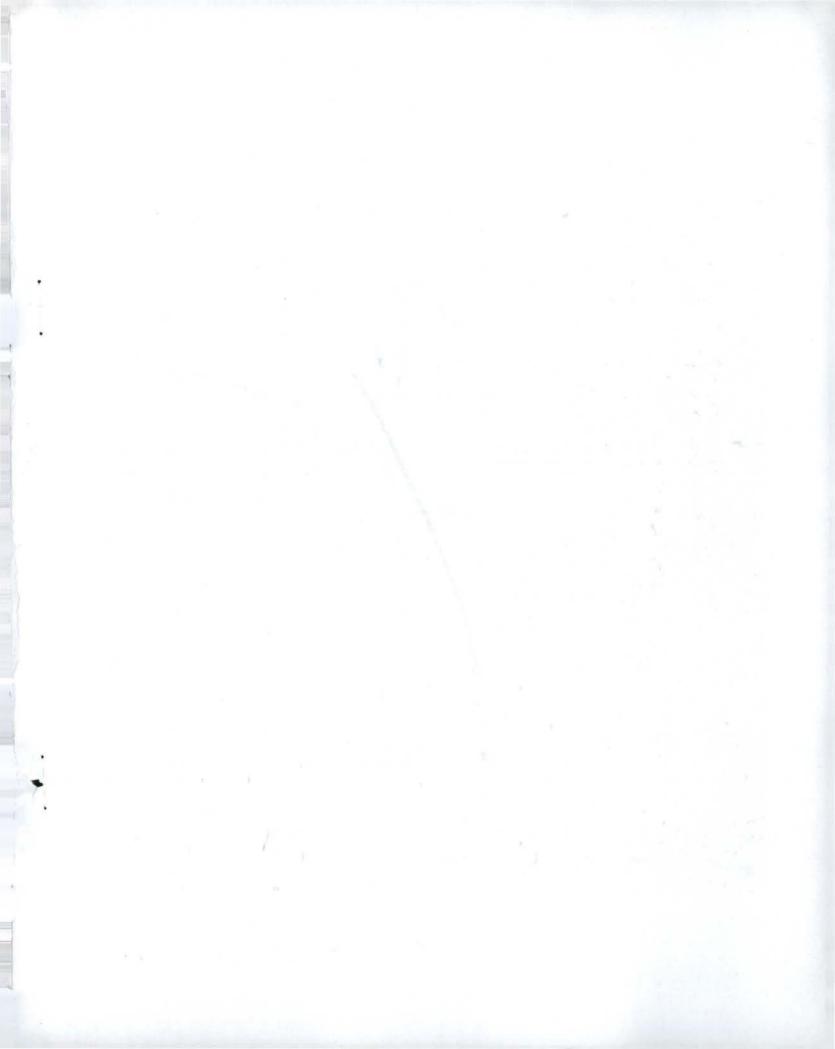
EPITOME
OF
THE
CAG'S
REPORTS
ON
THE
GOVERNMENT OF
HIMACHAL PRADESH FOR
THE YEAR ENDED
31 MARCH 2003



## PREFACE

This epitome presents, at a glance, the important contents of the Audit Reports (Civil, Revenue Receipts, and Commercial) of the Comptroller and Auditor General of India relating to the Government of Himachal Pradesh for the year ended 31 March 2003. These Reports contain major findings of audit of financial transactions of Government of Himachal Pradesh, Government Companies and Statutory Corporations. Other audit observations, which are not contained in these Audit Reports are pursued for their settlement with the respective Controlling Officers and Heads of Offices.

In accordance with Article 151 of the Constitution, the Comptroller and Auditor General of India forwards his Audit Reports on the accounts as well as on the points noticed during audit of financial transactions of the State Government to the Governor, who causes them to be laid on the table of the Vidhan Sabha.

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

The drafts of the paragraphs/reviews included in the Audit Reports are always forwarded to the 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 about furnishing the comments on the draft paragraphs within the stipulated time.

This epitome contains only 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 could be contacted for any clarification in respect of Audit Reports are on the inner page of the back cover of this publication.

# Contents

Serial number	Audit Report	Page number
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3.	Commercial	18

## TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

		1998-99	1999-2000	2000-2001	2001-2002	2002-2003
	Ĩ.	2.	3.	4.	5.	6.
Part	A. Receipts		3,000			
1.	Revenue Receipts	2312	3715	3046	3716	3659
(i)	Tax Revenue	572 (25)	620 (17)	729 (24)	1119 (30)	1125(31)
137	Taxes on Sales, Trade, etc.	197 (34)	233 (38)	302 (41)	355 (32)	383 (34)
	State Excise	185 (33)	199 (32)	209 (29)	236 (21)	274 (25)
	Taxes on vehicles	17 (3)	28 (4)	61 (8)	133 (12)	82 (7)
	Stamps and Registration fees	22 (4)	25 (4)	29 (4)	34 (3)	37 (3)
	Taxes and duties on Electricity	28 (5)	Ψ	28 (4)	8 ()	
	Land Revenue	I (-)	6(1)	4(1)	52 (5)	5 (-)
	Taxes on Goods and Passengers	115 (20)	105 (17)	43 (6)	34 (3)	32 (3)
	Other Taxes and Duties on Commodities and Services	7 (1)	24 (4)	53 (7)	64 (6)	77 (7)
	Customs	C75	**	-	82 (7)	89 (8)
	Union Excise Duties	22	24	221	113 (10)	136 (12)
	Service Tax		***	***	8(1)	10(1)
(ii)	Non-Tax Revenue	206 (9)	1056 (28)	177 (6)	198 (6)	175 (5)
(iii)	State's share in Union taxes and duties	727 (31)	921 (25)	330 (11)	122 (3)	111(3)
(iv)	Grants-in-aid from GOI	807 (35)	1118 (30)	1810 (59)	2277 (61)	2248 (61)
2.	Misc. Capital Receipts		**:	441		
3.	Total revenue and Non-debt capital receipts (1+2)	2312	3715	3046	3716	3659
4.	Recovery of Loans and Advances	29	531	27	29	29
5.	Public Debt Receipts	1642	1477	1557	1588	2199
	Internal Debt (excluding Ways and Means Advances and Overdraft)	357 (22)	859 (58)	1227 (79)	1465 (92)	2053 (93)
	Net transactions under Ways and Means Advances and Overdraft	819 (50)		**		-
	Loans and Advances from Government of India	466 (28)	618 (42)	330 (21)	123 (8)	146 (7)
6.	Total receipts in the Consolidated Fund (3+4+5)	3983	5723	4630	5333	5887
7.	Contingency Fund Receipts	4	**	-	-	
8.	Public Account receipts	4054	4932	3878	3733	4156
9.	Total receipts of the State (6+7+8)	8041	10655	8508	9066	10043
Part	B. Expenditure/Disbursement					
10	Revenue expenditure	3334	3821	4329	4576	5141
	Plan	1006 (30)	1073 (28)	1282 (30)	1202 (26)	1386 (27)
	Non-Plan	2328 (70)	2748 (72)	3047 (70)	3374 (74)	3755 (73)
	General Services (including interest payments)	1088 (33)	1447 (38)	1614 (37)	1942 (42)	2131 (42)
	Social Services	1265 (38)	1376 (36)	1561 (36)	1543 (34)	1609 (31)
	Economic Services	967 (29)	978 (26)	1134 (26)	1070 (23)	1346 (26)
	Grants-in-aid and Contributions	14	20	20(1)	21 (1)	55 (1)

