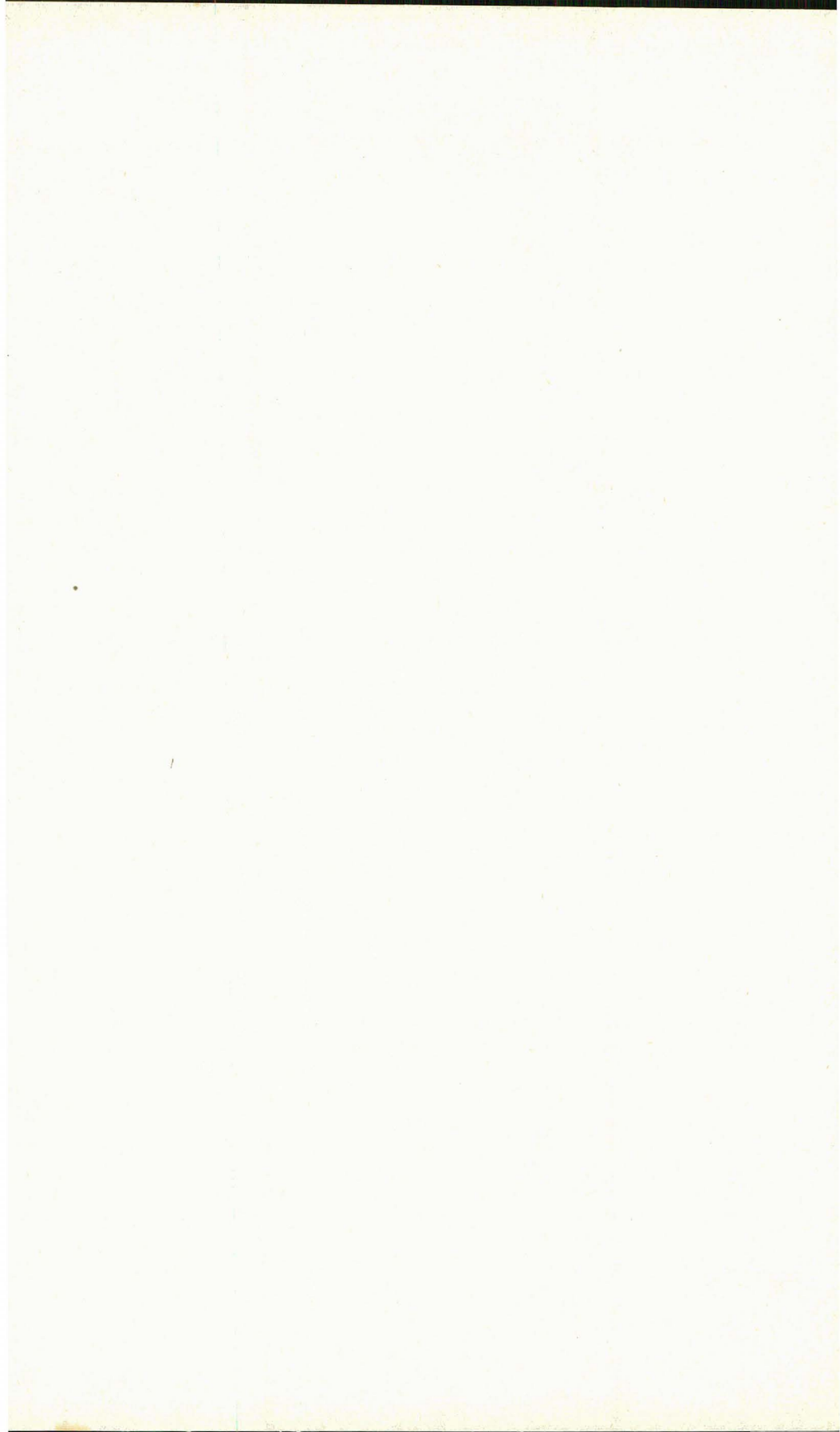
targeted date of completion, and due to the delay, the works when finally executed are likely to cost more due to escalation in costs.

The Management stated (July 1981) that the recommendations of the Corporation for appointment of firm 'B' to execute the cableways work had since been submitted to the World Bank for approval and the techno-economic feasibility report had also been sent to the ARDC for financial sanction.

7.8.7.2 Grading and packing centres and cold storage units

(a) **Grading and packing centres** —The revised Project Report (June 1975) envisaged establishment of six grading and packing centres with an aggregate capacity of 30,000 tonnes and five cold storages with a total capacity of 5,000 tonnes (during 1975-76 to 1977-78) at an estimated cost of Rs. 1,78.00 lakhs. Later, during 1976-77, the IDA cleared 10 packing and grading centres (36,000 tonnes) and five cold storages (5,000 tonnes) at an estimated cost of Rs. 1,62.38 lakhs. The target dates for constructing these additional facilities were not drawn up. The particulars of location of these centres and the connected cold storages as well as their capacities are detailed below :—

Location	Place of packing and grading centre	Place of cold storage	Capacity in tonnes	
			Packing and grading centre	Cold storage
Simla	.. 1. Kotkhai	Kotkhai	5,000	1,000
	2. Kotgarh	Kotgarh	5,000	1,000
	3. Hatkoti	Rohru	5,000	1,000
	4. Oddi	Oddi	5,000	1,000
	5. Sungri	..	1,500	..
Kulu	.. 6. Patlikuhl	Patlikuhl	5,000	1,000
	7. Bhuntar	..	5,000	..
Mandi	.. 8. Chail Chowk	..	1,500	..
	9. Chindi	..	1,500	..
Sirmur	.. 10. Rajgarh	..	1,500	..
Total			36,000	5,000



The locational feasibility study of the above 10 packing and grading centres was got done from the Project Evaluation Cell, Agro-Economic Research Centre, Himachal Pradesh University, Simla at a cost of Rs. 7.20 lakhs and their reports were received in January 1977. It was, however, observed that though the locational feasibility study in respect of packing and grading centres at serial number 1,2,3 and 5 in Simla District was got conducted for places mentioned above, these centres were established at other places *i.e.*, Gumma, Tikkar Jarol, Rohru and Tutupani respectively resulting in avoidable expenditure of Rs. 2.88 lakhs (*pro rata*) incurred initially on the locational feasibility study of the four centres. The alternate sites were selected without undertaking any feasibility study. The centres were changed mainly due to the following reasons:—

- (i) to avoid delay in compulsory acquisition of land ;
- (ii) easy availability of land at the new sites ; and
- (iii) at the suggestion of local representative and Project Manager of the Corporation.

The following table indicates proposed/approved outlay, actual expenditure and physical progress of each complex (packing and grading centres and cold storages) :—

Serial number	Name of the complex	Proposed outlay (Rupees in lakhs)	Approved by ARDC		Actual expenditure upto 30th June 1981 (Rupees in lakhs)	Revised outlay proposed (February 1981) (Rupees in lakhs)	Physical progress as on 30th June 1981	Tentative date of commissioning
			Amount	Month				
1	*Kotkhai/ Gumma	27.55	26.32	April 1978	22.52	*** 49.20	Electric connection being installed.	August 1982
2	*Kotgarh/ Tikkar Jarol	27.55	26.32	Ditto	25.96	39.99	Ditto	Ditto
3	*Hatkoti/Rohru	27.55	26.32	Ditto	15.45	39.96	Ditto	Ditto
4	*Oddi	27.55	26.32	Ditto	22.22	39.45	Electric connection completed.	Ditto
5	**Sungri/ Tutupani	4.42	4.38	Ditto	3.58	5.84	Ditto	Ditto

*Packing and grading house with cold storage.

**Packing and grading house only.

***Increase in the revised outlay was due to delay in execution of civil works (Rs. 14.67 lakhs) and provision for contingencies and interest (Rs. 6.98 lakhs).

6	*Patlikuhl	27.55	26.32	April 1977	33.02	35.25	Plastering over insula- tion in pro- gress. Trial run done in August 1978.	August 1982
7	**Bhuntar	13.58	13.26	June 1978	11.02	12.15	One grading machine ins- talled and trial run done in Au- gust 1979.	Ditto
8	**Chail Chowk	4.42	4.38	April 1978	4.21	5.94	Trial run done in August 1979.	Commer- cial run ex- pected in apple season 1982.
9	**Chindi	4.42	4.38	Ditto	4.31	6.19	Ditto	Ditto
10	**Rajgarh	4.42	4.38	Ditto	5.09	6.40	Trial run done in July 1979.	Ditto
Total		<u>1,69.01</u>	<u>1,62.38</u>		<u>1,47.38</u>	<u>2,40.37</u>		

It would be seen from above that the approved outlay of Rs. 1,62.38 lakhs was expected to increase by Rs. 77.99 lakhs. The increase in the cost was attributed by Management (July 1981) to prolonged execution period. Further, none of the five cold storages had been completed so far (June 1981). The commercial run of packing and grading houses completed in 1978-79 (1) and 1979-80 (4) had also not been started (June 1981). The Management stated (July 1981) that the first commercial operation was expected to be undertaken during 1981-82 season.

(b) **Equipment for packing**—(i) Global tenders for six apple Sorting and Sizing machines (for six centres originally planned) were opened in January 1976. Six Grading Sizing machines valued Rs. 5.02 lakhs were purchased from a foreign firm and the equipment was received at Bombay in May 1976, well ahead of planning for the construction of the grading and packing centres and receipt of the approval of ARDC. These were further transported to Parwanoo in June 1976. The total cost of these machines worked out to Rs. 6.96 lakhs (including custom duty (Rs. 1.94 lakhs) and transportation charges from Bombay to Parwanoo). Of these, three machines were shifted to the packing house at Patlikuhl in September 1976 (trial run made August 1978) and the remaining

*Packing and grading house with cold storage.

**Packing and grading house only.

three were sent to packing house at Rajgrah, Chail Chowk and Chindi in June 1979 (trial run made in July 1979-Rajgarh and August 1979-Chail Chowk and Chindi, *i.e.*, after three year's of their arrival at Parwanoo. Thus the equipment valued Rs. 6.96 lakhs which was purchased and received in May 1976 had not been commissioned and put to commercial use so far (July 1981) resulting in blockage of funds for over 5 years.

(ii) Order for supply of 24 gravity rollers was placed with a foreign firm in February 1976 at a total cost of Rs. 0.42 lakh (not provided for in the Revised Project Report of June 1975). These were received at Bombay in June 1976 and were transported to Parwanoo in August 1976. The total cost of these rollers at Parwanoo worked out to Rs. 0.79 lakh (including custom duty of Rs. 0.32 lakh). The rollers were lying unused (July 1981) as the site guide rails and supporting stands required had not been ordered and procured.

(iii) On the basis of global tenders, 12 grading lines required for installation in the packing houses were ordered on the foreign firm at a cost of Rs. 4.68 lakhs (cost including customs duty). The equipment received at Bombay in April 1980 was transported to Parwanoo in May 1980. Of these, 2 grading lines were sent to packing houses at Oddi and Tutupani in September 1980 and the remaining 10 grading lines were still lying at Parwanoo (July 1981). The grading line at Oddi was incomplete reportedly because the connected chute from roller elevator had not been supplied. The indigenous equipment for these grading lines (value : Rs. 1.17 lakhs) was stated to be under manufacture.

7.8.7.3 Juice processing plant

The original Project Report (1972) provided for construction of juice processing plant with an annual capacity of 12,000 tonnes. The capacity of the plant was reduced to 10,000 tonnes per year by the Project Review Mission (June 1975) because of uncertainty about the availability of other fruits such as plums, pears and peaches. On the techno-economic market feasibility study made (January 1975) to assess the size of the domestic market for apple juice, the Review Mission observed (June 1975) that the study had not embraced the effective method of bottling and retaining of apple juice. The Mission recommended that before setting up the juice processing plant, a further study be undertaken to determine the most viable marketing channel. No such study had been made so far (July 1981).

The work of the juice processing plant at Parwanoo (District Solan) estimated to cost Rs. 3,90.15 lakhs and scheduled to be completed by March 1978 was actually started in May 1979. The outlay (i) as approved as per the revised

Project Report, (ii) as per revised techno-economic feasibility report (1979) and (iii) as per latest estimate is given below :—

Particulars	Outlay as per Project Report (1975)	Investment as per techno-economic feasibility report (1979)	As per latest estimates (April 1981)
	(Rupees in lakhs)		
Land	4.05	4.05	4.05
Civil works	21.55	36.80	74.80
Equipment and other contingencies	2,40.86	3,19.15	3,11.30
Total	2,66.46	3,60.00	3,90.15

The civil works of the plant estimated to cost Rs. 74.80 lakhs were entrusted August 1979 to Himachal Pradesh Mineral and Industrial Development Corporation Limited (Rs. 69.00 lakhs) for construction of buildings, etc., and Himachal Pradesh Housing Board (Rs. 5.80 lakhs) for water supply schemes September 1979. Machinery and equipment for the plant was imported from four foreign countries in 1979-80 and 1980-81 in addition to purchase (February 1979 to August 1981) of indigenous equipment.

From the details in the table *supra* it is clear that there is an estimated increase of Rs. 1,23.69 lakhs (civil works : Rs. 53.25 lakhs ; equipment and other contingencies : Rs. 70.44 lakhs) over the estimated cost as per Project Report (1975). The increase was attributed (July 1981) by the Management to rise in prices over the years.

The table below indicates the expenditure incurred upto 31st March 1981 and physical progress achieved as on 15th June 1981 :—

Particulars	Estimated cost	Expenditure incurred	Physical progress
	(Rupees in lakhs)		
Land	4.05	1.74	Land acquired on lease from Himachal Pradesh Housing Board on instalment basis.

