

**EPITOME OF THE CAG'S AUDIT REPORTS
FOR THE STATE OF HIMACHAL PRADESH
FOR THE YEAR ENDED 31 MARCH 2014**

Preface

This brochure presents, at a glance, the important contents of the Reports of the Comptroller and Auditor General of India on State Finances, Revenue Sector, Public Sector Undertakings (Economic Sector) and Social, General and Economic Sectors (Non-Public Sector Undertakings) relating to the Government of Himachal Pradesh for the year ended 31 March 2014. These Reports contain major findings of audit of financial transactions of Government of Himachal Pradesh, Government companies and statutory corporations. Other audit observations, which are not contained in these Audit Reports, are pursued for their settlement with the respective Controlling Officers and Head of Offices. In accordance with Article 151 of the Constitution, the Comptroller and Auditor General of India forwards his Audit Reports on the accounts as well as on the points noticed during audit of financial transactions of the State Government to the Governor, who causes them to be laid on the Table of the Vidhan Sabha.

The Reports of the Comptroller and Auditor General of India on the transactions of the State Government presented to the Vidhan Sabha stand referred to the Public Accounts Committee (PAC) in respect of Reports on State Finances, Revenue Sector and Social, General and Economic Sectors (Non-Public Sector Undertakings) and the Committee on Public Sector Undertakings (COPU) in respect of Report on Public Sector Undertakings (Economic Sector). The Government departments are to submit *suo motu* Action Taken Notes on all Audit Paragraphs and Reviews to the respective Committee, duly vetted by Audit. The Committee selects some of the paragraphs/ reviews for detailed examination after which a report containing their observations and recommendations is presented to the Vidhan Sabha.

The drafts of the paragraphs/ reviews included in the Audit Reports are always forwarded to the Principal Secretary of the concerned Department for his comments so that the views of the Government are incorporated in the Audit Reports before their presentation to the Vidhan Sabha. Finance Department has prescribed that the draft paragraphs should be disposed of as expeditiously as possible and the comments of the concerned Department intimated to Audit within a period not exceeding six weeks. In a large number of cases, however, the Departments did not abide by the provision of furnishing the comments on the draft paragraphs within the stipulated time.

This brochure contains only a summarised version of the more important issues included in the Audit Reports. While it has been our endeavour to keep the contents of this document as close to the original Reports as possible, the original Reports ought to be referred to for authentic facts and figures. The names and telephone numbers of the Officers who can be contacted for any clarification in respect of Audit Reports are on the inner page of the back cover of this publication.

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Time Series Data on State Government Finances

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Part-A: Receipts					
1. Revenue Receipts	10,346	12,711	14,543	15,598	15,711
(i) Tax Revenue	2,574(25)	3,643(29)	4,108 (28)	4,626 (30)	5,121 (33)
Taxes on Sales, Trade, etc.	1,487(58)	2,101(58)	2,477 (60)	2,728 (59)	3,141 (61)
State Excise	500(19)	562(15)	707 (17)	810 (18)	952 (19)
Taxes on Vehicles	134(5)	163(4)	176 (4)	196 (4)	208 (4)
Stamps and Registration fees	113(4)	133(4)	155 (4)	173 (4)	188 (4)
Taxes and Duties on electricity	39(2)	302(8)	185 (5)	262 (6)	191 (4)
Land Revenue	15(1)	5(0.1)	18 (11)	24 (-)	10 (-)
Taxes on Goods and Passengers	89(3)	93(3)	94 (2)	101 (2)	105 (2)
Other Taxes	197(8)	284(8)	296 (7)	332 (7)	326 (6)
(ii) Non Tax Revenue	1,784(17)	1,695(13)	1,915 (13)	1,377 (9)	1,785 (11)
(iii) State's share of Union taxes and duties	862 (8)	1,715(13)	1999 (14)	2,282(14)	2,491 (16)
(iv) Grants in aid from Government of India	5,126(50)	5,658(45)	6,521 (45)	7,313 (47)	6,314 (40)
2. Miscellaneous Capital Receipts	--	646	--	-	-
3. Recoveries of Loans and Advances	34	73	25	21	17
4. Total Revenue and Non debt capital receipts (1+2+3)	10,380	13,430	14,568	15,619	15,728
5. Public Debt Receipts	2,553	2,411	1,984	3,371	4,050
Internal Debt (excluding Ways and Means Advances and Overdrafts)	2,484 (97)	2,372 (98)	1,904 (96)	3,239 (96)	3,362
Net transactions under Ways and Means Advances and Overdrafts	--	-	--	-	629
Loans and Advances from Government of India	69(3)	39	80 (4)	132 (4)	59
6. Total Receipts in the Consolidated Fund (4+5)	12,933	15,841	16,552	18,990	19,778
7. Contingency Fund Receipts	--	--	--	-	-
8. Public Account Receipts	6,821	8,507	9,237	9,146	10,300
9. Total Receipts of the State (6+7+8)	19,754	24,348	25,789	28,136	30,078
Part-B: Expenditure/disbursement					
10. Revenue Expenditure	11,151	13,946	13,898	16,174	17,352
Plan	1,238(11)	1,652(12)	1,701 (12)	2,079 (13)	2,387 (14)
Non Plan	9,913 (89)	12,294(88)	12,197(88)	14,095 (87)	14,965 (86)