Rs 21 lakh only.

Rs 25 lakh only.

	1.	2.	3.	4.	5.	6.
11.	Capital Expenditure	584	554	549	650	860
	Plan	584 (100)	557 (100)	554 (100)	650 (100)	862 (100)
	Non-Plan		(-)3	(-) 5	+	(-) 02
	General Services	21 (4)	34 (6)	19 (3)	8(1)	11(1)
	Social Services	178 (30)	201 (36)	228 (42)	270 (42)	244 (28)
	Economic Services	385 (66)	319 (58)	302 (55)	372 (57)	605 (71)
12.	Disbursement of Loans and Advances	85	60	40	30	28
13.	Total (10+11+12)	4003	4435	4918	5256	6029
14.	Repayment of Public Debt	165	995	414	164	684
	Internal Debt (excluding Ways and Means Advances and Overdraft)	17 (10)	28 (3)	47 (11)	88 (54)	146 (21)
	Net Transactions under Ways and Means Advances and Overdraft	-	717 (72)	17 (4)	(-) 249 (-152)	97 (14)
	Loans and Advances from Government of India®	148 (92)	250 (25)	350 (85)	325 (198)	441 (65)
15.	Appropriation to Contingency Fund	4 (2)	5441	1441	220	144
16.	Total disbursement out of Consolidated Fund (13+14+15)	4172	5430	5332	5420	6713
17.	Contingency Fund disbursements		***			Z
18	Public Account disbursements	3368	5091	3164	3546	3462
19.	Total disbursement by the State (16+17+18)	7540	10521	8496	8966	10175
Part	C. Deficits					
20.	Revenue Deficit (1-10)	1022	106	1283	860	1482
21.	Fiscal Deficit (3+4-13)	1662	189	1845	1511	2341
22.	Primary Deficit (21-23)	1164	(-) 408	1047	469	1169
Part	D. Other data					
23.	Interest Payments (included in revenue expenditure)	498	597	798	1042	1172
24.	Arrears of Revenue (Percentage of Tax and non-tax Revenue Receipts)	224 (29)	189 (11)	261 (29)	264 (20)	181.49 (14)
25.	Financial Assistance to local bodies, etc.	175	167	213	169	186
26.	Ways and Means Advances and Overdraft availed (days)	119	253	185	300	271
27.	Interest on WMA and Overdraft	2.23	6.69	4.96	9.16	7.65
28.	Gross State Domestic Product (GSDP)**	10696	12229	13329	14717	16777
29.	Outstanding Debt (year end)	6418	7104	8621	10220	12393
30.	Outstanding guarantees (year end)	1869	1886	3804	4418	4503
31.	Maximum amount guaranteed (year end)	2507	2897	4268	5112	5436
32.	Number of incomplete projects	39	25	17	3	8
33.	Capital blocked in incomplete projects	42	35	30	4	17

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

<sup>@</sup> Includes Ways and Means Advances from GOI.

φ Source: Paragraph 1.5 of Audit Report (Revenue Receipts) of 1998 to 2002 and 1.9 of 2002-2003.

<sup>\*\*</sup> Source for GSDP figures: Economics and Statistics Department, Government of Himachal Pradesh. Figures have been revised by the State Government. Figures for 2002-2003 have been worked out by taking the average increase of 14 per cent during 1997-98 to 2001-2002.

## **Summary of Finance Accounts**

(Rupees in crore)

	CON	SOLIDATED FUND (CF)		
Receipts	Amount		Disbursements	Amount
Revenue	3659	Revenue deficit: 1482	Revenue	5141
Miscellaneous capital receipts	144		Capital	860
Recovery of loans and advances	29		Loans and advances disbursement	28
Sub Total	3688	Gross fiscal deficit: 2341	Sub Total	6029
Public debt	2199		Public debt repayment	685°
Total	5887	Deficit in CF: 827		6714
		PUBLIC ACCOUNT		
Small Savings, PF, etc.	827		Small Savings, PF etc.	551
Deposits and Advances	704		Deposits and Advances	440
Reserve Funds	273		Reserve Funds	155
Suspense and Miscellaneous	172		Suspense and Miscellaneous	149
Remittances	2180		Remittances	2167
Total Public Account	4156	Deficit in CF financed by Public Account: 694	Total Public Account	3462
	Decr	ease in cash balance: 133		