Civil Works :

—Buildings	69·00	30·52	Main plant building completed. Finishing in Cold Storage and administrative block was in progress.
—Water supply	5·80	2·15	Work in progress.
Equipment and other contingencies	3,11·30	2,29·74	Apple line totally erected, peach canning line procured and orders for balance equipment placed.
Total	<u>3,90·15</u>	<u>2,64·15</u>	

7·8·7·4 Construction of cold storages

The revised Project Report (June 1975) envisaged construction of 5 cold storages (capacity : 1000 tonnes each) at Kotkhai, Kotgarh, Rohroo, Oddi and Patlikuhl. The works involved were installation of refrigeration machinery already purchased and insulation works of the cold storages. The building works of the cold storages at the above places undertaken by the Public Works Department (during March 1976) were incomplete (December 1981). In the meanwhile the Company had invited tenders thrice for the installation of the refrigeration machinery partly (August 1976, January 1980 and May 1981) and thrice for insulation work of the cold storages (April 1977, December 1978 and March 1980). The comparative position of the tenders invited from time to time is given in the following table :—

Name of work	Date of tender	No. of plants involved	Tendered amount (Rupees in lakhs per plant)
Installation of refrigeration machinery (5 plants)			
I tender	.. August 1976	Four	3·09
II tender	.. January 1980	Two	5·50
III tender	.. May 1981	Three	6·50

Insulation work for the cold storages

(5 plants)

I tender	.. April 1977	One	3.43
II tender	.. December 1978	One	2.75
III tender	.. March 1980	Two	4.08
		Two	4.40
		One	4.33

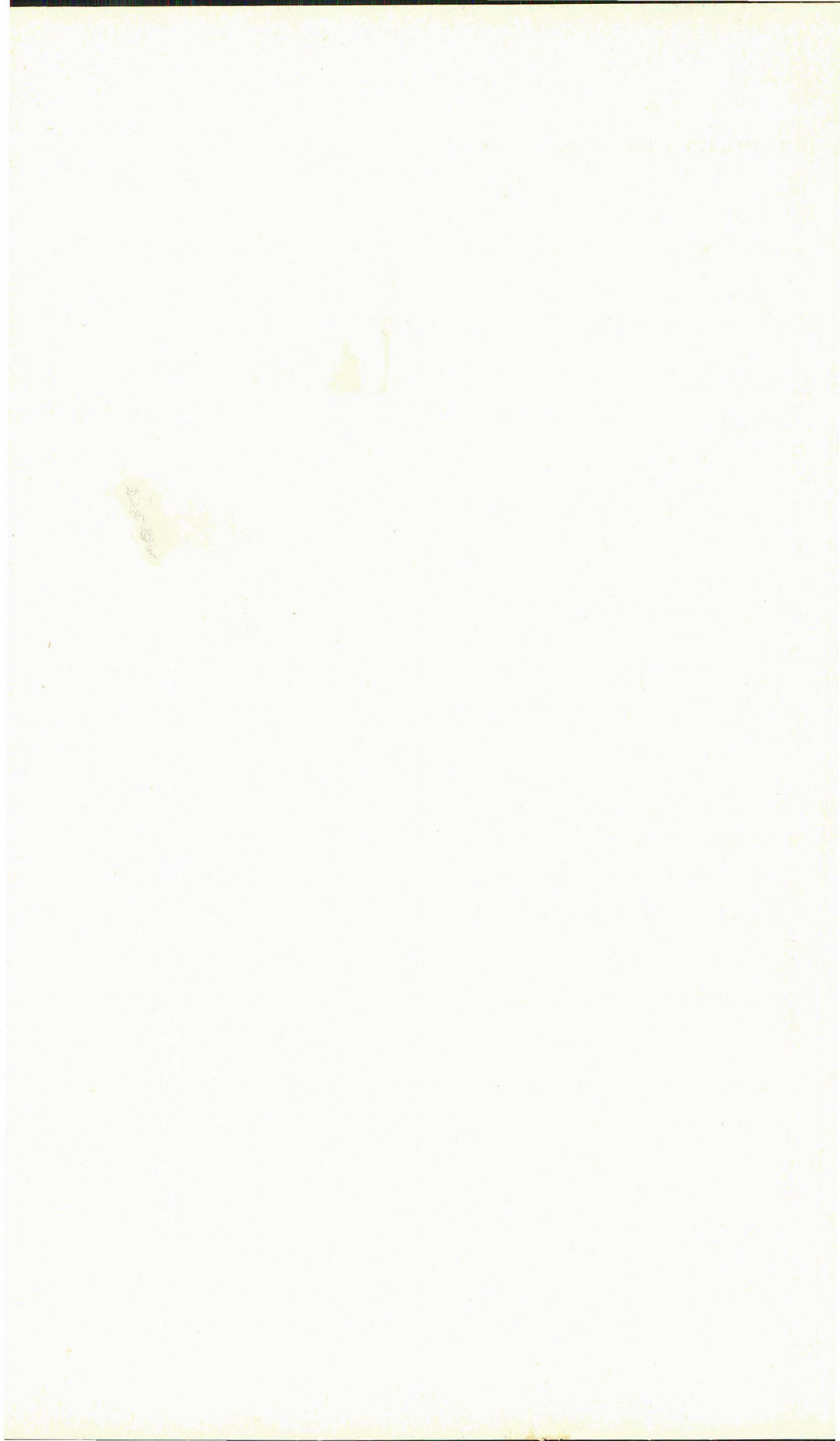
The works in regard to installation of refrigeration machinery and insulation of cold storages could not be awarded when the tenders were invited on the first two occasions upto January 1980 as the buildings were not ready. The works have been awarded at the higher rates received against the third tender, and were in several stages of completion (December 1981). Delay in the completion of buildings had resulted in extra expenditure on the installation and insulation works.

7.8.7.5 Trial run of the plant

The Corporation decided (October 1980) to put the juice processing plant under trial run with effect from November 1980. For this purpose, 225 tonnes of apple were procured (October/November 1980) at a cost of Rs. 3.21 lakhs. Of this, 98 tonnes of apple in bags and 54 tonnes of apple in 3,018 boxes were stored with a private cold storage between October-November 1980 at a cost of Rs. 0.21 lakh. Only 178 tonnes of apple could be processed during trial run (November-December 1980) of the plant and the balance of 47 tonnes were either spoiled/ damaged during cold storage (24 tonnes) or at plant (23 tonnes). A claim of Rs. 0.28 lakh was lodged with the cold storage in November 1980. The amount had not so far been recovered (December 1981). No investigation had been made in respect of fruit spoiled at the plant (valuing Rs. 0.35 lakh).

The sale value of finished goods produced during the trial run amounted to Rs. 1.38 lakhs against the cost of material used aggregating Rs. 2.69 lakhs. The installed hourly capacity of the plant was 5 tonnes with extraction yield of 60 *per cent*. During trial run, the working results per hour were not worked out, and the recovery percentage was 50.18. The recovery percentage of juice, according to the manufacturer, was 75 to 80 *per cent* for fresh fruit.

Thus, even though the commercial components of the project taken up for implementation from March 1976 were targeted to be completed during 1977-78, the project components had been considerably delayed and partly not even taken up (cableways) and the plants already procured had not been installed and commissioned even after 5 years upto June 1981.



7.8.8 Marketing and processing activities

The activities of the Corporation in regard to the marketing and processing, export of fruit products, management of fruit processing plant at Jarol (Mandi District) and other allied activities are discussed in the succeeding paragraphs.

7.8.8.1 Fruit Processing Plant, Jarol (District Mandi)

The plant with a crushing capacity of 1.5 tonnes of fruit per hour for production of apple juice and apple juice concentrate was transferred by the Government to the Company in April 1975 at a nominal annual rental of Re. 1. The table below indicates the utilisation of capacity of the plant for the five years ending 1980-81 :—

	1976-77	1977-78	1978-79	1979-80	1980-81
	(In tonnes)				
Licenced capacity ..	120	120	120	120	120
Installed capacity (apple juice concentrate) ..	100	100	100	100	100 (in 3 shifts)
Actual production ..	8.56	23.95	87.04	159.26	55.86
	(Percentage)				
Percentage of utilisation to installed capacity	8.56	23.95	87.04	159.26	55.86

The shortfall in production was attributed by the Management (July 1981) to shortage of apple fruit in the market.

During the period from 1976-77 to 1980-81, the percentage of recovery of fruit juice ranged from 65 to 70. No norms have been fixed by the Management for the recovery of juice or wastage.

7.8.8.2 Loss on sale of apple juice concentrate

The plant at Jarol supplied (August 1977) two consignments of 2040 kgs. each of apple juice concentrate to a Bombay firm at the rate of Rs. 13.95 per kg. f.o.r. destination for re-processing into their own beverage but no insurance cover was taken. On receipt of supply in September 1977, the firm reported that significant quantity of material was leaking and some lids of the containers were not in position with the result that the whole place was stinking. A shortage of 410 kgs. valuing Rs. 0.05 lakh was also reported by the consignee in September 1977 and a shortage certificate was sent (October 1977).

In November 1977, the firm informed that there was heavy sedimentation in apple concentrate supplied by the plant. In January 1978, the firm further informed that the concentrate had developed fermentation. The Corporation agreed (May 1979) to take back the apple juice concentrate supplied to the firm. 2032 kgs. of concentrate (value : Rs. 0.28 lakh) was returned by the firm in December 1980. The Branch Manager (Bombay branch) of the Corporation stated (June 1981) that the stock received back from the firm was being converted into vinegar. The extent of loss on conversion to vinegar has not been assessed (June 1981).

7.8.8.3 Re-processing losses

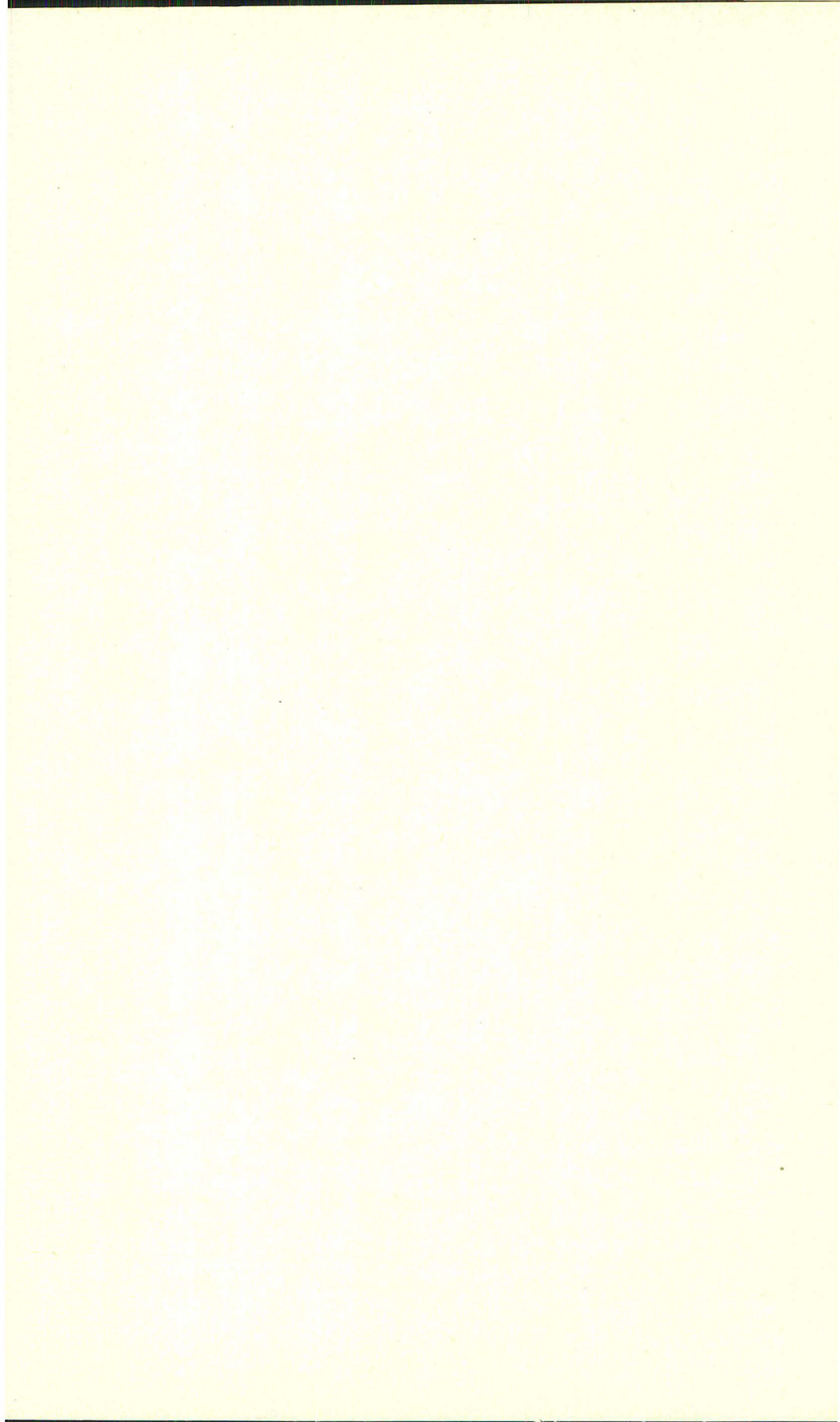
18 tonnes of apple juice concentrate costing Rs. 2.40 lakhs processed at Jarol plant during 1975-76 could not be marketed till January 1979 due to gel formation due to long storage. The concentrate was re-processed (March 1980) before putting it for sale. The exact re-processing losses were not worked out but these were estimated by the Management at 30 to 35 *per cent* which worked out to Rs. 0.72 lakh.

7.8.8.4 Canning units

In June 1976, the Government transferred two fruit canning units functioning at Rajgarh and Bagthan (District Sirmur) from the Horticulture Department to the Corporation (on an annual lease of Re. 1) with the stipulation that the Government would meet the losses, if any, (excluding the salary portion of staff) for a period of three years. Profits, if any, were to be shared on 50 : 50 basis. The Corporation incurred a loss of Rs. 1.35 lakhs (excluding salary) during 1977-78 to 1979-80 (1977-78: Rs. 0.29 lakh ; 1978-79: Rs. 0.33 lakh and 1979-80: Rs. 0.73 lakh) and incorporated the losses in its own accounts. No claim was lodged with the State Government for reimbursement of the losses incurred (Rs. 0.62 lakh) during 1977-78 and 1978-79.

7.8.9 Export of apples

During 1976-77, the Corporation exported 7,118 boxes of fresh apples valuing Rs. 4.31 lakhs to foreign countries. There was a net loss of Rs. 2.69 lakhs on these exports. Again, in 1980-81, the Corporation procured 15,718 boxes of apple at a cost of Rs. 7.08 lakhs for export to foreign countries. A further expenditure of Rs. 6.00 lakhs was incurred on freight, packing material and foreign tours, *etc.* Of this, only 1,800 boxes valuing Rs. 1.74 lakhs (after taking into account cash incentive of Rs. 0.21 lakh) could be exported to a foreign country. The Market Manager, State Trading Corporation of India informed (November 1980) the Chief Marketing Manager of the Company that the consignment received in the foreign country was different from the approved samples, and was inferior to the apple sent for sale by another country. The balance stock was disposed of in the local market for Rs. 6.63 lakhs



(including cost of samples valued Rs. 0.02 lakh) resulting in a net loss of Rs. 4.71 lakhs. The reasons for losses had not been investigated so far (December 1981).

During 1978-79, the Simla branch of the Corporation purchased 1,690 boxes of apple at a cost of Rs. 0.54 lakh for export. Of this, 1,506 boxes were disposed of in Bombay for Rs. 0.22 lakh. No account of balance 184 boxes was on record. The loss of Rs. 0.32 lakh (including cost of missing boxes) had not been investigated so far (December 1981).

7.8.10 Trading in fruit of Government orchards

As decided in a joint meeting of officers of the Corporation and the Department of Horticulture (May 1980) the Company undertook to purchase with effect from August 1980 the produce of Government orchards spread over in Simla and Kulu districts at the rate of Re. 1 per kg. irrespective of varieties, size and quality, etc. This was the farm gate price of fruit and all expenses for marketing the fruit were to be borne by the Corporation.

During 1980-81 season, the Corporation handled the produce of 30 orchards (Simla District : 20 and Kulu District : 10) and suffered a loss of Rs. 0.83 lakh as detailed below :—

District	Quantity of fruit purchased	Purchase value of fruit	Other incidental expenses incurred	Total cost of sale	Sale value	Net loss
	(In kgs.)			(Rupees in lakhs)		
Simla ..	2,80,022	2.80	1.26	4.06	3.81	0.25
Kulu ..	2,27,266	2.27	0.52	2.79	2.21	0.58
				Total loss	..	0.83

The losses were attributed by the Management (July 1981) to poor quality of fruit.

7.8.11 Procurement of apple from outside the State

The Board of Directors in its meeting held on 6th October 1978 resolved that the Corporation may procure processing grade apple fruit from Jammu and Kashmir region for the Fruit Processing Plant at Jarol. The procurement price f.o.r. Jarol was in no case to be higher than Rs. 73 per quintal (in gunny

bags) and Rs.70 per quintal (without gunny bags). During November-December 1978, 3,158.25 quintals of apple were procured from Jammu and Kashmir region at the rate of Rs. 78.90 per quintal against the fixed price of Rs. 70 per quintal resulting in an extra expenditure of Rs. 0.28 lakh. It was further noticed that the recovery of juice from the fruit procured was 50 to 55 per cent against 63 per cent in case of apple procured in Himachal Pradesh.