	2009-10	2010-11	2011-12	2012-13	2013-14
General Services (including interest payments)	4,377(39)	5,279(38)	5,690 (41)	6,618 (41)	7,047 (41)
Social Services	3,902(35)	4,979(35)	5,147 (37)	6,131 (38)	6,706 (39)
Economic Services	2,868 (26)	3,682(26)	3,049 (22)	3,418 (21)	3,590 (20)
Grants-in-aid and contributions	4 (-)	6(-)	12 (-)	7 (-)	9 (-)
11. Capital Expenditure	1,943	1,789	1,810	1,955	1,856
Plan	1,895(98)	1,774(99)	1,764 (97)	1,859 (95)	1,815 (98)
Non Plan	48(2)	15(1)	46 (3)	96 (5)	41 (2)
General Services	63(3)	73(4)	73 (4)	74 (4)	81 (4)
Social Services	610(31)	611(34)	372 (21)	436 (22)	478 (26)
Economic Services	1,270(65)	1,105(62)	1,365 (75)	1,445 (74)	1,297 (70)
12. Disbursement of Loans and Advances	70	227	493	469	531
13. Total (10+11+12)	13,164	15,962	16,201	18,598	19,739
14. Repayments of Public Debt	867	870	1,128	2,117	1,704
Internal Debt (excluding Ways and Means Advances and Overdrafts)	811	808	1,034	2,056	1,467
Net transactions under Ways and Means Advances and Overdraft	--	--	--	-	172
Loans and Advances from Government of India	56	62	94	61	65
15. Appropriation to Contingency Fund	--	--	--	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	14,031	16,832	17,329	20,715	21,443
17. Contingency Fund disbursements	--	--	--	-	-
18. Public Account disbursements	6,421	7,162	8,526	8,285	9,227
19. Total disbursement by the State (16+17+18)	20,452	23,994	25,855	29,000	30,670
Part-C: Deficits					
20. Revenue Deficit (-) / Revenue Surplus (+) (1-10)	(-) 805	(-)1,235	(+) 645	(-) 576	(-) 1,641*
21. Fiscal Deficit (-)/Fiscal Surplus (+) (4-13)	(-) 2,784	(-)2,532	(-) 1,633	(-) 2,979	(-) 4,011
22. Primary Deficit (-)/ Surplus (+) (21+23)	(-) 828	(-)582	(+) 497	(-) 609	(-) 1,530
Part-D: Other data					
23. Interest Payments (included in revenue expenditure)	1,956	1,950	2,130	2,370	2,481
24. Financial Assistance to local bodies etc.,	718	849	981	1,203	1,438

	2009-10	2010-11	2011-12	2012-13	2013-14
25. Ways and Means Advances / Overdraft availed (days)	--	--	--	-	629
Ways and Means Advances availed (days)	--	--	--	-	10
Overdraft availed (days)	--	--	--	-	01
26. Interest on Ways and Means Advances/ overdraft	--	--	--	-	0.11
27. Gross State Domestic Product (GSDP)	48,189 (16.16)	57,452 (19.22)	64,957 (13.06)	73,710 (12.88)	82,585 (12.04)
28. Outstanding Fiscal liabilities (year end)	23,713	26,415	28,228	30,442	33,884
29. Outstanding guarantees (year end)(including interest)	1,949	3,910	3,316	3,353	4,333
30. Maximum amount guaranteed (year end)	4,361	6,232	6,208	9,455	9,316
31. Number of incomplete projects	29	11	13	12	12
32. Capital blocked in incomplete projects	108	86	930	115	130
Part-E: Fiscal Health Indicators					
I Resource Mobilization					
Own Tax revenue/GSDP	0.05	0.06	0.06	0.06	0.06
Own Non-Tax Revenue/GSDP	0.04	0.03	0.03	0.02	0.02
Central Transfers/GSDP	0.02	0.03	0.03	0.03	0.03
II Expenditure Management					
Total Expenditure/GSDP	0.28	0.28	0.25	0.25	0.24
Total Expenditure/Revenue Receipts	1.27	1.26	1.11	1.19	1.26
Revenue Expenditure/Total Expenditure	0.85	0.87	0.86	0.86	0.88
Expenditure on Social Services/Total Expenditure	0.34	0.35	0.34	0.35	0.36
Expenditure on Economic Services/Total Expenditure	0.31	0.30	0.27	0.26	0.25
Capital Expenditure/Total Expenditure	0.15	0.11	0.11	0.11	0.09
Capital Expenditure on Social and Economic Services/Total Expenditure.	0.14	0.11	0.11	0.10	0.09

	2009-10	2010-11	2011-12	2012-13	2013-14
III Management of Fiscal Imbalances (In per cent)					
Revenue deficit (surplus)/GSDP	(-) 1.67	(-) 2.14	(+) 0.99	(-) 0.78	(-) 1.99
Fiscal deficit/GSDP	(-) 5.78	(-) 4.41	(-) 2.51	(-) 4.04	(-) 4.86
Primary Deficit (surplus) / GSDP	(-) 1.72	(-) 1.01	(+) 0.77	(-) 0.83	(-) 1.85
Revenue Deficit/Fiscal Deficit	(-) 28.92	(-) 48.78	NA	19.34	40.90
Primary Revenue Balance/GSDP (ratio)	0.022	0.011	0.041	0.023	0.009
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	0.50	0.46	0.43	0.41	0.41
Fiscal Liabilities/RR	2.29	2.07	1.94	1.95	2.16
Primary deficit vis-à-vis quantum spread	(-) 0.50	(-) 0.21	0.36	(-) 0.44	(-) 1.16
Debt Redemption (Principal +Interest)/ Total Debt Receipts	1.01	0.88	1.05	1.02	0.89
V Other Fiscal Health Indicators					
Return on Investment	73.49	64.11	85.65	100.09	103.42
Balance from Current Revenue (₹ in crore)	(-) 2642	(-) 2607	(-) 1529	-3284	(-) 3544
Financial Assets/Liabilities	0.67	0.66	0.70	0.70	0.68
Revenue Expenditure: Basic Parameters					
Revenue Expenditure (RE) (₹ in crore)	11,151	13,946	13,898	16,174	17,352
Rate of Growth (per cent) RE	18.15	25.06	(-) 0.34	16.38	7.28
Non-Plan Revenue Expenditure (NPRE) (₹ in crore)	9,913	12,294	12,197	14,095	14,965
Rate of Growth (per cent) NPRE	15.79	24.01	(-) 0.79	15.56	6.17
Plan Revenue Expenditure (₹ in crore)	1238	1652	1701	2079	2387
Rate of Growth (per cent) PRE	41.16	33.44	2.97	22.22	14.81
NPRE/GSDP (per cent)	20.57	21.40	18.78	19.12	18.12
RE/TE (per cent)	85.16	88.63	85.78	86.97	90.34
NPRE as per cent of TE	75.30	77.02	75.29	75.79	75.81
NPRE as per cent of RR	95.81	96.72	83.87	90.36	95.25
Percentage of NPRE to RE	88.90	88.15	87.76	87.15	86.24
PRE to RE	11.10	11.85	12.24	12.85	13.76
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.123	1.48	(-) 0.015	1.26	0.60
RRs (ratio)	1.63	1.09	(-) 0.02	2.26	10.11
NPRE (ratio)	1.15	1.04	(-) 0.43	1.05	1.18
PRE (ratio)	0.44	0.75	(-) 0.12	0.74	0.49

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

AUDIT REPORT ON STATE FINANCES

Based on the audited accounts of the Government of Himachal Pradesh for the year ended 31 March 2014, this Report provides an analytical review of the Annual Accounts on the State Government.

