



# **REPORT**

**OF THE**

**Comptroller and Auditor General of India  
for the year 1978-79**

**(CIVIL)**

**Government of Himachal Pradesh**



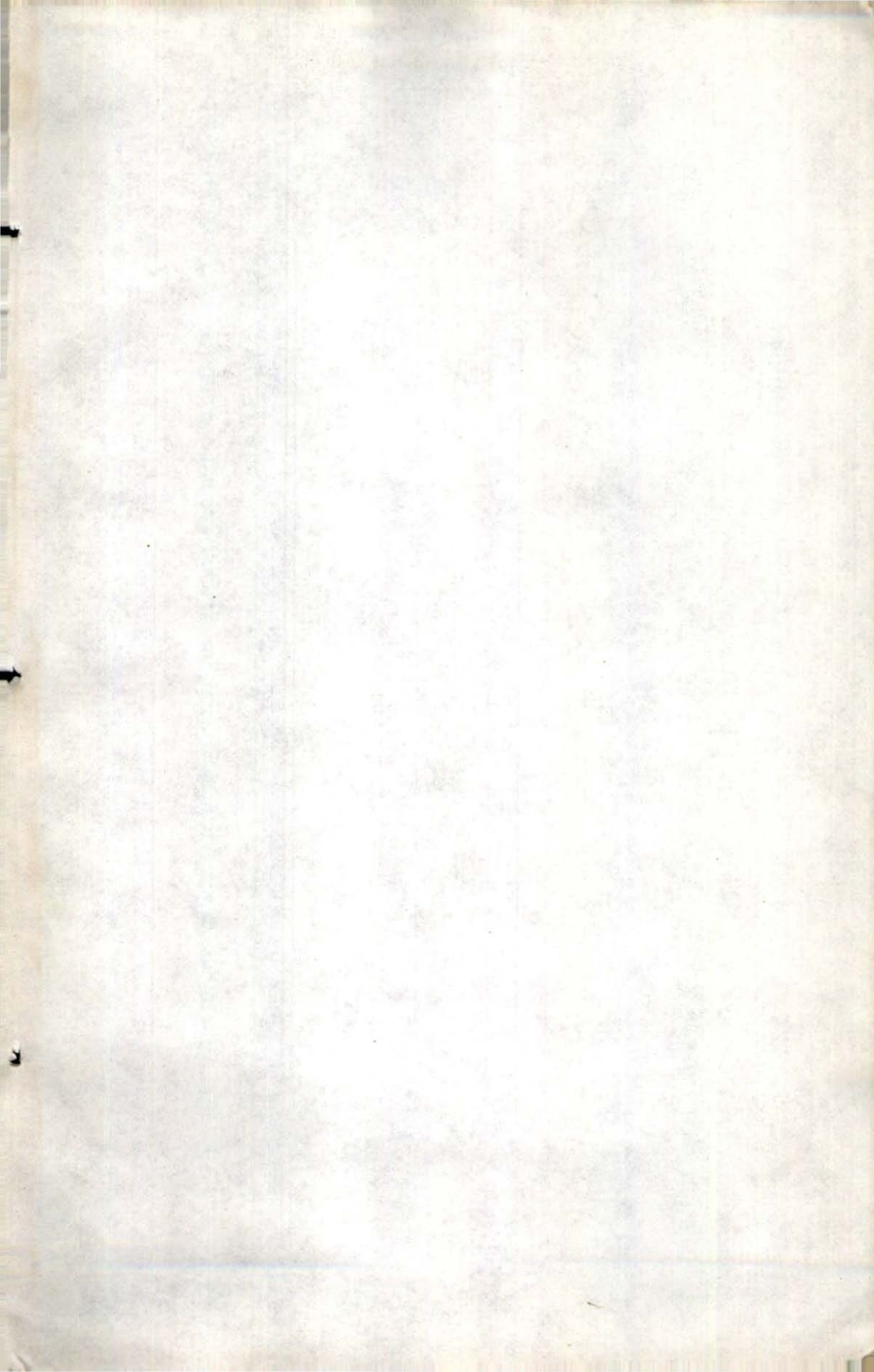
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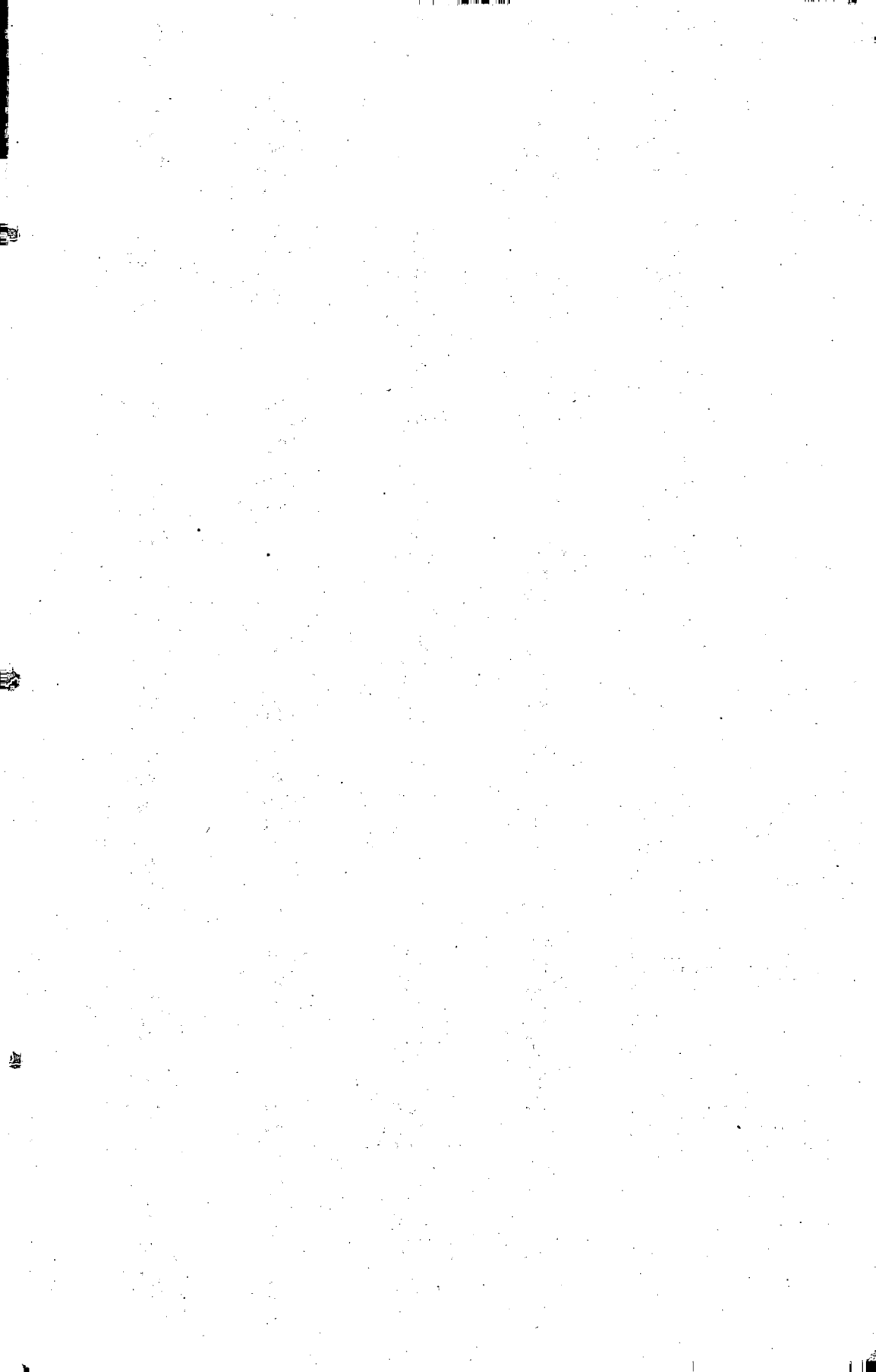
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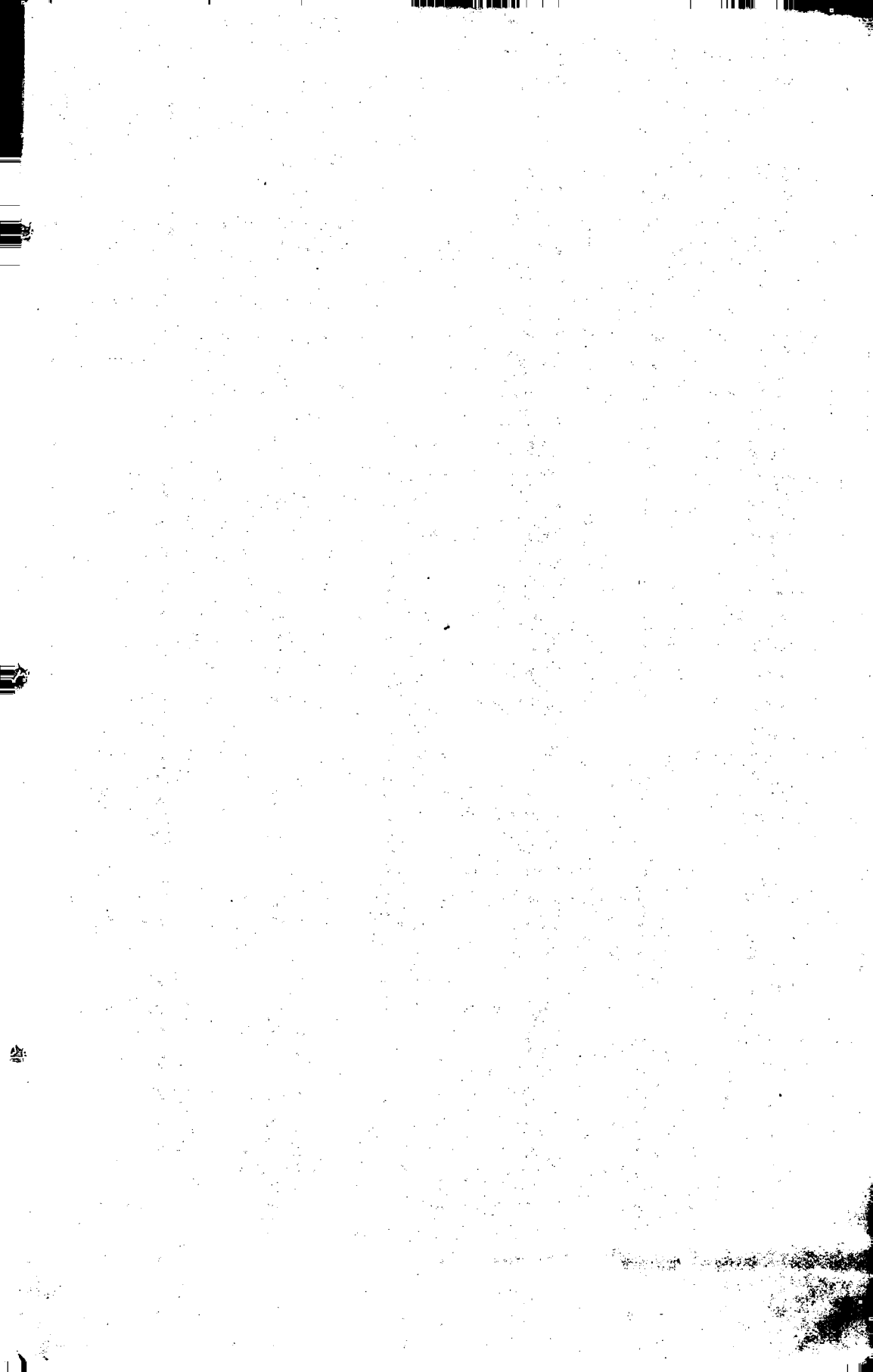
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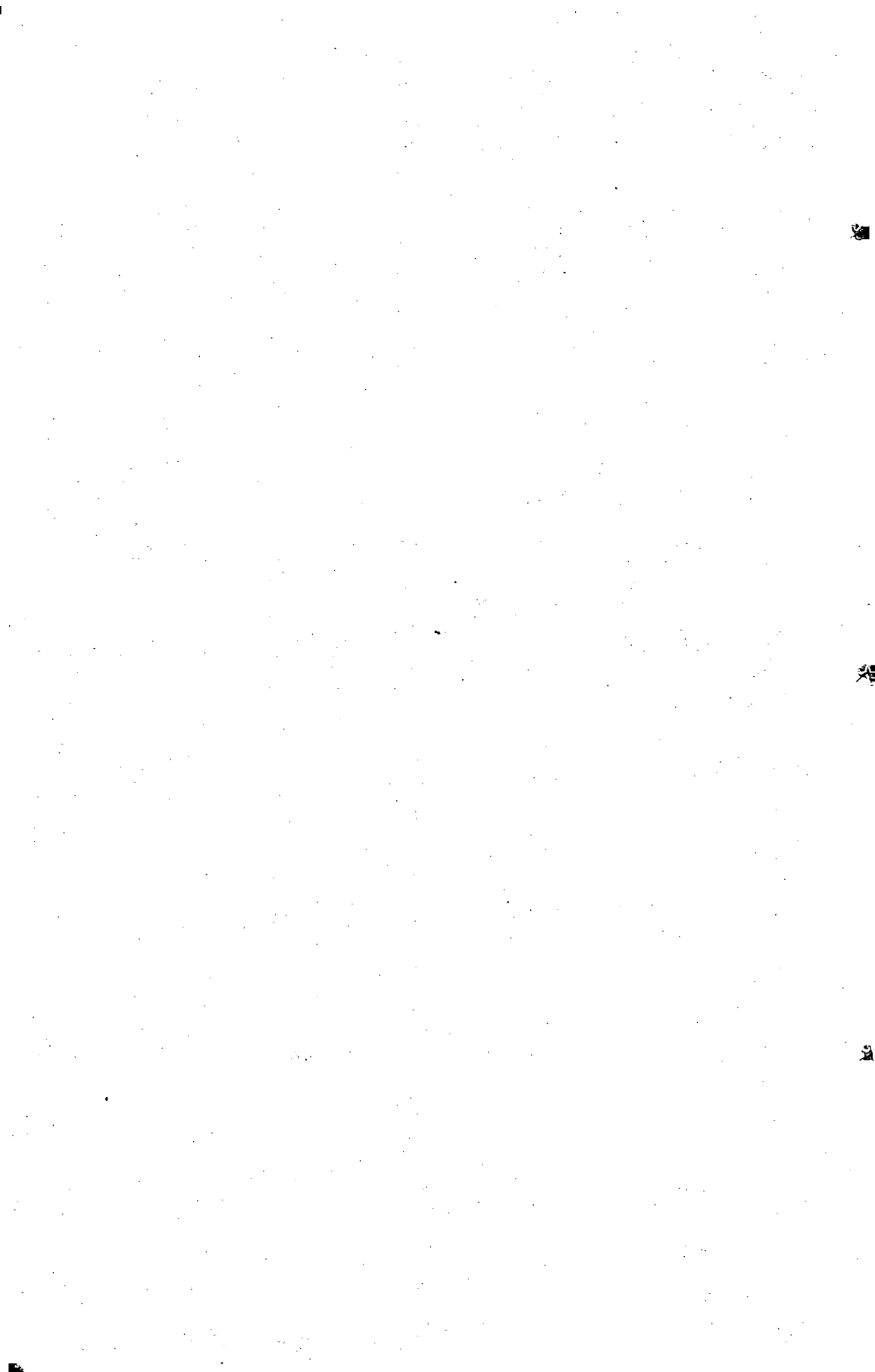
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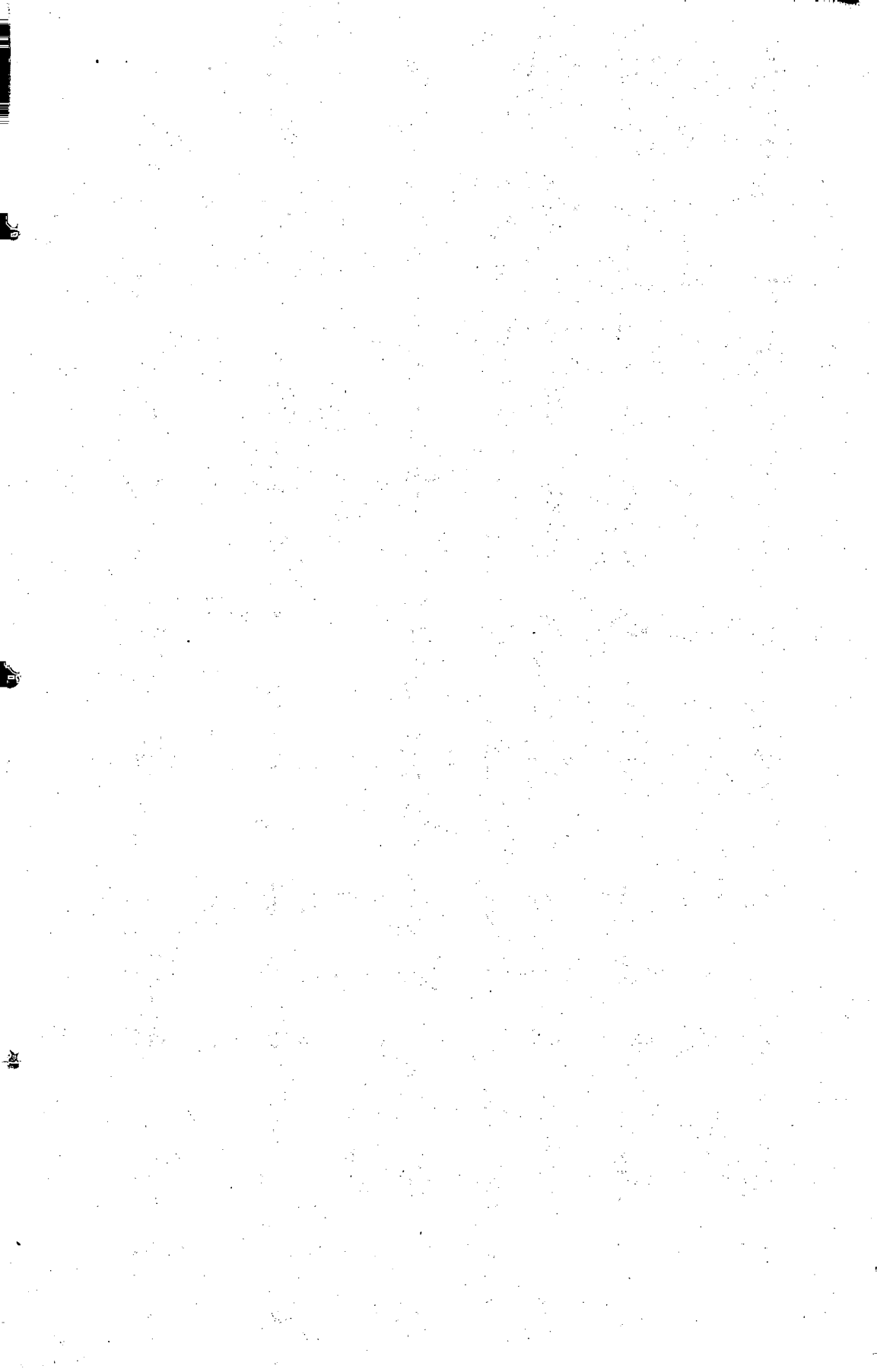
## PREFATORY REMARKS

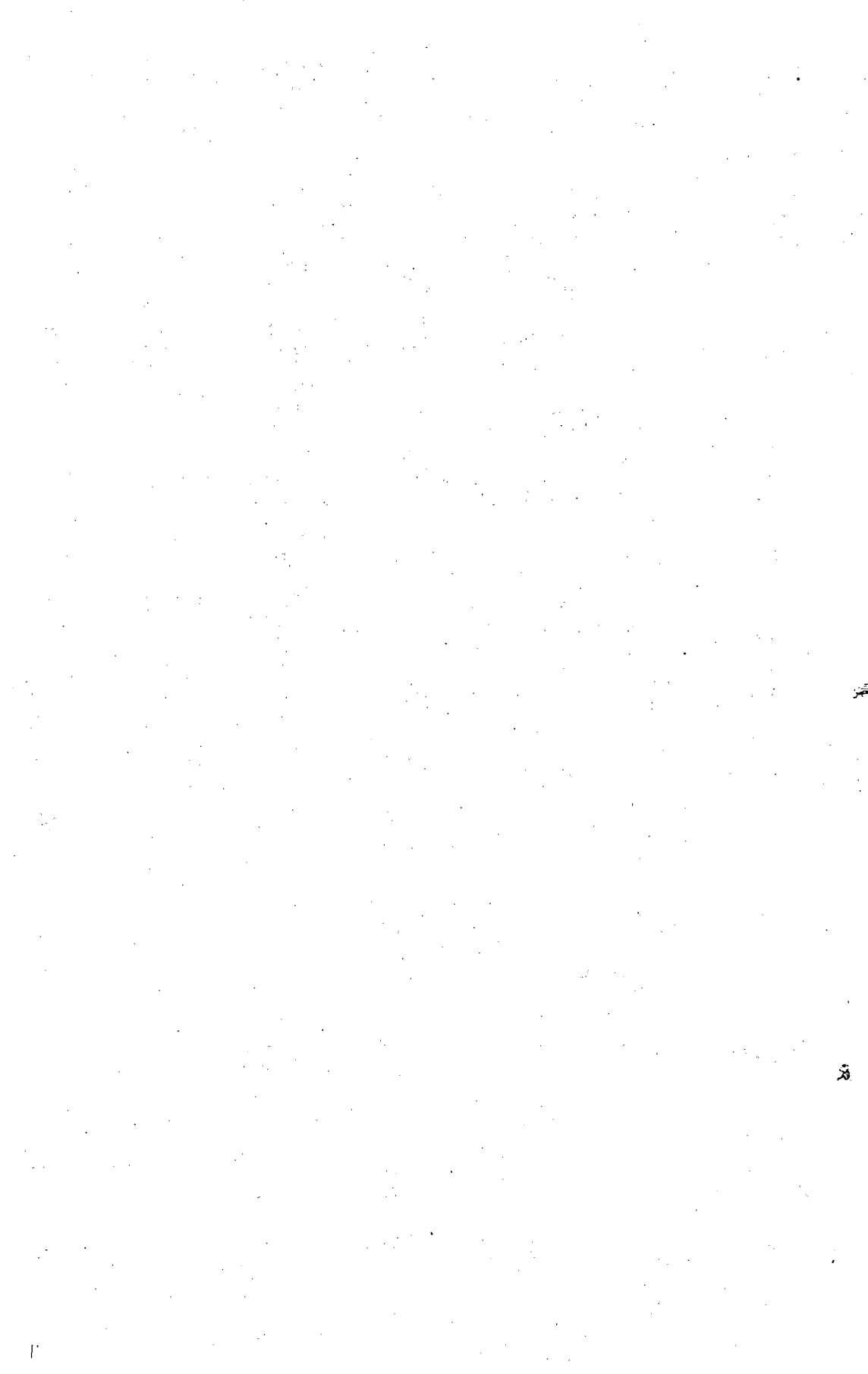
This Report has been prepared both in Hindi and English for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1978-79 together with other points arising from audit of financial transactions of the Government of Himachal Pradesh. It also includes certain points of interest arising from the Finance Accounts for 1978-79.

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 1978-79 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 1978-79 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 1978-79 are given below, with the corresponding figures for the preceding year:—

	1977-78	1978-79
(Rupees in crores)		
<i>(i) Revenue—</i>		
Revenue receipts		
(a) Revenue raised by the State Government ..	36.93	44.56
(b) Receipts from the Government of India ..	95.62	1,21.53
Total: Revenue receipts ..	1,32.55	1,66.09
Revenue expenditure		
(a) Non-Plan ..	75.50	88.36
(b) Plan ..	23.39	37.61
Total: Revenue expenditure ..	98.89	1,25.97
Revenue surplus (+) ..	+33.66	+40.12
<i>(ii) Public Debt—</i>		
Receipts ..	44.78	17.28
Repayments ..	38.94	7.36
Increase (+) ..	+5.84	+9.92
<i>(iii) Loans and advances by the State Government—</i>		
Recoveries ..	1.11	1.31
Disbursements ..	11.60	15.71
Increase (—) ..	—10.49	—14.40

(iv) *Public Account—*

Receipts	1,89.50	2,44.32
Disbursements	1,92.60	2,36.22
<i>Increase (+)</i>	—3.10	+8.10
<i>Decrease (—)</i>		

(v) *Capital expenditure—*

Non-Plan	—0.46	—0.06*
Plan	28.56	38.73
<i>Increase (—)</i>	—28.10	—38.67

(vi) *Inter-State Settlement (Net)—*

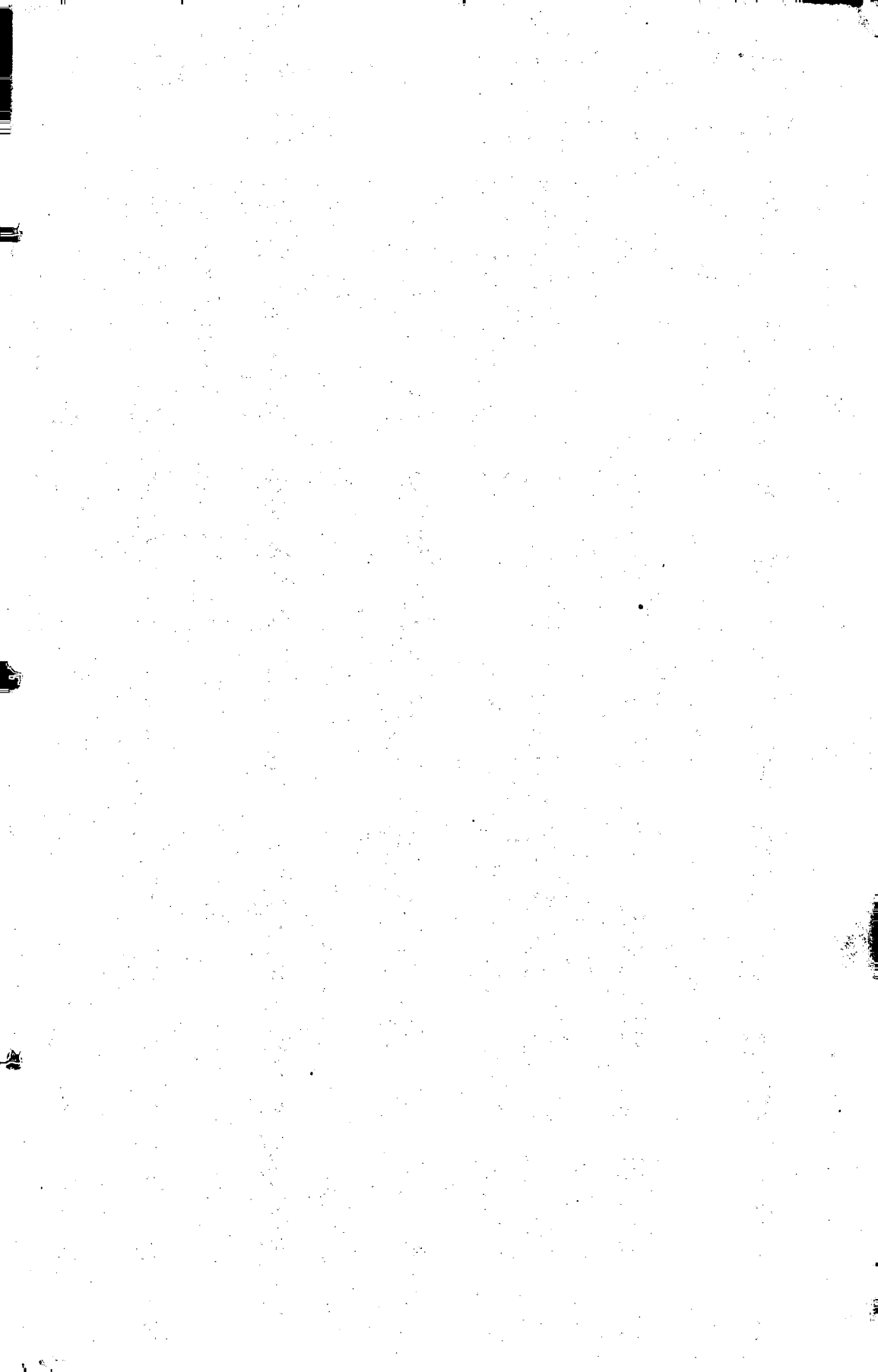
Payments (—)		—0.26
Net deficit (—)		—2.19
Net surplus (+)		+4.81
Opening cash balance	—6.56	—8.75
Net deficit (—) as above	—2.19	+4.81
Closing cash balance	—8.75	—3.94**

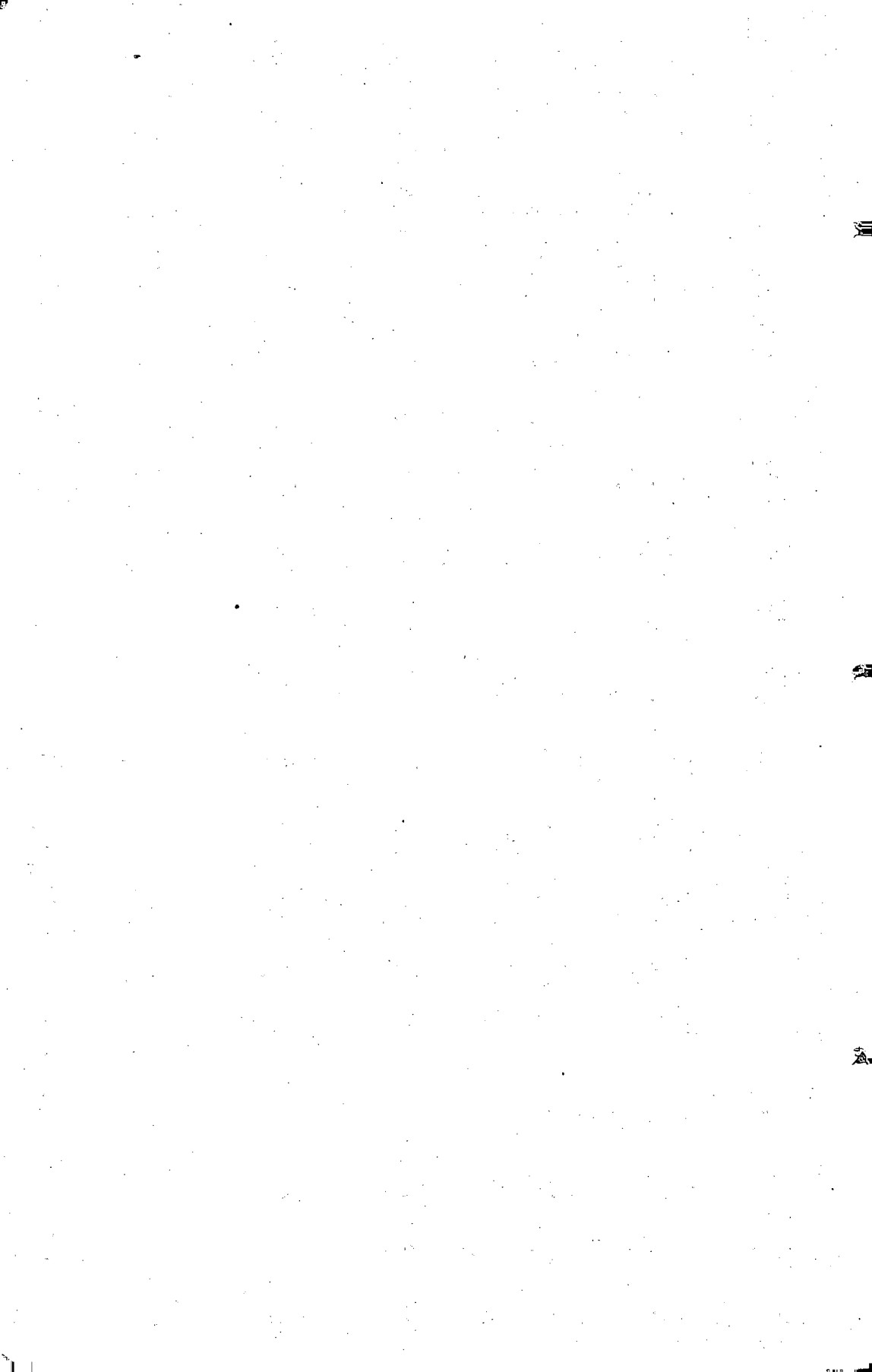
**1.2 Revenue surplus/deficit**

(a) *Revenue receipts*—The actuals of the revenue receipts for 1978-79 compared with (i) the budget estimates and (ii) the budget

\*Minus expenditure is due to receipts from sale of wheat and rice being more than the expenditure on their procurement.

\*\*There was a difference of Rs. (—) 1.77 crores between the figure reflected in the accounts (Rs.—4.35 crores) and that intimated by the Reserve Bank (Rs.—2.58 crores) regarding 'Deposits with Reserve Bank' included in the cash balance. Difference to the extent of Rs. (—) 1.15 crores has since been reconciled; the remaining difference (Rs.—0.62 crore) is under reconciliation (November 1979).







estimates *plus* additional taxation during the year along with the corresponding figures for 1976-77 and 1977-78 are given below:—

Year	Budget	Budget <i>plus</i> additional taxation	Actuals	Variation between columns (4) and (3)	
				Amount	Percent- age
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1976-77	88.20	89.20	1,32.94	+43.74	50
1977-78	1,25.47	1,25.66	1,32.55	+6.89	5
1978-79	1,48.26	1,50.53	1,66.09	+15.56	10

The receipts in 1978-79 exceeded the budget estimates mainly under 'Grants-in-aid from Central Government' (Rs. 10.75 crores), 'State Excise' (Rs. 1.77 crores) and 'Forest' (Rs. 1.71 crores).

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

Year	Budget	Budget <i>plus</i> supple- mentary	Actuals	Variation between columns (4) and (3)	
				Amount	Percent- age
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1976-77	94.62	99.59	95.14	-4.45	4
1977-78	1,02.01	1,07.44	98.89	-8.55	8
1978-79	1,19.31	1,33.85	1,25.97	-7.88	6

(c) The year ended with a revenue surplus of Rs. 40.12 crores as against a surplus of Rs. 28.95 crores anticipated in the budget.

### 1.3 Revenue receipts

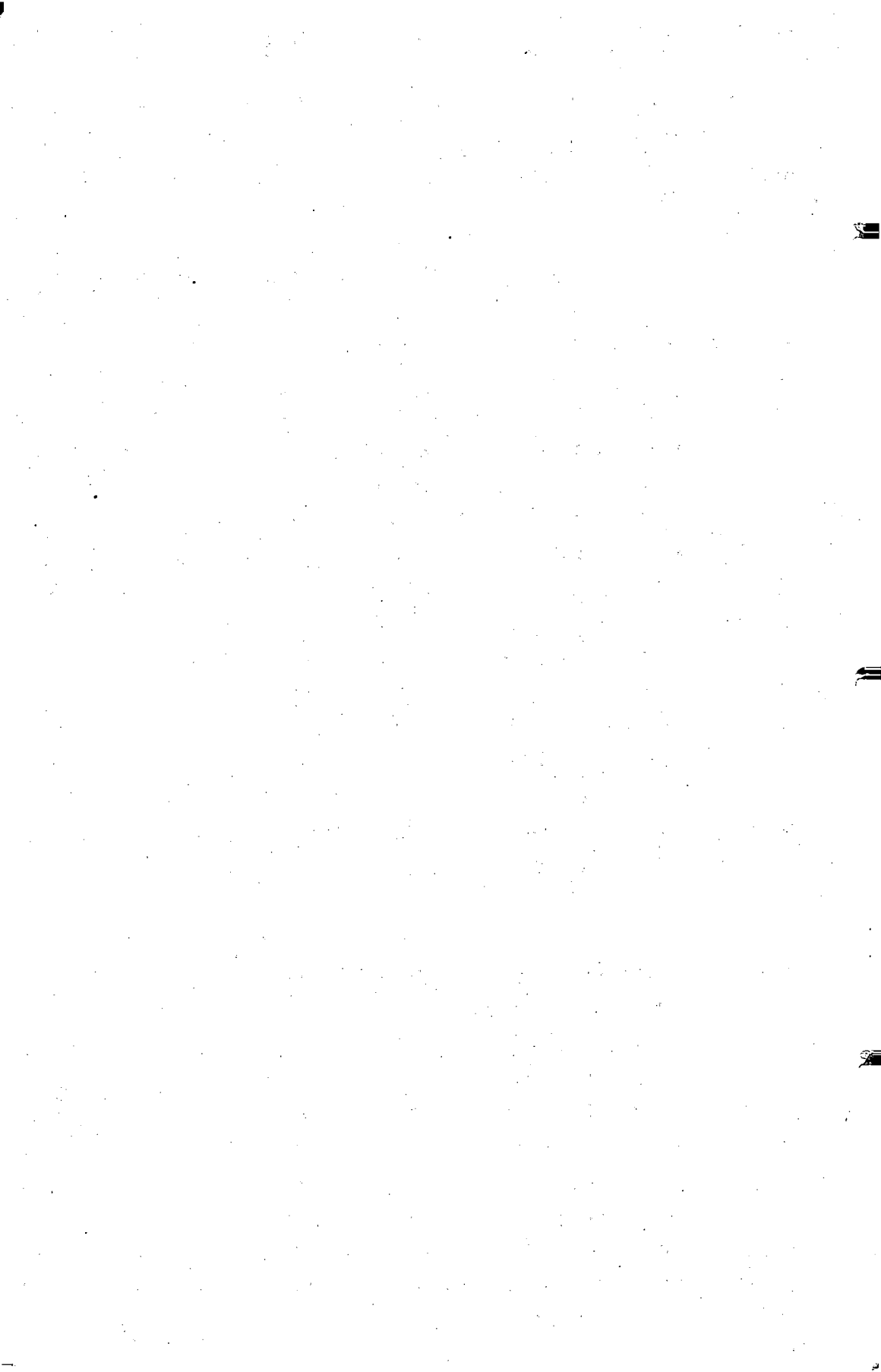
The revenue receipts in 1978-79 (Rs. 1,66.09 crores) compared to those in 1977-78 (Rs. 1,32.55 crores) were as follows:—

(1)	Receipts		Increase(+) Decrease(—)
	1977-78 (2)	1978-79 (3)	(4)
(Rupees in lakhs)			
(i) Revenue raised by the State Government—			
Tax Revenue ..	20,79.53	24,01.27	+3,21.74
Non-tax revenue ..	16,13.63	20,54.95	+4,41.32
(ii) Receipts from the Government of India—			
Taxes on Income other than Corporation tax ..	4,05.00	4,23.97	+18.97
Estate Duty ..	5.91	6.37	+0.46
State's share of Union Excise Duties ..	6,88.84	7,68.79	+79.95
Grants under the Constitution (Distribution of Revenues) Order and proviso to Article 275(1) of the Constitution ..	33,74.00	36,67.27	+2,93.27
Other grants ..	50,87.65	72,86.69	+21,99.04
<b>Total ..</b>	<b>1,32,54.56</b>	<b>1,66,09.31</b>	<b>+33,54.75</b>

The receipts from the Government of India during 1978-79 (Rs. 1,21.53 crores) formed 73 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 1978-79—Government of Himachal Pradesh—Revenue Receipts.





### 1.4 Expenditure on revenue account

The following table compares the expenditure on revenue account during 1978-79 under broad headings with the provision of funds made thereunder:—

Head of expenditure	Non-Plan				Plan			
	Budget estimates	Budget plus supplementary	Actuals*	Variations	Budget estimates	Budget plus supplementary	Actuals*	Variations
	(Rupees in crores)							
A—General Services	30.74	32.15	30.79 (26.33)	-1.36	1.06	1.09	1.34 (0.88)	+0.25
B—Social and Community Services	35.03	36.85	38.61 (32.61)	+1.76	9.50	11.95	10.59 (5.04)	-1.36
C—Economic Services								
(i) General Economic Services	1.18	1.18	1.09 (1.03)	-0.09	0.93	1.02	0.85 (0.49)	-0.17
(ii) Agriculture and Allied Services	13.38	13.38	12.85 (11.77)	-0.53	17.88	22.04	18.43 (12.25)	-3.61
(iii) Industry and Minerals	0.57	0.57	0.46 (0.51)	-0.11	3.88	4.28	1.95 (1.81)	-2.33
(iv) Water and Power Development	..	..	0.50 (..)	+0.50	0.38	1.38	0.99 (0.81)	-0.39
(v) Transport and Communications	4.10	4.15	3.94 (3.11)	-0.21	0.56	3.69	3.46 (2.11)	-0.23
D—Grants-in-aid and contributions	0.12	0.12	0.12 (0.14)	..	..	..	.. (..)	..
<b>Total</b>	<b>85.12</b>	<b>88.40</b>	<b>88.36</b> <b>(75.50)</b>	<b>-0.04</b>	<b>34.19</b>	<b>45.45</b>	<b>37.61</b> <b>(23.39)</b>	<b>-7.84</b>

Thus, while the provisions under Non-Plan expenditure were more or less utilised, there were savings to the extent of Rs. 7.84 crores under Plan heads (for details please see paras 2.3 and 2.4).

\*The figures in brackets are the expenditure figures for 1977-78.

\*\*Supplementary Rs. 9,000 only.

Significant variations in expenditure during 1978-79 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 1978-79 as compared with the budget estimates and the budget plus supplementary provision is given below:—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1976-77	15.36	15.42	17.32	+1.90	12
1977-78	25.02	29.71	28.10	-1.61	6
1978-79	30.56	37.82	38.67	+0.85	2

(ii) The following table compares the expenditure on capital account during 1978-79 under broad headings with the provision of funds made thereunder:—

Head of expenditure	Non-Plan				Plan			
	Budget estimates	Budget plus supplementary	Actuals*	Variations	Budget estimates	Budget plus supplementary	Actuals*	Variations
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(Rupees in crores)								
Capital expenditure on—								
(i) General Services .. .. .	..	..	..	..	0.91	0.94	0.97	+0.03
			(..)				(0.74)	
(ii) Social and Community Services .. .. .	..	0.15	..	-0.15	3.84	7.98	9.82	+1.84
			(..)				(5.60)	
(iii) Economic Services—								
(a) General Economic Services .. .. .	0.08	0.08	**	-0.08	0.66	0.88	1.33	+0.45
			(0.03)				(0.46)	

\*The figures in brackets are the expenditure figures for 1977-78.

\*\*Rupees 32,915 only.







(b) Agriculture and Allied Services	0.10	0.11	£ -0.06 (-0.49)	-0.17	3.75	4.33	3.51 (3.33)	-0.82
(c) Industry and Minerals	..	..	(..)	..	0.78	0.98	1.45 (0.70)	+0.47
(d) Water and Power Development	..	..	(..)	..	2.14	2.14	2.06 (1.02)	-0.08
(e) Transport and Communications	..	..	(..)	..	18.30	20.23	19.59 (16.71)	-0.64
<b>Total</b>	<b>0.18</b>	<b>0.34</b>	<b>-0.06</b> <b>(-0.46)</b>	<b>-0.40</b>	<b>30.38</b>	<b>37.48</b>	<b>38.73</b> <b>(28.56)</b>	<b>+1.25</b>

Significant variations in expenditure during 1978-79 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 1978-79 as compared with the budget estimates and the budget estimates *plus* supplementary provision along with the corresponding figures for 1976-77 and 1977-78 are given below:—

Year	Budget	Budget <i>plus</i> supple- mentary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1976-77	6.41	6.45	6.42	-0.03	0.05
1977-78	11.09	11.43	11.59	+0.16	1
1978-79	15.34	16.97	15.71	-1.26	8

£ See footnote\* on page 2.

(ii) The budget and the actuals of recoveries of loans and advances for the three years ending 1978-79 are given below:—

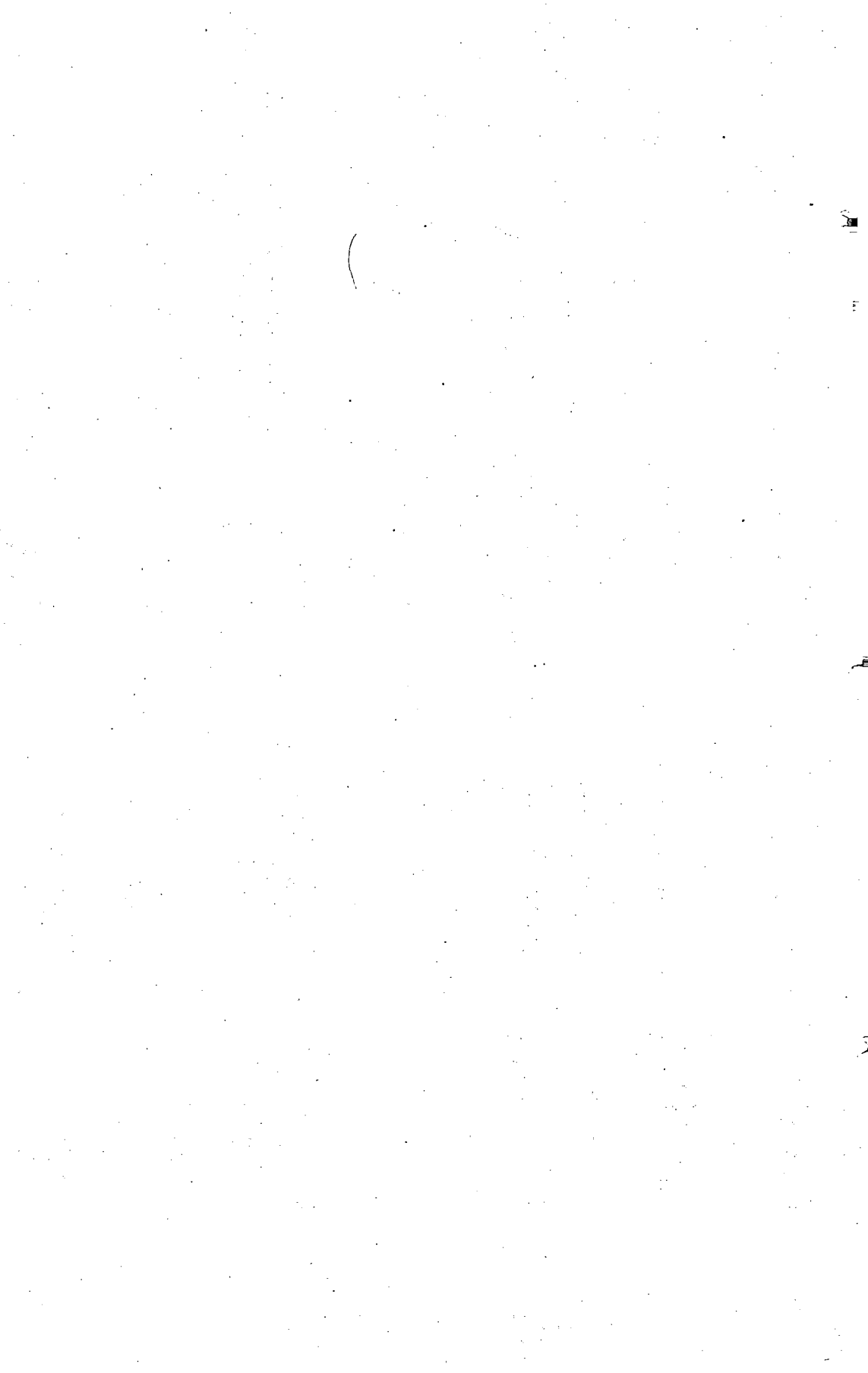
Year	Budget	Actuals	Variation between columns (3) and (2)	
			Amount	Percentage
(1)	(2)	(3)	(4)	(5)
(Rupees in crores)				
1976-77	1.65	1.06	-0.59	35
1977-78	1.75	1.11	-0.64	37
1978-79	1.65	1.31	-0.34	25

(iii) The loans and advances outstanding at the end of the last three years were as under:—

Categories of loans and advances	31st March		
	1977	1978	1979
(Rupees in crores)			
<b>Loans for—</b>			
(i) Social and Community Services	4.66	5.30	6.35
(ii) Economic Services—			
(a) General Economic Services	1.10	1.51	2.00
(b) Agriculture and Allied Services	3.03	3.10	3.18
(c) Industry and Minerals	2.20	2.33	2.56
(d) Water and Power Development	19.75	28.56	40.38
(e) Transport and Communications	0.04	0.04	..
(iii) Loans to Government Servants	0.97	1.40	2.22
(iv) Loans for miscellaneous purposes	0.06	0.06	..
<b>Total</b>	<b>31.81</b>	<b>42.30</b>	<b>56.69</b>

Further details are given in Statement Nos. 4 and 17 of Finance Accounts 1978-79.





(iv) *Recoveries in arrears*—(a) Recoveries aggregating Rs. 1.31 lakhs were in arrears at the end of 1978-79 (Rs. 0.98 lakh at the end of 1977-78) in respect of loans to Municipal Corporation and Municipalities (principal: Rs. 0.73 lakh; interest: Rs. 0.55 lakh) and to landholders and other *notabilities* (principal: Rs. 0.02 lakh; interest: Rs. 0.01 lakh), the detailed accounts of which are maintained by the Audit Office.

(b) According to the information furnished by the Finance Department (November 1979), recoveries in arrears as on 31st March 1979 in respect of loans, the detailed accounts of which are kept by the departments, were Rs. 3,16.60 lakhs (principal: Rs. 2,31.08 lakhs; interest: Rs. 85.52 lakhs), as detailed below:—

Department	Principal	Interest	Total
	(Rupees in lakhs)		
Industries	64.66	39.93	1,04.59
Co-operation	65.53	7.40	72.93
Agriculture	49.39	11.83	61.22
Revenue	24.85	6.73	31.58
Horticulture	15.02	8.80	23.82
Panchayati Raj	2.40	4.64	7.04
Rural Integrated Development	2.52	4.29	6.81
Education	4.12	..	4.12
Local Self Government	0.36	1.68	2.04
Welfare	1.89	..	1.89
Technical Education	0.25	0.12	0.37
Animal Husbandry	0.09	0.10	0.19
<b>Total</b>	<b>2,31.08</b>	<b>85.52</b>	<b>3,16.60</b>

Information in respect of Housing Department was awaited (January 1980).

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

The sources from which capital expenditure (Rs. 38.67 crores) and net expenditure under 'Loans and Advances' by the State Government (Rs. 14.40 crores) during 1978-79 were met, are shown below:—

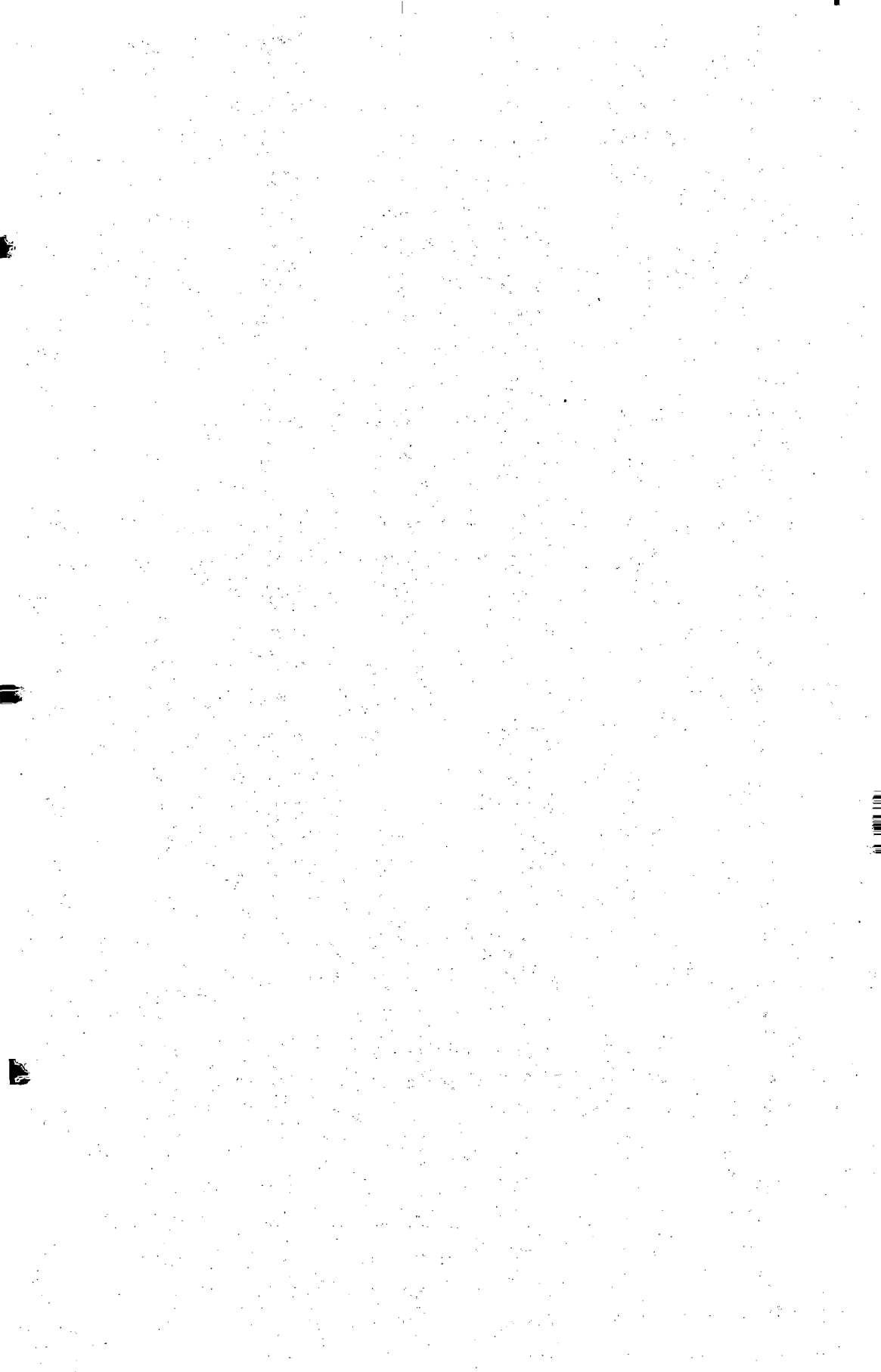
(In crores of rupees)

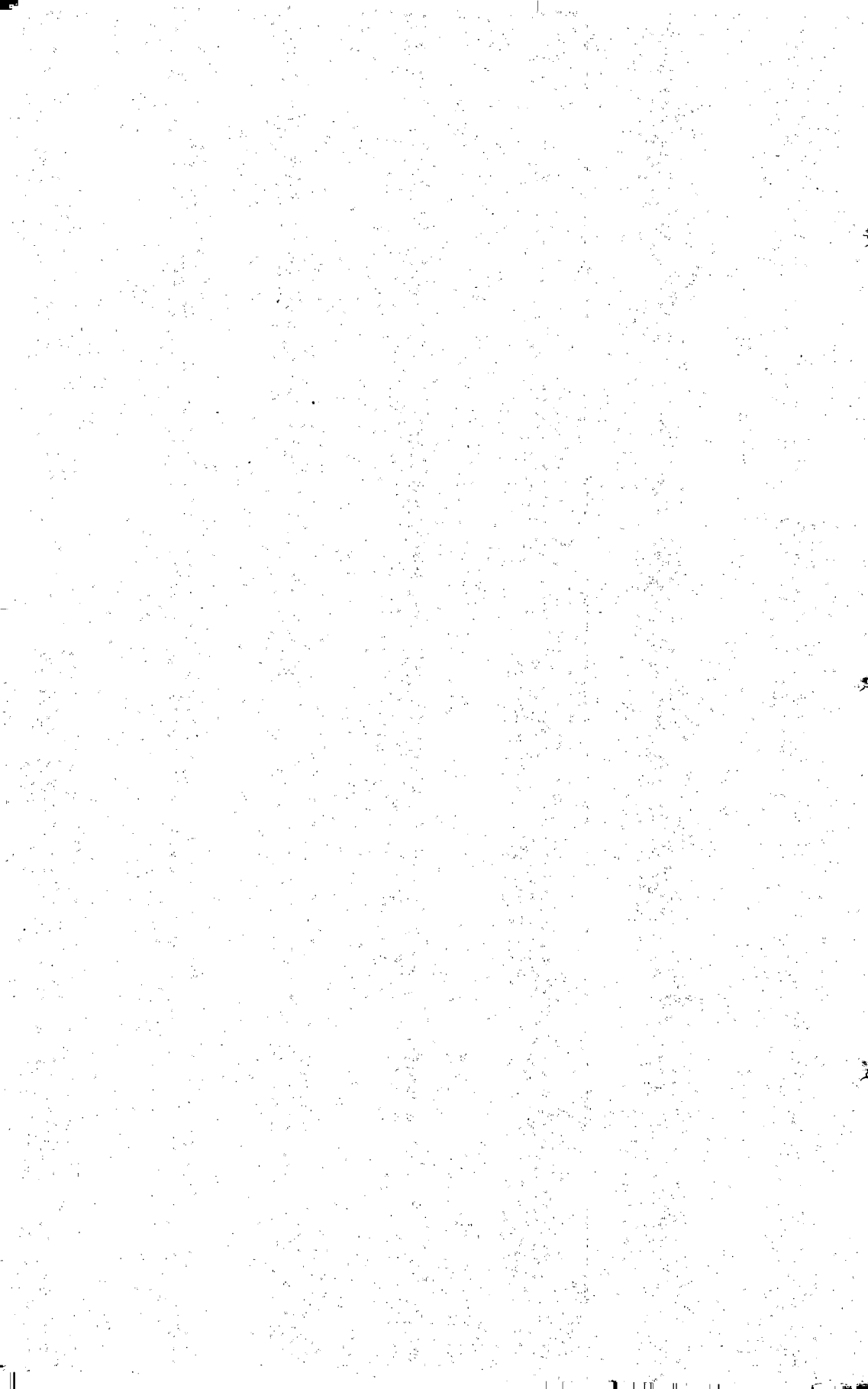
I. Net addition to—		
(i) Internal Debt of the State Government		+3.07
(ii) Loans from the Central Government		+6.85
(iii) Small savings, Provident Funds, etc.		+5.37
II. Miscellaneous—		
(i) Reserve funds		+0.50
(ii) Other items (mainly balances under Deposits, Suspense and Remittances and amount closed to Government Account)		—0.08
III. Investments and cash balances		—2.76
IV. Revenue surplus		+40.12
Net amount available for expenditure		<u>+53.07</u>

### 1.8 Debt position

(a) The total debt liability of the Government at the close of 1978-79 was Rs. 2,10.65 crores. A comparative analysis of the debt liability as at the end of March 1977, 1978 and 1979 is given below:—

Nature of debt	Balance on 31st March		
	1977	1978	1979
			(Rupees in crores)
(1) Internal debt of the State Government	10.70	13.00	16.07
(2) Loans and advances from the Government of India	1,42.64	1,46.18	1,53.03
(i) Total Public Debt	<u>1,53.34</u>	<u>1,59.18</u>	<u>1,69.10</u>
(ii) Provident funds	24.46	27.66	33.03







(iii) Reserve funds (Interest bearing)	0.01	0.01	0.01
(iv) Non-interest bearing obligations such as civil deposits, deposits of local funds, other earmarked funds, etc.	5.92	5.80	8.51
<b>Total Debt</b>	<b>1,83.73</b>	<b>1,92.65</b>	<b>2,10.65</b>

The borrowings from the Government of India constituted 91 per cent of the State Government's public debt on 31st March 1979 as against 92 per cent of the public debt on 31st March 1978.

During the year a loan of Rs. 1.50 crores bearing interest at 6½ per cent per annum was floated by the Government at par against which Rs. 1.66 crores were realised in cash. It is redeemable in 1988.

Under Section 54(1) of the Punjab Re-organisation Act, 1966, the public debt of the composite State of Punjab attributable to the loans raised by issue of Government securities and outstanding with the public immediately before 1st November 1966 became the debt of the State of Punjab and the State of Himachal Pradesh is to pay to the State of Punjab its share of the amount due from time to time for servicing and repayment of the debt. Against the estimated liability of Rs. 1.31 crores of Himachal Pradesh, Rs. 1.33 crores (inclusive of Rs. 0.26 crore during 1978-79) had been paid to the Punjab Government. The Government stated (September 1979) that the excess payment was under investigation.

(b) *Ways and means advances and overdrafts from Reserve Bank of India*—Under an agreement with the Reserve Bank of India, the Government has to maintain with the Bank a minimum cash balance of Rs. 20 lakhs on all days. If the balance falls below the agreed minimum, the Government can take from the Bank ordinary ways and means advances upto a maximum limit of Rs. 2 crores (raised to Rs. 4 crores from 1st October 1978) and also special ways and means advances not exceeding Rs. 2 crores against Government of India securities, if any, held by the State Government subject to payment of prescribed rates of interest.

Government could maintain the minimum balance with the Bank on 364 days. On one day it obtained ordinary ways and means

advance of Rs. 23 lakhs (interest paid: Rs. 504). No advance was outstanding at the close of 1978-79.

(c) *Servicing of debt*—The table below shows the burden of interest charges on the revenues:—

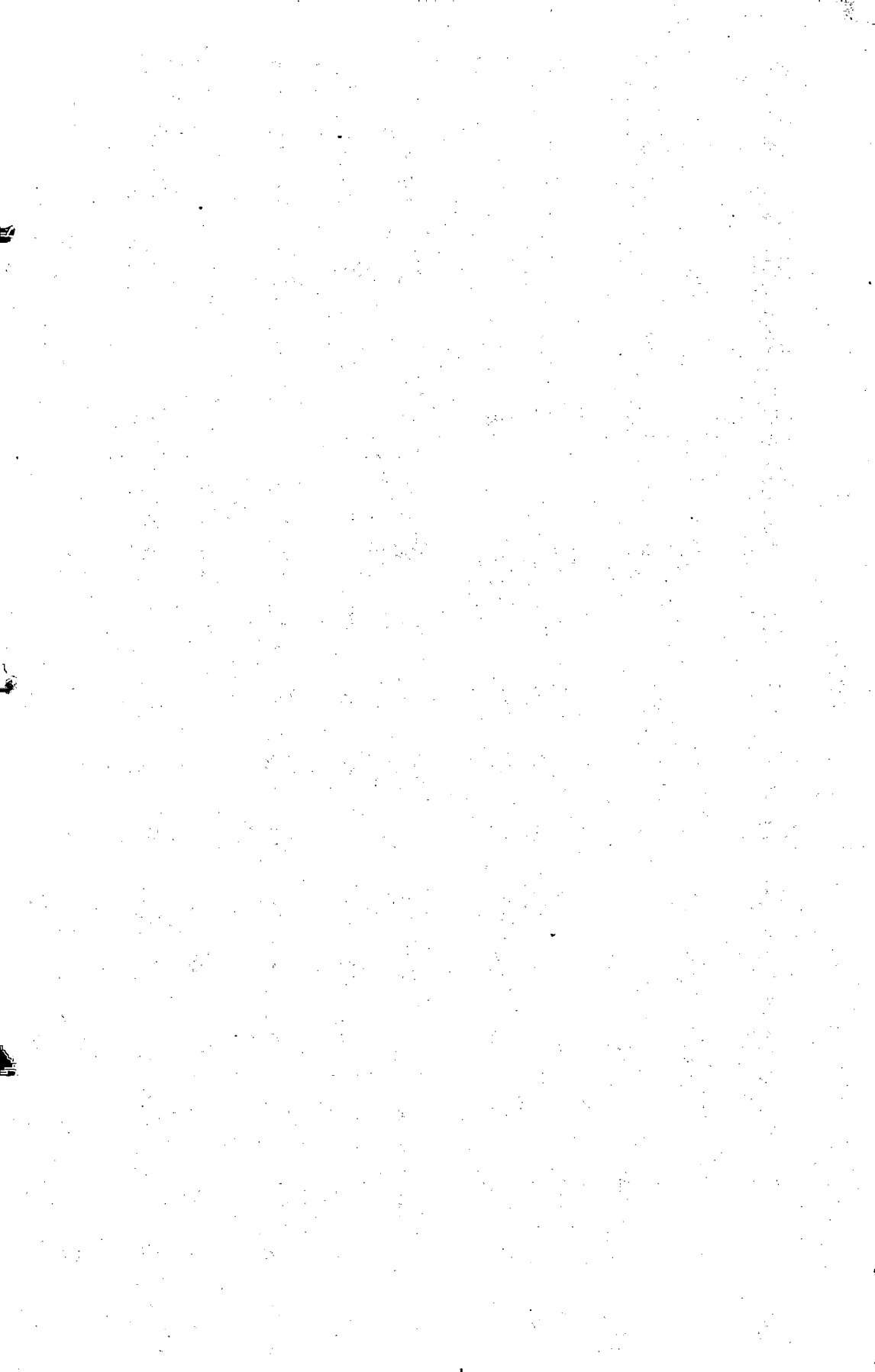
	1977-78 (Rupees in crores)	1978-79 (Rupees in crores)
Interest paid by the Government	10.24	11.22
<i>Deduct—</i>		
(a) Interest realised on loans and advances given by the Government	0.71	0.63
(b) Interest realised on investment of cash balance	0.29	0.92
Total (a) and (b)	1.00	1.55
Net interest charges	9.24	9.67
Net interest as percentage of total revenue receipts	6.97	5.82

Taking into account the dividend/interest of Rs. 0.04 crore received from public and other undertakings, the net burden of interest in 1978-79 on the revenues was Rs. 9.63 crores being 5.79 per cent of the revenue.

### 1.9 Investments by the Government

The total investment of the Government in the share capital, bonds and debentures of different concerns during 1978-79 and to end of 1978-79 together with the dividend/interest received therefrom was as under:—

	During 1978-79		To end of 1978-79		Dividend/interest received during the year with percentage of return on cumulative investment in brackets (Rupees in crores)
	Number of concerns	Investment (Rupees in crores)	Number of concerns	Investment (Rupees in crores)	
(1)	(2)	(3)	(4)	(5)	(6)
(i) Statutory Corporations	3	5.23	3	8.68	0.25(2.8)





(ii) Government Companies	9	3.83*	9	13.66*	0.03(0.2)
(iii) Joint Stock Companies	15	..	15	0.10	..
(iv) Co-operative institutions	1,016	1.38	1,016	4.34	0.02(0.4)
Total	1,043	10.44	1,043	26.78	0.30(1.1)

Details are given in Statement No. 13 of Finance Accounts 1978-79.

### 1.10. Guarantees given by the Government

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

The guarantees are in the nature of contingent liabilities on the State Revenues. Brief particulars of these contingent liabilities based on the available information are given below (further details are given in Statement No. 5 of Finance Accounts 1978-79).

Body on whose behalf guarantee was given	Maximum amount guaranteed	Sums guaranteed outstanding on 31st March 1979
	(Rupees in crores)	
	**	**
Statutory Corporations and Boards	40.97	30.21
Government Companies	2.23	0.90
Co-operative Banks and Societies	7.17	3.15
Local bodies	3.08	1.60
Total	53.45	35.86

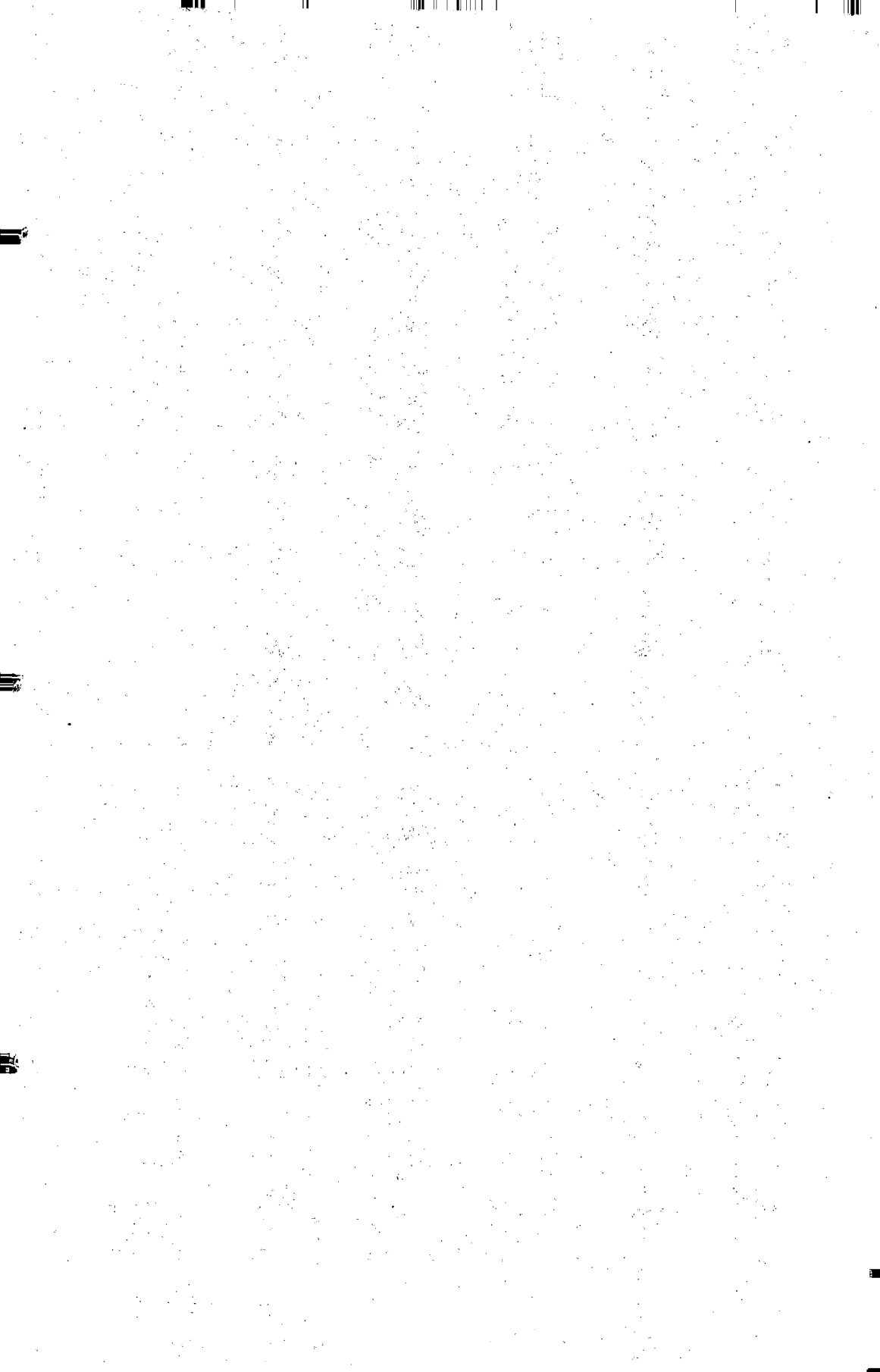
\*Includes Rs. 0.01 crore being the loss on Kulu Valley Transport Limited (since liquidated) which remains to be written off.

\*\*These guarantees were given under the statutes setting up the Corporations and Boards.

(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 1978-79 was Rs. 4.46 lakhs.

(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 guarantee on the security of the Consolidated Fund of the State.

(iv) No guarantee was invoked during 1978-79.







## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### 2.1 Summary

(a) The following table compares the total expenditure in 1978-79 with the total of grants and charged appropriations—

		Total grants/appropriations	Actual expenditure	Excess+ Saving	Percentage
(Rupees in crores)					
<b>Voted—</b>					
Original	1,83.78	}	2,06.57	+2.58	1
Supplementary	22.79				
<b>Charged—</b>					
Original	38.46	}	39.10	-19.40	50
Supplementary	0.64				
<b>Total—</b>					
Original	2,22.24	}	2,45.67	-16.82	7
Supplementary	23.43				

The overall saving of Rs. 16.82 crores was the result of saving of Rs. 34.57 crores in twenty-five grants (Rs. 15.16 crores) and nine appropriations (Rs. 19.41 crores) partly offset by excess of Rs. 17.75 crores in nine grants (Rs. 17.74 crores) and five appropriations (Rs. 0.01 crore).

(b) Further details are given below:—

	Revenue	Capital	Loans and advances	Public Debt	Total
(Rupees in crores)					
<b>Grants and charged Appropriations—</b>					
Original	1,37.43	42.04	15.65	27.12	2,22.24
Supplementary	14.54	7.26	1.63		23.43
<b>Total</b>	<b>1,51.97</b>	<b>49.30</b>	<b>17.28</b>	<b>27.12</b>	<b>2,45.67</b>

Actual expenditure	1,60.04	45.80	15.65	7.36	2,28.85
Shortfall(—)/ Excess(+)	+8.07	—3.50	—1.63	—19.76	—16.82

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

(a) *Grants*—The excess of Rs. 17,73,98,171 in the following nine 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) 5 —Land Revenue			
O      2,16,98,000 } S      72,83,000 }	2,89,81,000	4,39,51,820	1,49,70,820

Excess occurred mainly on account of provision of food and clothing as part of gratuitous relief due to unanticipated natural calamities.

### (ii) 10—Public Works

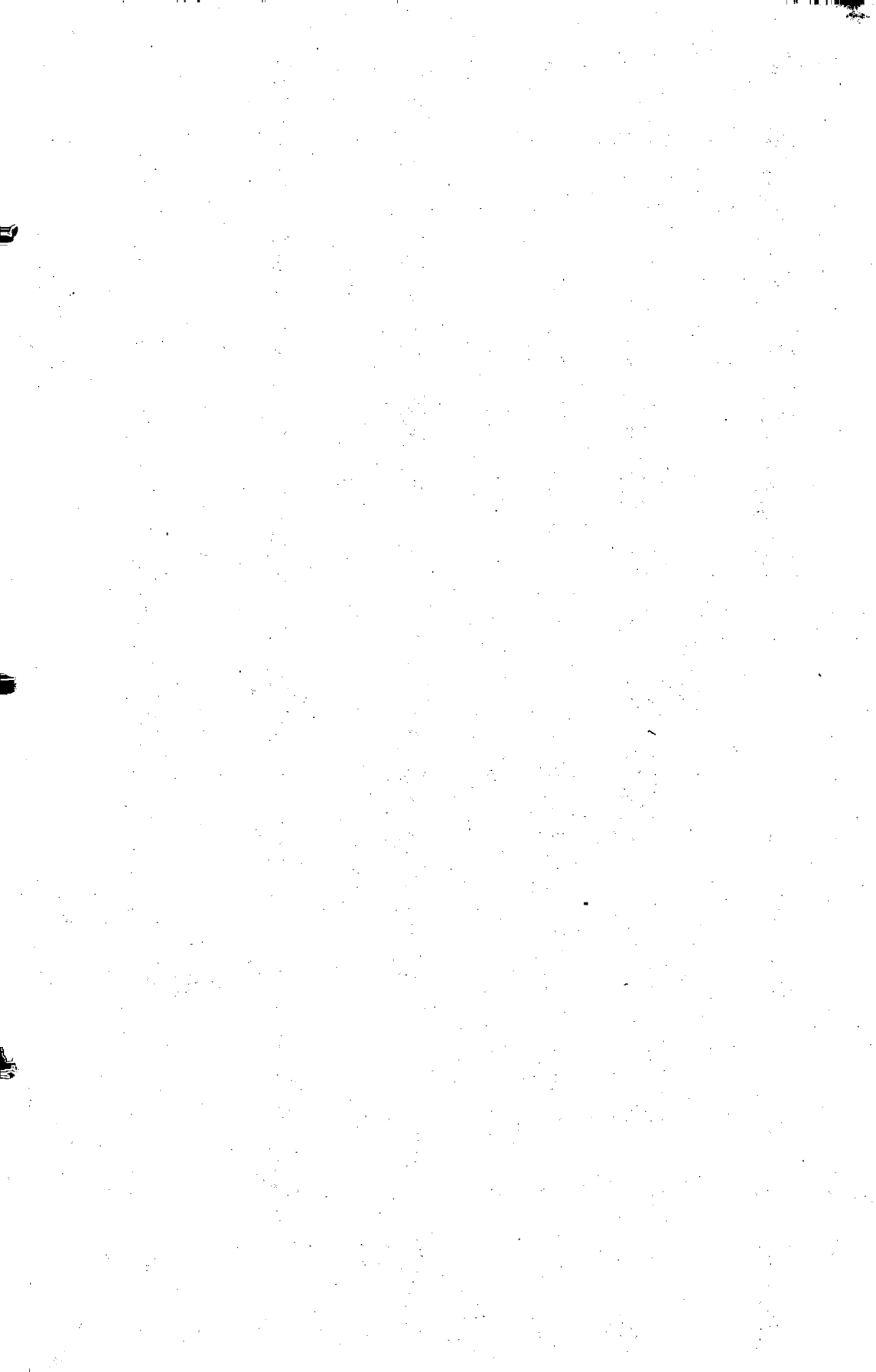
O      17,57,71,000 } S      39,14,400 }	17,96,85,400	18,92,68,134	95,82,734
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Excess was stated to be due mainly to purchase of more stock material than anticipated, larger expenditure on maintenance of Government non-residential buildings and more advance payments for supply of various stores than anticipated.

### (iii) 12—Minor Irrigation

O      5,98,33,000 } S      1,18,28,000 }	7,16,61,000	11,08,70,154	3,92,09,154
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Excess was reported to be due mainly to procurement of more stock for the execution of minor irrigation channels and accelerated progress of work on certain lift irrigation schemes.





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

O	8,12,73,000	}	13,31,65,530	24,04,52,396	10,72,86,866
S	5,18,92,530				

Reasons for the excess which was mainly on sewerage and water supply under 'Minimum Needs Programme' have not been intimated (January 1980).

## (v) 22—Co-operation

O	2,18,00,000	}	3,14,94,000	3,36,39,044	21,45,044
S	96,94,000				

Excess was due mainly to more investment in credit co-operative societies, marketing co-operative societies, processing co-operative societies and consumers co-operatives because of release of more funds by the National Co-operative Development Corporation.

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

O	2,62,00,000	}	3,62,00,000	3,89,39,787	27,39,787
S	1,00,00,000				

Reasons for the excess which was mainly on flood control projects have not been intimated (January 1980).

(vii) 29—Labour and  
Employment

O	81,40,000	81,40,000	87,82,550	6,42,550
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Reasons for the excess which was mainly on Food for Work Programme have not been intimated (January 1980).

## (viii) 30—Housing

O	1,50,67,000	}	2,05,84,000	2,13,20,966	7,36,966
S	55,17,000				

Excess was due mainly to more amount required for construction and maintenance and repairs of Government residential buildings.

## (ix) 33—Finance

O	3,58,34,000	3,58,34,000	3,59,18,250	84,250
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Excess occurred mainly under 'Superannuation and retirement Allowances'.

(b) *Charged appropriations*—The excess of Rs. 67,459 over the following charged appropriations also requires regularisation:—

Number and name of appropriation	Total appropriation	Actual expenditure	Excess
	Rs.	Rs.	Rs.
(i) 3—Administration of Justice			
O      13,30,000 } S      3,35,000 }	16,65,000	16,68,677	3,677

Reasons for the excess which was under 'High Court establishment' have not been intimated (January 1980).

(ii) 9—Medical and Family Welfare		35,650	35,650
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Reasons for the excess which was under 'Medical Relief-Buildings' have not been intimated (January 1980).

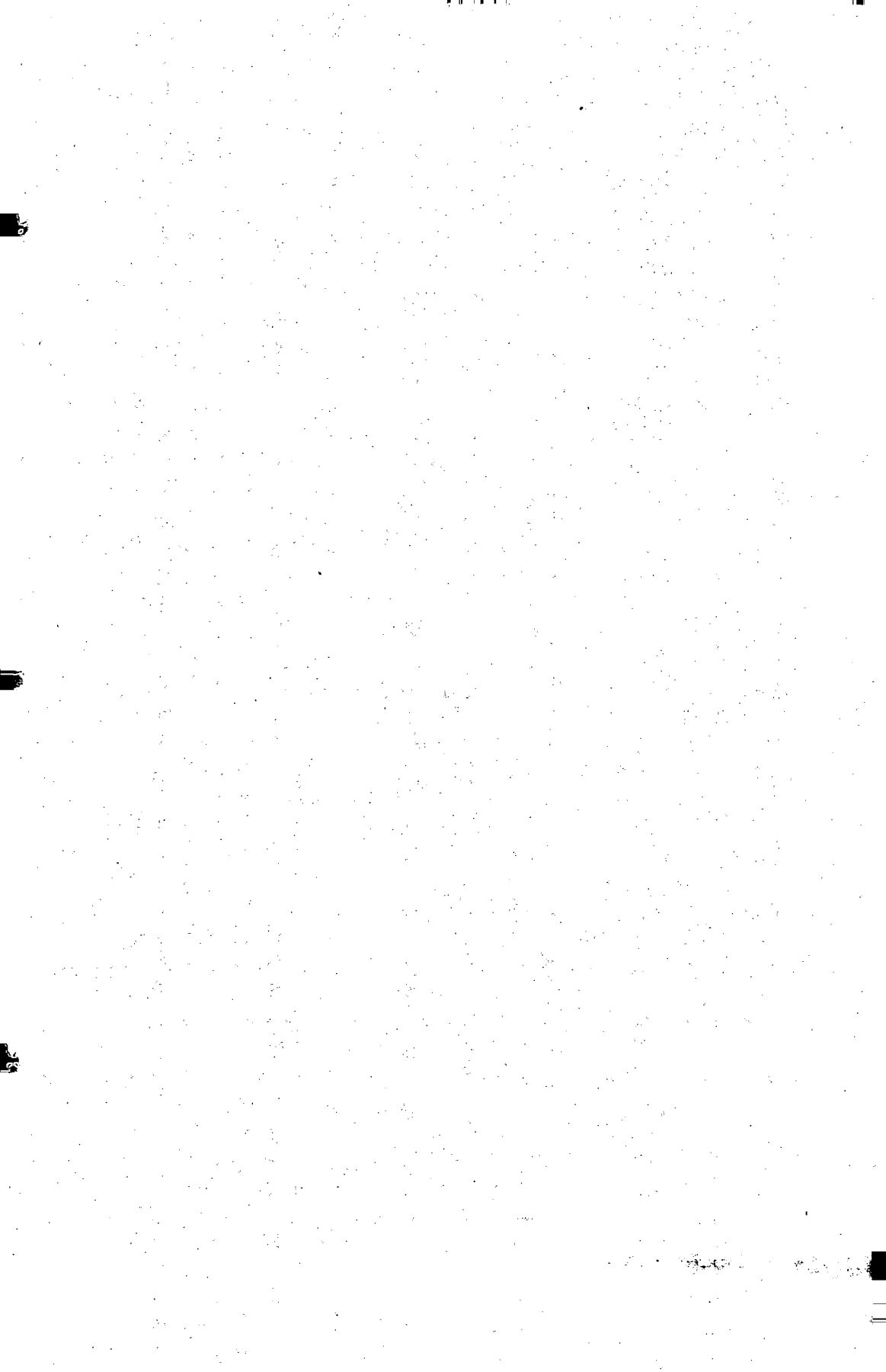
(iii) 17—Roads and Bridges		3,451	3,451
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Reasons for the excess which was under 'Rural Roads' have not been intimated (January 1980).

(iv) 20—Public Health, Sanitation and Water Supply			
O      } S      3,470 }	3,470	3,471	1

(v) 25—Irrigation, Navigation, Drainage and Flood Control		24,680	24,680
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Reasons for the excess which was on flood control projects have not been intimated (January 1980).







### 2.3 Supplementary grants/charged appropriations

Supplementary provision of Rs. 23.43 crores (11 per cent of the original provision) was obtained in September 1978 and March 1979 under eighteen grants (Rs. 22.79 crores) and ten appropriations (Rs. 0.64 crore). The details of significant cases of unnecessary, excessive and inadequate supplementary grants/charged appropriations are given below:—

(a) *Unnecessary supplementary grants/charged appropriations*—In the following four cases the supplementary grant (each exceeding Rs. 5.00 lakhs) of Rs. 2,50.76 lakhs remained wholly unutilised as the expenditure did not come up even to the original provision:—

Number and name of grant/ appropriation	Original grant/ appropriation	Supple- mentary	Actual expendi- ture	Saving
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(Rupees in lakhs)

(i) 8—Education, Art and Cul- tural Affairs and Scientific Research	29,35.33	15.00	29,20.68	29.65
Reasons for the saving have not been intimated (January 1980).				
(ii) 11—Agriculture	11,17.33	1,18.44	10,67.54	1,68.23

Saving was due mainly to transfer of the work of procurement and distribution of fertilizers to the Himachal Pradesh State Co-operative Supply and Marketing Federation Limited, non-finalisation of purchase of chemicals and insecticides and less requirement of materials mainly for Gram Sewak Training Centre at Mashobra and under 'Development of Fruit Production Scheme including development of olive and fig, etc.'

(iii) 18—Supplies, Industries and Minerals	5,73.87	60.00	4,18.23	2,15.64
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Saving was stated to be due mainly to less receipt/non-finalisation of cases of subsidies and incentives to industrial units.

(iv) 33—Finance (Charged)	38,15.10	57.32	19,34.39	19,38.03
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Saving was stated to be due mainly to less requirement of ways and means advances from the Reserve Bank and non-availing of

loan facility for purchase of foodgrains under the cash credit arrangement with the State Bank of India.

(b) *Supplementary grants which proved excessive*—In the following six grants, the supplementary provision (exceeding Rs. 5.00 lakhs each) proved excessive; against the supplementary grant of Rs. 9,74.81 lakhs, Rs. 7,11.21 lakhs were actually utilised:—

Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Saving
(Rupees in lakhs)				
(i) 1—Vidhan Sabha and Elections	49.09	25.00	63.08	11.01

Saving was attributed mainly to non-conducting of elections to local bodies and zila parishads.

(ii) 9—Medical and Family Welfare	7,98.05	1,06.68	8,72.66	32.07
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Saving occurred mainly under 'Rural Health Services', reasons for which have not been intimated (January 1980), 'Compensation-Vasectomy' due to less number of sterilisation cases, 'Post-partum Centres' due to non-finalisation of details of works to be executed and 'Buildings for Family Welfare work' due to non-finalisation of proposals.

(iii) 13—Soil and Water Conservation	2,54.97	1,82.73	4,16.49	21.21
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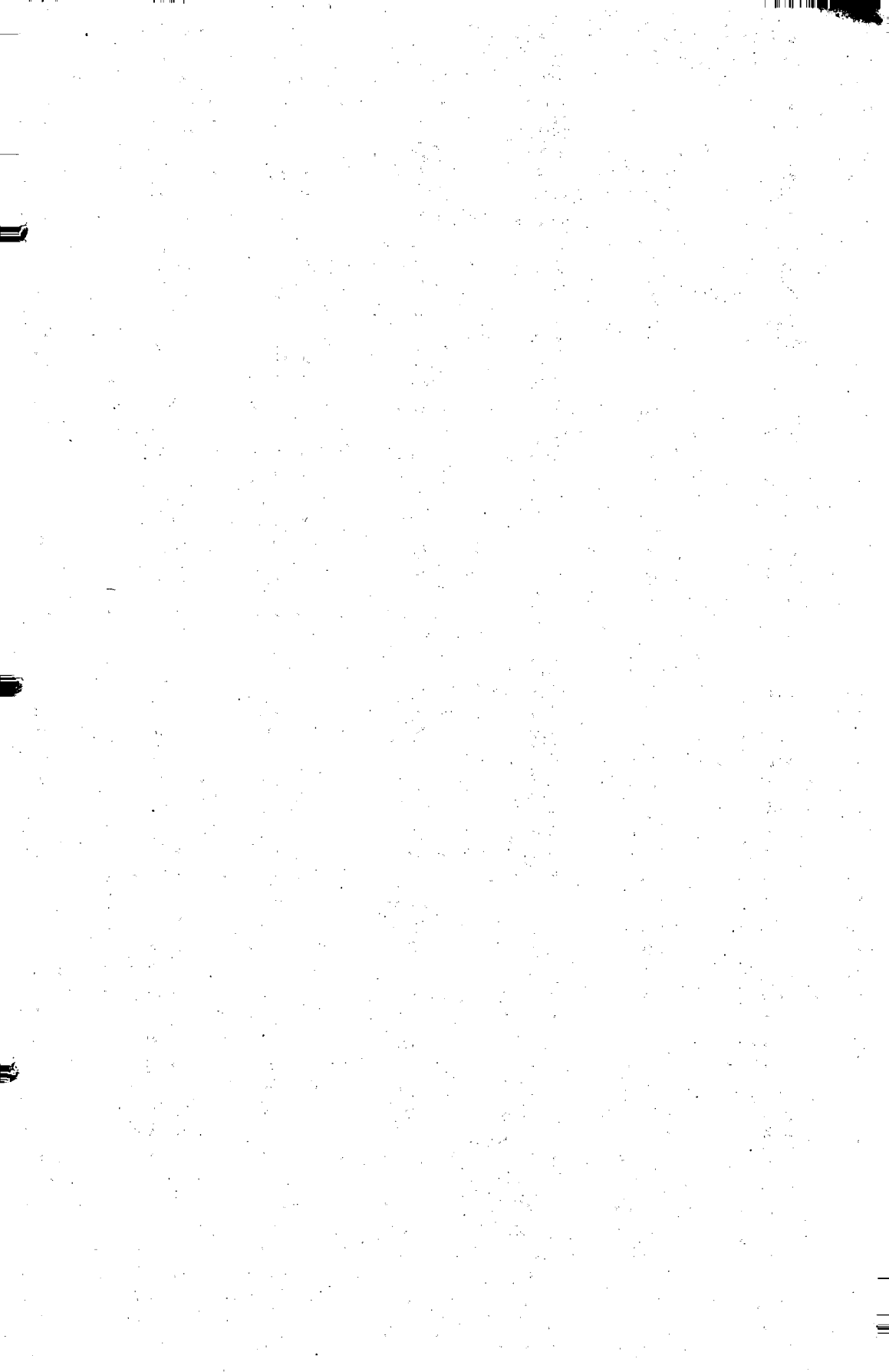
Saving was stated to be due mainly to non-filling up of posts and less execution of soil and water conservation works because of heavy rains and snowfall.

(iv) 17—Roads and Bridges	22,21.82	4,72.46	25,75.35	1,18.93
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Saving occurred mainly under 'District and other Roads-Minimum Needs Programme', reasons for which have not been intimated (January 1980).