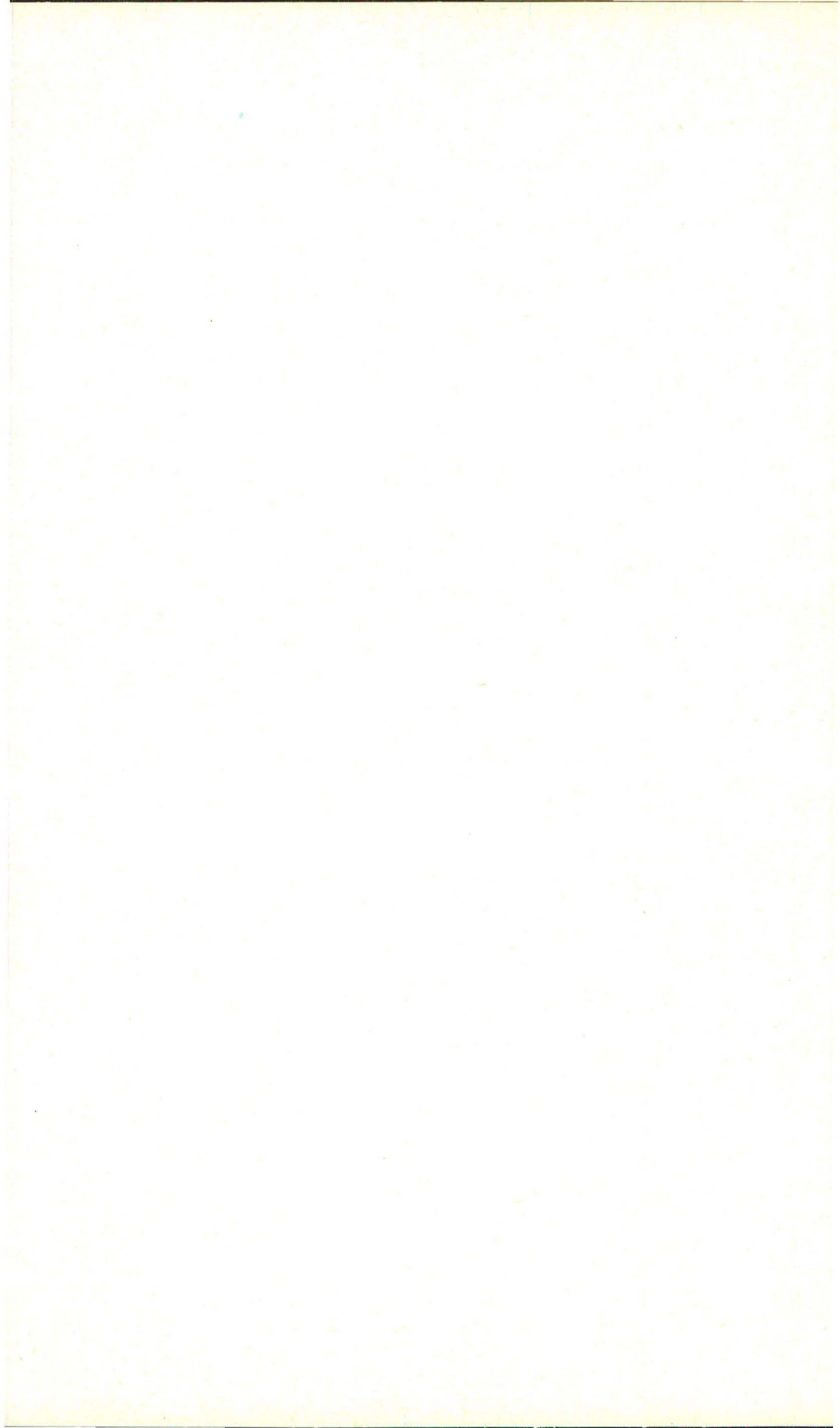
The loss was neither brought to the notice of the Board of Directors nor regularised so far (June 1981).

7.8.12 Purchase of fruit for off-season trading

In addition to forwarding business of fruit and sale of processed fruit products, the branches of the Corporation located at Delhi, Bombay, Madras and Calcutta also undertake purchase and sale of apple on outright basis. The Corporation decided (August 1975) to purchase apple on outright basis for off-season trading in apples. It was noticed that losses aggregating Rs. 2.05 lakhs were incurred by various branches of the Corporation during 1975-76 to 1980-81 as the apples purchased did not fetch remunerative prices. The details of losses so suffered are given below :—

Year	Name of branch	Value of boxes purchased	Net profit(+)/loss(—) as worked out by the branches
(Rupees in lakhs)			
1975-76	.. Madras	1.49	(—) 0.21
	Bombay	3.02	(—) 0.29
	Delhi	1.98	(—) 0.53
1976-77	Delhi	13.06	(—) 0.36
	Bombay	2.70	(—) 0.08
1977-78	Delhi	4.33	(—) 0.17
1978-79	.. Delhi	2.53	(—) 0.40
1979-80	Delhi	1.93	(+) 0.06
1980-81	.. Delhi	1.75	(—) 0.07
Total		..	(—) 2.05

These losses had neither been investigated nor got regularised by the Board of Directors (December 1981).



7.8.13 Inventory

The following table indicates the comparative position of inventory and its distribution as also comparative position of the inventory with sales, etc., for the five years ending March 1981 :

	1976-77	1977-78	1978-79	1979-80*	1980-81*
(Rupees in lakhs)					
Inventory held at the end of the year—					
1. Stores and spares ..	5.33	3.16	4.95	5.98	5.00
2. Raw material ..	0.66	0.21	3.76	5.02	4.00
3. Work-in-progress ..	0.16	0.11	1.09	2.03	1.20
4. Finished goods ..	35.05	38.90	44.54	53.74	45.00
5. Material in transit ..	0.94	0.17	0.68	1.70	1.20
Trading data for the year—					
6. Raw material consumed	9.43	18.80	20.21	30.98	29.11
7. Sales ..	44.23	42.55	44.49	75.31	71.70
Comparative position of stock holding—					
8. Raw material in terms of months' consumption ..	0.839	0.134	2.232	1.944	1.649
9. Finished products in terms of months' sale ..	9.509	10.970	12.013	8.564	7.531

It was noticed that :

- (i) Minimum, maximum and re-ordering levels of raw material, stores and spares had not been fixed.
- (ii) 47,483 litres of Him Spray oil valuing Rs. 1.81 lakhs was supplied to various District Horticultural Officers on consignment basis during 1976-77 and 1977-78. No confirmation from

*Figures for 1979-80 and 1980-81 are provisional as the accounts were in arrears.

the concerned District Horticultural Officers was on record of the Corporation (July 1981). Further, 694 empty drums of Him Spray oil (capacity : 205 litres) valuing Rs. 0.33 lakh were stated to be lying with various District Horticultural Officers. The confirmation in respect of these drums was also not on record (July 1981).

- (iii) The stock position of finished goods held at various branches was reviewed by the Corporation (January 1980) and it was decided to write off old stocks which had become unfit for human consumption due to (a) products having outlived the prescribed date, (b) puffing and leakage, (c) fermentation, (d) breakage occurred during transportation from factory to the branch offices and (e) bottled products containing foreign material.

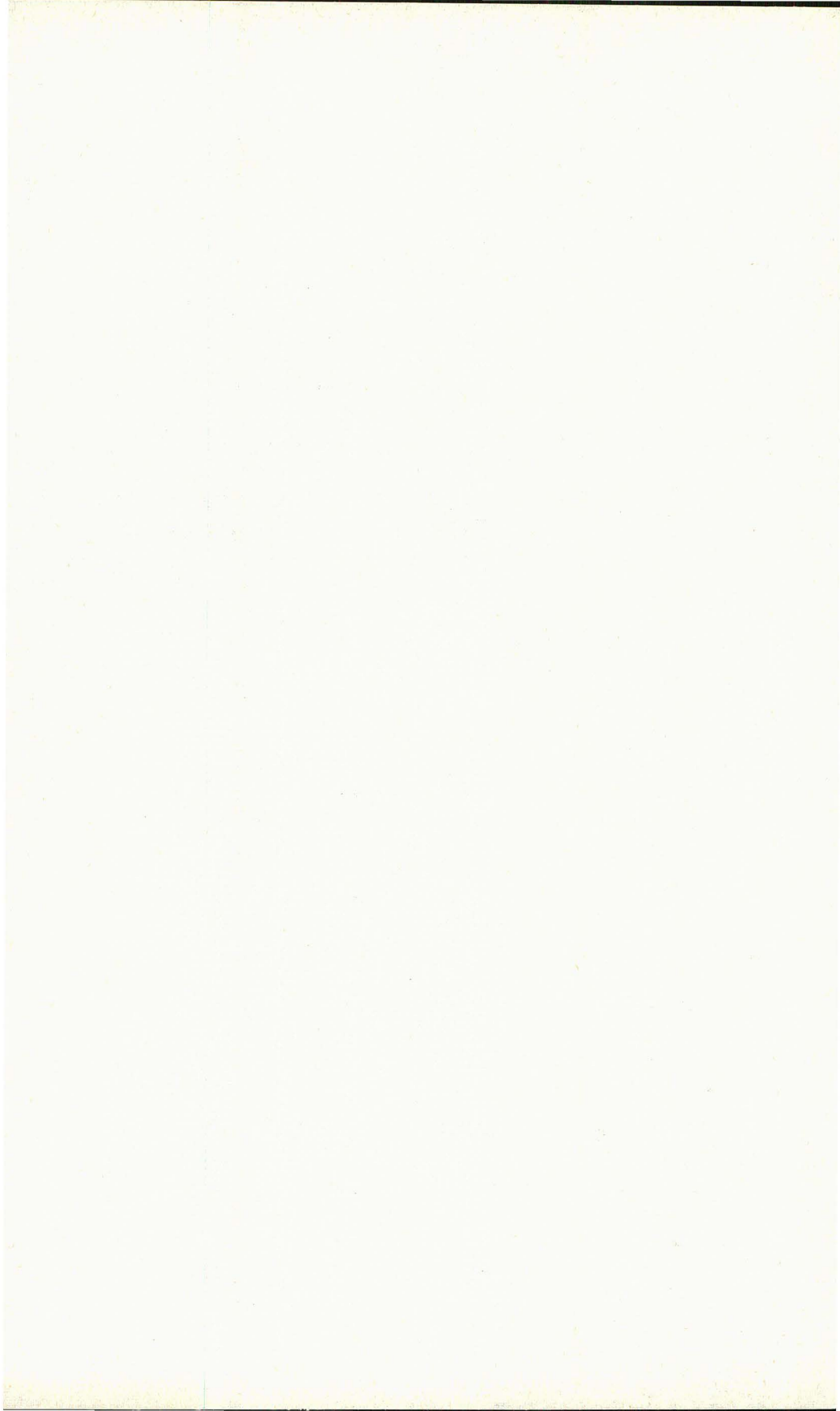
A committee comprising of the Manager of respective branch, Chemist from Head Office and a local representative of the Department of Food, Government of India inspected (January 1980) stocks lying at various branches and declared stocks valuing Rs. 3.61 lakhs as unfit for human consumption.

The Management stated (July 1981) that the stocks had piled up as the sole selling agents did not lift the stocks and with the passage of time the stocks had become outdated due to limited shelf life of the products. The contract with the sole selling agents had been terminated in October 1977.

7.8.14 Sundry debtors

The details of book debts and sales and other income for the five years upto 1980-81 are tabulated below :—

As at 31st March	Book debts	Sales and other income during the year	Percentage of debt to sales
(Rupees in lakhs)			
1977 ..	21.52	71.40	30.14
1978 ..	28.49	68.93	41.33
1979 ..	35.23	71.71	49.12
1980 ..	39.65	1,06.64	37.18
1981 ..	38.64	99.52	38.82



The Corporation has no approved policy regarding sale of products on credit basis. The Management stated (July 1981) that the Corporation was following the market convention in this regard under which a credit period of 15 days is allowed to the wholesale purchasers of fruits. Since the sale proceeds were not being paid by different parties the outstanding amount continued to increase year after year. An amount of Rs. 13.72 lakhs for which suits have been filed in different courts has been determined by the Company as doubtful.

7.8.15 Advances to orchardists

(i) The Corporation advances loans to the orchardists in cash or kind, *i.e.*, initial advances, spot advances, packing material to be adjusted from the sale proceeds of fruits to be sold by the orchardists to the Corporation. The following table indicates the position of disbursement of the advances, recoveries effected and outstanding amount due at the end of 1980-81 in respect of Simla and Kulu branches :

Year	Balance at the beginning of the year	Amount advanced during the year		Recoveries effected during the year		Balance at the end of the year
		Simla	Kulu	Simla	Kulu	

(Rupees in lakhs)

1975-76	..	12.02	2.19	8.23	1.55	4.43
1976-77	4.43	14.98	9.51	9.37	4.36	15.19
1977-78	15.19	11.66	19.74	8.00	12.40	26.19
1978-79	26.19	8.56	10.90	6.25	3.04	36.36
1979-80	36.36	12.98	15.45	8.61	7.56	48.62
1980-81	48.62	12.24	3.17	8.65	3.14	52.24

The outstanding amount at the end of 1980-81, *viz.*, Rs. 52.24 lakhs comprised of the overdues from 1975-76 as detailed below :—

Outstanding from	Amount overdue as on 31st March
	(Rupees in lakhs)
1975-76	.. 4.43
1976-77	.. 10.76
1977-78	.. 11.00
1978-79	.. 10.17
1979-80	.. 12.26
1980-81	.. 3.62