## **Summary of Appropriation Accounts**

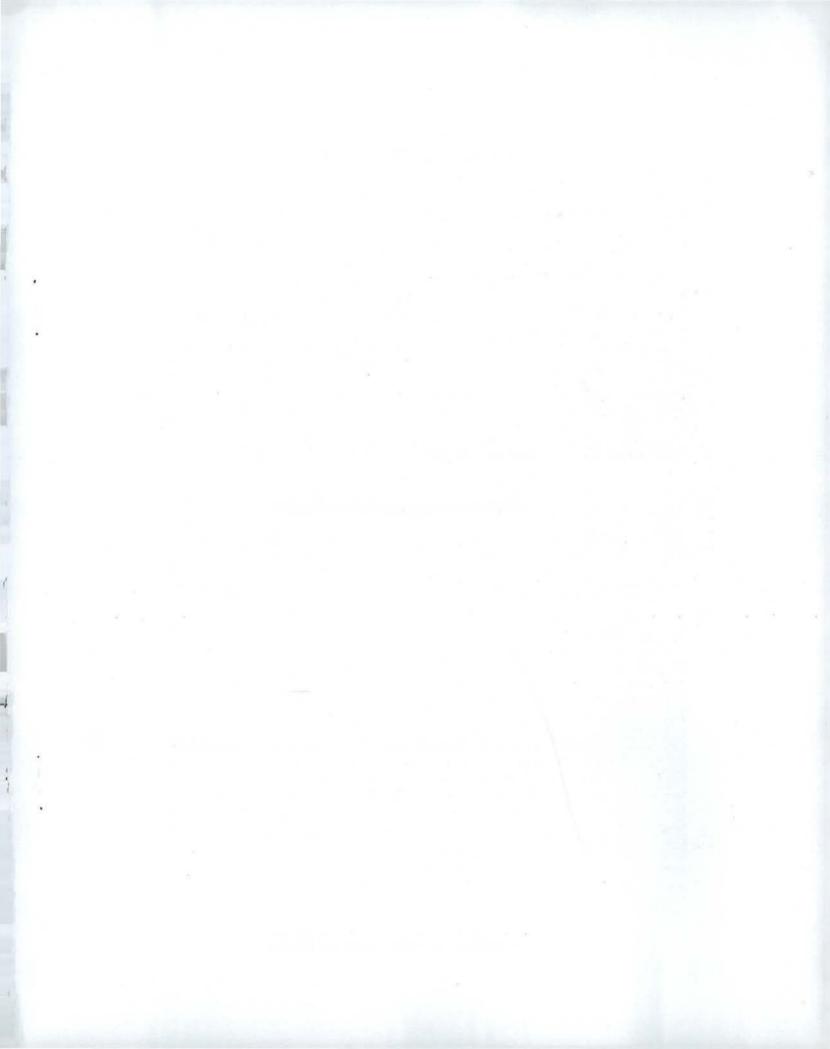
(Rupees in crore)

					(Rupees in crore			
		Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)		
Voted	I Revenue	3877.85	301.00	4178.85	4350.18	(+) 171.33		
	II Capital	709.89	170.79	880.68	902.60	(+) 21.92		
	III Loans and Advances	28.79	15.42	44.21	38.38	(-) 5.83		
Total Vot	ed	4616.53	487.21	5103.74	5291.16	(+) 187.42		
Charged	IV Revenue	1233.19	1.97	1235.16	1182.27	(-) 52.89		
	V Capital		2.10	2.10	2.10			
	VI Public Debt	516.27	195	516.27	3427.30***	(+) 2911.03		
Total Charged		1749.46	4.07	1753.53	4611.67	(+) 2858.14		
Grand Total		6365.99	491.28	6857.27	9902.83	(+) 3045.56		

\*\*\* Includes Rs 1774.32 crore and Rs 1065.84 crore on account of repayment of Overdrafts and Ways and Means Advances obtained from Reserve Bank of India.

Difference with Time Series data figure due to rounding.

<sup>\*\*</sup> These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz., Revenue expenditure: Rs 391.30 crore; Capital expenditure: Rs 54.95 crore.



## AUDIT REPORT (CIVIL)

This Report contains observations on the Finance Accounts and Appropriation Accounts of the Government of Himachal Pradesh for the year 2002-2003. Audit of Finance and Appropriation Accounts is conducted by test-check of statements of expenditure and other records relating to 31 grants/appropriations maintained by different administering authorities. It also contains 39 paragraphs on matters arising from test-audit of transactions and accounts of the Government of Himachal Pradesh. Audit findings relating to implementation of three schemes/programmes, etc., viz., Working of Agriculture Department, Horticulture Development and Welfare of Handicapped are also contained in this Report.

#### Highlights:

- Revenue deficit of the State Government increased by 72 per cent in 2002-2003 over 2001-2002.
- State Government could not avail Revenue deficit grant of Rs 292.31 crore for the years 2001-2002 and 2002-2003 because of increasing revenue deficit and non-signing of memorandum of understanding for improvement the revenue balance with the Government of India.
- State Government is heavily dependent upon Government of India as Grants-inaid constituted 61 per cent of the total revenue receipts of the State Government.
- Fiscal liabilities of the State Government increased by 93 per cent in 2002-2003 as compared to 1998-99.
- Expenditure on General Services and interest payments accounted for 36 per cent of the total expenditure of the State Government.
- Internal debt of Rs 226.23 crore was concealed by misclassification of loan raised through a Corporation/Board.
- Excess expenditure of Rs 8320.65 crore incurred during 2000-2003 was not regularised.
- Supplementary provision of Rs 25.11 crore was unnecessary.

- There was unauthorised expenditure on payment of pay and allowances to the staff deployed in excess of the sanctioned strength and unjustified expenditure on reconnaissance and micro-watershed soil surveys by Agriculture Department.
- Sale proceeds of Rs 3.63 crore on account of sale of agriculture inputs were not deposited into Government treasuries.
- Loss in the running of nurseries and progency-cum-demonstration orchards by the Horticulture Department.
- Funds received from Government of India for welfare of handicapped were not fully utilised.
- Disability certificates/identity cards were not issued to all the persons with disabilities.
- Calamity relief funds were diverted by Deputy Commissioners, Chamba and Kullu.
- Requisite central loan assistance was not received from the Government of India and ineligible projects were included in the Accelerated Irrigation Benefit Programme,
- Funds meant for developmental activities were utilised for pay and allowances of staff by CSK-HPKVV, Palampur.
- Inadmissible payments were made to CSK-HPKVV university employees and milk from tubercular cows was sold for public consumption.
- Expenditure incurred on construction of various lift irrigation schemes, roads and bridges remained unfruitful due to various reasons.

