

# **Chapter-I**

## **Introduction**



## CHAPTER-I INTRODUCTION

### 1.1 Budget profile

There are 53 departments and 67 autonomous bodies in the State. During 2017-18, against overall budget estimate of ₹ 41,244 crore, there was expenditure of ₹ 47,855 crore. The position of budget estimates and expenditure by the State Government during 2013-18 is given in **Table-1.1** below:

**Table-1.1: Budget and Expenditure of the State Government during 2013-18**

(₹ in crore)

Particulars	2013-14		2014-15		2015-16		2016-17		2017-18	
	Budget Estimates	Expenditure	Budget Estimates	Expenditure						
<b>Revenue Expenditure</b>										
General Services	7,196	7,047	8,344	7,604	9,207	8,788	10,135	9,728	11,230	11,009
Social Services	7,117	6,706	7,913	7,451	9,676	7,980	11,388	9,610	11,884	10,337
Economic Services	4,873	3,590	5,413	4,723	6,407	5,525	7,314	5,996 <sup>1</sup>	7,734	5,697
Grants-in-aid & contributions	3	9	3	9	5	10	5	10	9	10
<b>Total (1)</b>	<b>19,189</b>	<b>17,352</b>	<b>21,673</b>	<b>19,787</b>	<b>25,295</b>	<b>22,303</b>	<b>28,842</b>	<b>25,344</b>	<b>30,857</b>	<b>27,053</b>
<b>Capital Expenditure</b>										
Capital Outlay	2,104	1,856	1,993	2,473	2,991	2,864	3,241	3,499	3,531	3,756
Loans and advances disbursed	342	531	367	474	397	463	428	3,290	448	503
Repayment of Public Debt	1,714	1,704	1,511	8,260	1,503	3,948	2,229	3,943	3,105	3,500
Contingency Fund	--	--	--	--	--	--	--	--	--	--
Public Accounts disbursements	2,828	9,227	2,978	8,844	2,978	10,577	3,103	12,351	3,303	13,043
Closing Cash balance	--	(-) 887	--	(-) 739	--	216	--	316	--	183
<b>Total (2)</b>	<b>6,988</b>	<b>12,431</b>	<b>6,849</b>	<b>19,312</b>	<b>7,869</b>	<b>18,068</b>	<b>9,001</b>	<b>23,399</b>	<b>10,387</b>	<b>20,985</b>
<b>Grand Total (1+2)</b>	<b>26,177</b>	<b>29,783</b>	<b>28,522</b>	<b>39,099</b>	<b>33,164</b>	<b>40,371</b>	<b>37,843</b>	<b>48,743</b>	<b>41,244</b>	<b>48,038</b>

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

### 1.2 Application of resources of the State Government

The total expenditure<sup>2</sup> of the State increased from ₹ 19,739 crore to ₹ 31,312 crore during 2013-18 while revenue expenditure increased by 56 *per cent* from ₹ 17,352 crore in 2013-14 to ₹ 27,053 crore in 2017-18. Non-Plan revenue expenditure increased by 56 *per cent* from ₹ 14,965 crore to ₹ 23,281 crore and capital expenditure increased by 102 *per cent* from ₹ 1,856 crore to ₹ 3,756 crore during 2013-18.

The revenue expenditure constituted 79 to 88 *per cent* of the total expenditure during the years 2013-18 and capital expenditure nine to 12 *per cent*. During this period, total

<sup>1</sup> It included compensation of ₹ 446.96 crore to Renukaji Bandh displaced people.

<sup>2</sup> Total expenditure includes revenue expenditure, capital outlay and loans and advances.

expenditure increased at an annual average rate of 11 *per cent* whereas revenue receipts grew at an annual average of 12 *per cent*.

### **1.3 Funds transferred directly to State implementing agencies**

During 2017-18, Government of India (GoI) directly transferred ₹ 901.83 crore to various State implementing agencies in spite of Central Government decision to route these funds through State budget from 2014-15. Consequently, these amounts remained outside the scope of the annual accounts (Finance Accounts and Appropriation Accounts).