The Report is structured in three Chapters viz., 'Finances of the State Government', 'Financial Management and Budgetary Control' and 'Financial Reporting'.

FINANCES OF THE STATE GOVERNMENT

The Finance Accounts of the State Government present the details of all transactions pertaining to both receipts and expenditure under appropriate classifications. Apart from the summary of all the transactions in the Government Accounts, the Finance Accounts contain (a) Summary of Debt position, (b) Loans and Advances of the State Government, (c) Guarantees given by the State Government and (d) Summary of Balances. The financial position of the State Government and the audit observations thereon are as follows:

Summary of Finance Accounts

(₹ in crore)

Receipts	2012-13	2013-14	Disbursements	2012-13	2013-14		
	Total	Total		Total	Non-Plan	Plan	Total
Section-A: Revenue							
Tax revenue	4626	5,121	General Services	6618	7,005	41	7,046
Non-tax revenue	1377	1,785	Social Services	6131	5,238	1,468	6,706
Share of Union Taxes/ Duties	2282	2,491	Economic Services	3418	2,713	878	3,591
Grants from Government of India	7313	6,314	Grants-in-aid and Contributions	7	9	--	9
Revenue receipts	15598	15,711	Revenue expenditure	16174	14,965	2,387	17,352
Section-B: Capital and others							
Misc. Capital Receipts	--	--	Capital outlay	1,955	42	1,815	1,856
Recoveries of Loans and Advances	21	17	Loans and advances disbursed	469	--	--	531
Public Debt receipts	3,371	4,050 ¹	Repayment of public debt	2,117	--	1,704	1,704
Contingency Fund	--	--	Contingency Fund	--	--	--	--
Public account receipts	9,146	10,300	Public account disbursements	8,285	--	--	9,227
Opening cash balance	569	(-) 295	Closing cash balance	(-) 295	--	--	(-) 887
Total	28,705	29,783	Total	28,705			29,783

¹ Exact value ₹ 4050.70 crore.

Fiscal correction path

The revenue deficit which was required to be brought down to zero during 2011-12 and maintain revenue surplus thereafter could not be achieved. The trends in fiscal parameters i.e. revenue, fiscal and primary deficit stood at ₹ 576 crore, ₹ 2979 and ₹ 609 crore respectively in 2012-13, increased to ₹ 1641 crore, ₹ 4011 crore and ₹ 1530 crore, respectively, in 2013-14.

(Paragraph 1.11)

Oversight of funds transferred directly to the State implementing agencies

During 2013-14, GOI directly transferred ₹ 1,671 crore to various State implementing agencies without routing through the State budget. There is no single agency in the State to monitor the expenditure from these funds.

(Paragraph 1.2.2)

Review of government investments

The average return on the government's investments in Statutory Corporations, Rural Banks and Joint Stock companies was 3.11 *per cent* while the government paid an average interest rate of 7.99 *per cent* on its borrowings during 2009-14.

(Paragraph 1.8.2)

Incomplete projects

Twelve projects of two departments (Irrigation and Public Health: nine and Public Works: three) which were scheduled to be completed between July 2005 and December 2012 were lying incomplete as of March 2014.

(Paragraph 1.8.1)

Increase in Fiscal liabilities

Fiscal liabilities at the end of the current year were ₹ 33,884 crore with growth of 11 *per cent* over the previous year and stood at 41 *per cent* of Gross State Domestic Product (GSDP) and 216 *per cent* of the revenue receipts. The share of market loans in the total public debt increased from 51.63 *per cent* in 2009-10 to 58.69 *per cent* in 2013-14. Maturity amount constituted an average 10.07 *per cent* of the outstanding market loans over the next seven years, with significant pressure on redemption during the years 2017-18 and 2018-19 at 15.10 *per cent* and 15.49 *per cent* of the outstanding debt, respectively.

(Paragraphs 1.9.2, 1.10.3.3 and 1.10.3.5)

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

Appropriation Accounts are accounts of the expenditure, voted and charged, of the government for each financial year, compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provision and are, therefore, complementary to Finance Accounts.

Summary of Appropriation Accounts

(₹ in crore)					
Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted					
Revenue	16,715.83	910.62	17,626.45	16,775.73	(-) 850.72
Capital	2,104.27	115.57	2,219.84	1,901.42	(-) 318.42
Loans and Advances	342.39	186.56	528.95	531.05	2.10
Total Voted	19,162.49	1,212.75	20,375.24	19,208.20	(-) 1,167.04
Charged					
Revenue	2,472.93	74.07	2,547.00	2,523.68	(-) 23.32
Capital	-	4.88	4.88	4.88	-
Public Debt- Repayment	1,714.45	210.01	1,924.46	1,704.27	(-) 220.19
Total Charged	4,187.38	288.96	4,476.34	4,232.83	(-) 243.51
Appropriation to Contingency Fund (if any)					
	--	--	--	--	--
Grand Total	23,349.87	1,501.71	24,851.58	23,441.03	(-) 1,410.55

Savings/Excess

The overall saving of ₹ 1,410.55 crore registered under grants/ appropriation during the year 2013-14 was the net result of savings of ₹ 1885.41 crore offset by excess of ₹ 474.86 crore. The excess expenditure of ₹ 474.86 crore of 2013-14 in addition to ₹ 4581.03 crore for the years 2009-13 requires regularisation of the State Legislature.

