

Chapter-I

Introduction

CHAPTER-I INTRODUCTION

1.1 Budget profile

There are 53 departments and 62 autonomous bodies in the State. The position of budget estimates and actuals there against by the State Government during 2009-14 is as under:

Table-1.1
Budget and expenditure of the state government during 2009-14

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
(₹ in crore)										
Revenue expenditure										
General services	4582	4377	5340	5279	5971	5690	6651	6618	7196	7046
Social services	4086	3902	4929	4979	5669	5147	6635	6131	7117	6706
Economic services	2994	2868	3393	3682	3819	3049	4517	3418	4873	3591
Grants-in-aid and contributions	4	4	6	6	12	12	7	7	3	9
Total (1)	11666	11151	13668	13946	15471	13898	17810	16174	19189	17352
Capital expenditure										
Capital Outlay	2160	1943	1814	1789	1899	1810	2059	1955	2104	1856
Loans and advances disbursed	51	70	225	227	390	493	379	469	342	531
Repayment of Public Debt	920	867	879	870	1099	1128	1930	2117	1714	1704
Contingency Fund	---	---	---	---	---	---	---	---	---	---
Public Accounts disbursements	1987	6421	1987	7162	1987	8526	2288	8285	2828	9227
Closing Cash balance	---	281	---	635	---	569	---	(-) 295	---	(-) 887
Total (2)	5118	9582	4905	10683	5375	12526	6656	12531	6988	12431
Grand Total (1+2)	16784	20733	18573	24629	20846	26424	24466	28705	26177	29783

Source: Annual Financial Statements and Finance Accounts of the State Government.

1.2 Application of resources of the State Government

The total expenditure¹ of the State increased from ₹ 13164 crore to ₹ 19739 crore during 2009-14, the revenue expenditure of the State Government increased by 56 per cent from ₹ 11151 crore in 2009-10 to ₹ 17352 crore in 2013-14. Non-Plan revenue expenditure increased by 51 per cent from ₹ 9913 crore to ₹ 14965 crore and capital expenditure decreased by four per cent from ₹ 1943 crore to ₹ 1856 crore during the period 2009-14.

The revenue expenditure constituted 85 to 88 per cent of the total expenditure during the years 2009-14 and capital expenditure 9 to 15 per cent. During this period, total expenditure increased at an annual average rate of 11 per cent, whereas revenue receipts grew at an annual average growth rate of 11 per cent during 2009-14.

1.3 Persistent savings

In four cases, there were persistent savings of more than ₹ one crore in each during the last five years as per the details given in **Table-1.2**.

¹ Total expenditure includes revenue expenditure, capital expenditure and loans and advances.

Table-1.2
List of grants with persistent savings during 2009-14

(₹ in crore)

Sr. No.	Grant number and name	Amount of Savings				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue-Voted						
1.	03-Administration of Justice	2.84	16.51	15.96	14.78	16.71
2.	15-Planning and Backward Area Sub-Plan	9.99	7.78	9.43	6.89	13.44
3.	20-Rural Development	2.06	4.06	75.07	72.69	60.04
Capital-Voted						
4.	29-Finance	4.18	1.84	1.67	5.07	4.52

Source: Appropriation Accounts

A significant portion of savings under Grant No. 20-Rural Development had occurred under Mahatma Gandhi National Rural Employment Guarantee Scheme during 2011-12 (₹ 57.86 crore), 2012-13 (₹ 18.16 crore) and 2013-14 (₹ 17.81 crore). This indicated inadequate financial control.

1.4 Funds transferred directly to the State implementing agencies

During 2013-14, GOI directly transferred ₹ 1671 crore to various State implementing agencies without routing through the State budget. Consequently, these amounts remained outside the scope of Annual Accounts (Finance Accounts and Appropriation Accounts).

1.5 Grants-in-aid from Government of India

The Grants-in-aid received from the GOI during the years 2009-10 to 2013-14 have been given in **Table-1.3**.