# **Accounts of the State Government**

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:

*	Total Receipts: Rs 6,170 crore			
	Of which		(Rupe	es in crore)
*	Tax Receipts	ŝ	1,125	(18 per cent)
+	Non-Tax Receipts	3	175	(3 per cent)
*	Receipts from Government of India on account of State's share of Union Taxes and Duties and grants-in-aid.		2,359	(38 per cent)
*	Recoveries of Loans and Advances	:	29	(1 per cent)
+	Increase in Public debt other than Overdraft	4	1,655	(27 per cent)
*	Net receipts from Public Account	1	694	(11 per cent)
*	Decrease in closing cash balance	:	133	(2 per cent)
•	Total Disbursements: Rs 6,170 crore	1		
	Applied to	:		
*	Revenue Expenditure	÷	5,141	(83 per cent)
*	Lending for development and other purposes	1	28	(1 per cent)
*	Capital Expenditure	3	860	(14 per cent)
*	Decrease in overdraft	9	141	(2 per cent)

Increase in revenue and fiscal deficits

Revenue deficit of the State Government increased from Rs 860 crore in 2001-2002 to Rs 1,482 crore (72 per cent) in 2002-2003. Fiscal deficit also increased by 55 per cent during the corresponding period.

Non-availment of revenue deficit grant

Increasing revenue deficit and non-signing of memorandum of understanding for improvement in the revenue balance with the Government of India by the State Government resulted in non-availment of revenue deficit grant of Rs 292.31 crore for the years 2001-2002 and 2002-2003.

State Government heavily dependent upon Government of India Grants-in-aid from Government of India during 2002-2003 constituted 61 *per cent* of the total revenue receipts of the State Government. The State Government was thus heavily dependent upon Government of India.

Increase in fiscal liabilities

Fiscal liabilities of the State increased from Rs 6,418 crore in 1998-99 to Rs 12,393 crore (93 *per cent*) in 2002-2003.

Non-developmental expenditure and interest payments Expenditure on General Services and interest payments considered as non-developmental accounted for 36 *per cent* of the total expenditure of the State Government during 2002-2003.

Funds mainly applied to meet revenue expenditure The funds (Rs 6,170 crore) were mainly applied to meet revenue expenditure (Rs 5,141 crore) which constituted 83 *per cent* of the total expenditure in 2002-2003.

Share of capital expenditure

The share of capital expenditure during 2002-2003 was only 14 *per cent* of the total expenditure as against 12 *per cent* in 2001-2002.

Insignificant returns from investments

The Government had invested Rs 1,796 crore in Statutory Corporations/Boards, Government Companies, Joint Stock Companies and Co-operative Institutions till the end of 2002-2003. While the Government raised high cost borrowings from the market during 1998-2003 at rates of interest ranging between 8.83 and 11.06 per cent, percentage of return from investments during the same period ranged between 0.034 and 0.064.

## Ways and Means Advances and Overdraft

The Government could not maintain minimum cash balance with the Reserve Bank of India on 308 days and obtained ways and means advances of Rs 1,109 crore on 92 days, overdraft of Rs 1,634 crore on 179 days and rediscounted treasury bills of Rs 657 crore on 37 days. Interest of Rs 7.65 crore was paid during the year on ways and means advances and overdraft.

# Concealment of internal debt

Loans of Rs 226.23 crore raised by the State Government during 2002-2003 through Himachal Pradesh Road Infrastructure Development Corporation and Himachal Pradesh Infrastructure Development Board were misclassified resulting in concealment of internal debt of the State Government.

## Indicators of Fiscal Health

Increasing revenue and fiscal deficit indicates growing fiscal imbalances of the State. Similarly increase in the ratio of revenue deficit and fiscal deficit indicates that the application of borrowed funds has largely been to meet current consumption. All the indicators of fiscal imbalances show continuous deterioration over time indicating increasing unsustainability and vulnerability of State finances.

Increasing ratio of fiscal liabilities to GSDP and revenue receipts together with a growing revenue deficit, indicate that the State is gradually getting into a debt trap. There has also been a decline in net availability of funds from its borrowings due to a larger portion of these funds being used for debt servicing. The State's low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it. The ratio of State's total financial assets to liabilities has also deteriorated indicating that increasingly a greater part of liabilities are without an asset back up. This indicates that either the State has to generate more revenue from out of its existing assets or need to provide from its current revenues for servicing its debt obligations. The balance from current revenue of the State has also continued to be increasingly negative. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment.

## Appropriation Audit and Control over Expenditure

Appropriation Accounts present the total amount of funds (original and supplementary) authorised by the Legislature in the budget grants under each voted grant and charged appropriation vis-à-vis the actual expenditure incurred against each and the savings or excess under each grant or appropriation. Any expenditure in excess of the grants requires regularisation by the Legislature under Article 205 of the Constitution of India.

At	a	glance
		Summer

		(Rs in crore)
Total authorization		6857.27
Original	4	6365.99
Supplementary		491.28
Total expenditure		9902.83
Total excess		3045.56

Savings/Excesses

The overall excess of Rs 3045.56 crore was the net result of savings (Rs 250.19 crore) in 41 cases and excesses (Rs 3295.75 crore) in 22 cases.

Excess expenditure not regularised

Expenditure of Rs 8320.65 crore incurred by the Government during 2000-2003 in excess of the amount sanctioned by the Legislature remained to be regularised as of August 2003.

Supplementary grants

Supplementary provision of Rs 25.11 crore obtained in 10 cases proved unnecessary as the excess expenditure in these cases was less than the original budget provisions.

Persistent savings/excesses

In eight cases involving seven grants and one appropriation (29-Finance), persistent savings/excesses ranging from 5 to 846 *per cent* occurred during 2000-2003.