(Paragraphs 2.2 and 2.3.7)

Substantial surrenders

In 26 cases ₹ 1331.08 crore were surrendered at the end of the financial year (more than ₹ 10 crore surrender in each case).

(Paragraphs 2.3.9 and 2.3.10)

Drawal of funds to avoid lapse of budget

Funds amounting to ₹ 13.59 crore were drawn to avoid lapse of budget grant and kept under Civil

grant and unnecessary supplementary provisions

Deposits. Supplementary provisions aggregating ₹ 387.62 crore obtained in 10 cases (₹ 50 lakh or more in each case) proved unnecessary as original provisions were sufficient to meet the expenditure in these cases.

(Paragraphs 2.3.6 and 2.3.8)

FINANCIAL REPORTING

This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

Delay in furnishing Utilisation Certificates

There were delays in furnishing 17,027 Utilisation Certificates in respect of loans and grants amounting to ₹ 1627.59 crore as on 31 March 2014.

(Paragraph 3.1)

Pending cases of Misappropriations, losses, defalcations, etc.

The State Government reported 49 cases of misappropriations/ loss, theft etc., involving government money amounting to ₹ 80.67 lakh on which final action was pending as of June 2014. Out of these, 42 cases were more than five years old.

(Paragraph 3.4)

Misclassification in Accounts

During 2013-14 receipts amounting to ₹ 2,493 crore (15.87 *per cent* of the total revenue receipts) and ₹ 523.70 crore (2.73 *per cent* of the total expenditure) were classified under the omnibus Minor Head 800-other receipts/ expenditure during 2013-14 rendering State accounts opaque to that extent.

(Paragraph 3.5)

AUDIT REPORT ON REVENUE SECTOR

Introduction

This Report contains 27 paragraphs and one Performance audit on 'Arrears under Sales Tax/ VAT', involving financial effect of ₹ 72.17 crore relating to underassessment of tax, non/ short levy of state excise, non/ short levy of stamp duty and registration fee, non/ short levy of passenger and goods tax and non/ short levy of royalty, etc.

General

The total revenue receipts of the Government for the year 2013-14 was ₹ 15,711.08 crore as compared to ₹ 15,598.14 crore of the previous year. Out of this, 44 *per cent* was raised through tax revenue (₹ 5,120.91 crore) and non-tax revenue (₹ 1,784.53 crore). The balance 56 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 2,491.53 crore) and Grants-in-Aid (₹ 6,314.11 crore).

(Paragraph 1.1.1)

Test-check of the records of 185 units of Sales tax/ Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers, Forest Receipts and Mines and Geology conducted during the year 2013-14 showed under assessment/ short levy/ loss of revenue aggregating ₹ 212.21 crore in 754 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 27.98 crore involved in 620 cases which were pointed out in audit during 2013-14. The Departments collected ₹ 9.32 crore in 447 cases during 2013-14, pertaining to the audit findings of previous years.

(Paragraph 1.10)

Audit findings

Excise and Taxation Department

Performance audit on Arrears under Sale Tax/ Value Added Tax

Trend/ analysis of arrears The outstanding arrears increased from ₹ 113.29 crore to ₹ 235.33 crore (52 *per cent*) over the period from April 2008 to March 2013.

(Paragraph 2.3.5)

Short accountal of arrears Additional demand of ₹ 10.98 crore was not accounted for in arrears which resulted in short accountal of arrears in departmental books. Further due to non-assessment of remanded back cases, the reduction of arrears amounting to ₹ 12.92 crore was not justified.

(Paragraph 2.3.6.1)

Non-levy of interest on belated payment of additional demand Interest amounting to ₹ 38.33 lakh on belated payment of additional demand of tax were neither demanded by the Assessing Authorities (AAs) nor paid by the defaulters in 104 cases.

(Paragraph 2.3.11)

Non-exhaustion of available measures for recovery of arrears

Arrears of ₹ 130.85 crore could not be recovered due to non-exhaustion of available measures for recovery of arrears on account of non-obtaining/ forfeiture of security and improper acceptance of surety/ non-recovery of surety from the dealers.

(Paragraphs 2.3.14.1 to 2.3.14.3)

Transaction Audit

Taxes/ VAT on Sale, Trade, etc.

Incorrect determination of turnover

The gross turnover (GTO) or taxable turnover (TTO) was assessed on lower side as compared to the total certified receipts and freight/ hire charges. These were not included in the returns resulting in short levy of tax of ₹ 4.43 crore in 13 cases, besides interest of ₹ 3.92 crore was also leviable.

(Paragraphs 2.4.1 and 2.4.2)

Application of incorrect rate of tax

Assessment of the sales made at a lower rate of four/ five *per cent* instead of applicable rate of 12.50 *per cent*/ 13.75 *per cent* resulting in short realisation of tax of ₹ 7.00 crore in 11 cases, besides interest of ₹ 4.96 crore was also leviable.

(Paragraph 2.5)

Incorrect allowance of labour charges / cost of material.

The excess deduction of ₹ 18.22 crore from the Gross turnover on account of labour/ material charges by the Assessing Authorities resulted in under assessment of tax of ₹ 2.12 crore in 11 cases.

(Paragraph 2.6)

Wrong allowance of concessional rate of tax

Benefit of concessional rate of tax of one *per cent* on inter-state sale of ₹ 108.02 crore was given to seven industrial units located in industrially developing/ backward areas who had not employed mandatory 70 and 80 *per cent* bonafide Himachalis in their units as per provisions of Act. This resulted in underassessment of the tax of ₹ 1.45 crore, besides interest of ₹ 1.20 crore was also leviable.

(Paragraph 2.7)

Evasion of tax due to acceptance of invalid, duplicate and defective 'C' and 'F' forms

Acceptance of defective/ incomplete/ duplicate statutory forms 'C' and 'F' by the assessing authorities and allowing

exemption/ concessional rate of tax resulted in short levy of tax of ₹ 44.30 lakh in 10 cases besides interest of ₹ 41.16 lakh was also leviable.