Table-1.3
Grants-in-aid from GOI

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	2052	2634	2647	2526	2025
Grants for State Plan Schemes	2731	2680	3342	4179	3765
Grants for Central Plan Schemes	5	1	27	28	17
Grants for Centrally Sponsored Schemes	339	343	505	580	507
Total	5127	5658	6521	7313	6314
Percentage of increase over previous year	14.65	10.36	15.25	12.15	(-) 13.66
Percentage of Revenue Receipts	50	45	45	47	40

Total grants-in-aid from GOI increased from ₹ 5127 crore to ₹ 7313 crore during the period 2009-13, but it decreased by ₹ 999 crore to ₹ 6314 crore during the year 2013-14. Its percentage to revenue receipts ranged between 40 and 50 *per cent* during the period 2009-14.

1.6 Blocking of funds

Funds received by the Executive Engineers from various departments/ agencies for execution of works on their behalf are temporarily kept under the transitory head "Public Works Deposits". Such funds should not be allowed to remain unutilised for an indefinite period, as their prolonged retention results in keeping the money outside normal budgetary process and blocking of Government funds.

In nine Public Works divisions², ₹ 12.22 crore received from various departments/ agencies between July 2005 and March 2013 for execution of 86 deposit works³ remained unutilised due to non-commencement of works for reasons like non-availability of sites (71 cases), for want of sufficient funds (one case) and non-completion of codal formalities (14 cases).

The Executive Engineers concerned admitted (between November 2013 and May 2014) the facts. Evidently, ₹ 12.22 crore received by the respective divisions from different departments/ agencies were allowed to remain unutilised for an indefinite period. While admitting the facts, the State Government stated (October 2014) that instructions had been issued to all field offices to ensure utilisation of funds and sort out the matter with the client departments.

1.7 Planning and conduct of audit

The Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/ projects, etc., criticality/ complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies within one month. Whenever replies are received, audit findings are either settled/ or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Himachal Pradesh under Article 151 of the Constitution of India.

During 2013-14, compliance audit of 763 drawing and disbursing officers of the State and 42 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Himachal Pradesh. Besides, four Performance Audits were also conducted.

1.8 Response of Government to Audit Report

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/ activities as well as on the quality of internal controls in selected departments, which have negative impact on the success of programmes and functioning of the departments. The focus was on auditing the specific programmes/ schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

The draft performance audit reports/ draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General (Audit) to the Additional Chief Secretaries/ Principal

² Baijnath: ₹ 0.53 crore (five), Bangana: ₹ 0.15 crore (one), Dalhousie: ₹ 0.30 crore (three), Ghumarwin: ₹ 2.73 crore (nine), Jogindernagar: ₹ 0.58 crore (13), Kangra: ₹ 0.23 crore (six), Mandi division – II: ₹ 0.74 crore (five), Padhar: ₹ 6.22 crore (32) and Paonta Sahib: ₹ 0.74 crore (12).

³ Construction / repair of educational institutions: 26 (₹ 5.06 crore), construction / repair of health institutions: 18 (₹ 5.79 crore), construction / repair of link roads: 32 (₹ 0.70 crore) and other works: 10 (₹ 0.67 crore).

Secretaries/ Secretaries of the departments concerned drawing their attention to audit findings and send their responses within six weeks. The fact of non-receipt of replies from the departments/ Government is invariably indicated at the end of the performance audits/ paragraphs included in the Audit Report. Four performance audits and 26 paragraphs proposed to be included in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non PSUs) for the year ended 31 March 2014 were sent to the concerned Administrative Secretaries. Of these, replies have been received in respect of two paragraphs only (December 2014). The matter was also brought to the notice of the State Chief Secretary in November 2014.

1.9 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the State Government during central audit were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to audit.

Against recovery of ₹ 1.85 crore pointed out in 748 cases, the DDOs concerned had effected recovery of ₹ 0.10 crore in 125 cases during 2013-14 as per the details given in **Table-1.4**.

Table-1.4
Details of recoveries pointed out by audit and accepted/ recovered by the Departments during 2013-14

Department	Particulars of recoveries noticed	Recoveries pointed out in Audit and accepted by the Departments during 2013-14		Recoveries effected during 2013-14	
		Number of cases	Amount involved	Number of cases	Amount involved
Miscellaneous Departments	Overpayment on account of excess payment of Medical re-imburement	748	1.85	125	0.10

(₹ in crore)

1.10 Lack of responsiveness of Government to Audit

The Principal Accountant General (Audit), Himachal Pradesh conducts periodical inspection of Government departments by test-check of transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs). When important irregularities, etc., detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The Heads of offices and next higher authorities are required to report their compliance to the Principal Accountant General (Audit) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the departments by the office of the Principal Accountant General (Audit) through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the results of test audit, 30146 audit observations contained in 8129 IRs outstanding as on 31st March 2014 are given in **Table-1.5**.