Injudicious reappropriation

In the case of 28 sub-heads involving nine grants/appropriations, Rs 16 crore were injudiciously reappropriated as either the original grants were inadequate or no savings were available for reappropriation.

Non-receipt of explanations for excesses/savings Explanations for variations in respect of Appropriation Accounts for the year 2002-2003 were not received in respect of 240 out of 437 heads/sub-heads.

Unjustified drawal of funds

Of Rs 2.58 crore drawn by Deputy Commissioners, Kinnaur, Hamirpur and Una, Deputy Director of Horticulture, Reckong Peo and Principal, ITI, Berthin during 1994-2002 for execution of various schemes, Rs 1.06 crore (41 per cent) were lying unutilised either with the executing agencies or as deposits with the bank as of December 2002.

# SECTION A: REVIEWS OF SCHEMES/PROGRAMMES/DEPARTMENTS

## **Agriculture Department**

## **Working of Agriculture Department**

Main functions of the Department

To increase production of foodgrains, oilseeds, pulses, etc., and to disseminate the latest know how to the farmers.

## Major audit findings

Drawal of funds to avoid lapse of budget

Advance subsidy of Rs 23.30 lakh was drawn by Deputy Directors of Agriculture, Kullu and Mandi in March 2002 and deposited in capital head of account to avoid lapse of the budget grants thus depriving the farmers of the intended benefits of the scheme.

Payment of pay and allowances to staff deployed in excess of sanctioned strength Avoidable/unauthorised/wasteful expenditure of Rs 42.27 lakh had been incurred by the department for payment of pay and allowances of staff deployed in excess of the sanctioned strength, etc., during 1998-2003.

Decline in foodgrains production Foodgrains production declined from 13.13 lakh tonnes in 1998-99 to 11.12 lakh tonnes during 2000-2001 and went up again to 15.99 lakh tonnes in 2001-2002.

Shortfall in physical achievements

The percentage shortfall in physical achievements under the Centrally sponsored schemes during 1998-2003 ranged between 5 and 99.

Unjustified expenditure on reconnaissance and micro-watershed soil surveys

Reconnaissance and micro-watershed soil surveys of 2.90 lakh hectares conducted by Assistant Soil Survey Officers, Sundernagar and Palampur during 1998-2003 were not used for planning soil resources while preparing the agriculture production programme. The expenditure of Rs 2.32 crore incurred on these offices during 1998-2003 was not adequately justified.

Funds not released by

Government of India due to

poor physical performance

of projects

Against the approved outlay of Rs 21.69 crore for implementation of National Watershed Development Projects, an expenditure of Rs 10.72 crore was incurred by the State Government. The balance amount of Rs 10.97 crore was not released by Government of India due to poor physical performance of the projects.

Sale proceeds of agricultural inputs not deposited into Government treasuries Sale proceeds of Rs 3.63 crore realised by the Agriculture Development Officers/Agriculture Extension Officers from the farmers on account of sale of agriculture inputs had not been deposited into Government treasuries as of March 2003.

### **Horticulture Department**

### **Horticulture Development**

Main objective of the Department

Horticulture development aimed at raising pedigreed varieties of fruit plants by establishing progeny-cum-demonstration orchards and nurseries, supplemented by a scheme of plant protection to control pests and diseases.

#### Major audit findings

Loss in working of nurseries and progenycum-demonstration orchards Instructions of December 1997 for bringing improvement in management of nurseries and progeny-cum-demonstration orchards to make these economically viable were not followed. Against an expenditure of Rs 14.92 crore during 1998-2002 income of Rs 7.65 crore was received resulting in loss of Rs 7.27 crore.

Variations in germination/survival of plants The department had not laid down norms for germination of seeds and for successful grafting of plants in the nurseries in the absence of which there were wide variations in germination/survival of plants from nursery to nursery.

Survey to identify pests and diseases not conducted

Spraying operations under plant protection and apple scab were in excess of the targets. The department had not conducted any survey for identification of pests, diseases, etc. The area claimed to have been sprayed was estimated on the basis of quantity of pesticides sold.

Beneficiaries' share not recovered

An amount of Rs 0.91 crore, being beneficiaries' share as of March 2003 on account of sale of pesticides/fungicides, was not recovered by the department.

Loss in working of fruit canning units and Meagre utilisation of financial resources for developmental/extension purposes While products valued at Rs 3.29 crore were processed by the test-checked fruit canning units, sales amounted to Rs 3.22 crore against the expenditure of Rs 7.20 crore during 1998-2003. Though the fruit preservation and processing scheme has been treated as developmental, only 2.38 per cent expenditure was incurred on developmental/extension activities.

Shortfall in achievements of targets

Under "Production of fruit products" the shortfall in achievement of target ranged between 18 and 52 per cent during 1998-2003. Capacity utilisation of the 5 units test-checked was between 12 and 67 per cent during 1998-2003.

Social, Women and Scheduled Caste Welfare Department

## Welfare of the Handicapped

Main objectives of the programme

Assistance to disabled persons for purchasing/fitting of aids and appliances, rehabilitation of persons with disabilities and promotion of voluntary action.

#### Major audit findings

Funds received from Government of India not utilised Of Rs 5.15 crore received from Government of India, Rs 3.42 crore remained in the banks due to non-implementation of the programme effectively during 1998-2003.

Shortfall in holding of meetings of Committees

No specific State policy to address the issues faced by the persons with disability had been framed as of March 2003. Against 10 meetings of State Co-ordination Committee and 20 meetings of State Executive Committee required to be held, only three meetings and one meeting were held respectively during 1998-2003.

Disability certificates/ identity cards not issued to all the identified persons Of the 51,252 persons with disabilities identified during survey, only 28,288 persons (including 812 unidentified persons) were issued disability certificates/identify cards as of March 2003.

Posts identified for disabled persons not filled

A backlog of 719 posts (class III and IV categories) in 11 out of 51 departments existed though 6,401 persons with disability stood registered with special employment exchanges during 1998-2003. Further identification of similar backlog in the remaining 40 departments had not been done as of June 2003.