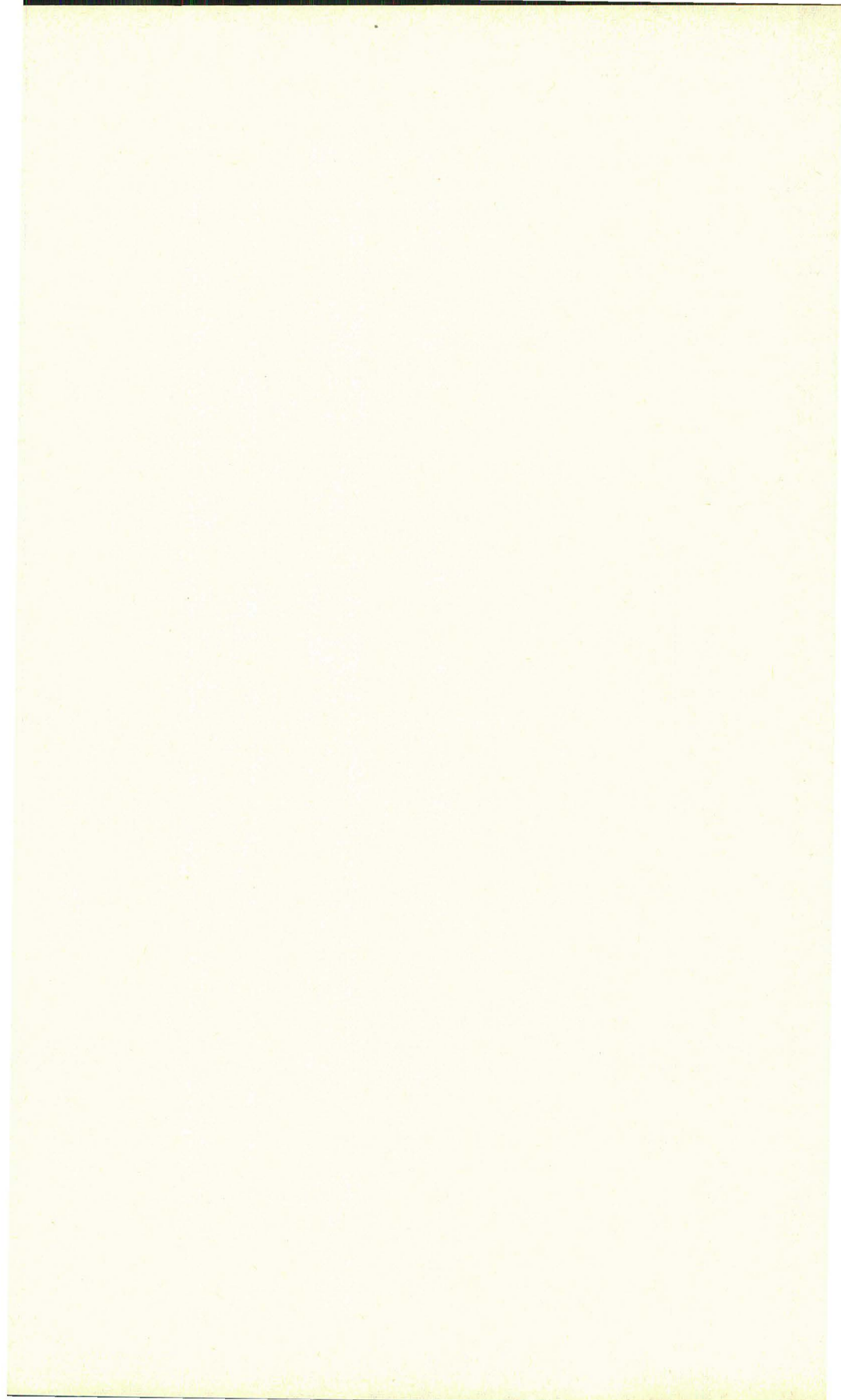
Some of the growers sold their apple crop direct in the market without the knowledge of the Company though the crop had been hypothecated against the advances made by the Company. This largely resulted in the non-recovery of advances.

(ii) As on 31st March 1981, 844 cases amounting to Rs. 27.41 lakhs (including 39 cases involving Rs. 6.97 lakhs recoverable from commission agents) were pending in courts in respect of loans and advances given to orchardists. Of these, decrees were obtained in 475 cases (including one of commission agent—Rs. 0.03 lakh) involving Rs. 11.15 lakhs. The actual execution of decrees in all these cases was awaited (June 1981).

It was noticed that :

- (a) During 1976-77, no agreements were executed in respect of loans aggregating Rs. 0.27 lakh (Simla branch : Rs. 0.15 lakh ; Kulu branch : Rs. 0.12 lakh). Further, documents in respect of advances aggregating Rs. 0.59 lakh were found to be incomplete/defective by the statutory auditors in Kulu branch.
- (b) The Simla branch disbursed two loans aggregating Rs. 0.11 lakh against the sanction of Rs. 0.08 lakh. It was further noticed that documents in respect of advances aggregating Rs. 1.35 lakhs (Simla branch : Rs. 0.35 lakh and Kulu branch : Rs. 1.00 lakh) paid during 1977-78 were either incomplete or defective.
- (c) During 1978-79, loans aggregating Rs. 0.41 lakh were given to orchardists without obtaining the loan documents, and loan documents for Rs. 1.26 lakhs were either incomplete or defective.
- (d) Out of the funds given to Assistant Marketing Officers and Procurement Assistants for disbursing of spot advances, accounts for Rs. 0.38 lakh were not rendered and the amounts were debited to personal account of the concerned officials. Neither the debits have been confirmed by the concerned officials nor recoveries have been effected (June 1981).

(iii) The Assistant Marketing Officer, Calcutta branch granted spot advances aggregating Rs. 1.65 lakhs to 12 growers during the period from February 1977 to January 1978. These advances were given to develop business of marketing of oranges from Nagpur, grapes from Hyderabad and apples from Jammu and Kashmir. A sum of Rs. 1.32 lakhs could only be



recovered from the concerned parties and the balance amount of Rs. 0.33 lakh was still (December 1981) recoverable. No legal action to recover these advances has been initiated so far (December 1981).

7.8.16 Other topics of interest

7.8.16.1 Alleged cases of misappropriation

(i) The Government ordered a preliminary enquiry into the alleged misappropriation of 8,764.64 litres of apple juice, 2,825.60 kgs. of sugar, 739.50 litres of aroma and 11.23 kgs. of citric acid during the period from August 1977 to July 1978 by the Food Technologist-cum-Manager, Fruit Processing Plant, Jarol during the period from August 1977 to August 1978. The Commissioner, Departmental Enquiries, Himachal Pradesh submitted (August 1979) his report which was further examined in the Vigilance Department and the Managing Director, HPMC was asked (August 1979) to charge-sheet the individual and institute a departmental enquiry in the matter. An enquiry under the HPMC Employees' Service Bye-laws was ordered (May 1980) and the Enquiry Officer was asked to submit his report within two months. After issue of charge-sheet in January 1980, it was noticed by the Enquiry Officer that some documents had not been sent by the Vigilance Department. These documents were received in November 1980. The enquiry had, however, not been completed so far (December 1981). The total financial implication had, however, not been assessed so far (June 1981).

(ii) The Corporation engaged a certain salesman on daily wages *plus* 2 *per cent* commission with effect from 1st November 1977 for a period of three months. This arrangement was stated to have been extended with effect from 2nd February 1978 on the same terms and conditions till his selection as a clerk with effect from 28th June 1979. During the period from November 1977 to June 1979, the salesman drew goods valuing Rs. 2.81 lakhs from the store against which a sum of Rs. 1.55 lakhs only was deposited periodically. The balance amount of Rs. 1.26 lakhs was not deposited by the salesman. The official was placed under suspension in July 1980 and a case was registered against him with the State Vigilance Department in April 1981. The final outcome of case was awaited (December 1981).

7.8.16.2 Sale of fruit through commission agent

The Madras branch of the Corporation entered (July 1979) into an agreement (valid upto 31st March 1980) with a commission agent of Bangalore for sale of apples in the Bangalore market at a commission of 4 *per cent* on certain terms and conditions. As per the agreement, the broker was required to furnish a bank guarantee of Rs. 25,000 immediately which was not furnished. The agreement further provided that the

broker would remit the sale proceeds within 15 days from the date of actual sales failing which he was liable to pay interest at the rate of 18 *per cent* per annum on the dues. In July 1980, another agreement was entered into with the same broker valid for the period from 20th July 1980 to 31st March 1981, on the same terms and conditions as per the agreement entered into in July 1979.

A sum of Rs. 0.18 lakh was recoverable from the broker as on 31st March 1980 in respect of the earlier agreement. The broker was not regular in remitting dues during the latter period, and as on 31st March 1981, a sum of Rs. 0.50 lakh besides interest of Rs. 0.20 lakh was overdue. Failure of the Company in getting bank guarantee for the stipulated amount for the period of credit as agreed and limiting credit sales to the extent stipulated/failure to limit the credit sales to a maximum account resulted in the accumulation of debts beyond the period of agreement. No action had been taken for enforcing the recovery so far (June 1981).

7.8.16.3 Purchase of elevators

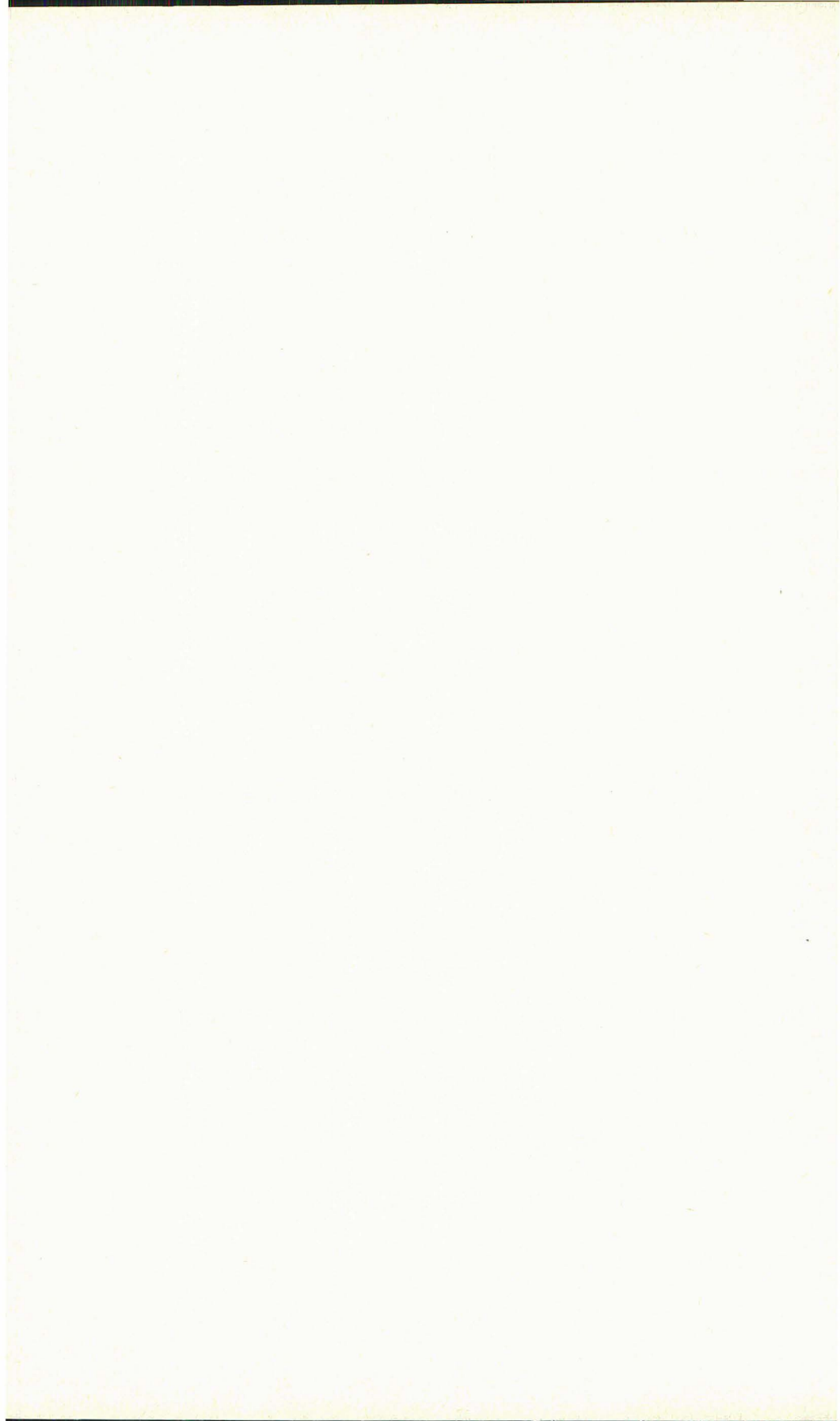
An order for supply-cum-installation of three elevators was placed (January 1974) on firm 'A' for four storeyed cold storage at Bombay. The number of elevators was reduced to two in March 1974. The elevators costing Rs. 1.21 lakhs (excluding price adjustment claim of Rs. 0.20 lakh) were received in May 1976. The price adjustment claim of Rs. 0.20 lakh and Rs. 0.10 lakh being 10 *per cent* of the balance contract price was still payable (July 1981).

The elevators were not installed by the supplier upto July 1981. The supplier had informed (August 1978) that most of the material of the elevators had become rusty and had got damaged due to improper storage thereof and would have to be replaced at the cost of the Company. The extent of damage and cost of replacement had, however, not been ascertained (June 1981). The Branch Manager, Himachal Cold Storage, Bombay stated (June 1981) that work was held up due to strike and lockout in the firm.

7.8.16.4 Rehabilitation of Delhi Cold Storage

Delhi cold storage was got constructed by the State Horticulture Department during 1972-73 at a capital cost of Rs. 50.00 lakhs. Its management was entrusted to the Himachal Pradesh Agro-Industries Corporation Limited in 1972-73 at annual rent of 7 *per cent* of the capital investment. The management was later transferred to the Subsidiary Company, *viz.*, HPMC, from April 1975.

The revised project report envisaged rehabilitation of the cold storage to provide an additional 1,800 tonnes of cold storage capacity and reduction



in operating cost while improving the quality of refrigerated fruits. Tenders for rehabilitation of the cold storage on turnkey basis were invited in October 1977 and were opened in November 1977. Seven firms quoted; the tenders of four firms were rejected for want of earnest money, and the offer of firm 'A', being the lowest of the remaining three firms, was accepted at Rs. 11.67 lakhs. The work was, however, awarded to the firm in August 1978, *i.e.*, after 10 months of the opening of tenders, and was required to be completed by August 1979. The contractor was granted extension upto October 1979. As the progress of the work was not found satisfactory, the contract was terminated (October 1979) and following penalties were levied :

- (i) Forfeiture of bank guarantee for Rs. 0.30 lakh.
- (ii) Compensation amounting to 10 per cent of net value of the offer as per agreement.

The bank guarantee, though forfeited, had not been realised and recovery of liquidated damages to the extent of 10 per cent of the value of the contract had also not been enforced so far (June 1981). The contractor filed (November 1979) a case against termination of contract and claimed damages amounting to Rs. 12.00 lakhs. The case was *sub-judice* (December 1981).

In April 1980, the work was allotted to firm 'B', the highest tenderer out of 7 tenderers at a total cost of Rs. 22.03 lakhs (lowest offer was for Rs. 17.62 lakhs) on the grounds that the Management did not like to repeat their wrong decision by awarding the work to a lowest tenderer, who could not execute the work due to lack of experience and capacity to handle a work of such magnitude. The work was required to be completed within six months from the date the site was handed over to the contractor. The site was handed over to the contractor in June 1980, but, the work was still incomplete (June 1981). The contractor informed the Corporation in December 1980, and later in March 1981, that the work was held up because of non-completion of condenser tank (a petty civil work costing Rs. 0.20 lakh) and asked for an extension of two months from the date the condenser tank was handed over to the firm.

The cold storage was closed in September 1978 for rehabilitation work with the stipulation that it would be ready for the next season, but a period of almost three years had elapsed and the work was still incomplete. As a result of this closure, the Government was losing Rs. 3.98 lakhs as rent and the Corporation was losing an income of Rs. 6.00 lakhs per year.

The Management stated (August 1981) that the work was awarded after evaluating the tender and getting approval from the Department of Horticulture, the financing agency.

7.8.17 Summing up

(i) As per development credit agreement entered into with IDA, the execution of commercial components of the project was entrusted to the Corporation and these were scheduled to be completed by 31st March 1978. The project was, however, still in implementation stage. The IDA has already accorded three extensions for credit availment upto (i) December 1980 (ii) December 1981 and (iii) March 1982.

(ii) The Revised Project Report provided for construction of 20 kms. of aerial cableways at a cost of Rs. 70.00 lakhs. Evaluation of global tenders opened in May 1981 for 11.15 kms. of cableways was yet to be made (July 1981). No action had been taken for laying the cableways for the remaining length of 8.85 kms. Thus, no work had started in respect of the works involving an estimated capital outlay of Rs. 70.00 lakhs even after three years of the targeted date of completion, and due to the delay, the works when finally executed, are likely to cost more due to escalation in costs.