(Paragraphs 2.8.1 and 2.8.2)

Irregular allowance of Input Tax Credit (ITC)

Incorrect allowance of ITC of ₹ 1.56 crore by the AAs on closing stock by applying different methods had deferred the tax liability amounting to ₹ 1.57 crore in 50 cases, besides interest of ₹ 98.06 lakh was also leviable.

(Paragraph 2.9.1)

State Excise

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

Additional fee payable during 2011-12 in 237 cases due to short lifting of 4,92,292.40 proof litres of liquor was not demanded by the AAs which resulted in short recovery of excise duty amounting to ₹ 98.46 lakh.

(Paragraph 3.3)

Non-recovery of salaries of excise establishment posted at distillery/ bonded ware houses

Dues on account of salaries of ₹ 38.77 lakh of excise establishment staff posted in two breweries and four distilleries were not recovered from the licensees for the period from 2010-11 to 2012-13.

(Paragraph 3.9)

Revenue Department

Stamp Duty

Incorrect preparation of valuation report by Patwaris and incorrect determination of market value of properties

There was short realization of stamp duty and registration fee of ₹ 2.77 crore due to incorrect preparation of valuation reports by *Patwaris* and incorrect determination of the market value of properties in 321 cases.

(Paragraphs 4.3.1 and 4.3.2)

Registration of document on lower rates of adjoining mohal

There was short realization of stamp duty and registration fee of ₹ 2.16 crore in eight cases due to application of lower rates of adjoining *mohal* in registration of documents.

(Paragraphs 4.4.1 and 4.4.2)

Transport Department

Taxes on Vehicles, Goods and Passengers

Incorrect assessment of SRT from the stage carriages Application of incorrect rates and mileage in respect of stage carriage owners of other States, HRTC and private stage carriages, resulted in short assessment/ realisation of SRT of ₹ 11.67 crore in 226 cases including penalty.

(Paragraphs 5.3.3 and 5.3.4)

Wrong exemption of SRT Exemption of SRT (including minimum penalty) was given without maintaining proper records of number of permits issued and number of stage carriages plying on the road resulting in non-assessment of SRT of ₹ 1.27 crore, including minimum penalty of ₹ 0.25 crore in 10 cases.

(Paragraph 5.3.6)

Non/ short realization of Token Tax/ Entry Tax Token tax and entry tax of ₹ 2.67 crore for the years 2011-12 and 2012-13 was neither paid by 4,207 vehicle owners nor demanded by the Department.

(Paragraphs 5.4.1 and 5.4.2)

Non-registration of Goods and Passenger vehicles with Excise and Taxation Authorities 3,581 commercial vehicles for the period 2010-11 to 2012-13 were not registered with Excise and Taxation Department after being registered with Motor Vehicles Tax Department as a result Passenger and Goods tax amounting to ₹ 2.29 crore was not realized due to lack of co-ordination between the concerned Registering and Licensing Authorities/ Regional Transport Officers and Assistant Excise and Taxation Commissioners.

(Paragraph 5.6)

Other Tax and Non-Tax Receipts

Short recovery of revenue Non/ short recovery of revenue of ₹ 33.94 lakh including VAT in five forest divisions due to non/short charging of cost of 14,185 trees of different species falling in the alignment area of project.

(Paragraph 6.4)

Non-recovery of Royalty, Dead rent, Surface rent and interest Non/ short recovery of Government revenue of ₹ 55.73 lakh in 136 cases due to under assessment of extraction of minerals, application of incorrect rate of royalty, dead rent, surface rent and non-levy of interest.

(Paragraphs 6.7.1 to 6.7.1.4)

AUDIT REPORT ON PUBLIC SECTOR UNDERTAKINGS (ECONOMIC SECTOR)

This Report contains 10 paragraphs and one Performance audit on 'Sawra Kuddu Hydro Electric Project' (executed by Himachal Pradesh Power Corporation Limited) involving a financial effect of ₹ 434.81 crore relating to non / short recovery due to non compliance of rules / regulations and terms & conditions of the contract agreements, non / short levy of fixed demand charges, inadequate / deficient monitoring of the progress of the projects, etc.

About the State Public Sector Undertakings

The State of Himachal Pradesh had 19 working PSUs (17 companies and two Statutory corporations) and two non-working companies which employed 34,992 employees. As on 31 March 2014, the investment (capital and long-term loans) in 21 PSUs was ₹ 8,909.84 crore. The total investment in State PSUs, 99.12 *per cent* was in working PSUs and the remaining 0.88 *per cent* in non-working PSUs. The total investment consisted of 33.56 *per cent* as capital and 66.44 *per cent* as long-term loans. The equity has increased from ₹ 1,948.65 crore in 2009-10 to ₹ 2,990.47 crore in 2013-14. Power sector accounted for over 85.87 *per cent* of the total investment in 2013-14. The Government contributed ₹ 728.81 crore towards equity, loans and grants / subsidies during 2013-14.

(Paragraphs 1.1, 1.2 and 1.7 to 1.10)

Reforms in Power Sector

In contravention to the guidelines issued by GoI for Financial Restructuring Plan (FRP), the State Government has taken reference date for restructuring of loans as 31-07-2013 against 31-03-2012. Against ₹ 1,398.35 crore (accumulated losses as on 31.03.2012), the Himachal Pradesh State Electricity Board Limited got approved from State Government, an amount of ₹ 1,462.50 crore under FRP. Important mandatory conditions of the FRP regarding payment of subsidy upfront by State Government as per section 65 of Electricity Act, 2003, installing of prepaid meters in the premises of frequent

defaulters and preparation of accounts in alignment with the provisions of Companies Act, 1956 (accounts for the year 2012-13 and 2013-14 were yet to be finalised) have not been complied with (November 2014).