(v) 19—Social Security, Welfare and Jails	1,75.14	1,26.95	2,58.95	43.14
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Saving occurred mainly under 'Welfare of Scheduled Castes' and 'Welfare of Scheduled Tribes', reasons for which (except for Rs. 4.31





lakhs reportedly due to vacant posts) have not been intimated (January 1980).

(vi) 21—Community Development ... 3,95.52 60.99 4,19.27 37.24

Saving was mainly under 'Development of Hill Areas — Area Planning for full Employment', reasons for which have not been intimated. (January 1980).

(c) *Inadequate supplementary grants*—In the following six cases, the supplementary grant (exceeding Rs. 5 lakhs each) of Rs. 9,46.11 lakhs, proved inadequate; the final uncovered excess (reasons to the extent received mentioned in paragraph 2.2) was Rs. 17,59.35 lakhs:—

Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Excess
	(Rupees in lakhs)			
(i) 5—Land Revenue ..	2,16.98	72.83	4,39.52	1,49.71
(ii) 10—Public Works ..	17,57.71	39.14	18,92.68	95.83
(iii) 12—Minor irrigation ..	5,98.33	1,18.28	11,08.70	3,92.09
(iv) 20—Public Health, Sanitation and Water Supply ...	8,12.73	5,18.92	24,04.52	10,72.87
(v) 22—Co-operation ..	2,18.00	96.94	3,36.39	21.45
(vi) 25—Irrigation, Navigation, Drainage and Flood Control	2,62.00	1,00.00	3,89.40	27.40

#### 2.4 Saving in grants/charged appropriations

(i) Rupees 34.57 crores remained unutilised in twenty-five grants (Rs. 15.16 crores) and nine appropriations (Rs. 19.41 crores).

(ii) In the case of eight grants and one appropriation the savings (more than Rs. 2 lakhs each) were more than 10 per cent of the total provision; in four of the eight grants and in one appropriation, the savings ranged between 21 and 59 per cent.

The details of these grants are given in Appendix III.

(iii) An analysis of substantial savings under certain schemes in Grant No. '17-Roads and Bridges' and Grant No. '18-Supplies, Industries and Minerals' is given below:—

Number of grant, head and scheme	Provision	Saving (and its percentage)
	(Rupees in lakhs)	
<b>Grant No. 17—Roads and Bridges—</b>		
(i) 537—Capital Outlay on Roads and Bridges— District and other Roads—(e)(iii)—Minimum Needs Programme	4,41.00	2,31.96 (53 per cent)
(ii) 337—Roads and Bridges—(a)(i)—Maintenance and Repairs—(a)(ii) Deepak	89.34	50.40 (56 per cent)

Reasons for the savings in the above two cases have not been intimated (January 1980).

(iii) 537—Capital Outlay on Roads and Bridges— District and other Roads—h(iii)—Roads under World Bank Project	97.30	48.25 (50 per cent)
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Saving was stated to be due mainly to non-selection of sites.

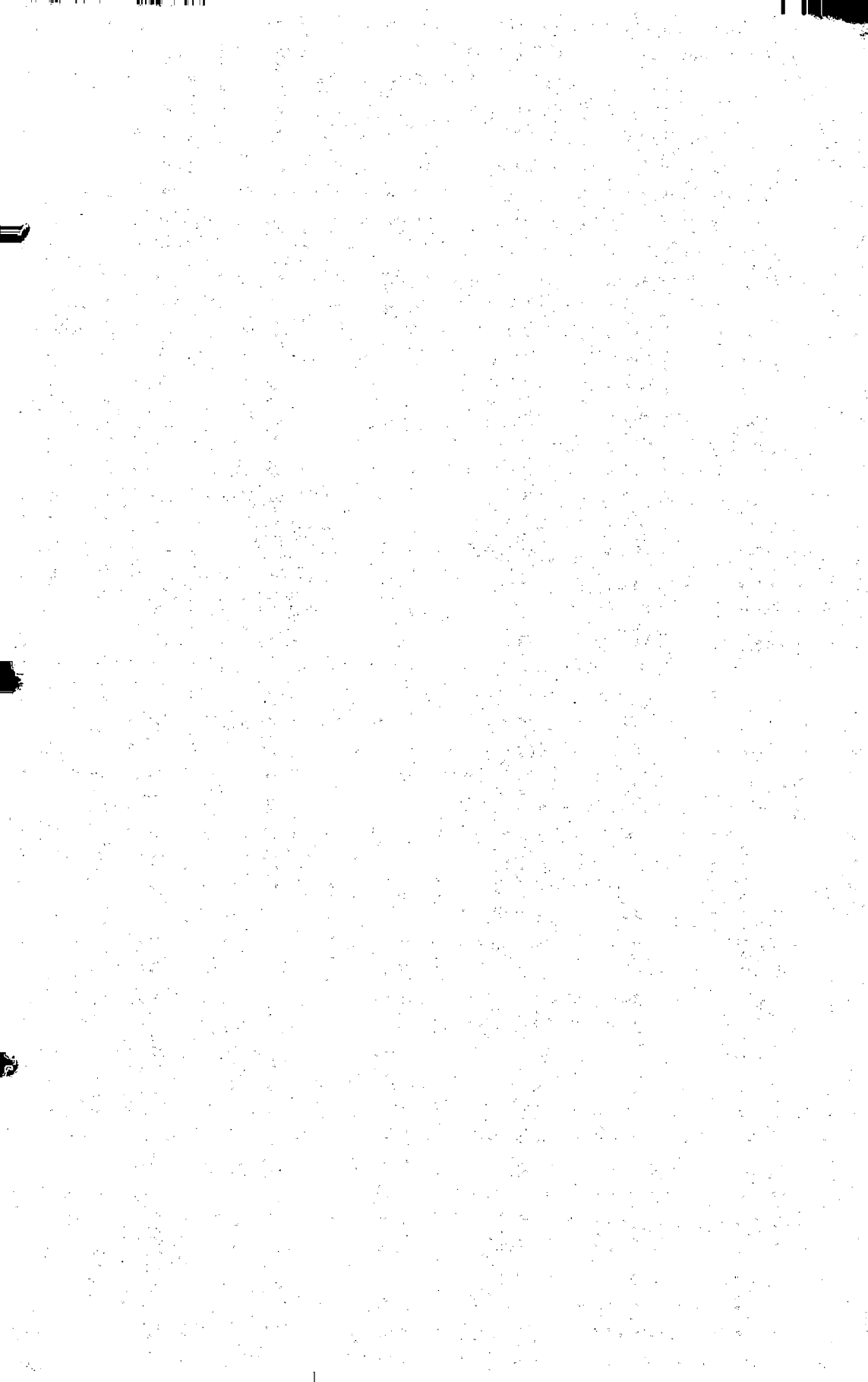
(iv) 537—Capital Outlay on Roads and Bridges— District and other Roads—h(viii)—Construc- tion of Major Bridges	1,01.00	32.93 (33 per cent)
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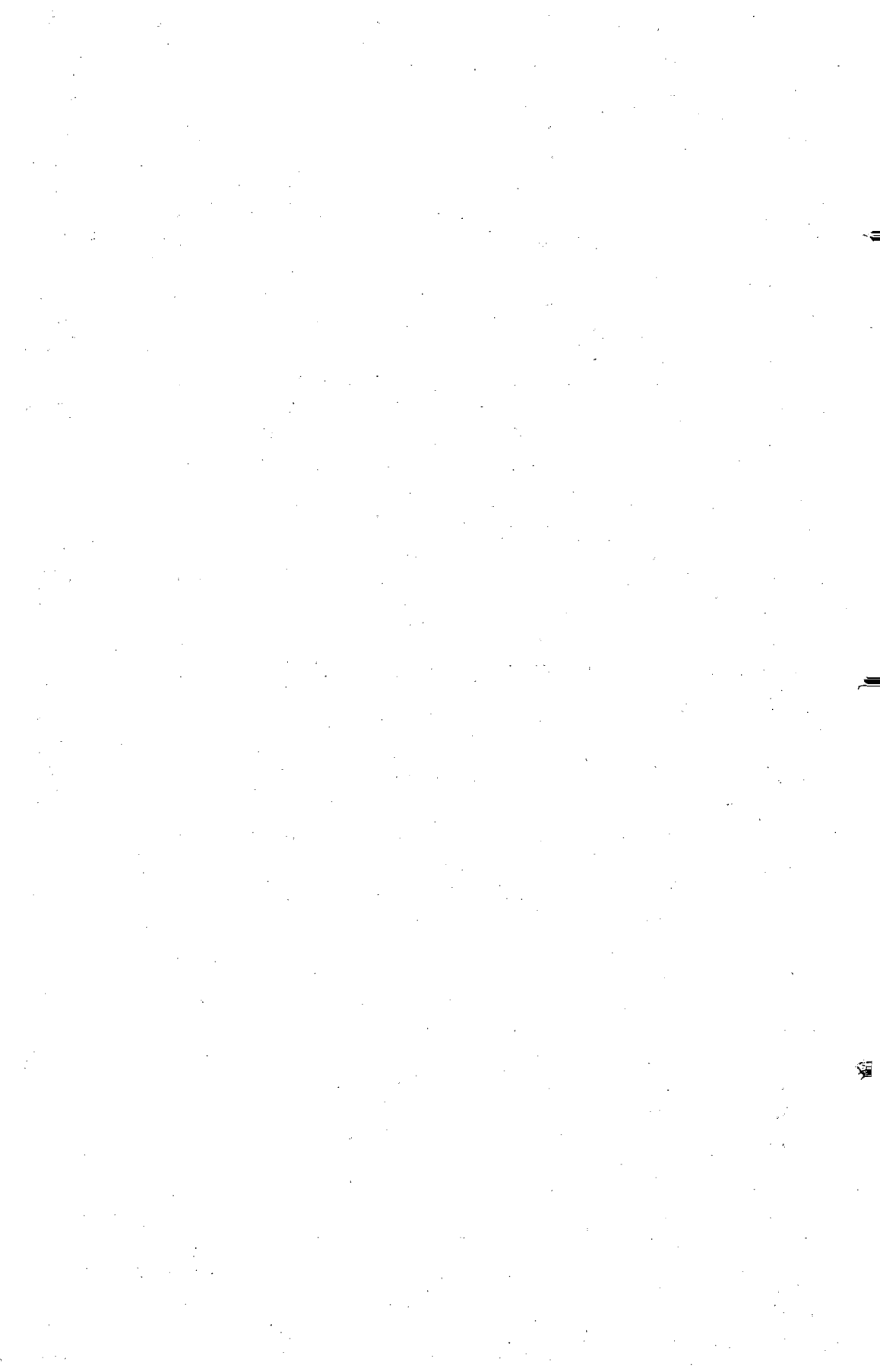
Saving was stated to be due mainly to non-finalisation of tenders.

(v) 337—Roads and Bridges—(f)(i) Charges on Road Development met from Subventions from Central Road Fund	29.96	23.65 (79 per cent)
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Saving was stated to be due mainly to non-finalisation of estimates.

Besides the above, the entire provision of Rs. 36 lakhs made for 5 schemes (detailed in Appropriation Accounts) under this grant remained unutilised due mainly to non-selection of sites.







## Grant No. 18—Supplies, Industries and Minerals. —

(i) 320—Industries—(c)(ii)—Incentive to entrepreneurs in Himachal Pradesh .. 2,07.00 1,42.56  
(69 per cent)

Saving was stated to be due mainly to less receipt of applications for subsidy and non-finalisation of cases (Rs. 1,41.54 lakhs).

(ii)(b)(ii) Promotion of Electronic Industries—.. 21.00 20.88  
(99 per cent)

Saving was stated to be due mainly to non-purchase of machinery and equipment for the Electronic Testing-cum-Development Centre (Rs. 20.41 lakhs).

(iii) 321—Village and Small Industries—(c)(xv)—  
District Industries Centres .. 40.00 24.06  
(60 per cent)

Saving was stated to be due to purchase of less furniture/fixtures for various District Centres (Rs. 13.54 lakhs) and vacant posts (Rs. 10.52 lakhs).

(iv) 320—Industries—(c)(i)—Development of  
Industrial Areas .. 46.70 15.74  
(34 per cent)

Saving was stated to be due mainly to acquisition/development of less land for industrial areas (Rs. 8.84 lakhs) and vacant posts (Rs. 6.10 lakhs).

(v) 321—Village and Small Industries—(c)(ix)—  
Incentive to Small Scale Industry .. 21.43 13.42  
(63 per cent)

Saving was attributed mainly to less receipt of claims for subsidies (Rs. 13.37 lakhs).

## 2.5 Explanation 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 1978-79, explanations for variations were not received (January 1980) in the case of 90 out of 172 heads. These formed 52 per cent of the number of heads the variations in which were required to be explained. 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 Drawal of funds in advance of requirements

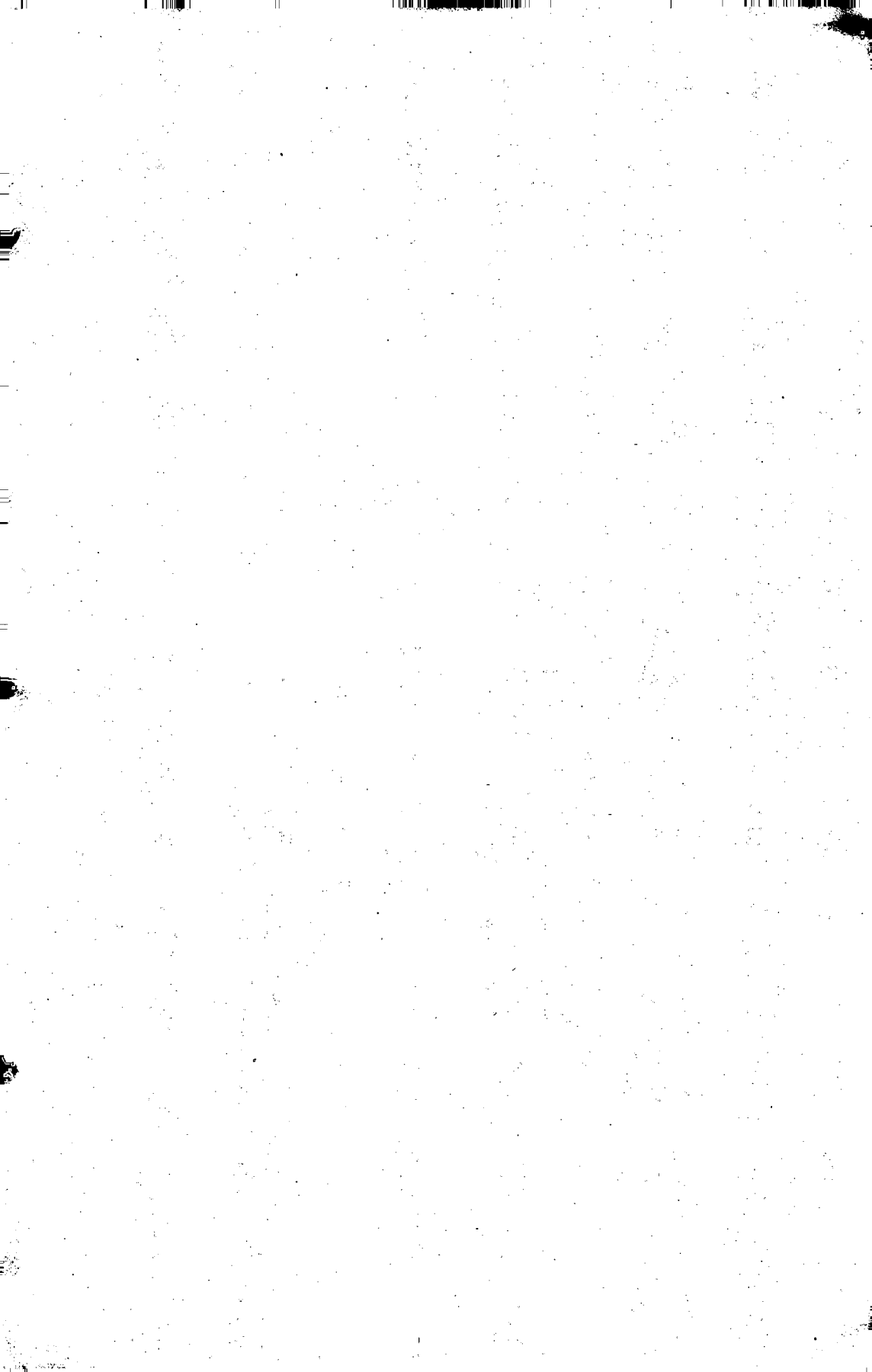
The financial rules of Government stipulate that no money should be drawn from the treasury unless it is required for immediate disbursement or has already been paid out of permanent advance. Any unspent balance is required to be refunded into the treasury promptly. As detailed in Appendix IV, funds aggregating Rs. 17.99 lakhs drawn (between 1975-76 and 1978-79) for purchase of materials were retained in the form of cash or bank drafts, etc. Out of the amounts so retained, Rs. 4.72 lakhs were disbursed between April 1978 and May 1979. Of the balance of Rs. 13.27 lakhs, Rs. 0.53 lakh were refunded and Rs. 12.74 lakhs remained undisbursed (November 1979).

The Government stated (November 1979) that drawal of funds in advance of requirements is a clear violation of financial rules and in this connection the Finance Department had been issuing instructions from time to time. It was further stated that the instructions had been reiterated in October 1979.

## 2.7 Rush of expenditure

Paragraph 1.33 of Himachal Pradesh Budget Manual, 1971 stipulate 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 that the expenditure on contingencies should be staggered throughout the year and limited in March so as not to exceed 1/12th of total budget provision.

A test-check of sanctions and withdrawals of over Rs. 15,000 in each case by various departments during March 1979 revealed that Rs. 3,80.34 lakhs had been drawn in 296 cases from the treasuries between 11th March to 31st March 1979 for purchase of furniture,





equipment, investments in share capital of Government companies/corporations, etc. The percentage of expenditure in these cases as compared to the budget provision for the year was as indicated below :—

Number of cases	Amount (Rupees in lakhs)	Percentage of expenditure
106	60.55	20 to 49
71	1,26.24	50 to 74
119	1,93.55	75 and above
<b>Total</b>	<b>3,80.34</b>	

Out of Rs. 3,80.34 lakhs drawn between 11th to 31st March 1979, actual payees' receipts for Rs. 63.18 lakhs only had been received (June 1979).

The Government intimated (November 1979) that the Finance Department had been stressing, by issuing instructions from time to time, the necessity for avoiding rush of expenditure towards the end of the financial year and to ensure regular flow of expenditure throughout the year so as to avoid unnecessary strain on the financial position of the State during the last month of the financial year. It was further added that instructions had been reiterated (October 1979) for strict compliance.

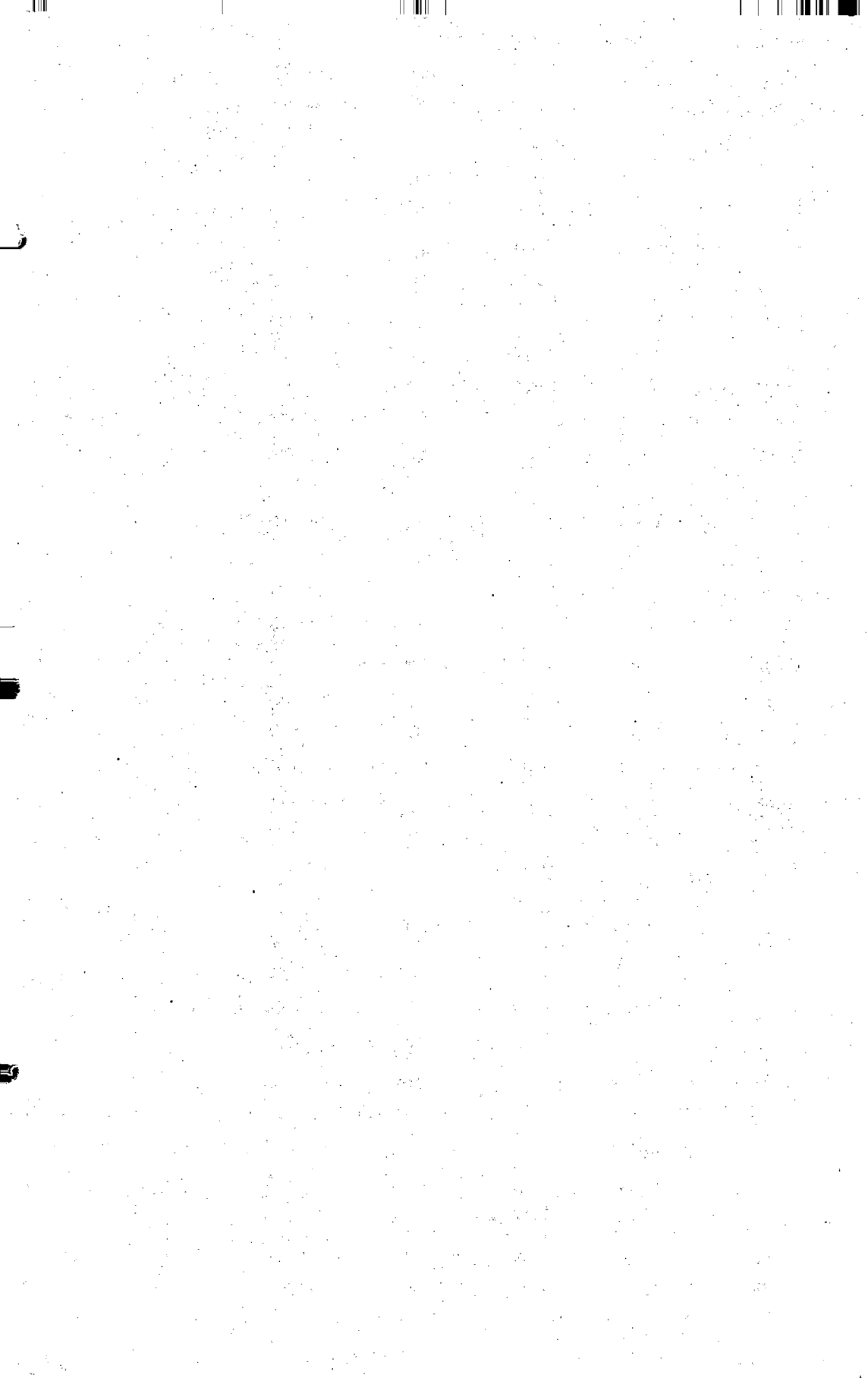
## 2.8 Non-reconciliation with the treasury

In 102 cases, reconciliation of amounts deposited into and drawn from the treasury, required to be conducted every month, had not been done. The details are given below:—

Department	Number of cases
Education	27
Rural Integrated Development	24
Health and Family Welfare	18
Welfare	11

Industries	..	8
Horticulture	..	6
Agriculture	..	5
Animal Husbandry	..	3
		<hr/>
Total	..	102

The non-reconciliation of transactions with the treasury is fraught with the risk of embezzlements, frauds etc., going undetected.







## CHAPTER III

### CIVIL DEPARTMENTS

#### DEPARTMENT OF HEALTH AND FAMILY WELFARE

##### 3.1 Primary Health Centres

1. *Introductory*—With a view to providing basic health services to the rural population, primary health centres (hereinafter referred to as centres) were started in the State in 1952. Each centre is required to provide comprehensive health care services in the area covered by a community development block with a population of about 60,000. The main functions of these centres are to provide medical care, maternity/child health and family welfare services, school health services and improvement of environmental sanitation.

2. *Expenditure*—The expenditure incurred on the scheme from 1973-74 to 1978-79 was Rs. 5,18.97 lakhs, of which Rs. 4,87.46 lakhs represented revenue expenditure and Rs. 31.51 lakhs capital expenditure.

3. The accounts and other connected records for the period from 1973-74 to 1978-79 relating to the centres in Simla, Nahan, Kinnaur, Kangra, Chamba and Mandi districts were test-checked (May—July 1979) and the points noticed are mentioned in the succeeding paragraphs.

4. *Establishment/upgradation of centres*—At the end of 1978-79, there were 77 centres in the State with 322 sub-centres under them. The population and area served by each centre in five out of the six districts test-checked varied widely as shown in the table below:—

District	Area covered (In square kilometres)	Population served (In lakhs)
Mandi	.. 12 to 500	0.05 to 0.65
Kinnaur	.. 10 to 52	0.01 to 0.08
Sirmur	.. 30 to 230	0.08 to 0.36
Chamba	.. 20 to 350	0.05 to 0.46
Kangra	.. 25 to 500	0.34 to 1.41

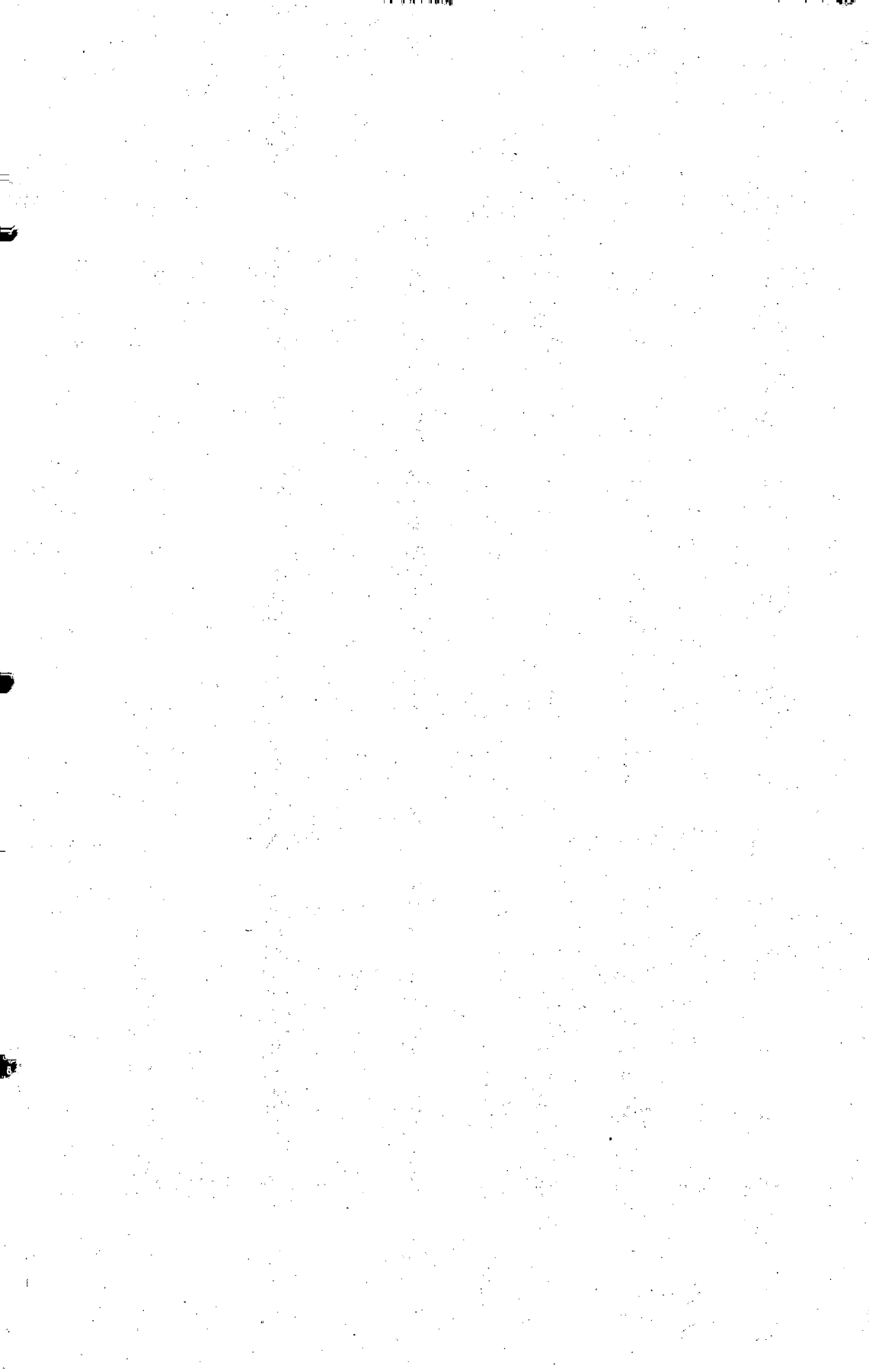
While one new centre was opened in Kangra District during the Fifth Five Year Plan as targeted, 17 centres were upgraded to 20/30 bedded rural hospitals against the target of 25 fixed for the Fifth Plan period. However, beds and other requisite equipment together with extra staff needed for the upgraded rural hospitals had not been provided in seven (Kangra: 2; Chamba: 3; Kinnaur: 2) out of 11 upgraded rural hospitals in the six districts test-checked. The department attributed (July 1979) this to non-availability of accommodation in the existing buildings.

Against the target of 35 new sub-centres to be opened during the Fifth Five Year Plan period, 28 were opened during the period.

5. *Construction of buildings for centres/sub-centres*—During the Fifth Five Year Plan period, the department envisaged construction of buildings at a cost of Rs. 46.73 lakhs for three centres and 17 sub-centres in the State. The buildings for the centres were to be completed within 2 to 4 years of their commencement while those for the sub-centres were to be completed within 1 to 1½ years. It was, however, seen that while sites for the buildings had been selected in all the cases, construction of buildings for one centre (Gopalpur, District Kangra; estimated cost: Rs. 3.85 lakhs) and one sub-centre (Sataun, District Sirmur; estimated cost: Rs. 1.22 lakhs) had not been started (August 1979), reportedly due to paucity of funds. Further, construction of buildings for two other centres (estimates sanctioned during March 1975 and February 1978) and 16 sub-centres (estimates sanctioned between June and December 1977) was still incomplete (August 1979), reportedly again due to paucity of funds. However, the expenditure on building construction during the Fifth Plan period was Rs. 12.60 lakhs only against the provision of Rs. 18.91 lakhs.

6. *Electricity and water-supply facilities*—In four of the six districts test-checked (information from Mandi and Sirmur districts awaited), 8 centres and 131 sub-centres had no electricity. Water-supply arrangements were also inadequate in 21 centres and 133 sub-centres in these districts.

7. *Staffing of centres and sub-centres*—According to the norms fixed by the department, two Medical Officers (including one for family planning work) were to be posted in each centre. The





number of centres where there was no doctor and where there was only one doctor during 1973-74 to 1978-79 were as follows:—

Year	Total number of centres	Number of centres where no doctors	Number of centres where there was only one doctor
1973-74	49	9	34
1974-75	49	8	31
1975-76	50	6	35
1976-77	50	6	31
1977-78	50		21
1978-79	50	3	17

In fifteen centres, no doctor had been posted for one to 5 years.

Further, against the norms of one auxiliary nurse mid-wife (A.N.M.) and one trained dai for each sub-centre, either the staff actually in position was short of the norms or there was no staff, as shown below:—

Year	Total number of sub-centres	Number of sub-centres in which both ANM and dai were not in position	Number of sub-centres without ANM but with dai only	Number of sub-centres without a dai but with ANM only
1973-74	171	15	66	47
1974-75	174	13	65	49
1975-76	178	12	67	49
1976-77	184	15	69	52
1977-78	185	13	63	56
1978-79	185	12	57	58

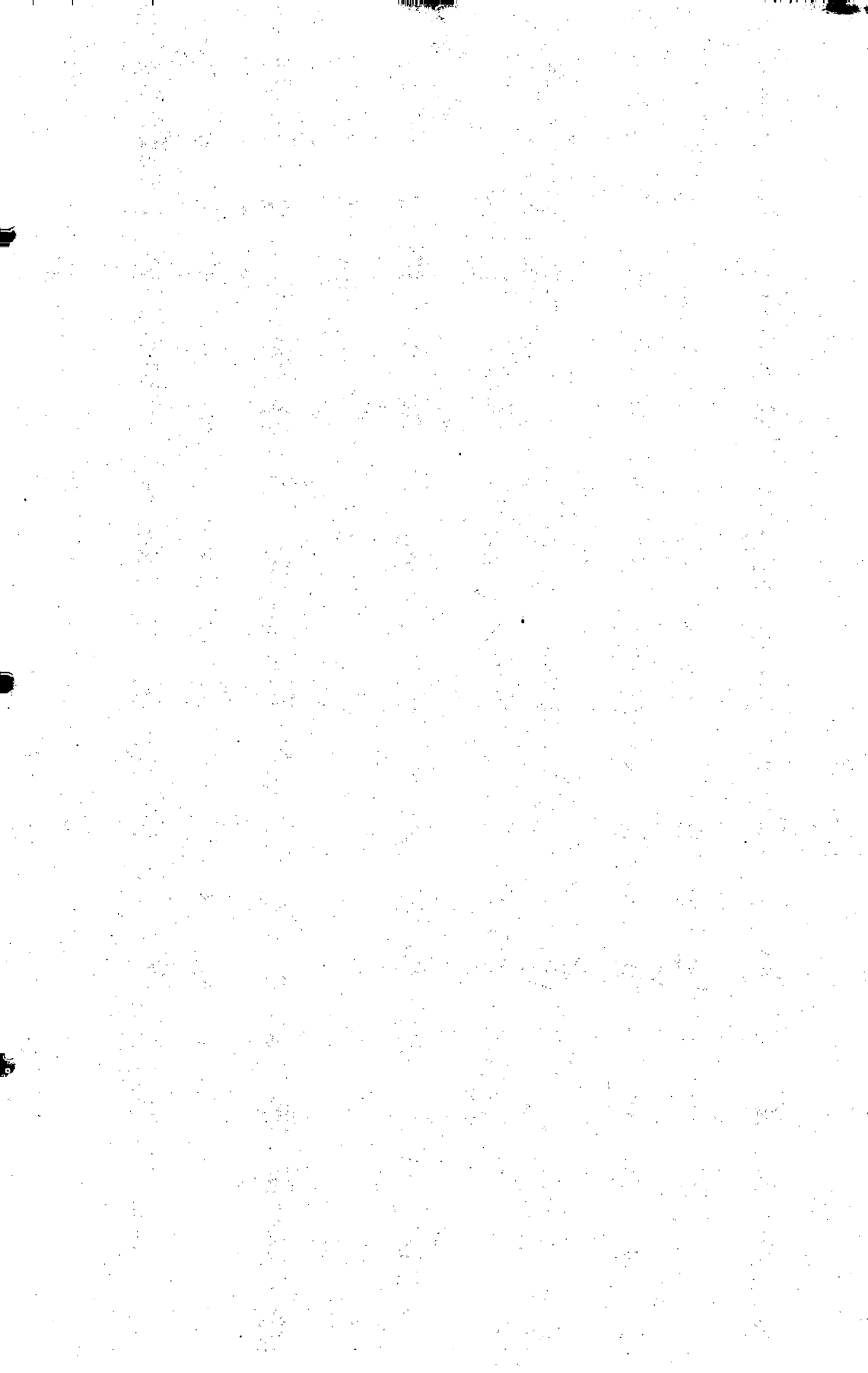
Six sub-centres remained without any staff during the entire period i.e. 1973-74 to 1978-79. Of these, five sub-centres were also not visited by any doctor during the above period and were as such inoperative.

The non-filling up of posts of doctors was stated to be due to shortage of doctors. It was, however, seen that there was no system of rotation of doctors and other para-medical staff posted to the centres and sub-centres with the result that the posts in remote centres/sub-centres remained vacant for long periods. Action taken for rotation of staff and for augmenting the availability of ANM's and *dais* by increasing the intake of trainee nurses and *dais* was not stated. In the absence of adequate number of doctors and other para-medical staff, little use was being made of the beds available in some of the centres and very few out-patients were being treated in them. The sub-centres were also not being visited by doctors under the School Health Programme. The extent to which short-falls occurred in these regards in the centres and sub-centres is discussed in the paragraphs which follow.

8. *Out-patient department*—The average number of patients receiving out-door treatment per day varied widely, the highest and the lowest numbers for the year 1978 in each of the districts test-checked being as follows:—

District	* Population (Rural)	Number of centres in the district	Number of out- patients treated at the centres	Average daily number of patients	
				Highest	Lowest
	(In lakhs)		(In lakhs)		
Chamba	2.32	8	0.89	55	22
Kangra	7.66	13	3.00	174	43
Kinnaur	0.50	4	0.37	51	20
Mandi	4.67	12	1.00	54	14
Simla	3.59	8	1.33	99	30
Sirmur	2.24	5	0.62	125	7

\* Source : Census 1971.







The Chief Medical Officer, Simla stated (August 1979) that variations in the number of out-door patients treated was due to remoteness and difficult terrain of the villages covered by the centres, inclement weather, etc.

9. *Provision of beds*—Each primary health centre was required to be provided with 6 non-dieted beds. As against this, 14 out of the 77 centres (Mandi: 8, Sirmur: 1, Kangra: 1, Kinnaur: 1, Hamirpur: 1 and Una: 2) were functioning without any bed and 6 centres (Hamirpur: 1, Kangra: 1, Kulu: 3 and Lahaul and Spiti: 1) were provided with only 4 beds. Reasons therefor were awaited from the department (August 1979). The total number of beds in the wards of 63 centres as at the end of March 1979 was 721. On the basis of the rural population of 32.19 lakhs (1971 census) one bed was available for every 4,464 persons.

In two centres (Ratti, Mandi District and Kothkhai in Simla District) each having 10 dieted beds, no diet was supplied to patients during 1977-78 and 1978-79 due reportedly to non-receipt of tenders for supply of dietary articles from any contractor.

10. *Visits by Medical Officers to sub-centres*—The Medical Officers Incharge of the centres were required to visit each sub-centre atleast once every week. This was, by and large, not done as will be evident from the following figures:—

Year	Number of sub-centres	Number of sub-centres where percentage of actual visits to required number of visits was				
		Nil @	Below 25 per cent	25 to 50 per cent	51 to 75 per cent	Above 75 per cent
1973-74	171	99(58)	39	14	9	10
1974-75	174	113(65)	34	11	4	12
1975-76	178	117(66)	31	12	6	12
1976-77	184	111(60)	37	24	6	6
1977-78	185	80(43)	74	24	6	1
1978-79	185	79(43)	73	27	6	5

The shortfall in the visits to the sub-centres was attributed by the Medical Officers Incharge of the centres to (i) non-posting of

@ Figures within brackets indicate the percentage.

second Medical Officers Incharge in the centres, (ii) non-posting of para-medical staff (viz. A.N.M. and *dai*) in the sub-centres, (iii) non-provision of vehicles in the centres and (iv) remoteness of the sub-centres.

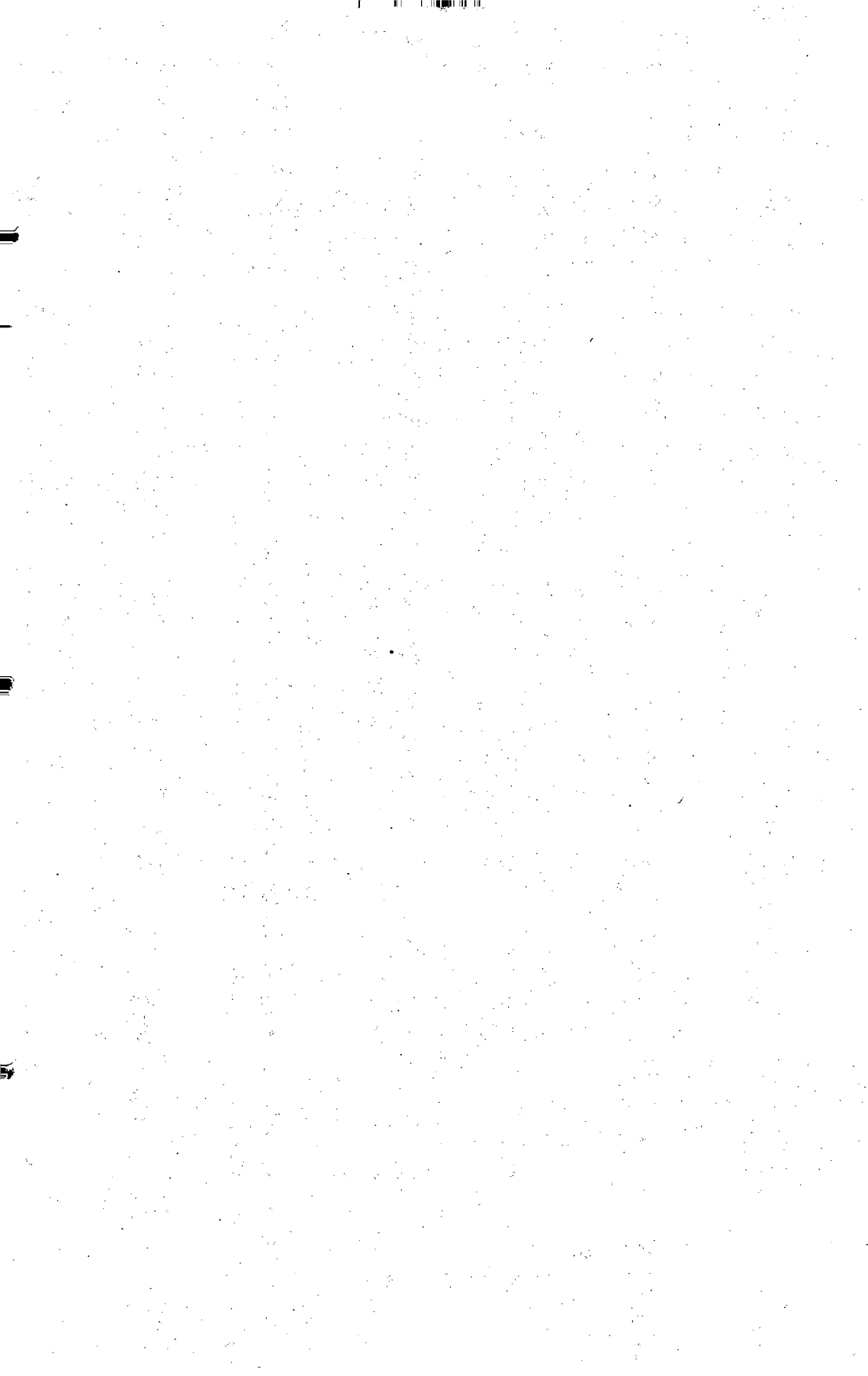
Out of 50 centres in six districts, 14 centres were not provided with vehicles. Vehicles in 4 centres were off the road, one since 1974 and three since 1976 but no action had been taken for their repairs.

11. *Maternity and child health service*—Targets and achievements relating to prophylaxis against nutritional anaemia and against blindness in respect of Simla and Mandi districts (targets for other four districts were not made available by the department) for the years 1977-78 and 1978-79 are given below :—

Serial No.	Category	District	Targets		Achievements		Percentage	
			1977-78	1978-79	1977-78	1978-79	1977-78	1978-79
1.	Immunisation							
	(a) Expectant mothers	Simla	1,900	1,350	621	448	33	33
		Mandi	2,470	1,730	1,185	1,444	48	83
	(b) Children	Simla	6,200	4,650	5,602	3,415	90	73
		Mandi	8,250	6,950	3,885	3,590	47	52
2.	Prophylaxis against nutritional anaemia							
	(a) Expectant and nursing mothers	Simla	2,300	3,700	2,248	2,018	98	55
		Mandi	3,900	4,020	3,472	3,527	89	88
	(b) Children	Simla	2,000	3,600	3,116	3,258	Over 100	91
		Mandi	1,825	5,320	1,960	4,065	Over 100	76
3.	Prophylaxis against blindness							
	Children	Simla	8,000	8,000	3,465	3,587	43	45
		Mandi	11,570	11,570	7,357	7,735	64	67

Reasons for shortfalls were awaited from the department (November 1979).

12. *Environmental sanitation*—The functions of the centres included improvement of environmental sanitation by chlorinating water sources and demonstrating the use of sanitary type of latrines





and construction of soakage pits. It was, however, noticed that, in 21 out of 50 centres in the six districts, no water source was chlorinated nor any demonstration of use of sanitary latrines/ construction of soakage pits undertaken. These centres covered 5,759 villages with a population of 5.55 lakhs.

The non-implementation of the programme was attributed by the Medical Officers in charge of seven of the centres to non-posting of Sanitary Inspectors, the reasons for which were not stated.

13. *School health services*—Under the comprehensive school health services programme started in June 1978, the Medical Officer of each centre along with other para-medical staff was required to visit the allotted number of schools in a year, examine the students and deliver health talks on preventible diseases, sanitation in villages, immunisation and personal hygiene. Test-check revealed that against 2,880 schools, allotted for inspection in 6 districts during 1978-79, only 548 (19 per cent) were visited by the Medical Officers/staff. The shortfall was attributed by the Chief Medical Officer, Simla (August 1979) to shortage of staff and to the schools being located in far-flung areas. Reasons for shortfall in other districts were awaited (November 1979).

14. *Multipurpose workers scheme*—Under the multipurpose workers scheme launched in 1975-76, multipurpose training was to be imparted to the in-service medical and para-medical staff and each trained worker was to be provided with medicines worth Rs. 2,000 per year for treatment of minor ailments, control of diseases, environmental sanitation etc. Health Assistants were to be appointed to supervise the activities of these workers and to give necessary guidance. In the 6 districts where records were test-checked, upto 1978-79 training had been given, under the scheme to 1,047 medical and para-medical staff (including 44 doctors) at a cost of Rs. 3.83 lakhs but the scheme itself was yet to be implemented (July 1979) and the trained staff yet to be deployed on the scheme, the reasons for which were not stated.

15. *Supply of medicines*—Prior to 1976-77 indents for the supply of medicines were placed by the centres on Medical Stores Depot, Karnal through the respective Chief Medical Officers; from 1976-77 supplies were made by the Chief Medical Officers concerned on the basis of the budget allotments for medicines. According to the

Medical Officers, the medicines supplied under the new arrangements were insufficient to meet the requirements of the centres. Test-check of records for Simla District showed that against the targeted allotment of Rs. 1.63 lakhs for medicines for 8 centres in the district, the supplies were of the order of Rs. 1.23 lakhs only during 1976-77.

16. *Equipment*—(a) Six X-ray plants (value: Rs. 1.46 lakhs, excluding one plant: value not known) and eight refrigerators (value not available with the department) supplied to different centres were lying unused for periods varying from 15 to 76 months in the case of X-ray plants and 18 to 101 months in the case of refrigerators. Out of 6 X-ray plants, 4 plants could not be used for want of films and the remaining two were not operated due to non-posting of staff.

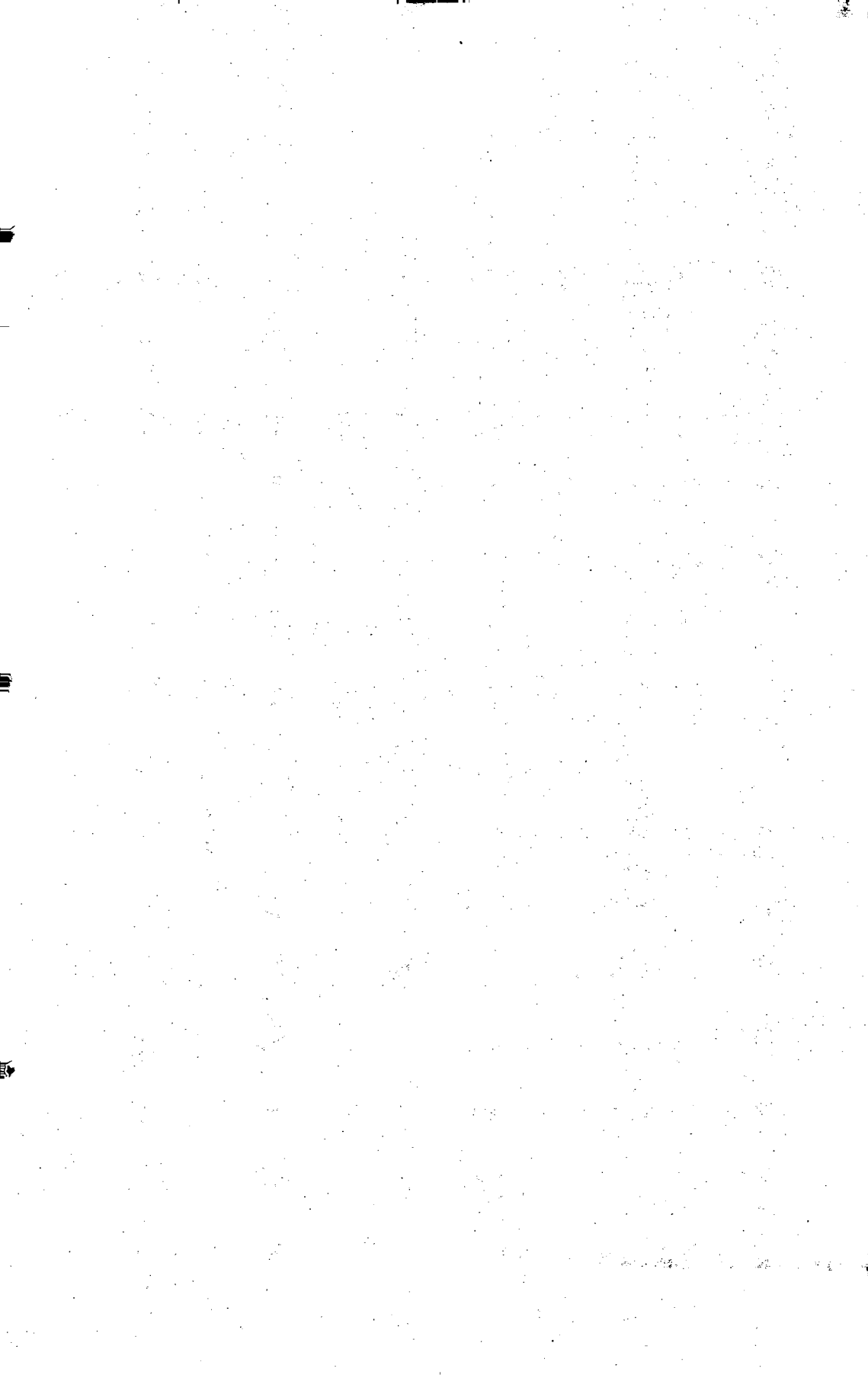
(b) One X-ray plant (value: Rs 0.18 lakh) and one electricity generator (value: Rs. 0.17 lakh) purchased in October 1977 and April 1978 respectively for Primary Health Centre, Killar (District Chamba) were lying in the stock of Chief Medical Officer, Chamba (July 1979) awaiting transport to Killar.

(c) One refrigerator (value not available) supplied to Primary Health Centre, Sainj (District Mandi) in January 1976 was lying unused for want of electric connection (August 1979).

17. *Physical verification of stores*—Physical verification of all stores in the centre(s) is required to be done atleast once a year by the Medical Officer Incharge of the centre. It was noticed in the course of test-check that in 17 centres such physical verification had not been done during the period from 1973-74 to 1978-79.

18. *Evaluation*—The department had not undertaken any evaluation/assessment of the working of the centres and sub-centres ever since the inception of the scheme.

19. *Summing up*—(i) Out of buildings for 20 centres and sub-centres envisaged to be completed during the Fifth Five Year Plan at an estimated cost of Rs. 46.73 lakhs, construction of buildings for two had not been started (August 1979) and that for 18 others was incomplete, reportedly due to paucity of funds. The buildings of 8 centres and 131 sub-centres in four districts had no electricity. Water supply arrangements were also inadequate in 21 centres and 133 sub-centres.







(ii) During 1973-74 to 1978-79 there was no Medical Officer in 15 centres for periods ranging from one to 5 years; further 6 sub-centres remained without para-medical staff during this period. Besides, a number of centres and sub-centres had shortages in the sanctioned strength of doctors and staff. The non-filling up of posts was stated to be due to shortage of doctors and para-medical staff. It was, however, seen that there was no system of rotation of staff. Steps taken to augment the availability of para-medical staff by increasing the intake for trainees were not indicated.

(iii) Fourteen out of 77 centres did not have provision for beds. Seven centres which had been upgraded to have 20/30 beds each had not been provided with additional beds and equipment, due reportedly to non-availability of accommodation in the existing buildings.

(iv) Two centres, which had 10 dieted beds each, did not supply any diet to the patients during 1977-78 and 1978-79 due to non-receipt of tenders from contractors.

(v) Whereas the scheme contemplated that the Medical Officers would visit each sub-centre atleast once every week, 43 to 66 per cent of the sub-centres were not visited even once by the respective Medical Officers during 1973-74 to 1978-79.

(vi) In 21 of the 50 centres, no source was chlorinated nor any demonstration of sanitary type latrines/soakage pits undertaken, reportedly for want of sanitary staff.

(vii) Only 19 per cent of the schools allotted for visits under the school health programme started in June 1978 were visited by the Medical Officers.

(viii) Under the multipurpose workers scheme, 1,047 in-service medical and para-medical staff (including 44 doctors) were trained by March 1979. The staff had not, however, been deployed on the jobs for which they were trained as the scheme had not been implemented in the concerned districts.

The matter was reported to the Government in September 1979; reply is awaited (January 1980).

## DEPARTMENT OF ANIMAL HUSBANDRY

## 3.2 Cattle breeding farms

1. *Introductory*—Six cattle breeding farms were established in the State from time to time with the object of (i) rearing and producing pure exotic cattle breed, (ii) supplying progeny of exotic breed of cattle to breeders for further multiplication/propagation and (iii) meeting the departmental demand for breeding bulls for implementing various cattle improvement programmes. The details of the farms were as follows:—

Serial No.	Name of the farm and location	When established	Annual carrying capacity	Total area of the farm (in acres)
1.	Jersey Cattle Breeding (Government Livestock) Farm, Kamand	February 1958	400	193
2.	Jersey Cattle Breeding Farm, Palampur	April 1963	100	50
3.	Holstein Friesian Cattle Breeding Farm, Bhangrotu	December 1964	60	*
4.	Jersey Cattle Breeding Farm, Kothipura	1966	200	350
5.	Holstein Friesian Cattle Breeding Farm, Bagthan	November 1967	40	18
6.	Jersey Cattle Breeding Farm, Karsog	August 1976	40	19.75

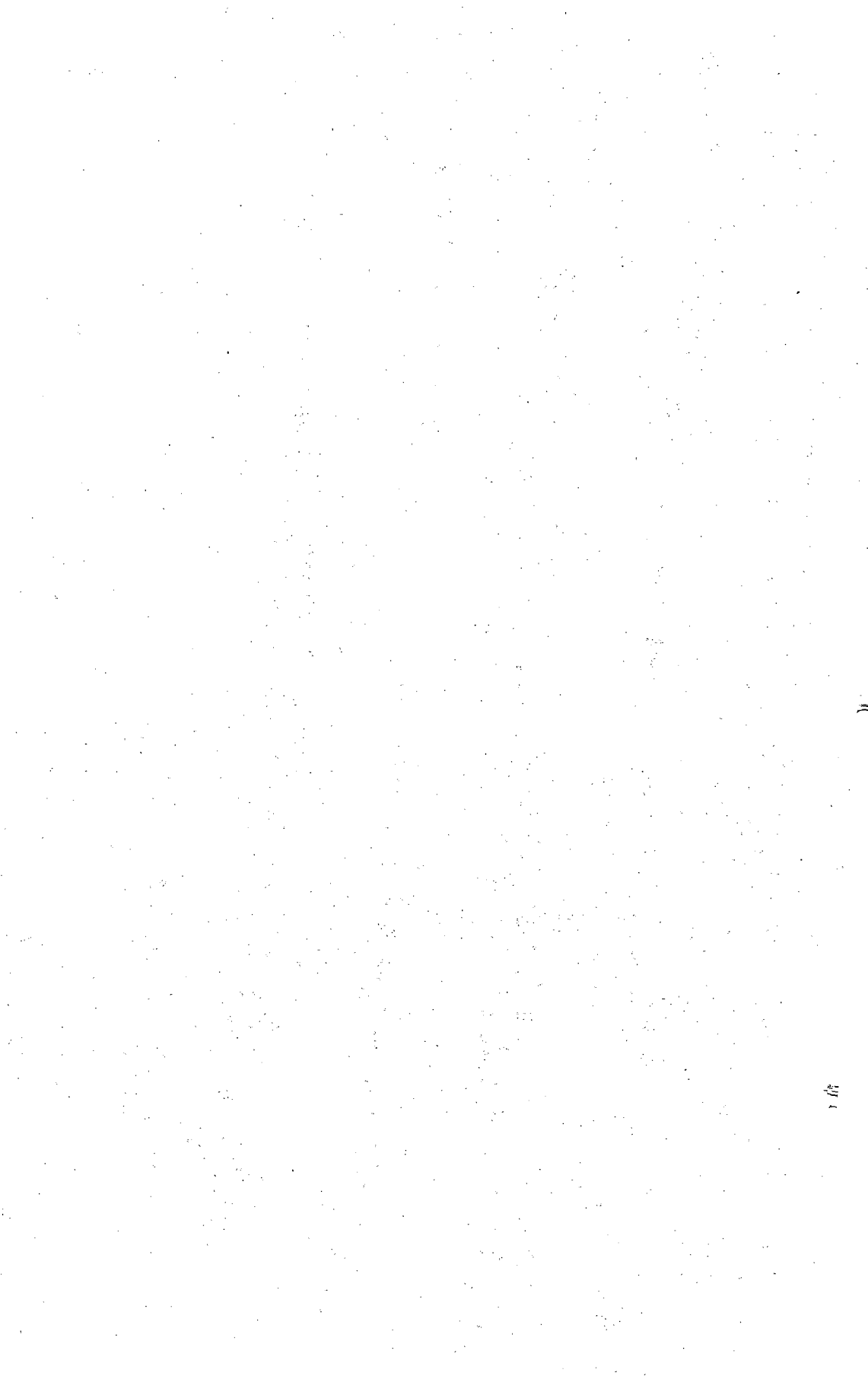
\*Note : The farm, which has no land of its own, obtained its supply of fodder from the Agriculture Department.

The revenue expenditure on these farms and the receipts realised from the sale of milk, cattle and other farm produce during 1973-74 to 1978-79 amounted to Rs. 1,15.33 lakhs and Rs. 30.55 lakhs respectively.

2. *Livestock position*—(a) The aggregate annual carrying capacity of the 6 farms was 840. The position of livestock in these farms during 1973 to 1979 is given below :—

(a) Number of livestock as on 1st April 1973	285
(b) Imports/transfers from other farms	581
(c) Calves born	1099
Total	1965





(d) Transfer/sale/auction	925
(e) Number dead	302
Total	1227
(f) Closing balance	738
(g) Average number of cattle per year	494
(h) Annual carrying capacity of the farms	840

The average mortality was as high as 15.4 per cent. The average number of cattle actually kept at the farms was much lower than the carrying capacity of the farms, resulting in under-utilisation of the capacity to the extent of 41 per cent.

The additions made included 349 Jersey and 54 Holstein Friesian (H.F.) cows and heifers imported during 1971-72 and 1972-73 (96) and in 1976-77 (307). Of the 302 animals which died, 226 were imported ones at the Kamand and Kothipura farms. Of these 41 (cost: Rs. 3.15 lakhs) had died immediately on their arrival in India in 1976-77. The Managers of the farms attributed the high mortality to various diseases and change in climate, feed, fodder and environments. No investigation into the high mortality had, however, been undertaken.

One of the main reasons for the underutilisation of capacity was the poor calving rate in the farms. Against the calving interval of 400 and 420 days, considered normal by the department for the three-fourth bred and half-bred Jersey cows respectively, the calving interval at different farms in the case of 196 Jersey/H.F. cows, in respect of which history/pedigree sheets were available, ranged between 480 and 600 days for 93 cows, between 600 and 900 days for 94 cows and between 900 and 1,140 days for 9 cows.

The poor calving rate was attributed to 'reproductive disorders and ailments' of milch animals.

(b) Though the strength of the animals at the farms was below their carrying capacity during the period from 1973-74 to 1978-79, 77 heads of cattle (28 male and 49 female) were transferred from the farms to the Seed Production Farm, Kotla Barog and Sheep Breeding Farm, Nagwain without any demand therefrom. Reasons for the transfer were not on record.

3. *Sale/transfer of bulls and male calves*—During 1973-74 to 1978-79, 220 bulls/male calves were sold and distributed by the farms for breeding purposes, 183 to private breeders and 37 to bull centres, key village schemes, etc.

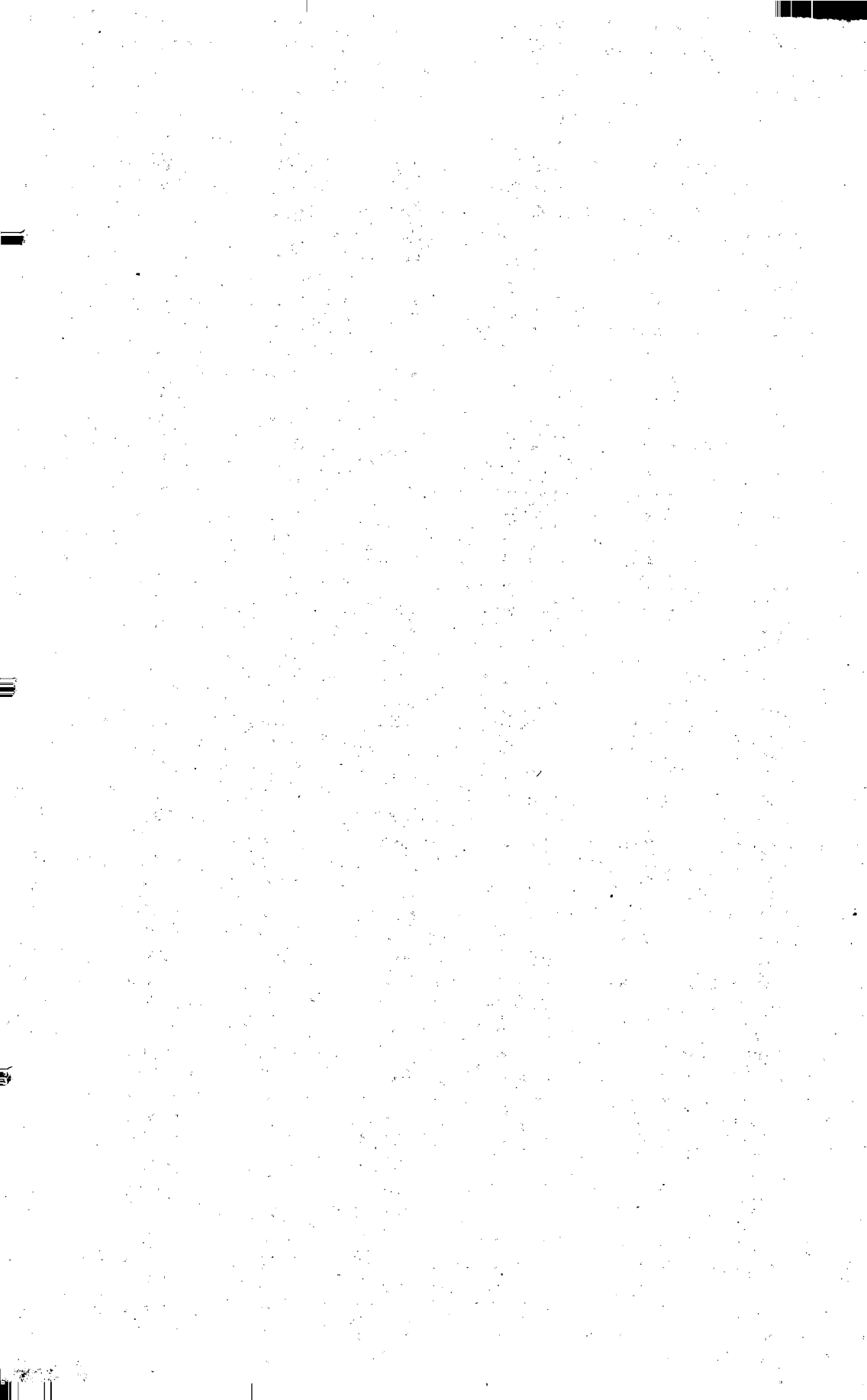
The number of bulls required to cover the breedable female cow population (6.85 lakhs) in the State was estimated (August 1979) by the department as 3,400. Thus, only a small fraction of the requirement of bulls was met by the farms. The department had not fixed any targets for production of bulls in the farms nor had any evaluation been undertaken to see to what extent the requirement of bulls for natural servicing and artificial insemination had been met.

4. *Retention of culled animals*—According to the information furnished by the farms, disposal of 118 cows declared as culled was delayed by one month to six months after being so declared. Rupees 0.54 lakh were spent on their maintenance during the period. Reasons for the delay in disposal of the culled animals had not been investigated.

5. *Fodder production*—The five farms at Kamand, Palampur, Bagthan, Kothipura and Karsog have a total area of 630.75 acres. Of this, 205.5 acres were cultivable but irrigation facilities were available only in 78.5 acres.

The annual average irrigation achieved during 1973-74 to 1978-79 was 40.5 acres only. In the Kamand and Kothipura farms, against the potential of 140 and 70 acres, the actual irrigation was 16 and 36 acres only during 1977-79. The reasons for shortfall in irrigation had not been investigated. In the Bagthan farm with a potential of 6 acres, no irrigation had been done since November 1977 as the pumps had gone out of order and had not been repaired, reportedly because the suppliers of the pumpsets had not deputed their mechanics.

The ninth workshop of Agricultural Officers and Experts of Himachal Pradesh University held at the College of Agriculture, Solan in August 1976 had estimated the annual production of green fodder from one acre of irrigated land as 366 quintals. On this basis, the production from the 40.5 acres of irrigated land during 1973-74 to 1978-79 should have been 0.89 lakh quintals. While the actual production of green fodder from the irrigated land was not







available, that from the total cultivable area of 205.5 acres was only 0.81 lakh quintals, necessitating purchase of 0.54 lakh quintals of fodder valuing Rs. 9.06 lakhs from outside agencies.

6. *Dairy activities*—According to departmental records, the quantity of milk produced and sold as milk or milk products and the expenditure incurred on maintenance of milch cows during the period from 1973-74 to 1978-79 was as under:—

Name of farm	Quantity of milk		Amount realised by sale of milk and milk products	Expenditure on maintenance of milch animals
	Produced	Sold* and used for milk products		
	(Litres in lakhs)		(Rupees in lakhs)	
Kamand ..	7.57	5.47	8.83	15.10
Palampur ..	3.59	2.87	5.39	8.89
Bhangrotu ..	2.75	2.23	3.35	6.89
Bagthan ..	0.93	0.77	1.05	2.82
Kothipura ..	3.57	2.82	5.02	7.10
Karsog (1976-79) ..	0.36	0.29	0.55	0.81
<b>Total ..</b>	<b>18.77</b>	<b>14.45</b>	<b>24.19</b>	<b>41.61</b>

It will be seen from the above table that the amount realised by sale of milk and milk products (including the cost of milk fed to calves) was less than the expenditure on maintenance of milch animals by Rs. 17.42 lakhs, the reasons for which had not been investigated.

(ii) According to the information furnished by the farms, the average number of milch cows and the average yield of milk during

\*4.32 lakh litres of milk were reported to have been fed to calves as per the feeding schedule prescribed by the department.

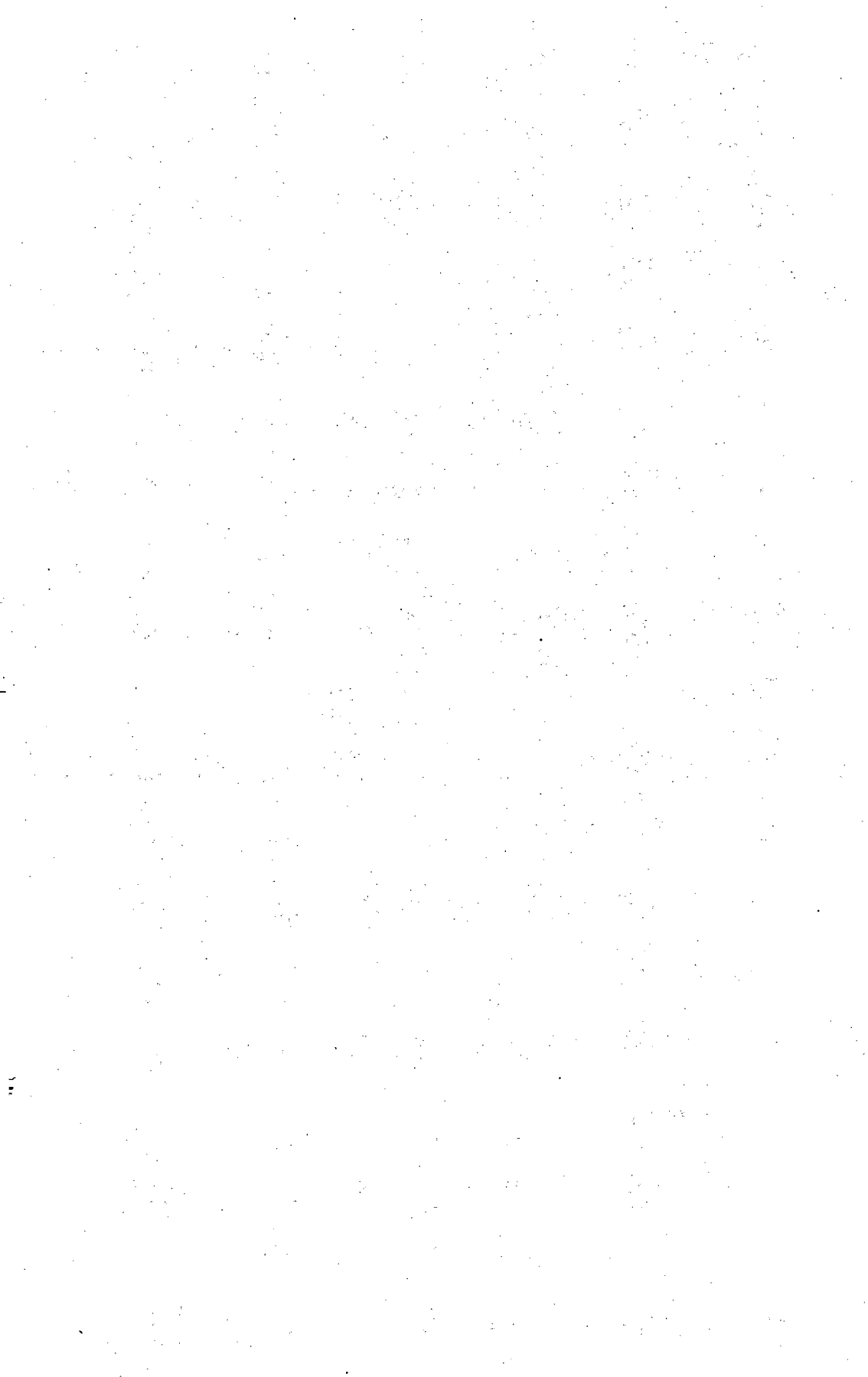
1973-74 to 1978-79, as compared to the standard yield fixed by the department, was as under:—

Farm	Average number of milch cows per day	Standard yield per day per cow	Average actual yield per day per cow
(In litres)			
Kamand	.. 86 (Jersey)	6.6	4.4
Palampur	.. 34 (Jersey)	6.6	4.7
Bhangrotu (1973—76)	.. 11 (Jersey)	6.6	6.5
(1976—79)	.. 18 (Holstein Friesian)	12.5	7.7
Bagthan (1973—76)	.. 7 (Jersey)	6.6	4.0
(1976—79)	.. 12 (Holstein Friesian)	12.5	5.1
Kothipura	.. 37 (Jersey)	6.6	4.6
Karsog (1976—79)	.. 8 (Jersey)	6.6	4.2

The Managers of the farms at Kamand and Bhangrotu attributed the low yield to scarcity of green fodder and change in environment and feeding habits of imported animals.

7. *Evaluation*—During the period from 1973-74 to 1978-79, 183 cattle (male) were sold/auctioned to breeders in the State and 37 cattle (male) were transferred to key village/bull centres and veterinary hospitals. No action to evaluate the performance of the progeny of the bulls to ascertain whether there had been any improvement in the stock of cattle and its impact on milk production had been taken. The Director, Animal Husbandry stated (April 1979) that there was no provision for conducting such surveys.

8. *Summing up*—The herd strength in the farms was much below the annual carrying capacity, even after importing a substantial number of cattle, mainly because of the calving rate being less than the norms, reportedly due to reproductive disorders and ailments and because of high mortality rates (15.4 per cent).





The average yield of the milch animals was less than the norms, reportedly mainly because of lack of green fodder. However, despite the availability of adequate land the farms could not meet the fodder requirements and fodder worth Rs. 9.06 lakhs had to be purchased during 1973-74 to 1978-79, mainly due to lack of irrigation facilities in the farms.

Although five out of six farms had been established prior to 1972, no steps had been taken by the department to evaluate the working of these farms and to see to what extent they had succeeded in upgrading the cattle stock in the State and increasing milk production.

The matters mentioned above were reported to the Government in September 1979; reply is awaited (January 1980).

### 3.3 Poultry Development

1. *Introductory*—With a view to boosting poultry and egg production in the State, 7 farms (Kamlahi in Simla District, Nahan, Chamba, Chauntra in Mandi District, Patlikuhl in Kulu District, Palampur in Kangra District and Ajouli in Una District) and 7 extension centres/units (Solan, Paonta Sahib in Nahan District, Mandi and Sunder Nagar in Mandi District, Bhawarna in Kangra District, Reckong Peo and Tapri in Kinnaur District) are functioning under the department (March 1979). Two such centres at Takoli and Padhar (in Mandi District) had been closed in July 1975 and October 1977 respectively due to uneconomic functioning.

The main objectives of these farms/centres are (i) to improve the egg laying capacity of the indigenous hens through cross breeding and by pure line breeding, (ii) to train the farmers in modern practices of poultry farming and (iii) to multiply at the farms improved strains of laying and broiler (meat) varieties etc. and supply them to breeders.

The accounts and other records of five poultry farms (Kamlahi, Nahan, Chauntra, Palampur and Ajouli) and one extension centre at Reckong Peo were test-checked during July/August 1979. Points that came to notice are mentioned in the succeeding paragraphs.

2. *Expenditure and receipts*—The total expenditure of the 5 farms and 1 extension centre during the period 1974-75 to 1978-79 was Rs. 74.87 lakhs. The receipts during the period were Rs. 27.35 lakhs.



3. *Layers maintained and production of eggs*—The number of layers maintained and the production of eggs in the 5 farms and one extension centre, records of which were test-checked, had declined since 1975-76, as shown below:—

Details	1975-76	1976-77	1977-78	1978-79
(a) Number of layers maintained				
(i) Targets ..	1,950	* 1,610 **	2,700	*** 2,450 ****
(ii) Actuals ..	3,151	2,110	2,203	2,282
(b) Production of eggs				
(i) Targets ..	3,51,900	* 2,99,300 **	5,07,750	*** 4,55,700 ****
(ii) Actuals ..	5,47,453	4,15,970	4,17,554	4,34,783
(c) Expenditure on the farms (Rupees in lakhs) ..	11.82	17.03	15.17	16.16

The decline was particularly pronounced in Ajouli farm where the number of layers and eggs produced declined from 307 and 51,789 in 1975-76 to 162 and 32,834 in 1978-79, respectively. Reasons for the decline and shortfall in achievement had not been investigated.

As per departmental norms, one layer is expected to produce 183 to 190 eggs on an average in a year. It was seen that annual egg production was below the norms in the following farms as detailed below:—

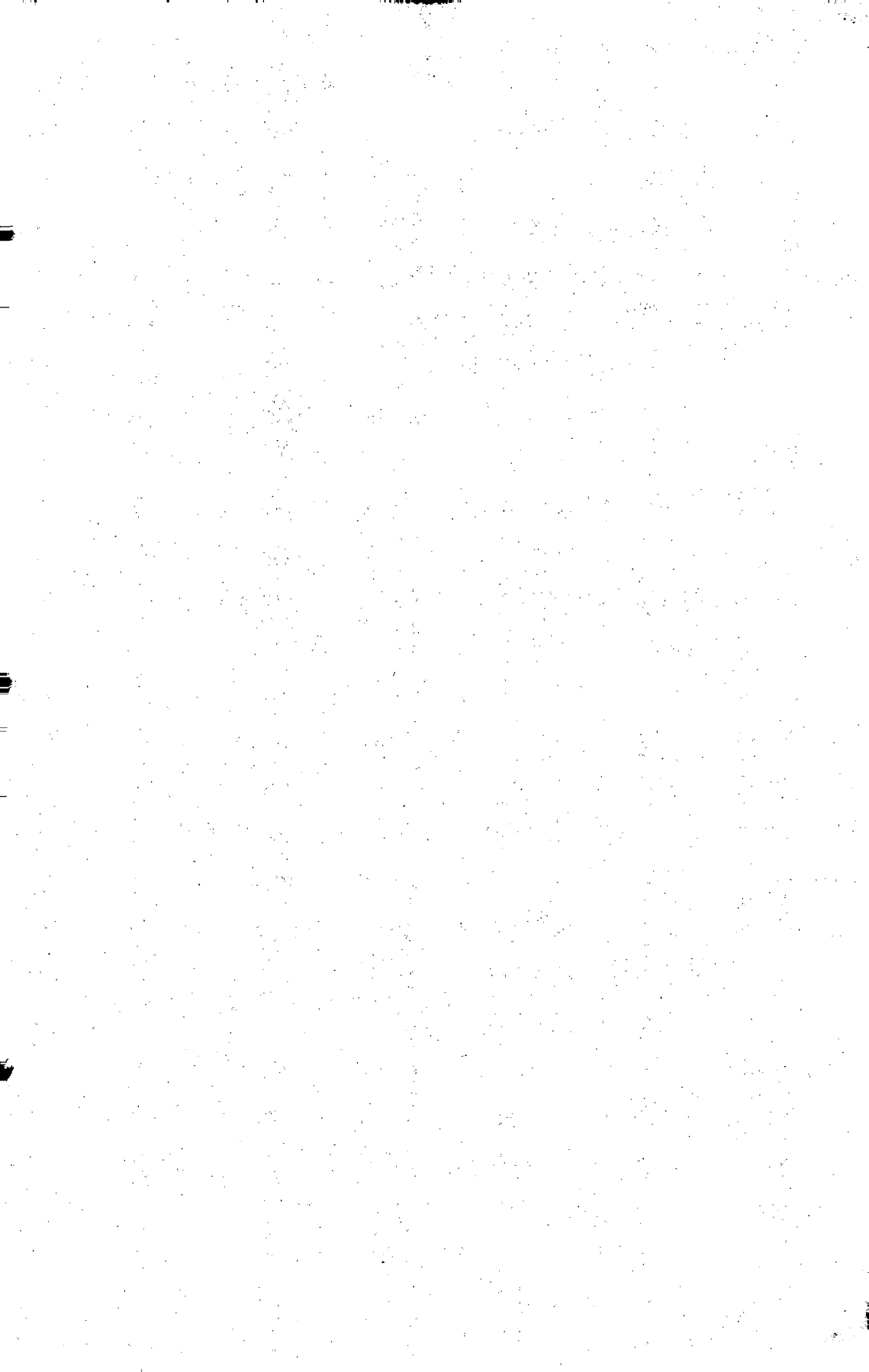
Name of the farm	Year in which production was below the norms	Egg production per layer
Reckong Peo	.. 1976-77	161
Nahan	.. 1977-78	166
Ajouli	.. 1975-76	169
Palampur	.. 1975-76	154
Chauntra	.. 1975-76 and 1978-79	170 and 168

\*Does not include the target fixed in respect of Reckong Peo.

\*\*Includes layers maintained/eggs produced at Reckong Peo.

\*\*\*Does not include figures in respect of Ajouli because no target was fixed.

\*\*\*\*Includes layers maintained/eggs produced at Ajouli.







Reasons for the shortfall in production had also not been investigated.

4. *Hatching of eggs*—The average installed capacity of the 5 farms and the extension centre for the period from 1975-76 to 1978-79 was for the hatching of 10,09,375 eggs annually. The targets set were much below the capacity and even these targets had not been achieved, as will be seen from the figures given below:—

	1975-76	1976-77	1977-78	1978-79
(a) Eggs set for hatching				
(i) Targets	Not prescribed	Not prescribed	2,20,250	1,60,000
(ii) Actuals	1,19,279	1,30,832	1,21,394	1,04,174
(b) Chicks produced	65,879	78,291	75,741	63,676
(c) Percentage of successful hatching	55.2	59.8	68.3	61.1

The performance of the Kamlahi (1975-76), Reckong Peo (1975-76, 1976-77 and 1978-79), Ajouli (1976-77) and Chauntra (1975-76) farms in the matter of setting eggs for hatching was particularly poor as the shortfall varied from 66 to 100 per cent. The hatching results in 1975-76 and 1976-77 were also below the norms of 60 per cent fixed from October 1975. Reasons for the poor hatching results and the shortfall in achievement had not been investigated.

The full hatching capacity was not utilised in any of the farms and the number of incubators working was only 2 out of 5 at Kamlahi, 1 out of 2 at Reckong Peo (Tapri hatchery), 2 out of 4 at Chauntra, 6 out of 8 at Palampur and 1 out of 3 at Nahan. At Tapri with an installed hatching capacity of 68,000 eggs per annum, no eggs were set during 1974-75 and 1977-78 and shortfalls in the other years were 91.68 to 99.29 per cent. Reasons for non/short-utilisation of capacity had not been investigated.

5. *Mortality*—During the years 1974-75 to 1978-79, the mortality in the farms ranged between 14 and 75.87 per cent as against the

norms of 7 to 12 per cent fixed for different age groups of birds. The high mortality was attributed to spread of diseases. Steps taken to control the diseases were not stated.

6. *Rearing of male chicks*—According to departmental instructions (January 1970), chicks were to be sorted out into male and female birds immediately after hatching, the female chicks being supplied to farmers/breeders and the male chicks in excess of 10 per cent of female chicks disposed of by sale or otherwise. Despite reiteration of these instructions in June 1978, all the chicks continued to be reared at the farms without any sorting being done. Male chicks in excess of 10 per cent were segregated and disposed of after about 8—12 weeks when they became table birds.

The average cost of a 12 week old male bird was Rs. 10.85 as intimated by the Poultry Development Officer, Kamlahi and the sale price fixed by the department for 1978-79, Rs. 16 per kilogram of dressed weight. The average weight of 12 week olds in 6 farms where records were test-checked was 240 grams and on this basis the average sale price of one 12 week old male bird was Rs. 3.84. Thus, there was an average loss of Rs. 7.01 in rearing a male bird for 12 weeks contrary to instructions and selling it for table purposes. Despite this, about 89,840 male birds were reared for table purposes during 1974-75 to 1978-79. Reasons for the weight of the 12 week old birds being only 240 grams had not been investigated. One of the Poultry Development Officers had, however, complained about the poor quality of feed supplied.

7. *Delayed transfer of birds to layer category*—The poultry birds (females), after attaining the age of 23-24 weeks, are required to be transferred to the adult group where they are treated as laying birds. It was noticed that the transfer of such pullets to the layer category was delayed by 1,40,592 laying days, the expected yield during these days being 73,185 eggs (on the basis of departmental norms). Apart from reducing the egg production, this also resulted in a loss of Rs. 0.27 lakh to the Government at current prices.

8. *Purchase of poultry feed and idle grinders/mixers*—The poultry farms have been obtaining their requirements of poultry feed from various sources like Himachal Pradesh Agro-Industries Corporation, Punjab Poultry Corporation, Chandigarh and Punjab Dairy Development Corporation, Chandigarh, etc. despite the fact





that feed grinders and mixers available at the following farms were lying idle:—

Name of farm	Machinery		Remarks
	Grinder	Mixer	
Ajoui	2	1	Mixer was purchased on 18th December 1963 for Rs. 2,473.23. Grinders were received free of cost from UNICEF.
Nahan	1	..	Installed during May 1964—cost: Rs. 3,144.84.
Palampur	2	1	Received free of cost from UNICEF.

The reasons for not utilising the departmental grinders and mixers were not stated.

Out of the feed supplied by the Himachal Pradesh Agro-Industries Corporation, 36.75 quintals were returned (January 1977) by the Nahan farm on grounds of poor quality. Report of the India Veterinary Research Institute Regional Centre, Palampur (Himachal Pradesh) also indicated that this feed contained more crude fibre, ash and calcium, and comparatively less phosphorus contents, which affected the growth of chicks and production of eggs. According to the Poultry Development Officers also, the poor quality of feed supplied had affected the egg production. Nevertheless, feed deficient in quality, as indicated in the reports of the Centre to Chauntra farm (March 1977) and Kamlahi farm (June 1977, December 1977 and April 1978) continued to be accepted. Action taken to investigate the causes of the poor quality of feed produced by the Corporation and to remedy the defects by better co-ordination, etc. was not indicated.

9. *Birds supplied by the farms for breeding*—One of the objects of the farms was to supply improved strains of poultry to breeders and for this purpose the number of birds to be distributed by the various farms to private breeders/blocks was fixed by the

department from time to time. The shortfall in supply of birds ranged between 32 per cent and 83 per cent during the period from 1975-76 to 1978-79 as shown below:—

Name of the farm	1975-76			1977-78			1978-79		
	Target	Actual	Shortfall percentage	Target	Actual	Shortfall percentage	Target	Actual	Shortfall percentage
Reckong Peo	4,000	1,446	63.85	5,000	829	83.42	5,000	1,544	69.20
Ajouli	3,100	7,775	Nil	10,000	3,919	60.81	No target	4,282	..
Nahan	8,000	8,665	Nil	13,500	4,991	63	14,000	7,985	43
Kamlahi	6,000	7,397	Nil	12,000	12,668	Nil	12,000	8,193	31.72

The department has not undertaken any evaluation of the effect of the shortfalls on the development of poultry rearing in the State.

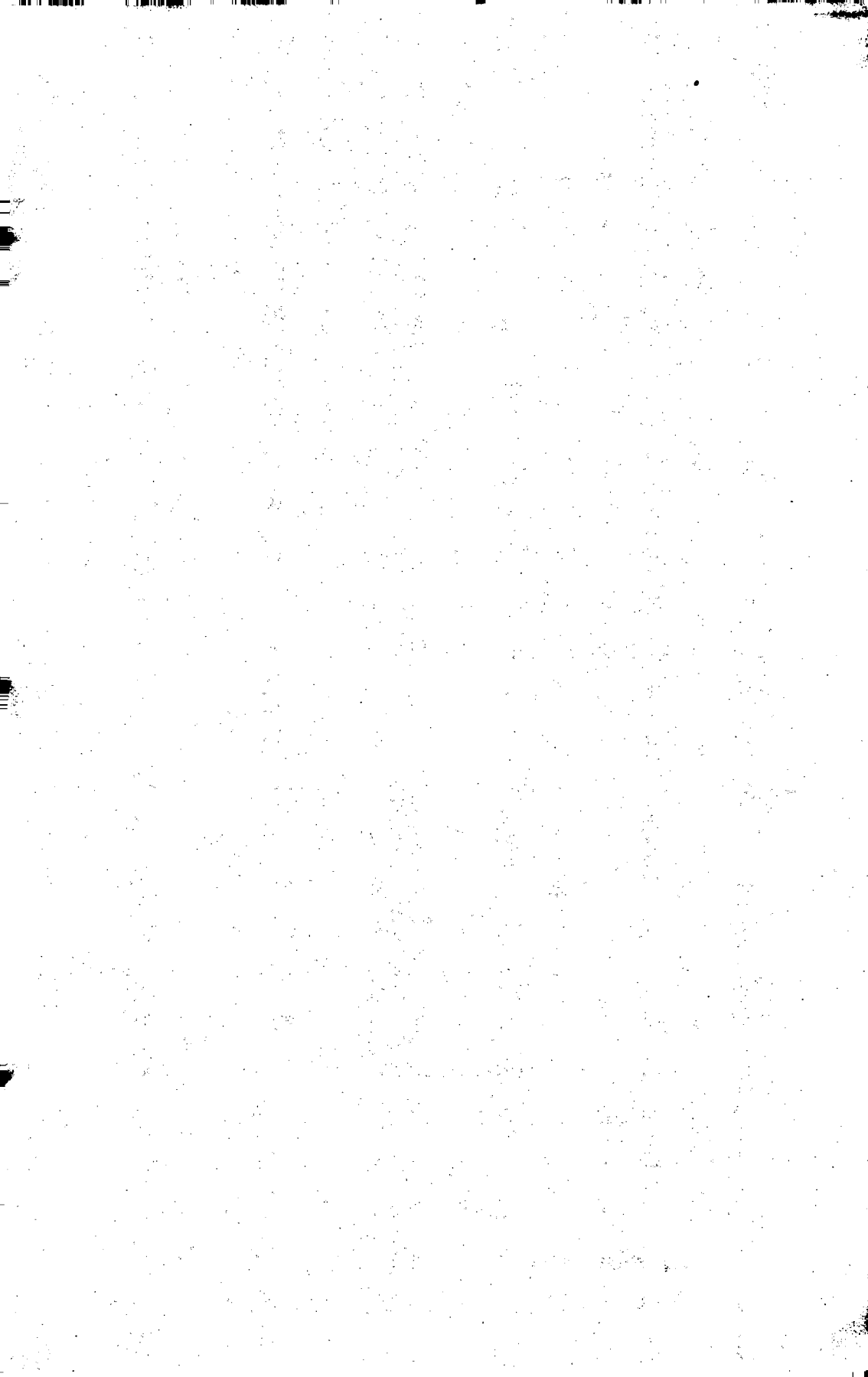
10. *Evaluation*—No evaluation of the working of the farms with a view to analysing the causes of the various shortfalls in performance and taking remedial measures had been undertaken by the department.

11. *Summing up*—(i) There were considerable shortfalls in achievement of targets for the number of layers, production of eggs, hatching and supply of chicks to breeders, the reasons for which had not been investigated. The number of layers maintained and eggs produced in the farms had declined from 3,151 and 5,47,453 in 1975-76 to 2,282 and 4,34,783 respectively in 1978-79.

(ii) The production per layer in five of the farms was less than the prescribed norm of 183 to 190 eggs per annum, the reasons for which had not been investigated.

(iii) 10 out of 22 incubators in the farms had not been utilised, the reasons for which had not been investigated.