(iii) The approved outlay of Rs. 1,62.38 lakhs on establishment of ten packing and grading houses and five cold storages was expected to increase by Rs. 77.99 lakhs due to increase in the cost on account of prolonged execution period. None of the five cold storages had been completed so far (December 1981). The commercial run of packing and grading houses completed in 1978-79 (1) and 1979-80 (4) had also not been started.

(iv) Six grading and sizing machines valued Rs. 5.02 lakhs purchased from a foreign firm were received in May 1976. Of these, three machines were sent to packing houses after three years of their arrival. Thus, the equipment received in May 1976 had not been commissioned and put to commercial use resulting in blockage of funds for over 5 years.

(v) Twenty-four gravity rollers valued Rs. 0.42 lakh purchased from a foreign firm (not provided for in the Revised Project Report) were received in June 1976. These were lying unused (December 1981) as the side guide rails and supporting stands required had not been ordered and procured.

(vi) Out of 12 grading lines valued Rs. 4.68 lakhs purchased from a foreign firm and received in April 1980, 10 grading lines were lying unused (December 1981). One grading line sent to packing house at Oddi was incomplete as the connected chute had not been supplied. Further, indigenous equipment for these grading lines (value : Rs. 1.17 lakhs) was stated to be under manufacture.

(vii) There was an estimated increase of Rs. 1,23.69 lakhs over the estimated cost of Juice Concentrate Plant due to rise in prices over the years.

(viii) Two fruit canning units transferred to the Corporation in June 1976 from the Horticulture Department on lease of Re. 1 each per year incurred a loss of Rs. 1.95 lakhs during 1977-78 to 1979-80.

(ix) The Corporation suffered a loss of Rs. 7.72 lakhs (1976-77 : Rs. 2.69 lakhs, 1978-79 : Rs. 0.32 lakh and 1980-81 : Rs. 4.71 lakhs) on export of apples to foreign countries. During 1980-81 season, the Corporation suffered a loss of Rs. 0.83 lakh in handling the produce of 30 Government orchards. It was further noticed that losses aggregating Rs. 2.05 lakhs were incurred by various branches of the Corporation during 1975-76 to 1980-81 in off-season trading in apple. These losses had not been investigated.

(x) Confirmation in respect of 47,483 litres of Him Spray oil valuing Rs. 1.81 lakhs supplied to various District Horticultural Officers on consignment basis during 1976-77 and 1977-78 was not on record (July 1981).

(xi) Rupees 52.24 lakhs were outstanding at the end of 1980-81 out of advances aggregating Rs. 1,33.40 lakhs given to orchardists in Simla and Kulu districts although the advances were required to be adjusted from the sale proceeds of fruits to be sold by the orchardists to the Corporation.

(xii) Two elevators costing Rs. 1.21 lakhs were received in May 1976 for installation in cold storage at Bombay. The elevators had not been installed so far (July 1981). Most of the material of the elevators had become rusty and had got damaged due to improper storage and would have to be replaced at the cost of the Corporation.

(xiii) The cold storage at Delhi was closed in September 1978 for rehabilitation work with the stipulation that it would be ready for the next season. The work was still incomplete even after a lapse of three years. As a result of this closure, the Government was losing Rs. 3.98 lakhs as rent and the Corporation was losing an income of Rs. 6.00 lakhs per year.

The matter was reported to the Government in August 1981 ; reply was awaited (December 1981).

7.9 Himachal Pradesh State Forest Corporation Limited

7.9.1 Non-recovery of octroi

The Company had been selling rosin manufactured in Bilaspur and Nahan factories through its Narela and Bombay depots at ex factory rates *plus* freight, handling and storage charges. Test-check (December 1980) of records of Narela depot revealed that octroi charges amounting to a sum of Rs. 0.27 lakh had been paid to the Municipal Corporation, New Delhi between April 1975 and December 1980 on the sale of rosin but the same had not been billed/recovered from the buyers. In reply, the Management stated (February 1981) that

the octroi charges were recovered from the buyers in the shape of handling charges. However, scrutiny of the record revealed that the element of octroi charges had not been included by the Management while fixing (September 1977) handling and storage charges. This resulted in a loss of Rs. 0.27 lakh. The Company had started levying octroi separately in the bills with effect from April 1981.

The Government stated (October 1981) that rosin manufactured in Bilaspur and Nahan factories had to face stiff competition from other factories situated outside the State and the overall market position had to be kept in view while fixing the charges to be recovered from the buyers.

7.9.2 Sale of rosin

As per the terms and conditions of sale of rosin, prices were subject to revision without notice. 600 quintals of different grades of rosin were despatched to Madras firm by rail on 10th November 1979 (200 quintals), 22nd December 1979 (200 quintals) and 28th December 1979 (200 quintals). The rates of rosin were reduced by the Management by Re. 1 and Rs. 1.20 per kg. respectively from 21st November 1979 and 1st January 1980. The firm was allowed to make payment at reduced rates though the despatches by rail were made earlier resulting in a loss of Rs. 0.68 lakh.

The Government stated (October 1981) that the Board agreed to give price protection to the firm on supplies of rosin in transit as the firm had showed its inability in re-selling the material on pre-revised rates.

7.9.3 Short recovery of excise duty

The Company is required to pay excise duty at factory gate on the prices prevailing at the time of despatch of goods (Rosin) from the factory. As per the general policy of the Corporation, the actual amount of excise duty paid was required to be recovered irrespective of the increase or decrease in sale price of rosin while effecting sale at Bombay or Narela Depot.

Scrutiny of the bills of 'Narela' and 'Bombay' depots for the period November 1970-June 1980 revealed that when the rates of rosin were decreased by Re. 1, Rs. 1.20 and Re. 0.60 per kg. with effect from November 1979, January 1980 and June 1980, respectively, the excise duty of Rs. 0.36 lakh already paid by the Corporation to the Excise Department (proportionate to the extent of the decrease in the selling price) had not been recovered from the buyers. This resulted in loss of Rs. 0.36 lakh to the Corporation.

The Government stated (October 1981) that the excise duty in full was not recovered from the buyers keeping in view the downward trend in prices and that the non-recovery of excise duty was part of reduction of rates to attract the buyers.

7·10 Himachal Pradesh State Small Industries and Export Corporation Limited

7·10·1 Idle steam boilers

Two steam boilers valued Rs. 0.61 lakh were purchased by the Corporation in January 1979 with a view to increase the production of pre-stressed concrete poles in the Pre-stressed Concrete Pole Factory at Parwanoo against the existing method of drying up poles in open. The boilers were installed during 1979-80, but could not be put to use (June 1981) as the steam produced by the boilers failed to reach either end of the bed of the poles. The Board of Directors was informed in June 1980 that the system had not worked as expected because of climatic conditions. Additional bed was laid in March 1980 at a cost of Rs. 1.69 lakhs in order to increase the capacity for production of pre-stressed concrete poles, according to the existing method.

Information regarding the disposal/use of the boilers was awaited (June 1981).

The matter was reported to the Government in July 1981 ; reply was awaited (December 1981).

7·11 Section D—Departmentally managed Government commercial and quasi-commercial undertakings

As on 31st March 1981, 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, Seed Distribution and Government Trading in Foodgrains involve trading activities.

The *proforma* 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 1981) as indicated below :—

Name	Extent of arrears
Departmental Tapping of Resin*	1969-70 to 1974-75
Departmental Extraction of Timber*	1969-70 to 1977-78
Fertilizer Distribution Scheme	1971-72 to 1980-81
Seed Distribution Scheme	1971-72 to 1980-81
Government Trading in Foodgrains	1973-74 to 1980-81
Ayurvedic Pharmacy, Majra	1976-77 to 1980-81
Ayurvedic Pharmacy, Jogindernagar	1977-78 to 1980-81

*The works of tapping of resin and extraction of timber were transferred to Himachal Pradesh State Forest Corporation Limited in May 1975 and June 1978 respectively.

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 1981 and outstanding at the end of September 1981 as compared with the corresponding position indicated in the two preceding reports :—

		As at the end of Septem- ber 1979	As at the end of Septem- ber 1980	As at the end of Septem- ber 1981
Number of observations	..	8,416	9,327	10,431
Amount involved (Rupees in crores)	..	11.15	19.06	22.06

(b) The following departments have comparatively heavy outstanding audit observations :—

Serial number	Department	Upto 1977-78		1978-79		1979-80		1980-81		Total	
		Num- ber	Am- ount	Num- ber	Am- ount	Num- ber	Am- ount	Num- ber	Am- ount	Num- ber	Am- ount
(Amount in crores of rupees)											
1.	Public Works—										
	(i) Buildings and Roads branch	64	0.70	55	0.56	407	1.04	1602	3.74	2128	6.04
	(ii) Irrigation branch	.. 42	0.33	72	0.23	354	2.02	622	3.16	1090	5.74
2.	Agriculture	.. 31	0.03	115	0.25	194	0.79	332	0.91	672	1.98
3.	Forest	.. 278	0.17	881	0.46	895	0.84	1014	0.50	3068	1.97

(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.	Excess over reserve stock limit not regularised	66	9.42
2.	Payees' receipts not received	.. 5,578	9.36
3.	Disbursement certificates not received	.. 658	1.32

The departments with comparatively heavy outstandings on account of

wanting payees' receipts and in which this irregularity has been persisting year after year are :—

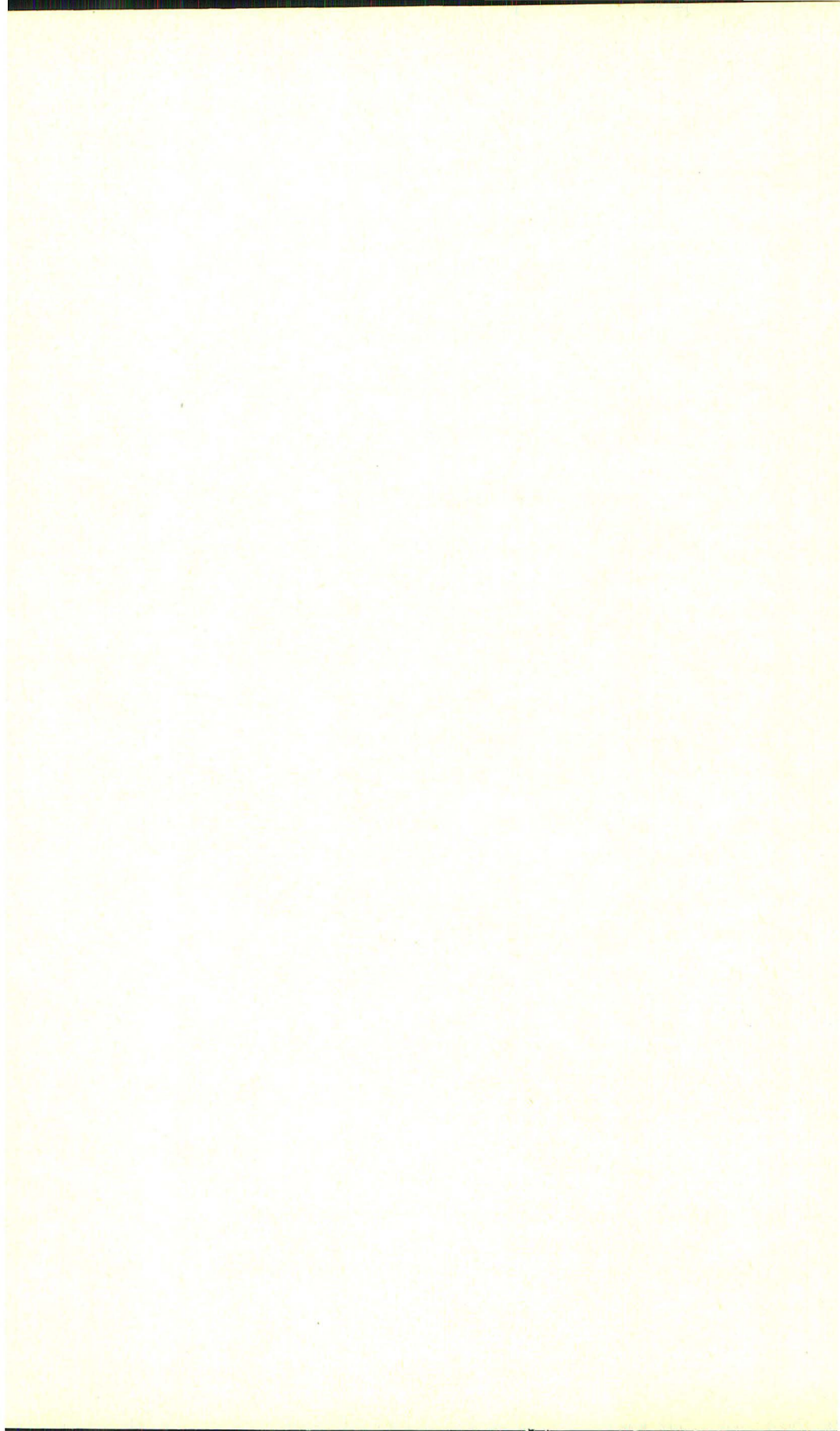
Serial number	Department	Amount involved
		(Rupees in lakhs)
1.	Public Works—	
	(a) Buildings and Roads branch	.. 1,32.03
	(b) Irrigation branch	.. 67.62
2.	Agriculture	.. 1,80.69
3.	Education	.. 60.08
4.	Medical	.. 59.92
5.	Food and Supplies	.. 59.29
6.	Forest	.. 53.58

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 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 1981, 3,671 inspection reports issued upto the end of March 1981 still contained unsettled paragraphs as shown below with corresponding figures for the earlier two years :—

	As at the end of Septem- ber 1979	As at the end of Septem- ber 1980	As at the end of Septem- ber 1981
Number of inspection reports with unsettled paragraphs	.. 4,163	.. 3,306	.. 3,671
Number of paragraphs outstanding	.. 20,523	.. 15,851	.. 18,015



The year-wise analysis of outstanding inspection reports and paragraphs is given below :—


Year	Number of	
	inspection reports	para-graphs
Upto 1977-78	2,298	8,121
1978-79	287	1,460
1979-80	484	3,408
1980-81	602	5,026

(b) Of the reports outstanding at the end of September 1981, 3,195 reports related to Civil departments (including Public Works), and 476 to commercial departments. These included 303 inspection reports (216 civil, 87 commercial) to which even the first reply had not been received. Of these, 132 inspection reports related to Rural Integrated Development (32), Forest (26), Transport (22), Horticulture (21), Public Works (16) and Medical (15) departments.

(c) Details of certain typical irregularities noticed in the outstanding inspection reports of 7 civil departments are given below :—

	Number of cases	Amount
		(Rupees in lakhs)
(i) Irregular expenditure (for want of sanctions, not inviting quotations, etc.)	276	2,14.89
(ii) Drawal of funds in advance of requirements	17	12.85
(iii) Non-accountal/shortage of material	112	10.60
(iv) Overpayments/recoveries pending	304	7.98
(v) Excess issue/consumption of material	97	3.55
(vi) Unserviceable articles	27	3.29
(vii) Non-maintenance of records like pay, travelling allowance, medical check registers, repair/maintenance charges register, loans and advances register, etc.	68	..

(viii) Non-reconciliation of transactions with treasuries	41	..
(ix) Non-verification of stores annually	..	40 ..
(x) Non-recovery of security	..	38 ..