State resource centre for providing specialised services not established State resource centre for providing specialised services to persons with disability and strengthening of the existing services for producing professional manpower had not been established as of May 2003.

# **SECTION B: RESULTS OF TRANSACTION AUDIT**

#### **Agriculture Department**

Working of Chaudhry Sarwan Kumar Himachal Pradesh Krishi Vishva Vidayalya, Palampur

Main functions of the University Himachal Pradesh Krishi Vishva Vidyalaya (HPKV), Palampur established in November 1978 was bifurcated into two independent universities viz Chaudhry Sarwan Kumar Himachal Pradesh Krishi Vishva Vidayalya, Palampur and Dr. Y.S. Parmar University of Horticulture and Forestry, Nauni (Solan) by an enactment of 1987 for imparting education in the fields of Agriculture, Horticulture, Forestry and other allied branches of learning, etc.

### Major audit findings

Funds meant for development activities utilised for payment of salaries Funds under the State funded schemes meant for developmental activities were utilised for meeting expenditure on salaries of the employees which increased from 83 per cent in 1997-98 to 93 per cent in 2001-2002.

Inadmissible payments to employees

Inadmissible payments of Secretariat allowance, nonpractising allowance and interest on General Provident Fund amounting to Rs 70.51 lakh were made to the University employees during February 1995 to March 2003.

Loss in running of seed multiplication farm

Seed Multiplication farm of the University incurred a loss of Rs 49.30 lakh during 1999-2003.

Sale of milk from tuberculosis infected cows Milk from tuberculosis infected cows was sold for public consumption during 2000-2003. Also, 16 tuberculosis positive cows were sold to local farmers.

## Home Department (Jails)

A review of the stores and stock accounts of Home Department (Jails) revealed the following points:

Diversion of funds

Of Rs 52.85 lakh sanctioned under "Modernisation of Prisons Administration", Rs 42.39 lakh were diverted for the purchase of power looms, X-rays machine, ultra-sound machine, computer parts, etc., which were not covered under the scheme.

Purchase of machinery and equipment without requirement

Machinery and equipment valued at Rs 20.37 lakh was procured by the Additional Director General (Prisons) between March 1999 and March 2000 without assessment of the requirement/indents from the Superintendents, Prisons and had been lying unutilised.

# Home Department (Home Guards, Civil Defence and Fire Services

Loan raised not utilised

Loan of Rs 4.79 crore raised for purchase of fire fighting equipment and construction of fire station buildings during 2001-2003 was not utilised.

## **Health and Family Welfare Department**

Idle investment

Investment of Rs 41.91 lakh on the construction of hostel building at Khaneri (Shimla district) proved idle as the accommodation could not be utilised due to shifting of Nurses Training School from Khaneri to Dharamshala (Kangra district).

By pass/open heart backup not provided Cath Lab, etc., established in Indira Gandhi Medical College, Shimla at an expenditure of Rs 5.11 crore was underutilised due to non-providing of by-pass/open heart backup. Besides, Rs 2.80 crore were lying unutilised with the department.

#### Irrigation and Public Health Department

Unfruitful expenditure on a lift irrigation scheme

Faulty planning of the department in selection of suitable site and provision of unsuitable RCC pipes in lift irrigation scheme, Daulatpur Jalari in Kangra district resulted in unfruitful expenditure of Rs 1.65 crore.

Unfruitful expenditure on Sewerage scheme, Una Failure of the department to properly assess the requirement of private land for the construction of sewerage scheme, Una resulted in unfruitful expenditure of Rs 141.08 lakh and cost overrun of 60 *per cent*.

Wasteful expenditure on flow irrigation scheme

Wrong planning of the department in the construction of flow irrigation scheme, Kuthal (Chamba district) resulted in wasteful expenditure of Rs 32.07 lakh.

## **Public Works Department**

### **Accelerated Irrigation Benefit Programme**

Main objective of the programme

The programme was launched by the Government of India during 1996-97 to help the State Governments get over the financial constraints faced by them in ensuring early completion of ongoing multipurpose and irrigation projects by grant of Central Loan Assistance. The programme was implemented in the State from 1997-98. Three irrigation projects (One major and two medium) and 98 minor irrigation schemes were included in the programme between July 1997 and July 2000 for getting Central loan assistance. Audit scrutiny of the records of the projects/schemes revealed the following points:

## Major audit findings

Slow pace of implementation of the programme

Against the requisite Central loan assistance of Rs 169.56 crore to be provided by the Government of India during 1997-2003, Rs 51.96 crore were actually received from Government of India resulting in slow pace of implementation of programme.

Ineligible projects included in the programme

One major irrigation project (Shah Nehar Project) and two medium irrigation projects (Sidhatha and Changer area of Bilaspur district) estimated to cost Rs 205.89 crore were included in the programme even though they were not at an advanced stage of execution and were not eligible for inclusion in the programme.

Projects/schemes not completed by target dates All the irrigation projects/schemes included in the programme were targeted for completion between March 2000 and March 2003. The three projects (major: 1 and medium: 2) had been completed to the extent of 5 to 20 per cent as of March 2003. Of the 98 minor irrigation schemes, only five had been completed, 41 were in progress and the remaining schemes had not been taken up for execution.

Unfruitful expenditure on lift irrigation scheme Failure of the department to construct pump house of adequate size in the first instance in respect of lift irrigation scheme, Jakhbar Bhanoli under Shah Nehar Irrigation Project (Kangra district) resulted in depriving the culturable command area from irrigation facilities despite incurring expenditure of Rs 1.41 crore.

Bridge not utilised due to non-construction of approaches Failure of the department to initiate timely action for acquisition of private land required for the construction of approaches resulted in non-utilisation of bridge over Garli *khad* (Hamirpur district) completed in November 2001 at an expenditure of Rs 41.12 lakh.

Unfruitful expenditure and idle investment

Poor planning of the department in the construction of Killar-Punto road and bridge thereon in Pangi valley resulted in unfruitful expenditure of Rs 35.39 lakh and idle investment of Rs 47.93 lakh.