(iv) Departmental instructions regarding segregation of male chicks when they were one day old and their disposal were not followed and all male chicks continued to be reared for 8—12 weeks.







for sale as table birds. The average weight of 12 week old male birds was 240 grams only and their sale involved an average loss of Rs. 7.01 per bird.

(v) The feed supplied by the Himachal Pradesh Agro-Industries Corporation was reported to be deficient in nutritional content and to have affected the egg production. Nevertheless, the feed supplied continued to be accepted.

(vi) The targets for distribution of chicks among poultry breeders in 1978-79 had not been achieved.

(vii) No evaluation of the working of the farms had been undertaken by the department.

The matter was reported to the Government in October 1979; reply is awaited (January 1980).

#### **3.4 Irregular drawals/payments**

Orders were placed (March 1978) by the Controller of Stores on a firm for supply and installation of a milk chilling plant of 5,000 litres capacity each at Darlaghat and Nahan at a cost of Rs. 2.75 lakhs each. The two orders stipulated delivery within 3/4 months and 90 per cent payment on receipt of despatch documents and inspection note through bank and balance 10 per cent plus commissioning charges payable within thirty days of the commissioning/handing over of the plant. The firm was to furnish bank guarantee of Rs. 0.50 lakh in each case and enter into an agreement for successful commissioning and handing over of the plant to the satisfaction of the department.

Test-check of records (November 1978 and July 1978) showed that for the plant at Darlaghat Rs. 2.65 lakhs were drawn by the Dairy Manager, Simla Milk Supply Scheme in March 1978, out of which Rs. 2.29 lakhs were released to the firm in June 1978 on receipt of part supply valuing Rs. 0.90 lakh and without inspection of plant. The remaining supply was received in December 1978 and May 1979. Some parts of the plant were found defective after receipt and had not been replaced so far (August 1979). Bank draft for Rs. 0.36 lakh was lying with the department as the plant was awaiting installation/commissioning.

The Director, Animal Husbandry, Himachal Pradesh stated (November 1979) that the plant had since been installed at Darlaghat and that its trial run was likely to be conducted shortly.

For the chilling plant at Nahan, Rs. 2.29 lakhs representing 90 per cent cost of the plant were drawn in March 1978. The payment was made (April 1978) to the firm in anticipation of receipt of complete supply; material worth Rs. 0.15 lakh had still not been received (July 1979).

In both cases, payment was released (April 1978 and June 1978) to the firm before the bank guarantee was furnished (August 1978).

The Director added (November 1979) that it was not possible to furnish comments in the matter as the concerned records were in the custody of the Vigilance Department.

The Government stated (January 1980) that in both the cases disciplinary action was being taken against the defaulting officers. It was also stated that the department was being asked to deposit the amount lying with it into the treasury.

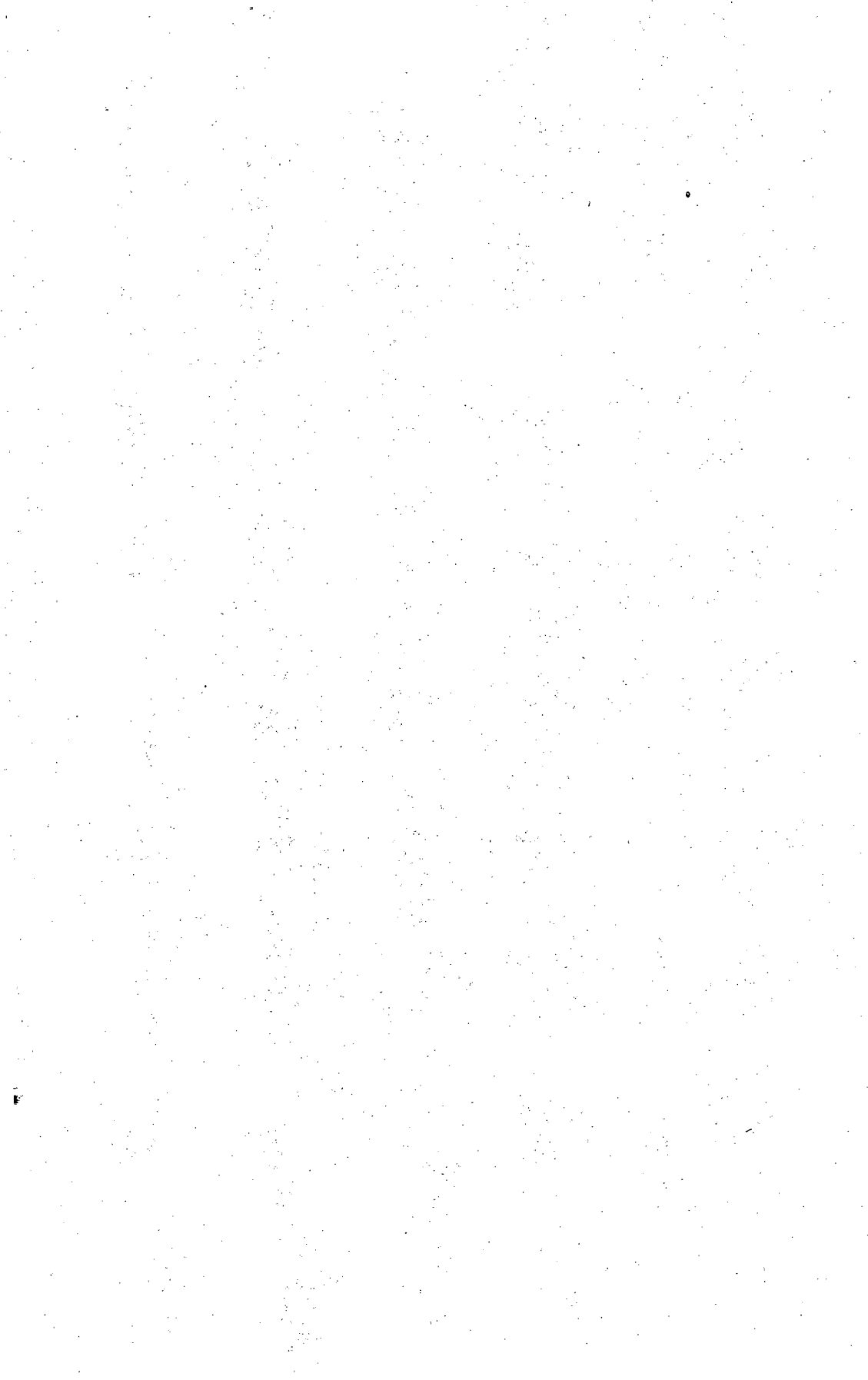
## DEPARTMENT OF HORTICULTURE

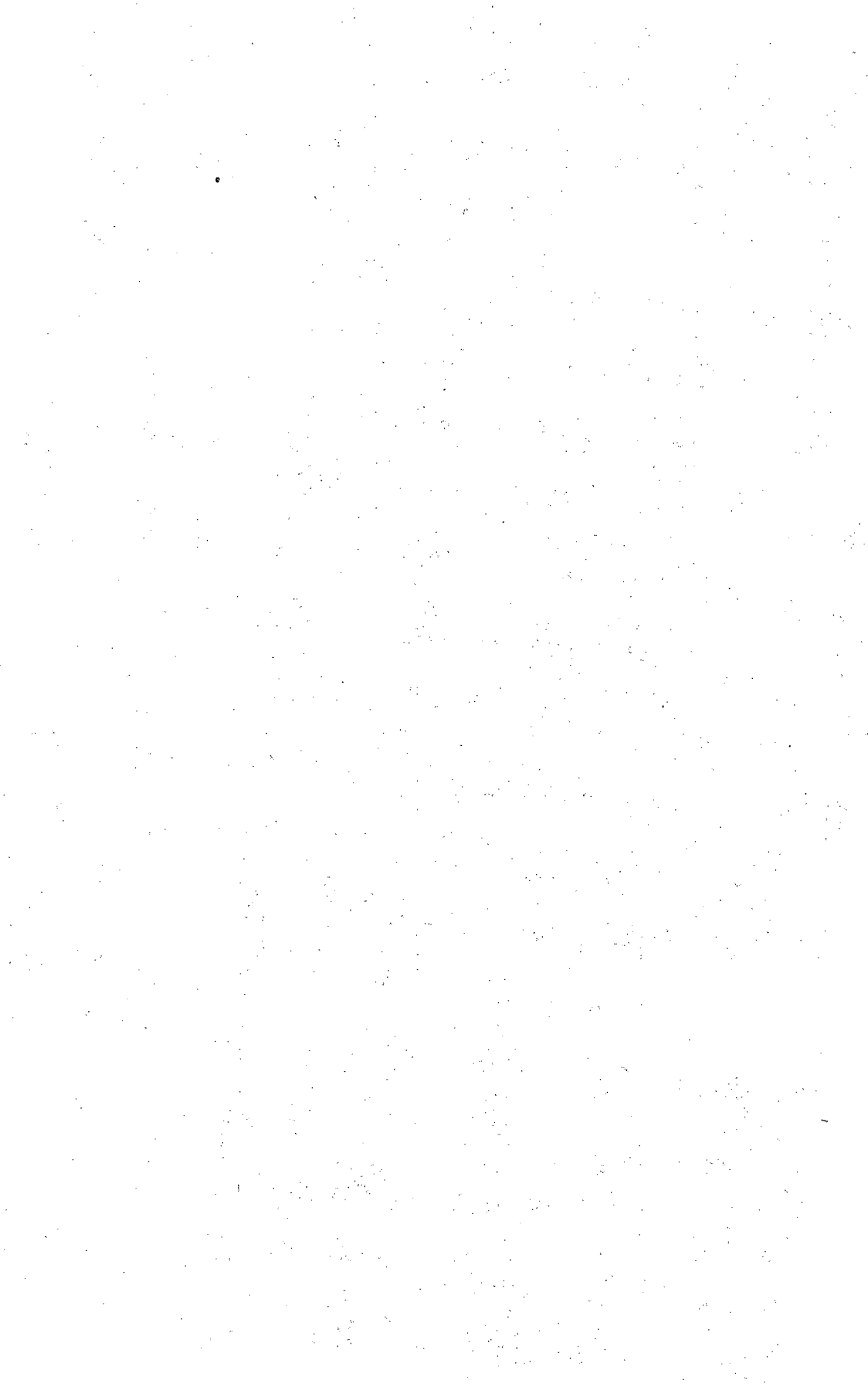
### 3.5 Control of pests and diseases

1. *Introductory*—A plant protection programme is being implemented by the Horticulture Department from 1971-72. The programme aims at control of pests diseases, weeds etc., by providing technical know-how to farmers in plant protection measures and distribution of pesticides and plant protection equipment. Besides, a Centrally sponsored scheme for control of 'Apple Scab' in four districts of Chamba, Mandi, Kulu and Simla was also implemented during 1977-78 and 1978-79; under this scheme ground spraying of pesticides was to be done with financial assistance from the Government of India.

Results of test-check of the accounts of the programme in six districts viz., Chamba, Kangra, Kulu, Mandi, Simla and Sirmur, are mentioned in the succeeding paragraphs.

2. *Budget and expenditure*—(a) The expenditure on the programme during 1974-75 to 1978-79 was Rs. 59.74 lakhs against the total budget provision of Rs. 65.64 lakhs.





(b) Recoveries on account of sale of pesticides and plant protection equipment amounted to Rs. 19.91 lakhs only during 1974-75 to 1978-79 as detailed below:—

Year	Capital expenditure on pesticides and equipment	Estimated recoveries	Actual recoveries	(Rupees in lakhs)			
1974-75	3.79	3.00	2.32				
1975-76	3.25	3.50	0.77				
1976-77	3.90	3.50	3.48				
1977-78	4.80	3.50	5.97				
1978-79	15.26	15.50	7.37				
Total	31.00	29.00	19.91				

The Senior Plant Protection Officer, Himachal Pradesh attributed (September 1979) the shortfalls in recovery to the fact that the sale depended on the intensity of the pest attack and the resources of the orchardists.

### 3. Targets and achievements

*State sector programme*—The targets and achievements in respect of spraying operations, area to be treated against field rats, destruction of weeds, etc. are given below:—

Year	Area to be covered by plant protection scheme		Orchard area to be treated against field rats		Weed control		Roosts of flying foxes to be destroyed	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
	(In lakhs of hectares)				(Hectares)		(Numbers)	
1974-75	0.39	0.22	0.42	0.22	196	92	90	38
1975-76	0.42	0.25	0.45	0.15	180	424	70	61
1976-77	0.43	0.34	0.44	0.11	315	480	70	85
1977-78	0.52	0.40	0.52	0.23	290	172	100	77
1978-79	0.57	0.43	0.57	0.27	400	578	105	265

No targets for provision of extension services had been laid down nor was any record of the actual extension work done kept. The Annual Plan for 1978-79 provided for the organisation of three mobile Plant Protection Squads in the State to cover pest and disease infested areas of 9,000 hectares but no such squads had been organised.

The Senior Plant Protection Officer, Himachal Pradesh stated (September 1979) that squads could not be organised because of the ban imposed on creation of new posts by the State Government.

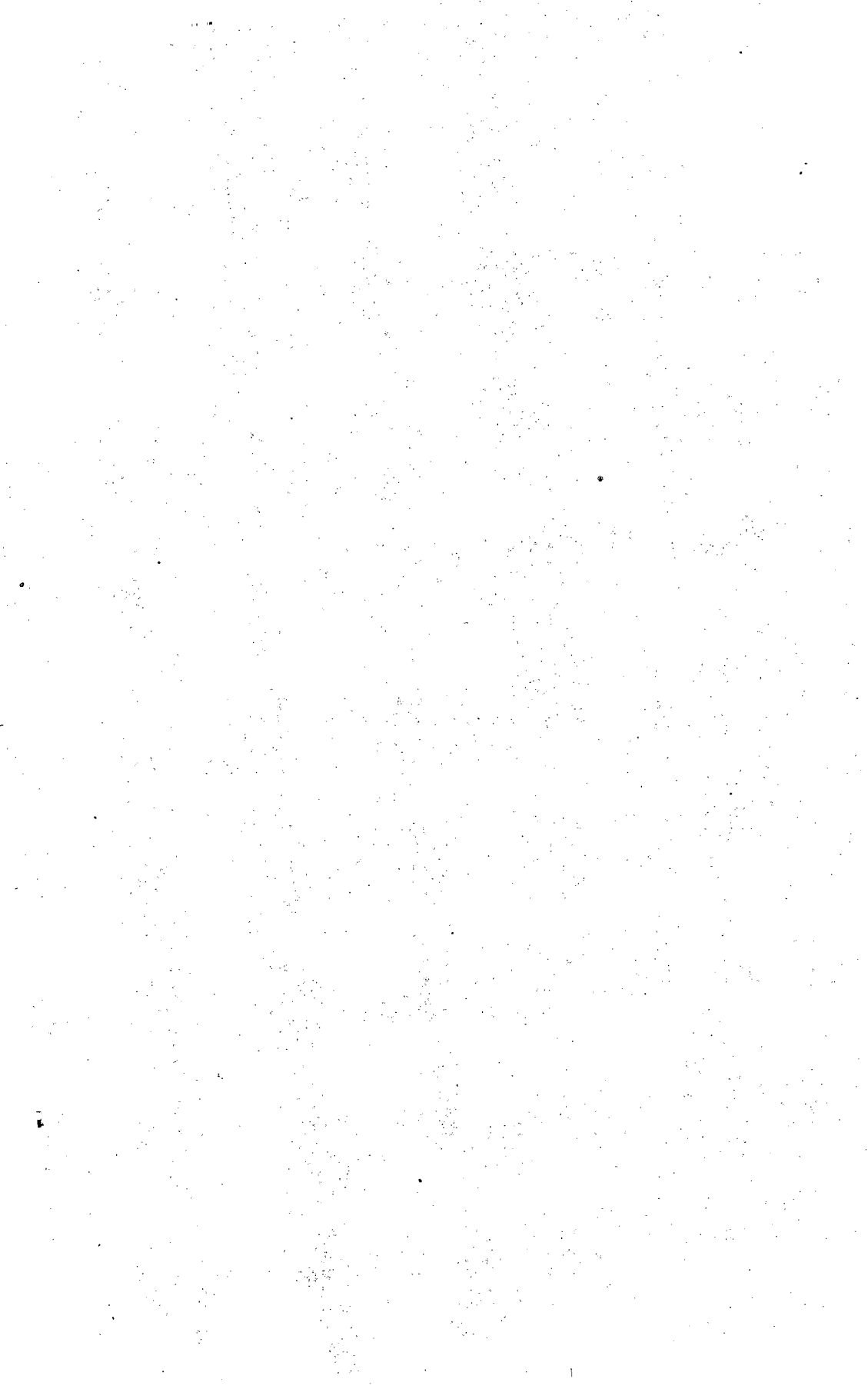
*Central sector programme*—(a) The targets laid down by the Government of India while approving the annual programme against 'Apple Scab' and the achievements thereagainst during 1977-78 and 1978-79 are given below:—

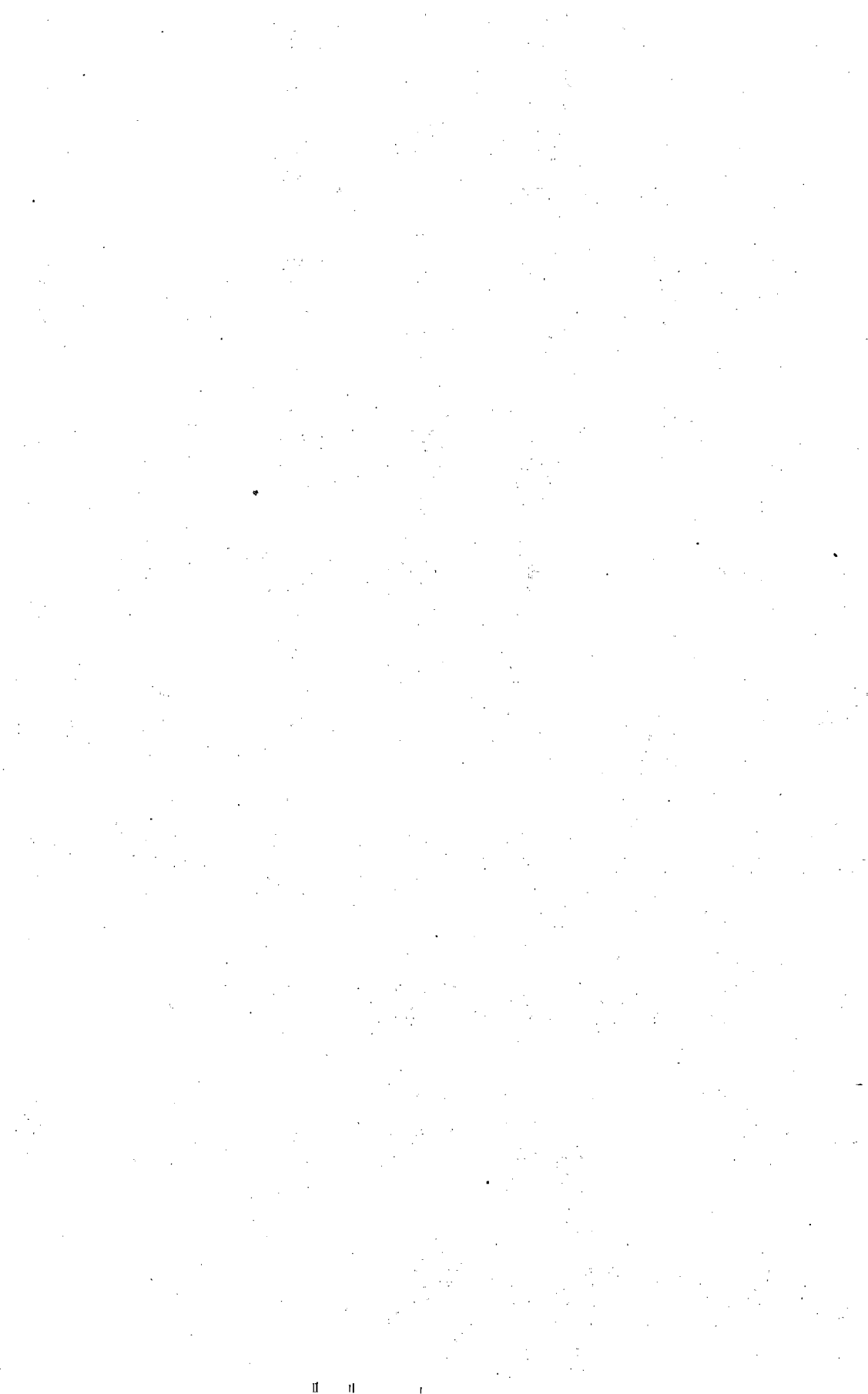
Year	Targets of area to be covered	Actual coverage	Percentage of shortfall
	(Hectares)		
1977-78	160	149	6.5
1978-79	12,160	4,484	63.1

The spray schedule prescribed by the Government of India was also not adhered to in as much as against 3 sprays to be done in certain areas only one spray was done in 767 hectares during 1978-79. Further, during 1978-79, 29 hectares were given a fifth spray while the scheme envisaged only 4 sprays in those areas. Reasons for undertaking only one spray in the former case and the fifth spray in the second case were not on record nor stated.

The shortfall in achievement of targets (under State as well as Central Sector Schemes) was attributed to shortage of staff, unfavourable weather conditions and poor financial position of orchardists.

(b) In accordance with the approved pattern of Central assistance, ground spraying operations were to be undertaken by the State Government either departmentally or through agencies like the Agro-Industries Corporation, the Agro-Industries Centres or co-operative societies or other organisations the accounts of which were subject to audit. It was, however, noticed that spraying operations had been left to be done by the orchardists themselves,







contrary to the instructions of the Government of India. The spraying operations were stated to have been carried out in the presence of departmental staff but no record of areas sprayed was produced to audit. The areas claimed to have been sprayed by the department were also on the basis of quantity of pesticides sold.

Further, since the operations were not carried out through agencies approved by the Government of India, the operational charges in respect of areas sprayed could not be claimed from the Government of India, though there was a provision of Rs. 0.92 lakh during 1977-78 and 1978-79 for the purpose; the operational charges had to be borne by the orchardists themselves.

The Senior Plant Protection Officer, Himachal Pradesh stated (September 1979) that spray operations were left to be done by the orchardists under the supervision of departmental staff as there was no organisation to carry out spray operations on contract basis.

4. *Non-conduct of survey/evaluation*—Though the plant protection programme has been under implementation in the State since 1971-72 and expenditure of Rs. 59.74 lakhs had been incurred during the Fifth Five Year Plan period, no detailed survey of the orchard areas for identification of various pests and diseases and their effect on production had been conducted. No evaluation of the programme has also been done by the department (August 1979).

5. *Impact on production*—The Fifth Five Year Plan envisaged an annual growth rate of about 14.21 per cent in fruit production i.e. from 2.40 lakh tonnes in 1973-74 to 4.11 lakh tonnes in 1978-79. Despite adoption of the plant protection measures, however, the production as well as the average production per hectare in the State indicated a downward trend as detailed below:—

Year	Area under fruit crops	Production	Average production per hectare
	(In lakh of hectares)	(In lakh of tonnes)	(Tonnes)
1973-74	0.49	2.25	4.6
1974-75	0.52	0.71	1.4
1975-76	0.55	2.31	4.2
1976-77	0.58	1.30	2.2
1977-78	0.63	1.49	2.4
1978-79	0.66	1.29	1.9

Source—Departmental records.

The Senior Plant Protection Officer, Himachal Pradesh attributed (August 1979) the variations in the production to natural calamities and other pollination factors. He further stated that, on account of high prices of pesticides, these were beyond the reach of small orchardists and that many a time they did not adopt plant protection measures.

6. *Heavy establishment cost*—During the period from 1974-75 to 1978-79, the expenditure on pay and allowances of the plant protection staff amounted to Rs. 11.66 lakhs. During this period, pesticides and plant protection equipment valuing Rs. 19.91 lakhs were distributed. The cost of establishment thus worked out to 58.5 per cent of the cost of material distributed.

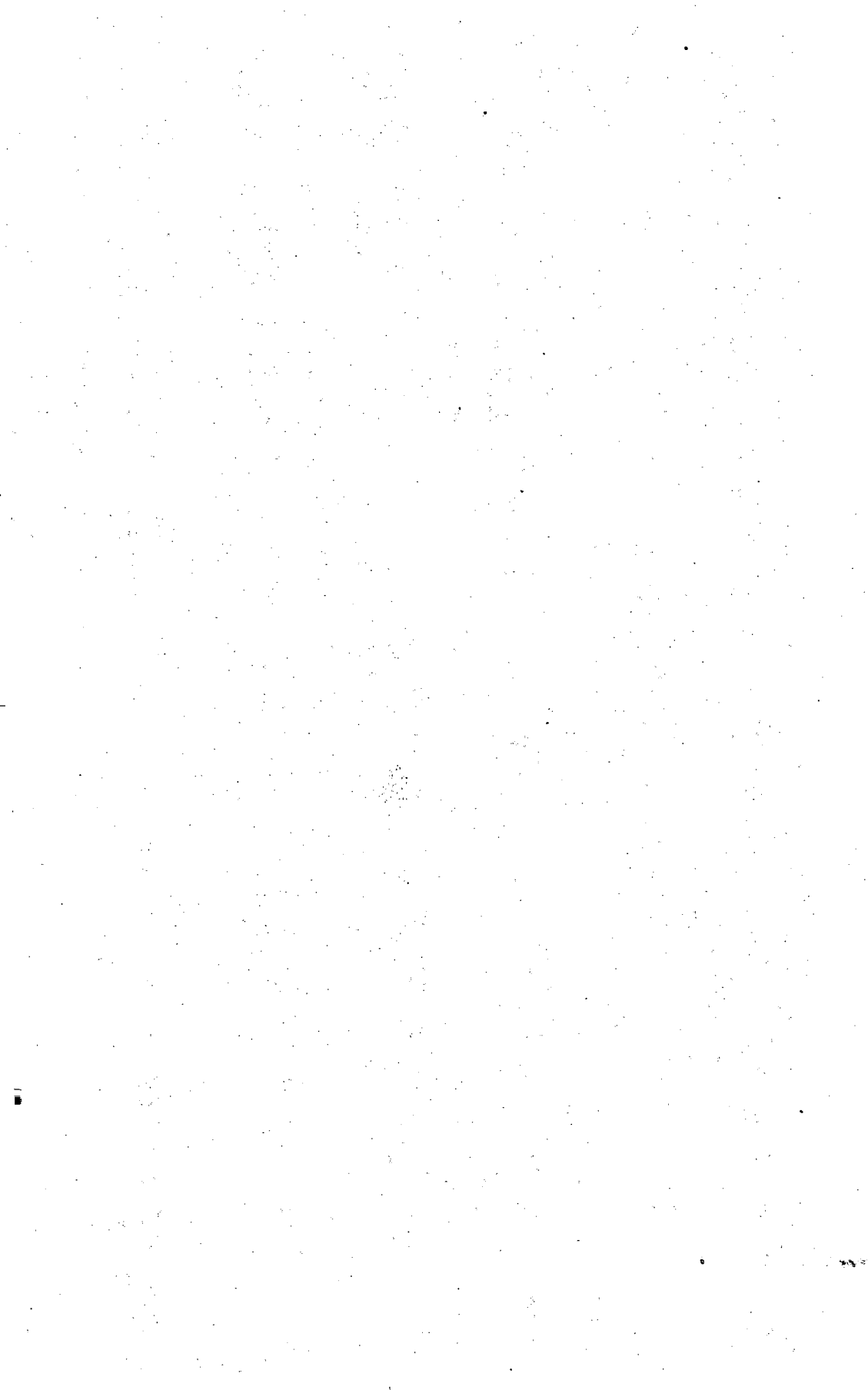
7. *Other topics of interest*—(i) Test-check of stock registers of pesticides/fungicides maintained by the departmental officers in the six districts showed that the dates of expiry of the various pesticides and fungicides had not been indicated therein and the department did not have the means to ensure utilisation of the pesticides/fungicides before their expiry date.

(ii) Plant protection equipments such as sprayers, pumps, etc., valuing Rs. 0.40 lakh were lying idle in Chamba, Simla, Sirmur and Kangra districts. The dates from which these were lying idle were not on record. Of this, equipment valuing Rs. 0.15 lakh was stated to be unserviceable. Information regarding action to repair the useable equipment and to dispose of the unserviceable equipment was awaited (August 1979).

(iii) (a) Physical verification of stores and stock of the District Horticulture Officer, Chamba had not been conducted during 1977-78 and 1978-79.

(b) Shortages of stores/stock valuing Rs. 0.82 lakh were noticed during physical verification of the stock of the Senior Plant Protection Officer, Simla during January/February 1979.

8. *Summing up*—(i) Out of 66 lakh hectares under fruit crops at the end of 1978-79 in the State, the area covered by the plant protection scheme during 1978-79 was 0.43 lakh hectares only.





(ii) The targets set for plant protection measures, treatment against field rats, weed control and destruction of roosts of flying foxes were generally not achieved, the shortfall ranging from 21.9 per cent to 74.5 per cent.

(iii) Under the centrally sponsored scheme to fight 'Apple Scab' launched in 1977-78, against the target of 12,320 hectares to be sprayed during 1977-78 and 1978-79, only 4,633 hectares had been sprayed, the shortfall being attributed *inter alia* to shortage of staff and poor purchasing capacity of the orchardists.

(iv) No detailed survey of the orchard areas for identification of various pests and diseases and their effect on production had been conducted so far though the programme was in operation since 1971-72. No evaluation of the results of the programme had also been undertaken.

(v) The Fifth Five Year Plan envisaged the fruit production to increase from 2.40 lakh tonnes in 1973-74 to 4.11 lakh tonnes in 1978-79. The production, however, declined to 1.29 lakh tonnes during the period and the average production per hectare from 4.6 tonnes to 1.9 tonnes. Reasons for the fall in production had not been investigated to see to what extent it was due to adverse weather conditions or want of fertilizers and insecticides nor the remedial measures proposed indicated.

The matters mentioned above were reported to Government in September 1979; reply is awaited (January 1980).

## DEPARTMENT OF WELFARE

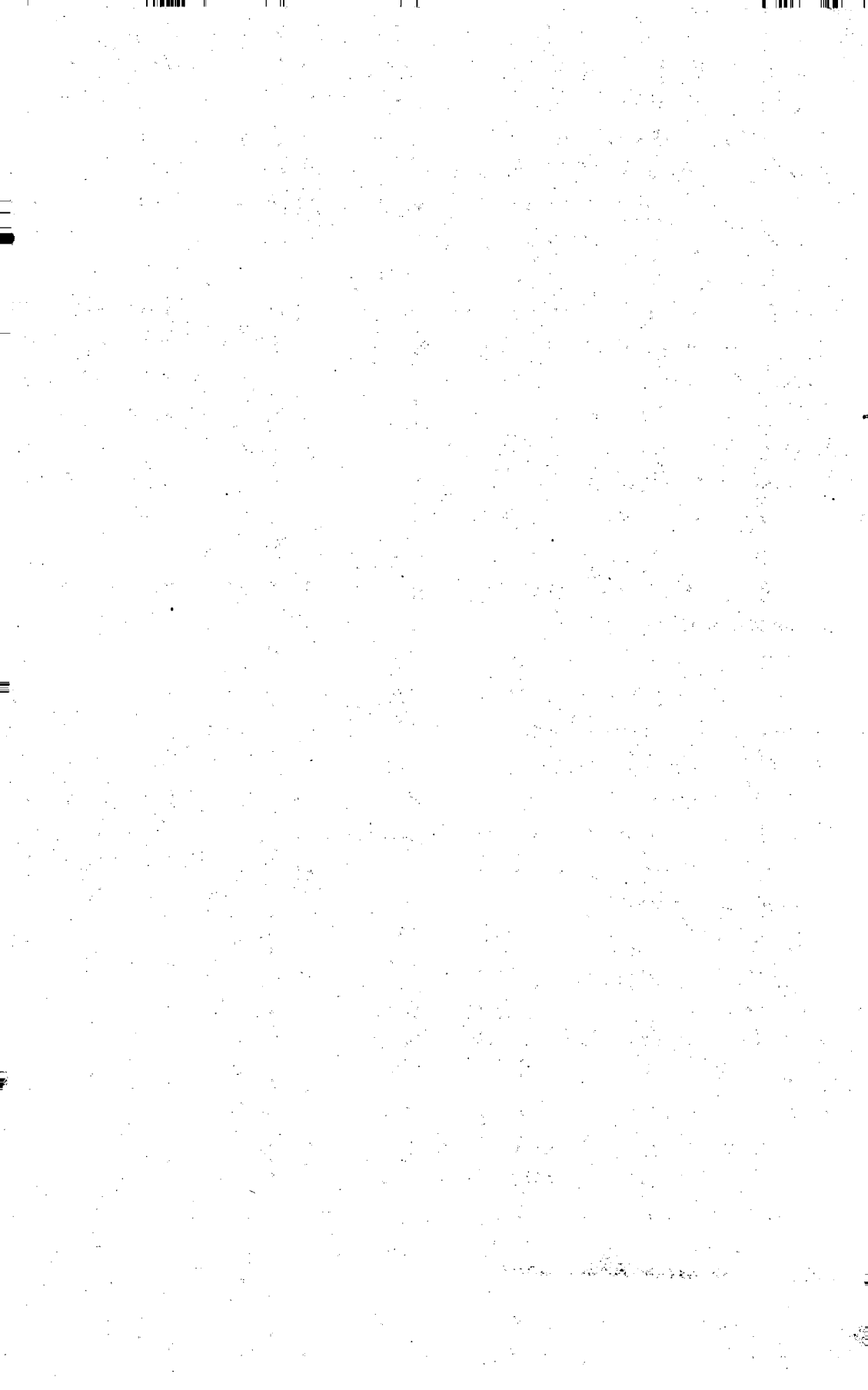
### 3.6 Old age pension

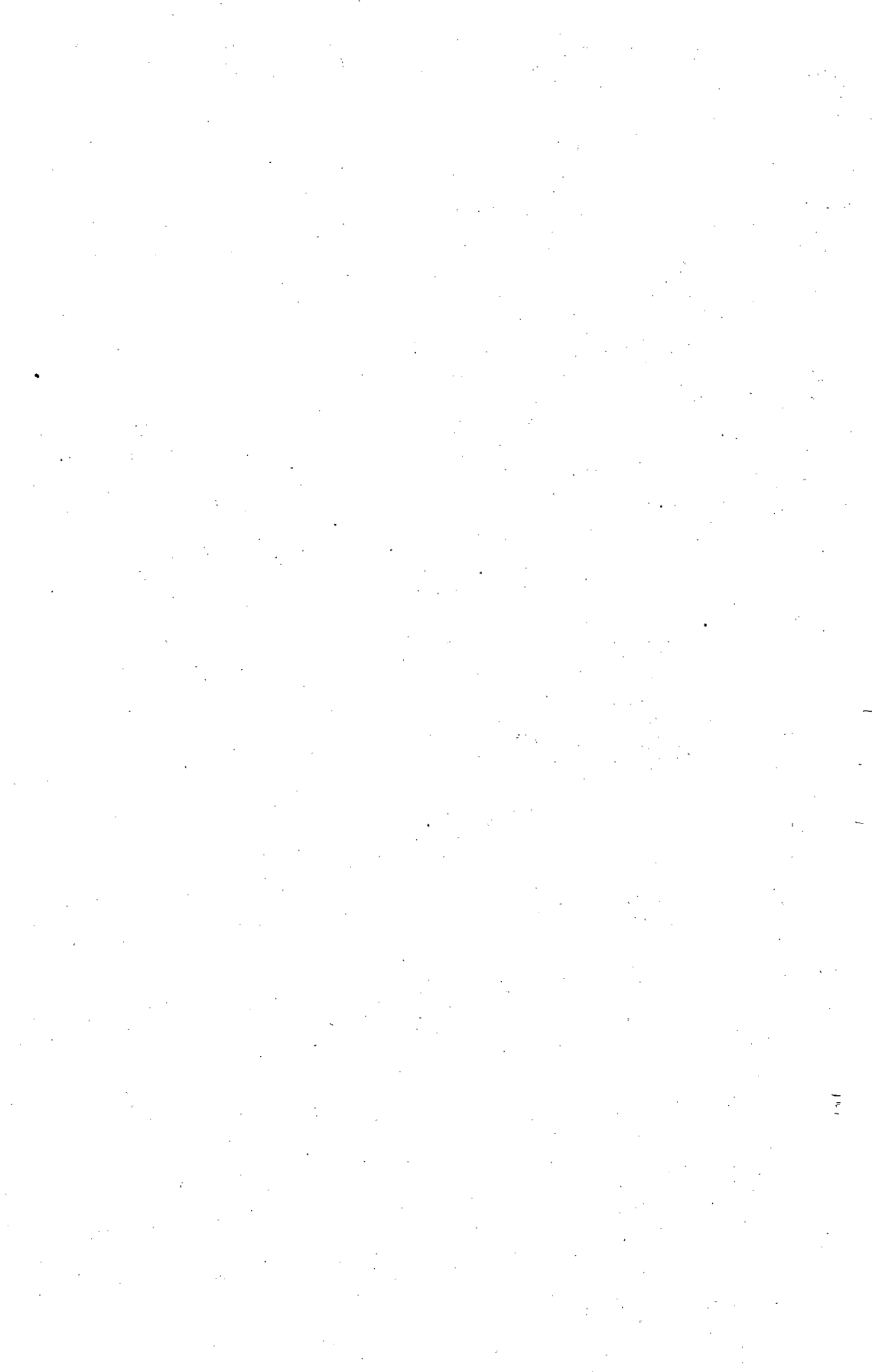
The old age pension scheme was in operation in those areas of the undivided Punjab State which were merged in Himachal Pradesh consequent upon the re-organisation of States in 1966 and extended to the whole State from 1st November 1971. Under the scheme, financial assistance is provided to destitute, old and disabled persons who are without any means of subsistence and are not being supported by any body. The monthly rate of pension originally fixed at Rs. 25 was raised to Rs. 40 from April 1973 and to Rs. 50 from April 1974. These amounts are to be paid to the beneficiaries quarterly by money order by the District Welfare Officers. The number of beneficiaries increased from 1,828 in 1971-72 to 21,202 in

1978-79 and the amount of pension paid from Rs. 2.61 lakhs in 1971-72 to Rs. 79.21 lakhs in 1978-79. The expenditure on the scheme upto 1978-79 was Rs. 1,74.05 lakhs.

2. A test-check (June-July 1979) of the accounts and other records relating to payment of old age pension in the offices of the Welfare Department in seven districts (Chamba, Kangra, Kinnaur, Mandi, Simla, Sirmur and Solan) brought out the following:—

- (i) In four districts, 79 persons (Chamba : 70; Kinnaur : 2; Simla : 6 and Solan : 1) to whom pension aggregating Rs. 0.51 lakh was paid (November 1971-March 1978) were later found to have obtained the pension on the basis of wrong information supplied by them in the first instance. The verification done, if any, by the department before authorising pension in these cases was, however, not indicated. No action had been taken to recover the amount so paid. Further, in 12 cases in Sirmur, Chamba, Kangra, Mandi and Simla districts, pension aggregating Rs. 0.05 lakh had been sanctioned/paid twice to the same persons between November 1971 and March 1979. The circumstances in which proper verification of the pension claims was not conducted and the prescribed registers to watch drawal and disbursement of pensions were not properly kept, thereby facilitating the double drawals/sanctions, had not been investigated.
- (ii) In accordance with the rules, the old age pension is payable every quarter in the month following the quarter to which it relates. However, a sum of Rs. 34.50 lakhs representing the amount of pension pertaining to the quarter ending March 1979 payable in April 1979 had been drawn in March 1979 and placed in deposit with banks/post offices in the names of the District Welfare Officers. Out of this, Rs. 28.87 lakhs were subsequently disbursed between April and June 1979 and the balance amount of Rs. 5.63 lakhs was lying (July 1979) in the accounts with banks/post offices in Simla (Rs. 3.83 lakhs), Kangra (Rs. 1.74 lakhs) Mandi (Rs. 0.04 lakh) and Kinnaur (Rs. 0.02 lakh) districts.
- (iii) The rules require that all pension cases should be subjected to periodical check by investigators or other officials specifically deputed for the purpose. Such periodical check was not done in any district. One of the District Welfare







Officers attributed (November 1979) the non-observance of formalities to non-posting of additional staff for the work. It was seen that a total sum of Rs. 3.17 lakhs remitted to 1,386 persons between 1971 and 1978 had been received back undisbursed, Rs. 2.13 lakhs due to death of 928 pensioners and Rs. 1.04 lakhs due to wrong addresses recorded on the money order forms in respect of 458 pensioners.

It was also noticed that personal ledgers, through which payment of pension to individual pensioners was to be watched and in which the particulars of money order receipts and acknowledgement were to be noted, were not maintained at all in Sirmur District during 1971-72 and 1972-73 and in Mandi District during 1971-72 to 1974-75. They were incomplete in the other districts.

(iv) According to the rules, the amount of pension remitted but received back undisbursed due to death of pensioners, etc., is to be refunded by short drawal in the next pension bill. A sum of Rs. 2.38 lakhs so received back undisbursed between 1976-77 and 1978-79 was not refunded by short drawal but was lying in accounts opened in banks/post offices in the names of the District Welfare Officers, Simla, Kinnaur, Sirmur, Chamba, Kangra and Mandi. Rupees 1,250 so received back from 7 pensioners in Solan, Simla and Chamba districts had also not been accounted for in the cash books.

(v) Although the scheme had been in operation for the last 8 years, no arrangements had been made for internal test check of the payments to ensure that payments had been made to the right persons.

3. *Summing up*—(i) Irregular payments aggregating Rs. 0.56 lakh to 91 persons were noticed.

(ii) The department was not maintaining the prescribed registers to watch drawal and disbursement of pensions.

(iii) There was no periodical check of old age pension cases by the departmental officials. Consequently, Rs. 3.17 lakhs remitted to 1,386 persons had been received back undisbursed.

(iv) Out of the amounts received back Rs. 2.38 lakhs had not been refunded to the Government account but were lying in bank accounts operated by the District Welfare Officers.

(v) Although the scheme had been in operation for the last 8 years no arrangements for internal test check of the payments had been made.

The matter was reported to the Government in September 1979; reply is awaited (January 1980).

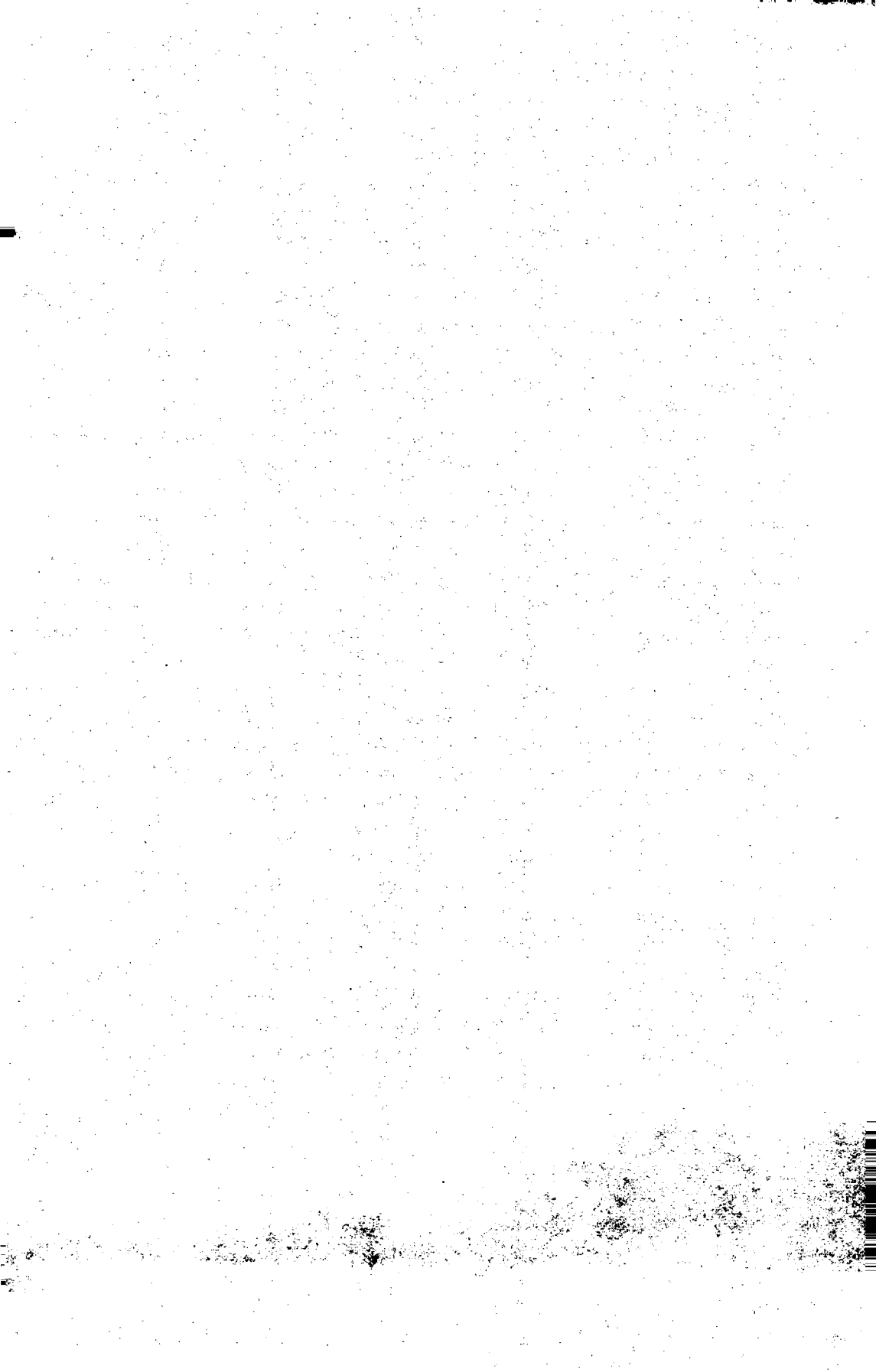
### 3.7 Incomplete works

Four works, sanctioned more than 14 years back, remained incomplete (November 1978). Details of the works are given below:—

Serial No.	Name of the work	Year of sanction	Sanctioned amount	Amount drawn	Year when drawn	Expenditure incurred
			(Rupees in lakhs)			(Rupees in lakhs)
1.	Construction of aerial ropeway bridge over river Ravi at Luna (Bharmour block)	1964	0.42	0.42	1964	0.03
		1972	1.20	0.23	1972	0.23
2.	Construction of aerial ropeway bridge at Tyari (Bharmour block)	1963	0.30	0.30	1963	0.24
		1972	1.00	1.00	1972	0.25

Out of Rs. 0.42 lakh drawn in 1964, Rs. 0.03 lakh were spent on purchase of cement and Rs. 0.39 lakh refunded into the treasury in August 1972. The work was resumed by the Public Works Department after March 1972 as a deposit work and Rs. 0.23 lakh were spent by May 1974. Construction work was stopped in July 1974 for want of further deposits from the Welfare Department. The Deputy Commissioner, Chamba had proposed (February 1975) the design of the bridge to be changed from jeepable traffic to mule traffic, as there was no possibility of jeepable road on the other side of the bridge. Decision of the department was awaited (November 1978).

Out of Rs. 0.30 lakh sanctioned in 1963, Rs. 0.24 lakh had been utilised (September 1963) by the Block Development Officer for purchasing rope wires and Rs. 0.06 lakh were refunded (August 1972).





into the treasury. Work on the bridge was started by the Public Works Department as a deposit work after Rs. 1 lakh were placed (August 1972) at its disposal. Construction was, however, stopped by the Public Works Department in December 1974 after incurring expenditure of Rs. 0.25 lakh (material : Rs. 0.04 lakh, labour : Rs. 0.21 lakh) consequent on the District Welfare Officer, Chamba proposing utilisation of the remaining funds on the construction of the incomplete 'Luna Bridge' mentioned at serial number 1. However, decision on diversion of the remaining funds (Rs. 0.75 lakh) for 'Luna Bridge' was still awaited (January 1980). Ropes worth Rs. 0.24 lakh purchased in September 1963 were also lying unutilised.

3. Construction of Bugga— Ablmi road (Mehla block)	1965	0.70	0.70	1965	0.02
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After spending Rs. 0.02 lakh on 300 feet trace cutting, the balance amount of Rs. 0.68 lakh was deposited with the Public Works Department (December 1966) for executing the work as a deposit work. However, the Public Works Department could not start the work because of representations from the public of the area against the construction of the road. Besides, the funds available (Rs. 0.68 lakh) were considered inadequate for completion of the work which involved cutting of hard rock. The Deputy Commissioner, Chamba had proposed (June 1976) diversion of the unspent amount for completion of 'Luna Bridge'. Decision of the department was awaited (November 1979).

4. Construction of Churi-Arital road (Mehla block)	1965	0.25	0.25	1965	0.10
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Rupees 0.25 lakh were placed at the disposal of the Public Works Department in December 1966 for executing the work as a deposit work. Expenditure of Rs. 0.10 lakh was incurred on cutting a 4 feet track from mile 0/1300 to 0/2500. Further work was stopped (December 1966) on representations from the public seeking change in alignment. The work had not been resumed (January 1980).

The matters mentioned above were reported to the Government in April 1979; reply is awaited (January 1980).

### 3.8 Misappropriations, defalcations, etc.

The position of cases of alleged misappropriations, defalcations etc., of Government money, reported to Audit upto the end of March

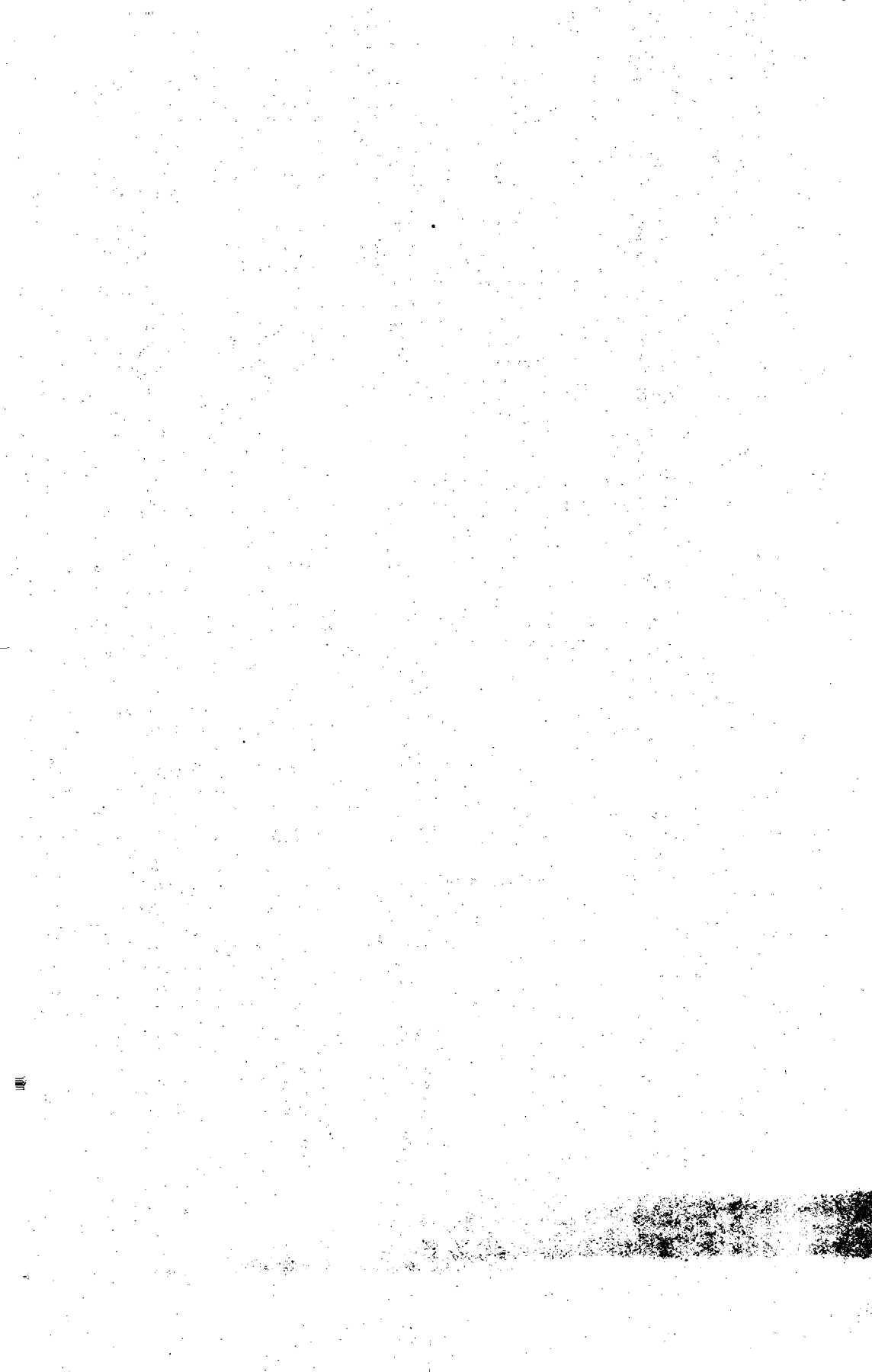
1979, final action on which was pending till the end of September 1979, was as follows:—

	Number of cases	Amount involved (Rupees in lakhs)
Cases reported upto 31st March 1978 and outstanding on 30th November 1978	116*	54.66
Cases reported during 1978-79 ..	13	19.45
<b>Total</b> ..	<b>129</b>	<b>74.11</b>
Cases disposed of till September 1979 ..	9	0.87
Cases outstanding on 30th September 1979 ..	120	73.24

Of these, 79 cases involving Rs. 51.53 lakhs pertained to the Public Works Department.

It would be seen from Appendix V showing the department-wise and year-wise analysis of the outstanding cases that 80 cases (amount: Rs. 24.99 lakhs) were pending since 1975-76 or earlier years. Appendix VI indicates the stage at which the 120 cases outstanding at the end of September 1979 were pending.

\* Includes three cases (amount involved : Rs. 0.19 lakh) not included in the Audit Report for 1977-78.







## CHAPTER IV

### WORKS EXPENDITURE

#### PUBLIC WORKS DEPARTMENT

##### 4.1 Tubewells

1. *Introductory*—In order to exploit the underground water resources in the State, a programme of construction of tubewells was started by the Government in 1968 in the valley areas of the State on the basis of a preliminary survey conducted by the Central Ground Water Board.

2. *Execution of works*—In all, construction of 130 tubewells, estimated to cost Rs. 1,79.88 lakhs, was sanctioned upto March 1979, out of which 80 tubewells had been taken up for execution by that date. Of these, 49 tubewells were completed at a cost of Rs. 50.60 lakhs and 31 tubewells were in progress at the close of 1978-79, on which Rs. 32.85 lakhs had been spent upto March 1979. The details were as follows:—

Period	Number of tube-wells sanctioned	Estimated cost (Rupees in lakhs)	Number of tube-wells taken up for execution	Completed	In progress
Upto 1973-74	52	35.90	29	16	13
1974-75 to 1978-79	78	1,43.98	51	33	18
Total	130	1,79.88	80	49	31

3. *Delay in completion of projects*—(a) (i) Of the completed tubewells, completion of ten had been delayed by 4 to 12 months and of nine by 12 to 82 months as compared to the time stipulated in the administrative approval and expenditure sanction. Further, thirty tubewells (expenditure incurred : Rs. 34.05 lakhs) expected to irrigate 698 hectares of land had been energised after delays ranging from 4 to 35 months after completion.

(ii) In Irrigation-cum-Public Health Division, Una, 15 tubewells costing Rs. 7.93 lakhs and expected to irrigate 291 hectares had been energised between June 1969 and December 1971 but distribution of water started from Kharif 1973 only. No reasons were given for delay of 1½ to 4 years in commencement of irrigation.

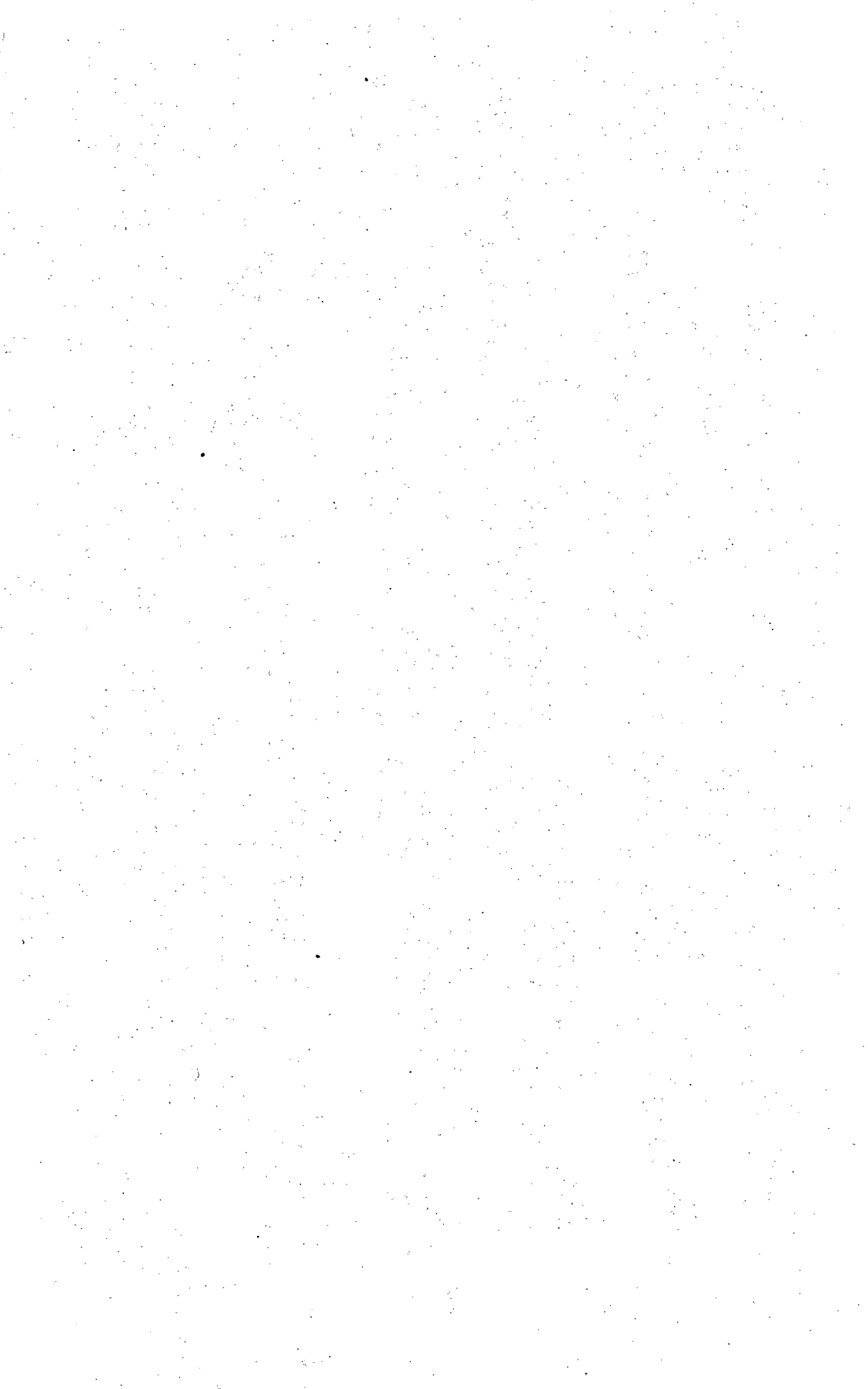
(iii) Eighteen tubewells had not been energised by the Himachal Pradesh State Electricity Board though advance of Rs. 4.69 lakhs had been paid towards their energisation charges during April 1977 to March 1979.

(b) (i) Thirtyone tubewells (estimated cost : Rs. 34.73 lakhs) in progress had been stipulated to be completed in six months to two years; the delay in the case of 5 tubewells ranged from 7 to 12 months, of 10 tubewells from 24 to 36 months and of 16 tubewells from 36 to 50 months.

The slow progress was attributed (July 1979) by the Executive Engineer, Una Division to paucity of rigs and difficult strata encountered while drilling. According to the Executive Engineer, Paonta Division, the drilling work, which was entrusted to the Central Ground Water Board, had been delayed by it. No reasons for delay were given by the Executive Engineer, Solan Division. It was, however, noticed during test-check (May 1979) of the records of Solan and Una divisions that out of eight rigs (cost : Rs. 18.81 lakhs, excluding two rigs donated by the UNICEF) in these divisions, five rigs for which details were available were operated for 21,990 hours against the estimated working of 45,710 hours as per running and maintenance estimates.

The shortfall was attributed (August 1979) by the Executive Engineers to overestimation of operation hours in running and maintenance estimates of the rigs. The basis for stating that these were overestimates was not indicated; further why no action was taken to make realistic estimates was also not indicated.

(ii) It was also seen in test-check of records that work on tubewells at Rora Baliwal and Jalgran Tabba sanctioned in May 1977 and September 1977 had not been completed within the one/two years period mentioned in the sanctions due to the refusal of the successful tenderers to take up the works because of failure of the department to accept the tenders within the validity period and due to delay in fixing up fresh agencies (fresh agencies fixed up only in May 1979).





4. *Abandoned/suspended tubewells*—In 11 cases, tubewells approved during October 1972 to April 1976 were, after incurring expenditure aggregating Rs. 4.41 lakhs, suspended/abandoned due to rushing of soil (six tubewells), less discharge of water (one tubewell) and other reasons (four tubewells). Details of these works are given in Appendix VII.

5. *Area irrigated*—The shortfall in irrigation as compared to the area expected to be irrigated is brought out below:—

Year	Tubewells in operation	Area expected to be irrigated	Area actually irrigated	Percentage of short-fall
(In hectares)				
1973	15	292	16	94.50
1974	16	320	280	12.50
1975	22	535	259	51.60
1976	28	690	488	29.27
1977	37	1,031	789	23.47
1978	38	1,059	638	39.75

Shortfall in the area irrigated was attributed (August 1979) by the Executive Engineers, Una and Solan divisions mainly to (i) distribution channels not being completed for 19 tubewells as only 11,229 metres length of channels as against the total requirement of 25,780 metres had been completed, (ii) poor demand for water from cultivators due to their continuing with the old cropping pattern and (iii) timely rains. Action taken to have the remaining channels completed and develop demand for water had not been indicated.

6. *Capital outlay and net return*—The capital outlay on the 49 schemes in operation in 1978-79 was Rs. 50.60 lakhs. During the years 1974-75 to 1978-79, the total revenue expenditure on the schemes in operation was Rs. 14.62 lakhs whereas the revenue receipts were only Rs. 0.77 lakh, resulting in a cumulative deficit of Rs. 13.85 lakhs during the 5 years. The department had not undertaken any analysis of the reasons for the shortfalls in irrigation and the consequent deficit.

### 7. Other points of interest

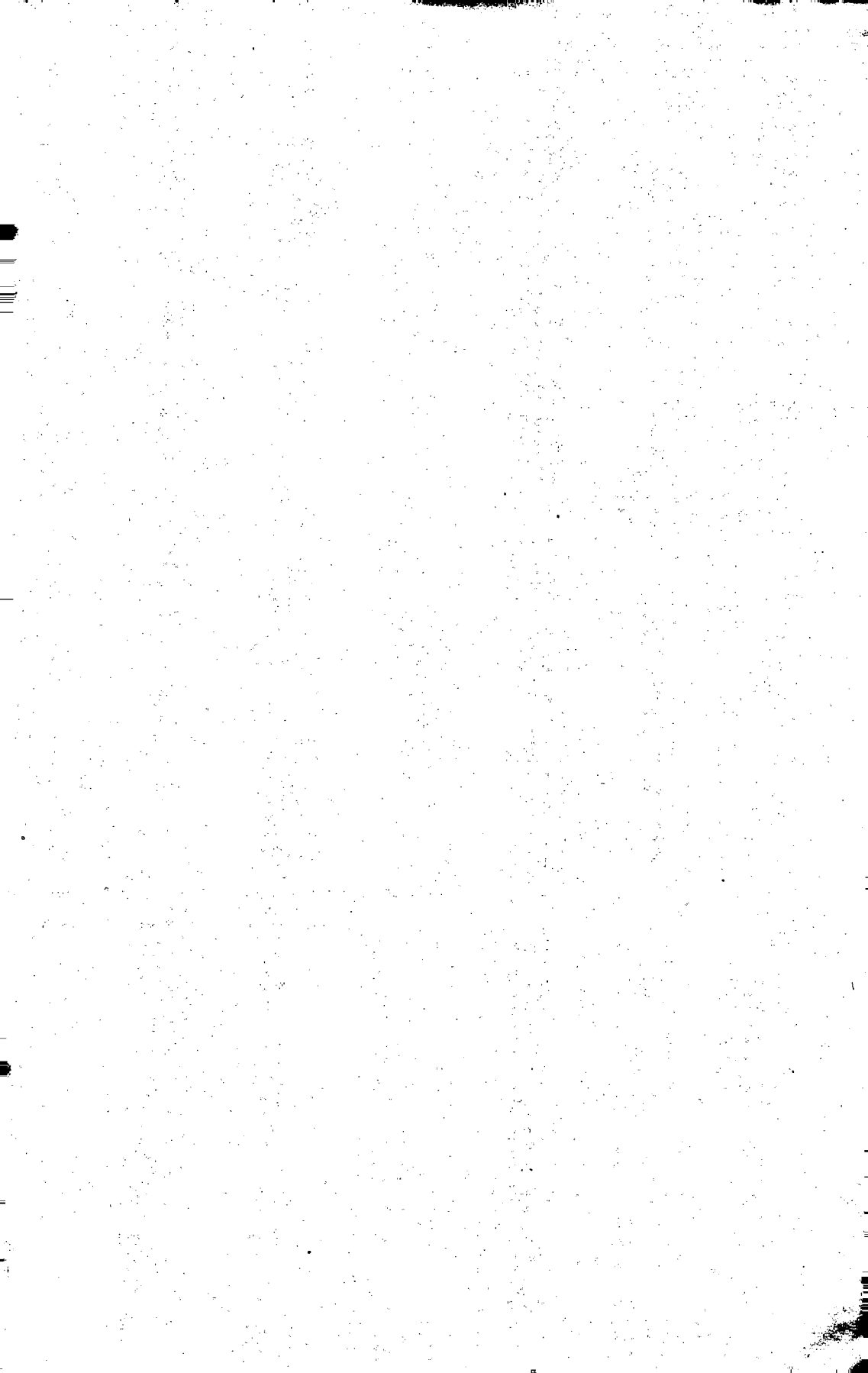
(i) *Arrangements for survey*—As stated earlier, preliminary survey for tubewells was conducted by the Central Ground Water Board. In April 1978, establishment of a ground water organisation for conducting hydrogeological/geophysical survey and planning etc., was approved by the Government of India, the expenditure thereon to be shared by the Central/State Governments equally.

The organisation was established in August 1978 and upto April 1979, Rs. 5.30 lakhs had been spent on the organisation (Rs. 0.50 lakh on establishment and Rs. 4.80 lakhs on purchase of equipment). No survey work had, however, been taken up by the organisation (May 1979).

(ii) *Estimates and their approval*—(a) Under the financial rules, work should be commenced/liabilities incurred only after a detailed estimate had been sanctioned by the competent authority. Technical sanction for the estimates of 11 tubewells on which expenditure of Rs. 67.57 lakhs had been incurred from November 1973 to March 1979 in three divisions, was awaited (May 1979). Besides, for 2 tubewells on which Rs. 2.53 lakhs had been spent during 1978-79 in Irrigation-cum-Public Health divisions, Sundernagar and Dharamsala, even administrative approval and expenditure sanction had not been obtained (May 1979). The expenditure incurred on 10 tubewells exceeded the technically sanctioned estimates by Rs. 4.73 lakhs. The excess expenditure had not been got regularised.

(iii) In the case of the tubewell at Chalet (cost: Rs. 1.14 lakhs), after commissioning of the well, when it was run continuously for two days in March 1977 the pump along with the pipe slipped into the bore. The circumstances in which this happened had not been investigated. Attempts to extract the pump having not succeeded, advice of Central Ground Water Board, Chandigarh was sought and was awaited (October 1979).

(iv) *Surplus stores, tools, etc.*—(a) A test-check (May 1979) of the records of the Solan and Una divisions showed that pipes, fittings and fixtures valuing Rs. 1.66 lakhs purchased between 1973-74 and 1977-78 were lying unused in the divisional stores (May 1979). Action taken to utilise the material or to transfer them to other divisions was not indicated (May 1979).







Besides, tools and accessories worth Rs. 1.41 lakhs purchased between March and December 1974 by the Una Division on behalf of the Geologist (Department of Industries) for use in test drilling for mineral water at Kalath (Kulu District) were lying unused as the Geologist was reported to have got the drilling work completed through the Beas Sutlej Link Project prior to the purchase of the tools and accessories by the Una Division.

(b) Further, test-check of accounts (May 1979) of Solan Division showed that material valuing Rs. 0.28 lakh was lying unadjusted in the material-at-site accounts of works completed between December 1974 and August 1978.

8. *Evaluation*—No evaluation of the tubewells programme or the working of the tubewells constructed had been undertaken to ascertain whether they had subserved the objectives.

9. *Summing up*—(i) Out of 130 tubewells sanctioned upto March 1979, only 80 had been taken up for construction; of the latter only 49 had been completed in all respects.

(ii) Of the completed tubewells, there were delays ranging from 4 to 82 months in the drilling of 19 tubewells. The 31 tubewells in progress had already been delayed by 7 to 50 months. The delays were attributed by the department to shortage of rigs. However, it was seen that even the available rigs had not been fully utilised.

(iii) Even after the drilling of tubewells was completed, there were delays ranging from 4 months to 35 months in energisation of 30 tubewells. There were also delays ranging from 1½ to 4 years in starting of irrigation after energisation of 15 tubewells, reasons for which were not indicated.

(iv) Only 60.25 per cent of the area expected to be irrigated by the 38 tubewells in operation in 1978 had been irrigated during that year. The shortfall was attributed mainly to non-completion of distribution channels but reasons for not taking action to have the channels completed was not indicated.

(v) There was a cumulative loss of Rs. 24.69 lakhs on the working of the tubewells upto 1978-79. Average net loss per tubewell had increased from Rs. 10,600 in 1974-75 to Rs. 18,387 in 1978-79.

(vi) A ground water organisation created in April 1978 to conduct hydrogeological and geophysical survey had not undertaken any survey upto June 1979 though an expenditure of Rs. 5.30 lakhs had been incurred on it.

(vii) No evaluation of the tubewells programme or the working of the tubewells had been undertaken by the department.

The matters mentioned above were reported to the Government in September 1979; reply is awaited (January 1980).

#### 4.2 Delay in construction of bridges

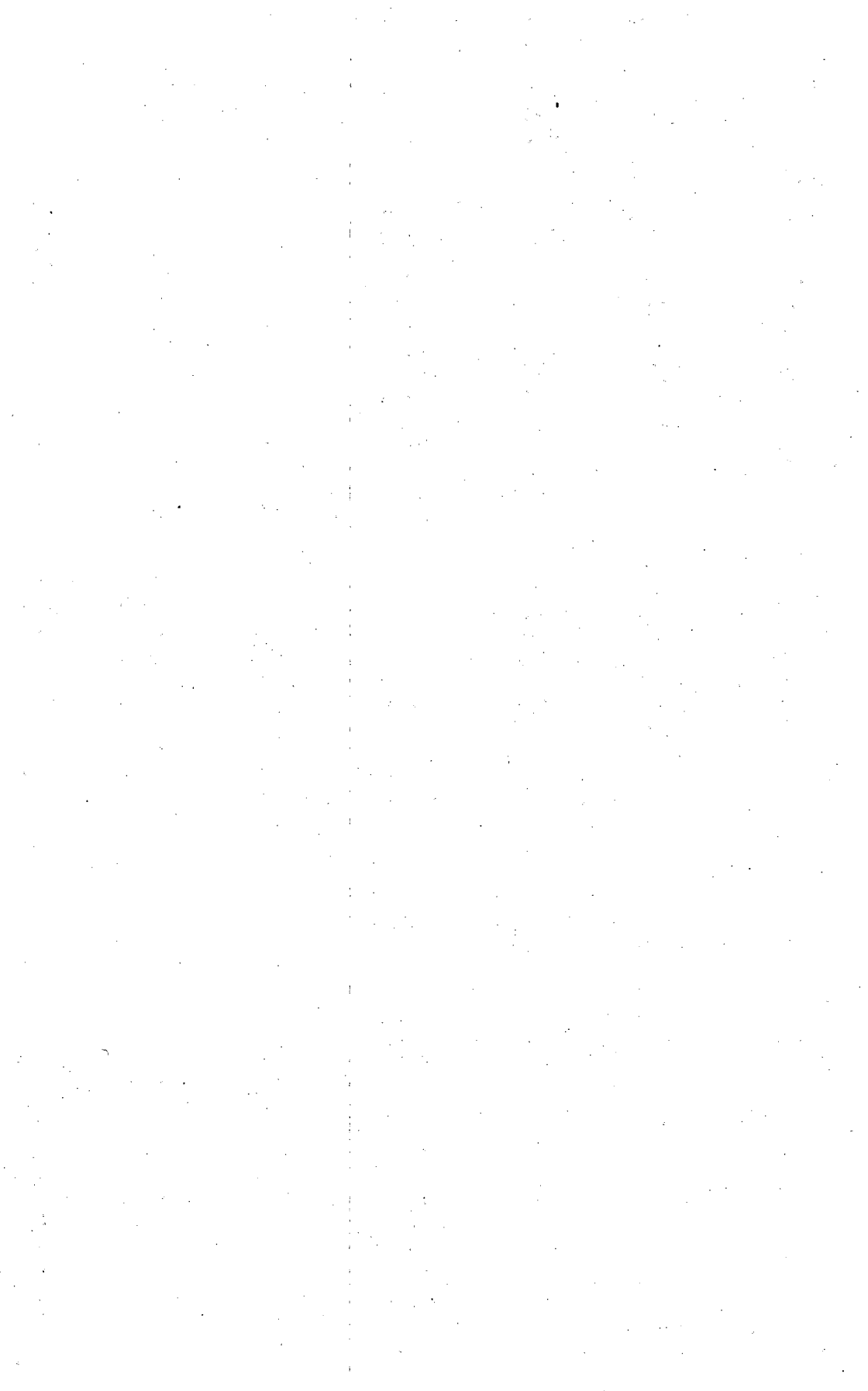
Test-check of records of the various divisions showed that construction of a number of bridges had been badly delayed, in some cases for more than 14 years, due mainly to non-finalisation of design or frequent changes in design or paucity of funds. The details of six bridges are given below:—

Division	Name of bridge Estimated cost	When sanctioned Period stipulated for completion	Expenditure incurred (in lakhs of rupees)
(i) Kinnaur (Buildings and Roads)	Suspension bridge over Sutlej on Nigulsari Gharsoo road Rs. 1.25 lakhs	June 1964 18 months	1.69

Upto 1971, there was no progress on the bridge except procurement of material. Work was started in December 1971; an abutment was completed upto the desired level and the other upto deck level for a jeepable bridge. In June 1973, work was stopped as it was decided to construct a motorable bridge instead of a jeepable one. However, the proposal to have a motorable bridge was dropped and work on jeepable bridge resumed in January 1979. According to the Executive Engineer (July 1979), the bridge could be completed if funds to the tune of Rs. 5 lakhs were allotted for the bridge in one year.

(ii) Palampur (Buildings and Roads) Division No. I	Suspension foot bridge across Neogal <i>khad</i> on Gaggal-Nanaon road (Kangra District) Rs. 3.99 lakhs	July 1970 9 months	0.60
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Wire ropes valuing Rs. 0.49 lakh purchased for the work in March 1972 remained unutilised for 6 years and were transferred to another work in March 1973. The contractor who was allotted the construction of sub-structure in February 1974 suspended the work in September 1974 after executing work of the value of Rs. 0.23 lakh (against contract value of Rs. 0.89 lakh) due to non-provision of funds for the work. The Government stated (September 1979) that the construction of a motorable bridge (estimated cost Rs. 13.39 lakhs) in place of a suspension bridge was sanctioned in December 1978, that the work would be taken up according to availability of funds and that works already executed would form part of the new work.

(iii) Palampur (Buildings and Roads) Division No. I	Bridge over Sinh Khad (Kangra District) on Bhawarna-Khera-Alampur road	November 1971 <hr/> One and a half years	0.60
<hr/> Rs. 2.91 lakhs			

The work which was entrusted to a contractor in April 1974 was suspended in June 1975 because of paucity of funds after 20 per cent work had been executed. The contract was terminated in July 1978 on the ground that the scope of the work and its design had been changed. The work had not been resumed. The Government stated (September 1979) that it had been decided to construct a high level bridge instead of an inverted arch bridge as provided for earlier, that hydraulic data for the design were being collected and that work already executed would form part of the new work.

(iv) Kasauli	Construction of 18 span vented causeway over Balad Nullah on Baddi-Barotiwala road	October 1973 <hr/> 18 months	10.09
<hr/> Rs. 9.61 lakhs			

The design of the bridge was changed (April 1974) to 29 spans after the abnormal floods of 1973.

The contractor who was entrusted (October 1973) with the work expired in January 1975 and his widow who took over the work was reported (March 1976) to have executed defective and below specification work due to lack of experience. After executing work of

the value of Rs. 10.09 lakhs on 18 spans, she expressed (October 1977) her inability to continue further with the execution. The incomplete work was taken up for completion departmentally and was in progress. A claim of the contractor for Rs. 5.32 lakhs was reported to be pending (January 1980).

The Government stated (October 1979) that closure of the widow's contract was under consideration. It was further added that out of 29 spans, R.C.C. slabs on 27 spans had been laid and that the work was likely to be completed by June 1980 subject to availability of funds.

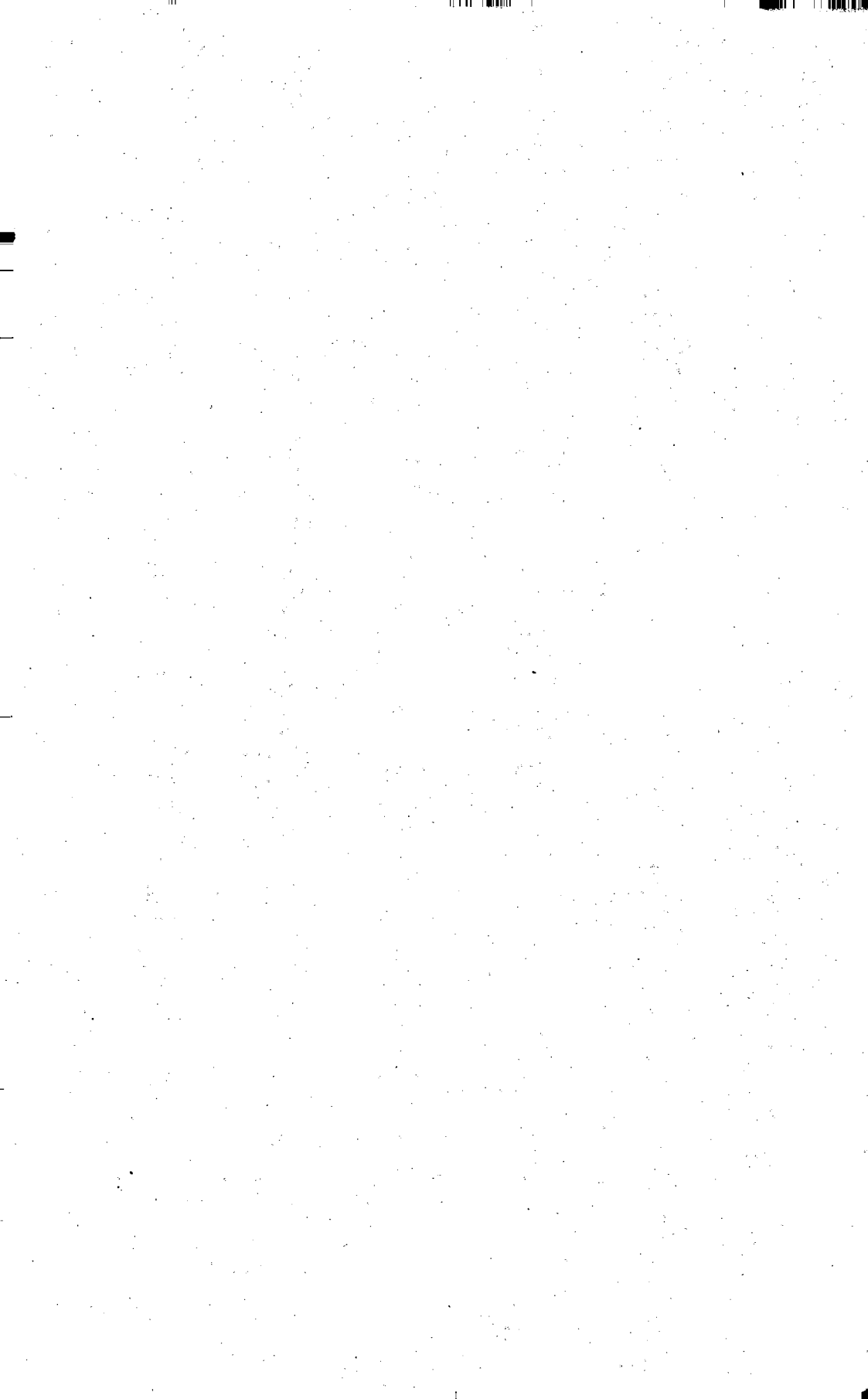
(v) Kasauli	Construction of 60 feet bridge across Haripur <i>choe</i> on Shallaghat-Arki-Kunihar-Barotiwala road	March 1974 <hr/> 1½ years	0.79
<hr/>			
Rs. 1.33 lakhs			

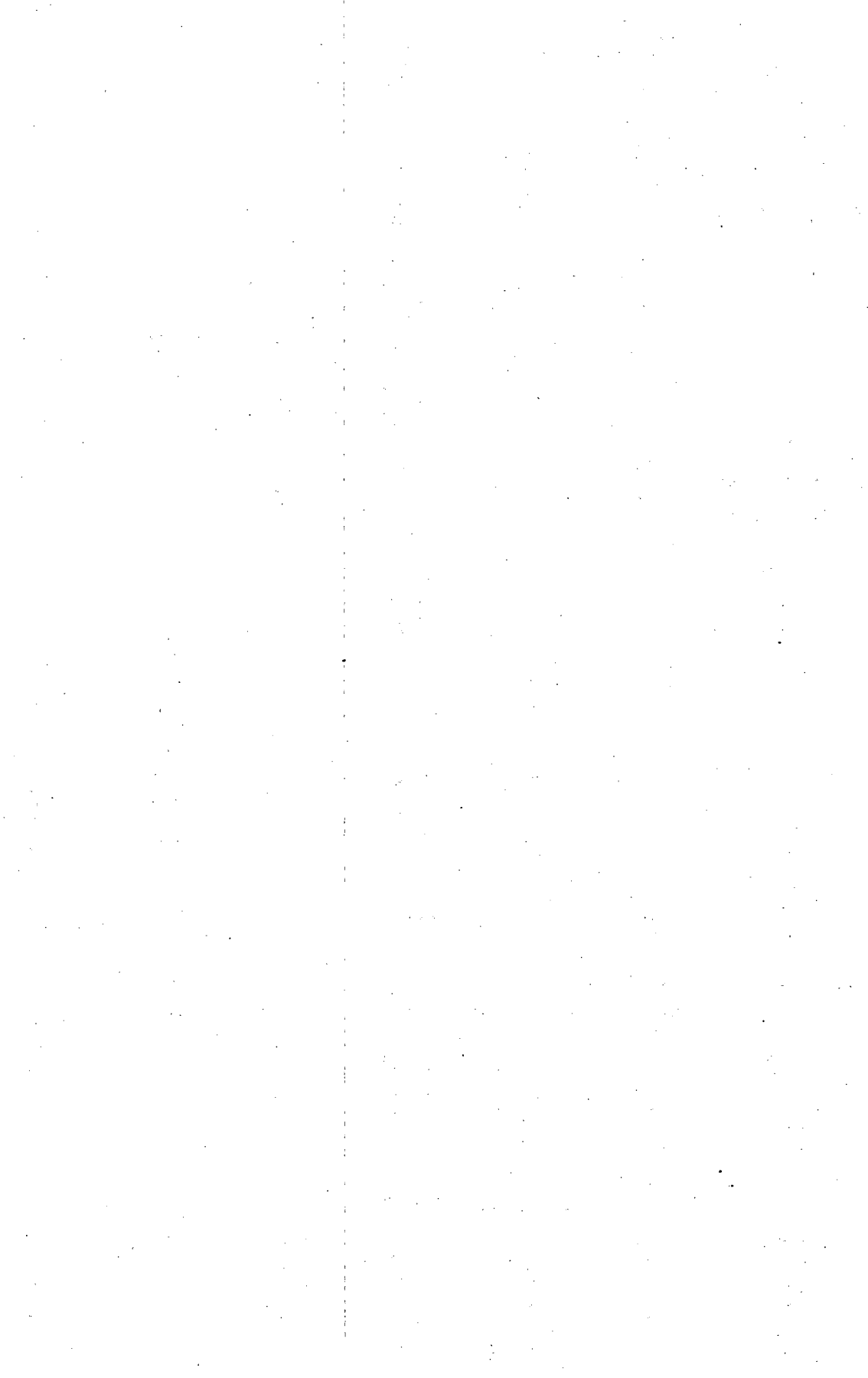
After completing one abutment departmentally in July 1976 the work was stopped reportedly due to inadequate budget allotment. The down-stream diversion was reported to have been washed away in the rains of 1976. A proposal sent (August 1978) to change the design was approved by the Chief Engineer in March 1979.

The Government stated (October 1979) that only the design of the bridge had undergone a change and that the work of excavation of abutment on Barotiwala side had since been taken up. It was further stated that the work already executed would form part of the entire project and that its completion was dependent on the availability of material, labour and budget provision.

(vi) Bridge Construction Division, Paonta	Steel truss bridge over Meenus <i>khad</i> on approach road to Meenus Bazar	December 1975 <hr/> 2 years	5.91
<hr/>			
Rs. 4.08 lakhs			

Work on the bridge was started departmentally without getting clearance from the State Geologist for the site as required under departmental instructions. After excavation of foundation for abutment and completion of approaches on both sides, it was reported (September 1978) by the Executive







Engineer that the site of the bridge was not suitable because limestone deposits had been struck. Opinion of the State Geologist called for in August 1978 was awaited (December 1978).

The matters mentioned above were reported to Government in May 1979 to September 1979 reply was awaited except in respect of serial numbers (ii) to (v) which have been incorporated.

#### 4.3 Splitting up of works

The rules enjoin that works should be given out on contract after inviting tenders in the most open and public manner possible. The Divisional Officers in the Buildings and Roads Branch are, however, empowered to issue work orders without call of tenders upto Rs. 20,000 each provided the estimated cost of the work does not exceed that amount. Splitting up of work orders is prohibited.

The State Government constituted (October 1973) a Consultative Advisory Committee which, *inter alia*, recommended (June 1974) that works should be split up into small groups so as to allot works to labour contractors on work order basis without depositing earnest money. Despite the fact that the recommendations of this Committee did not have the approval of the State Government, they were notified (June 1974) by the Chief Engineer amongst all Superintending Engineers in the State.

Test-check (June 1978 to March 1979 and May/June 1979) of the accounts of 17 divisions revealed that between 1975-76 and May 1979 works costing Rs. 74.89 lakhs (1975-76: Rs. 3.44 lakhs; 1976-77: Rs. 19.61 lakhs; 1977-78: Rs. 21.80 lakhs; 1978-79: Rs. 27.04 lakhs and 1979-80: Rs. 2.91 lakhs) requiring sanction of higher authorities had been split up to bring them within the powers of sanction of the Divisional Officers and awarded to 604 contractors on work order basis. The benefit of competitive rates through tenders was thus lost in these cases.

The Chief Engineer stated (June 1979) that instructions had since been issued to all the field officers to avoid recurrence of such splitting of works without the sanction of the competent authority.

The matter was referred to the Government in July/August 1979; reply is awaited (January 1980).