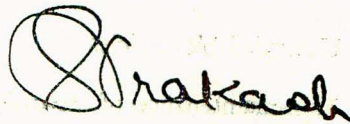
(L. P. KHANNA)

Accountant General,

Himachal Pradesh and Chandigarh

Simla,
The

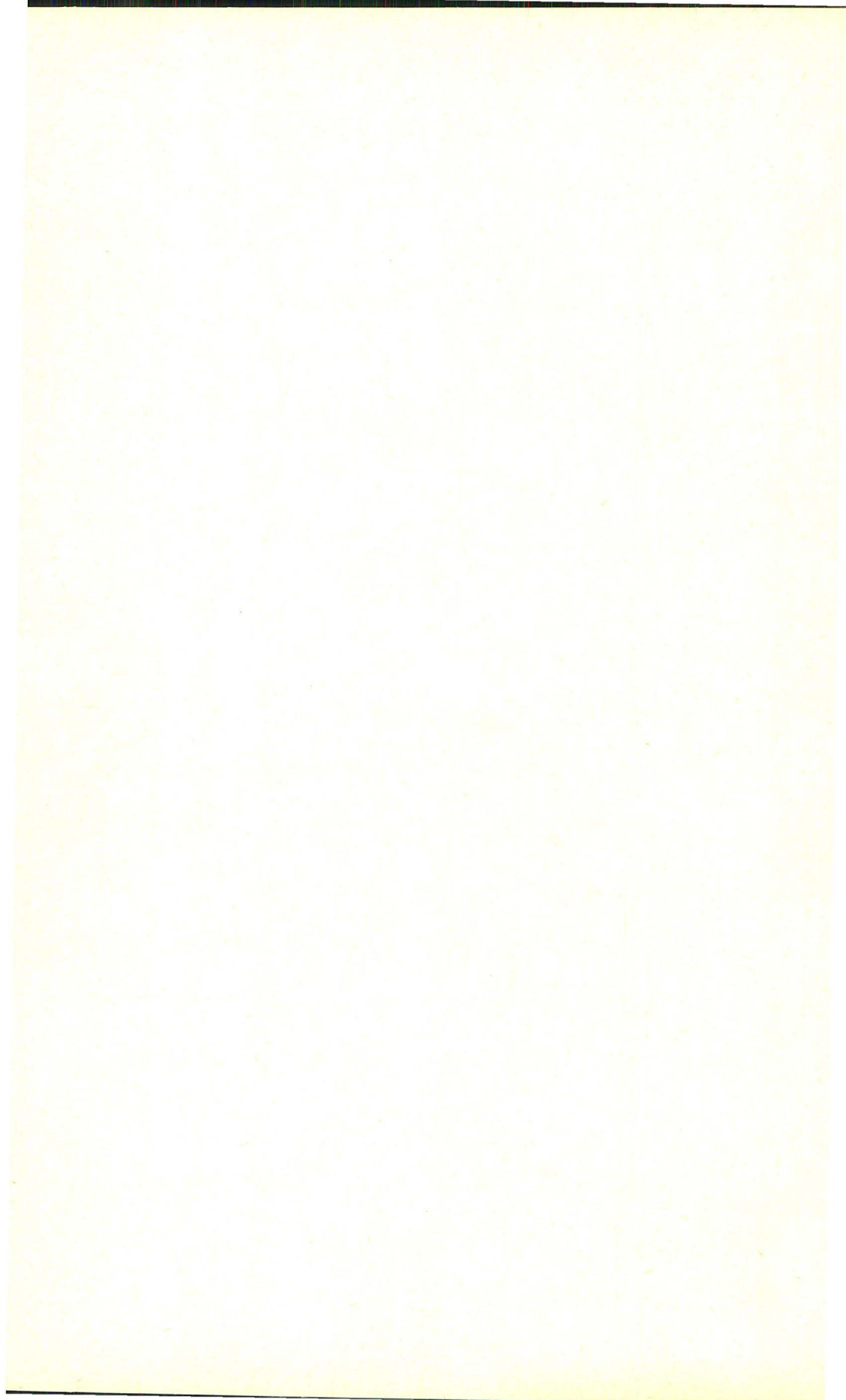
Countersigned



(GIAN PRAKASH)

Comptroller and Auditor General of India

New Delhi,
The



APPENDICES

APPENDIX-I

(Reference : paragraph 1.4, page 5)

Significant variations in revenue expenditure during 1980-81 over the previous year under broad sectors

Sector/Head of expenditure	Actuals		Variation	Reasons
	1979-80	1980-81	Increase	
(Rupees in crores)				
NON-PLAN				
A—General Services . .	35.72	41.49	5.77	Increase was mainly under (i) 'Police' (Rs. 1.28 crores) (ii) 'Pensions and other Retirement Benefits' (Rs. 0.75 crore), (iii) 'Land Revenue' (Rs. 0.77 crore), (iv) 'General Administration' (Rs. 0.46 crore) and (v) 'Public Works' (Rs. 0.46 crore). The increase under 'Pensions and other Retirement Benefits' was mainly attributed to more retirements.
B—Social and Community Services	46.74	60.21	13.47	Increase occurred mainly under 'Primary Education' (Rs. 7.84 crores) and 'Secondary Education' (Rs. 2.63 crores) due mainly to revision of pay scales and grant of additional dearness allowance.
C—Economic Services—				
Agriculture and Allied Services	17.92	21.70	3.78	Increase was mainly under 'Food' due to more food subsidies (Rs. 1.41 crores), 'Animal Husbandry' (Rs. 0.47 crore) due mainly to more expenditure on 'Veterinary Services and Animal Health' and 'Forest' due to more expenditure on Direction and Administration (Rs. 0.97 crore).
PLAN				
B—Social and Community Services	12.03	23.95	11.92	Increase was mainly under (i) 'Relief on account of Natural Calamities' (Rs. 5.35 crores), (ii) 'Public Health, Sanitation and Water Supply' (Rs. 3.96 crores) due to more expenditure mainly on 'Rural Water Supply Programmes' (Rs. 2.11 crores) and 'Minimum Needs Programme' (Rs. 1.53 crores) and (iii) 'Education' (Rs. 1.16 crores).
C—Economic Services—				
Agriculture and Allied Services	20.69	22.61	1.92	Increase was mainly under 'Area Development' due to more expenditure on development of hill areas (Rs. 1.04 crores).
Industry and Minerals	2.14	3.48	1.34	Increase was mainly under 'Industries' due to more expenditure on industrial productivity.

APPENDIX-II

(Reference : paragraph 1.5, page 6)

Significant variations in capital expenditure during 1980-81 over the previous year under broad sectors

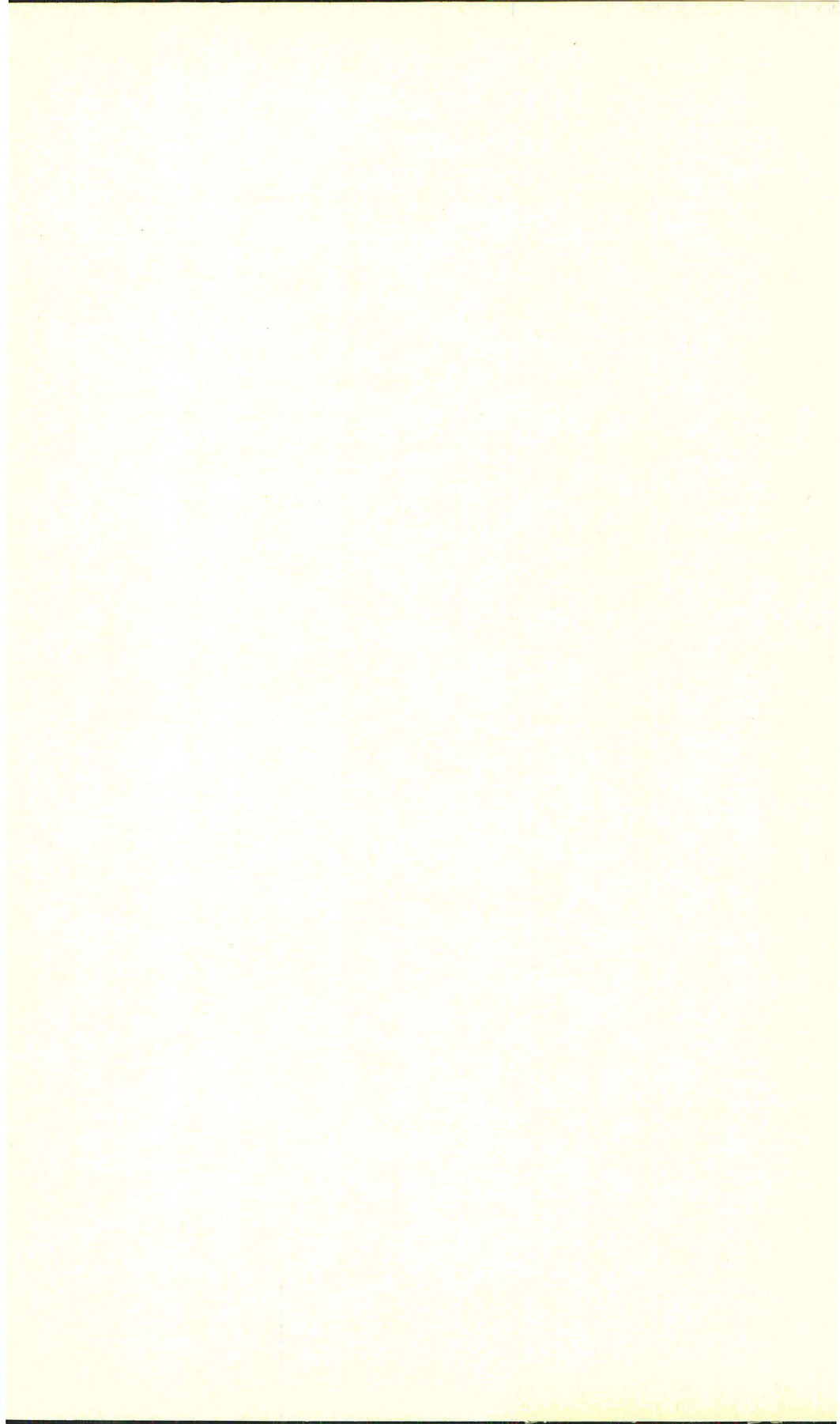
Sector/Head of expenditure	Actuals		Variation	Reasons
	1979-80	1980-81	Increase	

(Rupees in crores)

PLAN

Capital expenditure on—

(i) Social and Community Services	11.83	14.65	2.82	Increase was mainly under (i) 'Medical' (Rs. 0.83 crore) due to more expenditure on medical education and medical relief, (ii) 'Public Health and Sanitation' (Rs. 1.35 crores) due to accelerated progress on Rural Piped Water Supply Scheme and (iii) 'Housing' (Rs. 0.47 crore) due mainly to more expenditure on construction of Government residential buildings.
(ii) Economic Services—				
Transport and Communications	21.80	24.22	2.42	Increase was mainly under 'Roads and Bridges' due to more expenditure on district and other roads and roads in tribal areas.



APPENDIX-III

(Reference : paragraph 2·4(b), page 21)

Cases in which savings (more than Rs. 20 lakhs in each case) exceeded ten per cent of the total provision

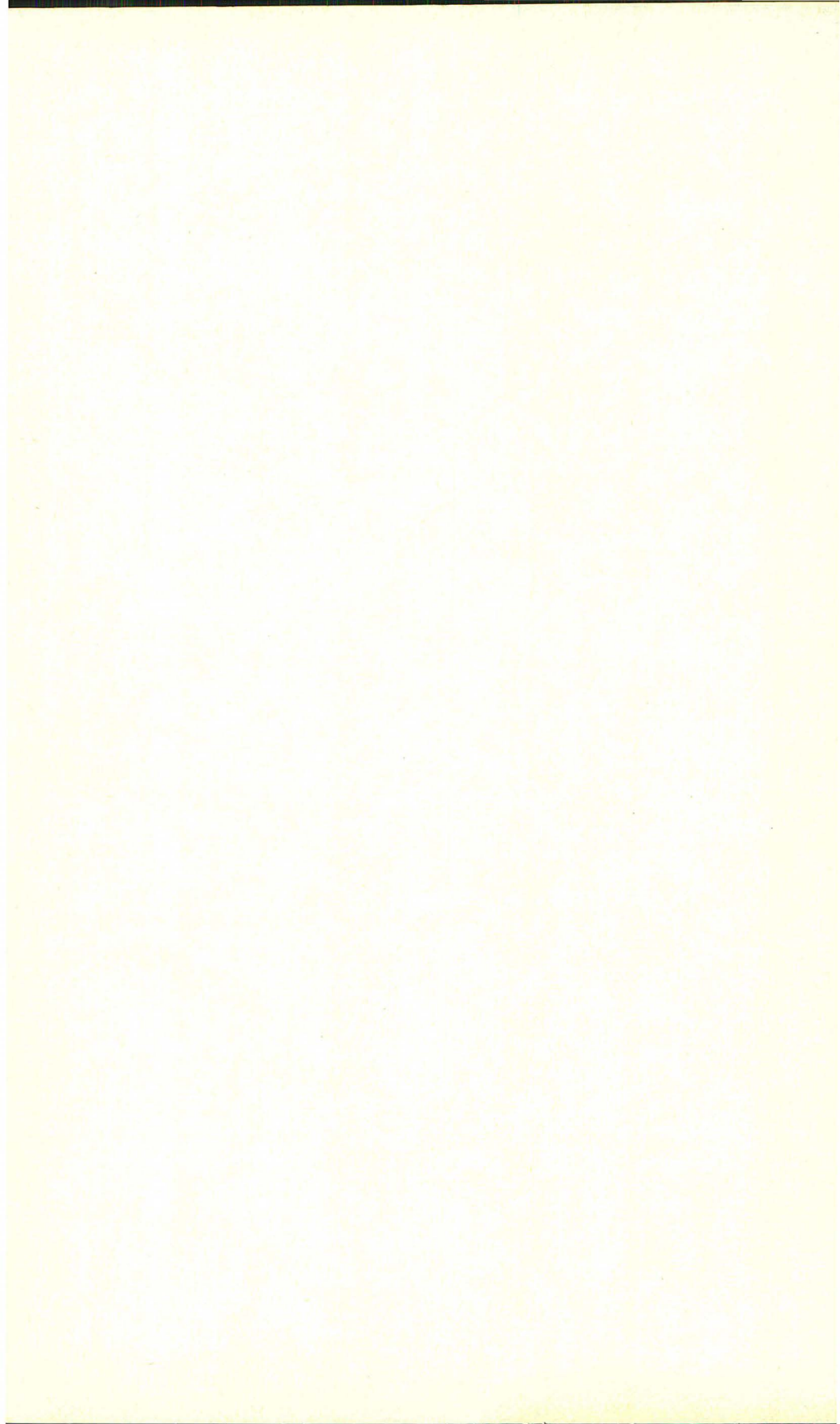
Serial number	Number and name of grant	Total provision	Expenditure	Saving	Percentage
(Rupees in lakhs)					
I— Cases in which saving was more than 20 per cent of the total provision—					
1.	31-Urban Development	.. 77·85	48·70	29·15	37
II—Cases in which saving was more than 10 per cent but upto 20 per cent of the total provision					
1.	21-Community Development	.. 9,56·50	8,17·51	1,38·99	15
2.	26-Stationery and Printing	.. 1,64·63	1,40·83	23·80	14
3.	29-Labour and Employment	.. 4,92·52	4,25·92	66·60	14
4.	32-Other Administrative Services	.. 2,96·27	2,61·71	34·56	12