(Paragraph 1.14)

Performance of Public Sector Undertakings

Out of 19 working PSUs for which the accounts were received upto September 2014, nine PSUs earned profit of ₹ 23.62 crore and six PSUs incurred loss of ₹ 646.70 crore. Three working Government companies have not prepared their profit and loss accounts while in case of one working PSU, excess of expenditure over income was reimbursable by the State Government. Further, as per dividend policy of the State Government, all PSUs are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government. Out of nine PSUs which earned an aggregate profit of ₹ 23.62 crore, only Himachal Pradesh State Industrial Development Corporation Limited declared a dividend of ₹ 1.54 crore, which was 10 *per cent* of its paid up share capital.

(Paragraphs 1.16 and 1.18)

Arrears in finalisation of accounts

Fifteen working PSUs had arrears of 23 accounts as of September 2014. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature.

(Paragraphs 1.19 to 1.23)

Performance audit relating to Government Company

Performance audit of 'Sawra Kuddu Hydro Electric Project' being executed by Himachal Pradesh Power Corporation Limited was conducted. Important audit findings are as under:

Time and cost overrun	<p>The project initially estimated to cost ₹ 558.53 crore is now anticipated to be completed at a cost of ₹ 1,165.10 crore by July 2017 involving cost overrun of ₹ 606.57 crore with consequential increase in <i>per MW</i> cost from ₹ 5.03 crore to ₹ 10.50 crore and <i>per unit</i> cost of ₹ 2.34 to ₹ 6.95. As the anticipated generation cost would be much higher as compared to the average sale rate of ₹ 3.43 <i>per unit</i> and in view of this, project may become commercially unviable on commissioning.</p> <p style="text-align: right;">(Paragraphs 2.1 and 2.7)</p>
Charging of interest on grant	<p>GoI transferred funds equivalent of ₹ 491.16 crore received from the Asian Development Bank to the State Government for this project in the shape of grant and loan in the ratio of 90:10 which was converted in to loan by the State Government carrying interest at the rate of 10 <i>per cent per annum</i>. The conversion of grant in to loan placed an extra interest burden of ₹ 126.04 crore on project cost.</p> <p style="text-align: right;">(Paragraph 2.6.2)</p>
Changes in design	<p>The change in design of the diversion barrage had an impact of ₹ 100.73 crore on the overall cost of the project.</p> <p style="text-align: right;">(Paragraph 2.7.2{i})</p>
Non-recovery/ levy of liquidated damages	<p>The Company did not recover liquidated damages amounting ₹ 11.59 crore in terms of agreement from the contractor for delay in completion of works before rescinding the contract.</p> <p style="text-align: right;">(Paragraph 2.8.2{iv}{a})</p>
Delay in commissioning of Hydro electric Project	<p>Delay in rescinding the work of Head Race Tunnel by the Company resulted delay in commissioning of the Hydro Electric Project besides non-availing of the benefit of defect liability period of Diversion Barrage, Intake structure & Descending Arrangements and Power House packages.</p> <p style="text-align: right;">(Paragraph 2.8.2{v})</p>
Award of Electro Mechanical works	<p>Non-restriction of price variation of 20 <i>per cent</i> on each consignment of supply in the bidding document resulted in avoidable expenditure of ₹ 8.79 crore.</p> <p style="text-align: right;">(Paragraph 2.9.1)</p>

Audit of Transactions

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

Procurement and distribution of food items under State Subsidised Scheme

Himachal Pradesh State Civil Supplies Corporation Limited distributed less quantity of food items to the retail shops/ depots against the allocations made by the State Government. Samples of food items valued at ₹ 14.48 crore (April 2011 to March 2014) failed the tests and the reports were received with a delay ranging from three to four months. The delay in submission of claims by the Company coupled with delay in release of payments by the State Government resulted in interest loss of ₹ 8.80 crore to the Company during April 2010 to March 2014.

(Paragraph 3.1)

Loss due to non-recovery of fixed demand charges

Failure of Himachal Pradesh State Electricity Board Limited to comply with the provisions of the Electricity Supply Code, 2009 resulted in non-recovery of fixed demand charges of ₹ 1.90 crore.

(Paragraph 3.3)

Avoidable payment of interest

Failure of Himachal Pradesh Tourism Development Corporation Limited in releasing the payment of revised pay scale arrear to its employees within the prescribed time as allowed by the Hon'ble High Court of Himachal Pradesh resulted in avoidable payment of interest of ₹ 37.51 lakh.

(Paragraph 3.8)

Avoidable payment of land compensation

Himachal Pradesh Road and other Infrastructure Development Corporation Limited did not initiate action to withhold the payment of land compensation in respect of land demarcated outside the construction limit of road resulted in avoidable payment of ₹ 29.33 lakh to the land owners.

(Paragraph 3.10)

AUDIT REPORT ON SOCIAL, GENERAL AND ECONOMIC SECTORS (NON-PUBLIC SECTOR UNDERTAKINGS)

This Report is structured in three chapters. Chapter-I of the Report covers profile of audited entities, authority for audit, planning and conduct of audit, responses of the departments to Audit, etc. The other two chapters deal with the findings of Performance Audits on Sarva Shiksha Abhiyan, Working of Industries Department, Implementation of National Rural Drinking Water Programme and Working of Municipal Corporation, Shimla and 23 paragraphs involving ₹ 2049.77 crore relating to excess/ unfruitful/ avoidable/ unproductive expenditure, undue favour to contractors, blocking of funds, idle investment, diversion of funds, etc. Some of the major audit findings are as follows:

PERFORMANCE AUDITS

EDUCATION DEPARTMENT

Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan (SSA) is a comprehensive and integrated flagship programme of Government of India launched in 2000-01 to attain Universal Elementary Education. The programme aims to provide useful and relevant elementary education to all children in the 6 to 14 age group. To achieve this goal, GOI had also enacted an act namely "The Right of Children to Free and Compulsory Education Act (RTE), 2009" which became effective from April 2010.

A performance audit of SSA was conducted with the objectives to assess the efficacy of planning, requirement of funds, efforts of the Government to improve the quality of educational standards, effective implementation of the RTE Act, 2009 and efficiency of internal control mechanism for implementation of various components of the programme.