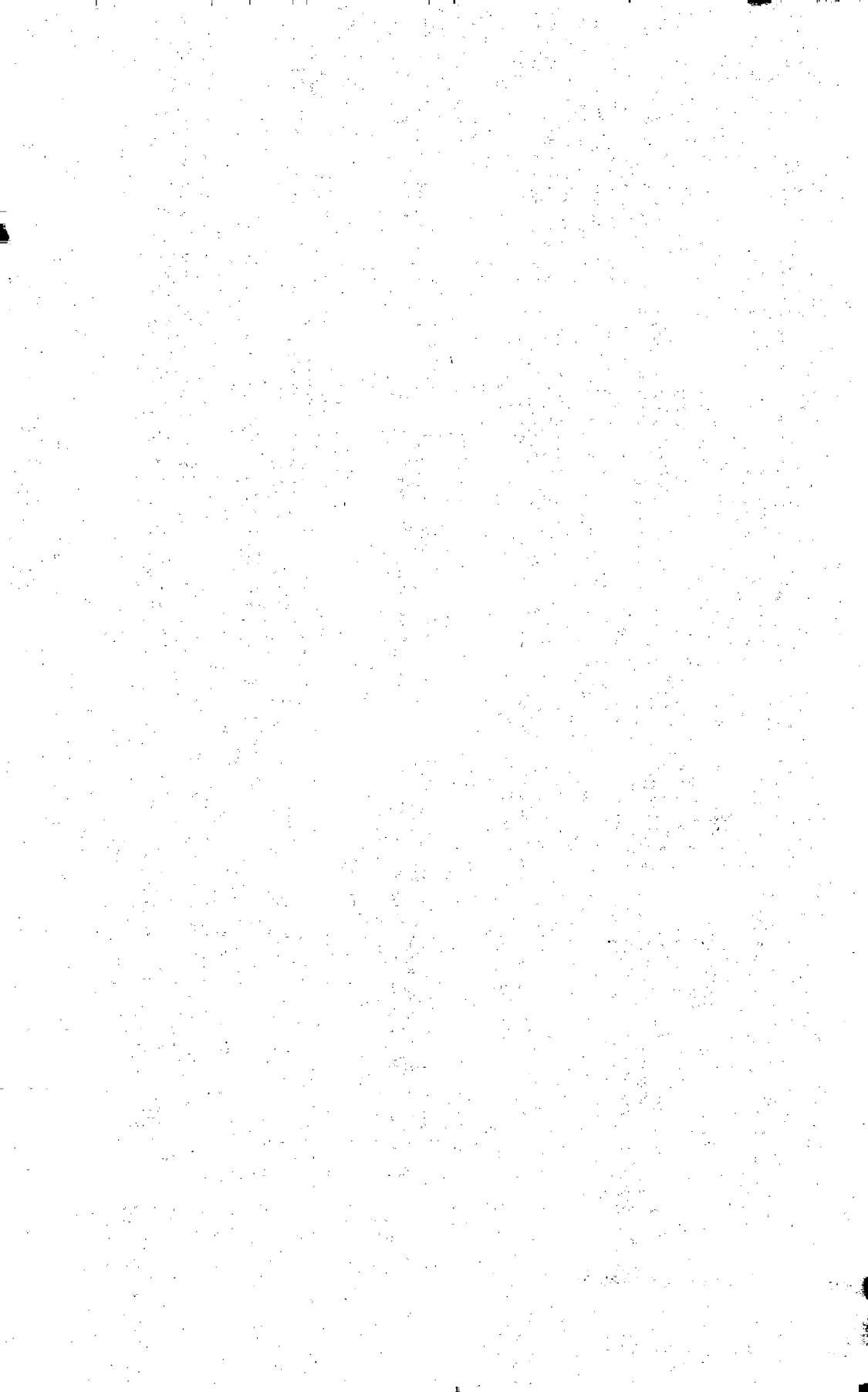
#### 4.4 Alleged misappropriation of material

In Kaza (Buildings and Roads) Division, expenditure of Rs. 2.73 lakhs, largely on procurement of materials, was incurred on G.I. pipes, G.I. fittings and cement, etc. upto 1977-78. On the formation of the Irrigation-cum-Public Health Division, Pooch in June, 1978, the three works were transferred to that division. The successor division pointed out (December 1978) that, while expenditure of Rs. 2.03 lakhs had been incurred, the works had not been commenced and material valuing Rs. 1.64 lakhs had been misappropriated/handed over short in respect of two works. The Pooch Division completed one work after spending a further amount of Rs. 0.20 lakh and procured further material worth Rs. 0.95 lakh for the other two works. Work on the two works had not commenced (June 1979). The details of the schemes, expenditure incurred and material shortages were as follows:—

Serial No.	Scheme	Estimated cost (Rupees in lakhs)	When sanctioned	Stipulated period for completion	Expenditure incurred by Kaza Division upto 1977-78	Material handed over to Pooch Division	Value of material misappropriated/handed over short	Further expenditure incurred by Pooch Division during 1978-79
(Rupees in lakhs)								
1.	Water Supply Scheme, Lari	0.37	March 1974	3 months	0.70	..	..	0.20
2.	Water supply Scheme, Harling	0.90	June 1975	6 months	1.25	0.17	1.08	0.45
3.	Water Supply Scheme, Tabo	0.83	July 1976	2 years	0.78	0.22	0.56	0.50
Total		2.10			2.73	0.39	1.64	1.15

Reasons for the delay in the execution of the schemes were not stated.

No action to regularise the excess expenditure as well as to reconcile/investigate the shortages had been taken by the division (June 1979). Material-at-site account of the Lari water supply scheme was also stated by the Executive Engineer, Irrigation-cum-Public Health Division, Pooch to have not been transferred to it so far (June 1979) by the Kaza Division.





#### 4.5 Non-accountal of trees etc., for which compensation had been paid.

Test-check of records of the Buildings and Roads Division, Rajgarh showed that, though compensation amounting to Rs. 0.64 lakh had been paid for 194 fruit bearing and 49 other trees standing in private land acquired for construction of a road, records showing their accountal, disposal and realisation of sale proceeds had not been maintained. In the absence of proper accountal of the trees etc., there is a serious risk of the sale proceeds being misappropriated.

The matter was reported to the Government in July 1979; reply is awaited (January 1980).

#### 4.6 Delays in construction of buildings

Delays ranging upto 17 years in construction were noticed in the case of the following building works which were still incomplete:—

Division	Name of work Estimated cost	Year of commencement of work Period stipulated for completion	Expenditure incurred (In lakhs of rupees)
(i) Jubbhal	Construction of quarters for the Public Works Department staff. Rs. 0.34 lakh	July 1962 9 months	1.05

Super-structure and masonry work upto sill level only had been completed in the case of one unit and the others had been constructed only upto plinth level at the time of audit in July 1979.

(ii) Jubbhal	Additional accommodation for Higher Secondary School, Jubbhal Rs. 1.77 lakhs	1972-73 2 years	0.33
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After incurring expenditure of Rs. 0.33 lakh by March 1975 on acquisition of land, development of site and collection of material, the work was suspended due to non-finalisation of design. The design had still not been finalised (December 1979).

(iii) Kumarsain	Additional accommo- dation for Higher Secondary School, Neethar (Kulu District)	January 1975 3 years	0.49 (Upto October 1979)
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Rs. 0.73 lakh

Work upto ground floor, including window and door frames, only had been completed upto October 1979 due to non-availability of adequate funds. Technical sanction for the work had not been accorded as the estimates were stated to be under process.

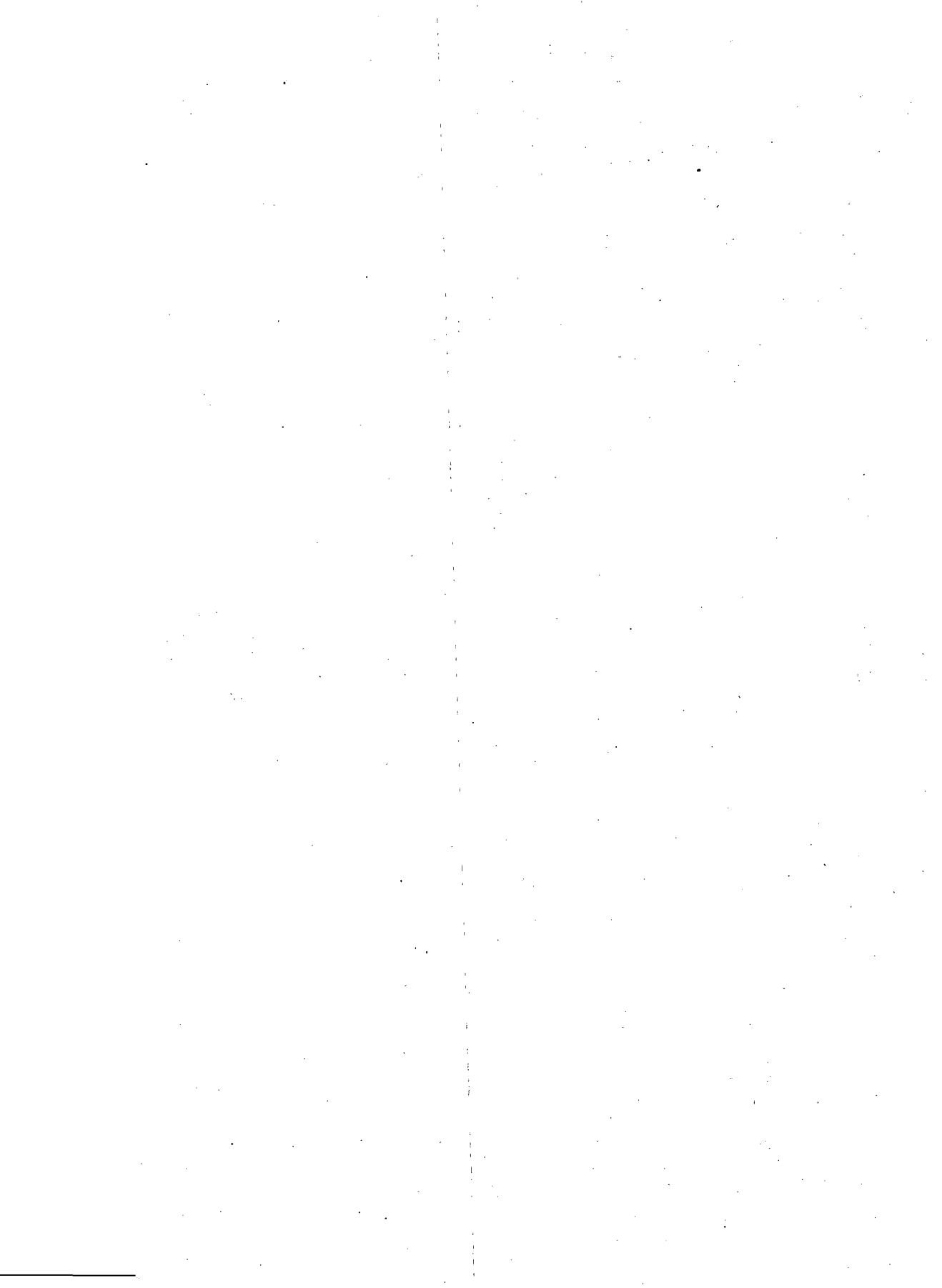
The matters mentioned above were reported to the Government in March and October 1979. In the second case the Government stated that expenditure of Rs. 0.38 lakh was incurred upto March 1979 and that the work had been executed in accordance with the funds made available by the Education Department. In the last case the Government stated that the remaining work was likely to be completed in 1979-80. Reply in the first case was awaited (January 1980).

#### 4.7 Unauthorised payments to suppliers

Three instances where suppliers of R.C.C. pipes and collars were made advance payments totalling Rs. 3.46 lakhs without taking physical delivery of the pipes as required under the terms of the supply orders were noticed in audit. The details were as under:—

By whom advance payment made	When paid	Amount paid (In lakhs of rupees)	When the material was supplied and how much
(i) Assistant Engineer, Swarghat Sub-division	December 1978	0.82	Material worth Rs. 0.38 lakh was supplied between January 1979 and May 1979 in 18 lots and balance Rs. 0.44 lakh refunded in March 1979.







- |   |            |      |  |
|---|------------|------|--|
| (ii) Assistant Engineer, Tubewell Sub-division Nalagarh | March 1978 | 1.32 | Material worth Rs. 0.23 lakh was supplied and Rs. 1 lakh refunded in June 1978, leaving Rs. 0.09 lakh unrecovered. |
| (iii) Irrigation divisions, Solan, Hamirpur and Nahan   | March 1978 | 1.32 | Material worth Rs. 0.23 lakh only was supplied in June 1978.   |

In the first case, the advance payment which was 100 per cent of the cost of materials had been made by the Assistant Engineer, though authorised to make payment of bills not exceeding Rs. 4,000 and debited to Miscellaneous Works Advances. Inspection of the material at the premises of the supplier was reportedly carried out by the Assistant Engineer but physical delivery of the material had not been obtained before making payments as required, under the terms of the supply order.

In the second and third cases 90 per cent advance payment was made without any inspection or physical delivery.

The cases were reported to the Government in July, March and September 1979 respectively. In the first and third cases reply of the Government is awaited. In the second case the Government stated (September 1979) that the Assistant Engineer concerned had been suspended (February 1979) and that the case had been entrusted to the Vigilance Department (February 1979) for investigation. It was also stated that after adjusting the pending claims of the supplier only Rs. 975 remained to be recovered.

#### 4.8 Non-reconciliation of transactions with treasuries

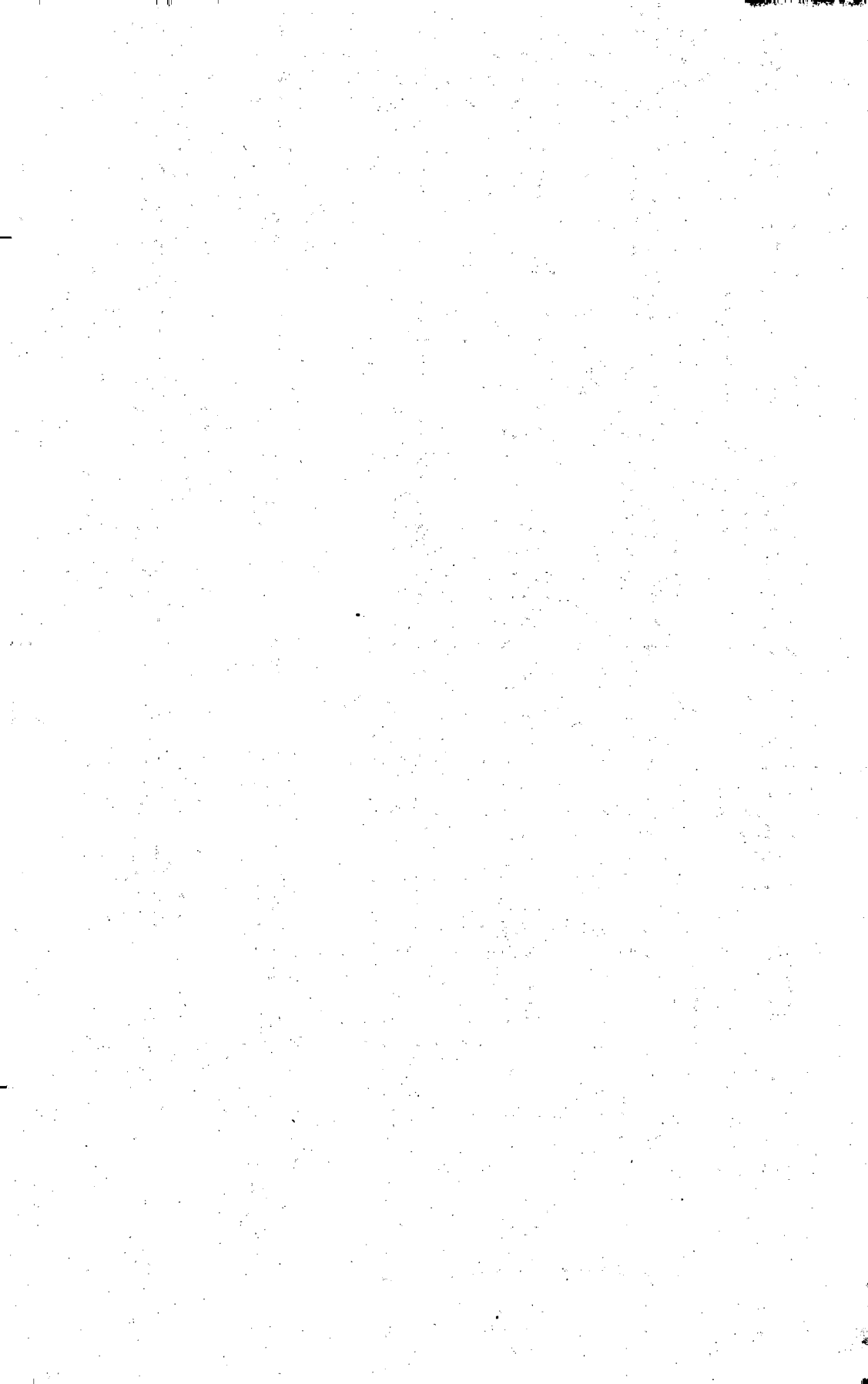
The rules require that the Public Works Divisional Officers should send to the Accountant General, along with their monthly accounts, (i) a schedule of cheques drawn by them duly supported by certificates of issue from the Treasury Officers and (ii) a schedule of remittances into treasuries supported by consolidated treasury receipts issued by Treasury Officers. These documents are required to be furnished so that reconciliation can be effected between the figures shown in the accounts of the divisions and in the treasury accounts of cheques drawn and remittances into treasuries.

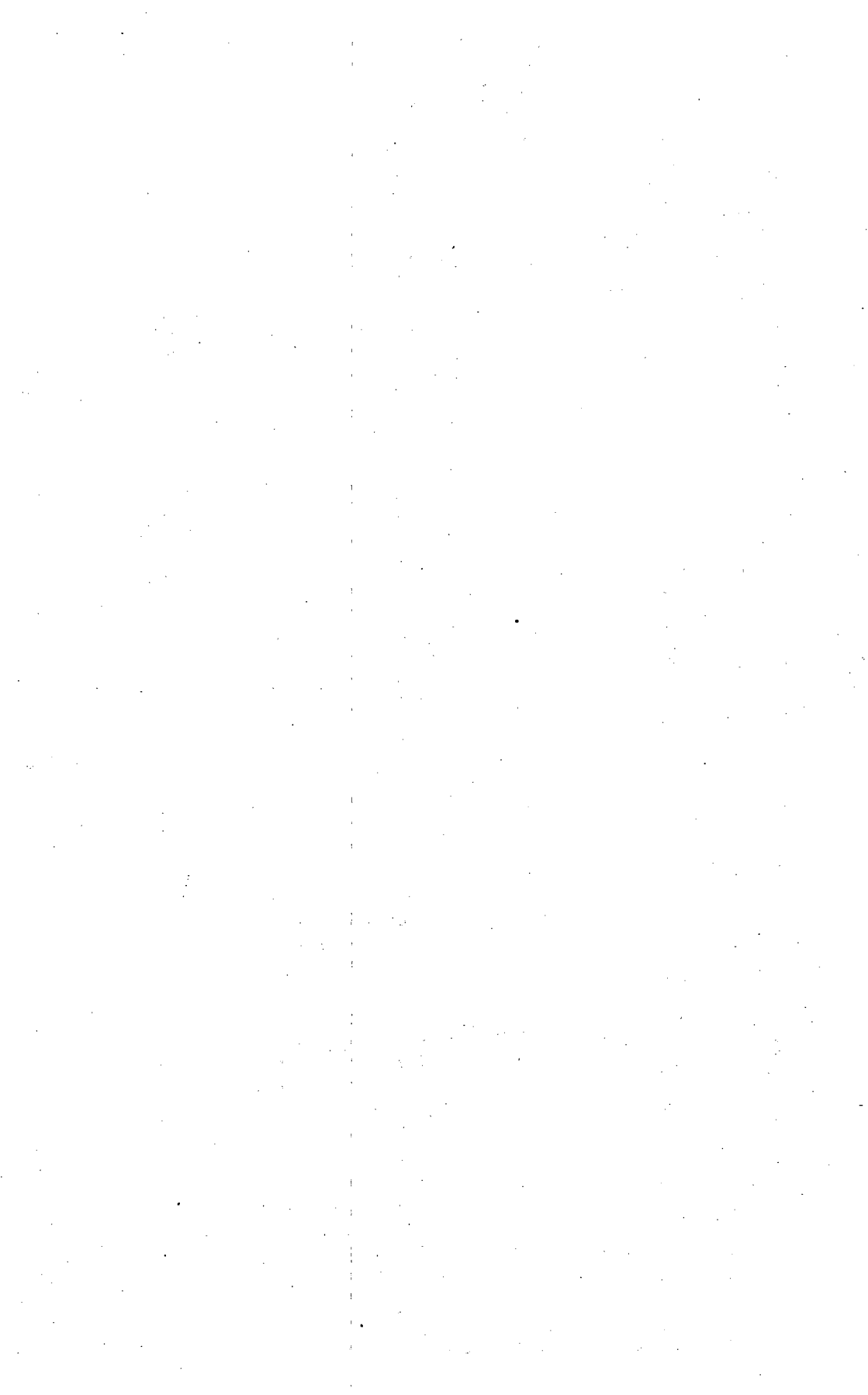
As on 30th June 1979, 807 certificates of issues and consolidated treasury receipts due upto 31st March 1979 from 49 out of 70 Public Works Divisions in the State had not been received inspite of protracted correspondence with the Chief Engineers/State Government. Year-wise details of documents not received are given below:—

Year	Number of divisions from which not received	Number of certificates of issues not received	Number of consolidated treasury receipts not received
1971-72	1	11	11
1972-73	6	30	30
1973-74	5	60	60
1974-75	7	73	73
1975-76	9	84	84
1976-77	11	92	92
1977-78	21	138	138
1978-79	49	319	319
		<u>807</u>	<u>807</u>

In the absence of these certificates and consolidated treasury receipts, it is not possible to verify whether all cheques paid by the treasuries were cheques duly issued by the divisions and whether all the receipts stated to have been deposited by the divisions into the treasuries/banks had been accounted for and no misappropriation/fraud had taken place.

The matter was again brought to the notice of the Government in August 1979; reply is awaited. (January 1980).





## CHAPTER V

### STORES AND STOCK

#### 5.1 Synopsis of important stores accounts

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

Department	Year(s) for which stores accounts awaited
1. Agriculture	1970-71 and 1971-72 and 1975-76 to 1978-79
2. Animal Husbandry	1978-79
3. Forest	1973-74 to 1978-79
4. Industries	1977-78 and 1978-79
5. Health and Family Welfare	1972-73 to 1978-79

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

A synopsis of important stores accounts for 1978-79 (other than those relating to Government commercial and quasi-commercial departmental undertakings) to the extent received (January 1980) is given below:—

Department	Nature of stores	Opening balance on 1st April 1978	Receipts	Issues	Closing balance on 31st March 1979
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(Rupees in lakhs)

1. Printing and Stationery	(a) Plant, machines and spare parts	13.52	1.82	1.89	13.45
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(b) Paper and binding material	8.64	8.78	8.11	9.31
(c) Stationery	1.39	36.29	26.22	11.46
(d) Publications and gazettes	3.01	2.08	1.22	3.87
Total	26.56	48.97	37.44	38.09

## 2. Public Works

Buildings and Roads branch	Iron, cement, pipes, bricks and timber	4,16.85	9,68.03	10,41.65	3,43.23
Public Health branch	Iron, cement, pipes and bricks	(-)12.83	6,68.80	6,10.09	45.88
Irrigation branch	Cement, iron and pipes	15.17	4,46.88	3,93.66	68.39
Total		4,19.19	20,83.71	20,45.40	4,57.50

## PUBLIC WORKS DEPARTMENT

### 5.2 Reserve stock limits

The stock held at the close of 1978-79 in 14 divisions exceeded the reserve stock limits by more than 50 per cent (in 3 divisions by more than 200 per cent and in 6 other divisions by more than 100 per cent). The details of these divisions are given in Appendix VIII.

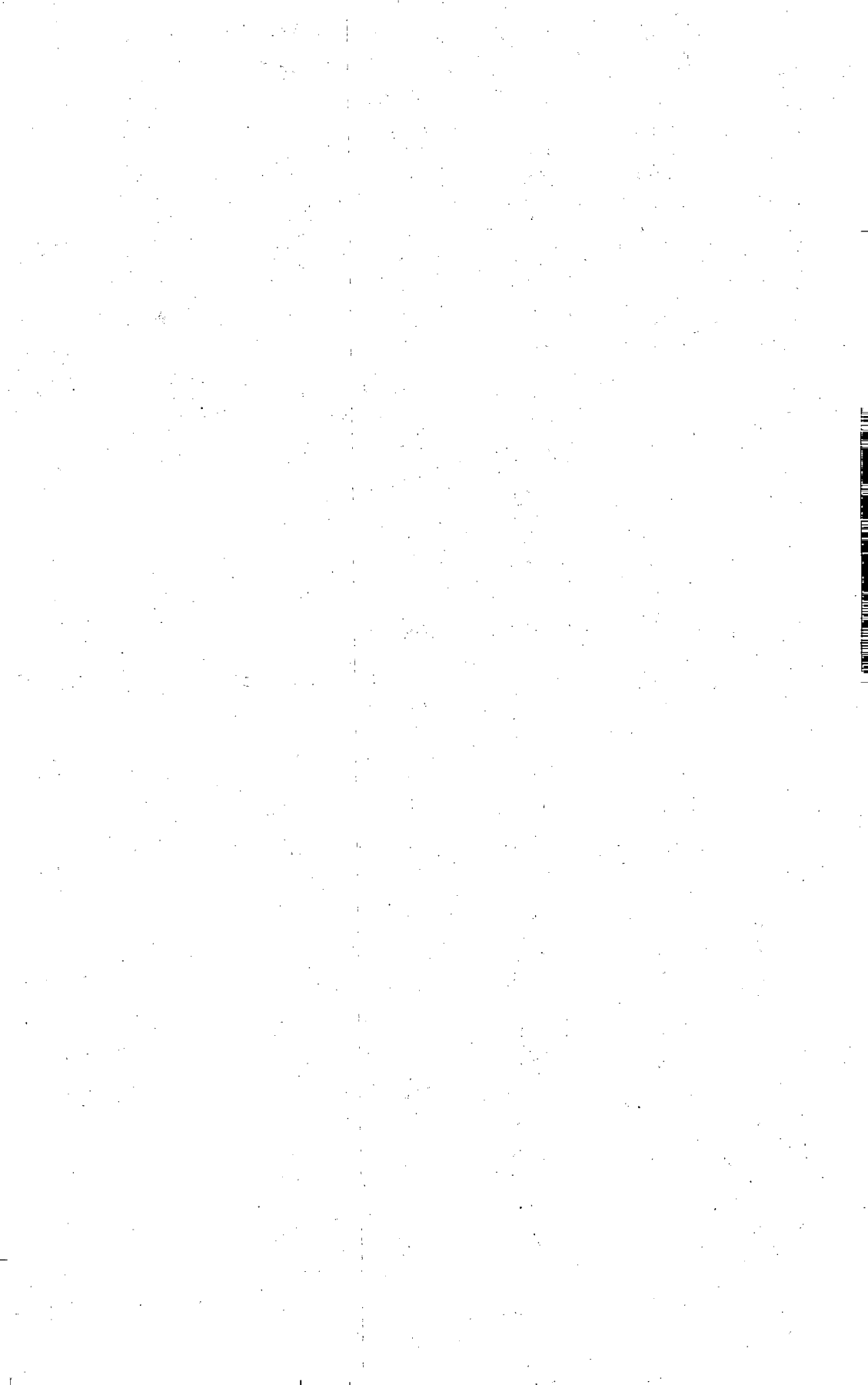
### 5.3 Physical verification

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 70 divisions, physical verification had not been done/ been partly done in the case of 39 divisions as detailed below:—

	Number of divisions	Number of divisions where physical verification was	
		Not done	Partly done
Buildings and Roads branch	44	12	9







Irrigation branch	26	15	3
Total	70	27	12

Steps taken to complete stock verification had not been indicated.

#### 5.4 Minus balances

A minus balance in the stock accounts is indicative of non-adjustment of (i) advice memos received from Accountant General for adjustment of cost of materials, (ii) value of stores of subdivisions transferred from one division to another or (iii) profit on stock. There were large minus balances in stock accounts of the following divisions:—

Serial Number	Division	Minus balance at the end of		
		1976-77	1977-78	1978-79
(Rupees in lakhs)				
1.	Kulu-II (Buildings and Roads)	0.34	2.62	15.07
2.	Solan (Irrigation)	5.34	0.80	0.80
3.	Simla-II	..	1.15	8.32
4.	Fatehpur	..	1.59	2.28
5.	Irrigation-cum-Public Health, Mandi	..	4.04	19.70
6.	Hamirpur (Buildings and Roads)	..	28.15	28.15

No action to reconcile/adjust the minus balances had been taken (November 1979) though the matter had been brought to the notice of the Divisional Officers from time to time.

#### 5.5 Shortage/excess of stores

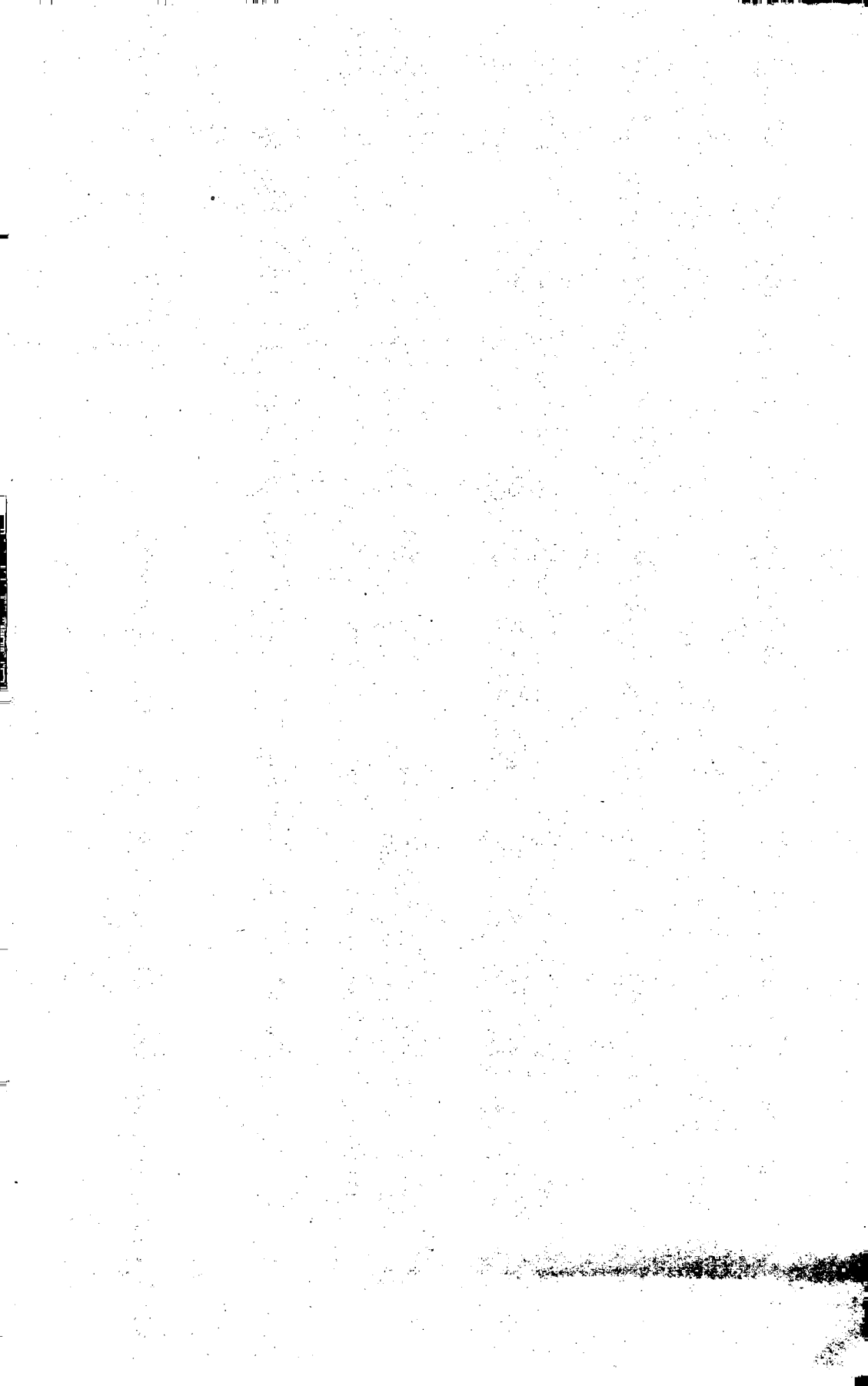
Shortages valuing Rs. 5.74 lakhs and excesses valuing Rs. 0.70 lakh were noticed at the time of transfer of charge by incumbents/

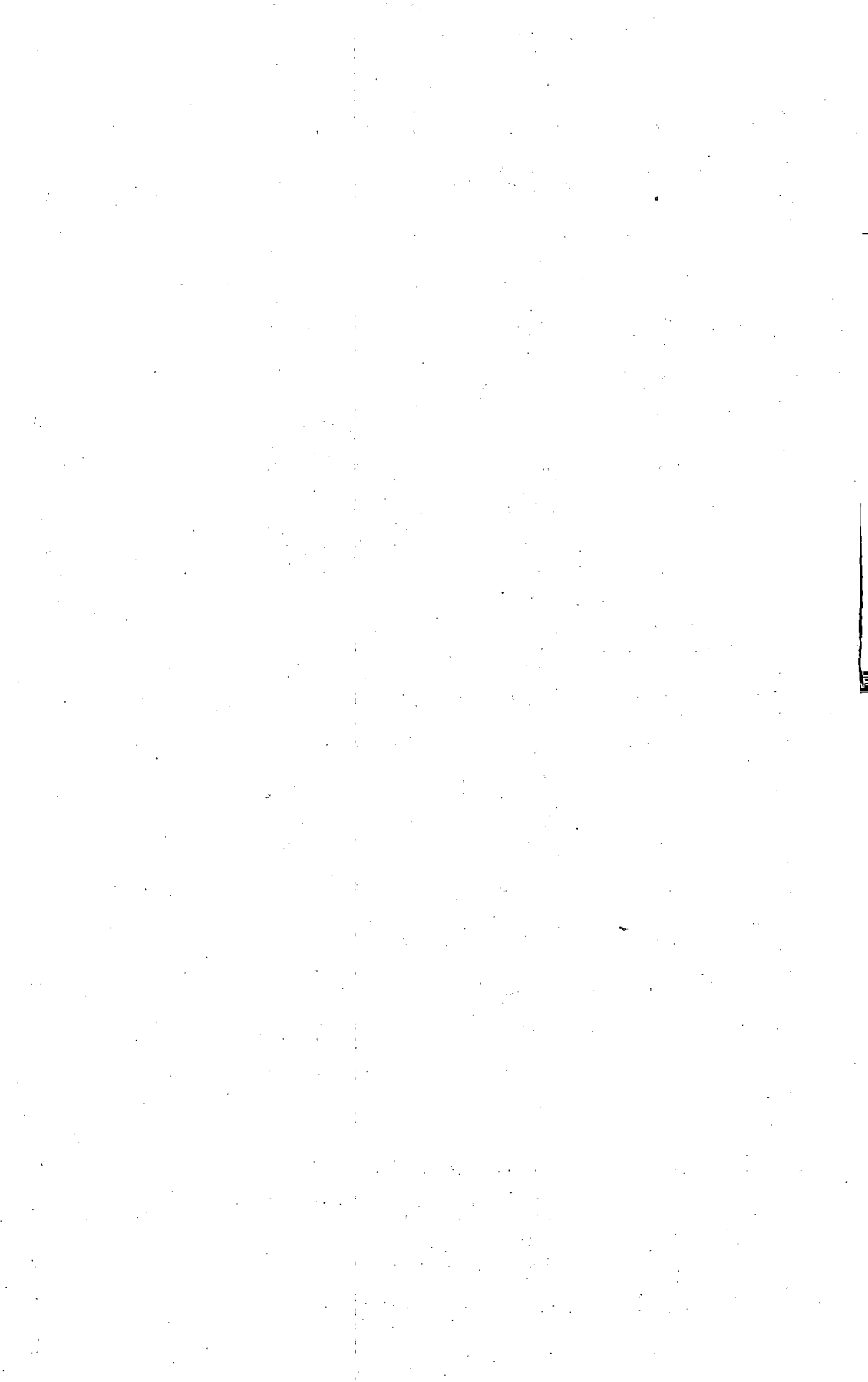
actual transfer of materials in the material-at-site accounts in the following cases:—

Division	Particulars of stores	Value of		When noticed
		Short-ages	Exces-ses	
(Rupees in lakhs)				
Dharamsala	Angle iron, M.S. round, deodar wood, etc.	0·84	..	September 1977
Simla-II	G.I. tank, M.S. round, P.G.I. sheets, etc.	0·83	0·01	April 1978
Rajgarh	M.S. bars, hammer, etc.	0·78	..	September 1976— August 1978
Kinnaur	M.S. bars, gelatine, cement, C.G.I. sheets, etc.	2·47	0·69	September and December 1977
Rampur	Material at the site of the works Sungri-Summerkot road and Khadralla-Sungri road	0·74	..	September 1976
Bilaspur	Deodar wood, Mobil oil/diesel oil, steam coal, etc.	0·08	..	January 1974
Total		5·74	0·70	

In these cases no action to investigate the shortage/adjust them had been taken.

The above cases were referred to the Government during May to September 1979; replies are awaited (January 1980) except in respect of Dharamsala Division where the Government stated (September 1979) that disciplinary case against Junior Engineer had been initiated and in respect of the Rajgarh Division where action was being initiated.





## 5.6 Fictitious adjustments

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

Test-check (May 1978—May 1979) of the accounts of 15 divisions revealed that in the case of 123 works, apart from debiting of material aggregating Rs. 39.99 lakhs debited to these works, material valuing Rs. 0.31 lakh was utilised on the works and material valuing Rs. 16.36 lakhs was either written back to stock or transferred to other works/divisions or sold to other divisions/parties. The remaining material aggregating Rs. 23.32 lakhs was lying unutilised. Further details are given in Appendix IX.

The Government stated (October 1979) that it was a common feature of the working of the department to arrange for the requisite material in advance according to availability of funds before actual execution of work; further, in this process, certain adjustments had to be made in public interest by transfer of material from one work to another needy work.

## 5.7 Surplus stores

The rules require that purchase of stores should be made in accordance with definite requirements of public service and that care should be taken not to purchase stores much in advance of actual requirements.

A test-check (February/March 1979) of the accounts of Simla Division No. II (Buildings and Roads), Simla disclosed that galvanised pipes and fittings valuing Rs. 1.22 lakhs, mostly acquired during 1971-72 (actual dates of purchase were not readily available in the division), had remained unused for periods ranging between six and eight years. The materials were declared (August 1977) surplus to the requirements of the division as all the water supply schemes under the division had been transferred to the Irrigation-cum-Public Health Division Simla. No action had been taken even to transfer the surplus pipes and accessories to the latter division (March 1979).

The matter was referred to the Government in September 1979; reply is awaited (January 1980).

## DEPARTMENT OF HOME

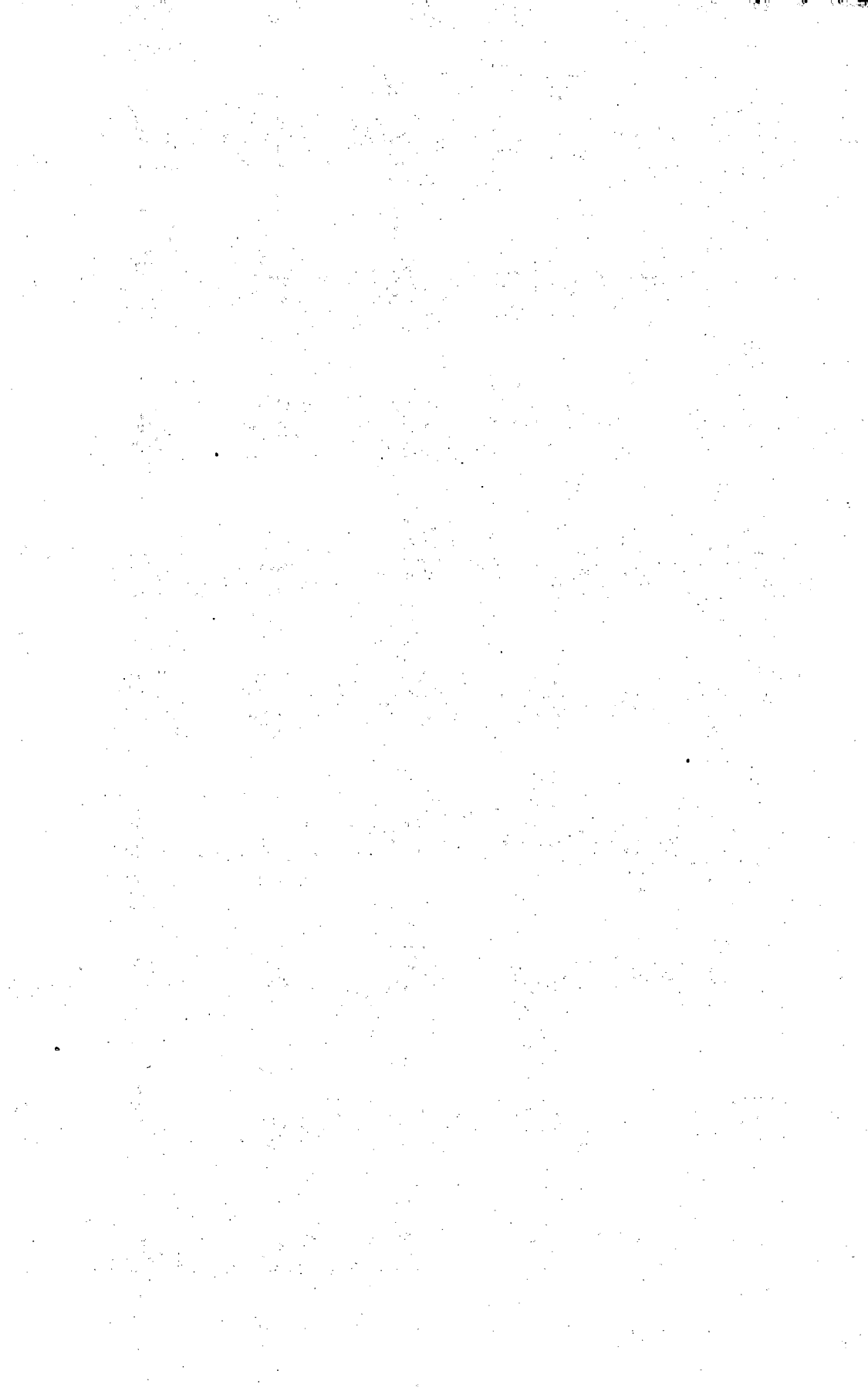
## 5.8 Deposits in Police Fund

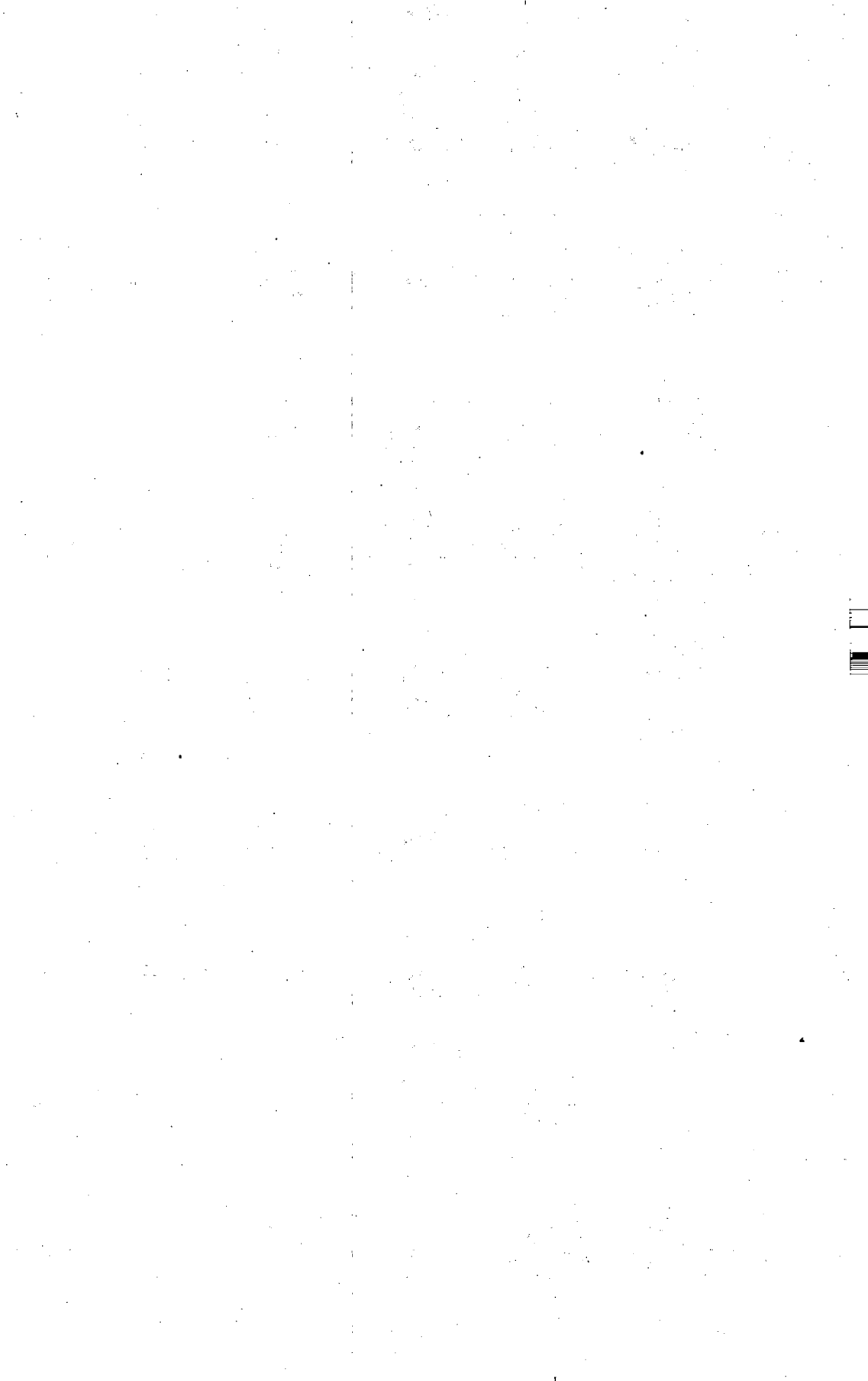
The Police Rules *inter alia* require that the charges for clothing and equipment should be drawn each year immediately after the annual budget allotment is made (through separate special contingent bills presented at the treasury) and the amounts so drawn should be credited by the Treasury Officer(s) to the Police Fund Deposit accounts.

In four offices, the unspent balances in the Fund increased from Rs. 8.35 lakhs in April 1976 to Rs. 17.14 lakhs at the end of March 1979 representing an increase of 105 per cent as detailed below:—

Serial No.	Office	Year	Opening balance	Receipts	Expenditure	Closing balance
(Rupees in lakhs)						
1.	Police Radio Officer, Simla	1976-77	1.02	0.69	0.89	0.82
		1977-78	0.82	0.76	0.66	0.92
		1978-79	0.92	0.72	0.33	1.31
2.	Superintendent of Police, Solan	1976-77	2.36	1.94	0.95	3.35
		1977-78	3.35	1.88	0.65	4.58
		1978-79	4.58	1.87	1.11	5.34
3.	Superintendent of Police, Una	1976-77	0.44	0.39	0.45	0.38
		1977-78	0.38	0.41	0.21	0.58
		1978-79	0.58	0.42	0.07	0.93
4.	Superintendent of Police, Simla	1976-77	4.53	4.48	2.34	6.67
		1977-78	6.67	4.21	1.86	9.02
		1978-79	9.02	3.32	2.78	9.56
		(Upto December 1978)				

Apart from non-utilisation of funds, it was seen that cloth worth Rs. 3.61 lakhs purchased for stitching uniforms was lying unutilised in 4 Police Offices where the records were test-checked (Superintendent of Police, Kangra: Rs. 2.42 lakhs; Superintendent of Police, Solan: Rs. 0.61 lakh; Superintendent of Police, Kulu: Rs. 0.15 lakh; Police Radio Officer, Simla : Rs. 0.43 lakh).







The cases were referred to the Government in March-September 1979. The Government stated (December 1979) that instructions had been issued for issue of uniforms as per the revised pattern and that by the end of the current year the cloth lying in stock was expected to be utilised.

## CHAPTER VI

### FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

#### 6.1 Grants and their utilisation

In 1978-79, Government paid Rs. 5,86.14 lakhs as grants to panchayats, municipalities, co-operative societies, educational institutions, etc. as detailed below:—

Department	Grants paid during 1978-79
	(Rupees in lakhs)
1. Agriculture	2,05.45
2. Education	1,42.77
3. Rural Integrated Development	89.56
4. Local Self Government	65.97
5. Industries	18.40
6. Welfare	18.11
7. Tourism	13.50
8. Panchayati Raj	12.47
9. Forest	11.00
10. Animal Husbandry	7.86
11. General Administration	0.56
12. Health and Family Welfare	0.36
13. Public Works	0.13
Total	5,86.14

Under the rules, certificates to the effect that the grants had been utilised for the purposes for which they were paid are required to be furnished by the departmental offices to the Audit Office within one year of the disbursement of the grants unless specified otherwise. The Public Accounts Committee had repeatedly expressed dissatisfaction with the slow progress of submission of utilisation certificates and recommended that cases of unusual delays on





the part of field officers should be duly investigated. The latest position is that out of 2,981 certificates (Rs. 10,78.18 lakhs) to be received upto 30th September 1979 in respect of grants paid from 1958-59 to 1977-78, only 1,558 certificates (Rs. 4,55.10 lakhs) had been furnished. Department-wise break-up of the awaited 1,423 utilisation certificates (Rs. 6,23.08 lakhs) is given below:—

Serial Number	Department	Number of certificates	Amount (Rupees in lakhs)
1.	Rural Integrated Development	902	1,30.06
2.	Education	129	33.22
3.	Local Self Government	189	74.45
4.	Industries	13	82.50
5.	Agriculture	37	2,51.27
6.	Welfare	140	21.80
7.	Medical	8	4.50
8.	Tourism	1	25.00
9.	General Administration	4	0.28
Total		1,423	6,23.08

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

	Number of certificates	(Rupees in lakhs)
Delayed upto three years	636	4,64.35
Delayed for more than three years but upto five years	250	62.45
Delayed for more than five years but upto ten years	441	85.73
Delayed for more than ten years	96	10.55
Total	1,423	6,23.08

As on 30th September 1979, 37 utilisation certificates, as detailed below, in respect of grants paid to Himachal Pradesh University and privately managed schools were awaited:—

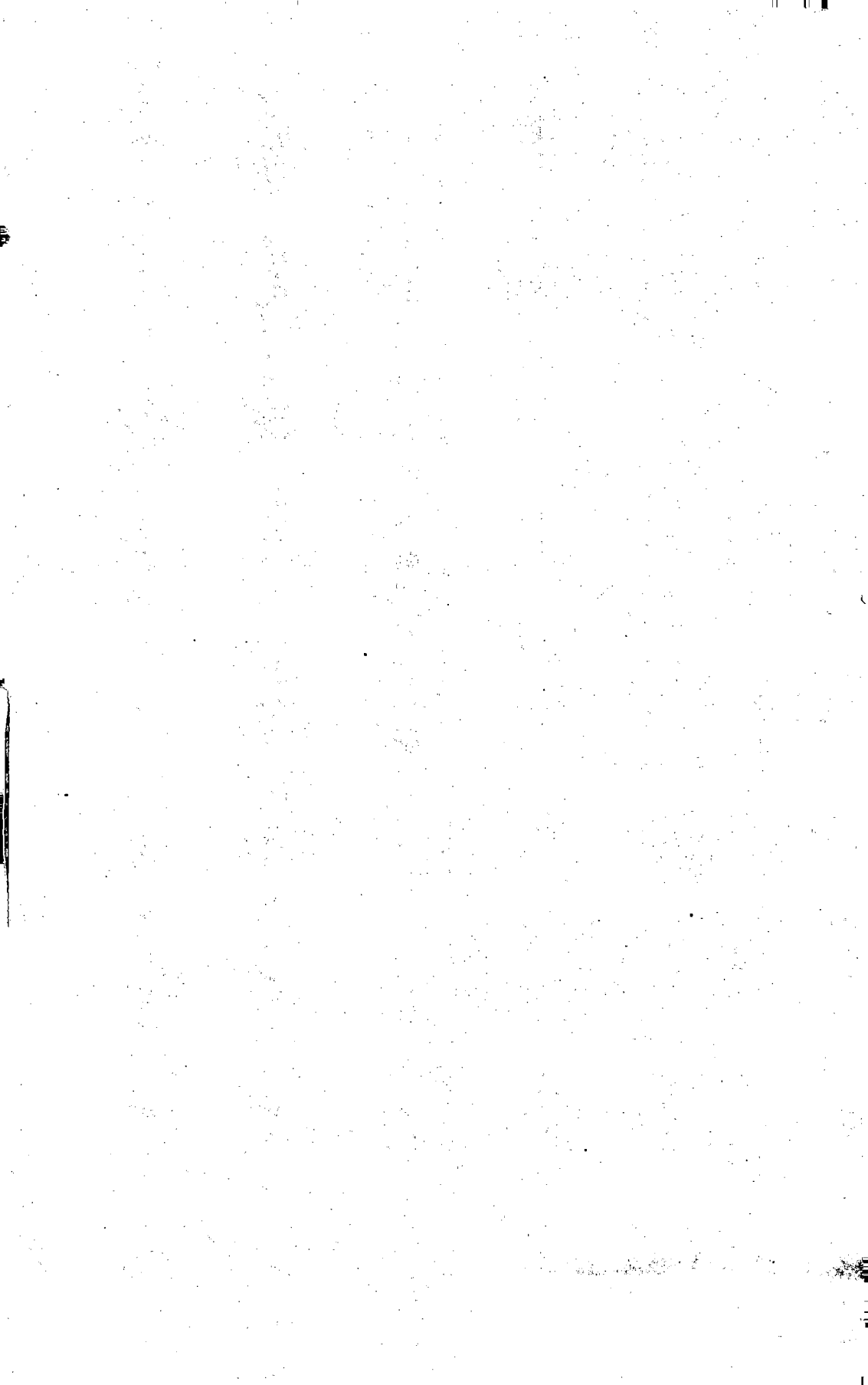
Year	Himachal Pradesh University		Privately managed schools	
	Number of utilisation certificates awaited	Amount (Rupees in lakhs)	Number of utilisation certificates awaited	Amount (Rupees in lakhs)
1974-75	1	0.32	2	0.11
1975-76	3	7.50	2	0.26
1976-77	2	0.44	11	1.09
1977-78	5	10.35	11	2.62
Total	11	18.61	26	4.08

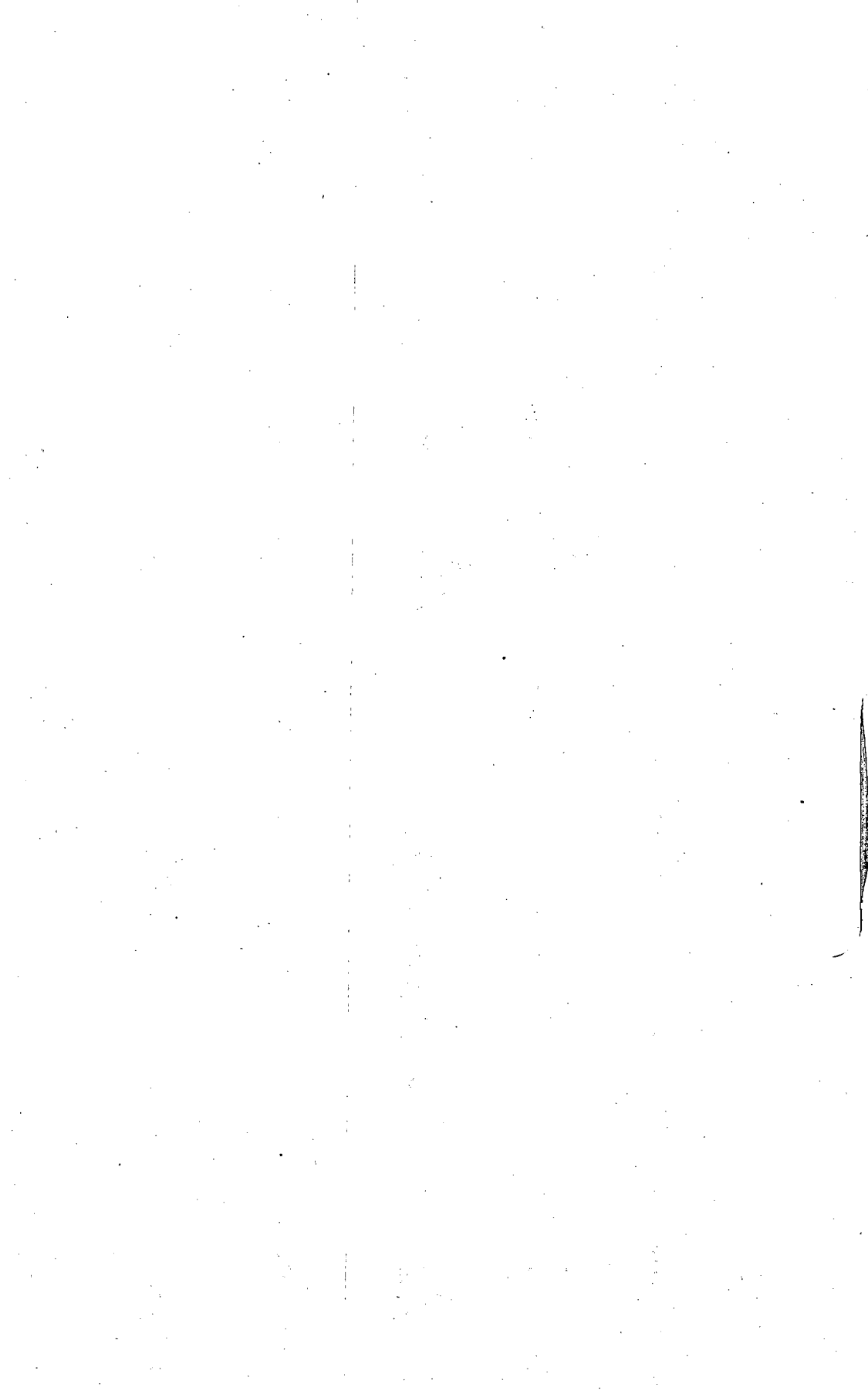
In the absence of utilisation certificates, it is not possible to state whether the recipients spent the grants for the purpose(s) for which they were given and whether or not there was any misappropriation of funds.

## 6.2 Bodies and authorities financed by Government grants and loans

(i) For purposes of audit, under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, of bodies/authorities substantially financed by grants/loans from the Consolidated Fund, the accounts of bodies/authorities to which grants/loans of not less than Rs. 5 lakhs had been paid are required to be furnished to Audit latest by 30th June each year. Out of 5 bodies/authorities which received grants/loans of not less than Rs. 5 lakhs during 1978-79 accounts had been received only from one body and in the other cases the accounts are awaited despite the matter being brought to the notice of the Government.

(ii) Important points noticed during scrutiny under Section 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, of the procedure followed by the







sanctioning authorities to satisfy themselves of the fulfilment of the conditions subject to which specific purpose grants and loans were given are mentioned in the succeeding paragraphs.

### 6.3 Grants given for specific purposes

In order to ensure that the grants paid by Government are purposefully and fruitfully utilised the financial rules provide *inter alia* that:—

- (i) rules regulating the payment of grants and setting out the terms and conditions governing them shall be framed,
- (ii) before sanctioning a grant an audited statement of accounts of the body or institution concerned shall, as far as possible, be obtained in order to see that the grant is justified by the financial position of the grantee,
- (iii) the sanction to grant shall invariably provide that it shall be utilised within a reasonable period for the purpose for which it is paid and the prescribed documents shall be furnished to watch its utilisation, and
- (iv) a certificate shall be furnished to Audit by the sanctioning authority after satisfying itself that the grant had been utilised for the purpose for which it was given.

Grants totalling Rs. 14.54 lakhs were given to the Himachal Pradesh Sports Council and the Himachal Pradesh Academy of Arts, Culture and Languages as shown below:—

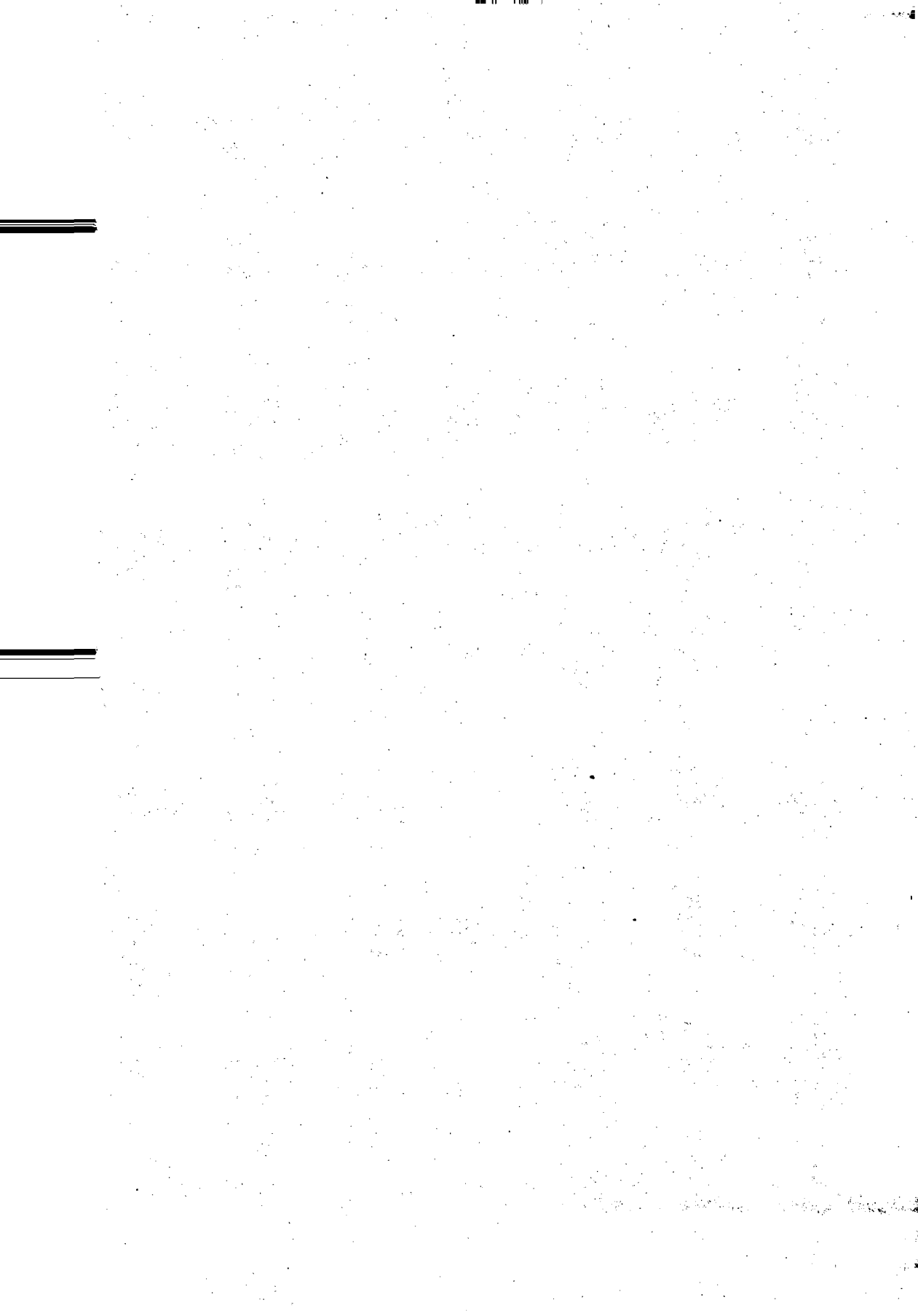
Department which gave the grant	Name of body	Period during which grant was given	Amount of grant (Rupees in lakhs)	Purpose for which grant was given
(i) Education	Himachal Pradesh Sports Council	1971-72 to 1978-79	5.99	For meeting expenditure on development of sports and games.

(ii) Languages and Cultural Affairs	Himachal Pradesh Academy of Arts, Culture and Languages	1973-74 to 1978-79	8.55	For promotion and encouragement of fine arts, traditional culture and languages of the State including Hindi, Sanskrit and Urdu.
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Points noticed in test-check of records maintained by the departments to watch the utilisation of grants are mentioned below:—

- (a) Rules regulating grants to the Sports Council had not been framed. The Government stated (November 1979) that draft rules were under consideration of the Government.
- (b) Audited statements of accounts had not been received from both the bodies for any of the years. In fact, no auditor had been appointed for the Sports Council (November 1979) and audit of the Academy was entrusted to the Examiner of Local Fund Accounts only in January 1979. The sanctioning authority had as such no means of knowing how much of the grants had been utilised.
- (c) Grants given to the Sports Council were to be utilised within one year. However, the utilisation certificates showed the grants totalling Rs. 0.99 lakh had remained unutilised at the end of the periods specified as shown below:—

Serial No.	Period of grant	Amount of grant	Amount spent within the prescribed period	Amount remaining unspent after the expiry of the period of utilisation
(Rupees in lakhs)				
1.	1973-74	0.36	0.25	0.11
2.	1974-75	0.40	0.27	0.13
3.	1975-76	0.66	0.37	0.29
4.	1977-78	1.30	0.84	0.46
Total		2.72	1.73	0.99





The unspent grants were utilised during subsequent periods without obtaining approval of the sanctioning authority. The Government stated (November 1979) that action to regularise utilisation within the extended period was being taken.

- (d) Utilisation certificates for Rs. 0.21 lakh and Rs. 0.25 lakh paid to the Sports Council as grant in 1975-76 and 1976-77 had not been furnished to Audit. The Government stated (November 1979) that utilisation certificate for Rs. 0.21 lakh was being furnished shortly and for Rs. 0.25 lakh the Solan Municipality to which the grant was further disbursed was being asked to expedite submission of accounts.
- (e) Out of grant of Rs. 1.70 lakhs paid to the Academy on 31st March 1978, Rs. 0.28 lakh remained unutilised at the end of March 1979 but had not been refunded to Government as required under the terms and conditions of the grant.
- (f) Sale proceeds aggregating Rs. 0.33 lakh of books, pamphlets and paintings realised during February 1975 to May 1979 by the Academy were not taken into account while computing the income of the Academy for purposes of grants but was deposited into a separate account of the Academy.

The points mentioned above were brought to the notice of the Government in August and September 1979. Reply from the Department of Languages and Cultural Affairs is awaited (January 1980).

#### DEPARTMENT OF RURAL INTEGRATED DEVELOPMENT

##### 6.4 Incomplete works

A test-check of records of 4 blocks showed that 14 works (4 water supply schemes and 10 irrigation works), estimated to cost Rs. 3.07 lakhs, sanctioned between March 1968 and March 1978 and for which amounts totalling Rs. 2.95 lakhs were drawn from the treasuries remained incomplete at the time of audit as the works had been suspended due to (i) public contribution for works not being raised as envisaged in the sanctions (2 works), (ii) contractors abandoning/suspending the works (3 works), (iii) non-availability of material (4 works) and (iv) repairs to damages in the course of construction etc., not being carried out (5 works). Action taken to complete the works was not stated (November 1979).

Meanwhile, unspent balances totalling Rs. 0.99 lakh from out of amounts drawn from the treasuries were lying in the personal ledger accounts of the panchayat samitis or in banks/post office savings accounts.

The Government stated (December 1979) that the Block Development Officers had been directed not to place the unutilised amounts in personal ledger accounts of Panchayat Samitis. It also stated that materials lying with the contractor of one of the suspended works were partly recovered with Police help and the matter was under investigation. Action taken to complete the incomplete works was not, however, stated.

### 6.5 Non-utilisation of grants

(a) Test-check of records of nine Block Development Officers showed that grants totalling Rs. 2.13 lakhs given to Gram Panchayats during March 1970 to March 1978 for execution of new/repair to old water supply schemes, irrigation schemes, etc., were lying unutilised due to non-commencement of work, because of dispute over sites, non-availability of construction material, or technical hands etc. The details of the unspent balances are given in Appendix X.

(b) Test-check of records of Deputy Director of Welfare, Simla showed that Rs. 5 lakhs and Rs. 0.30 lakh drawn for payment of grants for construction of hostels for self employed women and to Kushta Rogi Kalyan Sehkar Sabha Samiti respectively in March 1979 were lying undisbursed with the department in the form of bank drafts (Rs. 1.37 lakhs) and in the joint bank account of the Director of Welfare and the Chairman, State Social Welfare Advisory Board, Simla September 1979) for want of completion of formalities.







## CHAPTER VII

### 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 1979, 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 1978-79, together with audit certificate and report thereon, were forwarded to the State Government in November 1979 for being placed before the State Legislature in terms of Section 69(5) of Electricity (Supply) Act, 1948.

The Audit Report on the accounts of Himachal Pradesh Financial Corporation for 1978-79 was issued to the State Government on 24th December 1979. The accounts of Himachal Road Transport Corporation for 1978-79 have not yet been finalised (November 1979).

A statement showing the summarised financial results of the working of the three Corporations, on the basis of the latest available accounts, is given in Appendix XI and XI-A.

## 7.3 Himachal Pradesh State Electricity Board

### 7.3.1 Capital structure

The Board's capital comprised loans from the State Government and borrowings from other sources. The following was the position of the balances of loans outstanding at the end of 1978-79:—

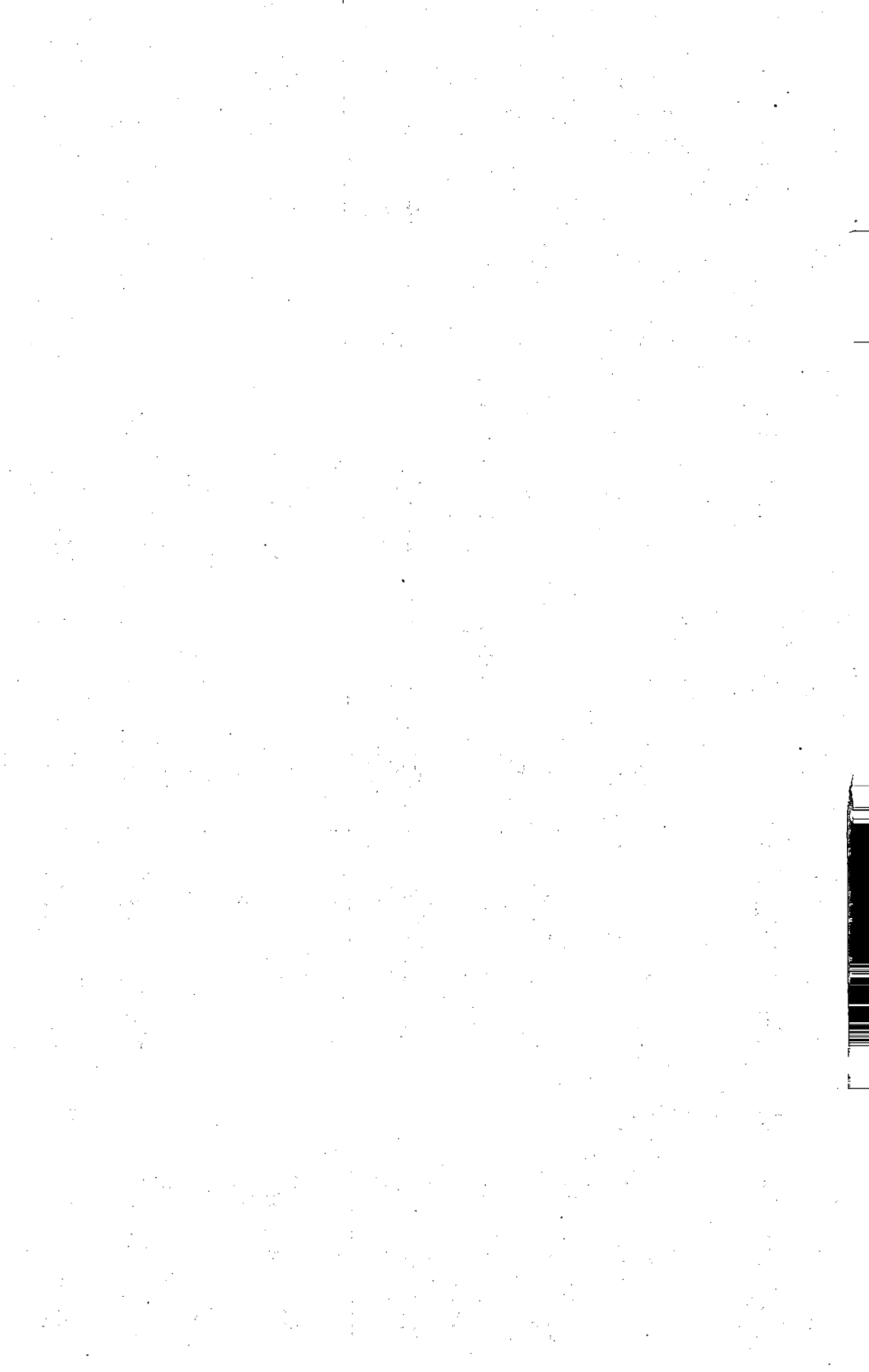
Source	Amount <hr/> (Rupees in lakhs)
State Government	69,72.34
Public borrowings (by issue of bonds)	12,84.50
Life Insurance Corporation of India	3,20.67
Rural Electrification Corporation Limited	13,71.22
Total	<hr/> 99,48.73 <hr/>

The State Government had sanctioned a loan of Rs. 30,00.00 lakhs (March 1972), in consideration of the provisional value of the assets transferred to the Board (September 1971). The final valuation of the assets so transferred has not been determined by the State Government so far (December 1979).

Loans aggregating Rs. 7,79.82 lakhs which had fallen due for repayment to the State Government upto 31st March 1979, had not been paid back by the Board for want of funds. In consequence, an amount of Rs. 24.19 lakhs had become due as penal interest upto 31st March 1979, which has been shown as a contingent liability. In addition, interest amounting to Rs. 4,10.54 lakhs has also been shown as a contingent liability as the same could not be provided for upto 1978-79.

The State Government had guaranteed repayment of loans obtained from other sources (viz. Rural Electrification Corporation Limited, and public borrowings) and interest thereon to the extent of Rs. 37,49.41 lakhs upto 31st March 1979 against which the amount outstanding as on that date was Rs. 26,55.72 lakhs. The interest on the above borrowings has been fully paid.





### 7.3.2 Working results

The following table depicts the working results of the Board under the broad heads for three years upto 1978-79:—

	1976-77	1977-78	1978-79
(Rupees in lakhs)			
<b>A—Revenue</b>			
(a) Power .. .. .	5,79.42	6,29.48	12,07.72
(b) Miscellaneous income .. .. .	59.25	91.27	1,28.74
<b>Total</b> .. .. .	<b>6,38.67</b>	<b>7,20.75</b>	<b>13,36.46</b>
<b>B—Expenses</b>			
(a) Operation and maintenance including cost of power purchased .. .. .	6,16.20	6,33.24	10,43.87
(b) Depreciation provided (including arrears) .. .. .	22.47	87.51	1,34.30
<b>Total</b> .. .. .	<b>6,38.67</b>	<b>7,20.75</b>	<b>11,78.17</b>
<b>C—Surplus (before providing interest)</b> .. .. .	..	..	1,58.29
<b>D—Appropriations</b>			
(a) Interest on bonds .. .. .	43.95	53.38	67.30
(b) Interest on loans from Rural Electrification Corporation Limited .. .. .	37.76	47.91	57.25
(c) Interest on loans from Life Insurance Corporation of India .. .. .	25.52	27.70	33.70
(d) Interest on overdraft .. .. .	5.41	1.35	0.04
<b>Total</b> .. .. .	<b>1,12.64</b>	<b>1,30.34</b>	<b>1,58.29</b>

## E—Contingent liabilities

(a) Depreciation	49.94	..	..
(b) Interest on depreciation	7.29	10.29	..
(c) Interest on Government loans	2,75.30	3,27.06	4,10.54
(d) Penal interest on Government loans	7.92	14.60	24.19
<b>Total</b>	<b>3,40.45</b>	<b>3,51.95</b>	<b>4,34.73</b>

## 7.3.3 Generation and sale of power

The installed capacity for generation of power, power generated, power available for sale, power sold and power lost in transmission and distribution during the three years upto 1978-79 are tabulated below :—

	1976-77	1977-78	1978-79
	(In MkwH)		
(i) Installed capacity—			
(a) Hydroelectric	4,38.61	4,40.37	9,65.97
(b) Diesel	22.01	22.01	22.01
<b>Total</b>	<b>4,60.62</b>	<b>4,62.38</b>	<b>9,87.98</b>
(ii) Power generated—			
(a) Hydroelectric	1,88.85	2,12.74	3,97.61
(b) Diesel	0.12	0.11	0.06
<b>Total (Gross)</b>	<b>1,88.97</b>	<b>2,12.85</b>	<b>3,97.67</b>







Less power used on auxiliaries	0.76	0.84	2.23
<b>Total (Net)</b>	<b>1,88.21</b>	<b>2,12.01</b>	<b>3,95.44</b>
(iii) Power purchased from other agencies	2,26.22	1,79.29	2,16.35
(iv) (a) Total power available for sale	4,14.43	3,91.30	6,11.79
(b) Less power sold outside the State	1,15.45	1,07.39	3,09.21
(v) Power available for sale within the State	2,98.98	2,83.91	3,02.58
(vi) Power sold within the State	2,25.66	2,02.35	1,93.50
(vii) Loss in transmission and distribution (v-vi)	73.32	81.56	1,09.08
(viii) Percentage of—			
(a) Power generated to installed capacity—		(Per cent)	
(i) Hydroelectric	43.05	48.31	41.16
(ii) Diesel	0.50	0.50	0.27
(b) Loss in transmission and distribution to power available for sale within the State	24.52	28.73	36.05
		(Paise per unit)	
(ix) (a) Average cost of energy sold	28.30	35.62	32.08
(b) Average Revenue earned	19.00	23.00	26.00
(c) Loss per unit	9.30	12.62	6.08

The Board has neither prescribed any norms for transmission and distribution losses nor laid down any system for compiling such data for control purposes. The reasons for upward trend in transmission and distribution losses (from 24.52 per cent in 1976-77 to 36.05 per cent in 1978-79) have also not been investigated (December 1979).

#### 7.3.4 Rural electrification

The State of Himachal Pradesh has an area of 55,658 square kilometres and a population of 34.24 lakhs (1971 census). About 93

per cent of the total population lives in the villages. Out of a total of 16,916 villages in the State, 8,329 villages (49 per cent) had been electrified till the end of March 1979, including 2,689 villages electrified before the formation of the Electricity Board in September 1971.

### 7.3.5 Schemes financed by the Rural Electrification Corporation Limited (REC)

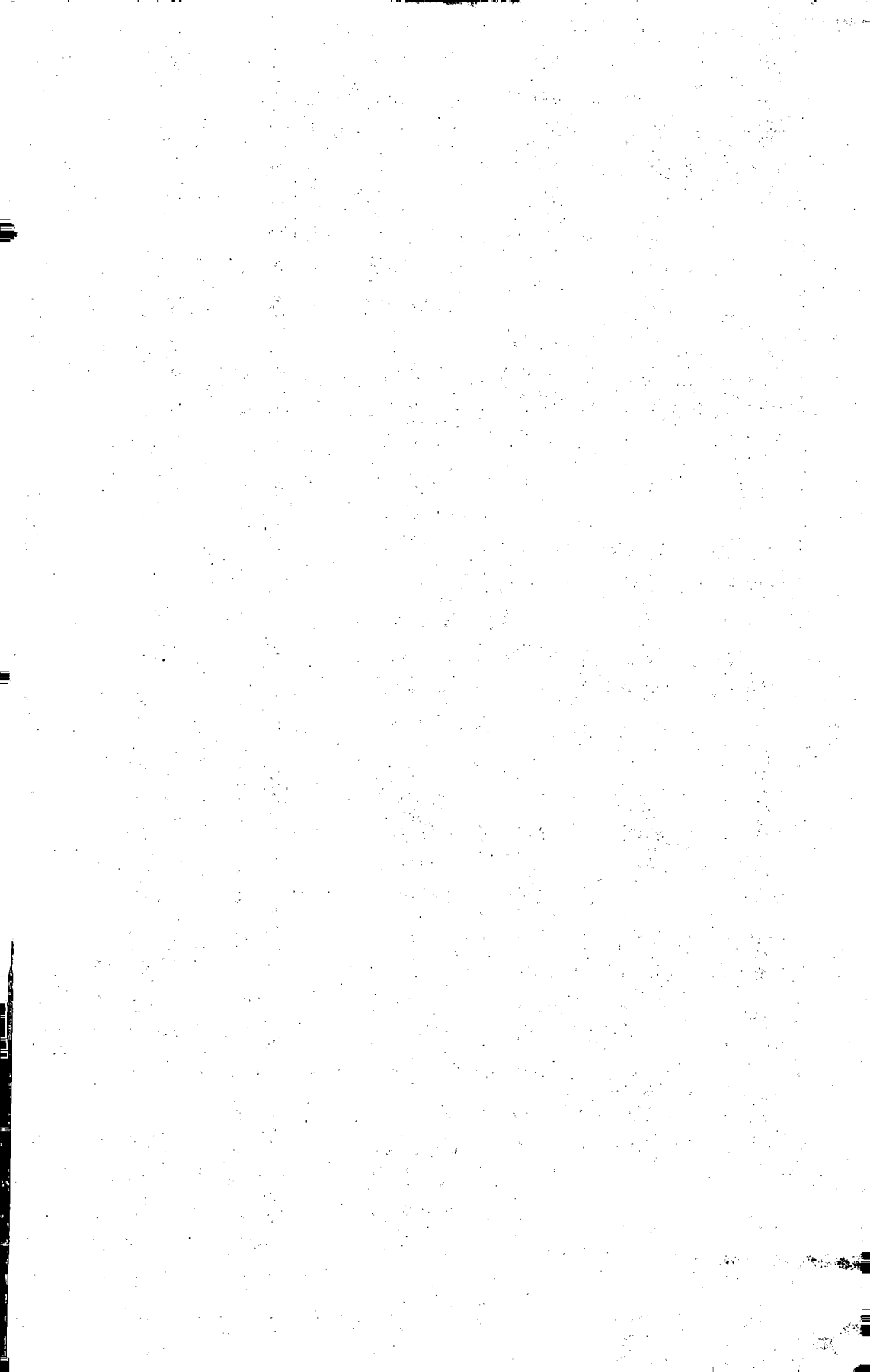
The table below indicates details of 55 REC Schemes taken up by the Board under different categories:—

(a) Ordinary Backward schemes	4
(b) Special under-developed schemes	40
(c) Minimum Needs Programme schemes	10
(d) Special Loan scheme	1
<b>Total</b>	<b>55</b>

The funds provided by the REC bear interest on a sliding scale and are released in 3—7 instalments, the second and subsequent instalments being released on the basis of actual physical progress of the schemes. The approved schemes are to be completed within the specified period ranging between 3—7 years. The loans (guaranteed by the State Government) are repayable in instalments within a period of 5—30 years.

The table below indicates the loans sanctioned by the Corporation from 1971-72 to 1978-79, the amounts drawn and expenditure thereagainst on rural electrification schemes:—

Year of sanction	Number of schemes sanctioned	Number of villages covered	Loan sanctioned as per estimated cost	Amount drawn	Expenditure incurred	Unutilised balance
(Rupees in lakhs)						
1971-72	4	662	1,51.75	42.63	..	42.63
1972-73	5	1,193	2,41.67	1,53.14	93.37	1,02.40





1973-74	5	1,903	2,45.92	1,41.37	1,15.93	1,27.84
1974-75	8	2,635	3,75.76	2,42.52	1,26.82	2,43.54
1975-76	7	2,151	3,95.88	1,47.66	1,21.27	2,69.93
1976-77	5	745	2,33.41	1,51.23	1,87.89	2,33.27
1977-78	9	1,623	3,38.39	2,12.62	1,88.95	2,56.94
1978-79	12	1,659	4,04.21	2,98.63	2,19.12	3,36.45
	55	12,571	23,86.99	13,89.80	10,53.35	..

It would be seen that upto the end of 1978-79, the total sanctions aggregated Rs. 23,86.99 lakhs against which Rs. 13,89.80 lakhs had been drawn. The expenditure incurred thereagainst amounted to Rs. 10,53.35 lakhs, leaving an unutilised balance of Rs. 3,36.45 lakhs as on 31st March 1979.

### 7.3.6 Delays in execution

(a) Out of 29 schemes sanctioned during the period 1971-72 to 1975-76, 14 schemes were due for completion in 1977-78 and 7 schemes in 1978-79. The remaining 8 schemes are dealt with in sub-paragraph (c). In December 1978, the Board sought REC's approval to extension of time upto 1979-80 in respect of one out of 5 schemes sanctioned in 1973-74 and upto 1980-81 in respect of 4 out of 8 schemes sanctioned in 1974-75; REC's approval for the extensions is awaited (December 1979). No such approval was, however, sought for the remaining 16 schemes which were also incomplete, the progress in respect of which (as on 31st March 1979) was as follows:—

	Electri-	Connections		
	fication (No. of villages)	Agricul- tural	Others	Total
Target	4,006	839	1,05,907	1,06,746
Actual progress	1,838	325	65,626	65,951
Percentage	45.88	38.74	61.96	61.78

While the reasons for delay in the implementation of specific schemes have not been investigated by the Board, the Chief Engineer (Operation) attributed the slow progress in rural electrification (October 1979) to the following factors :

- absence of additional infra-structure for executing the schemes as per the yard sticks of the Board ;
- shortage of major items of stores required for electrification;
- increased workload with the existing divisions ; and
- shortage of vehicles, particularly transport vehicles.

(b) Out of 21 schemes referred to above, in respect of 12\* schemes (sanctioned during 1973-74 to 1975-76), REC did not release the balance amount of Rs. 1,88.91 lakhs in view of slow progress of these schemes (March 1979). The progress in respect of these 12 schemes was as follows:—

	Electrification	
	Number of villages	Pumpsets/tubewell connections
Target	3,685	293
Actual progress	652	56
Percentage	18	19

(c) For the remaining 8 (out of 29) schemes sanctioned upto 1975-76 (4 schemes each sanctioned during 1973-74 and 1974-75) the Board had sought RCE's approval (December 1978) to the extension of completion period to 1979-80 and 1980-81. No formal approval of REC has been received so far (December 1979). It was, however, stated by the Board in April 1979 that since subsequent instalments of loans had been released by REC, specific approval for the period of extension was not necessary.

\* Includes 5 schemes for which extension of time had been sought. The amount yet to be released in respect of these 5 schemes works out to Rs. 64.79 lakhs.







### 7.3.7 Performance

The targets for electrification of villages are fixed year after year on an *ad hoc* basis without keeping in view the commitments of the Board under the REC schemes. The following table indicates overall progress of rural electrification in the State during the three years upto 1978-79:—

Particulars	1976-77	1977-78	1978-79
Total number of villages	16,916	16,916	16,916
Number of villages to be electrified	700	700	700
Number of villages electrified	525	507	576
Shortfall	175	193	124
Progressive number of villages electrified	7,246	7,753	8,329
Percentage of villages electrified to total number of villages	42.84	45.83	49.24
Number of pumps/tubewells to be energised	201	171	122
Number of pumps/tubewells energised	95	49	85
Shortfall	106	122	37
Progressive number of pumps/tubewells energised	1,415	1,464	1,549
Average number of pumps/tubewells energised per electrified village	0.195	0.189	0.186
Total sale of power (in Mkw h)	225.661	202.354	193.500
Sale of power for agricultural purposes (in Mkw h)	3.369	5.456	3.319
Percentage of power sold for agricultural purposes to total sale of power	1.49	2.70	1.71

### 7.3.8 Other points of interest

(a) *Idle transmission line*—The 33-KV line from Jassore to Bharmar was erected by the Nurpur Electrical Division in January 1977 at a cost of Rs. 5.90 lakhs. The line has been lying idle since

then as the work on the construction of 33-KV sub-station at Bharmar estimated to cost Rs. 1.68 lakhs and scheduled to be completed by March 1976 was still incomplete. This in turn was due to non-procurement of the transformer, an order for which has yet to be placed (December 1979). An expenditure of Rs. 1.78 lakhs had been incurred on the construction of the sub-station upto November 1979.

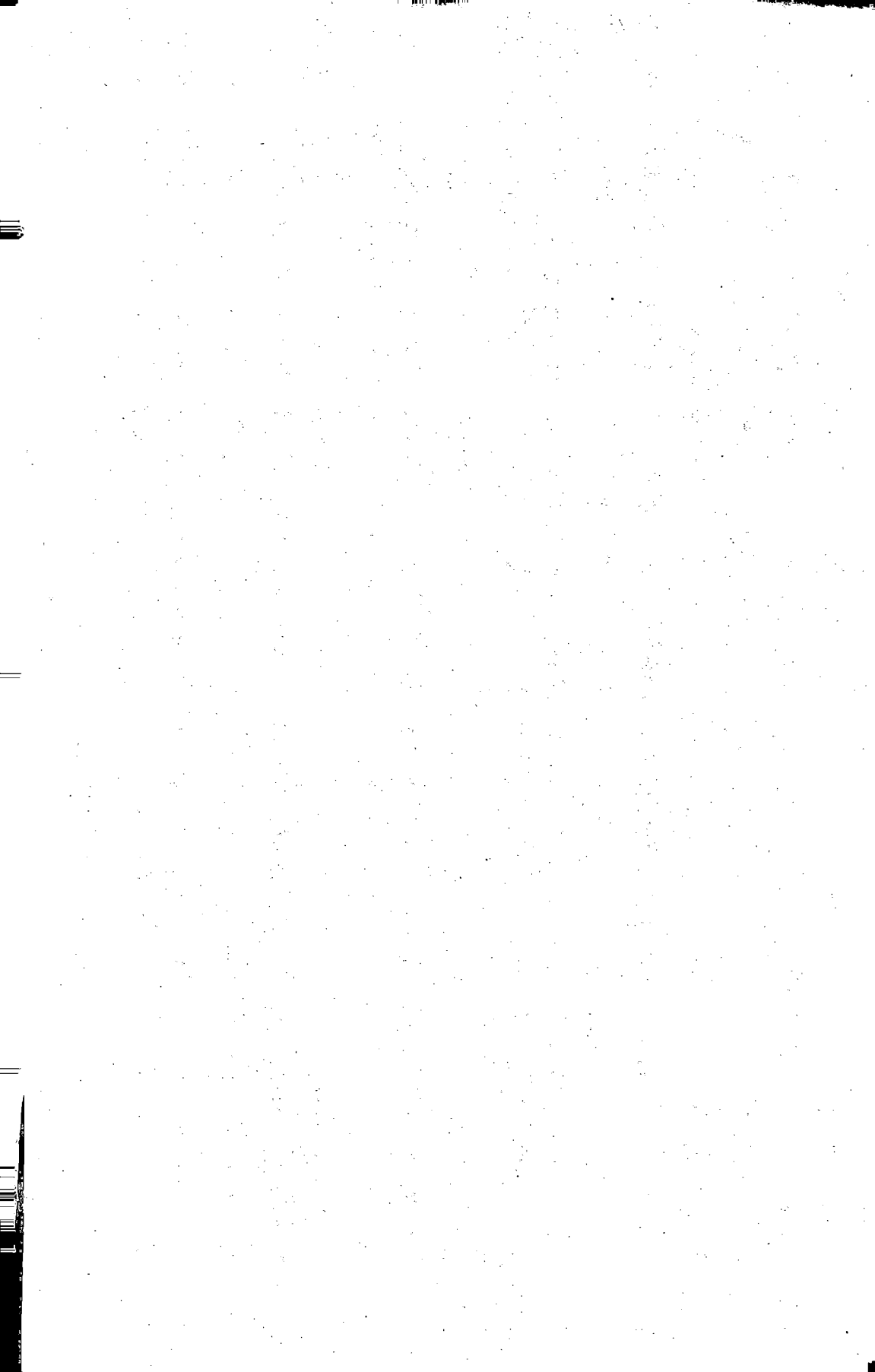
The matter was reported to the Board in March 1979; reply is awaited (January 1980).