APPENDIX-IV

(Reference : paragraph 2.7, page 25)

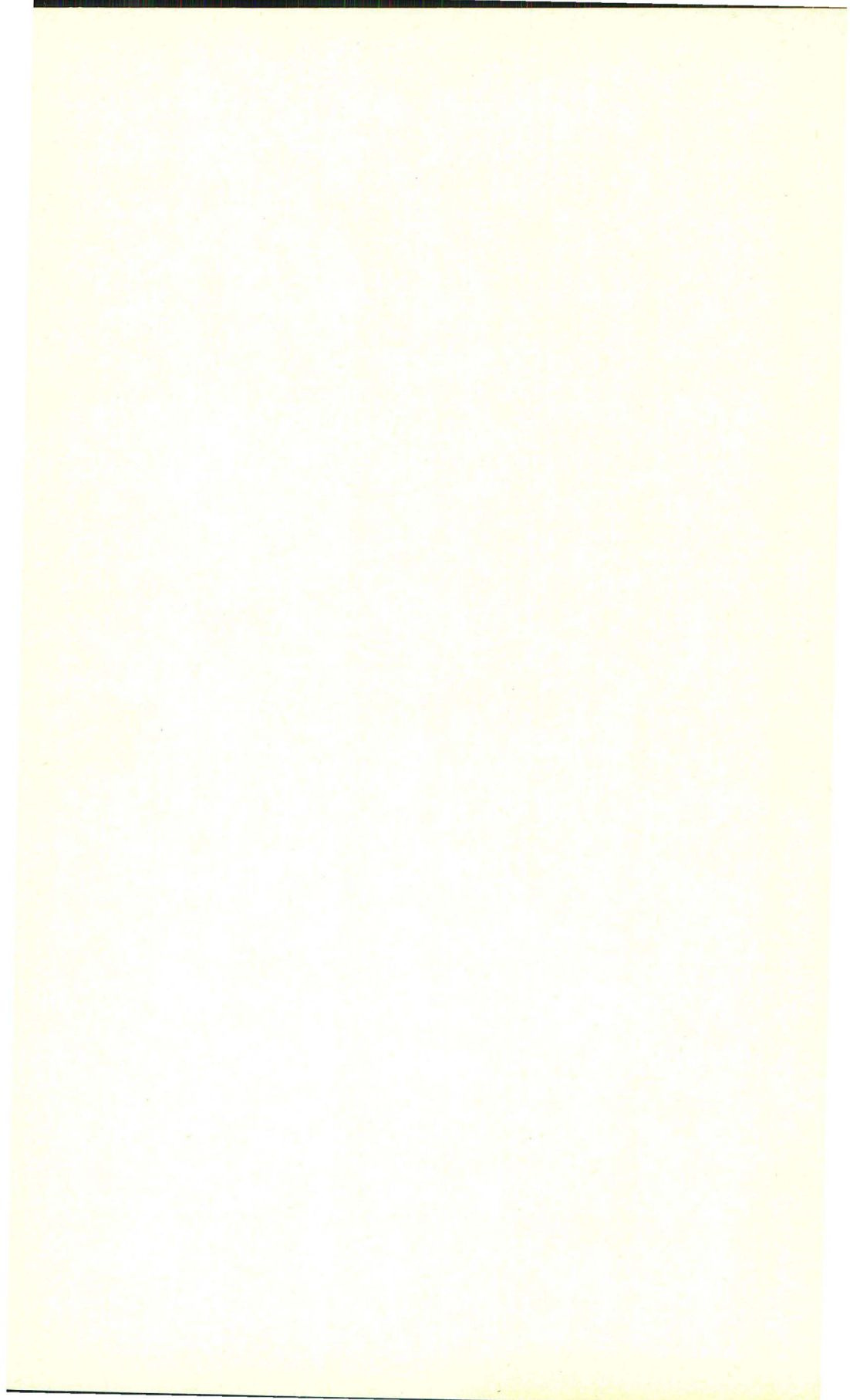
Drawal of funds in advance of requirements

Department/office	Amount drawn (Rupees in lakhs)	When drawn	Purpose for which drawn	Remarks
1	2	3	4	5
Public Works				
Executive Engineer, Irrigation-cum-Public Health Division No. I, Simla	14.00	31st March 1979	Purchase of A.C. pressure pipes	Supply order on Himachal Pradesh Agro-Industries Corporation for supply of A.C. pressure pipes was placed even though the Corporation was not a manufacturer and had to procure the material from the principal manufacturers who were on D.G.S & D rate contract. Quotation from the Corporation was obtained and accepted by the Superintending Engineer, Irrigation-cum-Public Health Circle, Simla. Supply order was placed and an amount of Rs. 14 lakhs was advanced to the Corporation, all on the same day i.e. 31st March 1979. On enquiry, the Department intimated (December 1980) that the Corporation had not been able to supply the material and that the amount of Rs. 14 lakhs had been refunded by it in July 1980 and was deposited into the treasury in the same month. Case for the recovery of interest was stated to be under correspondence with the Corporation (October 1981).
Education				
District Education Officer, Simla	0.96	March 1980	Purchase of patched gram	The amount was converted into a bank draft in March 1980 in favour of the firm. The bank draft was lying with the department (November 1981) as the firm did not execute the supply order.



District Education Officer, Hamirpur	0.64	March 1980	Purchase of parched gram	Rupees 0.64 lakh were refunded into the treasury in May 1981 due to non-receipt of supply.
	0.24	March 1980	Purchase of steel almirahs	The amount was paid to the firm on receipt of complete supply in April 1981.
Health and Family Welfare				
Principal, Government Ayurvedic College, Paprola (Kangra District)	0.25	March 1980	Purchase of pharmacy machinery	The amount was converted into a bank draft and shown as remitted to the firm in April 1980 but the bank draft was lying with the department (March 1981) due to non-receipt of supply. The Government stated (December 1981) that the machinery was received in June 1981 and the payment was released to the firm in October 1981.
Revenue				
Deputy Commissioner, Hamirpur	0.60	February 1980	Construction of <i>Patwar Khanas</i>	The amount deposited (February 1980) in the personal ledger account of the Panchayat Samiti, Bhoranj was refunded by the Block Development Officer, Bhoranj in March 1981 through a cheque as the works could not be taken up. Fresh cheque was issued by the Block Development Officer in July 1981 as the cheque issued in March 1981 was not encashed by the Deputy Commissioner, Hamirpur. The Government stated (December 1981) that the issue as to who would execute the works remained under correspondence till August 1980 when it was decided to construct <i>Patwar Khanas</i> departmentally. The work orders for execution of works were placed in November 1980 but the pace of work either slowed down or got interrupted due to non-availability of cement. It was stated that the amount has since been fully utilised.
Welfare				
Child Development Officer, Lambagaon (Kangra District)	0.63	March 1979	Purchase of Bal-frame, furniture, etc.	Rupees 0.20 lakh were utilised during 1979-80 and Rs. 0.08 lakh were advanced to a firm in April 1979 for the purchase of furniture ; the firm had not executed the supply till January 1981. The balance of Rs. 0.35 lakh was utilised in March 1981.
	0.42	November 1979	Meeting transportation charges of food stuffs and utencils	Rupees 0.11 lakh were utilised between September 1980 and March 1981 and the balance amount of Rs. 0.31 lakh was refunded into the treasury in June 1981.

	0-88	March 1980	Purchase of trunks, cloth and thread, etc. under the "Functional Literacy Scheme"	The Department stated that the amount was utilised between March 1981 and October 1981.
	1-13	October 1980	Purchase of food stuff	Rupees 0.91 lakh were utilised upto January 1981 ; the balance amount of Rs. 0.22 lakh was reportedly utilised during March and April 1981.
District Welfare Officer, Una . .	0-33	March 1980	Setting up a <i>Balwari</i>	Rupees 0.02 lakh were utilised and the balance amount of Rs. 0.31 lakh was lying unutilised in the bank as no building for the purpose could be hired (September 1981).
Animal Husbandry				
Project Officer (Poultry Development), Simla	0-75	March 1978	Poultry Development Programme	Rupees 0.02 lakh were utilised and the balance of Rs. 0.73 lakh was lying unutilised in the bank (June 1981).
Rural Integrated Development				
Block Development Officer, Bijhari (Hamirpur District)	0-15	March 1980	Execution of Irrigation scheme, Batarli	The amount was lying unutilised in the personal ledger account of the Panchayat Samiti due to non-commencement of work (January 1981). No specific reasons for non-commencement of works were intimated.
	0-14	March 1980	Execution of water supply scheme, Paplohal	The work could not be taken up as the proposed area was already covered by another scheme being executed by the Public works Department. The amount was lying unutilised in the personal ledger account of the Panchayat Samiti.
Block Development Officer, Bhawarna (Kangra District)	0-40	March 1980	Construction of Health sub-centre, Rajhoon	Materials valuing Rs. 0.14 lakh were purchased between April 1980 and January 1981. The work could not be taken up due to non-selection of site (February 1981). The balance of Rs. 0.26 lakh as also the material purchased were lying unutilised (February 1981).
Block Development Officer, Nirmand (Kulu District)	0-62	March 1978	Execution of water supply scheme/construction of irrigation <i>kuhls</i>	Rupees 0.63 lakh were utilised for the purpose upto July 1981 and the balance of Rs. 0.66 lakh was lying unutilised (October 1981).
	0-67	March 1979		



	0-30	March 1978	Applied Nutrition Programme	Rupees 0.32 lakh were utilised (1978-79 ; Rs. 0.14 lakh ; 1979-80 : Rs. 0.18 lakh) and the balance amount of Rs. 0.52 lakh was lying unutilised (October 1981).
	0-54	March 1979		
	0-86	March 1978	Construction/repair of buildings, paths and bridges etc.	Rupees 1.13 lakhs were utilised upto July 1981 for the purpose and the balance amount of Rs. 0.51 lakh was lying unutilised (October 1981).
	0-78	March 1979		
Block Development Officer, Ani (Kulu District)	1-91	March 1979	Repair of development works	Rupees 1.60 lakhs were utilised upto October 1981 and the balance amount of Rs. 0.31 lakh was lying unutilised in the post office.
Block Development Officer, Shillai, (Sirmur District)	0-53	April 1971 to March 1979	Execution of development works	The amount was lying unutilised in the personal ledger account of the Panchayat Samiti. Reasons for non-utilisation were not intimated (October 1981).
Block Development Officer, Naggar (Kulu District)	4-17	March 1980	Execution of development works	As the execution of works for which the amount was drawn was likely to take considerable time, a sum of Rs. 2.60 lakhs was deposited (April 1980) by the Block Development Officer in the personal ledger account of the Panchayat Samiti. A sum of Rs. 0.85 lakh was remitted (March 1981) to the Block Development Officer, Bilaspur for purchase of G.I. pipes and another sum of Rs. 0.22 lakh was advanced (March 1981) to Cement Factory, Rajban for purchase of cement. The details of expenditure of the balance of Rs. 0.50 lakh were not intimated. It was stated by the department (June 1980) that about one-fourth of the amount deposited in the personal ledger account had since been utilised and action was being taken to withdraw the balance and to keep it in cash chest.

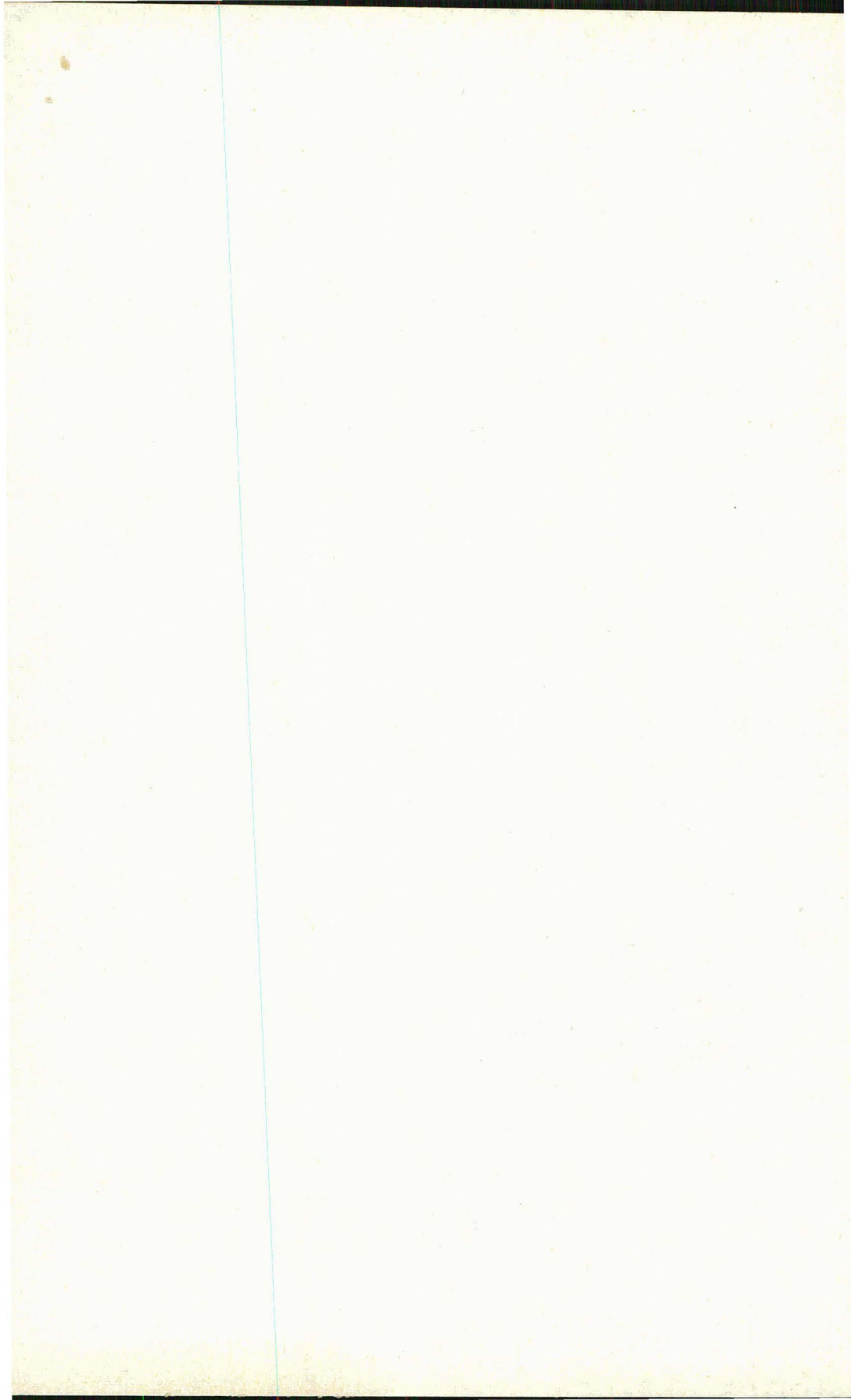
APPENDIX—V

(Reference : paragraph 3.13, page 57)

Misappropriations and defalcations reported upto 31st March 1981 and outstanding on 30th September 1981

(Amount in lakhs of rupees)

Serial number	Department	Upto 1977-78		During 1978-79		During 1979-80		During 1980-81		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7	8	9	10	11	12
1.	Public Works ..	59	26.60	10	4.36	3	0.15	12	6.19	84	37.30*
2.	Forest ..	9	2.09	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)	3	0.51	—	—	—	—	—	—	3	0.51
7.	Education ..	5	0.47	—	—	—	—	—	—	**5	0.47
8.	Health and Family Welfare	1	0.10	—	—	—	—	1	1.02	2	1.12
9.	Governor's Secretariat	1	0.26	—	—	—	—	—	—	1	0.26
10.	Welfare ..	5***	0.25	—	—	—	—	—	—	5	0.25



ment	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	0.89	2	0.93
16. General Administration	1	****	—	—	—	—	—	—	1	****
Total	92	32.94	12	19.30	5	0.86	14	8.10	123	61.20

*Includes Rs. 0.11 lakh as difference in totals pertaining to previous years.
 **Includes one case for Rs. 50.00 only.
 ***Includes one case for Rs. 40 only.
 ****Rupees 50.00 only.