Unfruitful expenditure on the construction of road

Unplanned execution and inadequate investigation of alignment of road from Goshal village to Mooling bridge and jeepable link road from Mooling bridge to Mooling and Bargul villages (Lahaul and Spiti district) resulted in unfruitful expenditure of Rs 40.63 lakh which included infructuous expenditure of Rs 8.29 lakh.

Unfruitful expenditure

Rupees 56.71 lakh spent on the construction of four kilometres long Khakhri-Kherna motorable road (Chamba district) proved unfruitful and funds of Rs 27.40 lakh provided for construction of the bridge remained unutilised due to non-finalisation of the site.

Avoidable burden on state exchequer Failure of the department to follow the provisions of Land Acquisition Act for acquisition of 1.93 hectares of land for the construction of Plassi-Triphalghat road (Mandi district) resulted in avoidable burden of Rs 46.67 lakh on State exchequer.

#### **Revenue Department**

Deputy Commissioners irregularly diverted calamity relief funds Rupees 31.37 lakh were irregularly diverted from calamity relief funds by Deputy Commissioners, Chamba and Kullu for fresh/ongoing works, etc.

## AUDIT REPORT (REVENUE RECEIPTS)

The Report on Revenue Receipts contains 47 paragraphs including one review involving Rs 80.37 crore. The Government has accepted audit observations involving Rs 6.04 crore of which Rs 0.24 crore had been recovered upto August 2003.

The total receipts of the Government for the year 2002-2003 were Rs 3,658.75 crore which were one and half per cent less than the previous year. The revenue receipts of Rs 1,065.06 crore consisted of Rs 889.57 crore from taxes and Ts 175.49 crore from non-tax revenue. The State received Rs 345.60 crore as its share of divisible Union Taxes against Rs 324.13 crore received during 2001-2002. Rs 2248.09 crore were received as grants-in-aid from the Government of India. Receipts under the state excise (Rs 273.42 crore), sales tax (Rs 383.34 crore), taxes on vehicles (Rs 81.98 crore), Other Taxes and Duties Commodities and Services on (Rs 77.13 crore) and stamps and registration (Rs 37.40 crore) accounted for major portion of tax receipts.

#### **Results of Audit**

Test-check of records of sales tax, state excise, taxes on vehicles, goods and passengers, forest receipts and other tax and non-tax receipts, revealed under-assessments/short/levy/loss of revenue amounting to Rs 68.66 crore, in 928 cases.

#### Sales Tax

Incorrect determination of taxable turnover of a dealer resulted in non-recovery of revenue of Rs 93.93 lakh (including interest). Although annual turnover of seven dealers had exceeded the taxable quantum, yet the dealers were not registered and brought under tax net, resulting in non-levy of tax of Rs 64.86 lakh (including interest).

## State Excise

Due to non-compliance and failure to observe the prescribed conditions, license fee amounting to Rs 2.73 crore remained outstanding for recovery from a licencee of Shimla Unit. Besides, the licencee was also liable to pay interest of Rs 1.16 crore upto February 2003.

Against the license fee of Rs 85.27 lakh, payable on production of country liquor of 1,21,81,691 units, Rs 2.25 lakh only had been paid by the licensees, resulting in short realisation of Rs 83.02 lakh.

## Taxes on Vehicles, Goods and Passengers

A review on "Working of National Permit Scheme" revealed the following:

4083 bank drafts for Rs 97.74 lakh on account of composite fee received from other States were not credited to Government account.

Credit of 13,455 bank drafts amounting to Rs 2.44 crore to Government account, had been delayed for a period ranging between one to six months.

Incorrect application of rate of tax resulted in short realisation of composite fee of Rs 28.95 lakh from 14 States.

Late issuance of notification resulted in short reaslisation of Government revenue of Rs 28.24 lakh.

In 4,436 cases, token tax was charged incorrectly resulting in short realisation of tax of Rs 55.99 lakh.

## Other Tax Receipts

Non-submission of half yearly returns showing details of electricity duty by the Himachal Pradesh State Electricity Board resulted in non-recovery of electricity duty amounting to Rs 58.94 crore, for the year 2002-2003.

# Forest Receipts

Non-levy of export permit fee on intra-State export of 2,08,629 quintals of khair wood resulted in loss of revenue of Rs 4.39 crore in 11 divisions.

## AUDIT REPORT (COMMERCIAL)

This report contains an overview of Government companies and Statutory corporations and contains a review on the working of Himachal Pradesh State Civil Supplies Corporation Limited and sectoral review on "Procurement, Performance and Repair of Energy meters in Himachal Pradesh State Electricity Board". This Report also contains 10 paragraphs based on test-check of transactions of Government companies and corporations.

#### Highlights

- As per latest accounts, accumulated losses of two working Government companies and two Statutory corporations have exceeded their paid-up capital.
   Two working companies earned profit as per latest accounts but their accumulated losses exceeded their paid-up capital.
- All the three Statutory corporations incurred loss during the year ended 31 March 2003.
- Review on the working of Himachal Pradesh State Civil Supplies Corporation Limited revealed that the State Government has not reviewed the present situation/reasons for decreasing trend in lifting of foodgrains to formulate appropriate policy decisions for optimum use of available infrastructure. The Company did not utilise funds generated from sale of cement for providing cheap ration to the public, as envisaged in the scheme. The company did not close the unviable retail sale shops. It also incurred loss on the operation of commercial vehicles.
- Review on "Procurement, Performance and Repair of Energy meters in Himachal Pradesh State Electricity Board" revealed that additional revenue by reduction in transmission and distribution losses could not be generated due to delay in procurement and installation of energy meters. As a result of replacement of conventional meters with electronic meters, electro mechanical meters became idle. The Board did not consider any proposal to utilise these meters for replacement of existing defective meters.
- In addition to above, test-check of records also revealed cases of loss of revenue
  due to short recovery, short realisation of peak load exemption charges, undue
  benefit to private tree owners and loss due to investment of funds in the
  securities of an establishment not permitted and failure of the Company to take
  timely action.