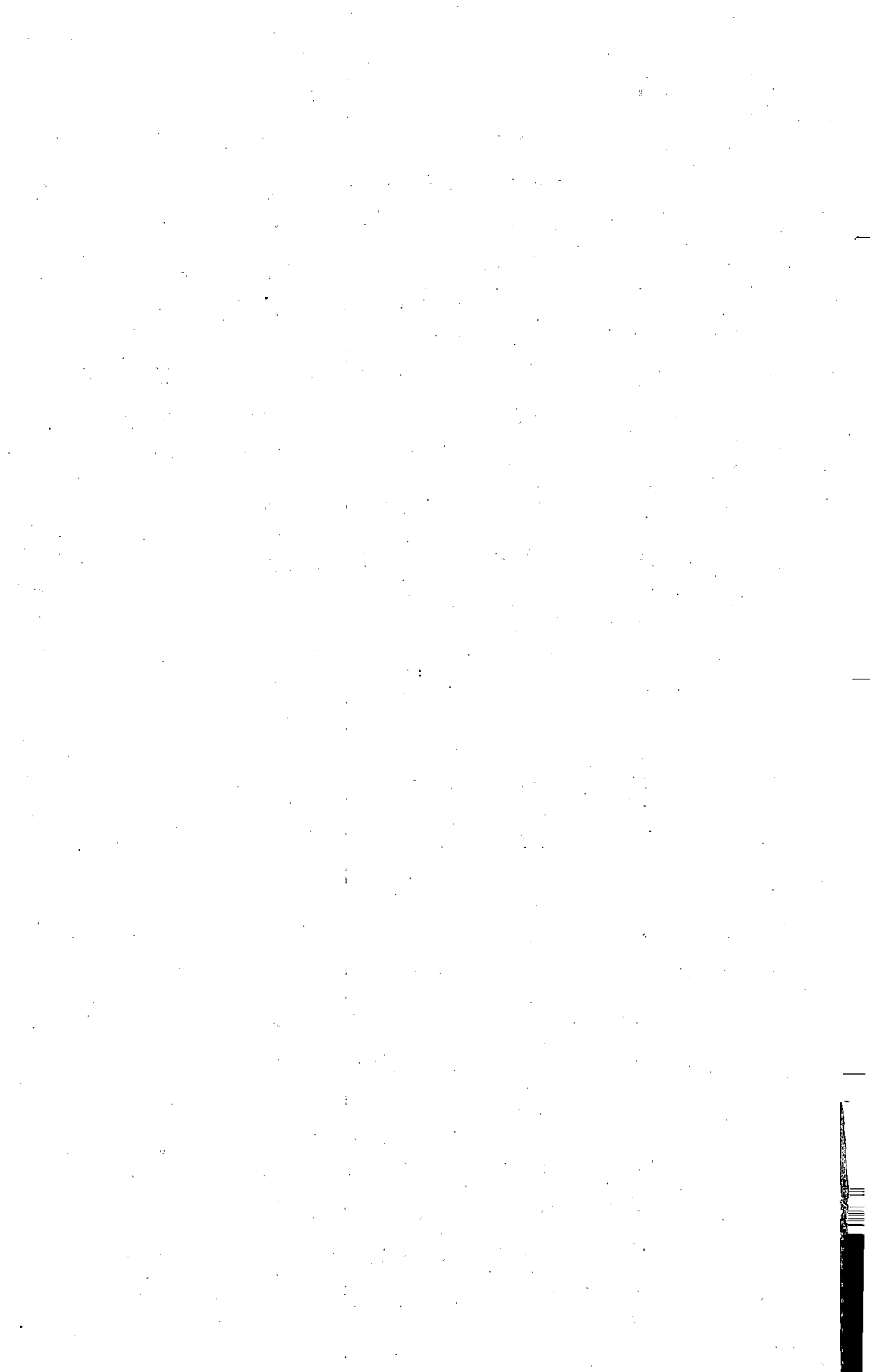
(b) *Non-utilisation of cable/transformers/plants*—The following equipment and stores procured at a cost of Rs. 10.70 lakhs for the construction of underground H.T. line and augmentation of the existing supplies, had been lying unused/idle (December 1979) in the Simla Electrical Division since their receipt:

Particulars	Ordered in	Received in	Quantity	Cost
				(Rupees in lakhs)
High tension cable (11—KV)	November 1977	September 1978	* 5,460 metres	7.25
Transformers (63-KVA-11/4-KV)	October 1977	January/February 1978	5 Nos.	2.76
Filtration plants	May/August 1977	October 1977	2 Nos.	0.69
		<b>Total</b>		<b>10.70</b>

(c) *Bassi Augmentation sub-division*—The Bassi Augmentation sub-division was set up by the Board for the execution of works relating to the augmentation of Bassi Power House (Jogindernagar) in June 1975. The sub-division had neither received any material nor undertaken any construction work until February 1978 while

\* 670 metres transferred to Transmission and Construction Division, Kangra in July 1979.





an expenditure of Rs. 1.27 lakhs had been incurred on establishment. The augmentation work of the project was, however, taken up only during 1977-78. The value of material received and supplied to the contractor worked out to Rs. 46.80 lakhs till March 1979, when the sub-division was attached to a newly created Bassi Augmentation Division entrusted with the civil works of the augmentation of Bassi Power House.

The matter was referred to the Board in April 1979; reply is still awaited (January 1980).

### 7.3.9 Arrears in internal audit

The arrears in internal audit as on 31st March 1979 were as under :—

(a) Consumers' accounts (partially) for the year 1976-77 onwards.

(b) Works accounts :

1972-73 20 out of 33 divisions.

1973-74 24 out of 40 divisions.

1974-75 40 out of 47 divisions.

1975-76 35 out of 37 divisions.

1976-77 42 out of 42 divisions.

1977-78 45 out of 45 divisions.

1978-79 45 out of 45 divisions.

The arrears were attributed to paucity of staff by the Management (December 1979).

### 7.3.10 Outstanding audit observations

At the end of September 1979, 378 inspection reports issued up to March 1979 (relating to the period 1957-58 to 1977-78) were outstanding.

## 7.4. Other Statutory Corporations

7.4.1 The total investment of the State Government in the other two Statutory Corporations as on 31st March 1979 was as under :—

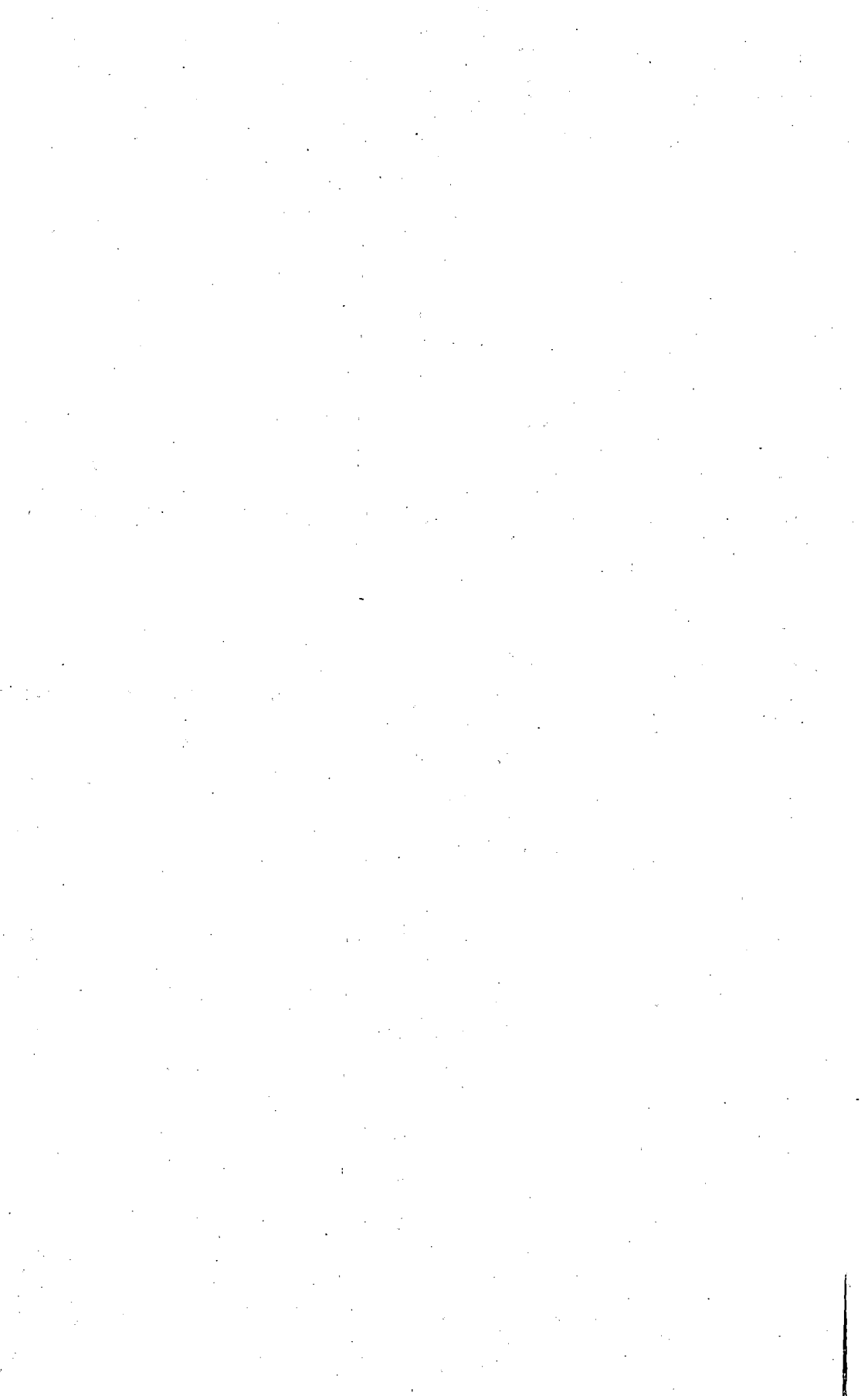
	Share Capital	Loans	Total
(Rupees in lakhs)			
Himachal Pradesh Financial Corporation	66.26	25.15	91.41
Himachal Road Transport Corporation	*7.95.23		7.95.23

(a) *Himachal Pradesh Financial Corporation*—The paid-up capital of the Himachal Pradesh Financial Corporation as on 31st March 1979 was as under :—

	Amount (Rupees in lakhs)
Under Section 4(2) of the Act	
(a) State Government	59.26
(b) Industrial Development Bank of India	32.31
(c) Scheduled Banks, Insurance Companies, Co-operative Banks, investment trusts and other financial institutions	4.05
(d) Others	0.38
<b>Total</b>	<b>96.00</b>
Under Section 4-A of the Act	
(a) State Government	7.00
(b) Industrial Development Bank of India	7.00
<b>Total</b>	<b>14.00</b>
<b>Grand total</b>	<b>1,10.00</b>

\*The difference of Rs. 3.17 lakhs with reference to the figure of Rs. 798.40 lakhs as per the Finance Accounts is due to mis-classification which has not yet been reconciled.







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. 96 lakhs), the payment of annual dividend thereon, repayment of bonds and debentures raised by the Corporation (Rs. 2,51.43 lakhs) and interest thereon have been guaranteed by the State Government. The amount guaranteed and outstanding as on 31st March 1979 was Rs. 3,43.00 lakhs.

During 1978-79, the Corporation earned a net profit of Rs. 31.35 lakhs which represented 28.5 per cent of its paid-up capital. Dividend of Rs. 1.80 lakhs on the capital contributed by the State Government (Rs. 54.26 lakhs at the rate of 3 per cent; Rs. 5 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 1978-79 :—

	1976-77	1977-78	1978-79
	(Rupees in lakhs)		
(a) Income ..	69.19	76.32	84.58
(b) Expenditure ..	47.59	48.07	53.07
(c) Profit ...	21.60	28.25	31.51
(d) Provision for income tax ..	7.69	9.84	10.91
(e) Transfer to reserves ..	11.44	15.36	17.55
(f) Amount available for dividend	2.47	3.05	3.05
(g) Dividend liability ..	2.47	3.05	3.05
(h) Capital employed* ..	5,93.41	7,25.60	8,42.75
(i) Total return on capital employed (profit plus total interest charged to Profit and Loss Accounts) ..	55.09	65.14	72.96
Percentage of return on capital employed ..	9.28	8.98	8.66

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

(b) *Himachal Road Transport Corporation*—The capital of the Corporation as on 31st March 1978 was Rs. 8,45.05 lakhs contributed as under :—

		(Rupees in lakhs)
State Government		6,68.73
Northern Railway		1,76.32
	Total	8,45.05

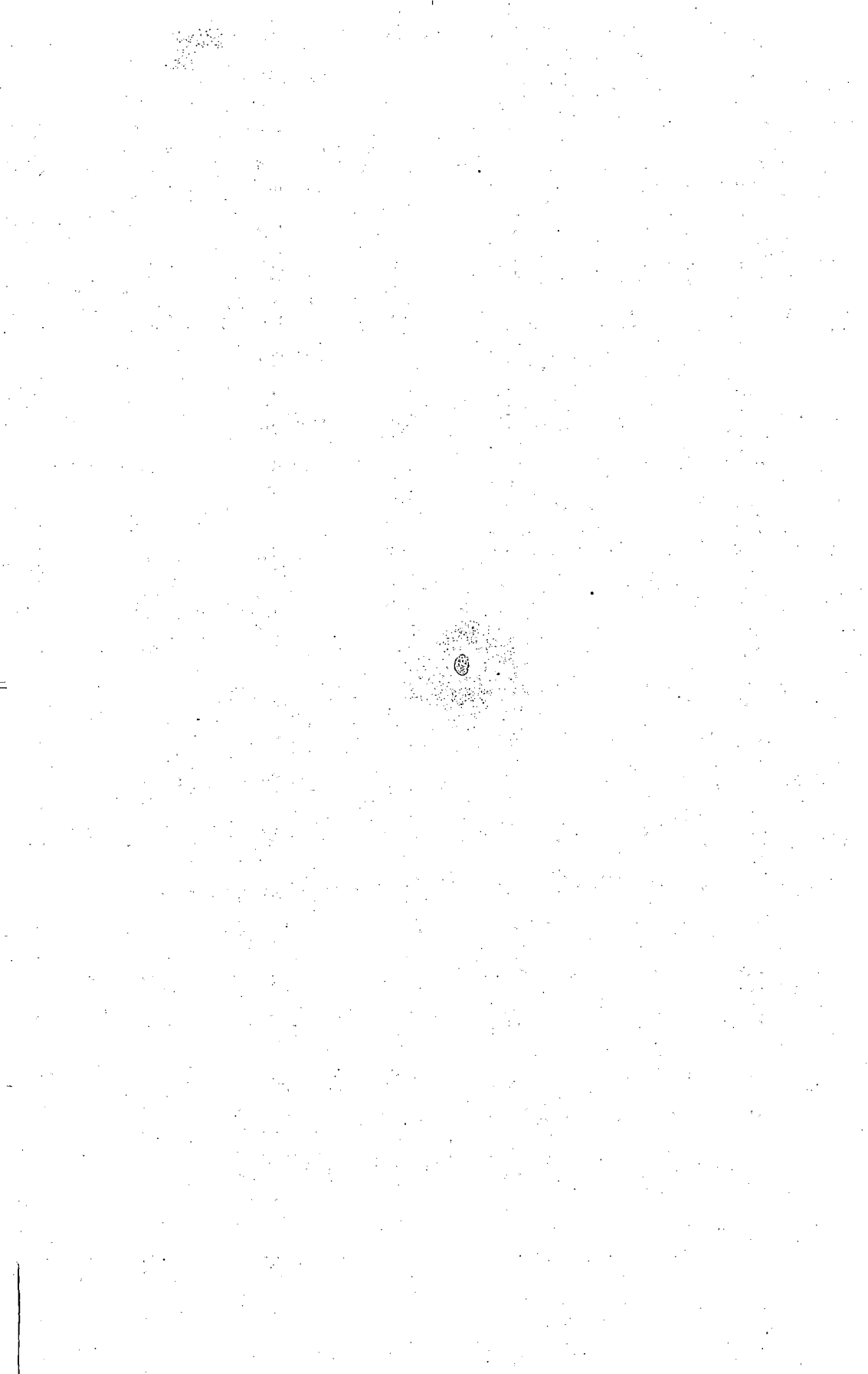
The Corporation has been incurring losses since its inception (2nd October 1974). The accumulated losses as on 31st March 1978 aggregated Rs. 4,34.88 lakhs. The accounts for the year 1978-79 have not yet been finalised (December 1979).

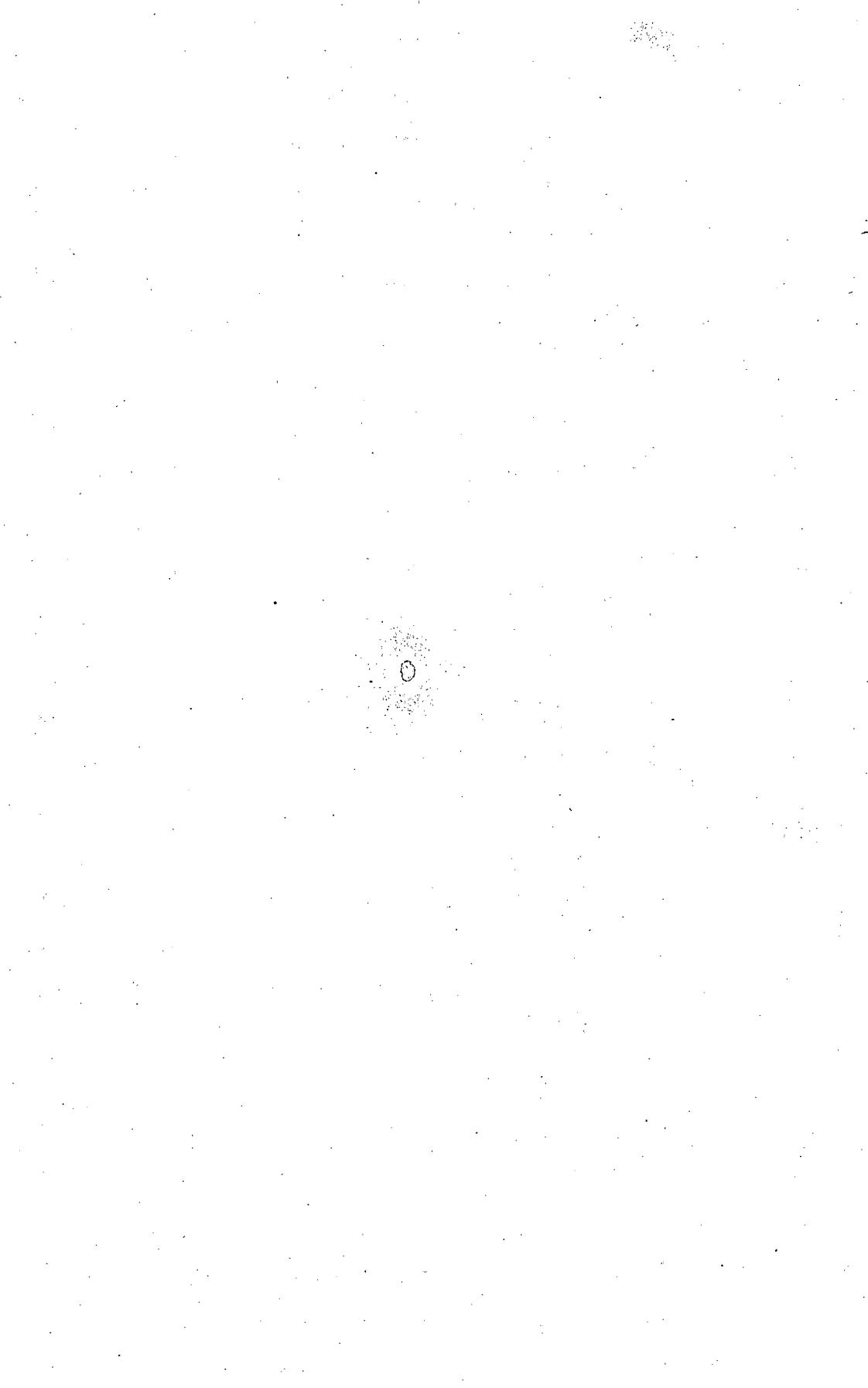
The table given below indicates the working results of the Corporation for the three years upto 1977-78:—

		1975-76	1976-77	1977-78
		(Rupees in lakhs)		
(a) Income	..	7,29.04	8,40.64	9,23.98
(b) Expenditure	..	8,31.82	9,58.56	10,06.96
(c) Net Loss	..	(—)1,02.78	(—)1,17.92	(—)82.98
(d) Interest on capital contribution and long term loans	..	30.39	40.89	47.33
(e) Total interest charged to profit and loss account		30.39	44.42	52.17
(f) Capital invested*	..	6,20.05	7,72.79	8,85.55
(g) Capital employed**	..	4,09.23	4,52.67	4,79.93
(h) Total return on capital invested (c+d)	..	(—)72.39	(—)77.03	(—)35.65
(i) Total return on capital employed (c+e)	..	(—)72.39	(—)73.50	(—)30.81

\*Capital invested represents capital contribution plus long term loans and free reserves.

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





## 7.5 Section C-Government Companies

7.5.1 As on 31st March 1979, there were 11 Government Companies (including 4 subsidiaries) with the State Government investment of Rs. 1,364.49\* lakhs in the paid-up capital. In addition, the Government of India had invested Rs. 1,71.50 lakhs in one Government Company viz. Himachal Pradesh Agro-Industries Corporation Limited.

Two Companies viz. Nahan Foundry Limited and Himachal Pradesh State Small Industries and Export Corporation Limited had also received loans from the State Government. The balance of these loans outstanding as on 31st March 1979 was Rs. 29.60 lakhs.

Government has also guaranteed repayment of loans taken from banks and payment of interest thereon to the extent indicated against each.

Company	Maximum amount guaranteed	Amount guaranteed and outstanding as on 31st March 1979
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(Rupees in lakhs)

(a) Nahan Foundry Limited (cash credit)	55.00	55.00
(b) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (term loan)	1,68.14	34.80

### 7.5.2 Delays in the preparation of annual accounts

The accounts of the following 10 companies (including 4 subsidiaries) were in arrears:

Name of the Company	Year of accounts
Himachal Pradesh State Forest Corporation Limited	1976-77 to 1978-79
Himachal Pradesh Tourism Development Corporation Limited	1977 and 1978
Himachal Pradesh State Handicrafts and Handloom Corporation Limited	1977-78 and 1978-79
Himachal Pradesh Mineral and Industrial Development Corporation Limited	1978-79

\* As per Companies' Accounts, investments work out to Rs. 1,305.08 lakhs. Out of the difference of Rs. 59.41 lakhs, Rs. 53.80 lakhs were accounted for by the Companies during 1979-80, the balance (Rs. 5.61 lakhs) is under reconciliation.

Nahan Foundry Limited	1978-79
Himachal Pradesh State Small Industries and Export Corporation Limited	1978-79
<i>Subsidiaries</i>	
Himachal Worsted Mills Limited	1978-79
Himachal Wool Processors Limited	1978-79
Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	1978-79
Himalaya Fertilizers Limited	1978-79

The delays in the preparation of annual accounts were last reported to the Government in November 1979.

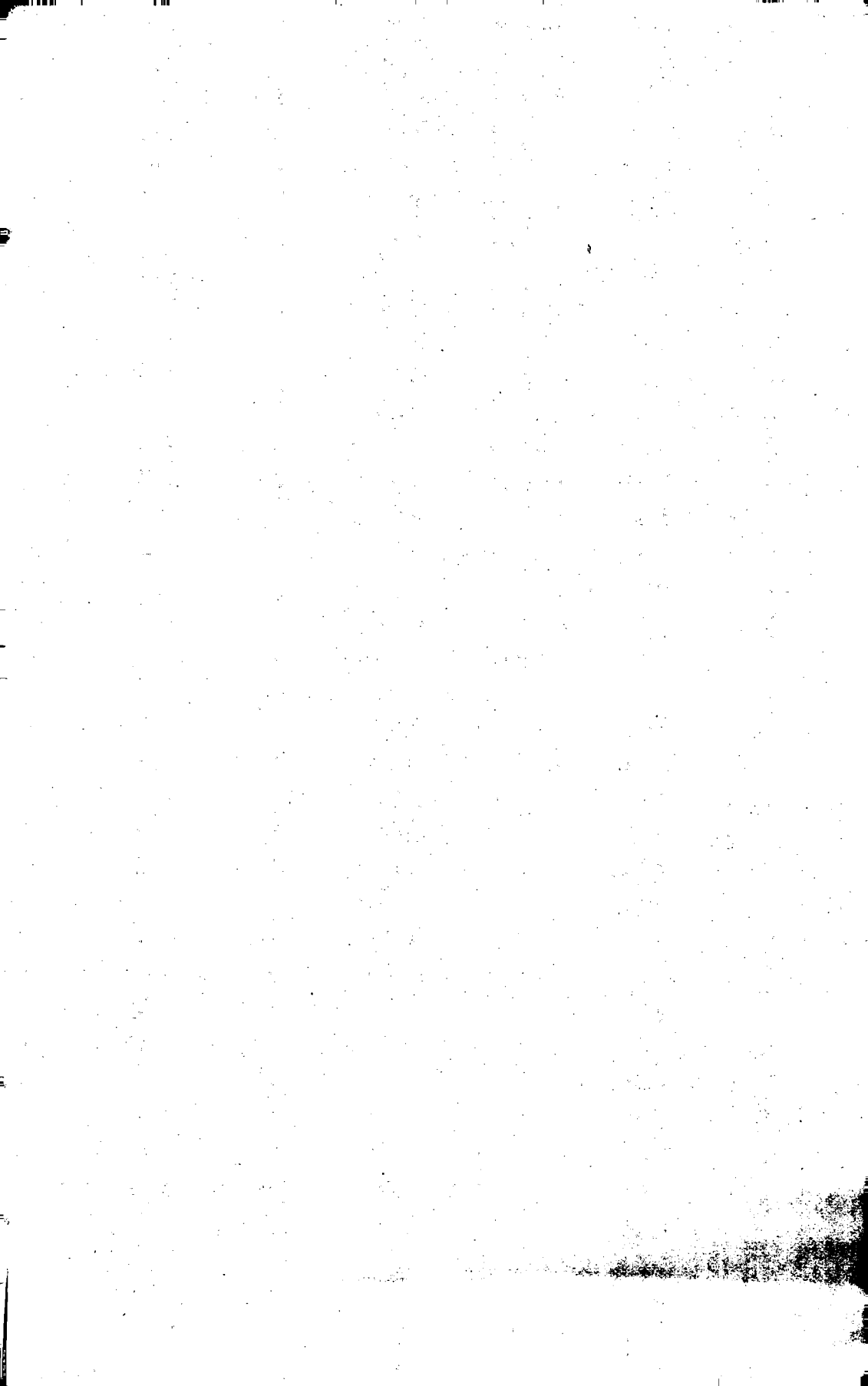
The accounts of Himachal Wool Processors Limited and Himachal Pradesh Mineral and Industrial Development Corporation Limited (1977-78) have been received (December 1979) and are under audit (January 1980). The accounts of Himachal Pradesh Tourism Development Corporation Limited (1976-77), Himachal Worsted Mills Limited and Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (1977-78) have been audited and the comments are under finalisation (January 1980).

A statement showing the summarised financial results of the working of the companies on the basis of the latest accounts made available during the year is given in Appendix XII.

## 7.6 Himachal Pradesh State Forest Corporation Limited

7.6.1 *Introduction*—The Company was incorporated on 25th March 1974 as a wholly-owned Government Company. The main objects of the Company are :

- to undertake proper and scientific exploitation of the forest resources of the State in order to obtain the maximum financial outturn ;
- to market the various forest products, both raw and finished goods, inside and outside the State ;
- to explore new markets for lesser known timber and other produce ; and
- to develop land for raising forest plantations and in particular, pines, fir, spruce, deodar, etc., for the purpose of development of industries based on their produce.







As a first step, the Company took over two Rosin and Turpentine factories (Nahan and Bilaspur) from the State Government on 1st April 1974. In the second phase, the Company took over (May 1975) the resin tapping operations from the State Government on lease basis alongwith two Resin Extraction divisions (Mandi and Dharamsala). The work of extraction of timber was taken up by the Company in June 1978 (on lease basis) when two Timber Extraction units were transferred to it by the Government. The lease deeds for resin and timber extraction operations have, however, not yet been finalised (November 1979).

While the Company undertakes plantation work on behalf of the Forest Department, it has not so far taken over any lands for the development of forest plantations.

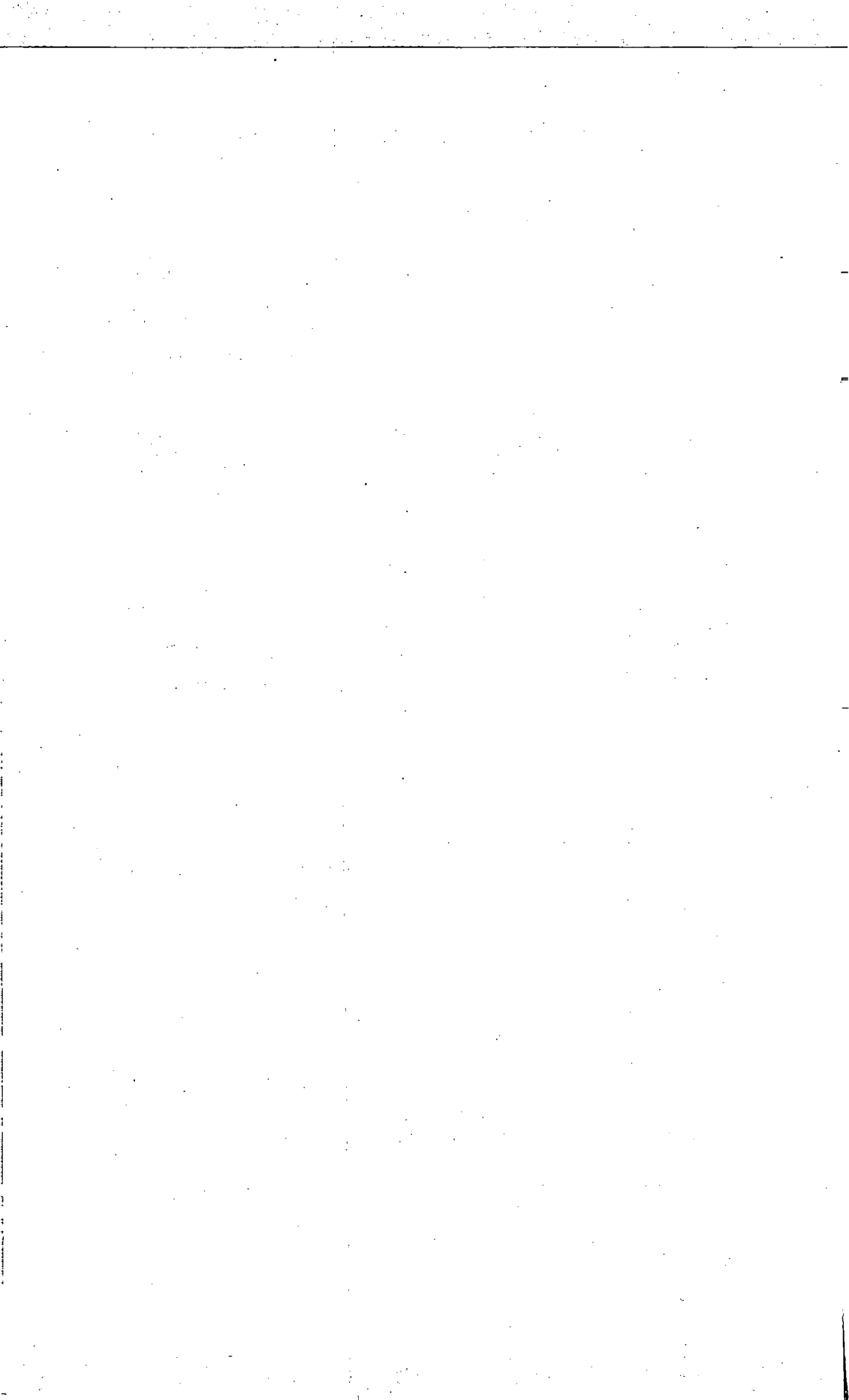
The main products of the Company are rosin and turpentine oil besides subsidiary products such as phenyle, varnish, etc.

The working of the Company was last reviewed in paragraph 7.9 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Civil). The Company's accounts for the year 1976-77 to 1978-79 have not yet been finalised (December 1979).

7.6.2. *Capital structure*—The authorised capital of the Company is Rs. 5 crores divided into 50,000 shares of Rs. 1,000 each. The paid-up capital as at 31st March 1979 was Rs. 2.43 crores\*. The assets of the two Government Rosin and Turpentine factories were evaluated (April 1974) at Rs. 36.30 lakhs and this was treated as the State Government's contribution towards the paid-up capital of the Company. The fixed assets and stores of the Resin Extraction divisions have been finally evaluated at Rs. 41.48 lakhs (1975-76), this is proposed to be treated as capital contribution of the Government in the accounts for 1979-80. The valuation of the assets of the two Timber Extraction units (provisional value: Rs. 37.73 lakhs) taken over in June 1978 has not yet been finalised (August 1979).

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\*As per the Finance Accounts the figure comes to Rs. 2.44 crores; the difference of Rs. 1 lakh is under reconciliation.



7.6.4 *Working results*—The following are the working results of the Company for the two years ending 31st March 1976:—

	1974-75	1975-76
	(Rupees in lakhs)	
(a) Sales	2,53.19	1,93.97
(b) Closing stock of finished goods	71.25	1,26.53
(c) Opening stock of finished goods	21.23	71.25
(d) Value of production (a+b-c)	3,03.21	2,49.25
(e) Cost of sales	2,53.09	2,22.98
(f) Net profit (+)/ loss (—)	(+) 0.10	(—) 29.01

The loss during 1975-76 was attributed by the Management (December 1978) to increased cost of extraction and sale of rosin at reduced rates due to slump in the market.

7.6.5 *Procurement of raw material*—(i) Resin is procured by the Company from two sources i.e.

— resin obtained from the tapping of resin blazes received from the Forest Department, and

— resin supplies from the contractors' lots to the extent loaded by the Forest Department.

From 1976-77 onwards, the Company had also taken over some of the panchayat area blazes for tapping. The purchase price of resin for 1975-76, as fixed by the State Resin Pricing Committee, was Rs. 185.10 per quintal (in tins) and Rs. 170.10 per quintal (in drums). The cost of Company's own extraction of resin during 1975-76 (74,000 quintals), however, amounted to Rs. 193.31 per quintal. The State Resin Pricing Committee has not fixed the price of resin for 1976-77 onwards and as such no payments have been made to the Forest Department for the purchases by the Company. The Management stated (August 1979) that the Forest Department had been reminded to expedite the matter.

(ii) (a) Enumeration of resin blazes is carried out by the Forest Department and as such resin tapping by the Company has to be

confined to blazes allotted by the Forest Department. The statement below indicates the number of resin blazes available for tapping in Government forests and blazes allotted to the Company :—

Year	Number of resin blazes available	Number of resin blazes allotted to the Company
	(In lakhs)	
1975-76	53.39	25.47
1976-77	51.30	28.93
1977-78	51.47	35.61
1978-79	36.02	29.14

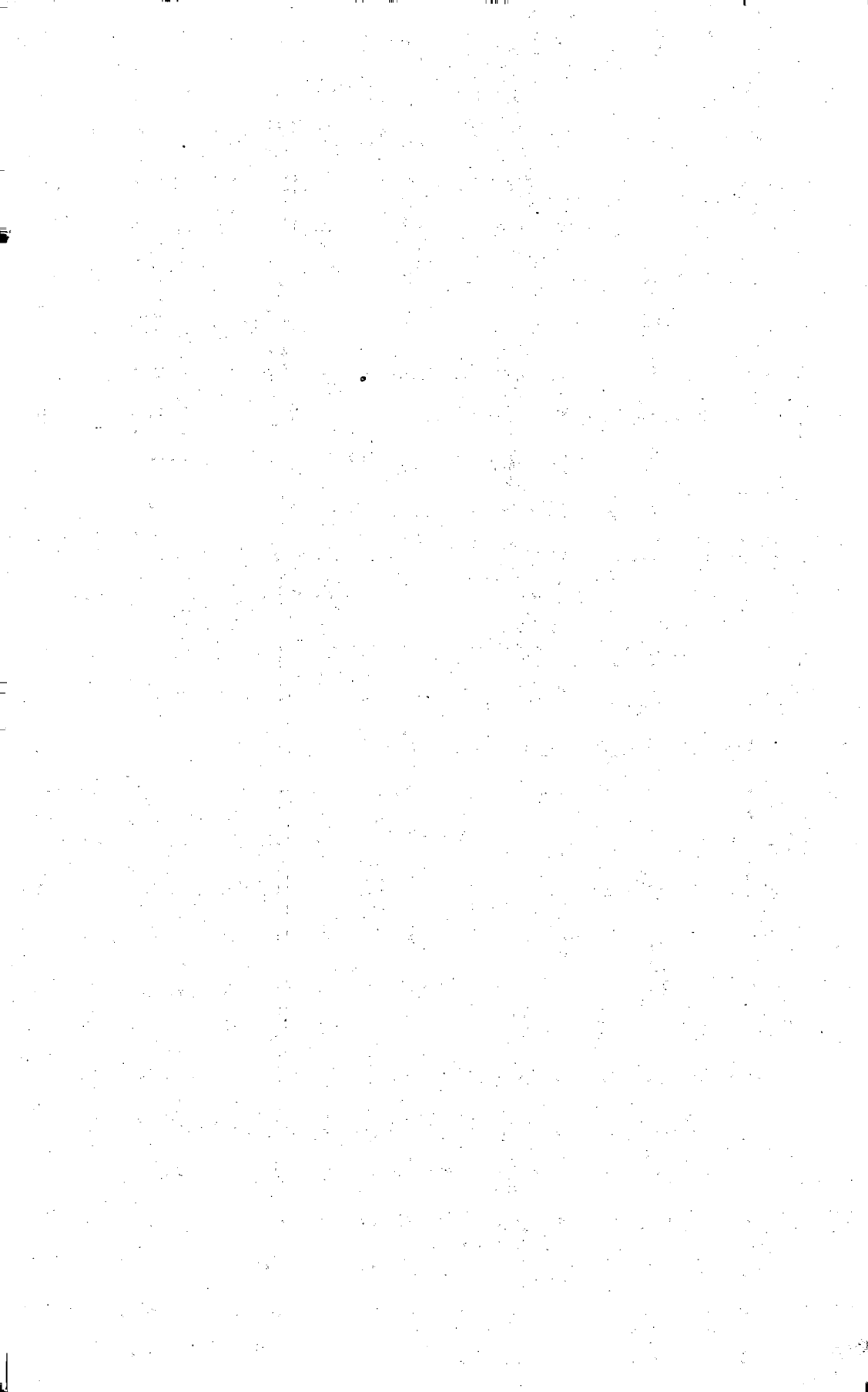
It will be seen that the number of resin blazes in Government forests dropped from 53.39 lakhs in 1975-76 to 36.02 lakhs in 1978-79.

(b) The table below indicates the number of blazes to be tapped, blazes actually tapped, expected yield, actual yield and the shortfall during the four years upto 1978-79 :—

Year	Tapping				Yield			
	Number of blazes to be tapped	Number of blazes tapped	Short-fall	Percentage of shortfall	Expected yield	Actual yield	Short-fall	Percentage of short-fall
	(In lakhs)				(In lakhs of quintals)			
1975-76	25.47	24.86	0.61	2.39	0.75	0.74	0.01	1.33
1976-77	28.93	27.66	1.27	4.39	0.84	0.76	0.08	9.52
1977-78	35.61	33.04	2.57	7.22	1.00	0.84	0.16	16.00
1978-79	29.14	26.80	2.34	8.03	0.75	0.62	0.13	17.33

It will be seen that the shortfall in tapping increased from 2.39 per cent in 1975-76 to 8.03 per cent in 1978-79. During the same period, the shortfall in the yield increased from 1.33 per cent to 17.33 per cent.

The Management attributed (June 1979) the shortfall in resin yield to heavy rains and the destruction of 2.29 lakh blazes in fire during the 1978 season.







(c) The following quantities of resin were received and processed during the four years upto 1978-79:—

Year	Quantity available (including opening balance)	Quantity processed (gross)	Quantity transferred/used in subsidiary products	Closing balance
(In thousand quintals)				
<b>Bilaspur factory</b>				
1975-76	74.3	67.0	1.5	5.8
1976-77	74.3	68.6	0.8	4.9
1977-78	59.0	58.6	0.3	0.1
1978-79	37.6	37.3	0.3	0.0
<b>Nahan Factory</b>				
1975-76	47.9	42.2	0.9	4.8
1976-77	44.6	43.0	0.5	1.1
1977-78	40.1	38.4	0.8	0.9
1978-79	33.8	31.3	1.3	1.2

It will be seen that there has been a steady and continuing decline in the quantity of resin procured/processed at both the factories. The Managing Director stated (August 1979) that the weather conditions had been unfavourable for resin tapping during 1978-79.

7.6.6 *Utilisation of capacity*—The installed capacity of the Rosin and Turpentine factories is 1,11,000 quintals of resin per annum (Bilaspur: 74,000 quintals; Nahan: 37,000 quintals).

The following table indicates the processing capacity, actual quantity of resin processed and the shortfalls during the four years upto 1978-79:—

	Bilaspur				Nahan			
	1975-76	1976-77	1977-78	1978-79	1975-76	1976-77	1977-78	1978-79
Installed capacity	74	74	74	74	37	37	37	37

(In thousand quintals)

Resin processed	64	66	57	36	42	42	37	30
Shortfall (—)/ excess (+)	(—)10	(—)8	(—)17	(—)38	(+)5	(+)5	..	(—)7
Percentage of shortfall	13.5	10.8	23.0	51.4	..	..	..	19.0

It will be seen that the Bilaspur factory has been working much below its installed capacity. The Management attributed this to the non-availability of raw material (August 1979). In September 1978, the Company decided to procure 10,000 quintals of resin from Jammu and Kashmir which was received in May-June 1979.

7.6.7 *Closure of factories*—The factories at Bilaspur and Nahan remained closed for 59 days during 1977-78 and 195 days during 1978-79 due to non-availability of raw material. An expenditure of Rs. 2.88 lakhs was incurred on idle labour in the two factories during the above period.

7.6.8 *Production performance*—The Company has not fixed any norms for the outturn of rosin and turpentine oil or for the processing losses.

(a) The table below indicates the resin processed, rosin and turpentine oil produced and the processing losses during the four years upto 1978-79:—

Year	Resin process- ed	Production		Percentage		
		Rosin	Turpen- tine oil	Rosin	Turpen- tine	Wastage
		(In thousand (Litres quintals)				
			in lakhs)			
Bilaspur						
1975-76	64.0	51.2	12.34	80.00	16.39	3.61
1976-77	66.0	50.4	14.00	75.90	18.03	6.07
1977-78	56.6	43.0	11.70	75.97	17.56	6.47
1978-79	35.9	27.4	6.95	76.32	16.43	7.25
Nahan						
1975-76	41.8	32.2	7.93	77.03	16.12	6.85
1976-77	41.7	32.4	7.68	77.69	15.66	6.65
1977-78	37.4	28.4	7.15	77.00	15.20	7.80
1978-79	30.2	23.1	5.88	76.49	16.52	6.99







It will be seen that the processing losses varied from 3.61 to 7.25 per cent at Bilaspur and 6.65 to 7.80 per cent at Nahan during the period under review.

(b) *Excessive sakki content*—Excessive sakki content in resin affects its quality adversely. One of the main objectives of the Company taking over resin tapping was to secure better quality resin.

It will be seen from the table below that the sakki content in resin ranged between 3.20 and 3.68 per cent at Bilaspur and 2.51 and 3.53 per cent at Nahan as against the prescribed norm of 2.5 per cent.

Year	Percentage of sakki content	
	Bilaspur	Nahan
1975-76	3.68	3.22
1976-77	3.32	2.79
1977-78	3.29	2.51
1978-79	3.20	3.53

7.6.9 *Fuel consumption*—Norms for the consumption of furnace oil used in the Bilaspur factory and steam coal used in the Nahan factory have been fixed at 10.5 litres and 33 kilograms respectively for every quintal of resin processed. The comparative data (quantity and value) of fuel consumption in the two factories during the four years upto 1978-79 is tabulated below:—

Year	Bilaspur Factory		Nahan Factory	
	Consumption of furnace oil per quintal of resin		Consumption of steam coal per quintal of resin	
	Quantity	Value	Quantity	Value
	(Litres)	(Rupees)	(Kgs.)	(Rupees)
1975-76	14.67	13.94	31.4	5.57
1976-77	11.09	10.54	29.4	5.28
1977-78	10.22	14.31	32.27	6.34
1978-79	10.32	14.45	33.68	11.05

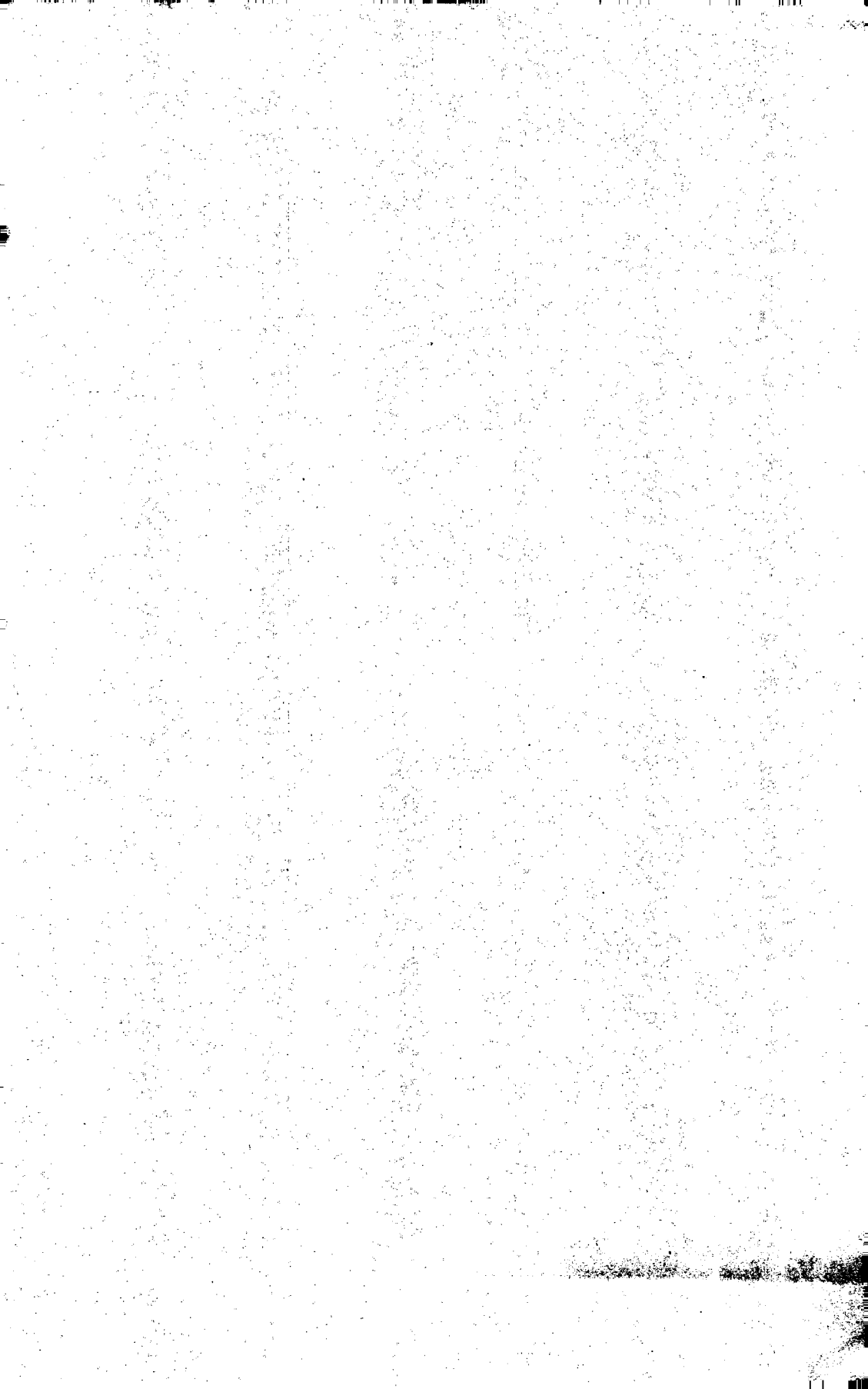
It will be seen that fuel consumption at Bilaspur varied from 10.22 to 14.67 litres (as against the norm of 10.5 litres) and at Nahan from 29.4 to 33.68 Kgs. (as against the norm of 33 Kgs.). The Bilaspur unit being based on furnace oil, the fuel costs are much higher than at Nahan, based on steam coal.

In September 1975, two aluminium tanks (value: Rs. 0.55 lakh) were installed at the Bilaspur factory for indirect heating of resin in order to improve the percentage of pale rosin. In actual experience, this system was found to be uneconomical due to excessive consumption of furnace oil and was discontinued in June 1976. The overall avoidable expenditure on the installation of aluminium tanks worked out to Rs. 2.79 lakhs including Rs. 2.24 lakhs on extra consumption of furnace oil.

7.6.10 *Excessive rebate*—The sale price of rosin and turpentine oil is fixed by a consortium of the Company, Indian Turpentine and Rosin Company, Bareilly and J & K Industries Limited, Srinagar. To promote the sale of rosin, the consortium allowed rebate of 8 to 15 per cent on the ex-factory selling price of different grades of rosin.

(a) In February 1976, a Delhi firm offered to lift 1,500—2,000 tonnes of rosin by 31st March 1976, if it was allowed an extra rebate by the Company. The firm was assured by the Managing Director of the Company, without prior sanction of the Board, of a suitable rebate depending on the quantity of rosin lifted. A quantity of 1,705 tonnes of rosin of different grades (value: Rs. 49.46 lakhs) was lifted by the firm during February to July 1976 on which a rebate at 32 per cent amounting to Rs. 15.81 lakhs was allowed. The excess over the admissible rebate as reported by the Management to the Board was Rs. 5.17 lakhs. In addition, the Company incurred freight charges of Rs. 0.92 lakh on transportation to different destinations. Thus, the firm was allowed a total extra benefit of Rs. 6.09 lakhs.

In July 1977, a Bombay firm complained to the State Government that special rebates had been allowed by the Company to a single party and a sister concern and that no other party was informed of this special rebate. The Managing Director informed the Board in December 1977 that "although the intention was to liquidate the old and damaged packages which were said to have deteriorated in quality as well as packing, yet no specific tests were carried out nor any committee appointed to assess the extent as well as the quality of deteriorated material. It would, therefore, not be possible to





categorically state that only deteriorated and damaged packages of rosin were supplied to the firm”.

At the instance of the Managing Director, the matter was referred by Government to the Vigilance Department and the case is reported to have been taken up by the Vigilance Department in August 1979.

(b) In a meeting of the consortium held on 28-29th February 1976, it was decided to allow a special rebate of 15 per cent on the dark and medium grades of rosin with a view to disposing of the accumulated stocks (51,793.47 quintals as on 31st March 1976). The factories were, accordingly authorised (March 1976) to allow special rebate on the despatches of medium and dark (M, K, H, D and B) grades of rosin from 3rd to 31st March 1976.

A test-check in audit revealed that special rebate had also been allowed by Nahan factory on pale ('N') grade rosin, without the approval of the Board, resulting in a loss of revenue of Rs. 0.88 lakh during 23rd to 31st March 1976. In July 1976, the Company issued an addendum authorising the special rebate on 'N' grade retrospectively without any reference to the consortium or the Board of Directors. The Board's *ex post facto* approval was obtained in September 1979.

7.6.11 *Fruit packing cases project*—In June 1976, a pilot plant was set up at Bilaspur for the manufacture of fruit packing cases from pine needles. The project report envisaged that the plant would help in providing packing cases for the apple industry, save the wood utilised in this industry as well as reduce fire hazards to the pine forests. As against the estimated project cost of Rs. 7.50 lakhs, the Company had, upto the end of 1977-78, incurred a capital expenditure of Rs. 8.57 lakhs. As the cost of manufacture was high and the sheets produced were sub-standard, the plant was not found to be commercially successful and was shut down in April 1978.

The following are the details of expenditure incurred on the installation and the running of the plant:—

Year	Expenditure		
	Capital	Revenue	Total
	(Rupees in lakhs)		
1975-76	3.84		3.84
1976-77	3.69	2.43	6.12



1977-78	1.04	1.10	2.14
1978-79	..	0.05	0.05
Total	8.57	3.58	12.15

Between June 1976 and April 1978, the plant manufactured sheefs for 33,689 packing cases. The cost of production worked out to Rs. 11.71 per case. Of these, only 652 cases were sold during 1976-77 at Rs. 4 per case f.o.r. destination resulting in a loss of Rs. 0.05 lakh. The remaining cases (cost: Rs. 3.87 lakhs) are still lying in the stores (December 1979).

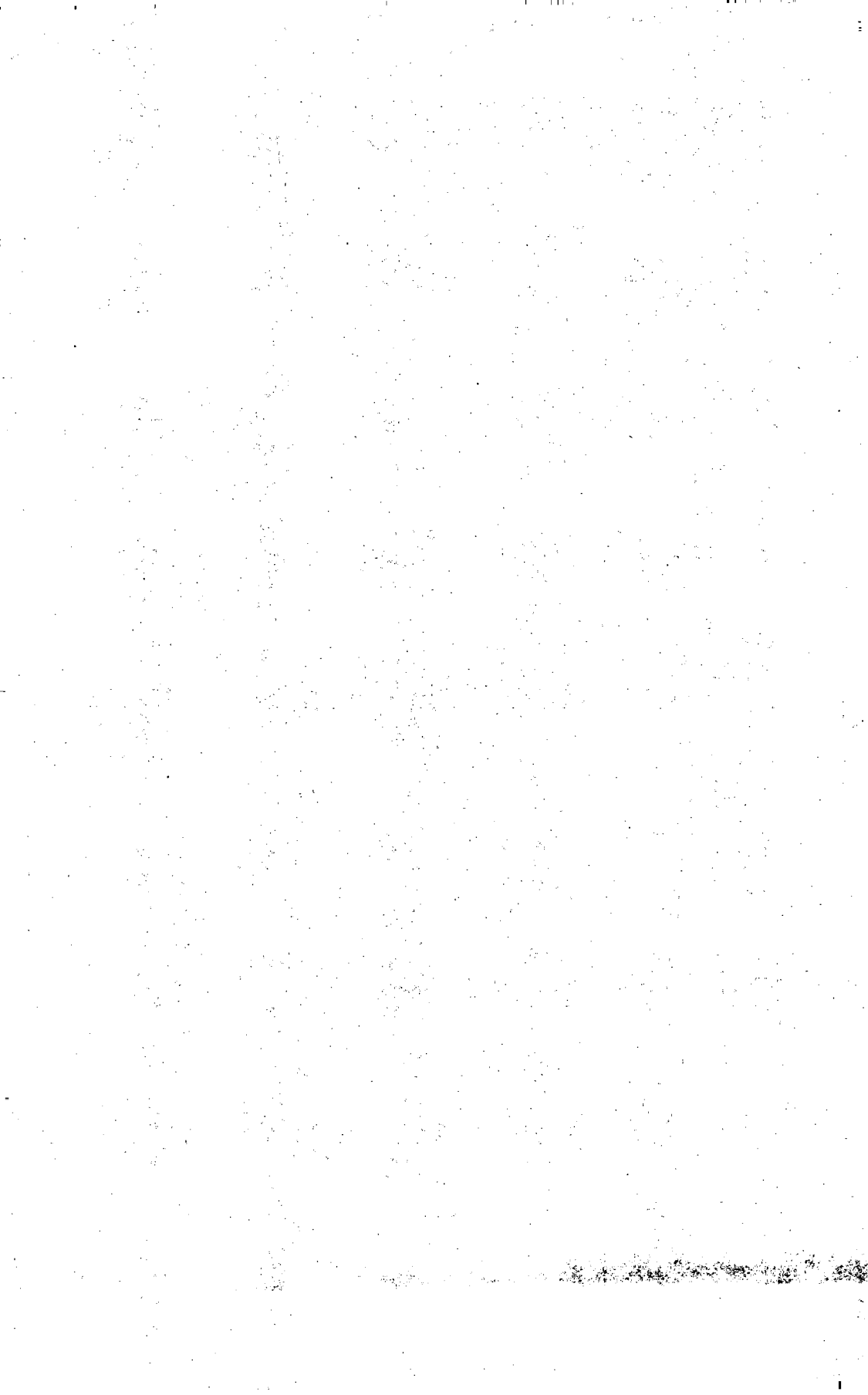
In April 1978, the Board of Directors decided to appoint a Committee to investigate as to why the plant could not be put into commercial production. The Committee was to submit its report at the next meeting of the Board. At its next meeting (September 1978), the Board decided that the Committee may visit Bilaspur to probe the matter. In reply to an audit query, the Managing Director stated (June 1979) that the Committee's recommendations will be made available as and when it visits Bilaspur. Meanwhile, the plant has been lying idle (November 1979).

7.6.12 *Dry paper size plant*—In August 1974, the Board directed the Managing Director to prepare a project report for the manufacture of rosin-based dry paper size (a chemical used in the paper industry). In July 1975, the Management decided to appoint a firm as consultants for

- selection of the consultants for the project;
- evaluation of the feasibility report;
- assistance in controlling and monitoring the progress of the project upto the stage of commissioning; and
- evaluation of the major equipment suppliers and contractors.

In September 1975, the consultants recommended the appointment of a New Delhi firm for undertaking the assignment on a turn-key basis. The job was entrusted to the firm in







November 1975 for the manufacture of dry paper size and other rosin derivatives. The consultants were paid an amount of Rs. 0.10 lakh in October 1975. The firm submitted the techno-economic feasibility report in April 1976 for which a payment of Rs. 0.50 lakh was made. In addition, a payment of Rs. 0.30 lakh was made in March 1976 as fifty per cent of the cost of the process know-how. The paper size prepared by the firm (July-August 1976) was sent by the Company for tests to the Forest Research Institute, Dehradun and M/S Ballarpur Papers Mills, Yamunanagar. The tests carried out by these agencies indicated that the paper size was not soluble in water and the product was unsatisfactory. The firm was addressed in September 1976 to clarify various points regarding know-how; it declined to do so (October 1976) on the plea that, as per the terms of the agreement, they had already demonstrated the process know-how.

The Board of Directors, in their meeting held on 31st March 1979, decided that no further expenditure should be incurred on the project. An amount of Rs. 1.44 lakhs has so far been spent on this project (August 1979). The legal Advisor of the Company, who was consulted regarding the firm's claim for the balance payment of 50 per cent for know-how, opined (January 1979) that "even the payment of Rs. 0.30 lakh already made as 50 per cent of the cost of know-how fees had not become due as the know-how given by the consultants on the pilot plant has subsequently failed".

The Management stated that the matter to abandon the project was under consideration (June 1979). The Company has not initiated any legal action against the firm so far (December 1979).

7.6.13 *Accounting and cost control*—(i) No system of costing has been introduced in the factories so far (August 1979).

(ii) An accounting manual prepared by the Company (October 1975) is awaiting the approval of the Board of Directors (August 1979).

(iii) In October 1977, the Company appointed a firm of Chartered Accountants as Internal Auditors for 1977-78 on a fee of Rs. 18,000, *inter alia*, for the following items of work:—

- scrutiny of all vouchers, receipts and the accounting records;
- to review and improve upon the existing accounting manual and systems in vogue with concrete suggestions for the introduction of a Management accounting system;

—preparation of quarterly balance sheet and profit and loss accounts;

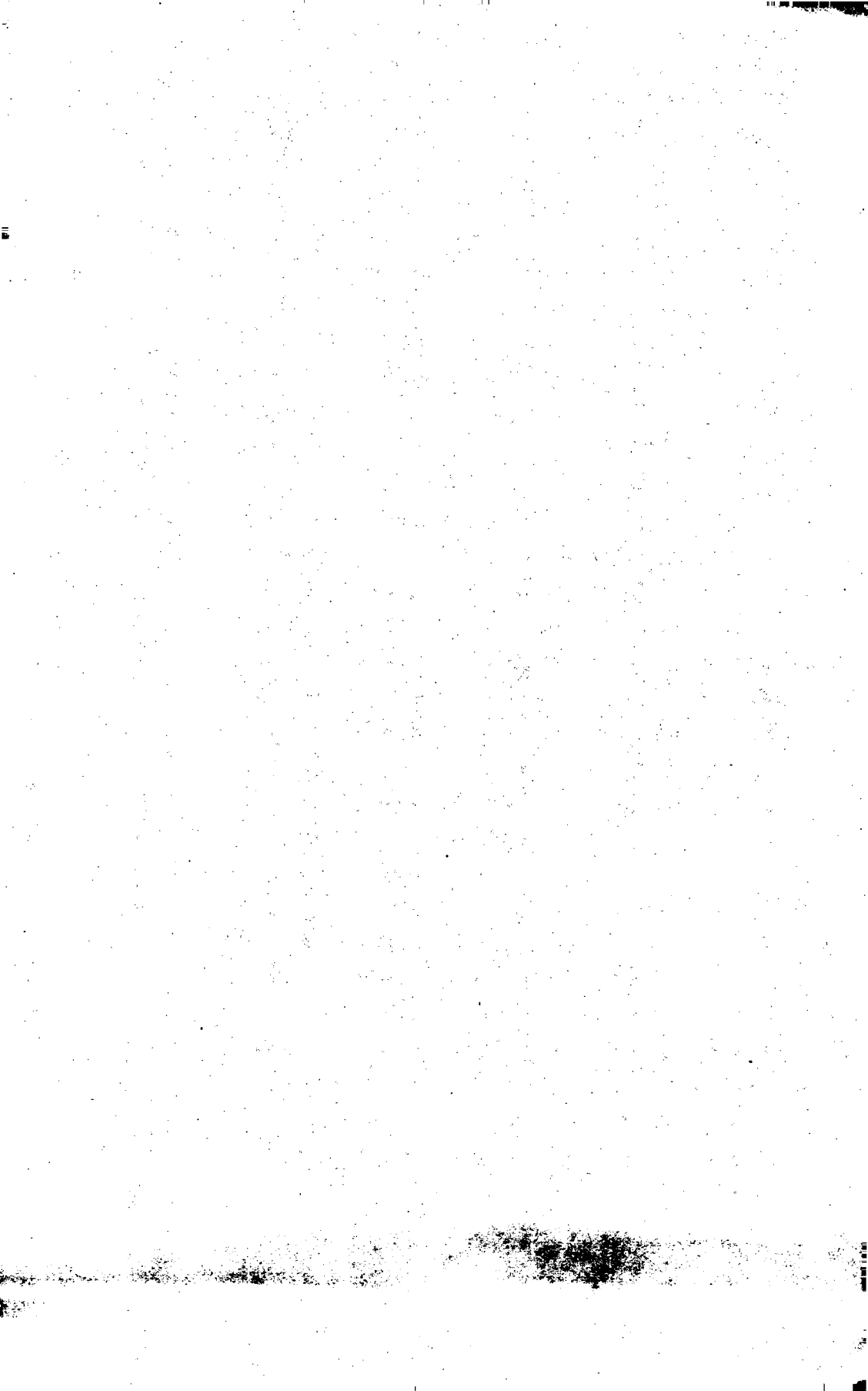
—to carry out internal audit in eight accounting units of the Company.

A test-check in Audit (August 1979) revealed that while the firm had been paid Rs. 10,850, it had submitted reports on only 2 units of the Company, and most other items of work had not been attended to.

7.6.14 *Other topics of interest*—(i) During the years 1976-77 and 1977-78, 72,867 used empty biscuit tins valued at Rs. 4.18 lakhs were purchased by the Dharamsala unit for resin filling. The cost of these tins was higher by Rs. 0.40 per tin as compared to other types of tins (kerosene and ghee tins) purchased by the unit. The Management stated (July 1979) that these tins were purchased on an experimental basis to assess whether biscuit tins could be recycled. It was, however, found that it was not possible to re-use these tins. The purchase of a large quantity of biscuit tins at higher rate resulted in an avoidable expenditure of Rs. 0.29 lakh.

(ii) During 1975-76, 3,550 plastic containers were procured at a cost of Rs. 1.11 lakhs with a view to effecting economy in the use of empty tins. The unit cost of these containers was Rs. 31.20 as against Rs. 5.10 per empty tin. It was noticed that only 50 per cent of these containers could be utilised for a second time and the extraction divisions preferred to buy empty tins instead of accepting the plastic containers from the factories. Further, 10 per cent of the containers became unserviceable after being used once and the remaining containers deteriorated due to open storage. The purchase of plastic containers thus resulted in an infructuous expenditure of Rs. 0.84 lakh approximately.

(iii) Sealed tenders were opened in February 1977 for the floating of ghall sawn timber, round ballies, hakries, etc. in Machhada Khad (from Kunnu Gharat to Nirath). Five parties quoted for the work, the lowest quotation was Rs. 3.50 per piece. These offers were rejected as none of the parties had submitted the requisite 'Income Tax Clearance Certificate'. Tenders were re-invited and opened in March 1977. Only two parties (who had also quoted earlier) quoted for the work; the lower offer was Rs. 3.61 per piece. It was then decided to ask the remaining three parties (who had quoted earlier) to quote their rates by 1st April 1977. Two offers were received





including one from a new party. The lower offer was computed at Rs. 3.37 per piece with a stipulation for an advance of Rs. 40,000.

Meanwhile, another party who had neither quoted earlier nor had been approached by the Company, submitted (April 1977) a rate of Rs. 3.30 per piece or a rate of Rs. 3.10 per piece with the stipulation of an interest-free advance of Rs. 40,000. The work was awarded to this party at Rs. 3.10 per piece (May 1977). The advance (adjustable against work bills) was paid in July and September 1977 and the work was stipulated for completion by April 1978.

In January 1978, it was considered that the progress of work was slow and that it would be appropriate to get the work done on muster roll basis. The work was stopped by the contractor's labour in February 1978 due to non-payment of wages. In order to avoid loss to timber valuing Rs. 35 lakhs, the Management decided (April 1978) to accept the liability of the contractor (Rs. 0.80 lakh) towards wages to his labour, and to re-start the work through another contractor. The work was accordingly completed by the other contractor in May 1978. The work was completed at a total cost of Rs. 3.75 lakhs resulting in an extra expenditure of Rs. 1.38 lakhs. A legal notice was issued by the Company to the first contractor in August 1979 for recovery of Rs. 3.86 lakhs (including Rs. 1.90 lakhs as penalty for loss of 337.613 cum. of fir timber, Rs. 0.40 lakh on account of the advance paid and Rs. 0.18 lakh towards service charges under the agreement).

(iii) The table below indicates the cases of shortages, losses and misappropriations aggregating Rs. 5.02 lakhs, and their latest position :—

Serial Number	Particulars	Value (Rupees in lakhs)	Present position
---------------	-------------	-------------------------	------------------

1. Bilaspur factory

- |   |   |      |  |
|---|---|------|--|
| (a) Shortage of 130.70 quintals of resin (March 1978) | } | 0.44 | The cases are under investigation (August 1979). |
| (b) Shortage of 41.45 quintals of resin (March 1979)  |   |      |  |

## 2. Nahan Factory

- |  |   |      |  |
|--|---|------|--|
| (a) Shortage of 83.00 quintals of resin (1978-79)  | } | 0.81 | These cases are under investigation (August 1979). |
| (b) Shortage of 235.75 quintals of resin (1978-79) |   |      |  |

## 3. Miscellaneous

- |   |   |      |   |
|---|---|------|---|
| (a) Loss of 86.500 quintals of resin due to fire at Seraj unit (October 1978) | } | 3.50 | The cases are under Police investigation (December 1979). |
| (b) Theft of 57.34 quintals of resin in Nahan Resin Extraction Division       |   |      |   |
| (c) Theft of 26.40 quintals of resin in Mandi Division (1977-78)              |   | 0.10 | The cases are under Police investigation (August 1979).   |

7.6.15 *Summing up*

(i) The number of blazes available for tapping declined from 53.39 lakhs in 1975-76 to 36.02 lakhs in 1978-79.

(ii) The shortfall in resin yield increased from 1.33 per cent in 1975-76 to 17.33 per cent in 1978-79.

(iii) The quantity of resin processed gradually declined from 68,600 quintals in 1976-77 to 37,300 quintals in 1978-79 in Bilaspur factory and from 43,000 quintals to 31,300 quintals in Nahan factory.

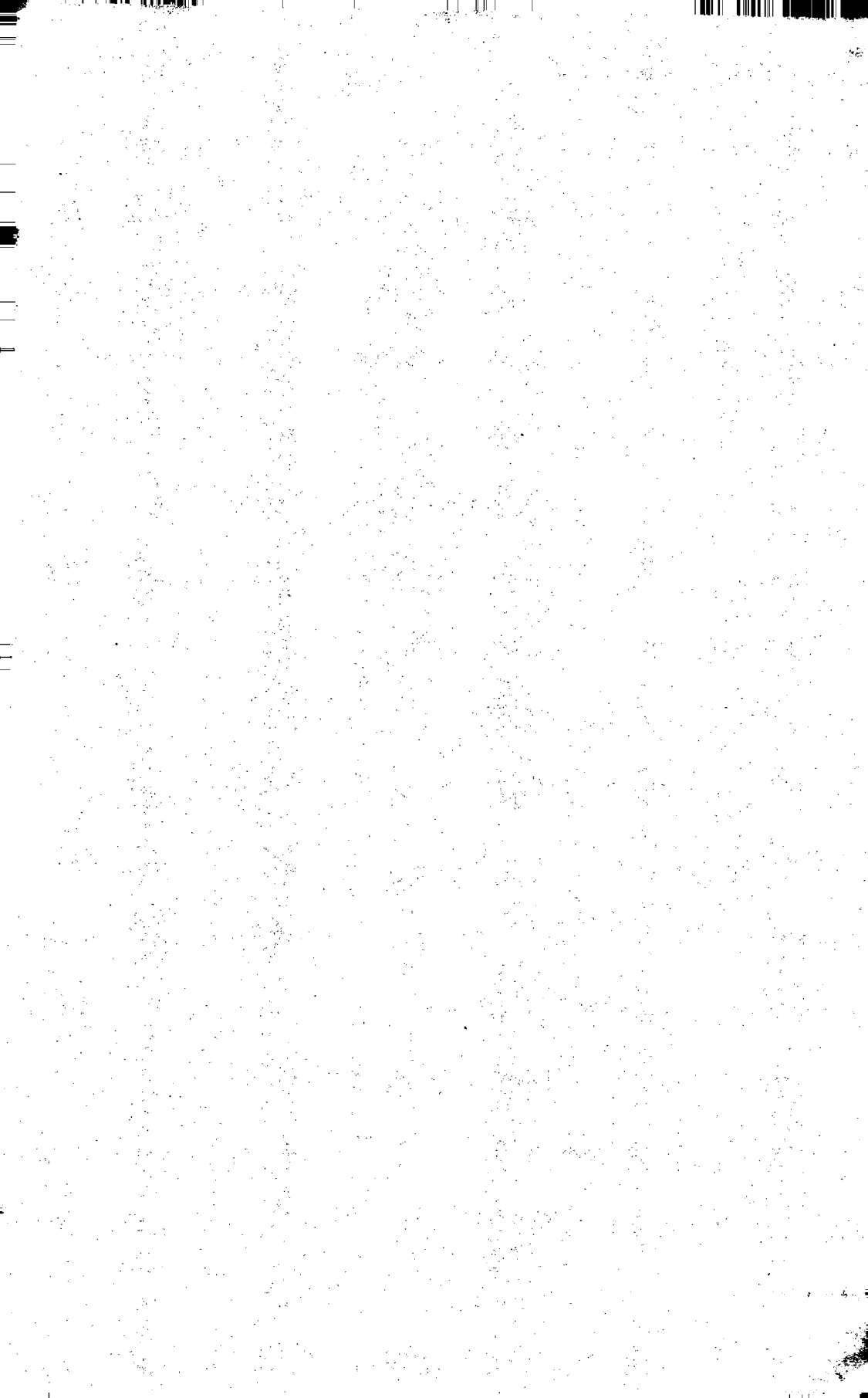
(iv) The Bilaspur factory has been working below its installed capacity and the shortfall increased from 10.8 per cent in 1976-77 to 51.4 per cent in 1978-79; whereas the shortfall in Nahan factory was 19 per cent in 1978-79 due to less availability of resin.

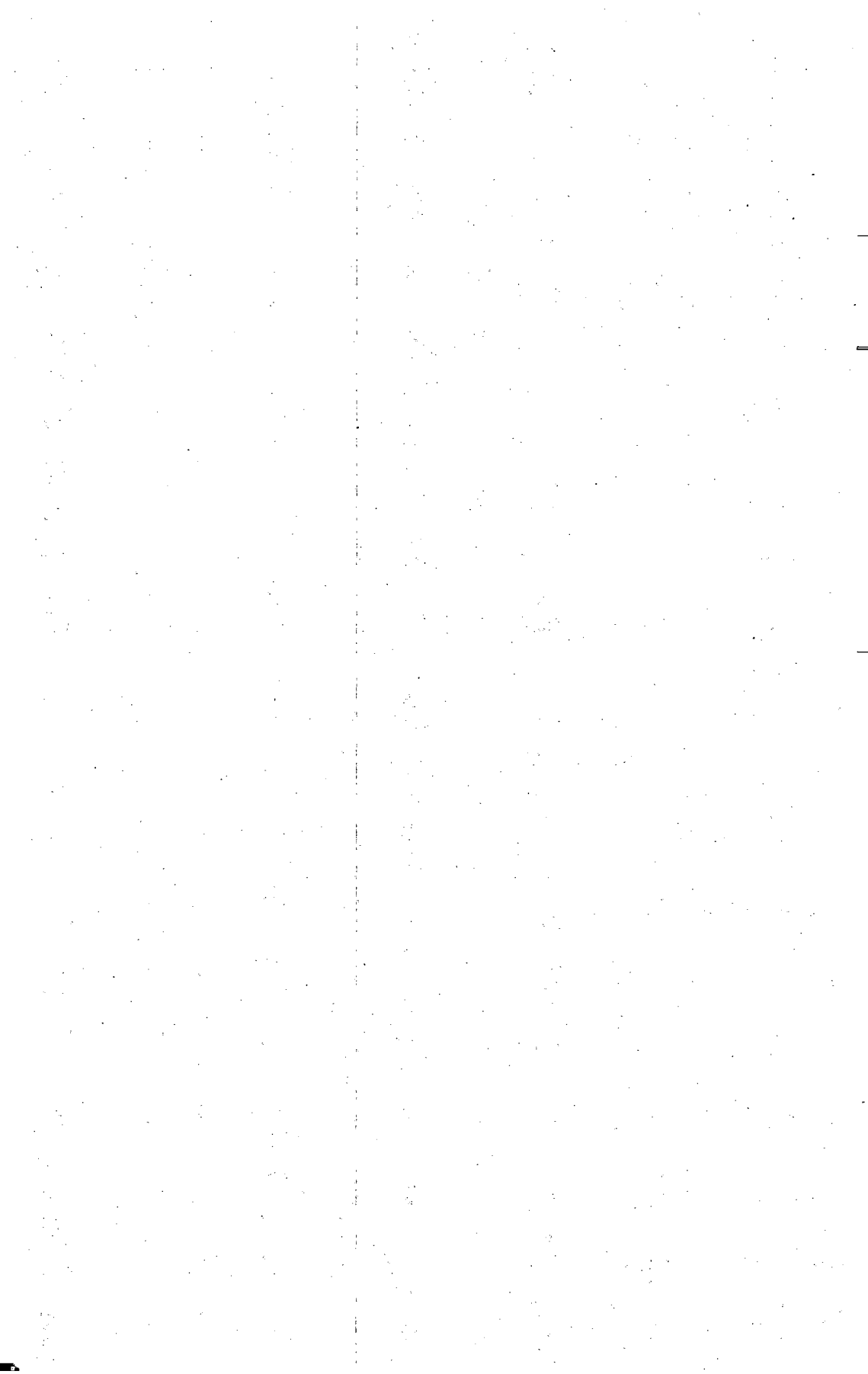
(v) During 1977-78 and 1978-79, the Bilaspur and Nahan factories were closed for 254 days involving an expenditure of Rs. 2.88 lakhs on idle labour.

(vi) A Delhi firm was allowed an extra benefit (special rebate etc.) aggregating Rs. 6.09 lakhs on sale of rosin. The case is under investigation by the Vigilance Department.

(vii) The cumulative loss of the Company as on 31st March 1976 was Rs. 28.92 lakhs. The accounts for subsequent years have not been compiled.







## 7.7 Himachal Wool Processors Limited

7.7.1 *Introduction*—The Himachal Wool Processors Limited, Nalagarh a subsidiary of the Himachal Pradesh Mineral and Industrial Development Corporation Limited was incorporated under the Companies Act on 11th October 1974.

7.7.2 *Objects*—The main objects of the Company are :

- to carry on the business of dealers, buyers, sellers, manufacturers, importers, exporters, collectors, dyers, carders, spinners, weavers, combers, ginners, printers, blenders and processors of wool, yarn, wool waste, cotton waste, silk waste and all other fibrous materials;
- to manufacture all kinds of cloth, textiles and fabrics from cotton, wool, jute, silk, synthetic, fibres, hair and leather; and
- to deal in, manufacture readymade garments, made ups and furniture covers, hosiery goods, embroidery articles, carpets, durries, shawls, druggets, mattresses, etc.

However, the main activity of the Company is presently confined to the manufacture and sale of woollen carpet yarn (2 to 5 counts) together with its saleable waste.

7.7.3 *Project cost*—The project report prepared by the National Industrial Development Corporation, New Delhi in 1974 had envisaged the erection of 13 indigenous cards to feed 2,800 spindles. The project was to be implemented in three phases:—

Target date	Capacity
	(Progressive)
1st January 1976	900 Spindles
1st January 1977	2,100 spindles
1st October 1977	2,800 spindles

The trial production was started in January 1976 with 500 spindles and another 500 spindles were installed at the end of September 1977. The balance of 1,800 spindles have yet to be installed (December 1979).

The following table indicates the original project estimate, revised estimates of cost and actual expenditure incurred upto May 1979:—

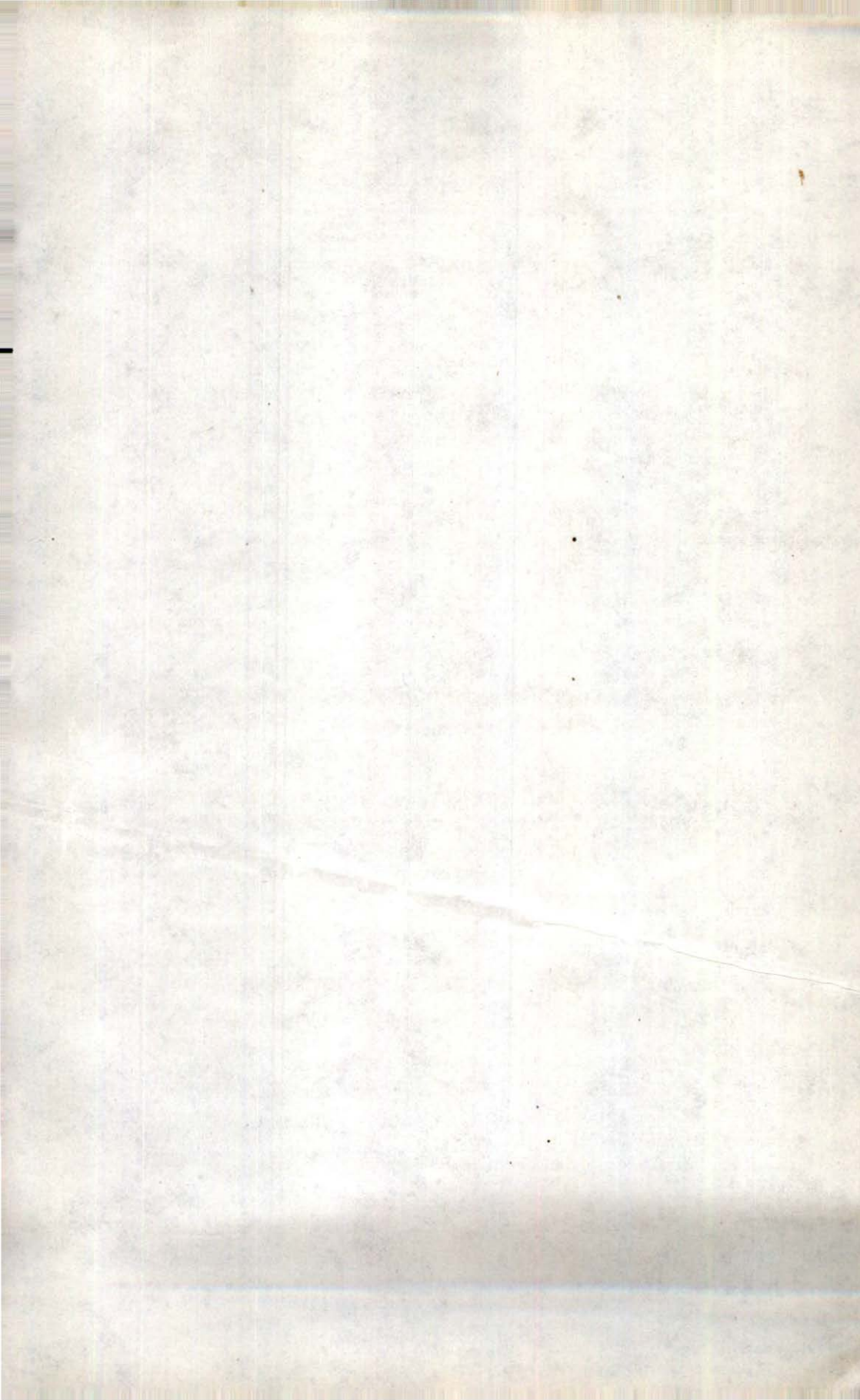
	Original project estimate	1st revision (March 1976)	2nd revision (May 1979)*	Expenditure incurred (May 1979)
	(Rupees in lakhs)			
(a) Preliminary and promotional costs	12.50	34.75	18.64	12.04
(b) Land, buildings and civil works	29.35	33.92	50.51	33.08
(c) Machinery	1,52.15	1,53.39	1,22.60	1,00.70
(d) Margin money	37.00	22.94	56.98	69.94
(e) Cash losses	—	—	46.89	46.89
<b>Total</b>	<b>2,31.00</b>	<b>2,45.00</b>	<b>2,95.62</b>	<b>2,62.65</b>

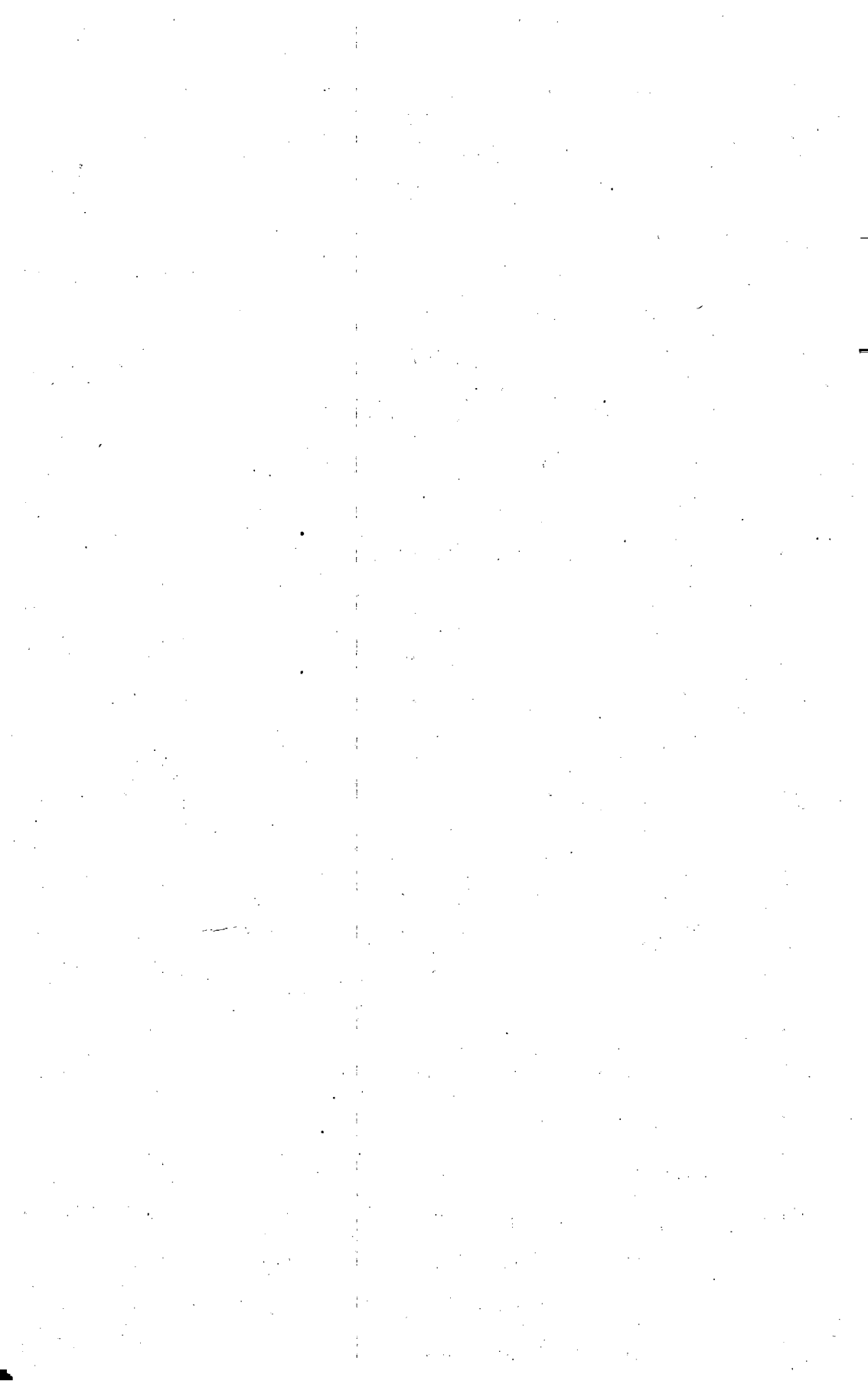
The Management attributed (July 1979) the variations in the cost estimates (including cash losses) to the following:—

- (i) *Land, building and civil works*—Increase in the area of land (from 30 to 54 bighas) required for the construction of godowns, canteen, quarters, etc. not envisaged earlier.
- (ii) *Machinery*—It was decided (January 1977) to instal 9 cards (including 5 imported) to feed 2,800 spindles as against 13 indigenous cards originally envisaged.
- (iii) *Margin money for working capital*—Due to additional margin imposed by the Reserve Bank of India raising the bank margin from 25 to 35 per cent.
- (iv) *Cash losses*—Due to under-utilisation of the sanctioned capacity.

7.7.4 *Capital structure*—The Company has an authorised capital of Rs. 2 crores divided into 20,00,000 equity shares of Rs. 10 each.

\*Awaiting approval.





The paid-up capital of the Company as on 31st March 1979 was Rs. 94.47 lakhs—Rs. 49 lakhs subscribed by the Holding Company and Rs. 45.47 lakhs raised through public subscription.

7.7.5 Borrowings—(a) The Company obtained secured/unsecured loans from different agencies. The position of loans outstanding at the end of the three years upto 1978-79 was as under:—

	1976-77	1977-78	1978-79
	(Provisional)		
	(Rupees in lakhs)		
<b>A—Secured loans</b>			
(a) Bridge loan from a scheduled bank..	51.75	50.00	Nil
(b) Cash credit from scheduled bank against hypothecation of stocks ..	4.89	6.85	20.00
(c) Financial institutions	Nil	Nil	83.00
<b>Total</b>	<b>56.64</b>	<b>56.85</b>	<b>1,03.00</b>
<b>B—Unsecured Loans</b>			
(a) Holding Company	6.59	14.49	54.50
(b) Overdraft from scheduled bank	Nil	0.04	Nil
(c) Public deposits	1.67	7.40	7.00
<b>Total</b>	<b>8.26</b>	<b>21.93</b>	<b>61.50</b>
<b>Grand Total</b>	<b>64.90</b>	<b>78.78</b>	<b>1,64.50</b>

(b) The Company had, during February—November 1976 secured sanctions to long term loans aggregating Rs. 135 lakhs from the financial institutions. No amount was, however, drawn until April 1978. An aggregate amount of Rs. 85 lakhs was drawn by the Company during May—November 1978 as detailed below:—

Source	Month of sanction	Rate of interest	Amount of loan sanctioned	Month of drawal	Amount of loan drawn
			(Rupees in lakhs)		(Rupees in lakhs)
Industrial Finance Corporation of India (IFCI)	February 1976	9½%	30.00	June 1978	20.00

Industrial Development Bank of India (IDBI)	April 1976	9½%	45.00	June 1978	30.00
Industrial Credit and Investment Corporation of India (ICICI)	May 1976	9½%	30.00	May 1978	20.00
Life Insurance Corporation of India (LIC)	November 1976	12½%	30.00	November 1978	15.00

Under the terms of the agreement, the Company had to pay a commitment charge at  $\frac{1}{2}$  per cent per annum on the undisbursed loans of financial institutions and one per cent on the undisbursed loans of Life Insurance Corporation. Due to a delay of 24-29 months, the Company had to make an avoidable payment of Rs. 1.77 lakhs on this account. Besides, the Company's liability for commitment charges on the balance of Rs. 50 lakhs continues.