APPENDIX— VI

(Reference : paragraph 3.13, page 57)

Outstanding cases (30th September 1981) of misappropriations, defalcations, etc., and the stage at which they are pending.

(Amount in lakhs of rupees)

Serial number	Department	Awaiting completion of criminal investigation		Awaiting completion of departmental investigation		Pending in courts of law		Investigation completed but order of write off/ recovery pending		Other reasons		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Public Works	13	1.15	49	20.61	3	11.97	19	3.57	—	—	84	37.30*
2.	Forest	2	14.26	1	0.18	—	—	5	1.02	2	0.89	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	**	1	0.01	1	0.14	1	0.08	5	0.47
8.	Health and Family Welfare	—	—	1	1.02	—	—	—	—	1	0.10	2	1.12
9.	Governor's Secretariat	—	—	—	—	—	—	1	0.26	—	—	1	0.26

10. Welfare	..	—	—	2	0·13	3	0·12	—	—	—	—	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	0·89	—	—	1	0·04	—	—	2	0·93
16. General Administration	..	—	—	—	—	—	—	1	****	—	—	1	****
Total	..	18	16·56	57	23·41	12	12·66	31	6·82	5	1·75	123	61·20

*Includes Rs. 0.11 lakh as difference in totals pertaining to previous years.

**Rupees 50.00 only.

***Includes one case for Rs. 40.00 only.

****Rupees 50.00 only.

APPENDIX—VII
(Reference : paragraph 5.2, page 75)

Reserve stock limits

Serial number	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	2	3	4	5	6	7
1.	Irrigation-cum-Public Health, Kalpa	.. 9.00	60.97	March 1981	51.97	577
2.	Dehra Gopipur	.. 11.00	45.44	December 1980	34.44	313
3.	Hamirpur	.. 13.00	51.69	February 1981	38.69	298
4.	Kumarsain	.. 5.00	19.30	March 1981	14.30	286
5.	Irrigation-cum-Public Health, Mandi	.. 29.00	1,09.40	February 1981	80.40	277
6.	Nahan	.. 15.00	55.24	November 1980	40.24	268
7.	Irrigation-cum-Public Health, Dalhousie	.. 15.00	54.83	June 1980	39.83	266
8.	Rajgarh	.. 7.00	25.23	March 1981	18.23	260
9.	Sundernagar	.. 7.00	24.60	August 1980	17.60	251
10.	Irrigation-cum-Public Health, Hamirpur-II	.. 20.00	67.99	May 1980	47.99	240
11.	Irrigation-cum-Public Health, Pooh	.. 4.00	11.36	June 1980	7.36	184

12.	Irrigation-cum-Public Health, Simla-I	..	7.00	19.55	May 1980	12.55	179
13.	Irrigation-cum-Public Health, Kulu	..	15.00	39.46	April 1980 and August, 1980	24.46	163
14.	Nurpur	..	14.00	36.59	January 1981	22.59	161
15.	Lahaul and Spiti, Kulu	..	16.00	40.43	March 1981	24.43	153
16.	Palampur-II	..	8.00	19.85	July 1980	11.85	148
17.	Rampur	..	10.00	23.81	January 1981	13.81	138
18.	Solan	..	15.00	35.45	October 1980	20.45	136
19.	Fatehpur	..	8.00	17.32	January 1981	9.32	117
20.	Jubbal	..	10.00	21.07	March 1981	11.07	111
21.	Irrigation-cum-Public Health, Nahan	..	3.00	6.04	May 1980	3.04	101

APPENDIX

(Reference : paragraph

Summarised financial results of

Serial number	Name of the Corporation	Name of the department	Date of incorporation	Period of accounts	Total capital invested	Profit (+) Loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Himachal Pradesh State Electricity Board	Multipurpose Projects and Power	1st September 1971	1980-81	1,35,66.24	(-)2,50.30
2.	Himachal Pradesh Financial Corporation	Industries	1st April 1967	1980-81	—	(+)24.04
3.	Himachal Road Transport Corporation	Transport	2nd October 1974	1979-80	12,33.41	(+)45.22

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)

(iii) **Represents mean capital employed, *i.e.*, mean of aggregate of opening and closing refinance and (v) deposits.

VIII

7. 2, page 96)

Statutory Corporations

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 return on capital employed
(8)	(9)	(10)	(11)	(12)	(13)	(14)
(Figures in columns 6 to 12 are rupees in lakhs)						
2,50.30	2,50.30	(-)2,50.30	52,22.95	(-)2,50.30	(-)1.84	(-)4.80
50.20	—	—	10,93.40*	74.24	—	(+)6.79
74.05	4.94	(+)50.16	8,87.02**	(+)1,19.27	(+)4.07	(+)13.45

plus working capital.

balance of (i) paid-up capital (ii) bonds and debentures (iii) reserves (iv) borrowing including

APPENDIX

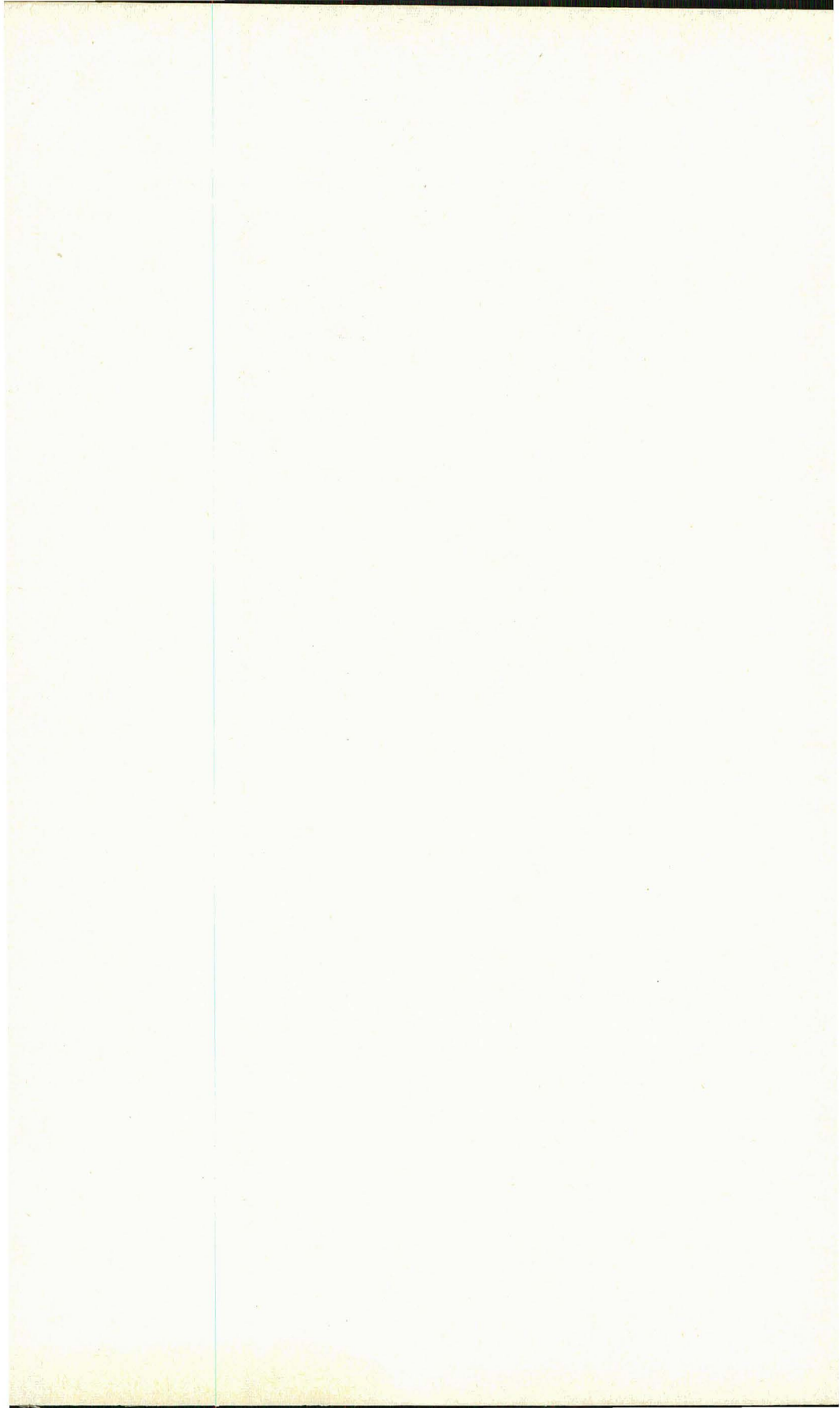
(Reference: paragraph

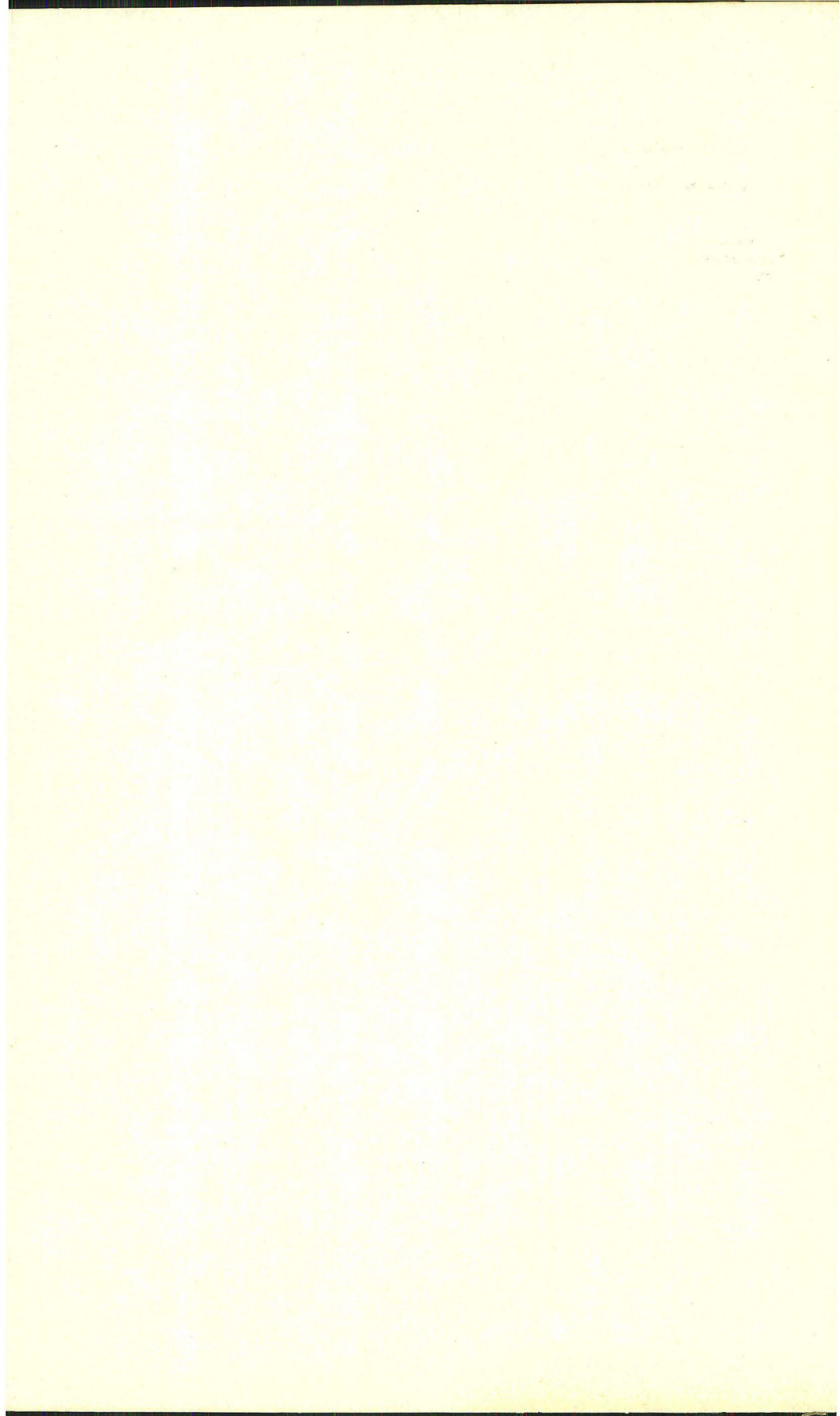
Summarised financial results of

Serial number	Name of the Company	Name of the department	Date of incorporation	Period of accounts	Total capital invested	Profit (+) Loss (-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
					(Figures in columns 6 to	
1.	Himachal Pradesh Tourism Development Corporation Limited	Tourism	1st September 1972	1978	2,78.20	(-)6.40
2.	Himachal Pradesh Mineral and Industrial Development Corporation Limited	Industries	25th November 1966	1978-79	4,38.29	(+)0.58
3.	Himalaya Fertilizers Limited	Do	23rd November 1972	1980-81	83.88	(+)30.37
4.	Himachal Worsteds Mills Limited	Do	11th October 1974	1978-79	1,77.25	(-)9.73
5.	Himachal Wool Processors Limited	Do	11th October 1974	1978-79	1,90.12	(-)27.62
6.	Nahan Foundry Limited	Do	20th October 1952	1979-80	1,69.00	(-)31.44
7.	Himachal Pradesh Agro-Industries Corporation Limited	Horticulture	24th September 1970	1980-81	5,03.40	(+)29.69

Notes : (1) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

(2) Capital employed represents net fixed assets (excluding capital work-in-progress) *plus*





IX

7·6·2, page 134)

Government Companies

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 return on capital employed
(8)	(9)	(10)	(11)	(12)	(13)	(14)
12 are rupees in lakhs)						
0·47	0·47	(—)5·93	1,58·44	(—)5·93	(—)2·13	(—)3·75
10·42	10·42	(+)11·00	2,96·79	(+)11·00	(+)2·51	(+)3·71
9·19	5·25	(+)35·62	1,04·60	(+)39·56	(+)42·46	(+)37·82
7·14	4·78	(—)4·95	93·73	(—)2·59	(—)2·79	(—)2·76
7·14	6·31	(—)21·31	1,66·52	(—)20·48	(—)11·20	(—)12·29
7·97	1·26	(—)30·18	1,17·64	(—)23·47	(—)17·85	(—)19·95
4·25	4·25	(+)33·94	3,74·62	(+)33·94	(+)6·74	(+)9·6

working capital.

Journal of the
American Medical Association

Date	Description of Case
1911	[Faint text]
1912	[Faint text]
1913	[Faint text]
1914	[Faint text]
1915	[Faint text]
1916	[Faint text]
1917	[Faint text]
1918	[Faint text]

A. J. [Faint name]