Major audit findings

Preparation of habitation/ district level plans	Participation of community and grass root level functionaries for preparation of district level Annual Work Plan was not ensured. (Paragraph 2.1.7.1)
Running of schools without their own buildings	454 primary and upper primary schools (Rural area: 429 and Urban area: 25) in the State did not have their own buildings. (Paragraph 2.1.10.2)
Incomplete civil works	Out of 78950 civil works costing ₹ 467.52 crore sanctioned upto 2012-13, 5696 works worth ₹ 44.48 crore remained incomplete as of June 2014. Work wise details of amount

sanctioned, expenditure incurred, date of completion, etc., were not maintained.

(Paragraph 2.1.11.1)

Availability of teachers

There was only one teacher against the minimum requirement of two teachers in primary schools ranging between 877 and 1252 during 2009-14. Similarly, upper primary schools ranging between 50 and 113 had one teacher against the norms of minimum three teachers during the above period.

(Paragraph 2.1.12)

Implementation and compliance of RTE Act, 2009

Local authority for grievance redressal of children and implementation of Right to Education (RTE) Act, 2009 was not designated/constituted as of August 2014. Administrative mechanism for expression of right under RTE Act, 2009 had also not been put in place by the State Government as of August 2014.

(Paragraph 2.1.17)

INDUSTRIES DEPARTMENT

Working of Industries Department

The State Industries Department is responsible for promotion of growth of industries in the State through sustainable utilisation of natural resources, development of human skills, encouraging new investment in industries, creation of new employment opportunities, development of industrial areas/estates, etc.

A performance audit of Working of Industries Department was conducted with the objectives to assess the efficacy of planning and programme management in terms of delivery of goals of schemes, efficiency of financial administration with reference to allocated priorities, efficacy of implementation of schemes and existence of internal control mechanism.

Major audit findings

Non-conducting of industrial survey

Department had not conducted any survey for assessing the industrial potential including availability of human resources, raw materials, marketing avenues, etc.

(Paragraph 2.2.6.1)

Measurement of benefits under special package/ incentives

There was no mechanism in place to monitor the turnover, value of output, profitability, extent and quality of employment generation, etc., to see whether these were commensurate with the

**Irregular diversion/
utilisation of revenue
receipts**

burden of tax concessions and subsidies on the public exchequer.

(Paragraphs 2.2.6.2 and 2.2.6.3)

Revenue receipts of ₹ 40.53 crore on account of lease money were irregularly diverted towards the corpus fund of Industrial Area Development Authority, Baddi instead of depositing the same in Government account and ₹ 14.03 crore were irregularly utilised towards departmental expenditure.

**Execution of
infrastructural works**

(Paragraph 2.2.7.5)

Due to non-execution/ completion of 151 works relating to infrastructural development of industrial areas/ industrial estates, ₹ 62.46 crore remained blocked with executing agencies for 12 to 60 months.

**Development of
industrial areas and
setting up of inland
container depot**

(Paragraphs 2.2.8.6 and 2.2.9.2 (ii))

Non-utilisation of industrial plots and other infrastructure facilities in the industrial areas rendered the expenditure of ₹ 21.02 crore largely unfruitful.

**Internal control
mechanism**

(Paragraphs 2.2.8.2 and 2.2.9.2 (i))

Prescribed internal control mechanism for effective implementation of various schemes and activities of the Department was weak.

(Paragraph 2.2.13)

IRRIGATION AND PUBLIC HEALTH DEPARTMENT

Implementation of National Rural Drinking Water Programme

The National Rural Drinking Water Programme is aimed at ensuring drinking water security to every rural household by utilising multiple sources of water, ensuring the sustainability of the system, institutionalisation of water quality programme through community participation, creation of awareness among masses, training of manpower and ensuring transparency in implementation through online Management Information System.

A performance audit of NRDWP was conducted with the objective to assess whether planning process was efficient and effective, financial management was efficient, the scheme was implemented effectively, habitations were provided with safe and adequate drinking water and internal control mechanism was adequate.

Major audit findings

Preparation of comprehensive plans	Comprehensive water security plans taking inputs from Village and District Water Security Plans comprising demographic, physical features, water sources, available drinking water infrastructure, etc., were not formulated. (Paragraph 2.3.6.1)
Financial Performance	Non-utilisation and diversion of GOI funds ranging between ₹ 11.50 crore and ₹ 82.17 crore during 2009-14 resulted in short release of ₹ 87.42 crore against the approved allocations from the GOI. (Paragraphs 2.3.8.2 and 2.3.8.4)
Non-availing of incentive	Non-transfer of functions of operation and maintenance of water supply schemes to the Gram <i>Panchayats</i> / Village Water and Sanitation Committees deprived the State of the incentive of ₹ 59.27 crore from GOI during 2009-14. (Paragraph 2.3.8.7)
Coverage of habitations	The target of coverage of all rural habitations with availability of adequate safe drinking water by the year 2012 had not been achieved in the State as of March 2014. (Paragraph 2.3.9.1)
Execution of schemes	Of 509 rural water supply schemes stipulated to be completed during 2009-14, 197 schemes on which ₹ 88.46 crore had been spent were lying incomplete as of August 2014. (Paragraph 2.3.9.2)
Water quality	During 2009-14, only 14 laboratories have been set up as against the target of 48 water quality testing laboratories and as against the required number of 21.02 lakh chemical and bacteriological contamination tests, a target of only 1.66 lakh tests was fixed against which 0.72 lakh tests were conducted. (Paragraphs 2.3.11.1 and 2.3.11.2)
Internal control mechanism	Internal control mechanism was weak. Monitoring and investigation unit for review of periodical progress reports of schemes, conducting of social audit by community based organisations, etc., were not put in place during 2009-14. (Paragraphs 2.3.12.2 and 2.3.12.3)

URBAN DEVELOPMENT DEPARTMENT

Working of Municipal Corporation, Shimla

Municipal Corporation (MC), Shimla is responsible for providing basic civic amenities viz. water supply, roads, sewerage system, collection and disposal of solid waste, cleaning of drains, parking lots, street lights, etc. It is also mission city under Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

A performance audit of MC was conducted with the objective to assess whether effective planning and programme management in terms of delivery of services under various schemes/ programmes existed, efficient financial administration with reference to allocated priorities existed in the MC and resources were optimally utilised, water supply, disposal of sewage/ solid waste, collection of receipts, checking of construction of buildings, etc., were being performed effectively and internal control mechanism was in place.