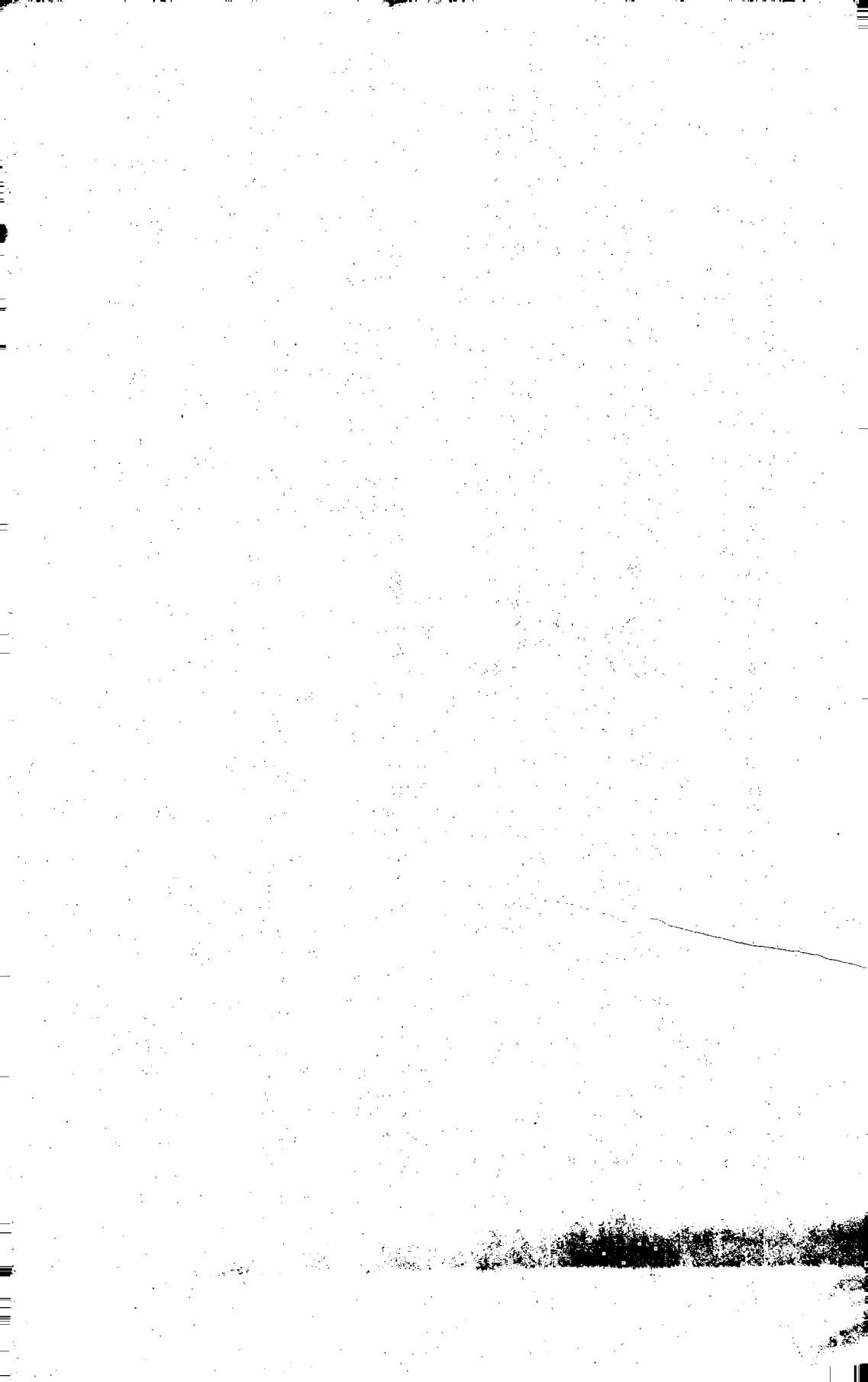
Meanwhile, in August 1976, the Company secured a bridge loan of Rs. 50 lakhs (August 1976) from a nationalised bank at 15 per cent per annum (i.e. 5.5 per cent higher than the rate for loans from financial institutions). The loan was repaid in June 1978 after receipt of loan from the financial institutions. This resulted in avoidable payment of interest of Rs. 5.27 lakhs.

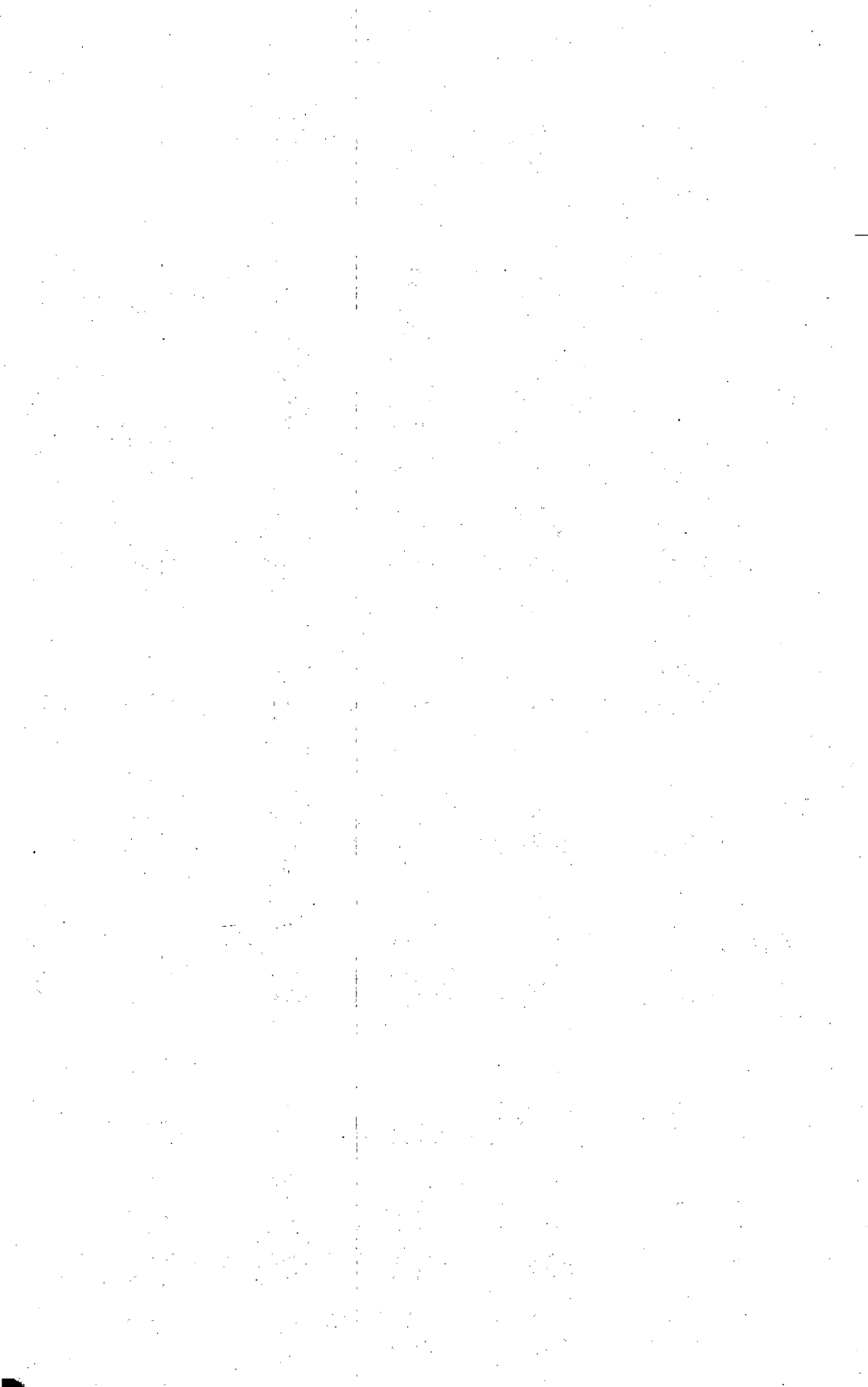
The Management stated (July 1979) that the loan cases could not be pursued with the financial institutions due to frequent changes in the incumbency of the Managing Director. It is noticed that there was no change in the Managing Director during November 1974—May 1977; thereafter, there were 4 changes during the period May 1977—May 1978.

7.7.6 *Financial position*—The financial position of the Company for the three years upto 1978-79 is tabulated below:—

	1976-77	1977-78	1978-79
			(Provisional)
			(Rupees in lakhs)
<b>Liabilities</b>			
(a) Paid-up capital	.. 49.99	83.16	94.47
(b) Reserves and surplus	.. 10.79	12.62	12.62







(c) Borrowings	68.02	82.63	1,72.50
(d) Trade dues and other current liabilities (including provisions)	12.50	38.80	7.50
<b>Total</b>	<b>1,41.30</b>	<b>2,17.21</b>	<b>2,87.09</b>
<b>Assets</b>			
(a) Gross block	67.04	74.14	1,43.77
(b) Less depreciation	2.91	6.28	11.00
(c) Net fixed assets	64.13	67.86	1,32.77
(d) Capital work-in-progress	12.02	6.32	
(e) Current assets, loans and advances	52.33	1,10.37	90.88
(f) Intangible assets			
(i) Preliminary and miscellaneous expenses	2.29	3.06	6.98
(ii) Cumulative losses	10.53	29.60	56.46
<b>Total</b>	<b>1,41.30</b>	<b>2,17.21</b>	<b>2,87.09</b>
Capital employed*	1,03.96	1,35.72	2,16.15
Net worth**	47.96	63.12	43.65

It will be seen from above that the Company had incurred a cumulative loss of Rs. 56.46 lakhs (59.8 per cent of its paid-up capital) to the end of 1978-79.

7.7.7 Working results—The working results of the Company for the three years upto 1978-79 are given below:—

	1976-77	1977-78	1978-79
			(Provisional)

(Rupees in lakhs)

A—Sales	1,12.18	1,00.53	82.50
---------	---------	---------	-------

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

\*\*Net worth, represents paid-up capital plus reserves and surplus less intangible assets.

(b) Actual	..	17.00	45.28	14.98
(c) Shortfall	..	95.18	55.25	67.52
B—Cost of sales	..	27.53	64.35	41.84
C—Loss	..	10.53	19.07	26.86

The shortfall in sales during 1978-79 was attributed by the Management (December 1979) to unsatisfactory performance of the indigenous cards.

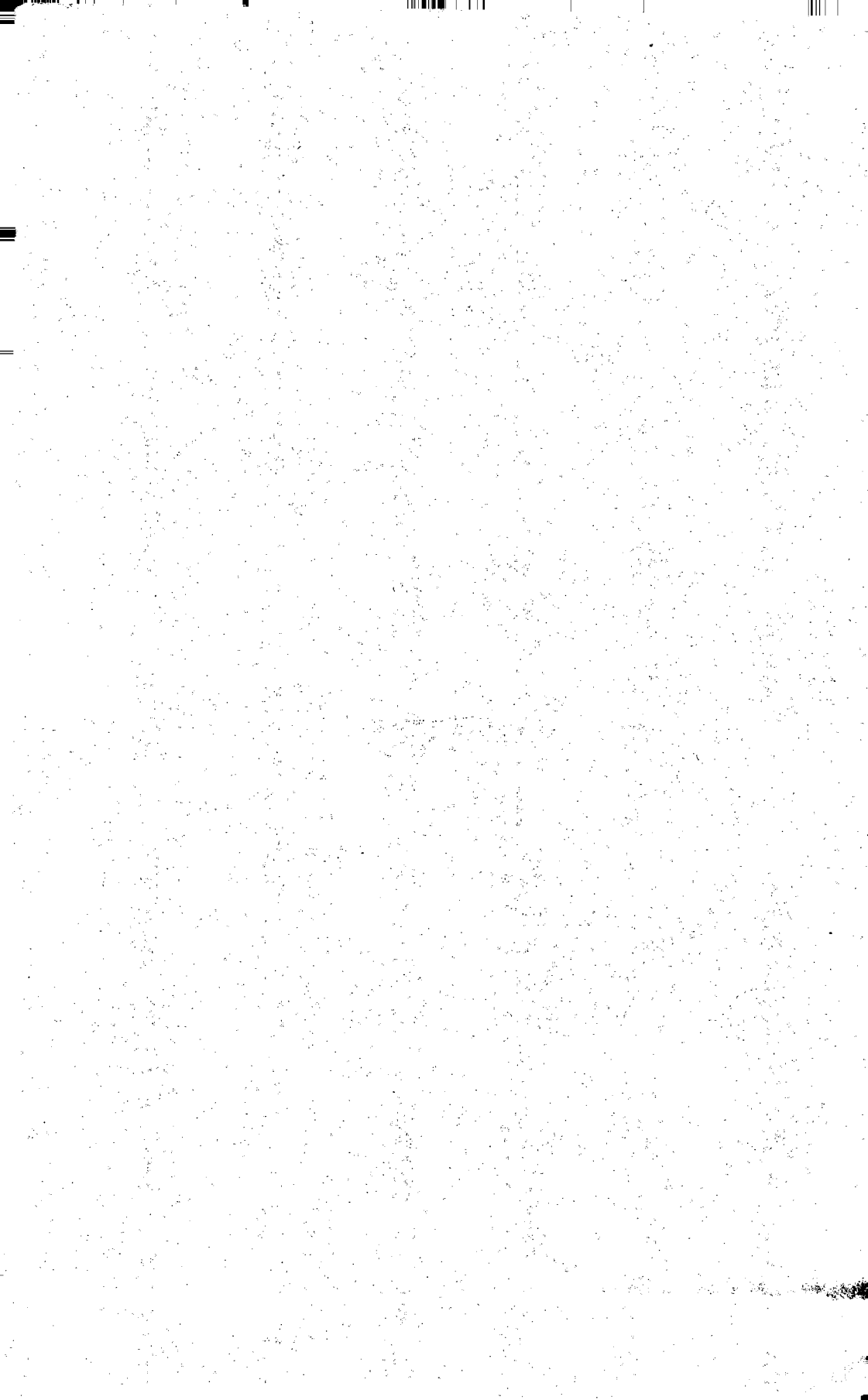
7.7.8 *Performance analysis*—As per the project report, the spinning mill, equipped with 2,800 spindles, was to produce 2,313 tonnes of woollen yarn per annum i.e. 2.75 kg. per spindle per day on a three-shift basis. The Management stated (July 1979) that the production target as envisaged in the project report was not realistic and, on an average count of 4 NM, a maximum production of only 2 kg. per spindle per day could be achieved on a three-shift basis. The following table indicates the installed capacity (de-rated to 2 kg. per spindle per day) and the actual production for three years upto 1978-79:—

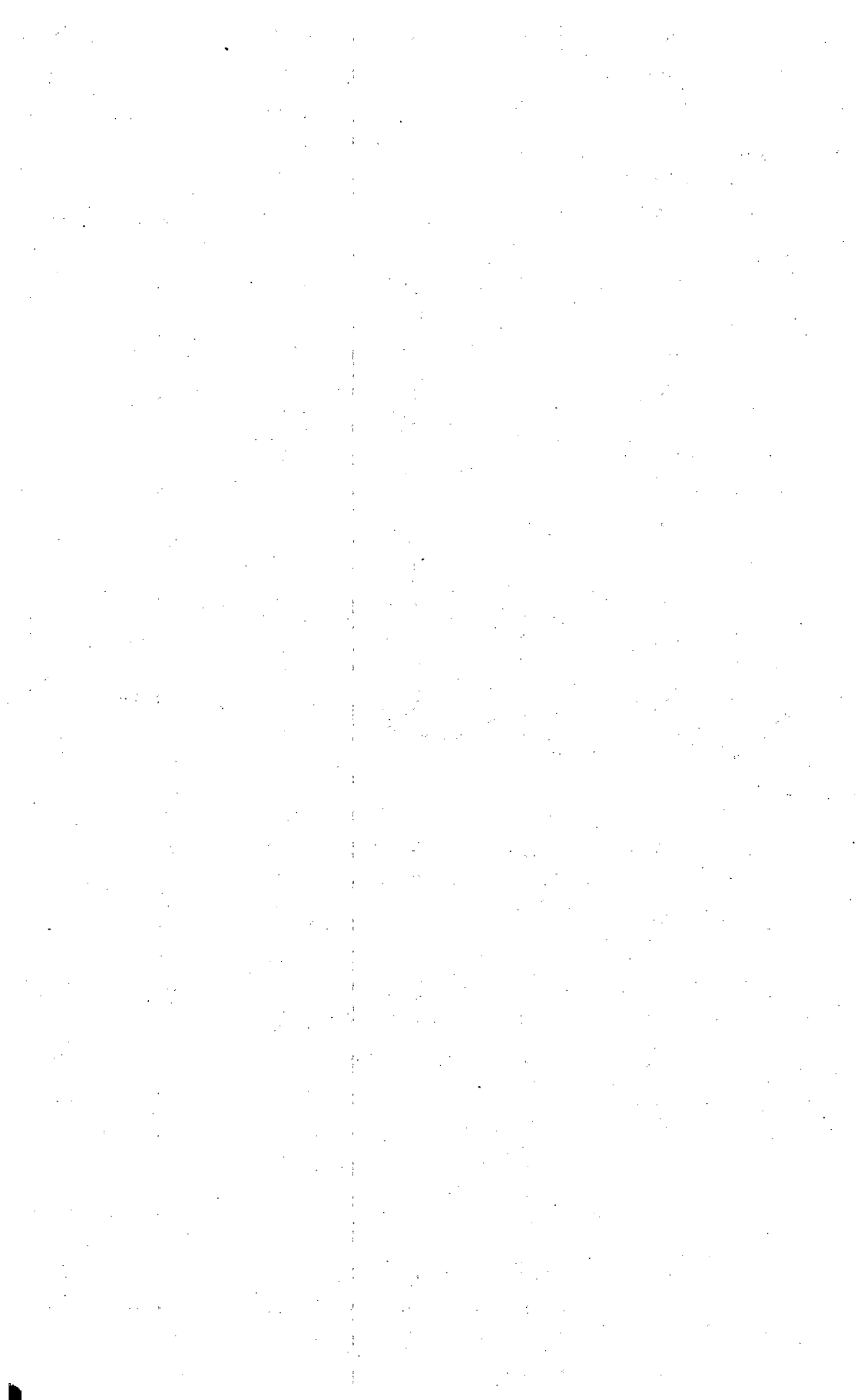
Year	Number of spindles	Installed capacity	Actual production	Shortfall	Percentage of shortfall
(In kilograms)					
1976-77	.. 700	3,40,000	1,57,803	1,82,197	53.59
1977-78	.. 1,000	6,00,000	1,12,849	4,87,151	81.19
1978-79	.. 1,000	6,00,000	80,736	5,19,264	86.54

It will be seen that inspite of increase in capacity, the actual production dropped from 157.8 tonnes in 1976-77 to 80.7 tonnes in 1978-79.

The under-utilisation of the installed capacity was attributed by the Management (July 1979) to:—

- (i) Unsatisfactory performance of carding machines. (The efficiency of these machines was about 40 per cent against the estimated efficiency of 85 per cent, with the result that the spindles remained idle).





(ii) Go-slow by the employees for higher wages.

(iii) Stoppage for 3 months (October-December 1978) as there was no technical staff on the shop floor. (Only maintenance work was done during this period).

7.7.9 *Machine utilisation*—The Company has neither maintained any records of actual machine utilisation nor has it laid down any norms for the consumption of stores, lubricants, etc.

7.7.10 *Productivity*—The table below indicates the utilisation of manpower during three years upto 1978-79 :—

	1976-77	1977-78	1978-79
(a) No. of workmen including ministerial and technical staff ..	166	215	287
(b) Salaries and wages (Rupees in lakhs)..	4.97	7.41	9.68
(c) Average expenditure per workman (Rupees) ..	2,125	2,229	2,482
(d) Production (kilograms)			
—Grey yarn ..	1,57,803	1,12,849	80,736
—Yarn scoured ..	36,518	77,735	66,767
(e) Average output per workman (kilograms)			
—Grey yarn ..	1,315	664	351
—Yarn scoured ..	304	457	290
(f) Conversion cost per kg.			
—Grey yarn (Rupees)			
—Labour ..	1.62	3.36	7.10
—Ministerial and technical staff ..	1.53	3.21	4.94
—Other expenses ..	11.76	18.80	34.36
Total ..	14.91	25.37	46.40

It will be seen that while the average expenditure per workman increased from Rs. 2,125 to Rs. 2,482 the average output per

workman dropped from 1,619 kilograms in 1976-77 to 641 kilograms in 1978-79. Further, even after the installation of additional spindles and increase in the number of workmen the actual production of grey yarn declined from 1.58 lakh kilograms in 1976-77 to 0.81 lakh kilograms in 1978-79. This is reflected in the increase (211 per cent) in the conversion cost from Rs. 14.91 per kilogram in 1976-77 to Rs. 46.40 per kilogram in 1978-79.

7.7.11 *Wastage in processing*—No norms have been fixed for wastage of wool at different stages of processing. The Manager (Textile) stated (January 1977) that wastage upto the reeling stage ranged from 11.5 to 16.5 per cent and wastage during scouring ranged from 5 to 10 per cent.

(i) A review in audit revealed, however, that the actual wastage upto the reeling stage varied from 17.93 to 24.38 per cent as under:—

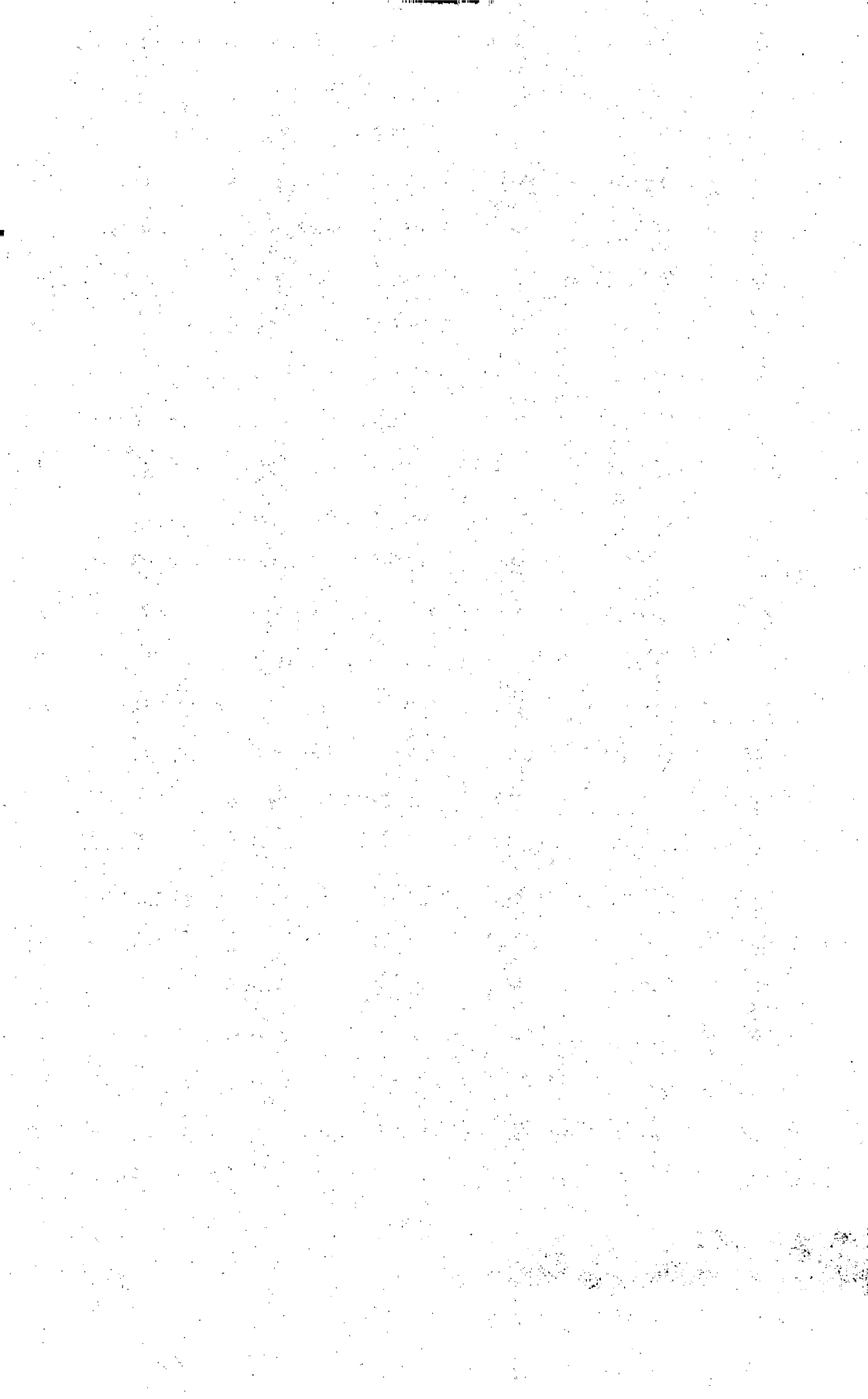
Year	Raw material consumed	Production at reeling stage	Wastage	Percentage of wastage
			(In tonnes)	
1976-77	208.68	158.80	50.88	24.38
1977-78	137.50	112.85	24.65	17.93
1978-79	105.31	80.41	24.90	23.64

Even with reference to the range (11.5 to 16.5 per cent) as intimated by the Manager (Textiles) of the Company, the value of excess wastage during 1976-77 to 1978-79 works out to Rs. 10.42 lakhs.

(ii) A scouring plant (value: Rs. 5.47 lakhs) was installed in April 1977. Till then, scouring was done manually. The wastage in scouring during the last three years upto 1978-79 was as under:—

Year	Yarn issued for scouring	Yarn scoured	Wastage in scouring	Percentage of wastage
			(In tonnes)	
1976-77	84.60	36.52	48.08	56.83
1977-78	94.96	77.74	17.22	18.13
1978-79	88.84	66.77	22.07	24.84







The wastage in scouring even after the installation of the scouring plant was far in excess of the range of 5 to 10 per cent intimated by the Company. The value of excess wastage in scouring during the three years upto 1978-79 works out to Rs. 20.84 lakhs.

7.7.12 *Credit control*—The table below indicates the position of book debts and sales (including other income) for the last three years upto 1978-79:—

Year	Total book debts (considered good)	Sales (including other income)	Percentage of debts to sales
(Rupees in Lakhs)			
1976-77	13.98	18.06	77.41
1977-78	42.80	45.82	93.41
1978-79	33.92	14.98	2,26.43

The sundry debtors which represented about 9.3 months' sales in 1976-77 represented 11.2 months' sales in 1977-78 and 27.2 months' sales in 1978-79.

The figure of Rs. 33.92 lakhs outstanding as on 31st March 1979 includes Rs. 12.39 lakhs due from 23 parties on whom legal notices have been served, and Rs. 6.17 lakhs in respect of which a claim has been lodged with the insurance company.

7.7.13. *Physical verification*—A physical verification of raw wool, grey yarn and finished goods conducted on 3rd June 1979 revealed the following discrepancies:—

	As per ledger	Physical balance	Excess	Value
		(In kilograms)		(Rupees in lakhs)
Raw wool	19,345	19,520	175	0.04
Grey yarn	33,009	33,894	885	0.32
Finished yarn	15,998	19,090	3,092	1.24

These excesses (Rs. 1.60 lakhs) have neither been investigated nor adjusted so far (December 1979).

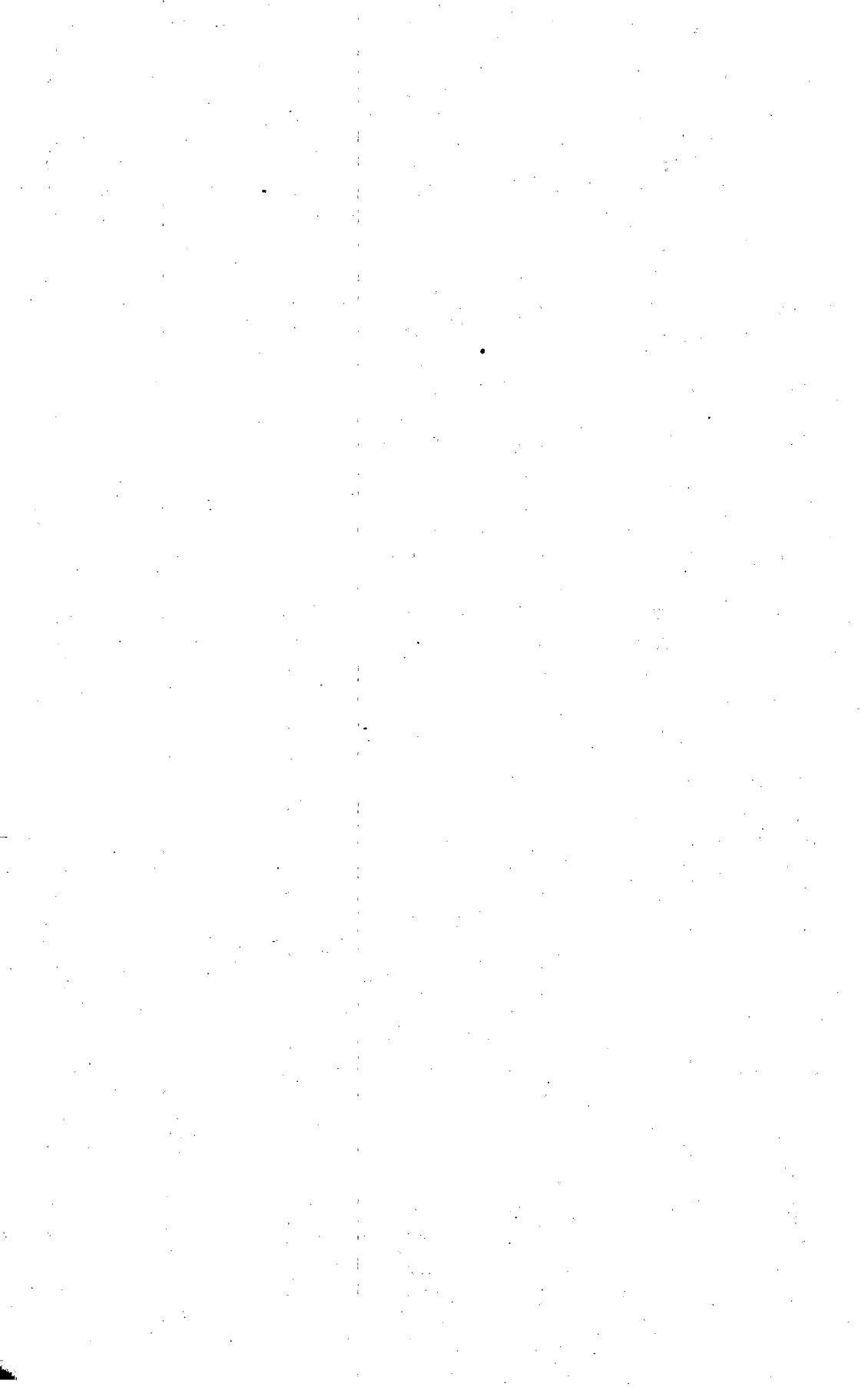
7.7.14 *Costing system*—The Company has not introduced any job/process costing system. The Management stated (July 1979) that the plant was still in the process of construction and as soon as production was stabilised, the standards would be ascertained and a job/process costing system introduced.

7.7.15 *Other topics of interest*—(i) The project report did not specify a lay out of the mill which was designed by the Company's technical staff. This was later found to be deficient in as much as the lay out did not follow the production material flow. Consequently, the mixing and blending sections were located diagonally opposite the raw material godowns instead of being located close to each other. The carding and other equipment was installed in the same premises as the mixing and blending sections thus exposing the carding machines to the hazards of dust and dirt. This also resulted in the Company having to pay a higher premium rate for insurance (against fire) for the entire premises instead of this rate being limited to the mixing and blending sections only which would have meant a saving in the premium of Rs. 0.40 lakh for the period 1976-77 to 1978-79. While admitting that the original lay out plan was faulty in many respects, the Management stated (July 1979) that steps were being taken to construct a partition. Further progress is awaited (December 1979).

(ii) In June 1977, the Company entered into an agreement with a firm of Badhoi (Uttar Pradesh) to book orders on their behalf in Mirzapur and Badhoi areas. The bonafides of the person signing the agreement on behalf of the firm were not verified and it was later found that he was not a partner of the firm. The firm also did not furnish the required bank guarantee for Rs. 0.50 lakh. During July 1977—January 1978, the Company supplied goods worth Rs. 4.46 lakhs to the firm against which a payment of Rs. 0.90 lakh only was received (during 1978-79), leaving a balance of Rs. 3.56 lakhs. No action has so far been taken by the Company to recover its dues (November 1979).

7.7.16 *Summing up*—(i) The Company has so far installed only 1,000 out of 2,800 spindles that were to be installed by October 1977, though the actual expenditure incurred upto May 1979 was Rs. 2.63 crores against the revised estimates of Rs. 2.96 crores.





(ii) Due to delays of 24—29 months in the drawal of long term loans from the financial institutions, the Company had to pay commitment charges of Rs. 1.77 lakhs.

(iii) The production amounted to 18.81 per cent of the installed capacity in 1977-78 and 13.46 per cent in 1978-79. The conversion cost went up from Rs. 25.37 per kg. of grey yarn in 1977-78 to Rs. 46.40 per kg. in 1978-79. The processing losses have been excessive.

(iv) The Company had incurred a cumulative loss of Rs. 56.46 lakhs (59.8 per cent of its paid-up capital) to the end of 1978-79.

(v) The sundry debtors which represented 9.3 months' sales in 1976-77, represented 27.2 months' sales in 1978-79.

## 7.8 Himachal Worsted Mills Limited

7.8.1 *Introduction*—Himachal Worsted Mills Limited, Nalagarh (Solan district) — a subsidiary of Himachal Pradesh Mineral and Industrial Development Corporation Limited — was incorporated as a public limited company under the Companies Act, 1956 on 11th October 1974 with the following as its main objects:

—to manufacture, process, sell, import, export, deal in yarn, cotton, wool, jute, hemp, silk, textile cloth and carry on the business of dyers, spinners, weavers, printers, etc.

—to manufacture worsted, serge, gaberdine, cotswool, pashmina, terrywool, terrycot, satin, patta, tapestry, jeans, khaddar and all kinds of textiles and fabrics made of wool, cotton, silk, yarn, jute, etc. and

—to process, dye, clean, print and prepare leather from animal skins, deal in import export of leather, leather clothes, footwear and leather threads and to carry on business of blending wool, jute, silk, cotton, etc.

Presently, the main activity of the Company is confined to manufacture of worsted yarn of various counts.

7.8.2 *Capital structure*—The Company has an authorised capital of Rs. 2 crores divided into 20,00,000 equity shares of Rs. 10 each. As on 31st March 1979, the Company had a paid-up capital of Rs. 92 lakhs comprising Rs. 47 lakhs subscribed by the Holding Company and Rs. 45 lakhs raised through public subscription.

7.8.3 *Borrowings*—The Company obtained secured and unsecured loans from different agencies and the amounts outstanding (exclusive of interest) at the end of three years upto 1978-79 were as follows:—

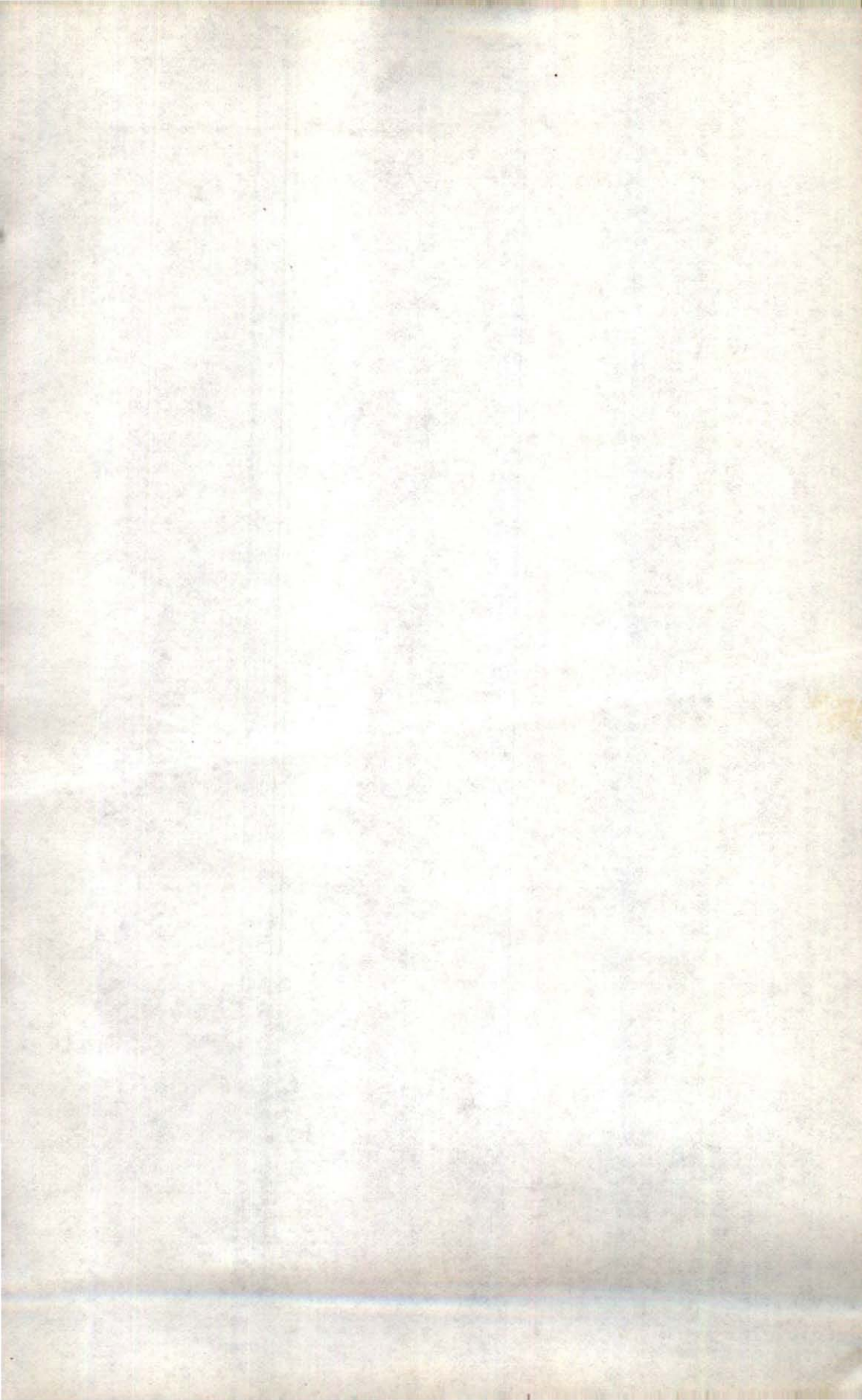
	1976-77	1977-78	1978-79
	(Rupees in lakhs)		
<b>Secured loans</b>			
Scheduled banks ..	49.48	67.99	14.00
Financial institutions ..	..	..	82.00
<b>Total</b> ..	49.48	67.99	96.00
<b>Unsecured loans</b>			
Holding Company ..	2.44	..	..
Public deposits ..	1.07	3.60	10.25
<b>Total</b> ..	3.51	3.60	10.25
<b>Total</b> ..	52.99	71.59	1,06.25

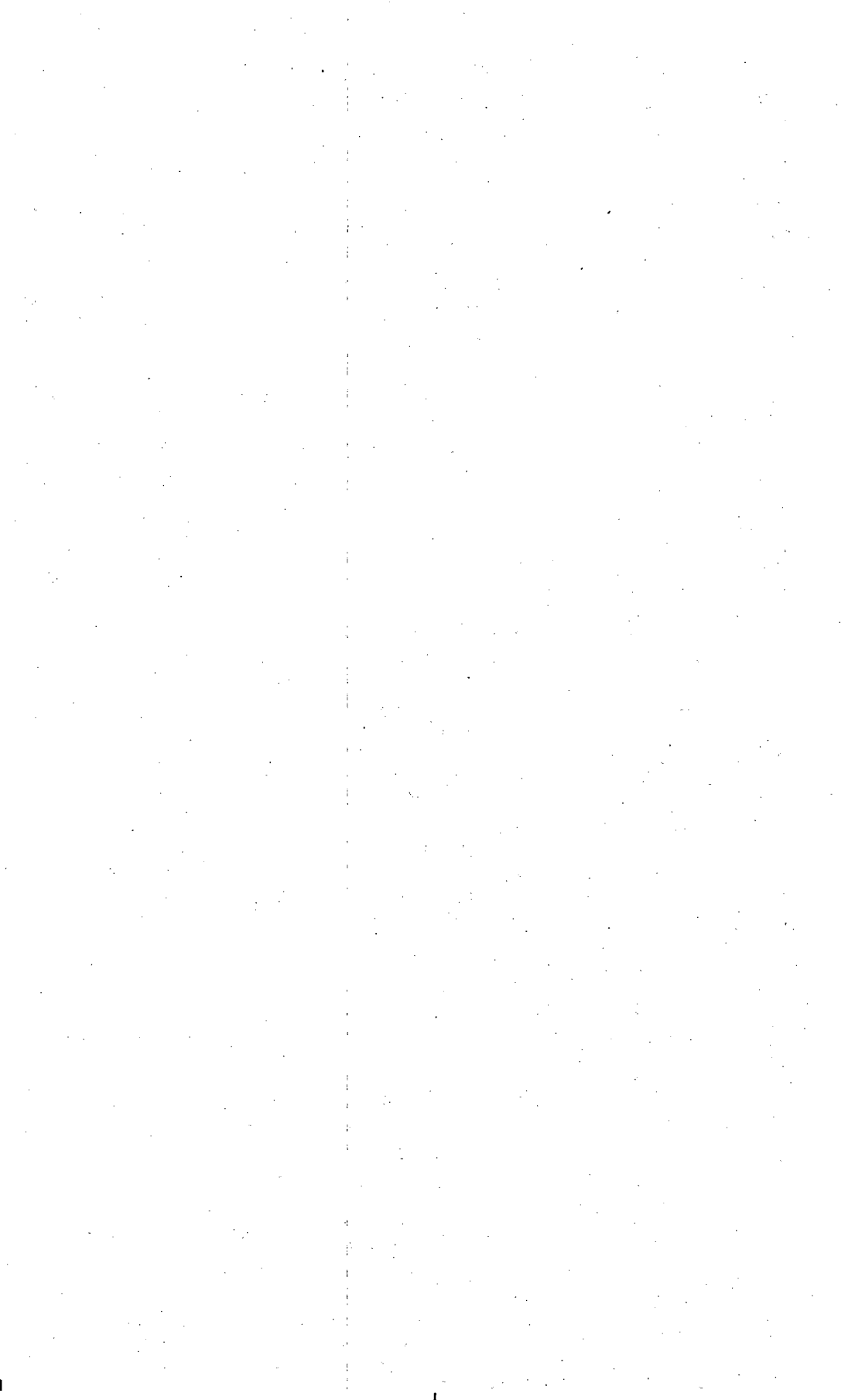
The Company also received a Central subsidy of Rs. 12.75 lakhs (Rs. 9.81 lakhs in 1976-77 and Rs. 2.94 lakhs in 1977-78), at 15 per cent of the value of fixed assets, as admissible to the industrial establishments located in the backward areas, and a State housing subsidy of Rs. 0.50 lakh in 1977-78.

7.8.4 *Project cost*—The project cost with a capacity of 2,400 worsted spindles, originally estimated at Rs. 2.15 lakhs (1972-73), was subsequently revised to Rs. 2.25 lakhs (1974-75) and again to Rs. 2.34 lakhs (1975-76). The expenditure upto 31st March 1979 amounted to Rs 1,87.25 lakhs; a part of the civil works was still in progress (December 1979).

7.8.5 *Delay in commissioning*—The project was scheduled to start production in March 1977. However, after incurring an expenditure of Rs. 3.08 lakhs on the development of a site for the construction of factory building, the site was shifted to another location (May 1976). The original site was found to be unsuitable for future expansion and is being utilised as a park. The trial production started in April 1978 and commercial production in November 1978.







The following are the details of the cost of the main equipment, its receipt, installation and the time lag between erection and trial run (April 1978):—

Particulars	Cost	Received in	Installed in	Period between erection and trial run
	(Rupees in lakhs)			(Months)
Blending and Drawing set and Flyer Roving Frame	35.61	August 1976	February 1977	14
Ring frame and Doubling Frame	17.04	December 1976	June 1977	10
Single Yarn Winder	3.69	October 1977	November 1977	5

The Management attributed (July 1979) the delay in the installation of machinery mainly to the change in the site. The delay in commissioning was attributed to the non-receipt of card canes, orders for which were placed with a firm in July 1977 but the firm refused (November 1977) to supply the same. Thereafter, the order was placed (January 1978) on another firm and the card canes were received in April 1978. The reasons advanced by the Management for the delay in commercial production was that the first lot of wool tops (value: Rs. 11.45 lakhs) transferred by the Holding Company was five years old, from which products of required specifications could not be manufactured, and trial production was continued until this material was consumed.

7.8.6 *Production performance*—(a) The table below indicates the actual production of yarn upto March 1979 against the targets fixed by the Management:—

	Trial run (April to October 1978)	Commercial production (November 1978 to March 1979)
	(Quantity in thousand kgs.)	
Production target	60	56
Actual production	18	30
Shortfall	42	26

\*Excluding erection cost.

The Management attributed (July 1979) the production shortfall to purchase of raw material in small lots, lack of trained labour and frequent burning of motors.

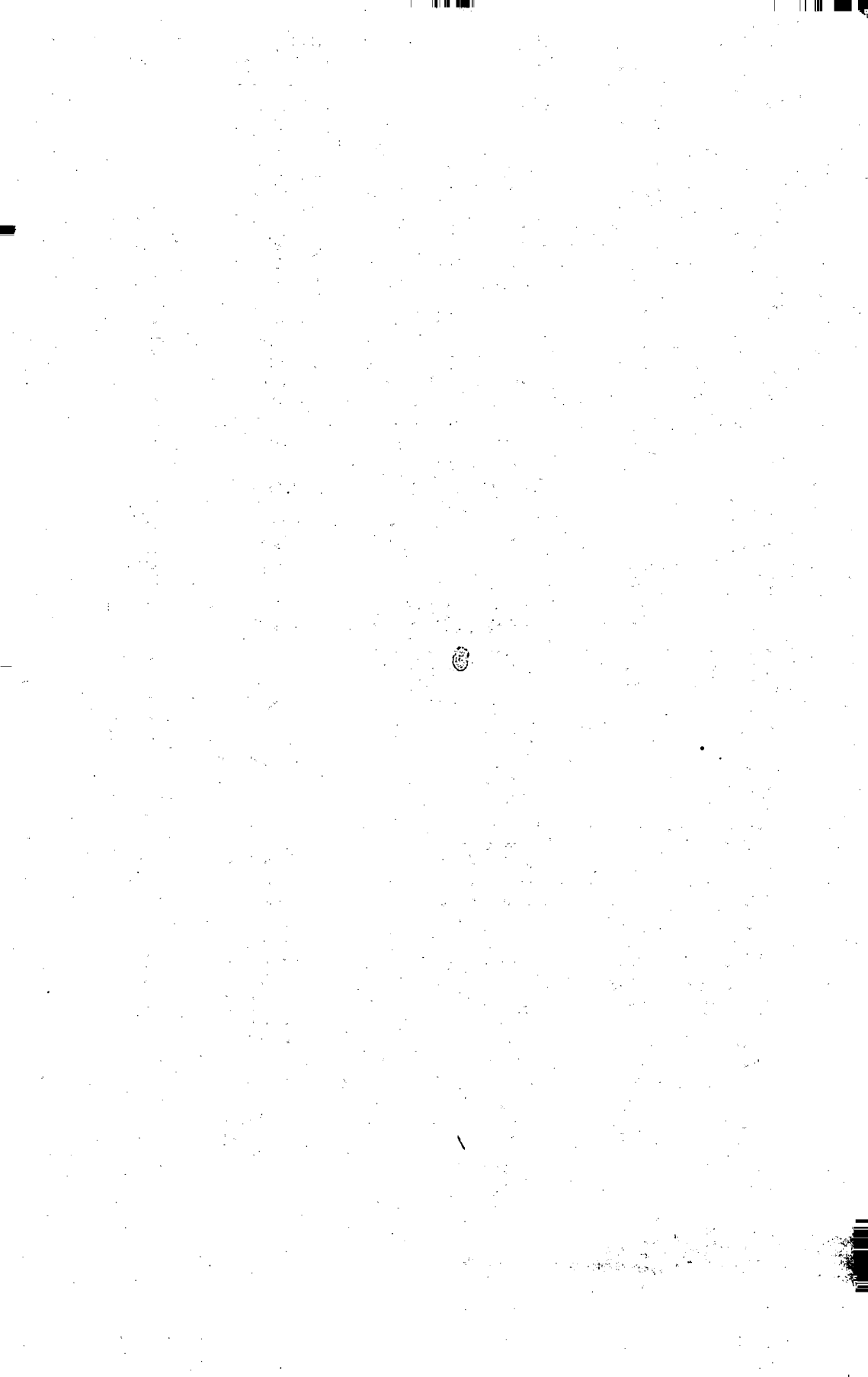
(b) Month-wise details of production and sales of worsted yarn for the period November 1978 to March 1979 are tabulated below:—

Month	Opening Stock	Production	Sale	Closing stock
(In Kilograms)				
November 1978	17,593	2,691	11,189	9,095
December 1978	9,095	3,610	2,540	10,165
January 1979	10,165	5,819	..	15,984
February 1979	15,984	8,817	281	24,520
March 1979	24,520	9,115	1,433	32,202
Total		30,052	15,443	

It will be seen that there were no sales in January 1979 and sales in February 1979 were negligible. The closing stock increased from 9,095 Kgs. (value : Rs. 9.37 lakhs) in November 1978 to 32,202 Kgs. (value : Rs. 33.17 lakhs) in March 1979. The total sales during this period were less than the opening stock in November 1978.

7.8.7 *Financial position*—The financial position of the Company for the three years upto 1978-79 is summarised below:—

	1976-77	1977-78	1978-79
	(Provisional)		
	(Rupees in lakhs)		
<b>Liabilities</b>			
(a) Paid-up capital	46.92	69.46	92.00
(b) Reserves and surplus	9.81	13.25	13.25
(c) Borrowings	52.99	71.60	1,06.25
(d) Trade dues and other current liabilities (including provisions)	1.72	1.10	7.50
Total	1,11.44	1,55.41	2,19.00





## Assets

(a) Gross block	0.66	0.66	1,54.20
(b) Less depreciation	0.19	0.24	5.20
(c) Net fixed assets	0.47	0.42	1,49.00
(d) Capital work-in-progress	91.89	1,24.54	..
(e) Current assets, loans and advances	18.30	29.67	60.17
(f) Intangible assets —			
(i) Preliminary expenses	0.78	0.78	0.78
(ii) Cumulative loss			9.05

## Total

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1,11.44	1,55.41	2,19.00
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Capital employed*	17.05	28.99	2,01.67
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Net worth**	55.95	81.93	95.42
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7.8.8 *Working results*—The accounts of the Company for 1978-79 have not yet (December 1979) been compiled. It was, however, seen that for the period November 1978 to March 1979, the income was Rs. 16.92 lakhs against an expenditure of Rs. 25.97 lakhs (including Rs. 4.25 lakhs as interest on loans and Rs. 5.20 lakhs as depreciation) resulting in a loss of Rs. 9.05 lakhs on the working of the Company during the said period.

7.8.9 *Inventory*—Minimum, maximum and re-ordering levels of raw materials had not been fixed by the Management. The consumption of raw material is derived by deducting the closing stocks from the opening stocks and purchases without reference to stores issue vouchers.

7.8.10 *Costing and accounting system*—The Company has neither prepared an Accounting Manual nor has it introduced any costing system so far (December 1979). The following defects were noticed in the accounting procedures :

— Bin card system was not introduced.

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

\*\*Net worth represents paid-up capital plus reserves and surplus less intangible assets.

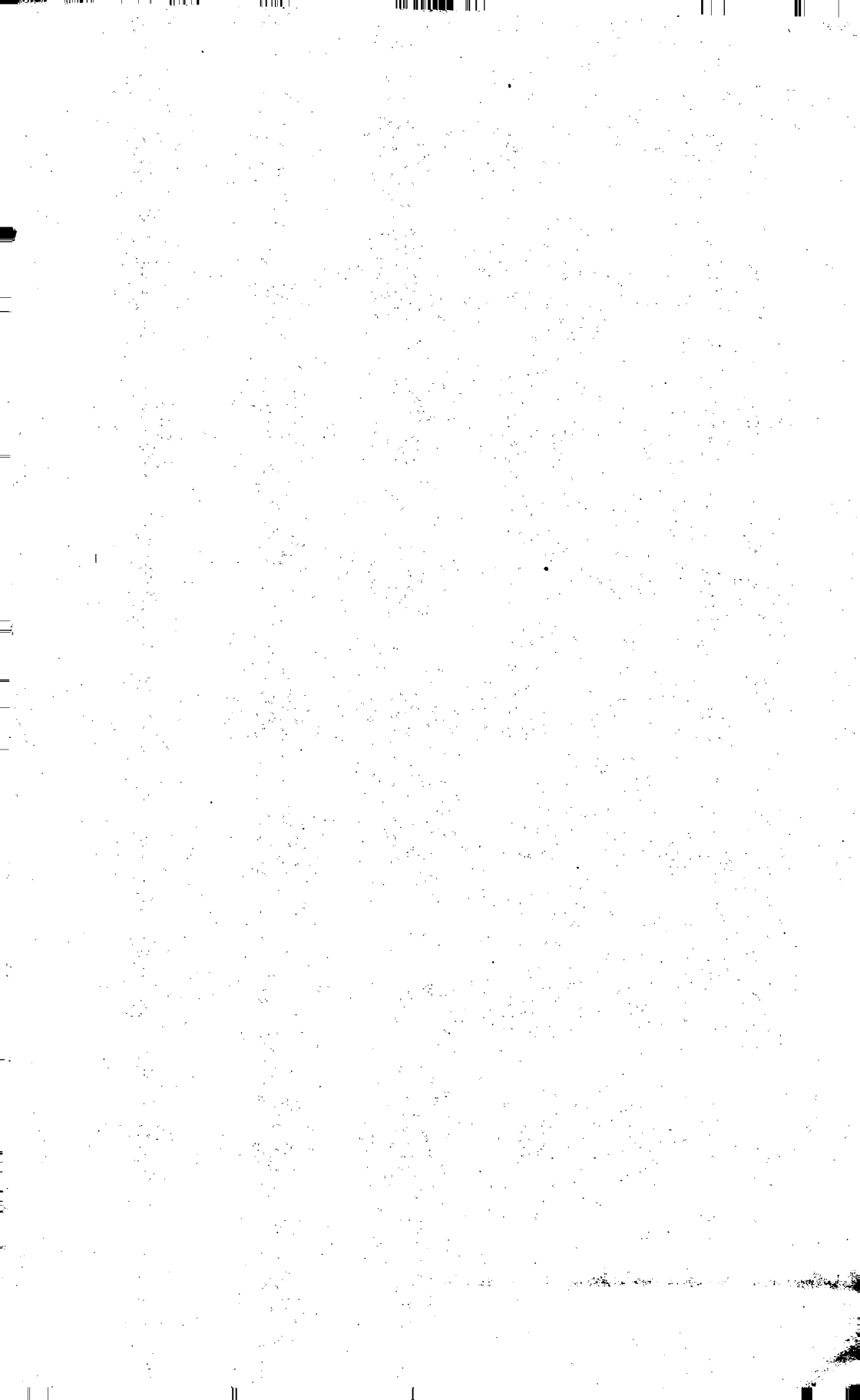
- No stock registers were maintained for raw material/finished goods.
- No account of cash memo/bill books was maintained.
- No assets register was maintained in respect of the Company's fixed assets.

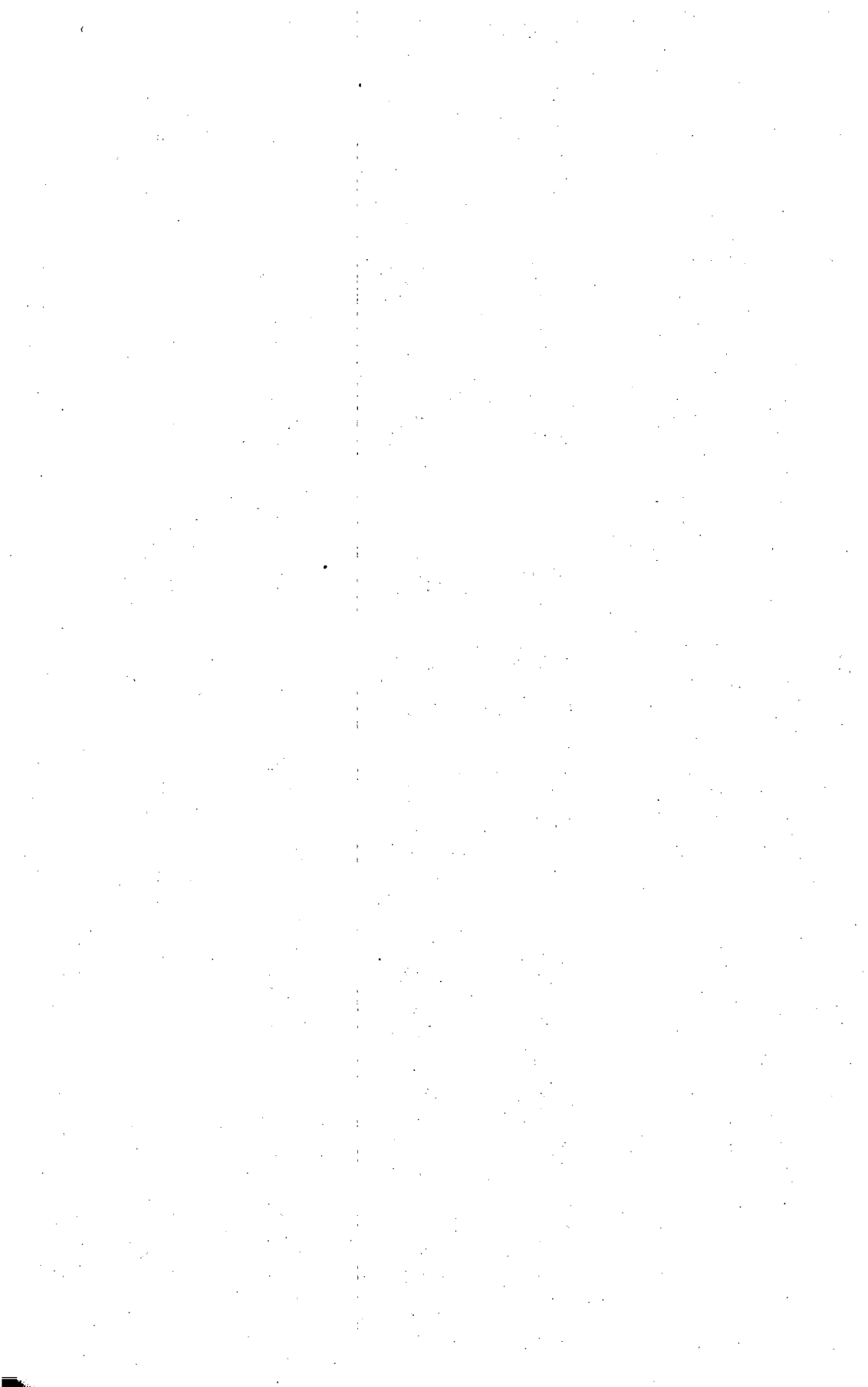
7.8.11 *Other points of interest*—(i) It was decided (October 1975) to instal a Carpet Looms project at Nalagarh at an estimated cost of Rs. 12 lakhs. The project was to be completed by October 1976 (later revised to March 1977). The civil works were started in December 1976. The construction of the building was completed in January 1978 at a cost of about Rs. 6 lakhs and was used as an administrative block and a godown. In March 1979, the Company constructed an administrative block inside the Worsted Mill and transferred the Carpet Loom project building to the Holding Company to house its hosiery unit. This building has been utilised by the Holding Company only to the extent of 25 per cent of the covered area and the remaining accommodation remains unutilised. Terms for the transfer of the building to the Holding Company have not been settled (December 1979).

(ii) The Company was sanctioned loans aggregating Rs. 1.27 crores by four financial institutions during the period April 1976 to January 1977. The Company was liable to pay a commitment charge at 1/2 per cent per annum to financial institutions and one per cent to Life Insurance Corporation upto the date of actual drawal :—

Source	Month of sanction	Rate of interest	Amount of loan sanctioned	Month of drawal	Amount of loan drawn
			(Rupees in lakhs)		(Rupees in lakhs)
IDBI	May 1976	9.5%	47.00	June 1978	35.00
IFCI	April 1976	9.5%	30.00	June 1978	20.00
ICICI	August 1976	9.5%	20.00	June 1978	12.00
LIC	January 1977	12.0%	30.00	November 1978	15.00







While the Company did not draw any amount against these loans until June 1978, in November 1976 it obtained a bridge loan of Rs. 75 lakhs from a nationalised bank with interest at 15 per cent per annum. This loan was repaid in June 1978 involving the Company in an extra expenditure of Rs. 8.08 lakhs (November 1976—November 1978) by way of higher interest rate and commitment charges to the financial institutions.

As the Company had drawn only Rs. 82 lakhs out of Rs. 127 lakhs till November 1978, the liability for commitment charges on the undrawn balance of Rs. 45 lakhs is continuing (July 1979).

The Management stated (July 1979) that the loan cases could not be pursued with the financial institutions due to frequent changes in the incumbency of the Managing Director. It is noticed that there was no change in the Managing Director during November 1974—May 1977; thereafter, there were 4 changes during the period May 1977—May 1978.

## 7.9 Himalaya Fertilizers Limited

7.9.1 *Introduction*—The Himalaya Fertilizers Limited, Nalagarh was incorporated as a joint sector Company on 23rd November 1972. It became a subsidiary of Himachal Pradesh Mineral and Industrial Development Corporation Limited from November 1974. The main objects of the Company are :

- to set up plant and machinery to manufacture granulated balanced fertilizers and to carry on incidental and ancillary activities;
- to carry on business as manufacturers, processors, producers, buyers, sellers, importers, exporters and dealers, in either wholesale or retail and as agents of all types of fertilizers, agricultural machinery, etc., and
- to manufacture, produce, refine, process, formulate, buy, sell, export, import or otherwise deal in all classes and kinds of chemicals.

Presently, the activities of the Company are confined to the manufacture of granulated NPK mixture (fertilizers) of various grades.

7.9.2 *Capital structure*—The authorised capital of the Company is Rs. 1 crore divided into 10,00,000 equity shares of Rs. 10 each.

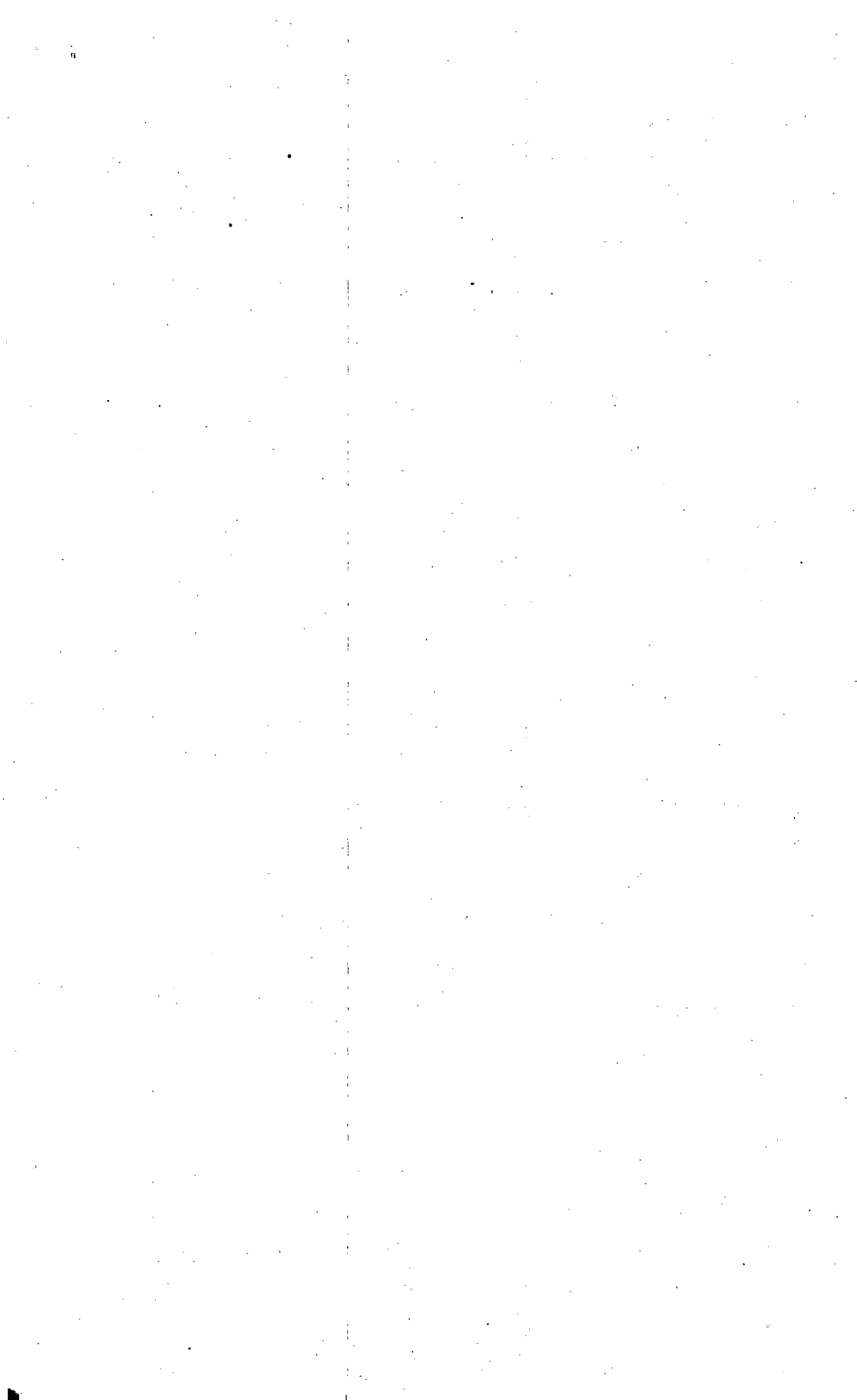
According to the agreement the Holding Company and the promoters were required to make a matching contribution of Rs. 6.25 lakhs each and Rs. 12.50 lakhs was to be obtained through public subscription, while the Holding Company paid its share of Rs. 6.25 lakhs, the promoters paid Rs. 2.50 lakhs only. In July 1973 when the promoters were asked to pay the balance they suggested (November 1973) that the Company might purchase their shares (at par) and their rights in the new Company. In November 1974, the Holding Company purchased the promoters' shares and the Himalaya Fertilizers Limited was converted into a subsidiary Company.

The paid-up capital of the Company as on 31st March 1979 was Rs. 27.33 lakhs (Rs. 15.40 lakhs subscribed by Himachal Pradesh Mineral and Industrial Development Corporation and Rs. 11.93 lakhs by the public).

7.9.3 *Financial position*—The financial position of the Company for the three years upto 1978-79 is given below:—

	1976-77	1977-78	1978-79
<b>A—Liabilities</b>			(Provisional)
	(Rupees in lakhs)		
(a) Paid-up capital	22.98	27.26	27.33
(b) Reserves and surplus	8.46	8.63	8.64
(c) Borrowings	70.74	55.39	66.83
(d) Trade dues and other current liabilities (including provisions)	51.50	47.26	58.11
<b>Total</b>	<b>1,53.68</b>	<b>1,38.54</b>	<b>1,60.91</b>
<b>B—Assets</b>			
(a) Gross block	50.58	55.91	65.84
(b) Less depreciation	8.01	11.76	15.35
(c) Net fixed assets	42.57	44.15	50.49
(d) Capital works-in-progress	10.76	5.93	..
(e) Current assets, loans and advances	76.21	56.77	74.89





(f) Intangible assets :			
(i) preliminary and miscellaneous expenses	1.93	1.93	1.93
(ii) Cumulative losses	22.21	29.76	33.60
Total	1,53.68	1,38.54	1,60.91
Capital employed*	67.28	53.26	67.27
Net worth**	7.30	4.20	0.44

It would be seen that accumulated losses (Rs. 33.60 lakhs) have completely wiped off the paid-up capital of the Company (Rs. 27.33 lakhs).

7.9.4 *Working results*—The working results of the Company for the three years upto 1978-79 are tabulated below:—

	1976-77	1977-78	1978-79
			(Provi- sional)
			(Rupees in lakhs)
<b>Income</b>			
(a) Sales	1,05.23	1,56.14	2,25.81
(b) Other income	3.08	12.63	8.65
Total	1,08.31	1,68.77	2,34.46
<b>Expenditure</b>			
(a) Consumption of materials	34.59	24.43	34.77
(b) Purchases	54.23	1,18.64	1,70.82
(c) Wages and other direct expenses	9.20	9.78	10.85
(d) Establishment and other indirect expenses	22.23	23.47	21.86
Total	1,20.25	1,76.32	2,38.30
Net loss	(—)11.94	(—)7.55	(—)3.84

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

\*\* Net worth represents paid-up capital plus reserves and surplus less intangible assets.



7.9.5 *Utilisation of installed capacity*—(a) The plant was installed on 23rd July 1975 and commercial production was started from 16th October 1975. The following table indicates the installed capacity, budgeted and actual production of granulated NPK fertilizers of various grades, for the three years upto 1978-79:—

	1976-77	1977-78	1978-79
	(In tonnes)		
Installed capacity	.. 50,000	50,000	50,000
Budgeted production	.. 12,000	15,000	20,000
Actual production	.. 10,020	9,500	11,657
Shortfall against			
(a) Installed capacity	.. 39,980	40,440	38,343
(b) Budgeted production	.. 1,980	5,440	8,343
Percentage of shortfall			
(a) to installed capacity	.. 79.96	80.88	76.69
(b) to budgeted production	.. 16.50	36.26	41.71

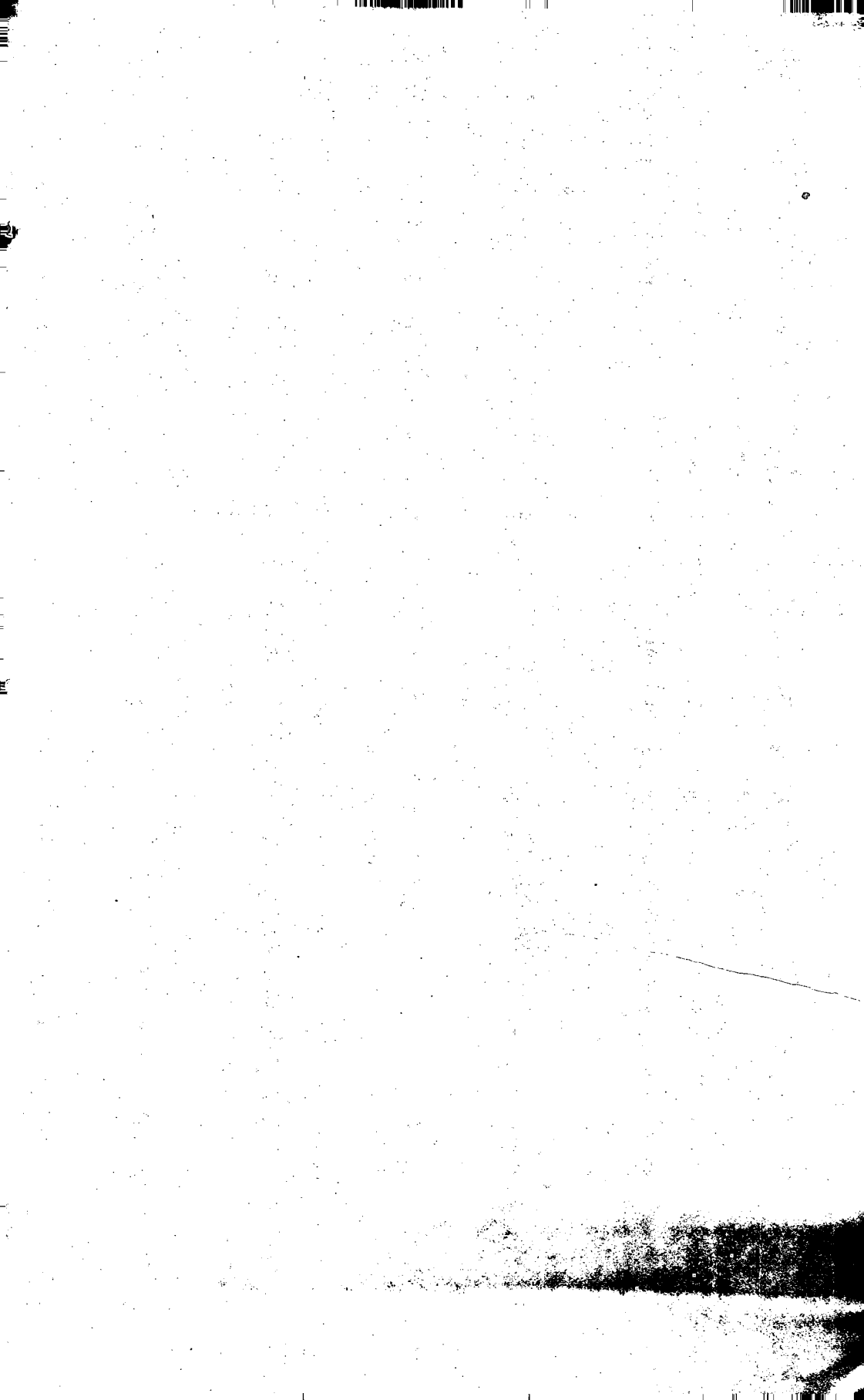
The Management attributed (June 1979) the under-utilisation of the installed capacity to:

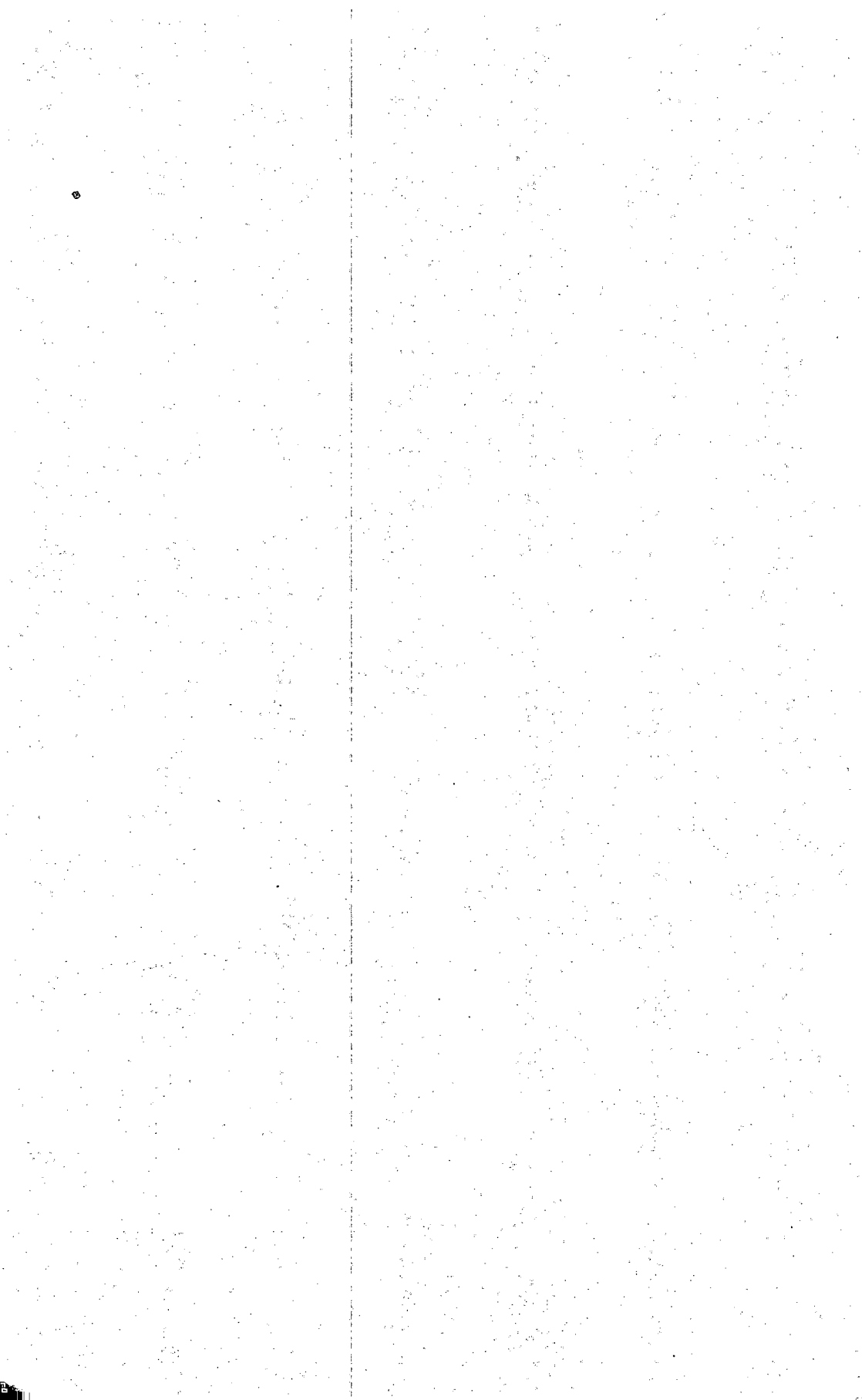
—a seasonal market; and

—non-availability of controlled raw materials.

In view of the under-utilisation of installed capacity, the Managing Director had in March 1979 submitted a proposal to the Board for diversification by undertaking manufacture of items like insecticides/pesticides, basic fertilizers and bitumanised gunny bags (2-3 lakh bags per annum) for use in the factory and for other units in the State. No decision has been taken in the matter so far (November 1979).







(b) The following is an analysis of the working of the plant for three years upto 1978-79:—

	1976-77	1977-78	1978-79
Total working days available ..	302	307	309
Days actually worked ..	146	167	183
Idle days ..	156	140	126
Percentage of idle days to total working days ..	51.66	45.60	40.78

The total idle days (422) were attributed to non-availability of raw materials (208), annual repairs (132), mechanical defects (38), absence of any production programme (23) and power failures (21).

7.9.6 *Re-processing/re-granulation of finished goods*—During the period from 1975-76 to 1977-78, the Company manufactured 17,292 tonnes (excluding 6,240 tonnes of 15:15:15 NPK grade) of different kinds of fertilizers, of which, 1,384.3 tonnes (8 per cent) had to be re-processed/re-granulated at an extra cost of Rs. 4.85 lakhs (Rs. 270 per tonne as re-granulation charges and Rs. 80 per tonne as re-bagging charges).

The Management attributed (June 1979) this to the following:—

Year	Quantity reprocessed	Reasons
1976-77	48.1 tonnes	Deterioration due to long storage.
1977-78	419.8 tonnes	Non-saleability of material manufactured for Punjab/Himachal Pradesh markets due to end of season, and no demand from elsewhere.
1978-79	916.4 tonnes	Due to long storage.
<b>Total</b>	<b>1,384.3 tonnes</b>	

7.9.7 *Sales performance*—The table below indicates the budgeted and actual sales and the shortfalls during the three years upto 1978-79:—

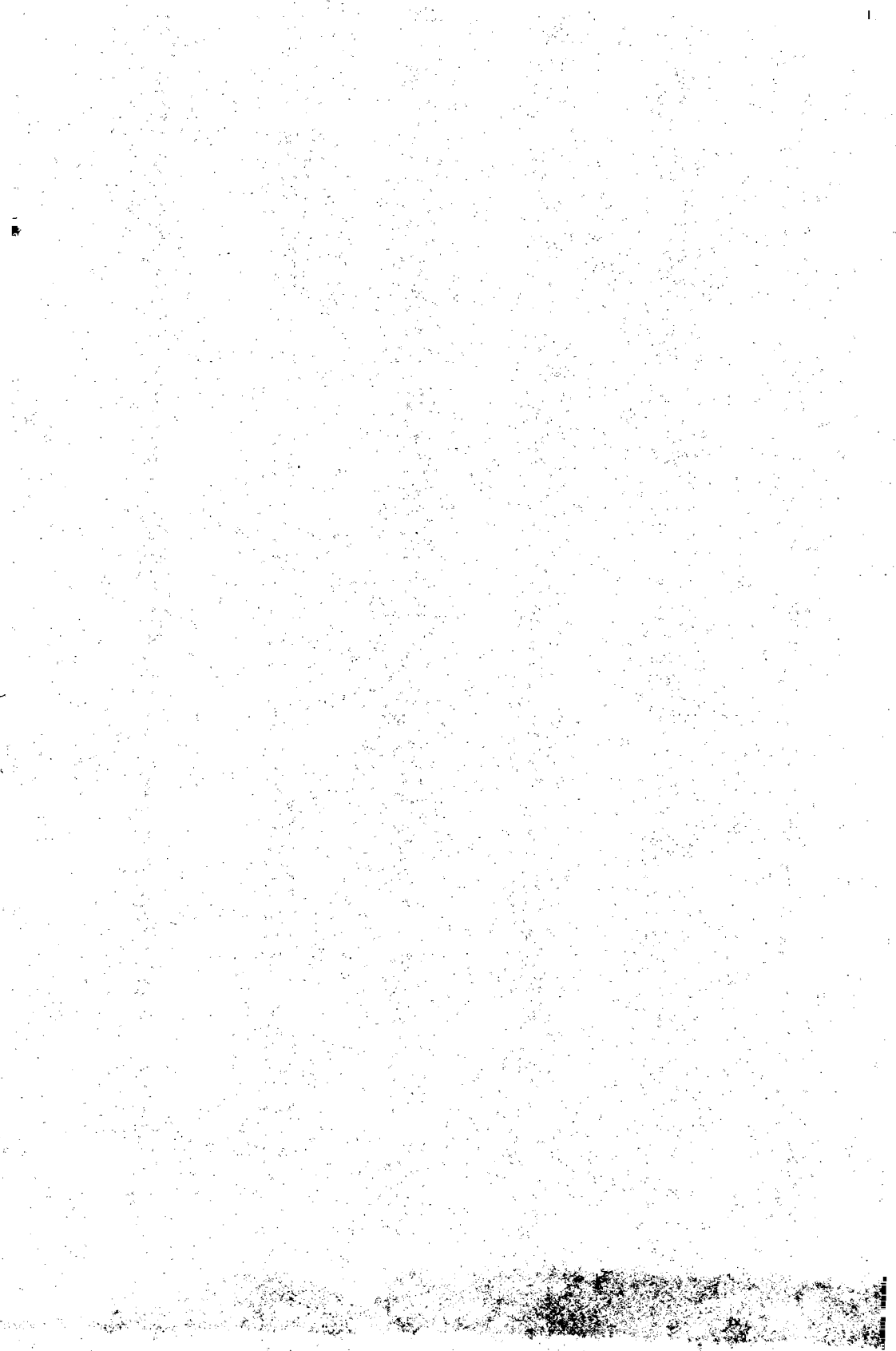
	1976-77	1977-78	1978-79
	(Quantity in tonnes)		
Budgeted sales	10,000	15,000	20,000
Actual sales (Net)	8,400	10,946	11,657
Shortfall	1,600	4,054	8,343
Percentage of shortfall	16.00	27.03	41.71

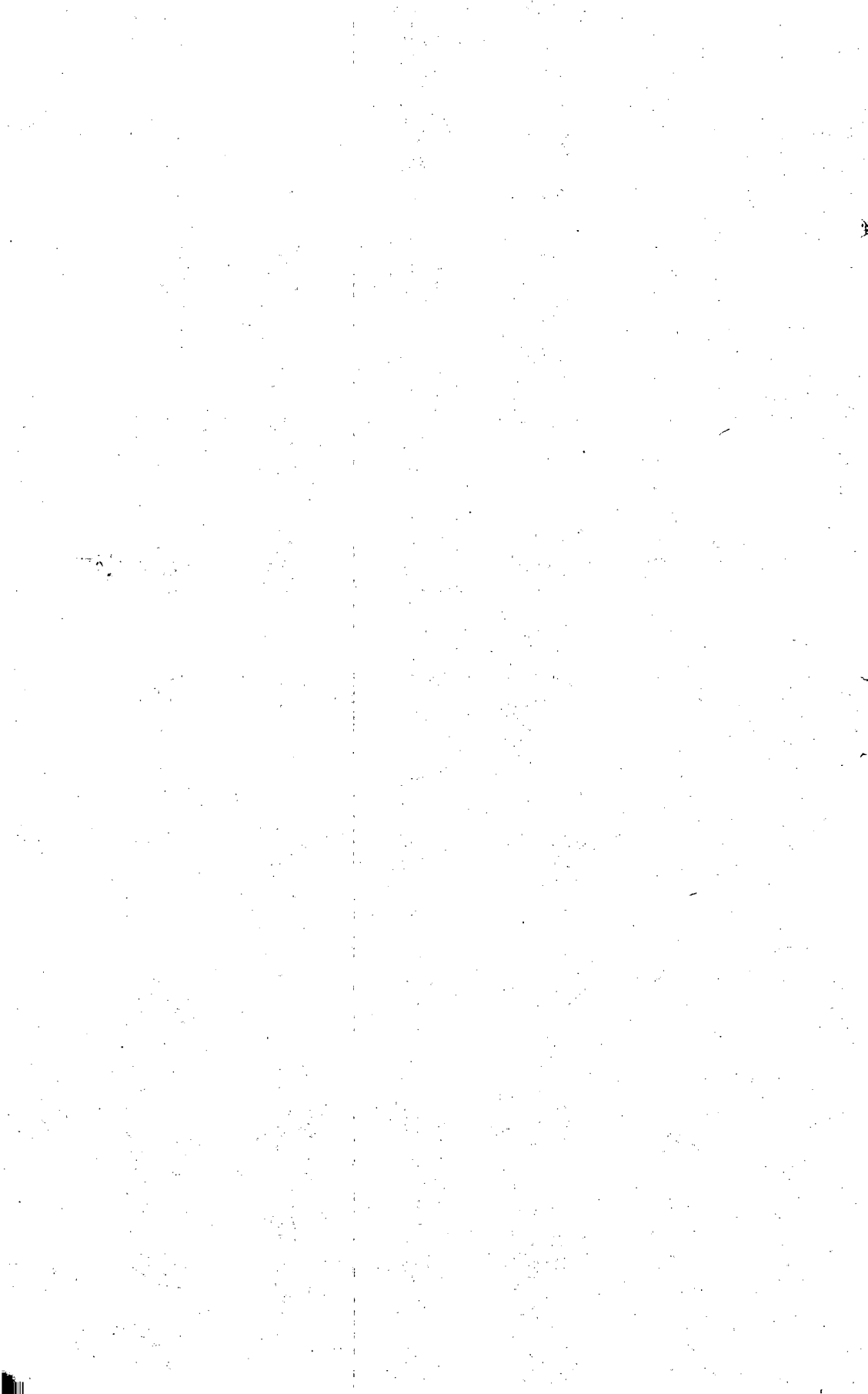
It would be seen that the shortfalls have increased sharply from 16.00 per cent in 1976-77 to 41.71 per cent in 1978-79.

7.9.8 *Inventory*—The consumption of raw materials, stores and spares is worked out by deducting the closing stocks from the opening stocks and purchases, and not on the basis of actual issues. According to the Management, maximum, minimum and re-ordering levels for various items of stores had not been fixed for the reasons that the allocations of raw materials for fertilizers were made by the Government of India.

7.9.9 *Credit control*—The following table indicates the value of book debts, sales and percentage of debts to sales for three years upto 1978-79 :

Year	Book debts at the end of the year			Sales during the year	Percentage of debts to sales
	Good	Doubtful	Total		
	(Rupees in lakhs)				
1976-77	6.95	0.18	7.13	1,05.23	6.78
1977-78	7.88	0.91	8.79	1,56.14	5.62
1978-79	47.31	2.10	49.41	2,25.81	21.88





The sundry debtors which represented 0.81 month's sales in 1976-77 and 0.68 month's sales in 1977-78 rose sharply thereafter and represented 2.63 months' sales in 1978-79.

7.9.10 *Accounting manual*—The Company has not prepared any accounting manual nor have the duties and responsibilities of various officials been specified (December 1979).

7.9.11 *Internal audit*—The Company has no internal audit department. An outside firm was appointed for this purpose for 1976-77 and 1977-78. No appointment has been made for 1978-79 so far (November 1979).

7.9.12 *Other topics of interest*—(i) On the basis of architectural designs prepared by a firm of Bombay, the construction of the factory building was awarded to a New Delhi firm (August 1973). The total value of the contract was Rs. 11.25 lakhs. The steel super-structure of the building collapsed while the building was under construction (June 1974). An Enquiry Committee constituted to investigate the reasons for the mishap reported (July 1974) that the structure design was defective. During tripartite discussions held in August 1974, the architects assessed the loss at Rs. 0.42 lakh and agreed to meet the cost of the damage to the extent of Rs. 0.15 lakh, and the contractors agreed to replace the structure provided Rs. 0.15 lakh to be paid by the architects was credited to them. The said arrangements did not contemplate return of drawings to the architects who were paid a professional fee of Rs. 0.25 lakh between July 1973 to April 1974.