Overview of Government companies and Statutory corporations

Working results of companies and corporations As on 31 March 2003, the State had 21 Public Sector Undertakings (PSUs) comprising 18 Government companies (including four non-working companies) and three Statutory

corporations. Up to 31 March 2002 also, the State had the same number of PSUs though their were only two nonworking companies. In addition, there was one company under the purview of 619-B of the Company Act, 1956 as on 31 March 2003. The total investment in working PSUs decreased from Rs 4,726.35 crore (equity: Rs 661.75 crore, long-term loans: Rs 4,064.58 crore and share application money: Rs 0.02 crore) as on 31 March 2002 Rs 3,449.49 crore (equity: Rs 644.73 crore, long-term loans: Rs 2,804.74 crore and share application money: Rs 0.02 crore) as on 31 March 2003. The total investment in four nonworking Government companies as on 31 March 2003 was Rs 1,419.96 crore as against Rs 5.33 crore in two non-working Government companies as on 31 March 2002. The budgetary support in the form of capital, loans, subsidies and grants disbursed to the working PSUs increased from Rs 70.30 crore in 2001-2002 to Rs 82.44 crore in 2002-2003.

Arrears in finalisation of accounts

Out of 14 working Government companies, the accounts of seven companies were in arrears for periods ranging from one year to five years as on 30 September 2003.

Profit and dividend

According to latest finalised accounts of 17 working PSUs (14 Government companies and three Statutory corporations), seven Government companies earned aggregate profit of Rs 12.29 crore.

Out of three companies which earned profit during 2002-2003, only one company declared dividend of Rs 0.18 crore which worked out to 0.15 *per cent* of total equity investment by the State Government in 14 working companies.

Loss incurring companies/ corporations

10 working PSUs (Seven Government companies and three Statutory corporations) incurred an aggregate loss of Rs 93.54 crore as per the latest finalised accounts. In respect of two non-working Government companies, excess of expenditure over income is reimbursable by the State Government. Of the loss incurring working Government

companies, two companies had accumulated losses aggregating Rs 48.73 crore which exceeded their aggregate paid-up capital of Rs 21.86 crore. Two companies earned profit as per latest available accounts but their accumulated losses of Rs 29.92 crore also exceeded their paid-up capital of Rs 20.27 crore. All the three Statutory corporations incurred losses aggregating Rs 87.14 crore as per their latest annual accounts. Two loss incurring Statutory corporations had accumulated losses of Rs 382.04 crore which exceeded their paid-up capital of Rs 241.68 crore.

Low occupancy

In Himachal Pradesh Road Transport Corporation, the actual occupancy ratio was 59, 48 and 50 per cent against the breakeven occupancy ratio of 69, 54 and 56 per cent during 2000-2001, 2001-2002 and 2002-2003 respectively.

# Reviews on the activities of company and corporation

## Himachal Pradesh State Civil Supplies Corporation Limited

**Objective** 

The Himachal Pradesh State Civil Supplies Corporation Limited was incorporated in September 1980 as a wholly owned Government company with a view to strengthen the public distribution system in the State.

Non-review of present situation In the revised scheme of targeted public distribution system, the State Government had not reviewed the present situation/reasons for decreasing trend in lifting of foodgrains to formulate appropriate policy decisions for optimum use of available infrastructure.

Diversion of funds

The Company did not utilise funds of Rs 2.32 crore, generated from sale of cement, for providing cheap ratio to the public under the scheme, as envisaged therein.

Non-closure of un-viable retail sale shops

The Company did not close the un-viable retail sale shops. As a result, it incurred loss of Rs 3.68 crore during the last five years up to March 2002.

Loss on operation of commercial vehicles

The Company has incurred loss of Rs 60.58 lakh on the operation of commercial vehicles.

Extra payment

Extra payment of Rs 20.26 lakh was made to the oil companies for High Speed Diesel and petrol not actually received by the Company.

Misappropriation of stock

Lack of internal controls has resulted in misappropriation of stock valuing Rs 13.74 lakh.

Internal audit

Internal Audit is not commensurate with the size of the Company and nature of its business.

## **Himachal Pradesh State Electricity Board**

Delay in implementation of scheme The upgradation of metering system was aimed at reducing the existing 25 per cent transmission and distribution losses resulting in additional revenue of Rs 12.42 crore per annum to the Board. However, delay in the implementation of scheme has resulted in non-realisation of additional revenue as envisaged.

Idle metering equipment

As a result of replacement of conventional meters with electronic meters, electro-mechanical meters valuing Rs 4.83 crore became idle. The Board did not consider any proposal to utilise these meters for replacement of existing defective meters.

Meters without required software

Meters valuing Rs 43.17 lakh could not serve the intended purpose as these meters did not have the facility for recording, loading downloading and transfer of data. Unrealistic energy audit

Results of energy audit were unrealistic as proper regrouping of sub-stations and feeder-wise rescheduling of billing cycle was not undertaken before commencing the audit.

#### Miscellaneous topics of interest

Investment of funds in the securities not permitted Investment of funds by Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited in the securities of an establishment not permitted by the Central Government and failure of the Company to take timely action resulted in non-recovery of principal amount of Rs 55 lakh along with interest of Rs 18.81 lakh.

Undue benefit to the private parties

Royalty of private lots was paid at higher rates resulting in undue benefit of Rs 30.96 lakh to tree owners and consequent loss to the Himachal Pradesh State Forest Corporation Limited.

Short recovery due to wrong application of tariff

Himachal Pradesh State Electricity Board (Board) charged the bulk consumer of electricity at domestic supply rates resulting in short recovery of Rs 22.16 lakh.

Short realisation of peak load exemption charges

Due to short realisation of peak load exemption charges, an industrial unit was unduly favoured by the Himachal Pradesh State Electricity Board to the extent of Rs 1.22 crore.

Short recovery of transformer cost Wrong estimation of augmentation cost of transformer by the Himachal Pradesh State Electricity Board resulted in short recovery of Rs 1.03 crore.