Table-1.5
Outstanding Inspection Reports/ Paragraphs

(₹ in crore)				
Sr. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1.	Social Sector	5792	23779	9819.83
2.	General Sector	1360	4093	7781.75
3.	Economic Sector (Non-PSUs)	977	2274	1076.29
Total:		8129	30146	18677.87

A detailed review of the IRs issued to 109 Drawing and Disbursing Officers⁴ (DDOs) upto September 2013 pertaining to Ayurveda Department and Rural Development Department showed that 840 paragraphs having financial implications of about ₹ 296.92 crore relating to 383 IRs remained outstanding at the end of 31 March 2014. Of these, oldest items pertain to IRs issued during the year 1969-70 and 220 paragraphs having financial implication of ₹ 10.66 crore had not been settled for more than 10 years. The year-wise position of these outstanding 383 IRs and 840 paragraphs is detailed in **Appendix-1.1** and types of irregularities in **Appendix-1.2**.

The pendency of large number of paragraphs even after being pointed out in audit indicated lack of response of the Government departments.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

1.11 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo motu* action on all Audit Paragraphs and Reviews featuring in the Audit Reports of the Comptroller and Auditor General of India regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature.

The position regarding receipt of action taken notes (ATNs) on the paragraphs included in the Audit Reports upto the period ended 31 March 2013 as on 31 August 2014 is given in **Table-1.6**.

Table-1.6
Position regarding receipt of ATNs on the paragraphs included in the ARs

Audit Reports	Year	Department(s)	ATNs pending as of 31 August 2014	Date of presentation in the State Legislature	Due date for receipt of ATNs
Civil / Social, General and Economic Sectors – Non-PSUs	2010-11	Tourism and Civil Aviation	01	6.4.2012	5.7.2012
	2011-12	Education	01	9.4.2013	8.7.2013
		Labour and Employment	01		
		MPP and Power	01		
		Revenue	01		
		Women and Child Development	01		
2012-13	Miscellaneous departments	25	21.2.2014	20.5.2014	
State Finances	2012-13	Finance and Misc. departments	All Chapters	21.2.2014	20.5.2014

⁴

Ayurveda: 15 and Rural Development: 94.

1.12 Delay in submission of Accounts/ Audit Reports of Autonomous Bodies and placement of Audit Reports before the State Legislature

Several Autonomous Bodies have been set up by the State Government. The audit of accounts of 14 autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix-1.3**.

The accounts of HP Building and Construction Workers Welfare Board, Shimla were late by 10 months for the year 2012-13 whereas the delay in respect of other bodies ranged between one month and four months. The accounts for the year 2013-14 in respect of all the 14 bodies had not been furnished as of August 2014. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest.

Separate Audit Reports (SARs) of 13 Autonomous Bodies issued by Audit for the year 2011-12 have been placed before the legislature except for the HP Building and other Construction Workers Welfare Board. One SAR⁵ has been issued for the year 2012-13 and the same has been placed before the Legislature. SARs for all 14 bodies for 2013-14 are pending due to non-furnishing of accounts for the year 2013-14.

1.13 Year-wise details of reviews and paragraphs appeared in Audit Report

The year-wise details of reviews and paragraphs that appeared in the Audit Report for the last two years alongwith their money value is given in **Table-1.7**.

Table-1.7
Details regarding reviews and paragraphs appeared in Audit Report during 2011-13

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money value (₹ in crore)	Number	Money value (₹ in crore)	Performance Audit	Draft paragraphs
2011-12	2	731.33	19	176.52	2	1
2012-13	3	579.78	22	679.17	1	7

During 2013-14, four Performance Audits and 26 Audit paragraphs were issued to the State Government. However, reply in respect of only two paragraphs was received from Government.

Four performance audits and 23 Audit paragraphs involving money value of ₹ 2049.77 crore⁶ have been included in this Report. Replies, wherever received, have been incorporated at appropriate places.

⁵ Himachal Pradesh State Veterinary Council, Shimla.

⁶ Performance Audit: ₹ 1879.92 crore and Audit paragraphs: ₹ 169.85 crore.