The Contractors erected the new super-structure (with changed specifications designed by the Holding Company) after incurring an additional expenditure of Rs. 0.35 lakh on account of revised specification of steel and iron, payment of calculation fee and payment to technical staff of Himachal Pradesh Mineral and Industrial Development Corporation Limited. The contractors were also paid Rs. 0.15 lakh by the Company, as the architects failed to make any payment.

The Management stated that no action could be taken for recovering the amount (Rs. 0.15 lakh) from the Architects as they had demanded return of the drawings. This was not possible as the foundations and other civil works were being carried out according to these designs, with some alterations.

## 7.10 Other topics of interest

7.10.1 *Himachal Pradesh Mineral and Industrial Development Corporation Limited*—(a) *Abandoned projects*—During the period

June 1973-March 1979, the Company took up investigation of 29 large, medium and small scale projects and applied to the Government of India for letters of intent for 20 projects involving a capital outlay of Rs. 22.51 crores. Out of 20 proposals, letters of intent for 13 projects were issued by the Government of India from time to time involving a capital outlay of Rs. 16.83 crores.

Of these 13 projects, one project was taken up for execution in June 1975 and was completed in July 1975, 9 projects were under process of finalisation (December 1979), and 3 projects were finally abandoned after incurring an expenditure of Rs. 1.20 lakhs.

Of the remaining 7 (out of 20) cases, 4 projects were not taken up and 3 were abandoned after incurring a preliminary expenditure of Rs. 0.37 lakh.

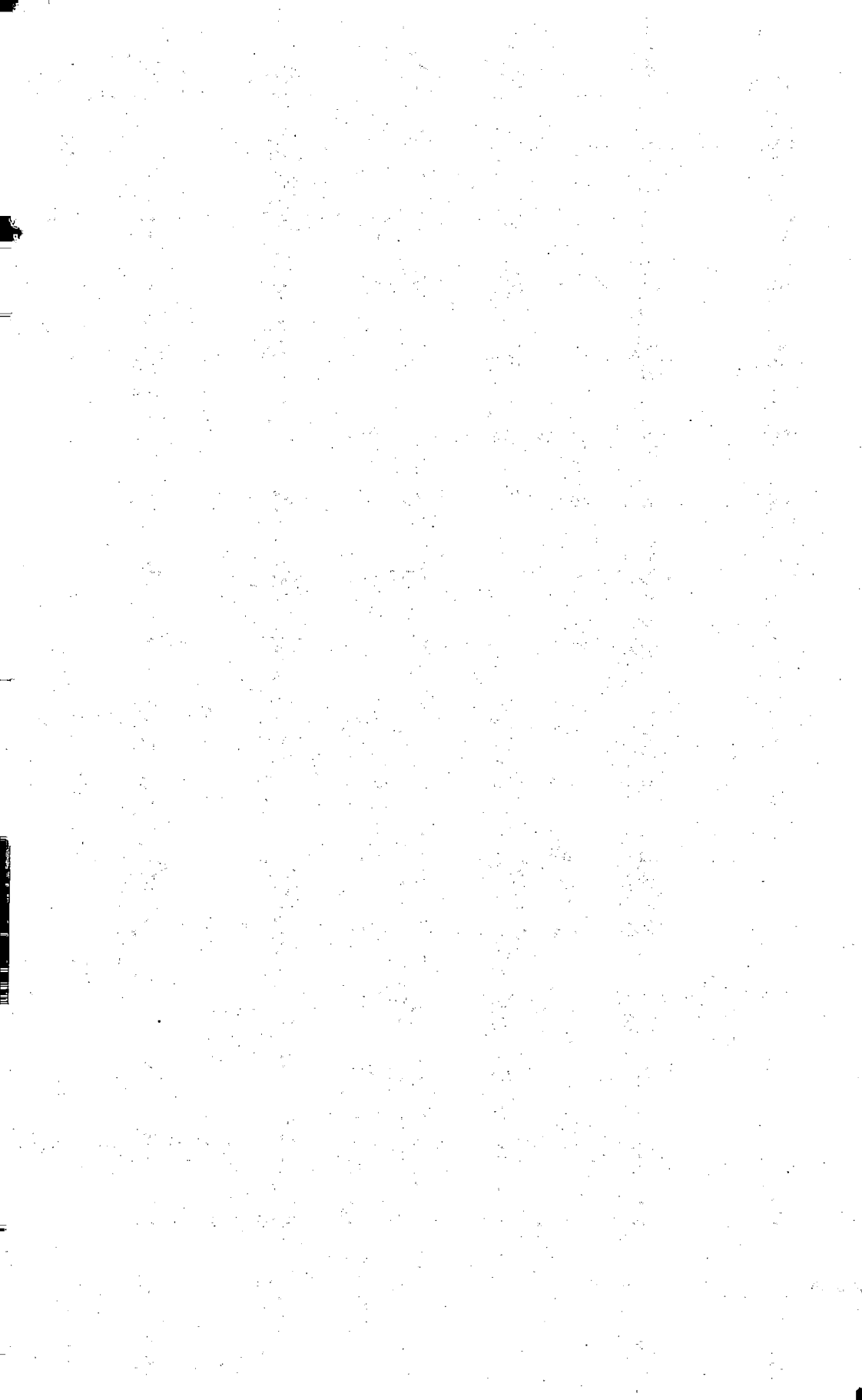
In 9 (out of 29) cases, no letter of intent was required. Out of these, 5 projects were completed during March 1975 to September 1976; 2 were being processed, and the remaining 2 were abandoned after incurring a preliminary expenditure of Rs. 0.27 lakh.

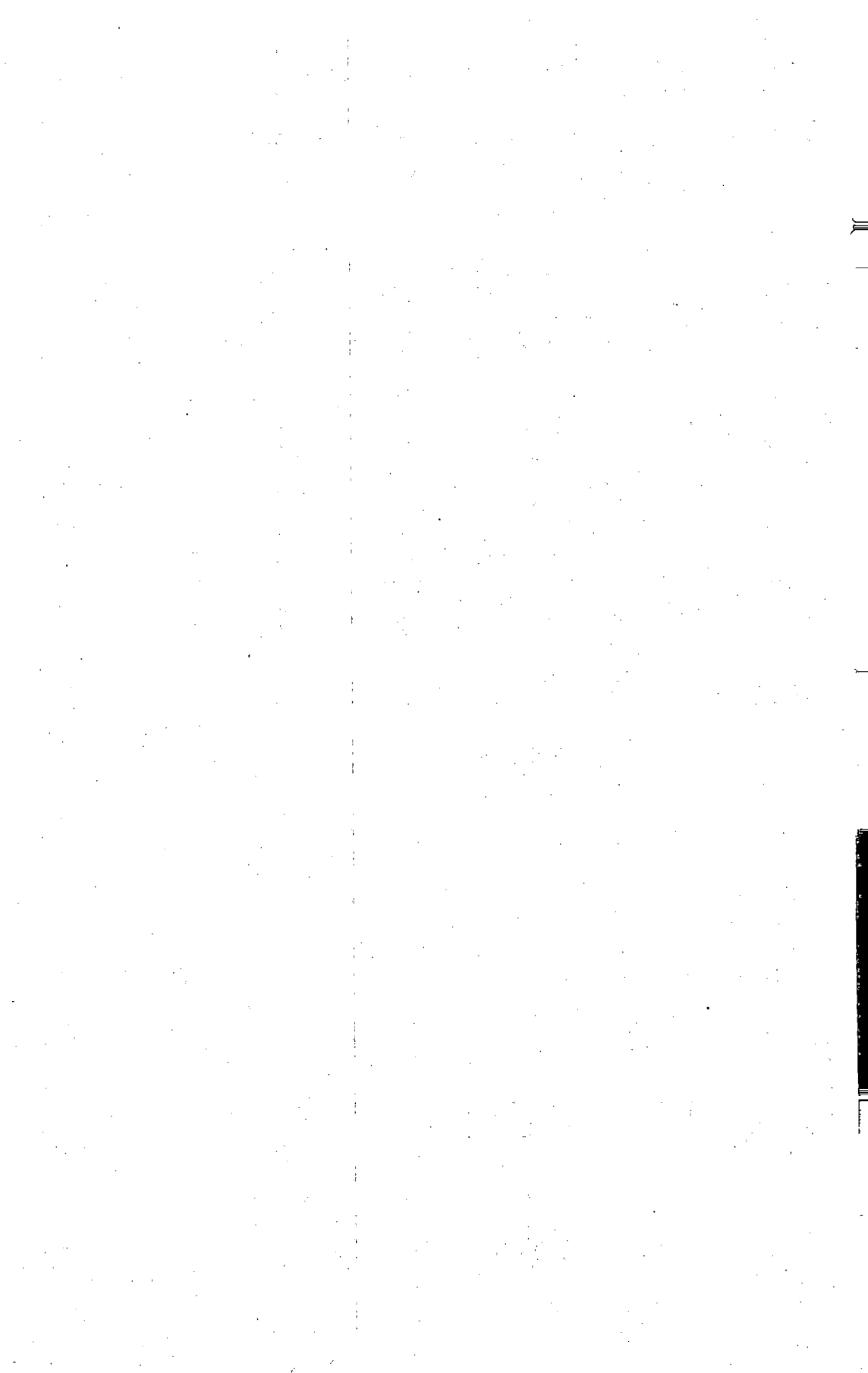
The table below indicates brief details of 3 out of 8 projects abandoned by the Company after incurring a total expenditure of Rs. 1.84 lakhs :—

Name of project	Expenditure incurred	Remarks
	(Rupees in lakhs)	
1. Manufacture of Glass Bottles	0.75	The Management felt (November 1978) that the consumption of glass bottles in the State was not commensurate with the proposed capacity and that the installed capacity of units located in Haryana and Uttar Pradesh was sufficient to meet the demand of neighbouring States.
2. Vodka and Brandy project	0.40	Due to the foreign country not being interested in supplying the technology regarding apple brandy and also keeping in view the prohibition policy of Government of India.
3. Tea Blending unit	0.25	The Management viewed (July 1977) that establishment of this unit might harm the Co-operative sector.

(b) *Irregular advances*—The Company made an advance payment of Rs. 1.56 lakhs (June 1974) to a firm of New Delhi for the







supply of 650 tonnes of cement against an allotment made by the Cement Controller. After supplying 372.4 tonnes of cement (value: Rs. 1.04 lakhs), the firm stopped supplies (November 1974). Further advances aggregating Rs. 0.91 lakh were paid to the firm between December 1974 and May 1975 against another allotment for 420 tonnes of cement but no supplies were received. A sum of Rs. 0.07 lakh was also outstanding against this firm on account of short supply of cement on an earlier release order of November 1973, making a total of Rs. 1.50 lakhs. The firm became defunct in April 1976 and, at the instance of a third party, the Court ordered (April 1976) impounding of its assets. The Company had, however, not initiated any action against the firm until January 1979 when a legal notice was issued to the Secretary (Industries) Government of Rajasthan who was also the Director incharge of the defunct firm. The case has not progressed any further (December 1979).

(c) *Purchase of stone crushers*—The Company decided (May 1976) to purchase four stone crushers for installation at Simla, Nalagarh, Parwanoo and Mehatpur against limited quotations invited in April 1976. After ignoring the lowest offer of Rs. 0.42 lakh tendered by a firm 'A' (for which no reasons were on record), one stone crusher was purchased at a cost of Rs. 0.50 lakh from firm 'B' though firm 'B' had not quoted against the tender. The crusher was received in July 1976 and was installed at Nalagarh in October 1976. A sum of Rs. 0.66 lakh was spent on the repair of the crusher during 1976-77.

In December 1976, an order for the remaining three crushers was placed on the third lowest firm 'C' at the rate of Rs. 0.65 lakh each.

The following reasons were advanced by the Management (July 1979) for placing the order at higher rates on firm 'C':

—Unsatisfactory performance (heavy wear and tear) of the crusher purchased from firm 'B'.

—Firm 'C' was a dependable manufacturer of repute.

The crushers were received in January/April 1977. After studying the economic viability of stone crushers in June 1977, it was decided to dispose them of instead of installing them. One crusher, the expenditure on which totalled Rs. 0.91 lakh (inclusive of packing, freight, insurance, site development, watch and ward, etc.) was sold (July 1978) for Rs. 0.73 lakh resulting in a net loss of Rs. 0.18 lakh, apart from loss of interest on capital blocked. The remaining

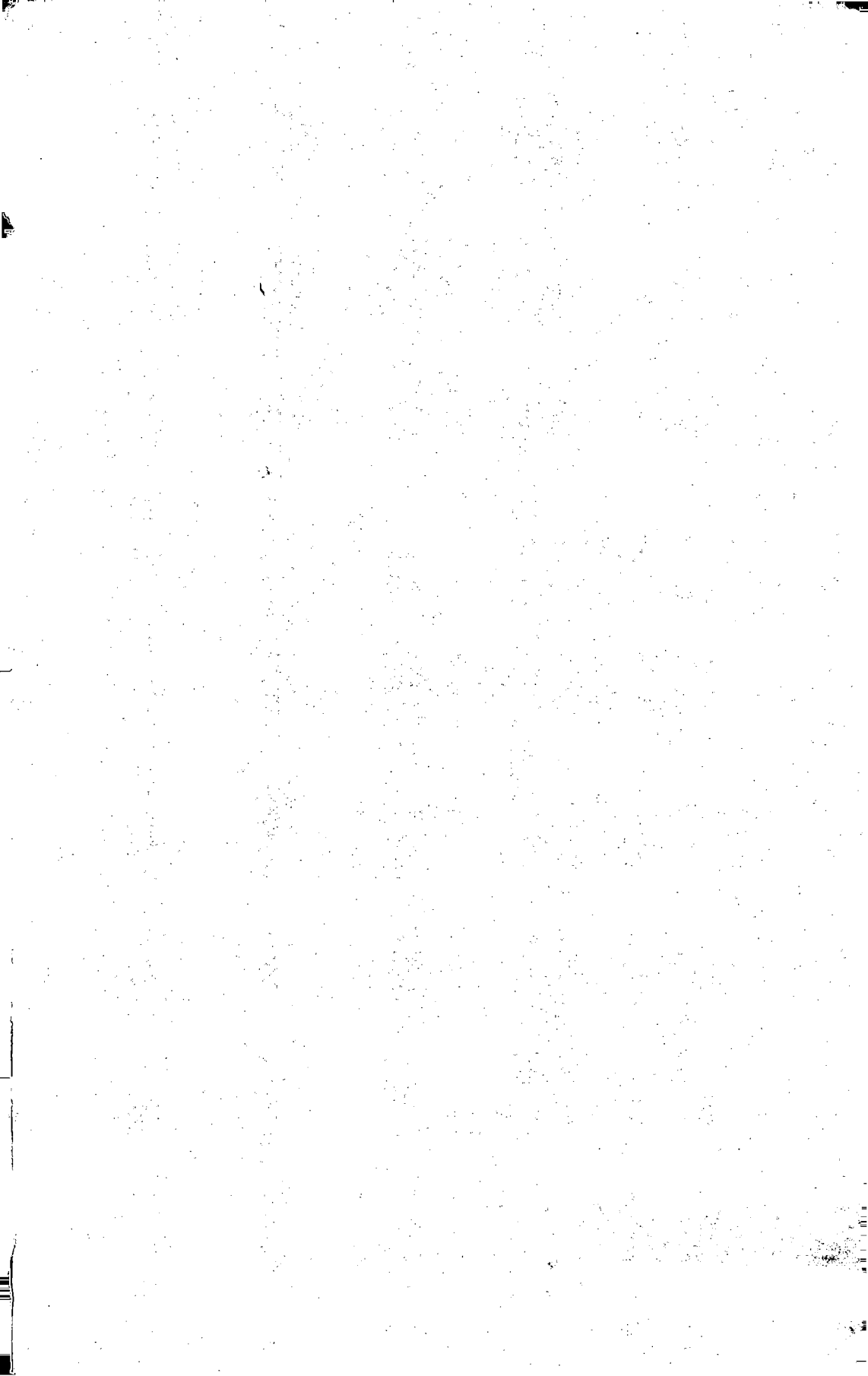
two crushers (value: Rs. 1.43 lakhs) are still lying at Parwanoo and Paonta pending disposal (December 1979).

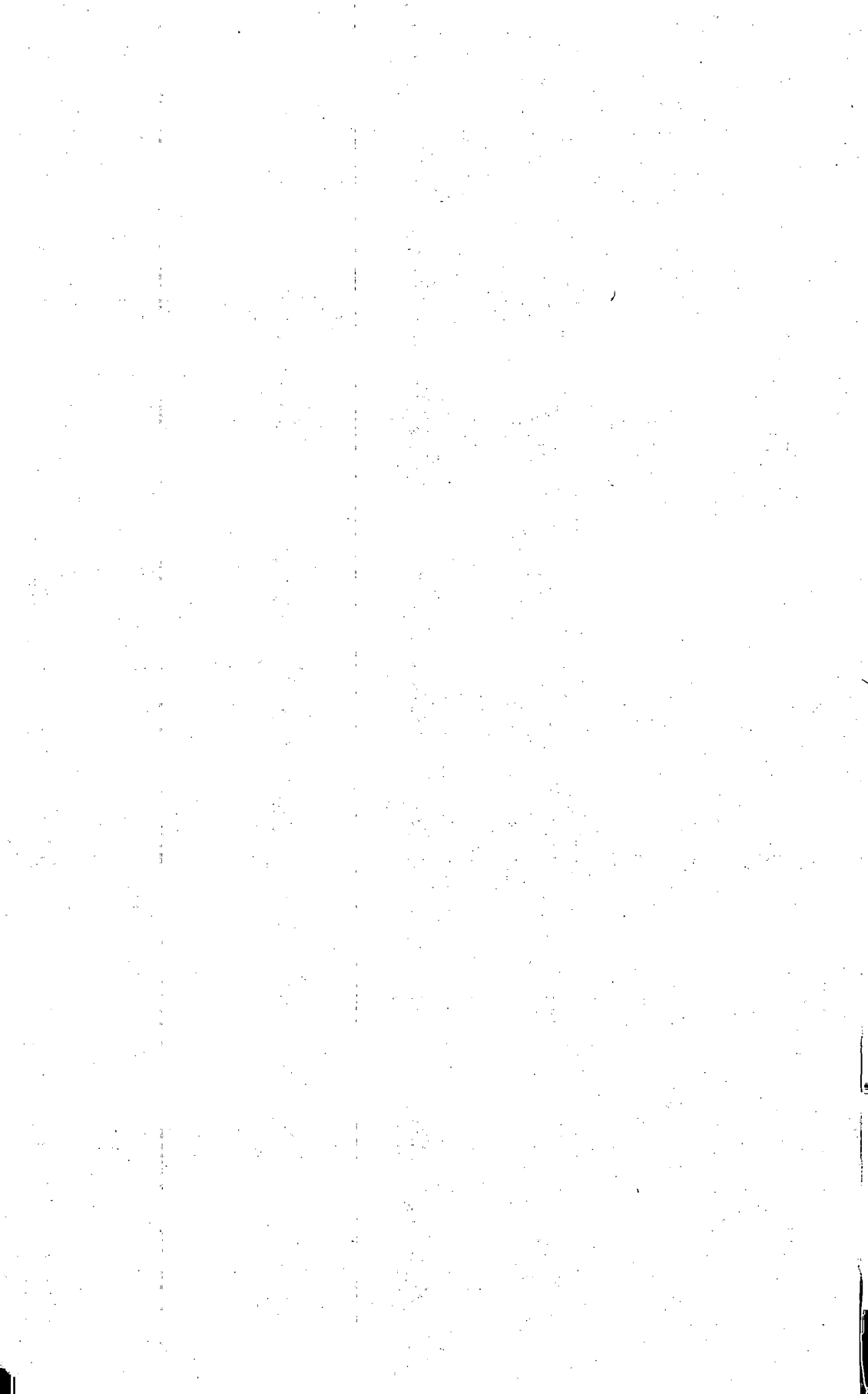
(d) *Purchase of raffle yarn*—During 1974-75, the Company purchased 3,456 Kgs. of raffle yarn at a total cost of Rs. 3.92 lakhs. While 67 Kgs. (value : Rs. 0.07 lakh) were transferred for processing in the Hosiery Unit of the Company, 2,659 Kgs. (value : Rs. 3.02 lakhs) were sold to various parties at a discount/rebate ranging from 8 to 33 per cent resulting in an under-recovery of Rs. 1.15 lakhs. One party to whom yarn was sold in September 1978 still owes Rs. 0.89 lakh to the Company (July 1979). The balance quantity of 730 Kgs. (value: Rs. 0.83 lakh) was still held in stock (July 1979). Disposal of yarn at reduced rates was attributed by the Management (December 1979) to defects in the quality of the material. Reasons for the purchase of defective material were, however, not investigated nor any responsibility fixed.

7.10.2 *Himachal Pradesh Tourism Development Corporation Limited—Avoidable expenditure*—A review in audit revealed that during the period December 1977-November 1978, the Company secured loans aggregating Rs. 7.25 lakhs from a scheduled bank with interest at 14 per cent per annum, while the Company had substantial funds placed in fixed deposits (15 days to 10 months) yielding a rate of interest of 4 per cent per annum, as indicated below:—

Date of borrowing	Amount borrowed (Rupees)	Amount held in fixed deposit (Rupees)
16th December 1977	1,10,000	11,06,670
28th December 1977	50,000	11,06,670
16th January 1978	2,00,000	8,31,670
18th May 1978	3,00,000	19,91,670
13th November 1978	65,000	60,95,870

The Company had incurred an avoidable expenditure of Rs. 0.32 lakh upto 31st March 1979. It was noticed that the Company neither had a system of cash flow statements nor any other procedure to watch the ways and means position. The Management stated (June 1979) that the short term deposits were necessitated by the need for meeting any unforeseen exigencies.





**Section D-Departmentally managed Government commercial and quasi-commercial undertakings**

**7.11** As on 31st March 1979, there were six departmentally-managed commercial and quasi-commercial undertakings:—

- (i) Departmental Extraction of Timber,
- (ii) Fertilizer Distribution Scheme,
- (iii) Seeds Distribution Scheme,
- (iv) Scheme of Government Trading in Foodgrains,
- (v) Ayurvedic Pharmacy, Majra, and
- (vi) Ayurvedic Pharmacy, Jogindernagar.

The *pro forma* accounts of all the departmental undertakings (including Departmental Tapping of Resin which ceased to be a departmental undertaking from 1st April 1975) were in arrears (January 1980) as indicated below:—

Name	Arrears
Departmental Tapping of Resin*	.. 1969-70 to 1974-75
Departmental Extraction of Timber	.. 1969-70 to 1978-79
Fertilizer Distribution Scheme	.. 1971-72 to 1978-79
Seeds Distribution Scheme	.. 1971-72 to 1978-79
Government Trading in Foodgrains**	.. 1973-74 to 1978-79
Ayurvedic Pharmacy, Majra	.. 1976-77 to 1978-79
Ayurvedic Pharmacy, Jogindernagar	.. 1977-78 and 1978-79

**DEPARTMENT OF AGRICULTURE**

**7.12 Distribution of fertilizer**

During audit of the accounts of departmental schemes for the distribution of fertilizers and seeds in the office of the Deputy Director of Agriculture, Kulu, (February-March 1979) the following irregularities came to notice:

- (i) In contravention of orders issued by the State Government (September 1969), prohibiting sale of fertilizers on

\* The work was transferred to the Himachal Pradesh State Forest Corporation Limited in May 1975.

\*\*Non-preparation of *pro forma* accounts upto 1972-73 has been condoned by the State Government (March 1978).

credit, the District Agriculture Officer, Kulu continued the sale of fertilizers on credit basis to village level workers/societies/farmers upto March 1978. Out of the five centres of Kulu district, the accounts of which were test checked, the outstanding amount of such sales on credit during the period from January 1973 to March 1978 pertaining to three centres alone was Rs. 2.11 lakhs (Ani Block: Rs. 1.47 lakhs, Nirmand Block : Rs. 0.45 lakh and Bhunter Store : Rs. 0.19 lakh).

No acknowledgements were available in respect of Rs. 1.34 lakhs out of Rs. 2.11 lakhs. No recoveries have yet been effected. (December 1979).

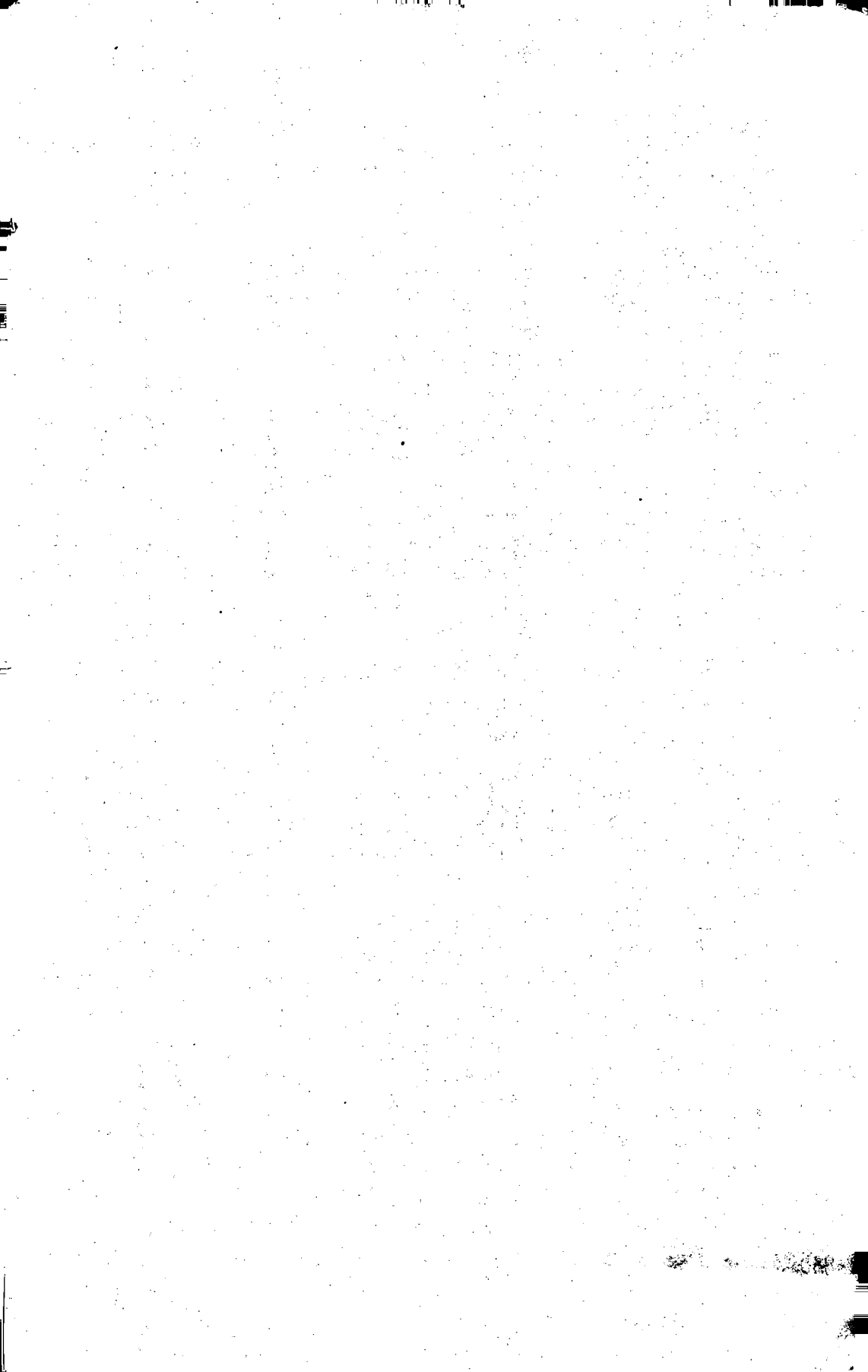
(ii) The sale proceeds of fertilizers and seed valuing Rs. 0.85 lakh relating to the period from 1973-74 to 1977-78, which should have been deposited immediately in the Government accounts, have not been so deposited by the officials concerned of various centres (December 1979).

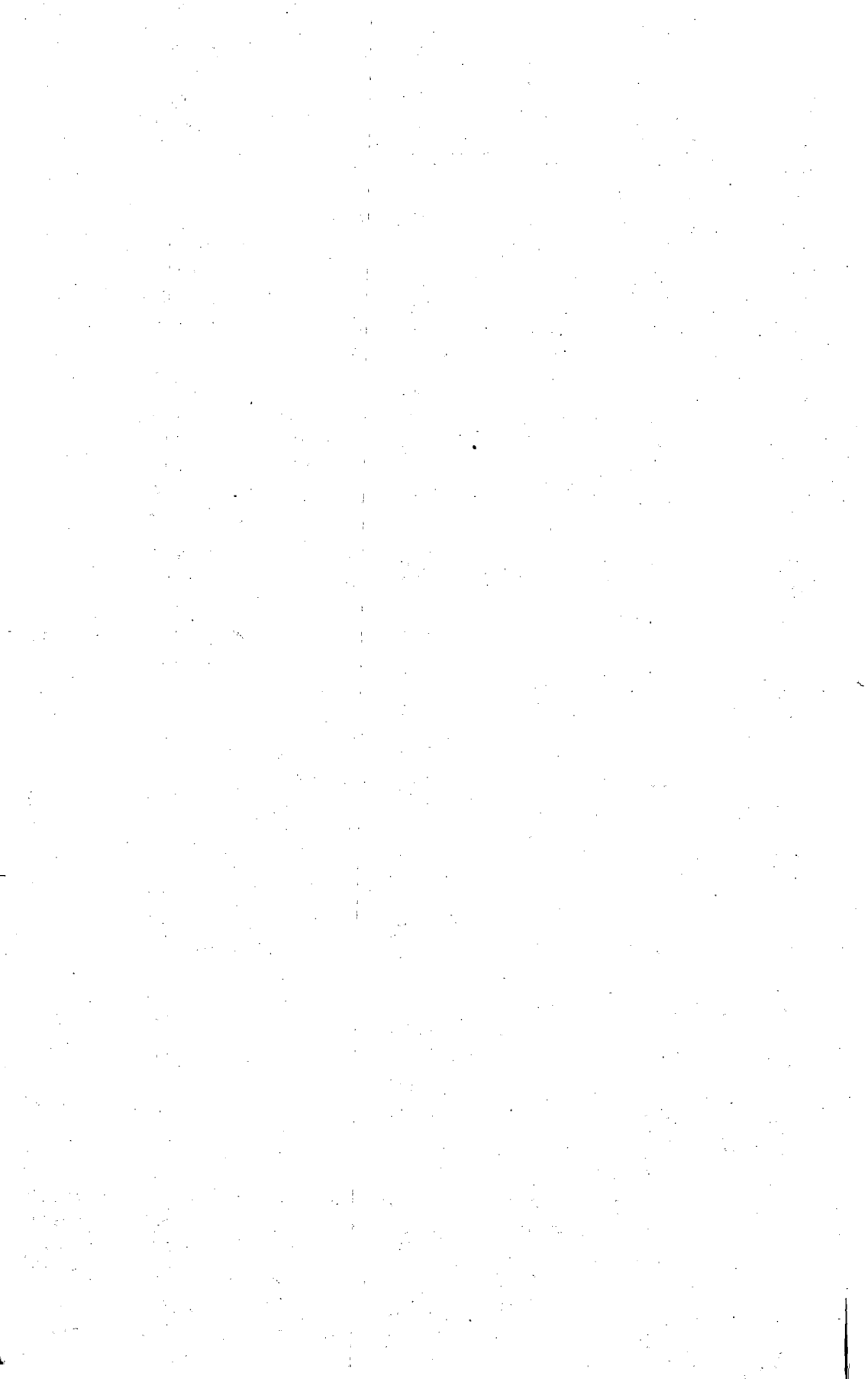
(iii) The prescribed annual physical verification of stores had not been conducted regularly. Stock balances were from time to time, reduced to the extent of the difference between the book balance and physical balance, without proper investigation and/or authorisation by the competent authority. A physical verification of stores in June 1977 by an official in Raison store revealed a shortage of 103 tonnes of fertilizers (value : Rs. 1.13 lakhs). The Agriculture Sub-Inspector incharge of the store admitted (24th June 1977) that he was liable to pay the outstanding amount (Rs. 1.13 lakhs) which could be recovered in monthly instalments of Rs. 250. A sum of Rs. 4,973 was accordingly recovered until November 1978. The present position of recovery/departmental action taken, if any, was awaited (November, 1979).

Similarly, a sum of Rs. 0.24 lakh being the cost of fertilizers found short during physical verification by the District Agriculture Officer at Bhunter Store in October 1977 is recoverable from the official concerned. Action taken by the Department was awaited (August 1979).

(iv) The closing balance of fertilizers of 57.68 tonnes (value: Rs. 0.66 lakh) as on 31st March 1974, at Nirmand Block was not carried forward in the new stock registers. The shortage is yet to be investigated by the Department (December 1979).







(v) While despatching materials to other stores the store-keeper is required to prepare a challan in triplicate. Two copies of the challan are returned to the despatching unit by the receiving unit in acknowledgement of the receipt of stores. It was noticed that the prescribed procedure was not being followed resulting in shortages/non-accountal of stores. A test check of accounts revealed that stores valuing Rs. 0.99 lakh were shown as transferred by various stores but the same had not been accounted for by the recipient units.

In another case, fertilizers valuing Rs. 0.50 lakh shown as transferred to other units from April 1974 to November 1977 were not supported by any records. An Agriculture Sub-Inspector admitted (August 1978) the shortages and requested for recovery in instalments of Rs. 300 per month. An amount of Rs. 5,300 was recovered from him upto February 1979 when he was transferred to another place. The latest position of recoveries and any other action taken/contemplated in the matter was awaited (August 1979).

(vi) 45 quintals of seeds (value: Rs. 0.10 lakh) in Ani Block were stated to have been washed away by floods during August 1976 though the report of Sub-Divisional Magistrate (Civil), Ani sent to the District Agriculture Officer, Kulu (September 1976) indicated that the place where these seeds were stored was not affected by the floods. The results of departmental investigation were awaited (December 1979).

(vii) Sale rates of fertilizers are fixed by the Government of India from time to time. Such rates fixed on 1st June 1974 for various kinds of fertilizers were reduced from 18th July 1975 and it was decided that consequential losses would be compensated by the Government of India taking into account the closing stock as on 17th July 1975. The stock position of fertilizers in respect of all stores/sub-stores as on 17th July 1975 had not yet been worked out (August 1979) and no claim for the subsidy could, therefore, be preferred.

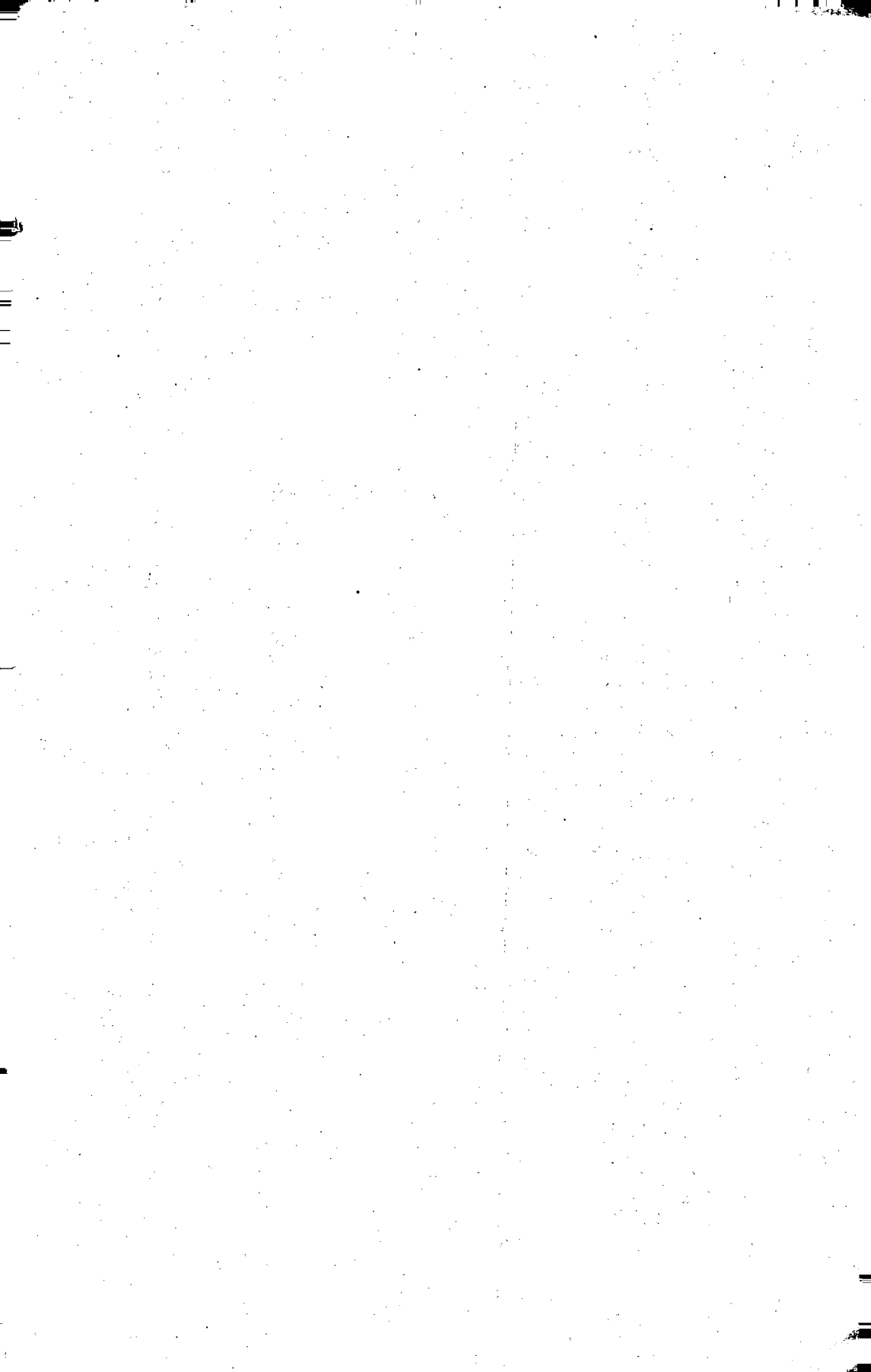
The matter was reported to Government in September 1979; reply is awaited (January 1980).

## DEPARTMENT OF PRINTING AND STATIONERY

## 7.13 Procurement of Ink Powder

The Printing and Stationery Department, Himachal Pradesh received (July/August 1971) 10,000 dozen packets of ink powder (value : Rs. 0.41 lakh) from a firm of Calcutta against a supply order (January 1971) placed through the Director General Supplies and Disposals, Government of India, Calcutta. The department informed Calcutta office of the Director General Supplies and Disposals (November 1971) that the said ink powder was tested and it was found to contain poor pigment and was not useable. A year later (January 1973), the Stationery Officer, Calcutta tested the sample of ink powder and found it serviceable. In May 1976 and April 1977, the department requested the State Government for write off sanction (Rs. 0.41 lakh). The State Government got the ink powder tested by the Regional Testing Centre (North) Okhla, New Delhi and found it serviceable (June 1978). The ink powder was still lying un-utilised in the stores (December 1979).

The matter was reported to the Government in September 1979; reply is awaited (January 1980).





## 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 1979 and outstanding at the end of September 1979 as compared with the corresponding position indicated in the two preceding reports:—

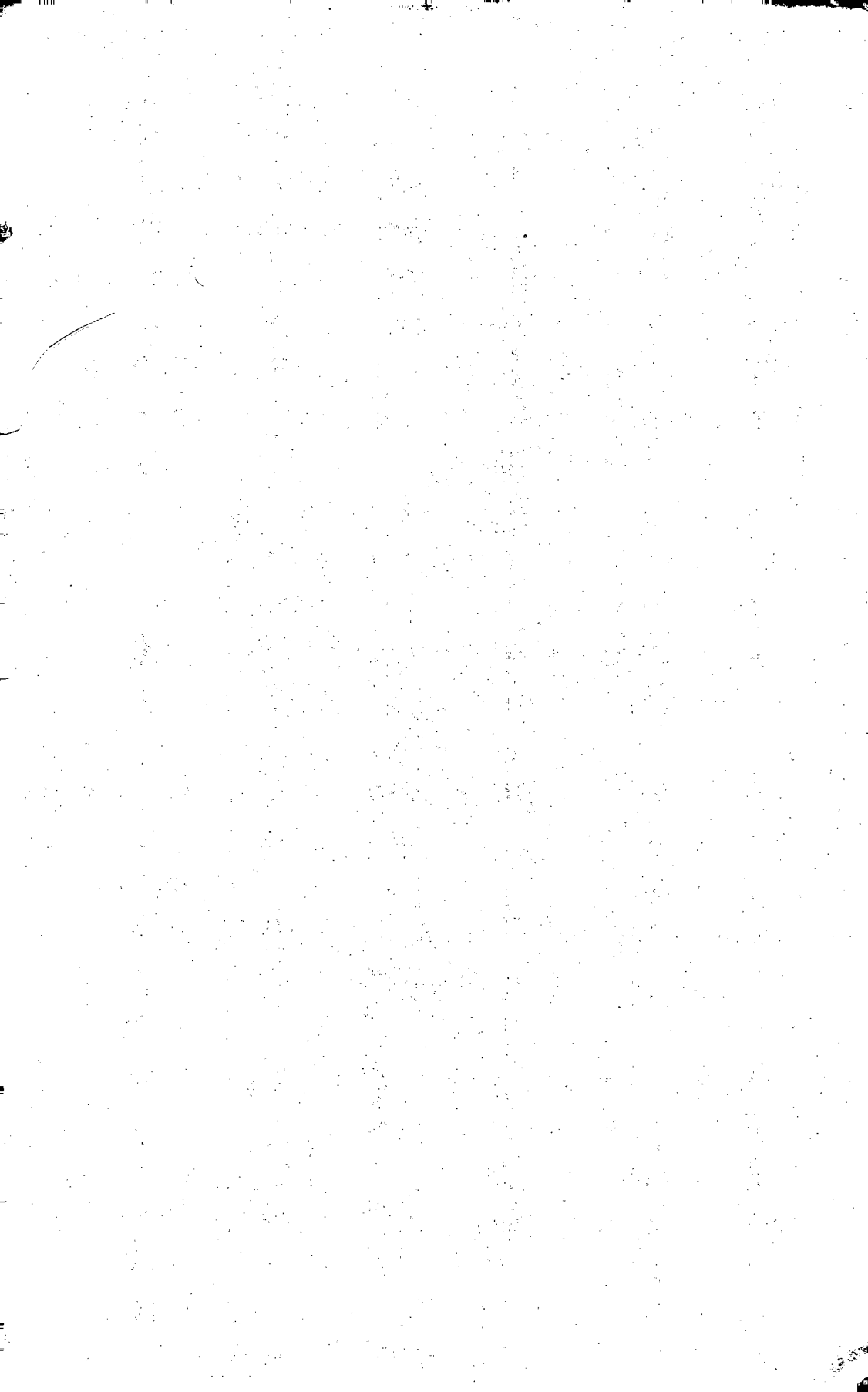
	As at the end of September 1977	As at the end of September 1978	As at the end of September 1979
Number of observations	5,025	6,377	8,416
Amount involved (Rupees in crores)	4.65	11.93	11.15

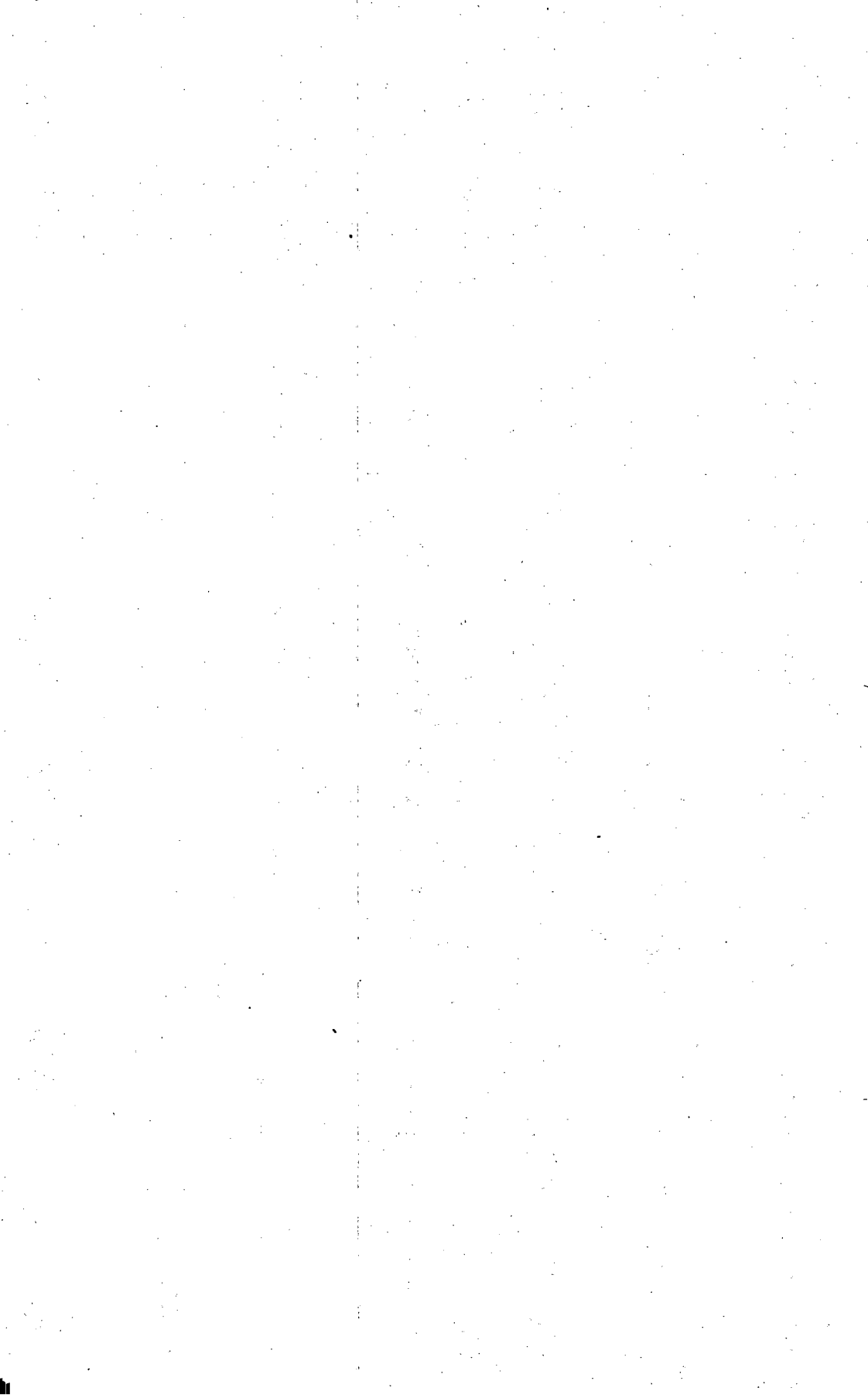
(b) The following departments have comparatively heavy outstanding audit observations:—

Serial number	Department	Upto 1975-76		1976-77		1977-78		1978-79		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
(Amount in crores of rupees)											
1.	Public Works—										
	(a) Buildings and Roads branch	71	*	24	1.11	526	1.22	797	1.36	1,418	3.69
	(b) Irrigation branch ..	..	..	36	0.41	97	0.44	683	1.71	816	2.56
2.	Forest ..	70	0.05	68	0.04	462	0.23	2,986	1.32	3,586	1.64
3.	Agriculture ..	1	£	8	@	88	0.14	380	0.73	477	0.87
4.	Education ..	16	**	37	@@	91	0.12	277	0.18	421	0.30

\* Rupees 0.35 lakh  
 £ Rupees 0.09 lakh  
 @ Rupees 0.90 lakh  
 \*\* Rupees 0.07 lakh  
 @@ Rupees 0.68 lakh







(c) The following are some of the major reasons for which audit observations have remained outstanding:—

Serial number	Nature of observation	Number	Amount involved (Rupees in crores)
1.	Payees' receipts not received	5,410	4.55
2.	Excess over reserve stock limit	51	4.88
3.	Sanctions for contingent and miscellaneous expenditure not received	802	0.67

(d) It would be seen that a sizeable portion of the total outstandings is due to non-submission of payees' receipts. The departments with comparatively heavy outstandings on this account and in which this irregularity has been persisting year after year are:—

Serial number	Department	Amount involved (Rupees in lakhs)
1.	Public Works	
	(a) Buildings and Roads branch	44.69
	(b) Irrigation branch	65.18
2.	Forest	89.22
3.	Agriculture	67.31

## 8.2 Outstanding inspection reports

(a) Audit observations on financial irregularities and defects in initial accounts noticed during local audit and not settled on the spot are communicated to the heads of offices and to the next higher departmental authorities through audit inspection reports. The more important irregularities are reported to the heads of departments and the Government. The Government has prescribed that first replies to audit inspection reports should be sent within four weeks.

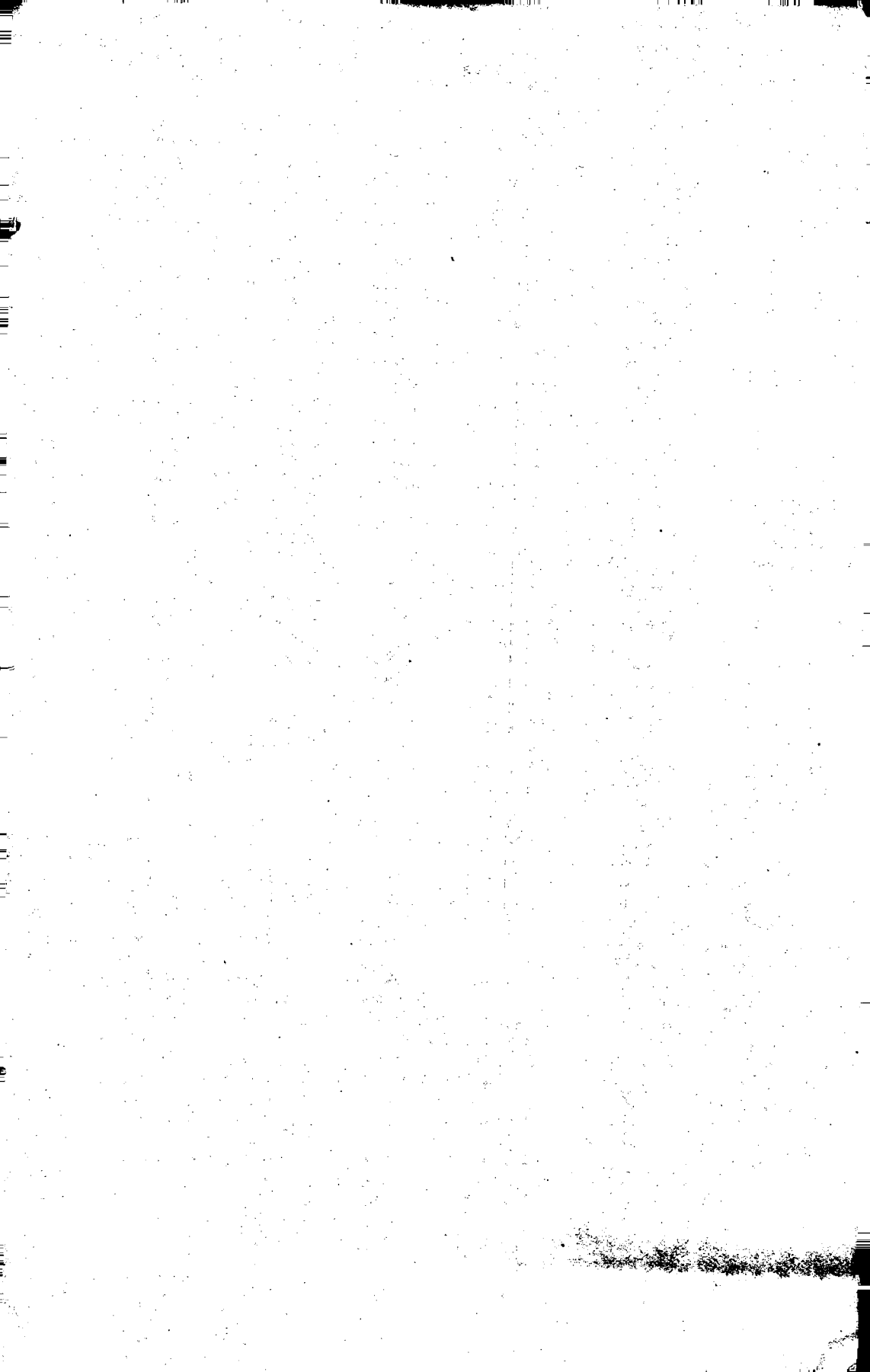
At the end of September 1979, 4,163 inspection reports issued upto the end of March 1979 still contained unsettled paragraphs as shown below with corresponding figures for the earlier two years:—

	As at the end of September 1977	As at the end of September 1978	As at the end of September 1979
Number of inspection reports with unsettled paragraphs	3,880	4,193	4,163
Number of paragraphs outstanding	19,943	21,697	20,523

The year-wise analysis of outstanding inspection reports and paragraphs is given below:—

Year	Number of	
	inspection reports	paragraphs
Upto 1975-76	2,544	9,241
1976-77	490	3,287
1977-78	577	3,543
1978-79	552	4,452

(b) Of the reports outstanding at the end of September 1979, 2,762 reports related to civil departments (including Public Works), 970 to revenue receipts and 431 to commercial departments. These included 179 inspection reports (148 civil, 31 commercial) to which even first replies had not been received. Of these, 117 inspection reports related to Public Works (36), Education (34), Health and Family Welfare (16), Himachal Road Transport Corporation (13), Co-operation (8), Agriculture (5) and Food and Supplies (5).



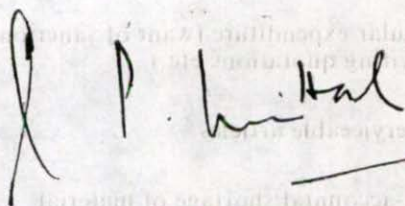


(c) Details of certain typical irregularities, noticed in various outstanding inspection reports of 8 Civil Departments and 18 divisions of Public Works Department are given below:—

Civil Departments	Number of cases	Amount (Rupees in lakhs)
(i) Drawal of funds in advance of requirements	167	99.19
(ii) Irregular expenditure (want of sanction, not inviting quotations etc.)	197	50.46
(iii) Unserviceable articles	148	9.94
(iv) Non-accountal/shortage of material	202	7.28
(v) Overpayments/recoveries pending	434	6.62
(vi) Non-verification of stores annually	76	
(vii) Non-recovery of security	48	
(viii) Non-maintenance of initial records like pay, travelling allowance, medical check registers, rent register, repair/maintenance charges register, loans and advances register, works register, etc.	30	
<b>Public Works Department</b>		
(i) Purchases beyond financial powers	17	2,15.32
(ii) Surplus machines and materials lying unused	31	52.76
(iii) Unfruitful expenditure on abandoned works	21	17.98
(iv) Non-accountal of stores in the material-at-site accounts	16	17.12
(v) Shortage of materials	27	15.66

(vi) Recoveries towards pay, rent, water charges, licence fee, hire charges and trunk call charges, etc. outstanding 18 7.10

(vii) Recoveries outstanding from contractors 9 6.06

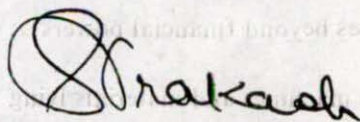


(C. P. MITTAL)  
Accountant General,  
Himachal Pradesh and Chandigarh

Simla,  
The

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Countersigned

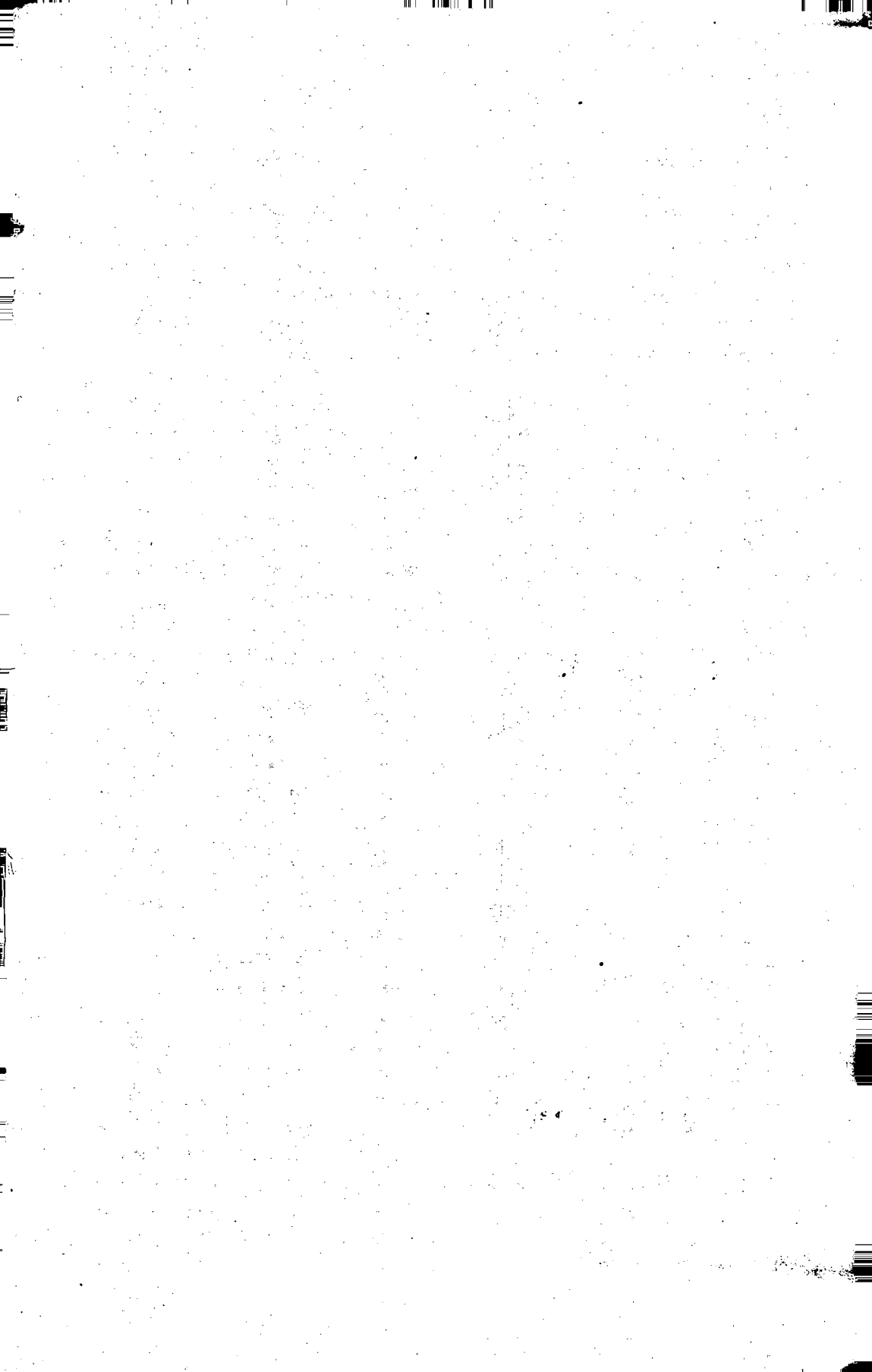


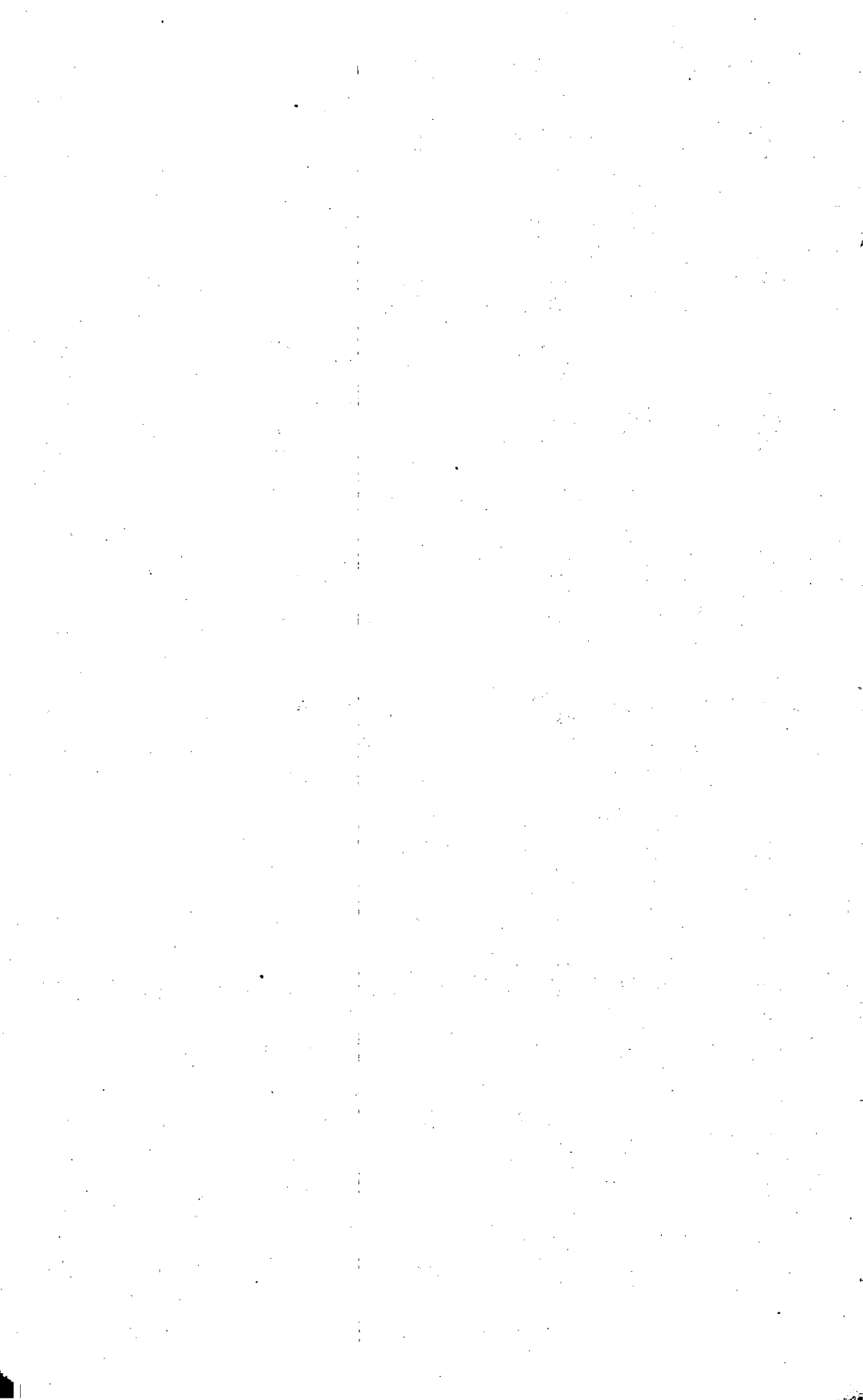
(GIAN PRAKASH)  
Comptroller and Auditor General of India

New Delhi,  
The

27 MAR 1980





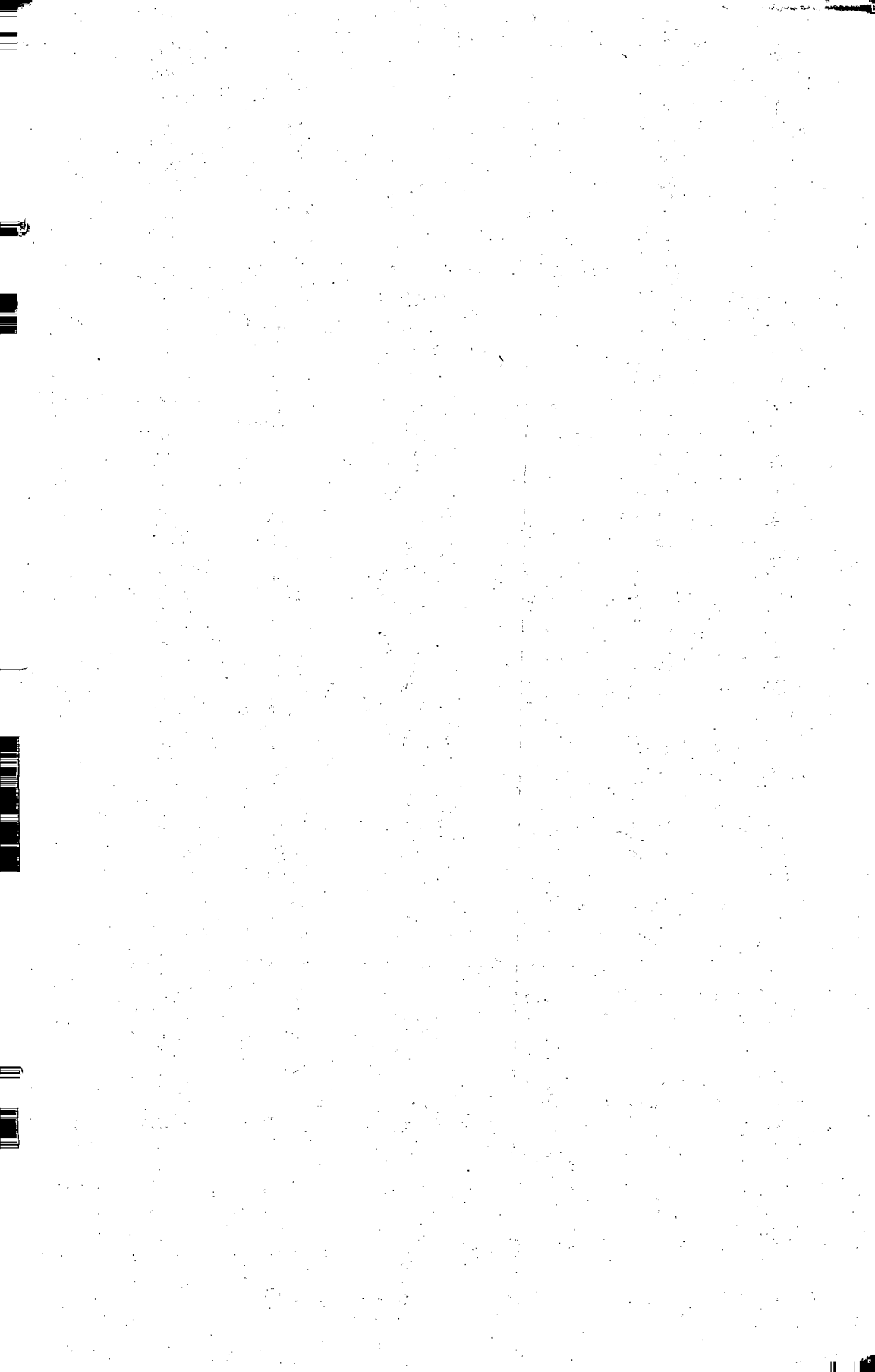


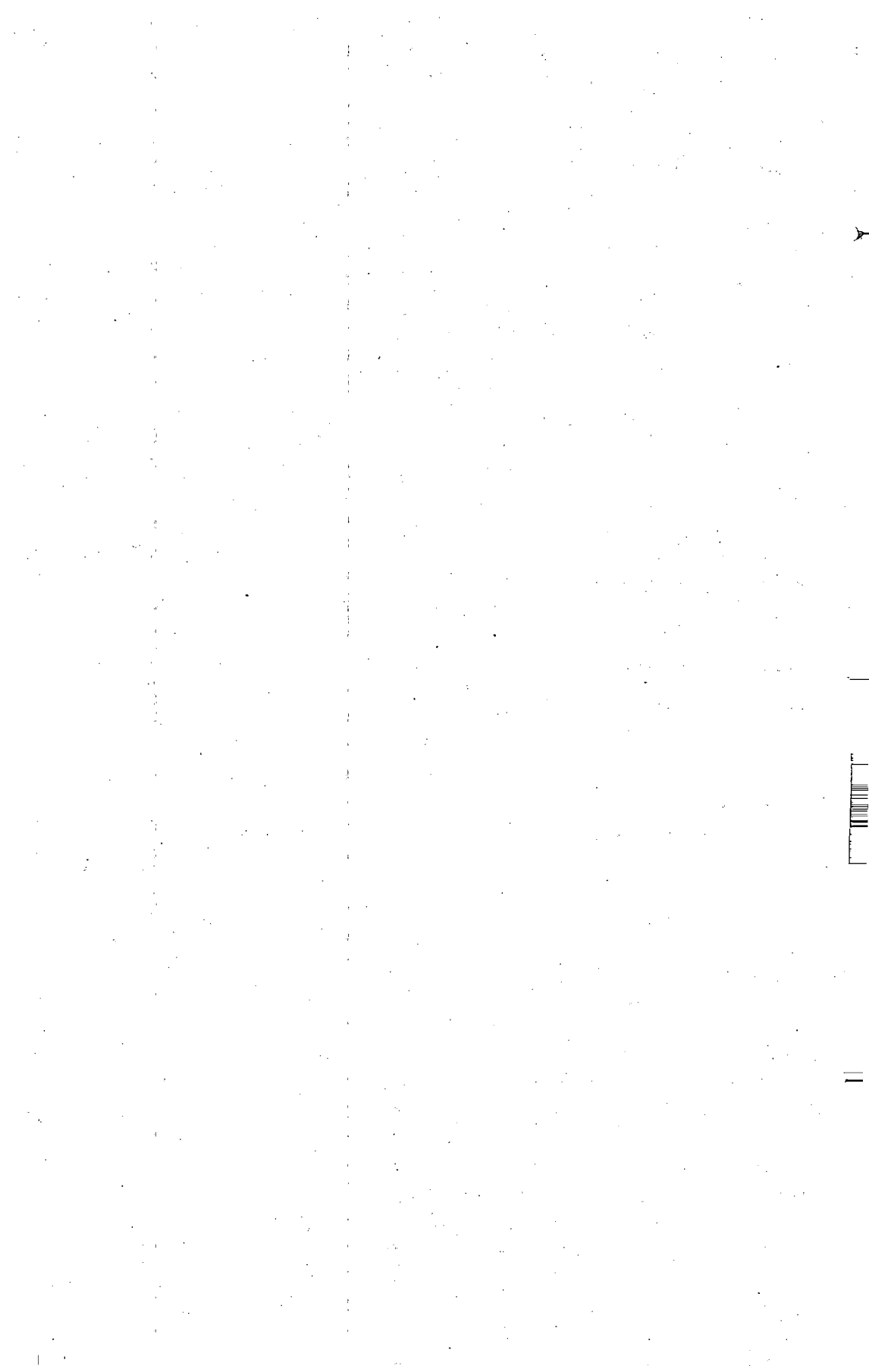
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## APPENDICES

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## APPENDIX I

(Reference : paragraph 1.4 page 6)

Statement showing reasons for significant variations in revenue expenditure during 1978-79 over the previous year under broad sectors

Sector/Head of expenditure	Actuals		Variation	Reasons
	1977-78	1978-79	Increase +	
(Rupees in crores)				
<b>A-General Services —</b>				
Administrative Services	10.16	13.03	+2.87	The increase occurred mainly under 'Public Works' due reportedly to procurement of more stores during the year.
<b>B—Social and Community Services—</b>				
	37.64	49.20	+11.56	Increase was mainly under 'Medical' due to accelerated programme of Medical care and under 'Education' due to more expenditure on Minimum Needs Programme and on primary schools.
<b>C —Economic Services—</b>				
(i) Agriculture and Allied Services	24.02	31.28	+7.26	Increase was mainly under 'Agriculture' due to grant of more assistance to horticulturists to meet the losses sustained by them on account of natural calamities and more outlay on Tribal Areas Sub-Plan Schemes, under 'Minor Irrigation' due to accelerated progress of minor irrigation works, under 'Soil and Water Conservation' due to accelerated execution of soil conservation schemes and under 'Forest' due to more expenditure on timber extraction, farm forestry and execution of Tribal Areas Sub-Plan Schemes.
(ii) Transport and Communications	5.22	7.40	+2.18	Increase which occurred mainly under 'Roads and Bridges' was stated to be due largely to incurring of more expenditure for the repairs of roads (mainly district and other roads) and bridges damaged by heavy rains.

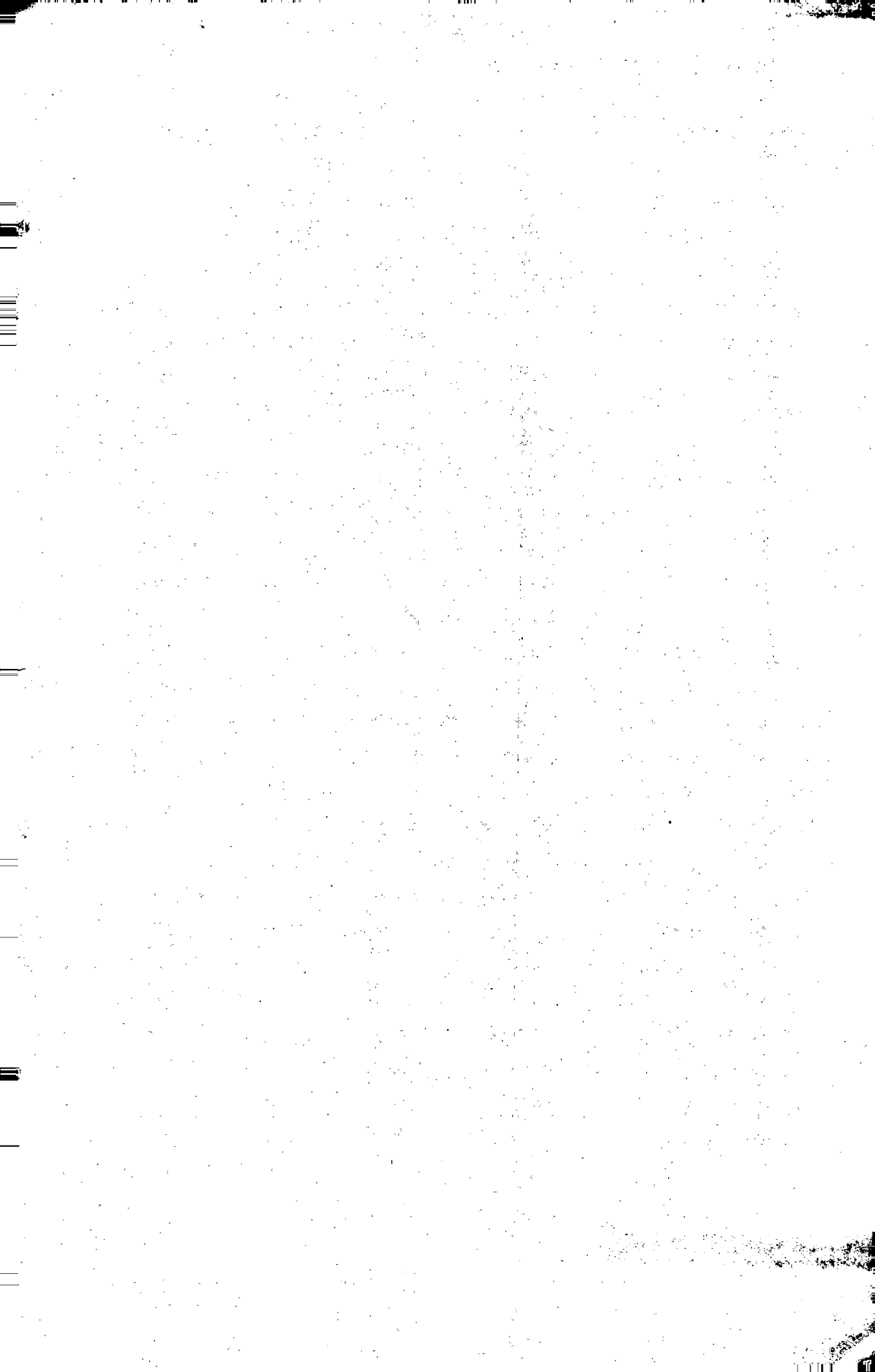
## APPENDIX II

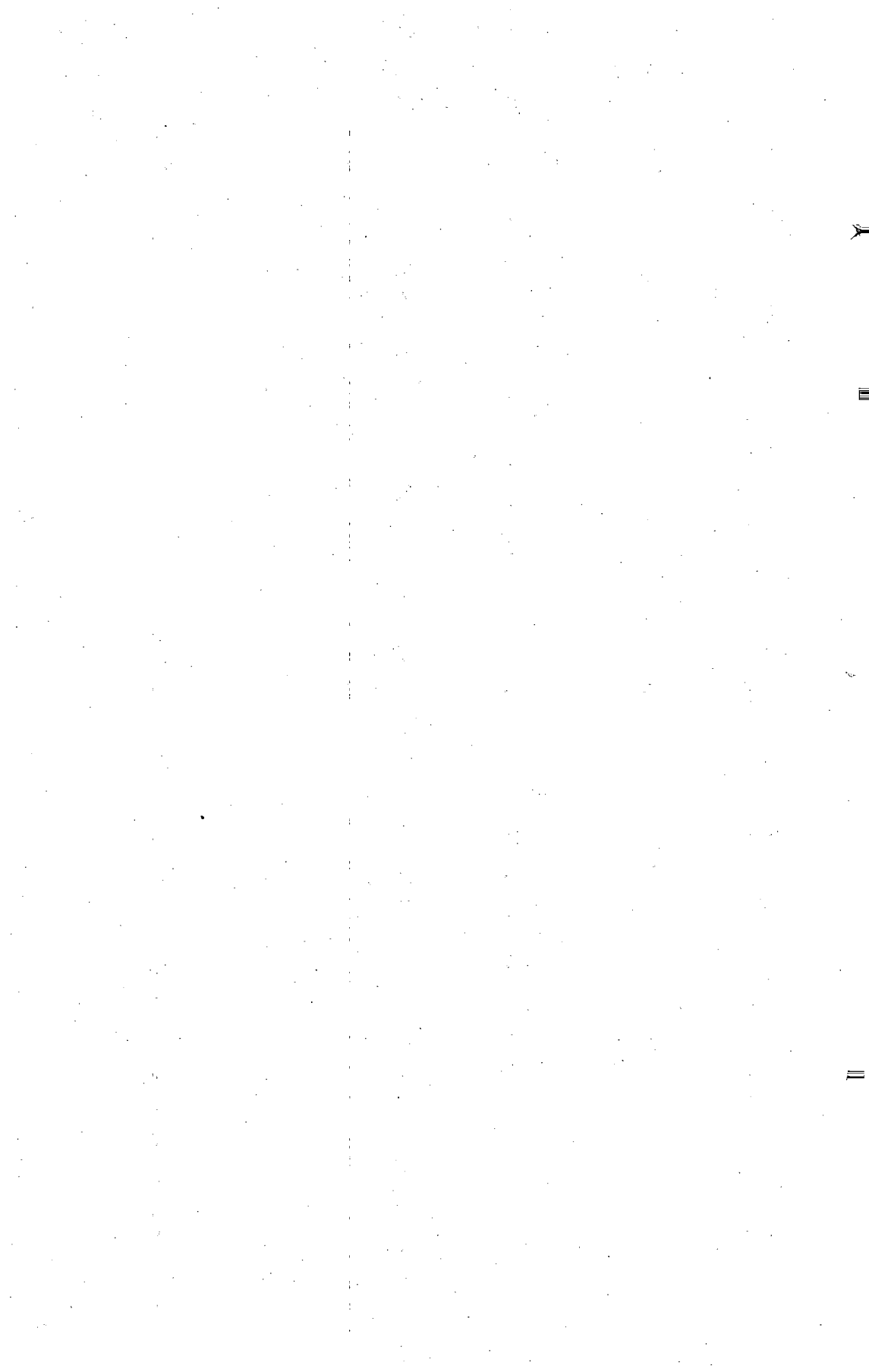
(Reference : paragraph 1.5 page 7)

Statement showing reasons for significant variations in capital expenditure during 1978-79 over the previous year under broad sectors

Sector/Head of expenditure	Actuals		Variation	Reasons
	1977-78	1978-79	Increase+	
(Rupees in crores)				
Capital expenditure on—				
(i) Social and Community Services	5.60	9.82	+4.22	Increase occurred mainly under 'Public Health Sanitation and Water Supply (Rural Piped Water Supply Scheme)' for completing/accelerating Water Supply Schemes in various districts.
(ii) Transport and Communications	16.71	19.59	+2.88	Increase occurred mainly under 'Roads and Bridges' due to increased Plan allocation.







## APPENDIX III

(Reference : paragraph 2.4 page 21)

Cases in which savings (Rs. 2 lakhs or more in each case) exceeded ten per cent of the total provision

Serial No.	Number and name of grant/ appropriation	Total provision	Expenditure	Saving	Percentage
1	2	3	4	5	6

(Rupees in lakhs)

## I—Cases in which savings were more than 20 per cent of the total provision

1.	14—Animal Husbandry and Dairy Development	5,61.22	4,40.60	1,20.62	21
2.	18—Supplies, Industries and Minerals	6,33.87	4,18.23	2,15.64	34
3.	23—Food and Nutrition	8,26.31	3,41.01	4,85.30	59
4.	32—Other Administrative Services	1,85.91	1,38.46	47.45	26
5.	33—Finance (Charged)	38,72.42	19,34.39	19,38.03	50

## II—Cases in which savings were more than 10 per cent but less than 20 per cent of the total provision

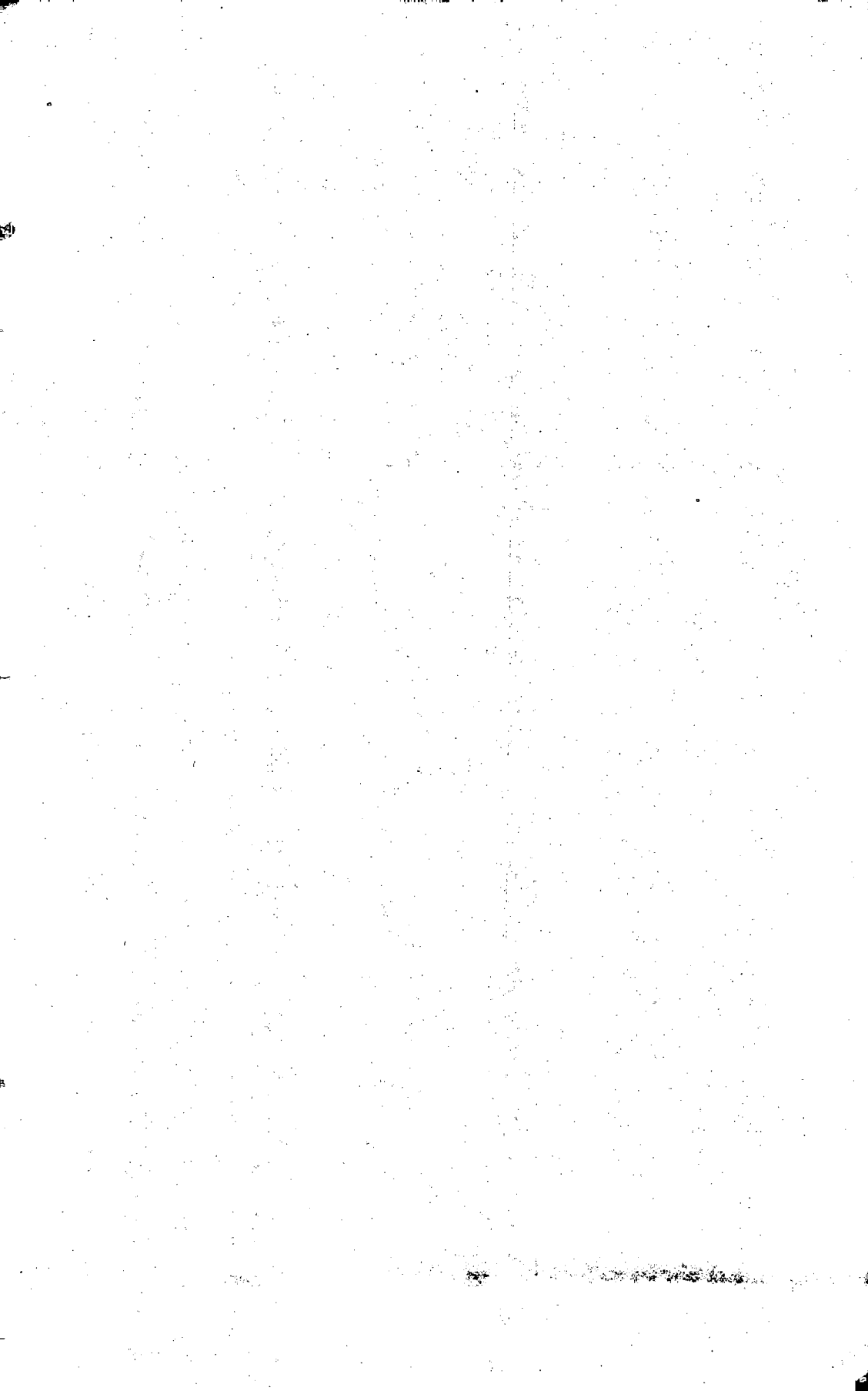
1.	1—Vidhan Sabha and Elections	74.09	63.08	11.01	15
2.	11—Agriculture	12,35.77	10,67.54	1,68.23	14
3.	15—Fisheries	31.03	27.23	3.80	12
4.	19—Social Security, Welfare and Jails	3,02.09	2,58.95	43.14	14

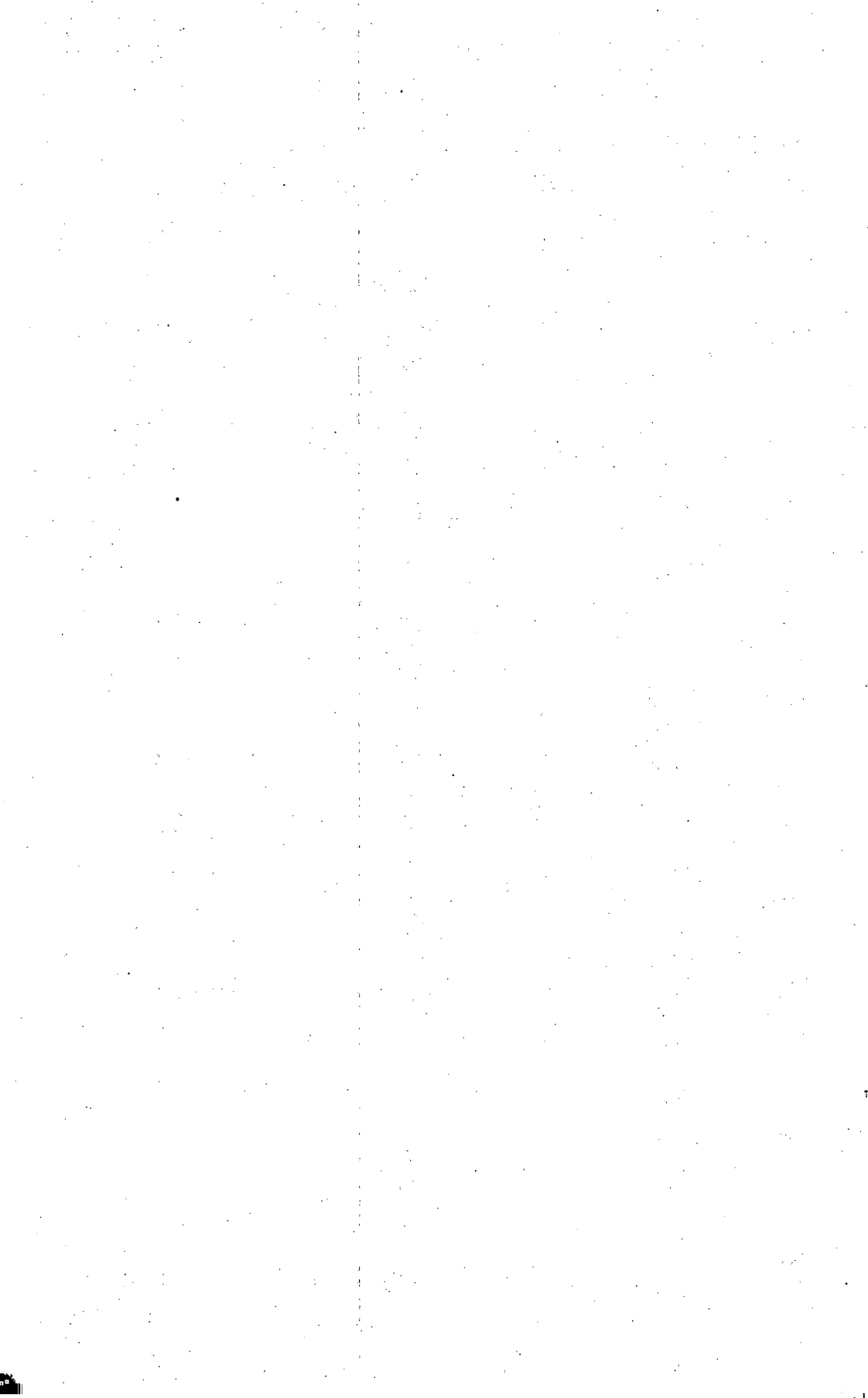
**APPENDIX IV**

(Reference : paragraph 2.6 page 24)

**Drawal of funds in advance of requirements**

Department/Office	Amount drawn (Rupees in lakhs)	When drawn	For what purpose drawn	When disbursed	Remarks
1	2	3	4	5	6
<b>Education</b>					
1. Director of Education, Simla	7.70	March 1978	Purchase of 1.23 lakh cans of soya-bean sauce for distribution as mid-day meal to school-going children.		The amount was remitted (May 1978) by bank drafts to the District Education Officers. The supply order was placed (April 1978) on the Director of Horticulture without indicating the delivery period. No supply had been received (December 1979).
2. District Education Officer, Simla	1.06	March 1977	Purchase of jute matting		The amount was drawn on placing an order (March 1977) for supply of 30,800 metres jute matting. Sub-standard material (21,800 metres : cost : Rs. 0.69 lakh) supplied (July 1977) by the firm was distributed among the schools on instructions from the Director of Education (March 1978). The entire amount was lying (January 1980) in current account with a bank pending decision by the Controller of Stores on the rates to be paid for the sub-standard material.
<b>Welfare</b>					
3. Deputy Director of Welfare, Simla	1.26	March 1979	Purchase of two jeeps and one car	May 1979 (Rs. 1.24 lakhs)	Though payments were made (May 1979) to the firms, the vehicles were still awaited (September 1979).
4. District Welfare Officer, Kulu	0.53	Between 1975-76 and 1977-78	Scholarships to scheduled castes and backward classes, old age pensions, housing subsidy and expenditure in connection with International Women's Year etc.		The drawing officer was not aware as to whom the money was payable. The District Welfare Officer intimated (November 1979) that Rs. 0.02 lakh were remitted to the Director of Welfare in July 1979 and that the balance amount of Rs. 0.51 lakh had been refunded (November 1979).