Major audit findings

Preparation of comprehensive plans

The Corporation had not constituted Ward Sabhas and Ward Committees to ensure participation of public in preparation of plan. Annual Action Plans and Development Plans were also not prepared during 2009-14.

(Paragraphs 2.4.6.2 and 2.4.6.3)

Financial Performance

Against total availability of funds of ₹ 271.38 crore during 2009-14, MC incurred an expenditure of ₹ 242.53 crore resulting in savings of ₹ 28.85 crore.

(Paragraph 2.4.7.1)

Outstanding liabilities

There was a gap of ₹ 55.24 crore between cost and recovery charges of water distributed by the MC and outstanding liabilities of ₹ 161.74 crore on account of water supplied by the IPH Department. Arrears of ₹ 8.84 crore were due for recovery on account of rent, rates and taxes on land, buildings, mobile towers and parking lots as of March 2014.

(Paragraphs 2.4.9.2, 2.4.14.1, 2.4.14.3 and 2.4.14.5)

Sewerage System

Despite spending ₹ 74 crore for installation of six Sewerage Treatment Plants (STPs) (installed capacity 35.63 MLD) the actual utilisation was 4.8 MLD (13 per cent), resulting in untreated sewage remaining untapped and left in open.

(Paragraph 2.4.10.1)

Unauthorised constructions

The system of preventing and detecting unauthorised construction was not adequate. Even the cases detected were not acted upon (73 per cent pending) as per rules.

(Paragraph 2.4.14.2)

Implementation of projects

Out of 636 dwelling units sanctioned for ₹ 24 crore under JNNURM, only 40 units have been completed, 136 were in progress and work for remaining 460 units was not started due to non-availability of land.

(Paragraph 2.4.17.1)

Internal control mechanism

Periodical system for monitoring and inspections of projects/ schemes, etc., had not been put in place in accordance with the Himachal Pradesh Municipal Corporation (HPMC) Act, 1994 as of July 2014.

(Paragraph 2.4.18.1)

COMPLIANCE AUDIT

Forest Department

Implementation of Intensification of Forest Management Scheme

Non-utilisation of ₹ 1.74 crore and non-submission of utilisation certificates of ₹ 1.02 crore deprived the State of Central funds of ₹ 3.27 crore during 2011-14. Shortfall in achievement of targets under fire control activities during above period ranged between 10 and 33 per cent. Construction of three buildings (sanctioned cost: ₹ 0.43 crore) taken up for execution between February 2011 and November 2012 was lying incomplete even after incurring an expenditure of ₹ 0.36 crore.

(Paragraph 3.3)

Higher Education and Social Justice and Empowerment Departments

Unfruitful expenditure on construction of hostels and residential accommodation

Construction of hostels and residential quarters at unsuitable places, without assessing the requirements resulted in their under/ non-utilisation and rendered the expenditure of ₹ 1.72 crore largely unfruitful.

(Paragraph 3.7)

Medical Education and Research Department

Excess payment to Hospital Services Consultancy Corporation and loss of interest on funds kept outside Government accounts

Failure of the Medical Education and Research Department in releasing funds to consultancy agency without verifying the actual expenditure on construction of hospital resulted in excess payment of ₹ 1.56 crore and non-observance of financial rules led to parking of ₹ one crore outside Government accounts besides interest loss of ₹ 51.60 lakh.

(Paragraph 3.11)

Planning Department

Implementation of Backward Area Sub-Plan

Funds ranging between ₹ 0.24 crore and ₹ 1.23 crore were withdrawn from treasury by the Deputy Commissioners (DCs) of Shimla and Sirmaur districts during 2010-14 in advance of actual requirement and kept in banks in contravention of the scheme guidelines. 592 works for ₹ 10.31 crore were sanctioned under roads and bridges sectors without obtaining prior technical approval during 2011-14. 168 works sanctioned (2008-14) for ₹ 3.95 crore were not taken up as of July 2014 by 11 executing agencies entailing a delay of four to 72 months.

(Paragraph 3.12)

Public Works Department

Undue financial benefit to a firm

Failure to ensure compliance of contractual provisions by the Public Works Department led to extension of undue financial benefits of ₹ 8.01 crore to a firm besides rendering the expenditure of ₹ 12.66 crore largely unfruitful.

(Paragraph 3.13)

Unproductive expenditure on construction of road and bridge

Failure of the Public Works Department to ensure timely completion of construction of road and bridge work resulted in unproductive expenditure of ₹ 1.46 crore.

(Paragraph 3.18)

Tribal Development Department

Execution of schemes under Tribal Area Sub-Plan

552 works were sanctioned for ₹ 13.35 crore during 2011-14 by the Project Officers of two Integrated Tribal Developmental Projects without obtaining prior technical sanctions. Contrary to

the schemes guidelines, 124 inadmissible works were also sanctioned for ₹ 2.15 crore during above period. Due to non-completion of bridge works the expenditure of ₹ 10.21 crore on construction of three bridges and two link roads remained unfruitful.

(Paragraph 3.21)

Women and Child Development and Health and Family Welfare Departments

Implementation of Schemes for Welfare and Protection of Girl Child

Under Kishori Shakti Yojana and Rajiv Gandhi Scheme for Empowerment of Adolescent Girls 40 to 49 *per cent* identified girls (11-18 years of age) remained uncovered during 2011-14. Out of 98,776 beneficiaries identified in the Beti Hai Anmol Yojana, 77,213 were covered and thus 21,563 were deprived of the intended benefits during the above period. The Balika Ashrams constructed under the scheme Mukhya Mantri Bal Udhhar Yojana were understaffed and lacked basic infrastructure facilities.

(Paragraph 3.23)