### Horticulture

5. Deputy Director of Horticulture, Simla	1.56	March 1979	Flood relief to the orchardists	..	The amount was lying unutilised in the shape of bank draft.
6. District Horticulture Officer, Lahaul and Spiti	0.36	March 1978	Purchase of G.I. sheets, angle iron, cement and G.I. wire	June 1978	The payment was made in June 1978. The Government stated (October 1979) that material valuing Rs.0.27 lakh had been procured in November 1978 and that for procurement of 1½ metric tonne of G.I. wire (cost : Rs. 0.09 lakh), action had been initiated.

### Medical

7. Chief Medical Officer, Hamirpur	1.39	March 1978	Purchase of X-ray Plant	..	The Chief Medical Officer stated (December 1979) that 90 per cent payment was made in April 1979 and that the X-ray plant received in May 1979 could not be installed due to non-availability of suitable accommodation. It was further added that the balance amount would be paid after installation.
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### Animal Husbandry

8. Dairy Manager, Simla Milk Supply Scheme, Jutogh, Simla	1.35	March 1979	Purchase of two milk storage tanks	..	The amount (90 per cent payment) was lying in the shape of bank draft for want of receipt of material (September 1979).
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### General Administration

9. Director, Mountaineering Institute, Manali	0.16	March 1978	One out-board motor	}	The amounts were lying in the form of bank drafts due to non-receipt of material/ non-execution of work (May 1979).
	0.75	March 1979	(i) Fitting of storage structure		
			(ii) Long motor boat (iii) Ruck sacks		
10. Ditto	1.87	March 1978	(i) Purchase of truck	Between April 1978 and March 1979	Material worth Rs.1.43 lakhs was received between July 1978 and March 1979 and one boat for Rs.0.44 lakh was still awaited (May 1979).
			(ii) G.R.P. board	(Rs.1.87 lakhs)	
			(iii) Scull and row boats		
			(iv) Water heaters		
			(v) Life Jackets		

**APPENDIX V**

(Reference : paragraph 3.8 page 58)

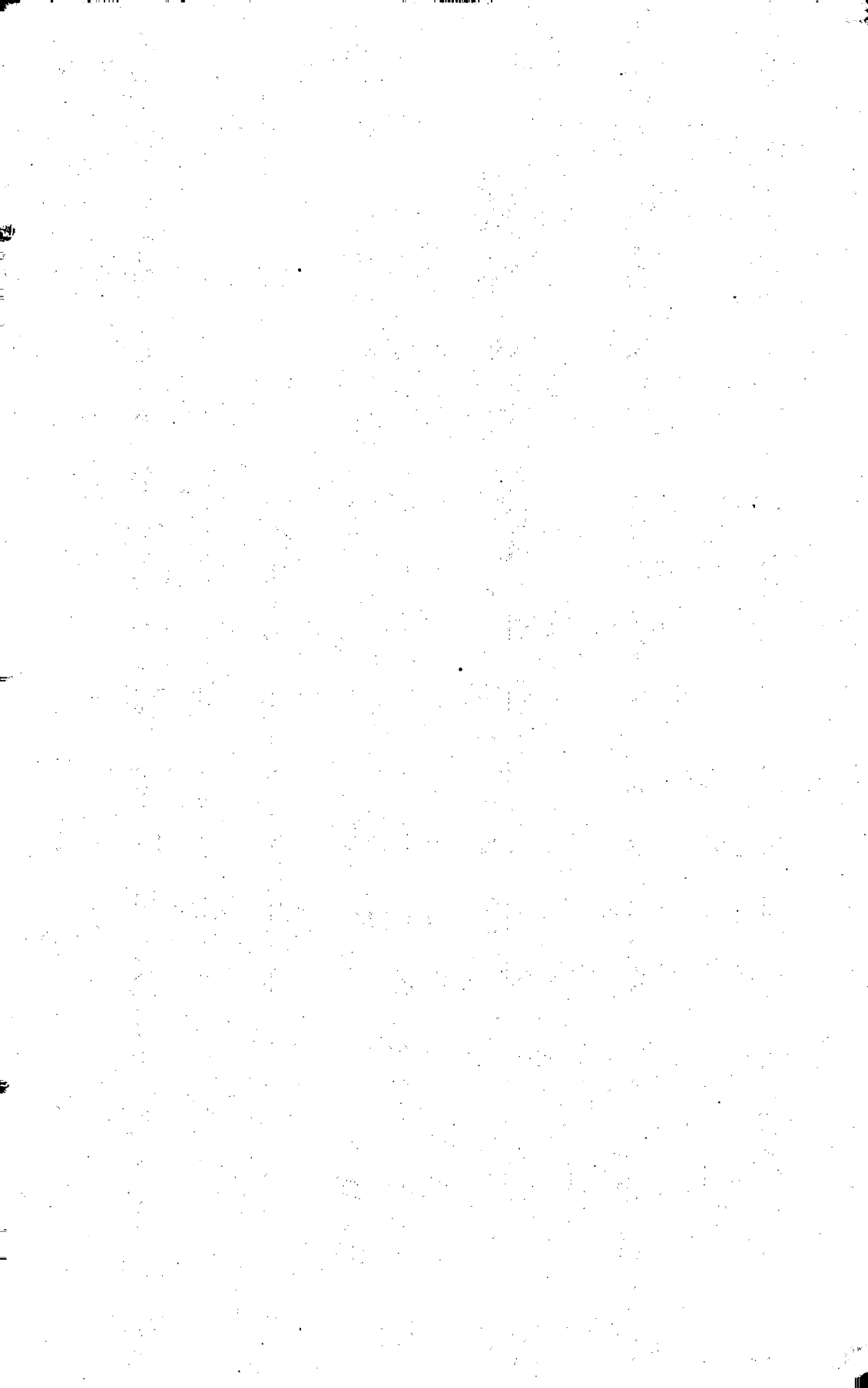
**Misappropriations and defalcations reported upto 31st March 1979 and outstanding on 30th September 1979**

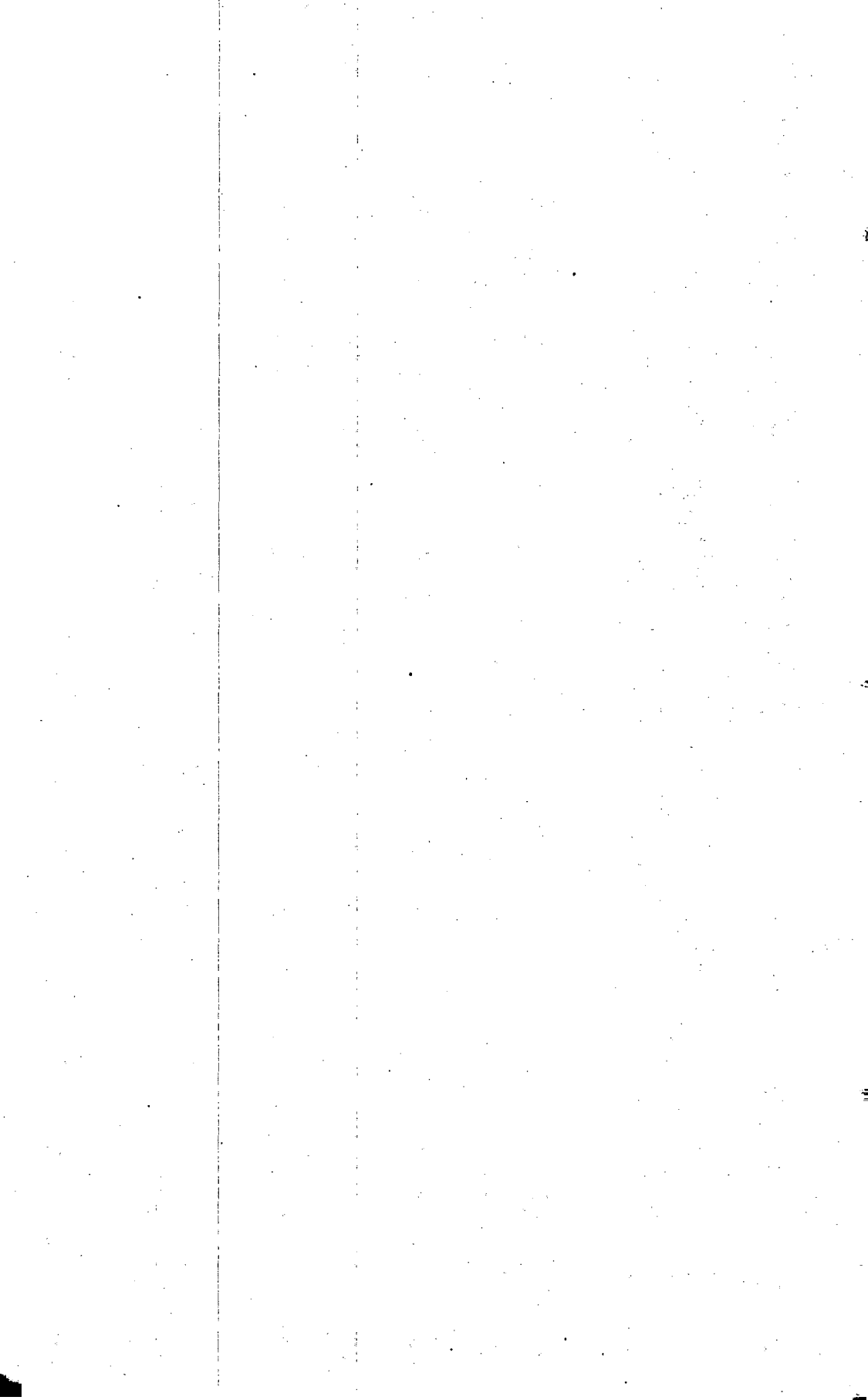
(Amount in lakhs of rupees)

Serial No.	Department	Upto Number	1975-76 Amount	During Number	1976-77 Amount	During 1977-78		During 1978-79		Total		
						Number	Amount	Number	Amount	Number	Amount	
1	2	3	4	5	6	7	8	9	10	11	12	
1.	Public Works	..	50	21.57	13	24.23	6	1.37	10	4.36	79	51.53
2.	Forest	..	5	1.03	2	0.80	2	0.26	1	14.26	10	16.35
3.	Agriculture	..	..	..	..	..	1	1.64	..	..	1	1.64
4.	Police	..	..	..	..	..	..	..	2	0.83	2	0.83
5.	Food and Supplies	..	1	0.52	..	..	..	..	..	..	1	0.52
6.	Finance (Treasuries and Accounts organisation)	..	2	0.25	..	..	1	0.26	..	..	3	0.51
7.	Education	..	4	0.22	2*	0.24	..	..	..	..	6	0.46
8.	Health and Family Welfare	..	4	0.32	..	..	..	..	..	..	4	0.32
9.	Governor's Secretariat	..	1	0.26	..	..	..	..	..	..	1	0.26

\*Amount of one case not known.







10. Welfare	5	0.25	..	..	..	..	..	..	5	0.25
11. Rural Integrated Development	1	0.18	..	..	..	..	..	..	1	0.18
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. Labour and Employment	1	0.07	..	..	..	..	..	..	1	0.07
16. Animal Husbandry	1	0.04	..	..	..	..	..	..	1	0.04
17. General Administration	1	**	..	..	..	..	..	..	1	**
<b>Total</b>	<b>80</b>	<b>24.99</b>	<b>17</b>	<b>25.27</b>	<b>10</b>	<b>3.53</b>	<b>13</b>	<b>19.45</b>	<b>120</b>	<b>73.24</b>

\*These cases had not been included in earlier Reports.

\*\*Rupees 50 only.

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 DEPARTMENT OF  
 COMMERCIAL TAXES  
 BANGALORE

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APPENDIX VI

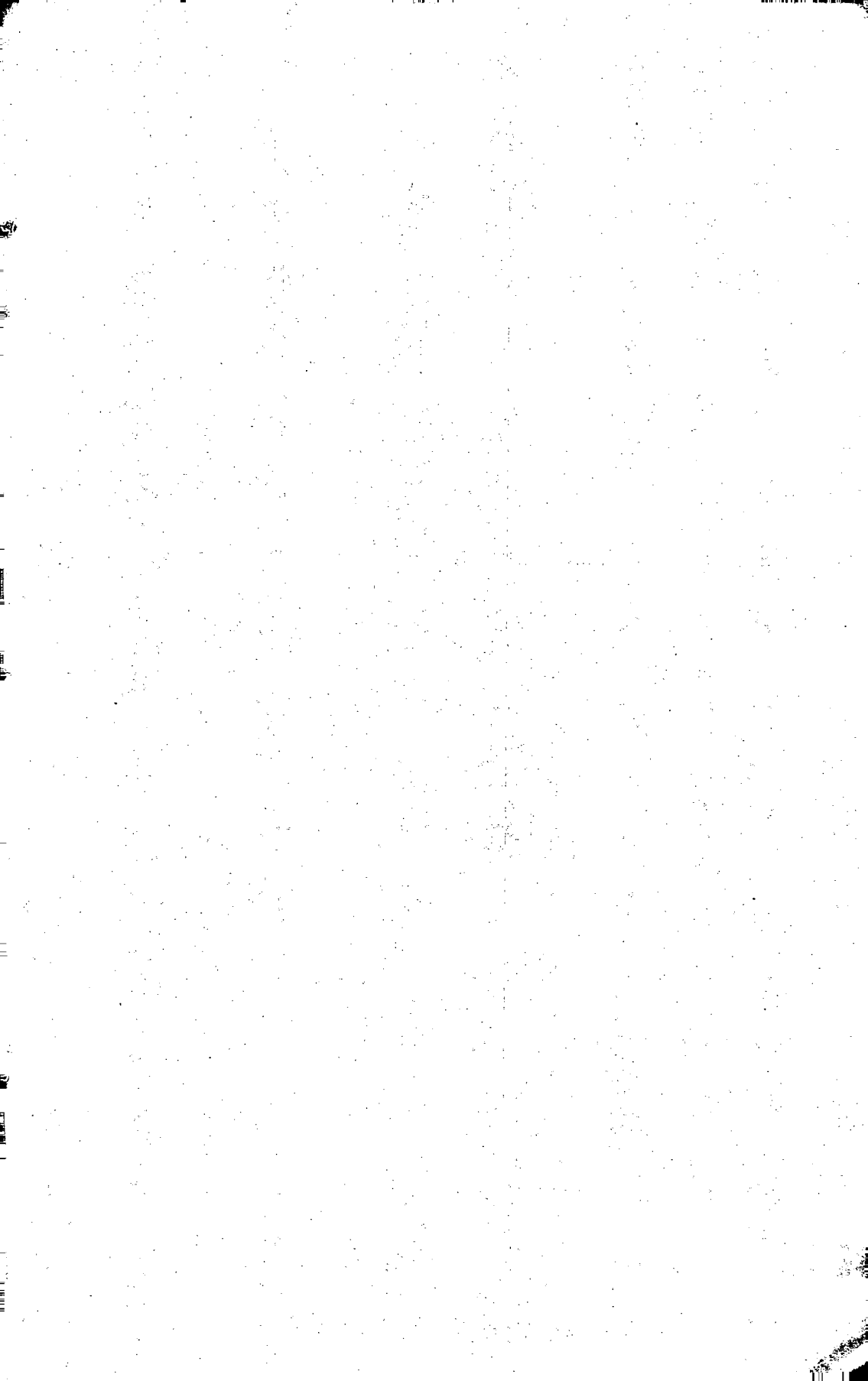
(Reference : paragraph 3.8 page 58)

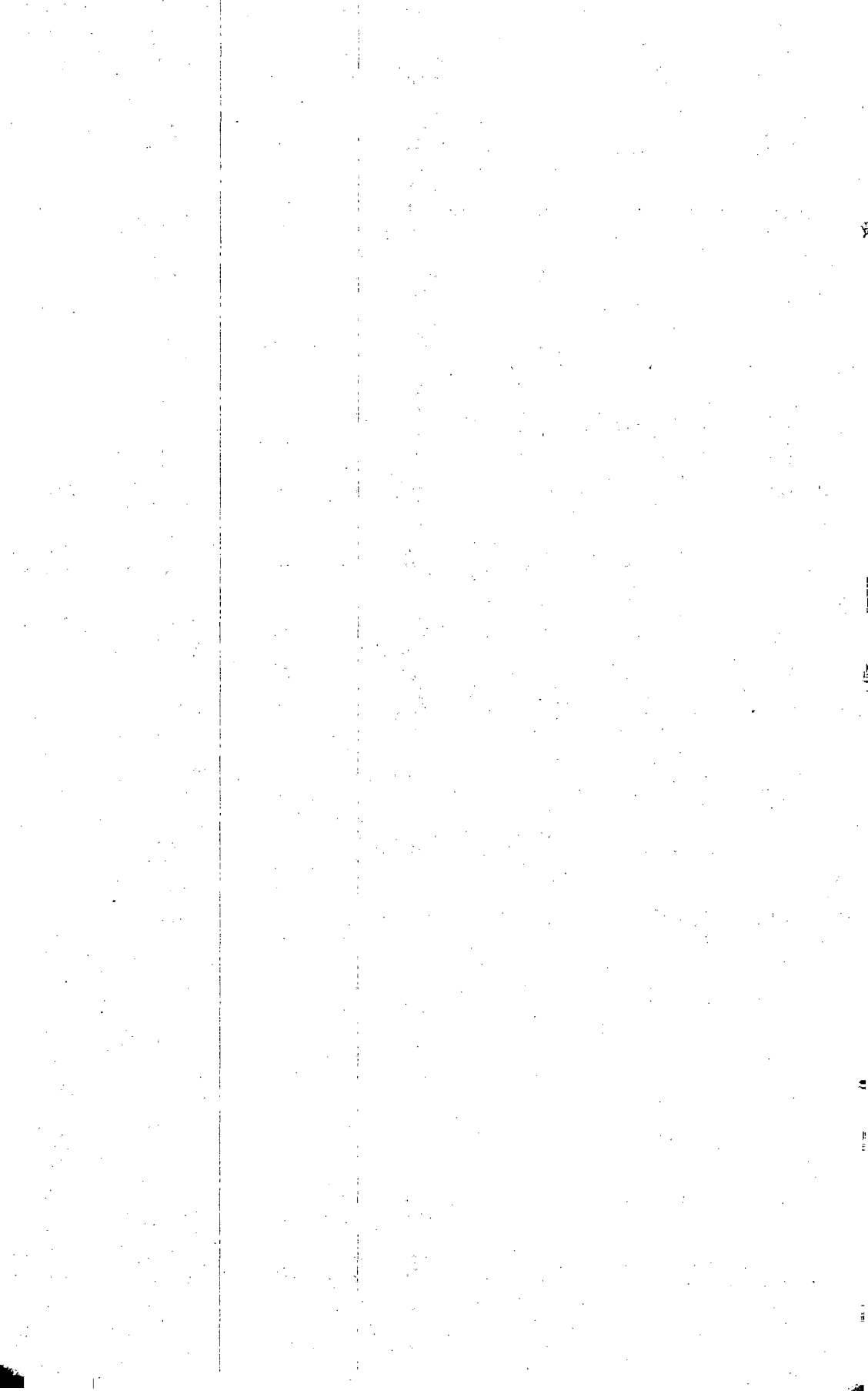
Outstanding cases (30th September 1979) of misappropriations, defalcations, etc., and the stage at which they are pending

(Amount in lakhs of rupees)

Serial No.	Department	Awaiting completion of criminal investigation		Awaiting completion of departmental investigation		Pending in courts of law		Investigation completed but orders of write off/recovery pending		Other reasons		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Public Works	12	1.03	43	32.32	2	11.78	21	6.30	1	0.10	79	51.53
2.	Forest	1	14.26	1	0.18	1	0.13	5	1.02	2	0.76	10	16.35
3.	Agriculture	1	1.64	..	..	..	..	..	..	..	..	1	1.64
4.	Police	..	..	..	..	..	..	2	0.83	..	..	2	0.83
5.	Food and Supplies	1	0.52	..	..	..	..	..	..	..	..	1	0.52
6.	Finance (Treasuries and Accounts organisation)	..	..	1	0.26	2	0.25	..	..	..	..	3	0.51
7.	Education	1	0.24	1	0.07	4	0.15*	..	..	..	..	6	0.46

\*Amount of one case not known.





8. Health and Family Welfare	1	0·07	1	0·10	1	0·05	..	..	1	0·10	4	0·32
9. Governor's Secretariat	..	..	..	..	..	..	1	0·26	..	..	1	0·26
10. Welfare	..	..	3	0·18	2	0·07	..	..	..	..	5	0·25
11. Rural Integrated Development	..	..	..	..	..	..	1	0·18	..	..	1	0·18
12. Housing	..	..	..	..	1	0·11†	..	..	..	..	1	0·11
13. Home Guards	..	..	1	0·09	..	..	..	..	..	..	1	0·09
14. Revenue	..	..	1	0·06†	1	0·02†	..	..	..	..	2	0·08
15. Labour and Employment	..	..	..	..	1	0·07	..	..	..	..	1	0·07
16. Animal Husbandry	..	..	..	..	1	0·04	..	..	..	..	1	0·04
17. General Administration	..	..	..	..	1	**	..	..	..	..	1	**
Total	17	17·76	52	33·26	17	12·67	30	8·59	4	0·96	120	73·24

†These cases had not been included in earlier Reports.

\*\*Rupees 50 only.

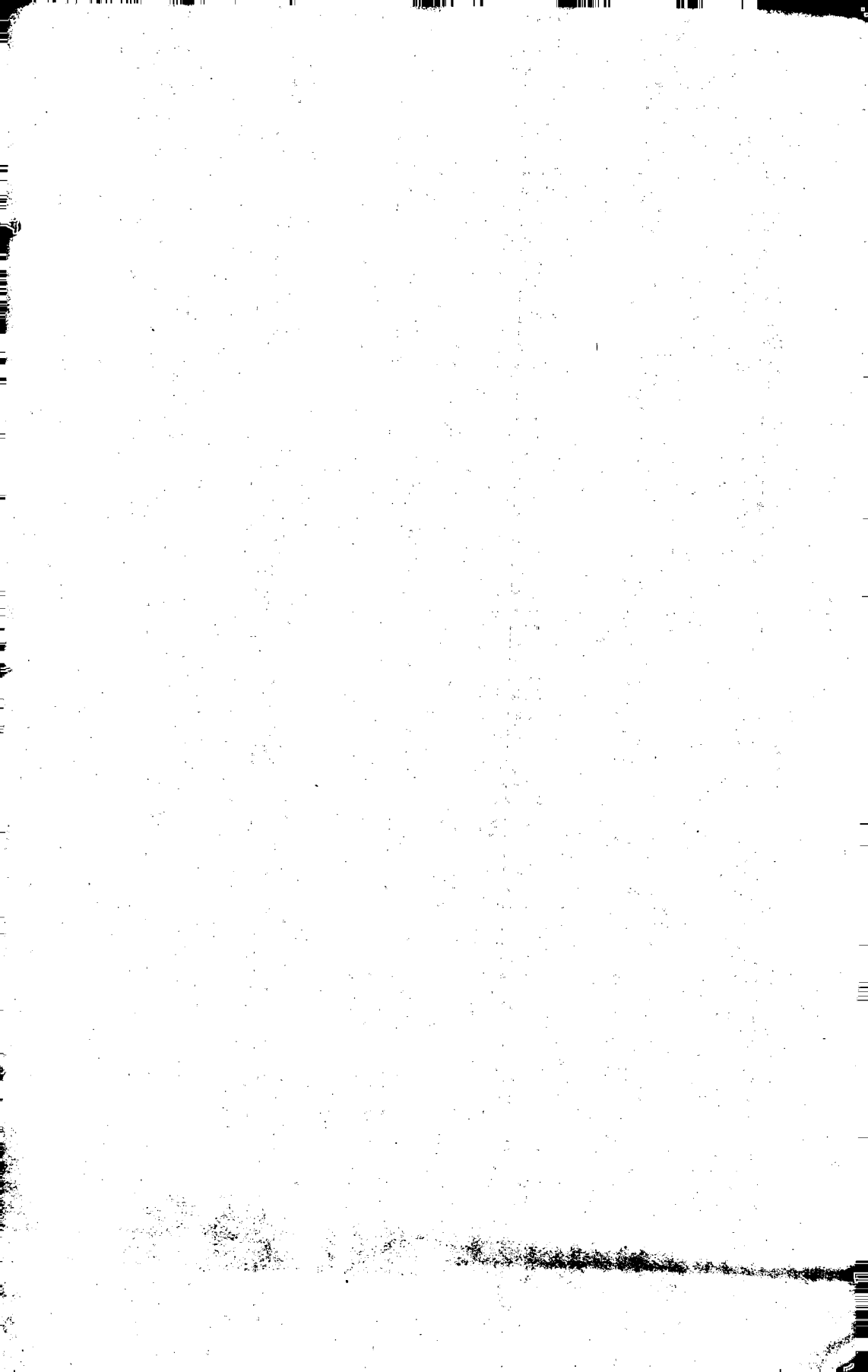
## APPENDIX VII

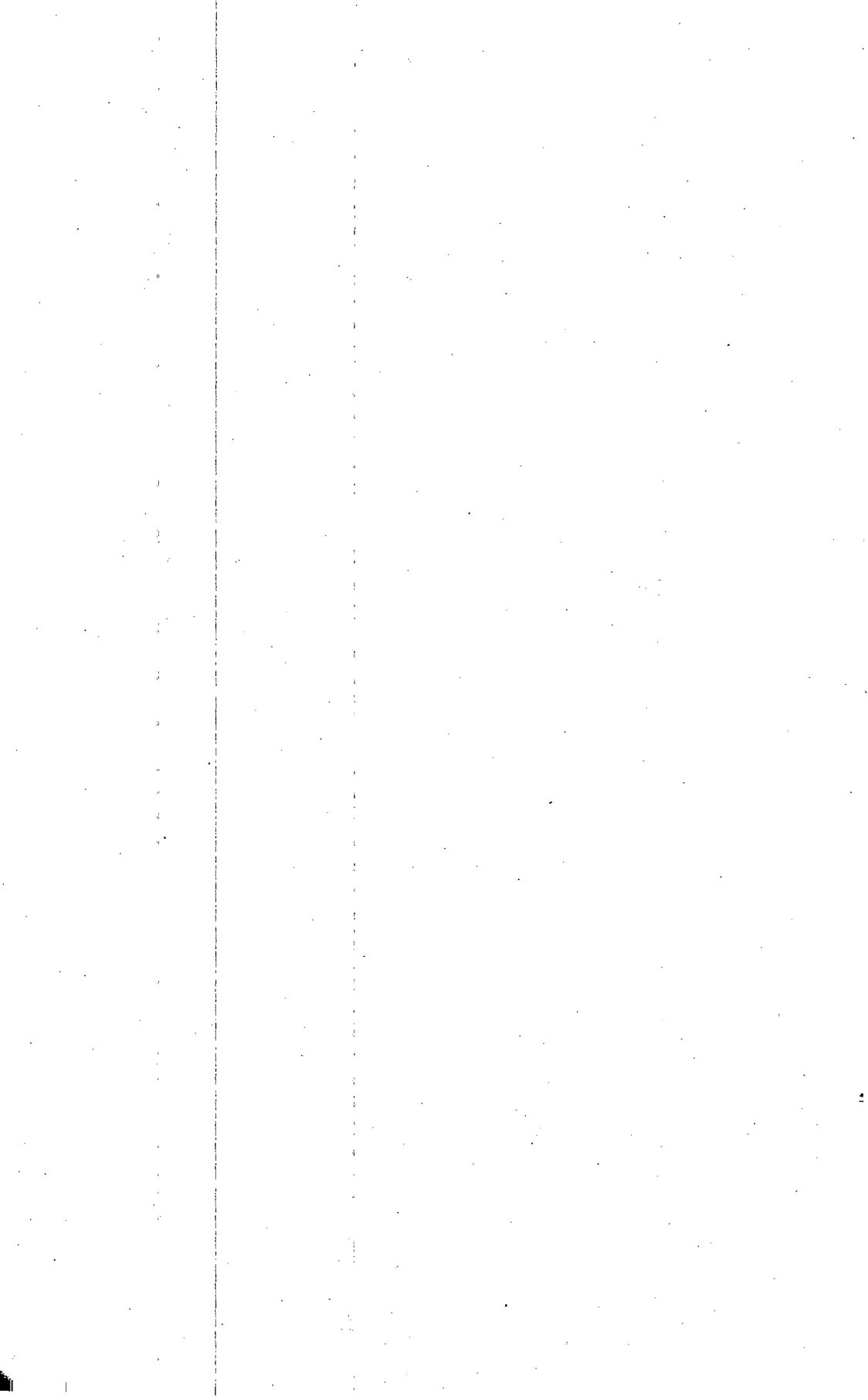
(Reference: paragraph 4.1 page 61)

## Details of abandoned/suspended tubewells

Serial No.	Name of work	Name of tubewell	Date of administrative approval	Stipulated date of completion	Date of commencement of work	Sanctioned estimated cost	Expenditure incurred upto March 1979	Remarks
1	2	3	4	5	6	7	8	9
Irrigation-cum-Public Health Division, Una				{(Rupees in lakhs)}				
1.	Drilling and construction of 10 tubewells with percussion rig No. 2500 in Una area	PR-IA at Arniala	October 1972	October 1974	March 1975	9.76 (June 1974)	0.66	The drilling of tubewell was stopped after drilling upto 78-80 metres due to rushing of soil and less discharge available.
2.		PR-IB at Madanpur	Ditto	Ditto	February 1976	Ditto	0.12	After drilling upto the depth of 41.65 metres, further drilling was stopped due to rushing of strata.
3.		PR-IC at Charola	Ditto	Ditto	May 1976	Ditto	0.38	Due to rushing of strata, the well drilled upto 20.70 metres was abandoned.
4.		PR-7A at Nagnoli	Ditto	Ditto	September 1973	Ditto	0.68	The bore was abandoned due to availability of less discharge and parting of casing pipe.
5.		PR-8A at Nagnoli	Ditto	Ditto	March 1974	Ditto	0.30	The work was abandoned due to rushing of strata and less availability of water bearing strata.







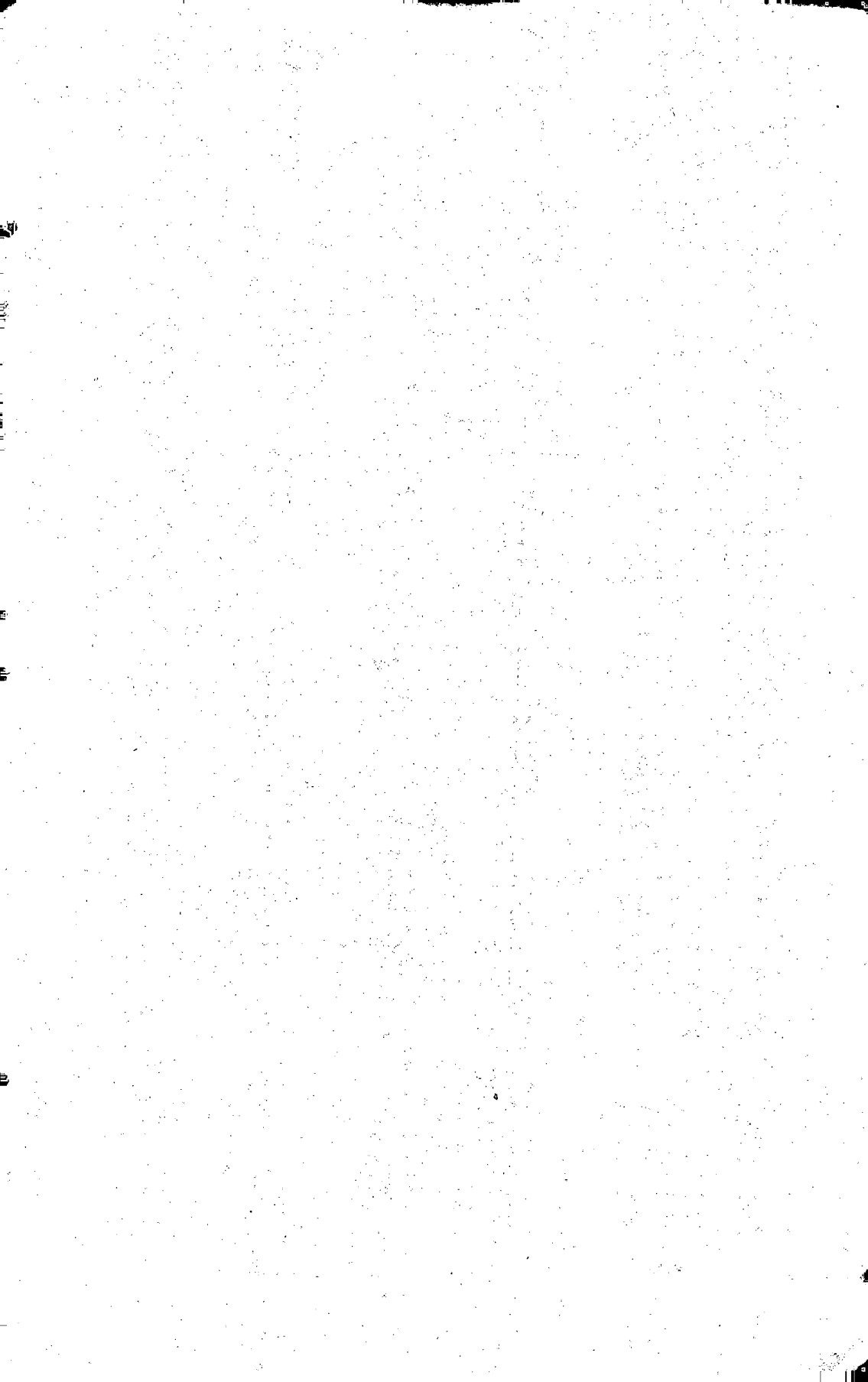
6.		PR-8B at Charola	Ditto	Ditto	November 1976	Ditto	0.07	The tubewell was drilled upto 30 metres. Further drilling was stopped due to rushing of soil.	
7.		PR-3 at Chanari	Ditto	Ditto	April 1971	Ditto	N.A.	The drilling work was stopped due to rushing of soil.	
8.	Drilling and construction of tubewell No. 11 to 20 with rig No. PR-2500 in Una area	PR-11 at Bhanjal	November 1974	November 1976	February 1978	10.36	0.34	The drilling of tubewell was abandoned in July 1978 due to parting of casing pipe.	
Irrigation-cum-Public Health Division, Solan									
9.	Boring of tubewell with percussion rig in Nalagath area	Nagal	April 1976	October 1978	January 1977	Not obtained	0.79	The tubewell was drilled upto 75 metres. Further work was stopped due to hard clay strata.	
10.	Drilling and construction of 8 numbers tubewells	Theda-I	April 1976	October 1978	July 1977	Ditto	1.07	After drilling upto 62.80 metres, further drilling was stopped as hard clay strata were met with.	
Irrigation-cum-Public Health Division, Paonta									
11.	Drilling and construction of 4 numbers tubewells with percussion rig in Paonta area	Kolar	September 1974	March 1975	Not available	Ditto	N.A.	Development with 6" vertical turbine pump during 1978 resulted in no improvement in its working; further development was suspended.	
Total							4.41		

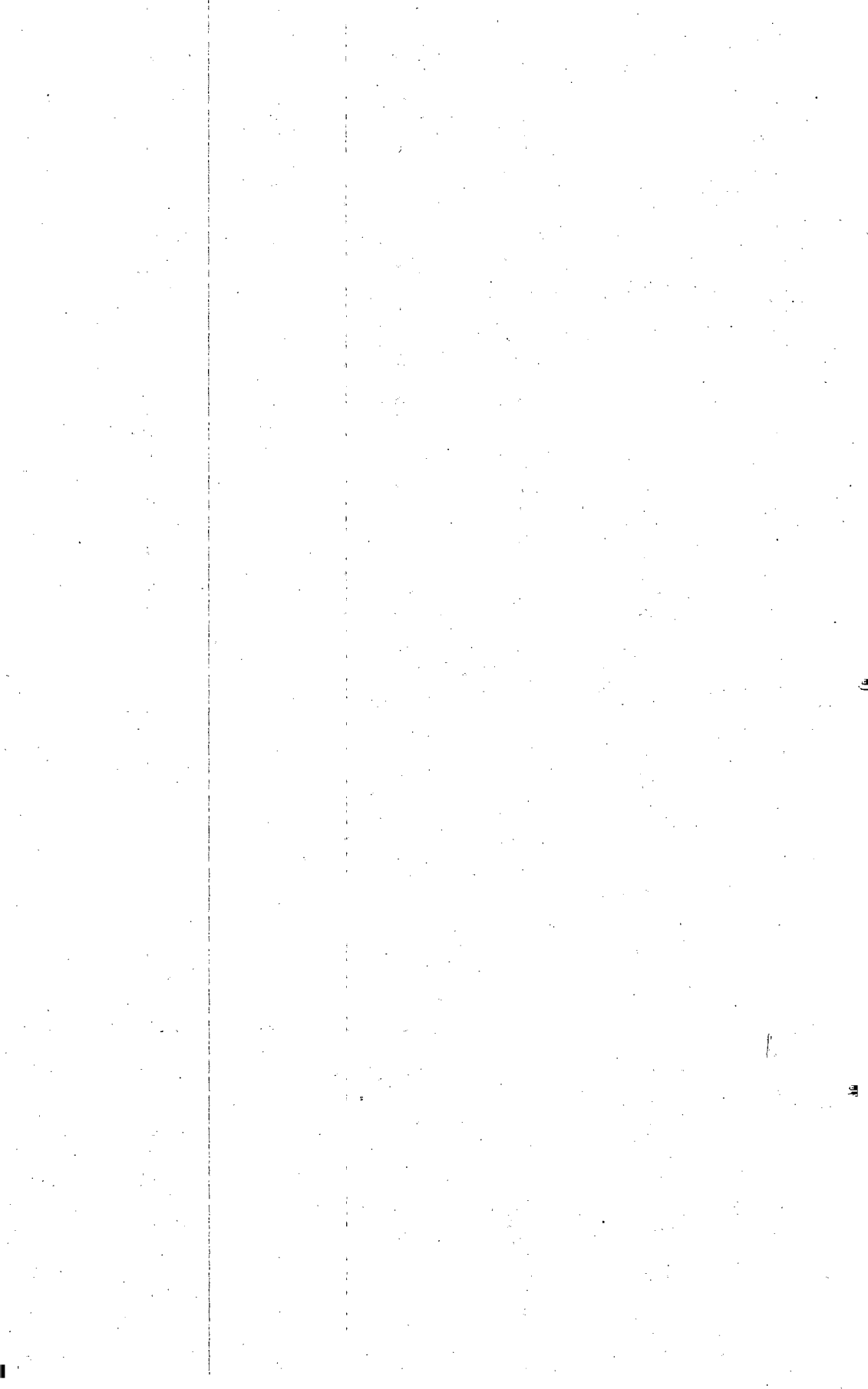
## APPENDIX VIII

(Reference : paragraph 5.2 page 74)

## Reserve stock limits

Serial No.	Division	Sanctioned reserve stock limit (Rupees in lakhs)	Peak balance (Rupees in lakhs)	Month of peak balance	Excess over reserve stock limit (Rupees in lakhs)	Percentage of excess
1	2	3	4	5	6	7
1.	Irrigation-cum-Public Health, Hamirpur-I	8.60	45.17	March 1979	36.57	425.24
2.	Irrigation-cum-Public Health, Kulu	5.28	24.03	September 1978	18.75	355.03
3.	Irrigation-cum-Public Health, Chamba	4.95	16.33	August 1978	11.38	230
4.	Irrigation-cum-Public Health, Bilaspur	5.37	15.96	September 1978	10.59	197
5.	Mandi-II	15.35	43.82	March 1979	28.47	185
6.	Nahan (Buildings and Roads)	11.18	28.51	February 1979	17.33	155
7.	Irrigation-cum-Public Health, Dharamsala	17.30	40.48	March 1979	23.18	134
8.	Irrigation-cum-Public Health, Simla-I	5.00	10.22	February 1979	5.22	104
9.	Irrigation-cum-Public Health, Dalhousie	4.95	9.95	February 1979	5.00	101
10.	Simla-III	6.54	12.70	February 1979	6.16	94
11.	Irrigation-cum-Public Health, Peo (Kalpa)	4.93	9.52	March 1979	4.59	93





12. Chamba (Buildings and Roads)	8-90	16-79	November 1978	7-89	89
13. National Highway, Solan	11-62	18-17	October 1978	6-55	56
14. Solan (Buildings and Roads)	8-27	12-46	May 1978	4-19	51

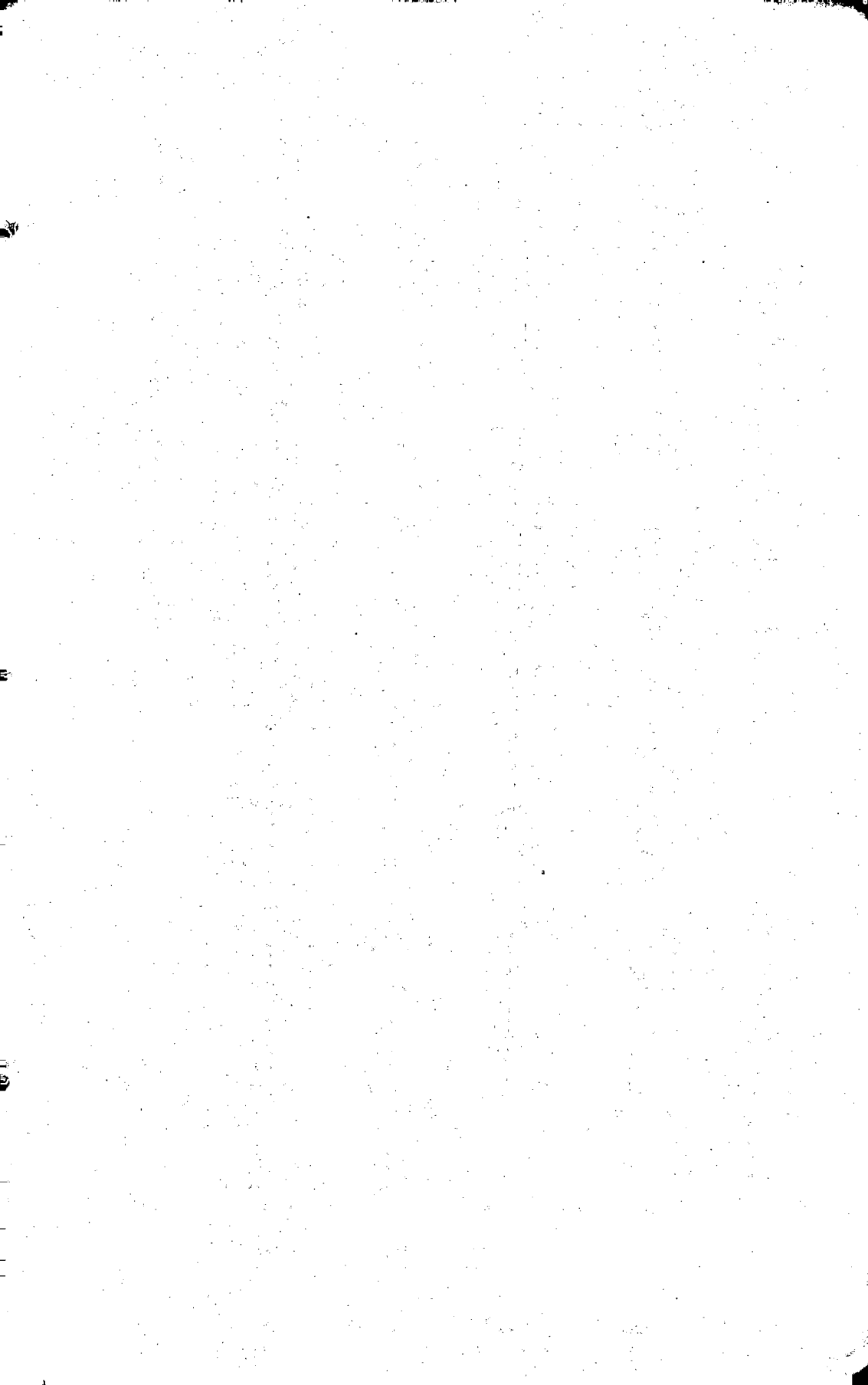
APPENDIX IX

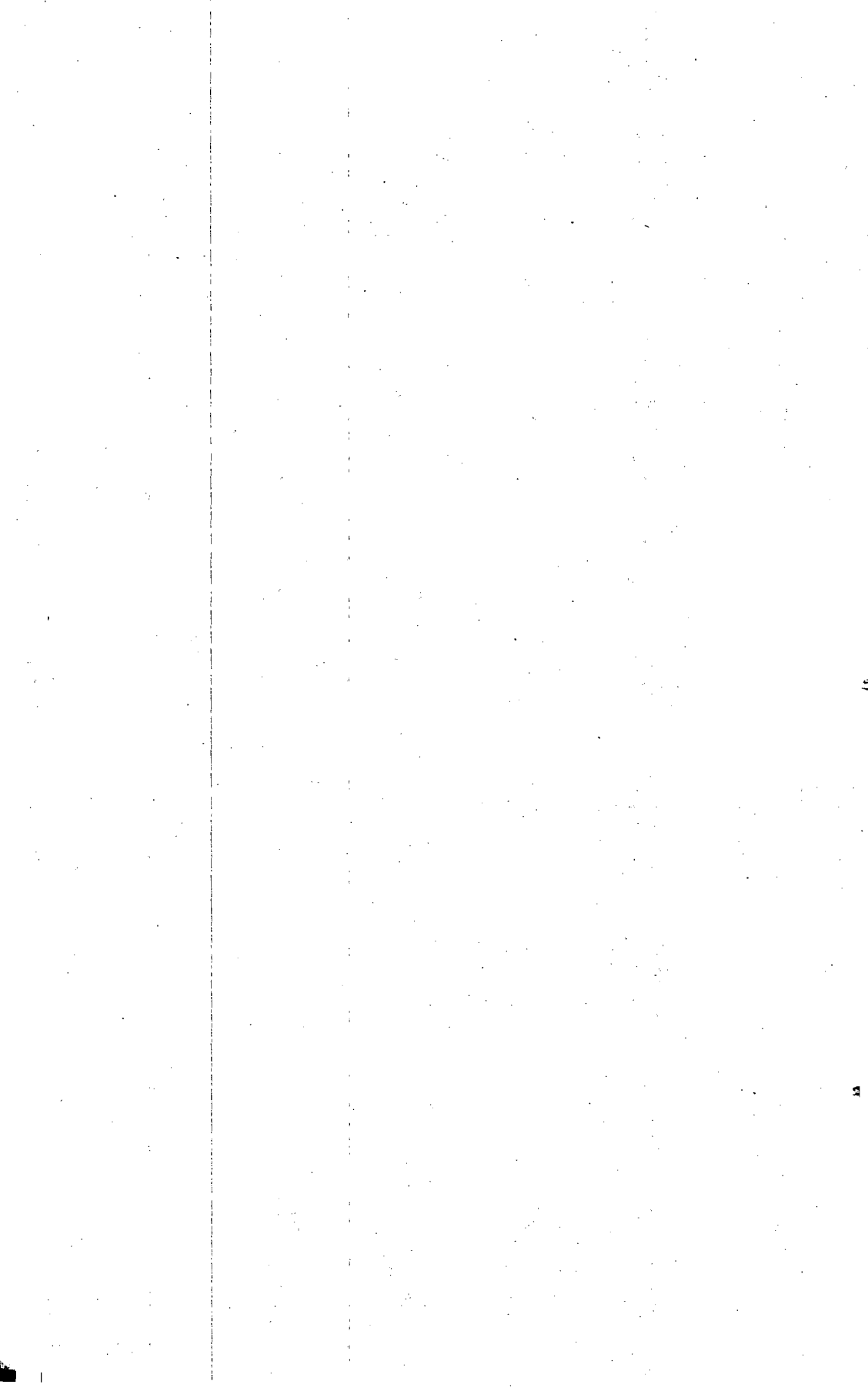
( Reference : paragraph 5.6 page 77)

Details of irregular stock adjustments in Public works divisions

Name of the Division	Name of the work	Particulars of stores	Value of stores (Rupees in lakhs)	When cost debited to accounts of work	Value of stores utilised on works	Value of stock transferred		Value of material sold on cash payment	Value of stock lying unutilised
						to other works (When transferred)	back to stores (Rupees in lakhs)		
1	2	3	4	5	6	7	8	9	10
Fatehpur (Buildings and Roads)	4 works	Mild steel rounds, bitumen and angle iron	6.16	1976-77	..	6.16 (January 1978)	..	..	..
			5.16	1977-78	..	0.50 (December 1978)	..	0.80	3.86
Kasauli (Buildings and Roads)	22 works	Cement and mild steel bars	6.77	1977-78	..	0.50 (1978-79)	0.10 (March 1978)	0.08	6.09
Nahan (Buildings and Roads)	Bridge and other construction works (11 works)	Steel, cement and spun pipes	6.10	1977-78	..	0.03 (1978-79)	0.69 (1978-79)	0.07	5.31
Theog (Buildings and Roads)	14 works	Detonator, C.G.I. sheets, mild steel bars and kail/deodar wood	2.86	March 1978	..	0.02 (1978-79)	1.21 (1978-79)	..	1.63
Lahaul and Spiti	(i) Bridge across Kistie nallah at Km. 32/0	Steel bridge and detonators	0.90	1977-78	..	..	..	..	0.90
Ditto	(ii) Widening of road from Attergoo to Mud in Pin Valley	Gelatine and detonators	1.21	1975-76	..	..	1.21 (1978-79)	..	..



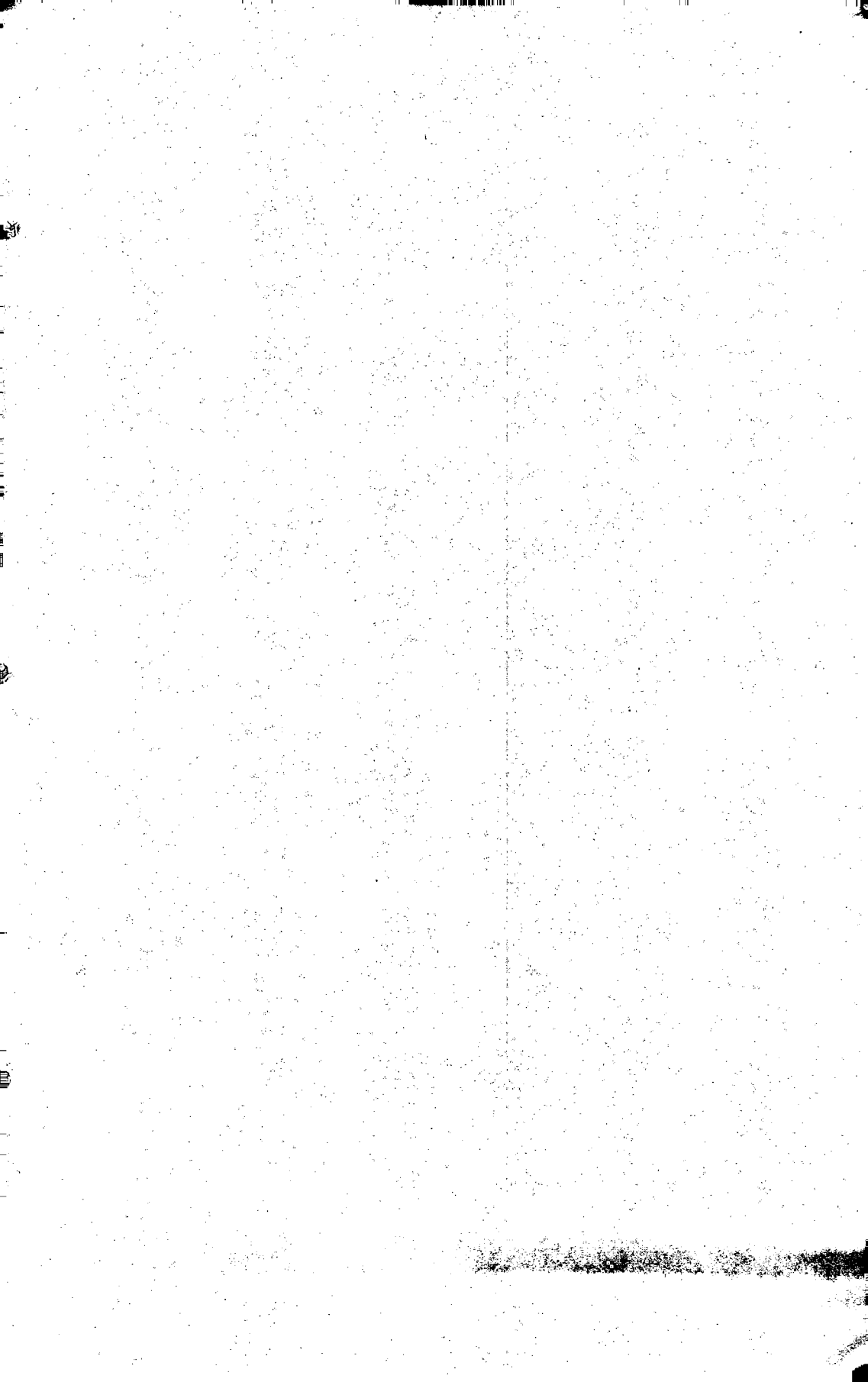


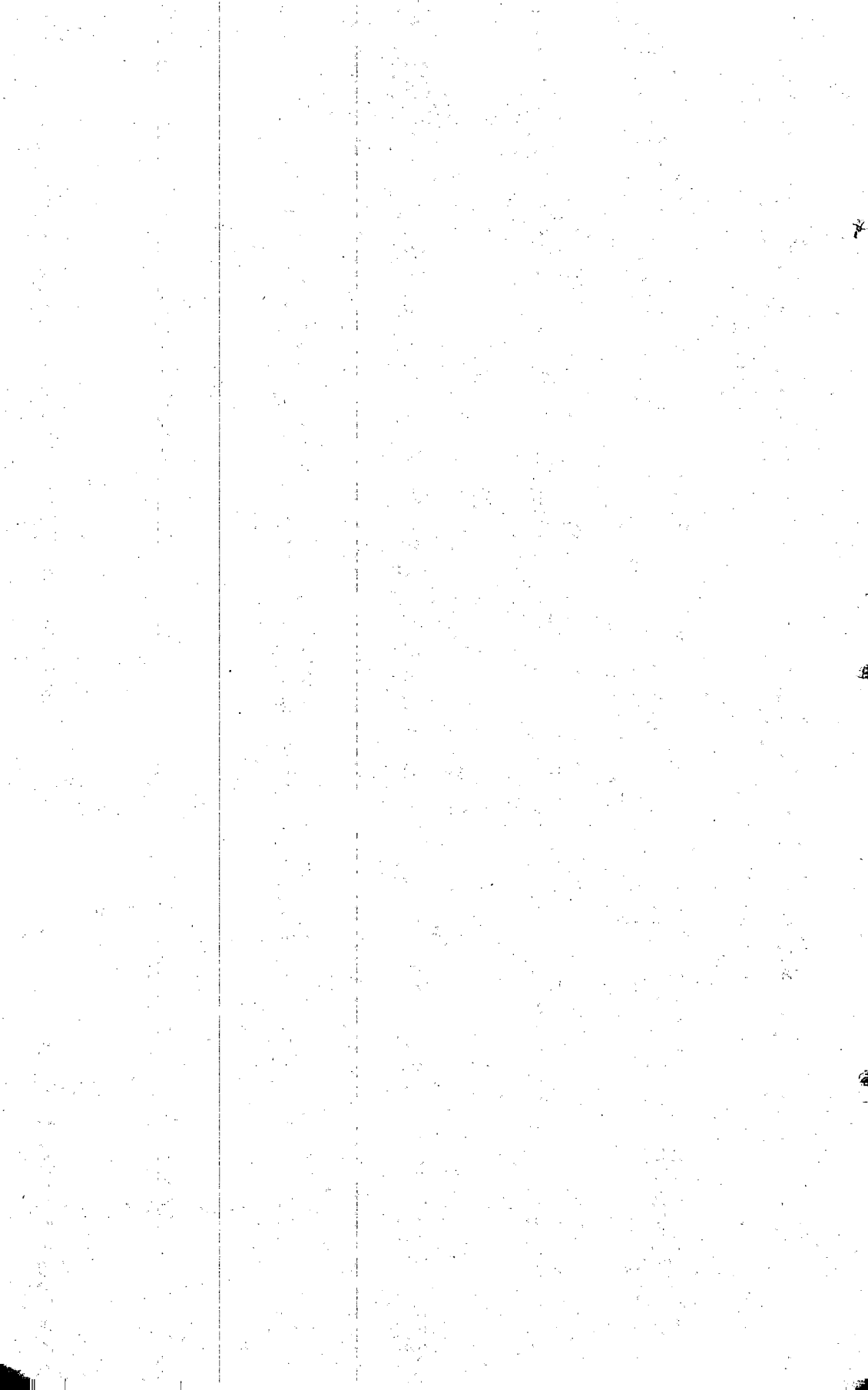


Chenab Valley	12 works	Grip bars, angle iron, mild steel bars and cement	1.91	1977-78	0.03	0.18 (1978-79)	0.17 (1978-79)		1.53
Simla-II (Buildings and Roads)	9 works	Mild steel bars, C.G.I. sheets and bitumen	1.73	March 1978	0.01	0.11 (1978-79)	0.30 (1978-79)	0.05	1.26
Dehra (Buildings and Roads)	9 works	Cement, bitumen and wood	0.18 0.25 0.77	1975-76 1976-77 1977-78		1.00 (1978-79)	0.20 (1978-79)		
Kinnaur	5 works	C.G.I. sheets, wood and bitumen	1.26	1978-79		1.09 (March 1979)	0.17 (March 1979)		
Rajgarh (Buildings and Roads)	6 works	Detonators, gelatine and drilling rods	0.98	1977-78	0.03				0.95
Irrigation-cum-Public Health, Chamba	Special repairs and remodeling of <i>Kuhls</i> (6 works)	G.I. pipes	0.98	1977-78		0.10 (1978-79)			0.88
Hamirpur (Buildings and Roads)	7 works	Bitumen, mild steel bars and C.G.I. sheets	0.90	1977-78			0.90 (1978-79)		
Una (Buildings and Roads)	5 works	G.I. pipes, mild steel bars and angle iron	0.71	1977-78	0.24	0.07 (1978-79)	0.29 (1978-79 and 1979-80)		0.11
Irrigation-cum-Public Health, Mandi Mandi-II	Lift water supply scheme, Kufri 8 works	G.I. pipes	0.04 0.26 0.29 0.57	1974-75 1975-76 1976-77 1977-78					0.59
		Mild steel bars, G.I. pipes, Deodar wood etc.				0.14 (1978-79)	0.22 (June 1978)		0.21
Total			39.99		0.31	9.90	5.46	1.00	23.32

**APPENDIX X**  
(Reference : paragraph 6.5 page 86)  
**Non-utilisation of Grants**

Office	Amount drawn (Rupees in lakhs)	When drawn	For what purpose drawn	Remarks
1	2	3	4	5
Block Development Officer, Keylong (Lahaul and Spiti District)	0.44	March 1977	For execution of different schemes	The schemes had not been technically approved and the amounts were lying unutilised (October 1978) in the personal ledger account of the panchayat samiti. The Government stated (October 1979) that payments amounting to Rs. 0.16 lakh had been made to the panchayats in respect of completed works.
	0.20	March 1978		
	0.09	March 1976	Construction of Gram Sewak Hut, Tandi	
0.10	March 1977			
0.10	March 1978			





Block Development Officer, Kaza (Lahaul and Spiti District)

0.09 1975-76  
0.06 1977-78

Water supply scheme, Kungri Hansa, Hot Water Bauli, Samdoh and Community Centre, Rangreek

The amounts were lying unutilised (September 1979) with the Panchayat Samiti, Kaza. The Government stated (November 1979) that the water supply scheme had not been completed and that in respect of Hot Water Bauli, Samdoh and Community Centre, Rangreek the panchayats had been directed to refund the amounts due to non-commencement of the works.

Block Development Officer, Sujanpur Tira (Hamirpur District)

0.20 March 1978

Irrigation facilities to community orchards

The schemes had not been technically approved nor had financial sanction been accorded for their execution and the amount was lying unutilised (December 1978). The Government stated (November 1979) that Rs. 0.20 lakh were distributed to concerned panchayats between February 1979 and June 1979 and that one out of five schemes had been completed. The remaining four schemes (amount drawn: Rs. 0.18 lakh) were in progress. The delay was attributed to dispute over sites for construction of the schemes.

Block Development Officer, Bhawarna (Kangra District)

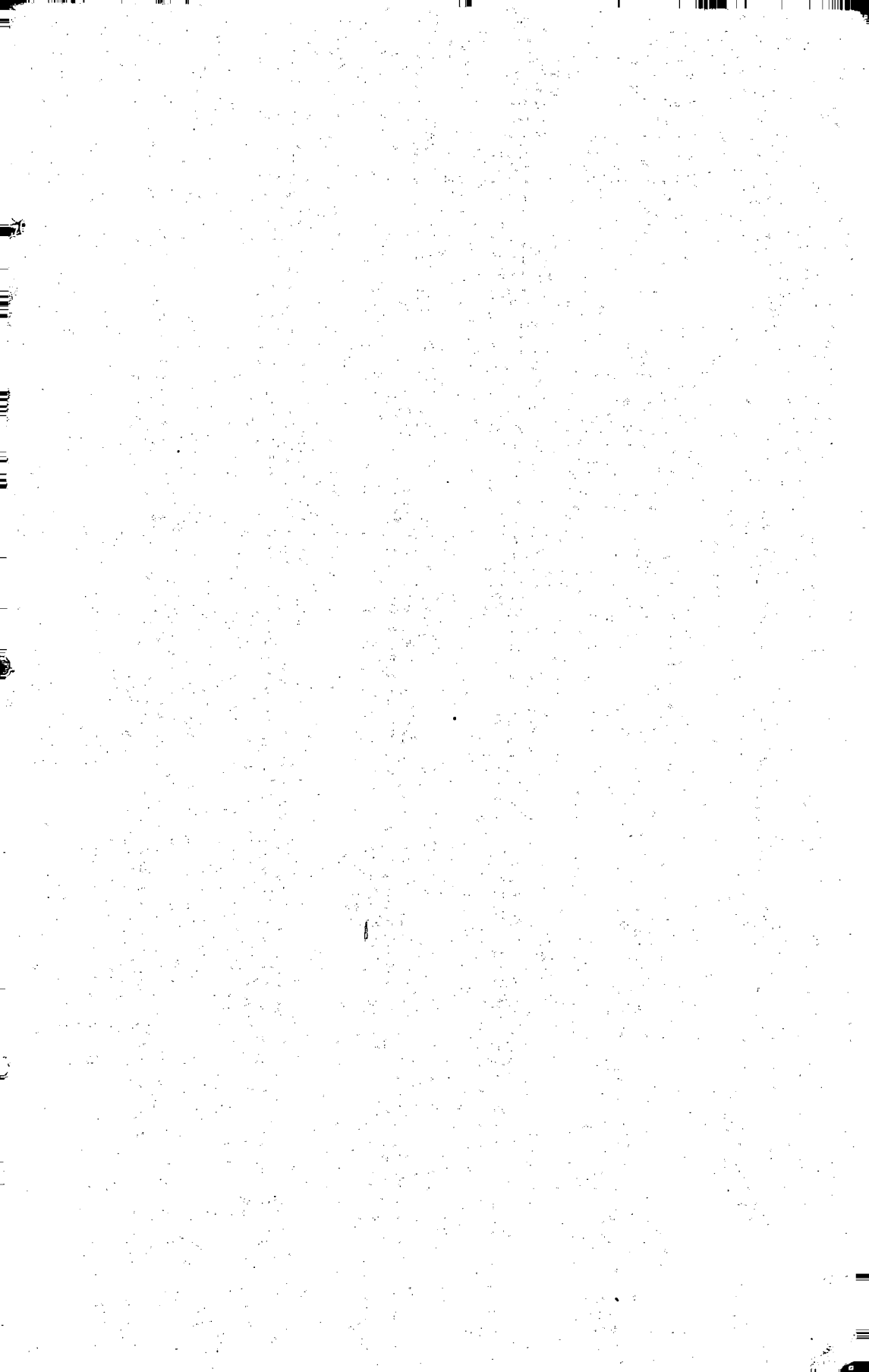
0.26 March 1978

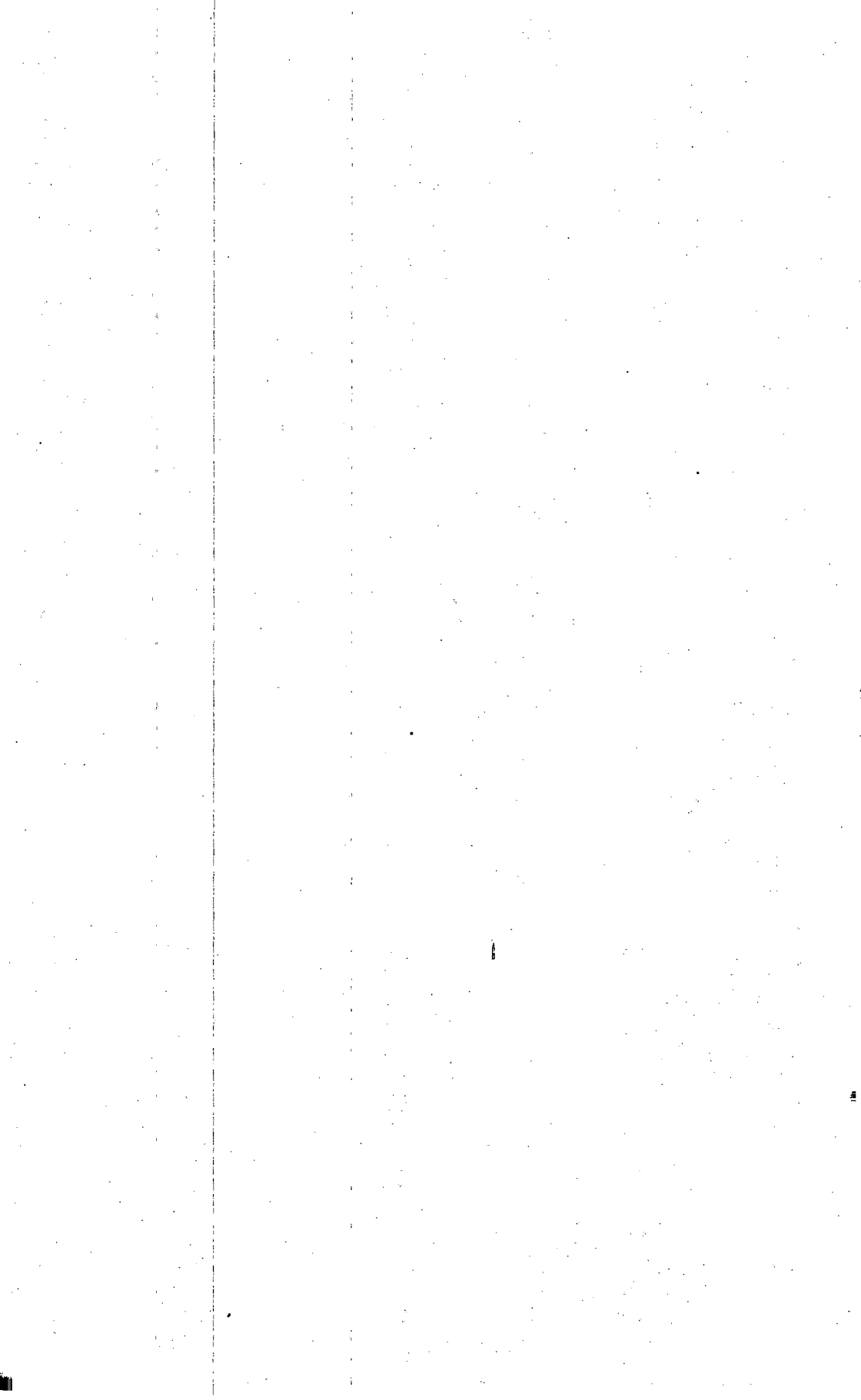
Completion of schemes under Applied Nutrition programme

Detailed estimates of the schemes had not been prepared (January 1979).

	0.15	March 1975	Renovation of irrigation <i>Kuhl</i> , Dai	The amount was lying unutilised (January 1979) reportedly due to non-availability of construction material and technical hand.
Block Development Officer, Nagrota Bagwan (Kangra District)	0.15	Mainly March 1977	Construction of water supply scheme, Serathana and construction of Bathu bridge	The amount was lying with the Panchayat Samiti unutilised (August 1979). The Government stated (November 1979) that out of two works, one work (grant paid : Rs. 0.02 lakh) had been completed. Further construction of Bathu bridge (grant paid: Rs. 0.13 lakh) was being handed over to the Public Works Department as it was likely to cost Rs. 0.45 lakh. The amount had not been refunded.
Block Development Officer, Bhattiyat (Chamba District)	0.21	March 1970	Construction of Lahri-Sandhara irrigation <i>Kuhl</i>	The amount was deposited in the bank in the name of Gram Panchayat, Chauhan but the scheme was dropped (July 1972) as a head work for diversion of the <i>Kuhl</i> was needed to implement the scheme. The grant had not been refunded.
Block Development Officer, Tissa (Chamba District)	0.12	March 1978	Construction of irrigation scheme, Sardora	The amount was lying unutilised (September 1979). The Government stated (September 1979) that G. I. pipes required for the work were being procured.







Block Development Officer,  
Nagar  
(Kulu District)

0-16

March 1978

Construction of irrigation *Khul*, Khoshi

The construction work had not started. The Block Development Officer stated (May 1979) that the water source had been washed away in July 1978. The amount lying in the post office savings bank account was proposed (May 1979) to be utilised on another scheme.

Table with multiple columns and rows, containing faint text and numbers. The text is mostly illegible due to low contrast and noise.

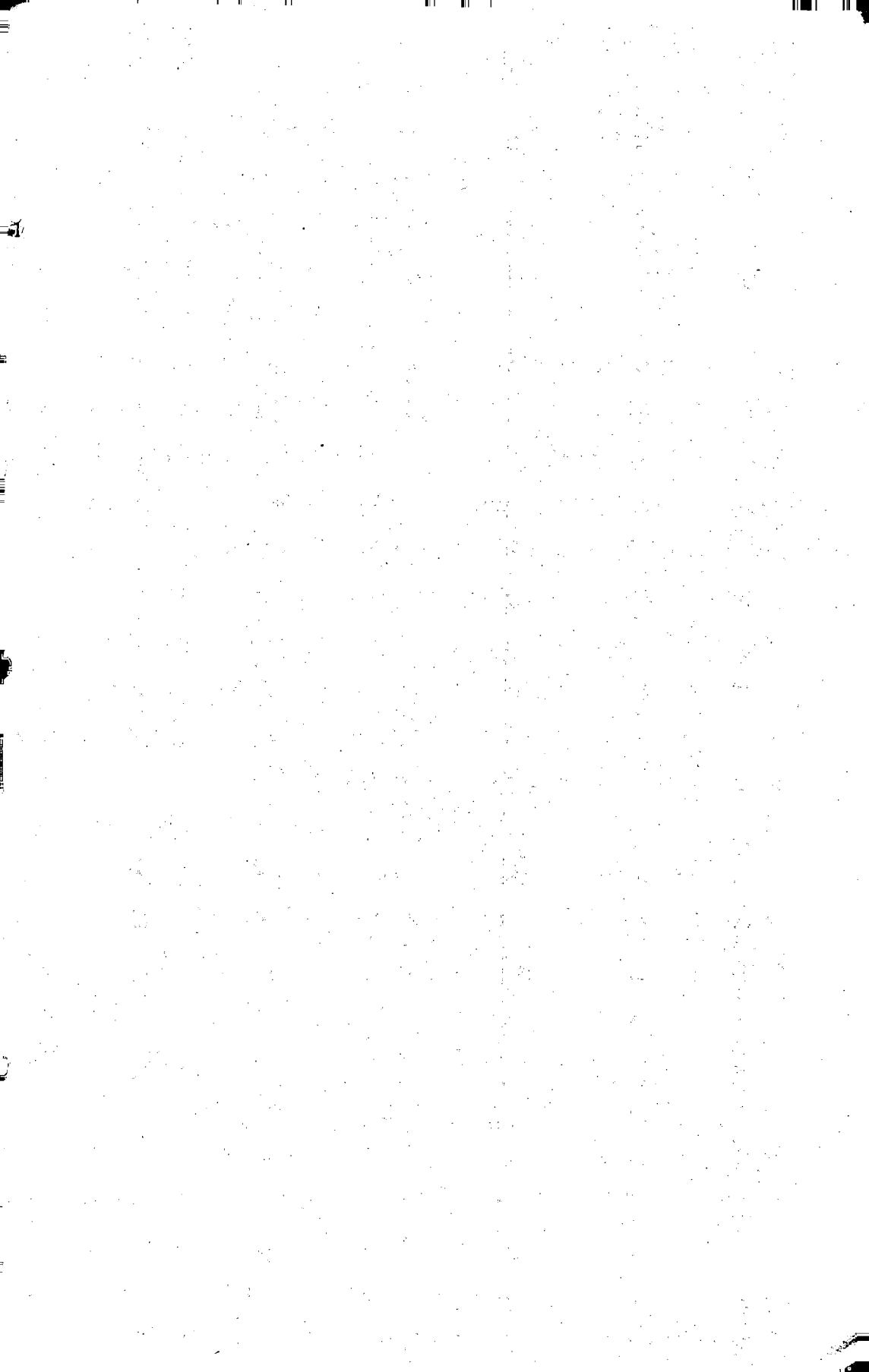
APPENDIX XI

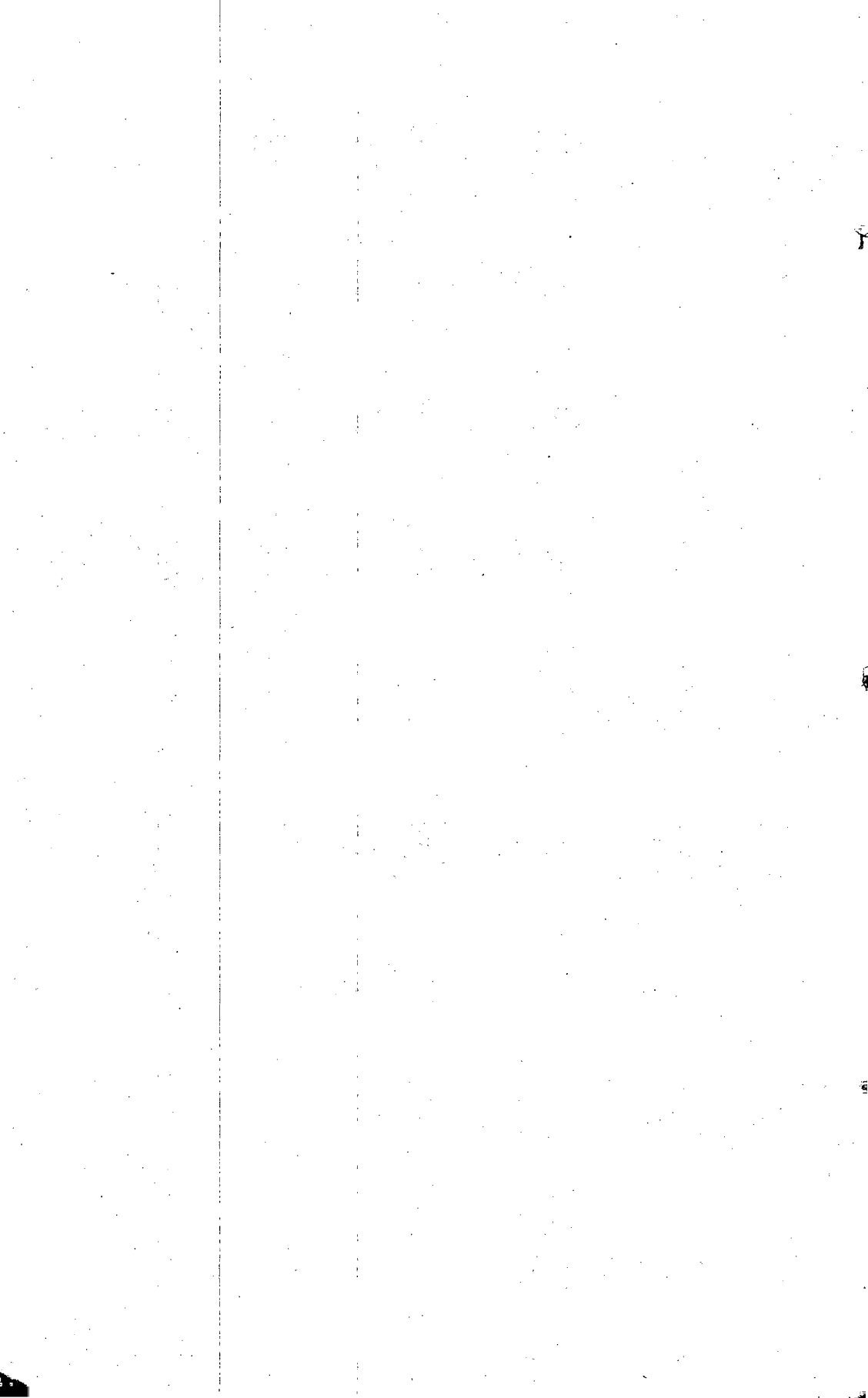
(Reference : paragraph 7.2 page 87)

Summarised financial results of Statutory Corporations

Serial No.	Name of the Corporation	Name of the department	Date of incorporation	Period of accounts	Profit(+) Loss (-)	Total interest charged to profit and loss account	Capital employed	Total return on capital employed (6+7)	Percentage of return on capital employed
1	2	3	4	5	6	7	8	9	10
(Rupees in lakhs)									
1.	Himachal Pradesh Financial Corporation	Industries	Ist April 1967.	1978-79	(+) 31.35	41.61	8,42.75*	72.96	8.66

\*Represents mean capital employed i.e. mean of aggregate of opening and closing balances of (i) paid-up capital (ii) bonds and debentures, (iii) reserves, (iv) borrowings including refinance and (v) deposits.





APPENDIX XI A

(Reference : paragraph 7.2 page 87)

Summarised financial results of Statutory Corporations

Sr. No.	Name of the Corporation/ Board	Name of the Department	Date of incorporation	Period of accounts	Total capital invested	Profit (+) Loss (-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Capital employed	Total return on capital employed (7+8)	Percentage of return on capital invested	Percentage of return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14
(Rupees in lakhs)													
2.	Himachal Pradesh State Electricity Board	Multipurpose Projects and Power	1st September 1971	1978-79	99,48.72	..	1,58.29	1,58.29	1,58.29	54,91.71	1,58.29	1.6	2.9
3.	Himachal Road Transport Corporation	Transport	2nd October 1974	1977-78	8,85.55	(-)82.98	52.17	47.33	(-)35.65	4,79.93	(-)30.81	..	..

Notes: (i) Capital invested represents paid-up capital plus long term loans plus free reserves.  
 (ii) Capital employed represents net fixed assets (excluding capital work-in-progress) plus working capital.

APPENDIX XII

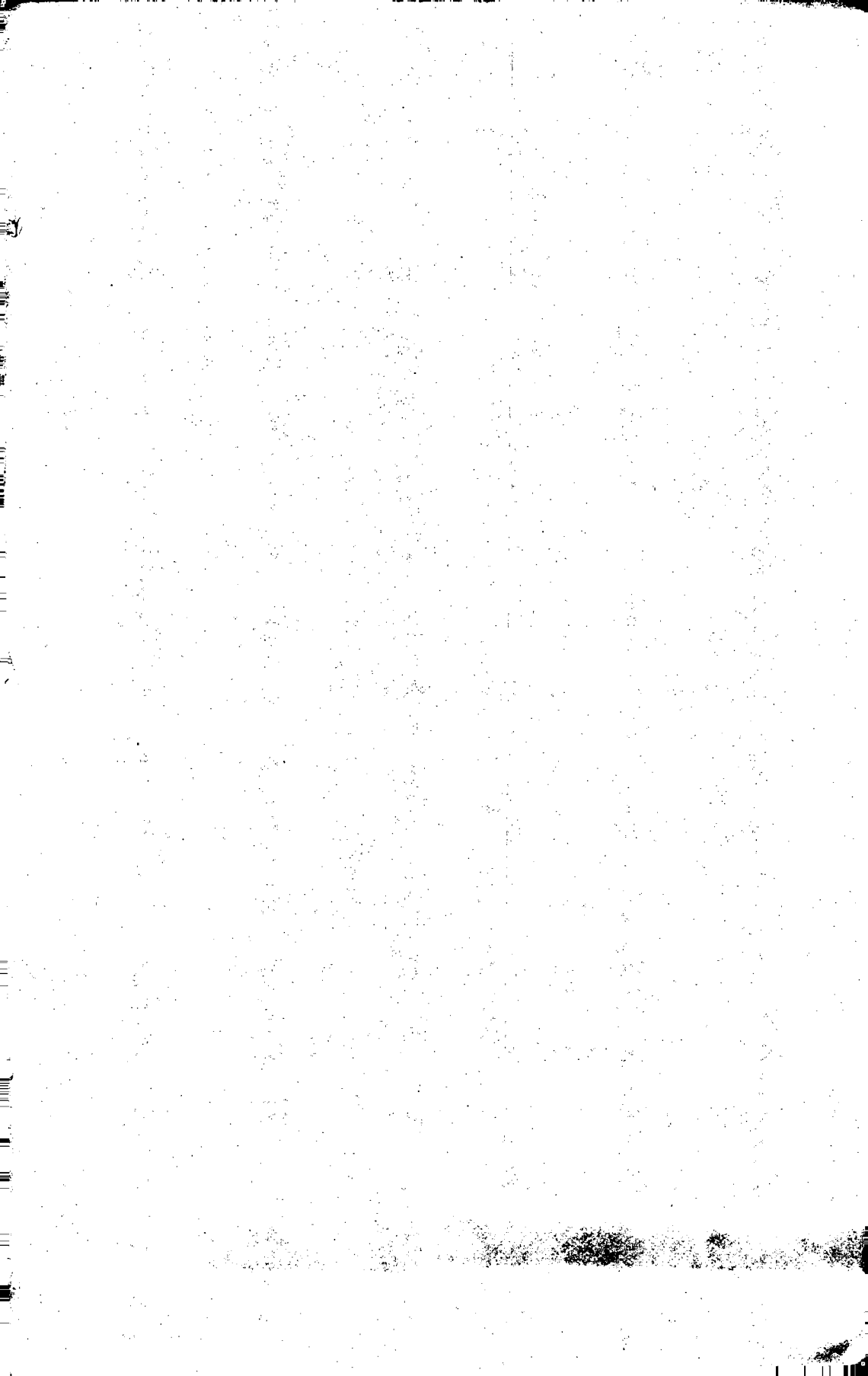
(Reference : paragraph 7.5.2. page 102)

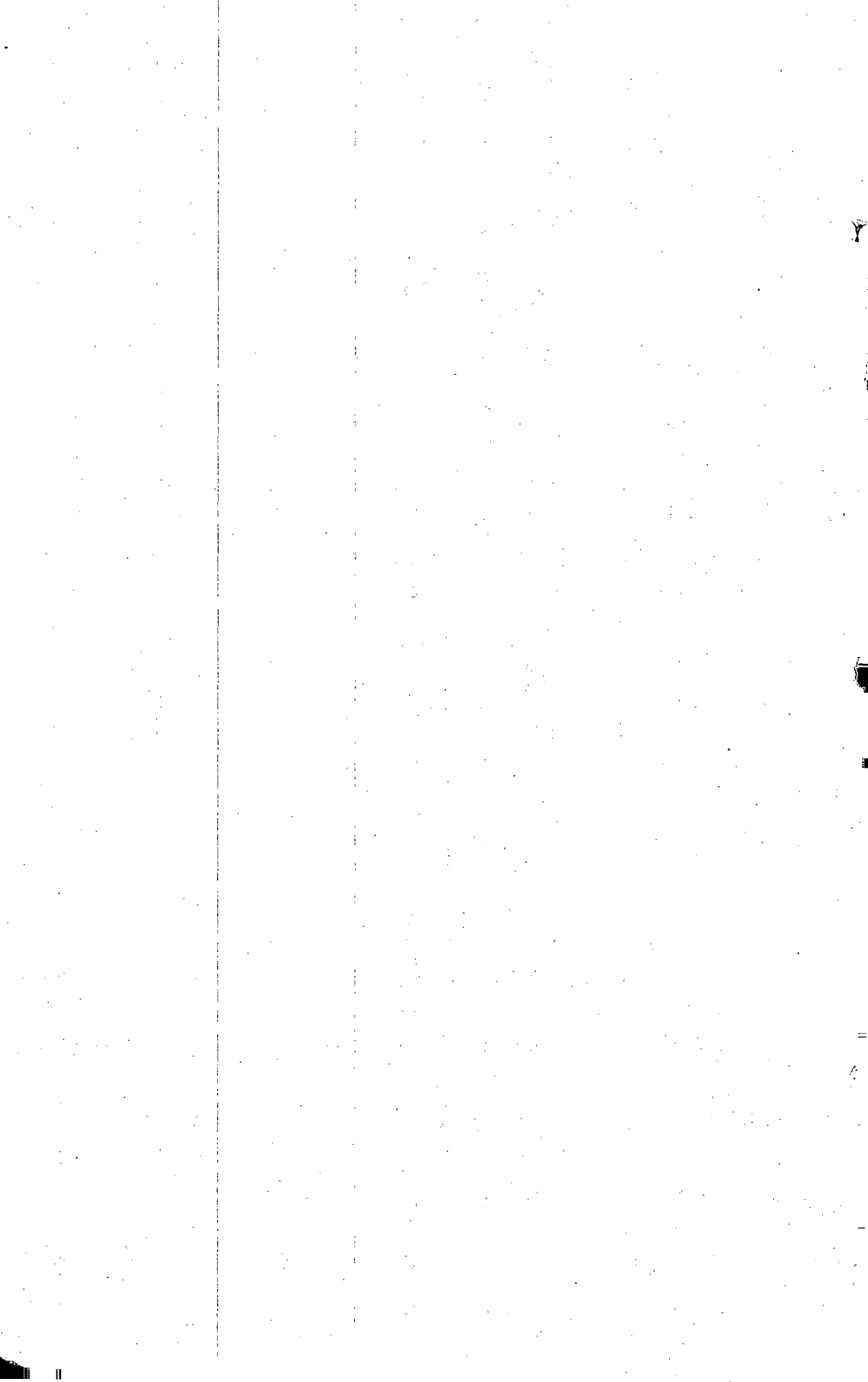
Summarised financial results of Government Companies

Serial No.	Name of the Company	Name of the department	Date of incorporation	Period of accounts	Total capital invested	Profit (+) Loss (-)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Capital employed	Total return on Capital employed (7+8)	Percent- age of return on capital invested	Percent- age of total return on capital employ- ed
1	2	3	4	5	6	7	8	9	10	11	12	13	14
(Rupees in lakhs)													
1.	Himachal Pradesh State Small Industries and Export Corporation Limited	Industries	20th October 1966	1977-78	82.63	(-)3.07	4.34	0.80	(-)2.27	1,08.83	(+)1.27	..	1.17
2.	Himalaya Fertilizers Limited	Industries	23rd November 1972	1977-78	68.95	(-)7.55	10.53	3.62	(-)3.93	53.66	(+)2.98	..	5.55
3.	Himachal Pradesh Agro-Industries Corporation Limited	Horticulture	24th September 1970	1978-79	3,98.27	(+)19.52	0.36	..	(+)19.52	1,97.26	19.88	4.9	10.08
4.	Nahan Foundry Limited	Industries	20th October 1952	1977-78	1,26.64	(-)18.02	8.99	..	(-)18.02	1,25.20	(-)9.03	..	..
5.	Himachal Wool Processors Limited	Industries	11th October 1974	1977-78	1,45.80	(-)19.07	11.82	..	(-)19.07	1,35.72	(-)7.25	..	..
6.	Himachal Pradesh Mineral and Industrial Development Corporation Limited	Industries	25th November 1966	1977-78	2,63.98	(+)2.09	9.18	8.83	10.92	1,13.82	11.27	4.14	9.9

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7.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	10th June 1974	1977-78	1,94.37	(-)11.13	0.75	0.75	(-)10.38	1,45.34	(-)10.38	..	..
8.	Himachal Pradesh Tourism Development Corporation Limited	Tourism	1st September 1972	1976-77	87.73	(-)14.57	0.39	..	(-)14.57	34.59	(-)14.18	..	..
9.	Himachal Pradesh Handicrafts and Handloom Corporation Limited	Industries	30th March 1974	1976-77	45.00	(-)0.68	0.19	..	(-)0.68	43.68	(-)0.49	..	..
10.	Himachal Worsted Mills Limited	Industries	11th October 1974	1977-78	1,50.67	Company is under construction stage							

Notes : (i) Capital invested represents paid-up capital *plus* long term loans *plus* free reserves.

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