### **1.4 Grants-in-aid from Government of India**

The grants-in-aid received from GoI during 2013-18 are depicted in **Table-1.2** below:

**Table-1.2: Grants-in-aid from Government of India**

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	2,025	1,199	8,524	8,877	--
Grants for State Plan Schemes	3,765	4,333	756	1,188	--
Grants for Central Plan Schemes	17	31	38	44	--
Grants for Centrally Sponsored Schemes	507	1,615	1,978	3,055	3,590
Finance Commission Grant	--	--	--	--	8,889
Other Transfer/ Grants to State/ Union Territories with Legislature	--	--	--	--	615
<b>Total</b>	<b>6,314</b>	<b>7,178</b>	<b>11,296</b>	<b>13,164</b>	<b>13,094</b>
Percentage of increase/ decrease over previous year	(-) 13.66	13.68	57.37	16.54	(-) 0.53
Percentage of Revenue Receipts	40	40	48	50	48

Total grants-in-aid from GoI increased from ₹ 6,314 crore in 2013-14 to ₹ 13,094 crore in 2017-18. Its percentage to revenue receipts ranged between 40 and 50 during 2013-18.

### **1.5 Planning and conduct of Audit**

The audit process commences with a risk assessment of various departments, autonomous bodies, schemes/ projects that includes an assessment of the criticality/ complexity of activities, level of delegated financial powers, internal controls, 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 Reports containing audit findings are issued to the heads of the offices 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 and submitted to the Governor of Himachal Pradesh under Article 151 of the Constitution of India.

During 2017-18, compliance audit of 1,203 drawing and disbursing officers of the State and 67 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Himachal Pradesh. Besides, four performance audits were also conducted.

### 1.6 Response of Government to Audit Report

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

As per Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft performance audits/ draft paragraphs proposed for inclusion in the Audit Reports within six weeks. Draft reports and paragraphs proposed for inclusion in the Report are also forwarded to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on four performance audits and 26 audit paragraphs were forwarded to the concerned Administrative Secretaries. The matter was also brought to the notice of the State Chief Secretary in December 2018. Replies were received in the case of four performance audits and 22 audit paragraphs.

### 1.7 Recoveries at the instance of Audit

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

Against recovery of ₹ 172.54 crore pointed out in 5,607 cases, the DDOs concerned had accepted recovery of ₹ 167.29 crore in 5,554 cases, however, recovery of ₹ 5.99 crore in 2,332 cases only was effected during 2017-18 as detailed in **Table-1.3** below:

**Table-1.3: Recoveries pointed out by Audit and accepted /effected by Departments during 2017-18**

(₹ in crore)

Department	Particulars of recoveries noticed	Recoveries pointed out in audit during 2017-18		Recoveries accepted during 2017-18		Recoveries effected during 2017-18	
		Number of cases	Amount involved	Number of cases	Amount involved	Number of cases	Amount involved
Miscellaneous Departments	Overpayment, outstanding advances, etc.	5,607	172.54	5,554	167.29	2,332	5.99

## **1.8 Lack of responsiveness of Government to Audit**

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 inspection Reports (IRs). Based on the results of test audit, 36,647 audit observations contained in 8,745 IRs outstanding as on 31<sup>st</sup> March 2018 are given in **Table-1.4** below:

**Table-1.4: Outstanding Inspection Reports/ Paragraphs**

(₹ in crore)

Sl. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1.	Social Sector	6,159	27,142	17,060
2.	General Sector	1,324	5,850	1,841
3.	Economic Sector (Non-PSUs)	1,262	3,655	7,243
	<b>Total</b>	<b>8,745</b>	<b>36,647</b>	<b>26,144</b>

A detailed review of 138 IRs issued to 73 Drawing and Disbursing Officers (DDOs) upto September 2017 pertaining to Social Justice and Empowerment Department showed that 285 paragraphs having financial implications of about ₹ 230.05 crore remained outstanding for settlement at the end of 31 March 2018. Of these, the oldest item pertained to IR issued during the year 1978-79. The year-wise position of these outstanding IRs and paragraphs is detailed in **Appendix-1.1** and types of irregularities in **Appendix-1.2**.

The departmental officers failed to take action on observations contained in IRs within the prescribed time frame resulting in erosion of accountability. It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

## **1.9 Follow-up on Audit Reports**

According to the Rules and Procedure for the Committee on Public Accounts, all administrative departments were to initiate *suo motu* action on all audit paragraphs and performance audits 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 are 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 non-receipt of Action Taken Notes (ATNs) on the paragraphs included in the Audit Reports upto the period ended 31 March 2017 as on 31 August 2018 is given in **Table-1.5** below:

**Table-1.5: Position regarding non-receipt of ATNs on the paragraphs included in the Audit Reports**

Audit Report	Year	Department(s)	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 <sup>st</sup> August 2018
Social, General and Economic Sectors (Non-PSUs)	2011-12	Revenue	09/04/2013	08/07/2013	01
	2012-13	Tribal Development	21/02/2014	20/05/2014	01
	2013-14	Health and Family Welfare	10/04/2015	09/07/2015	02
		Tribal Development			01
		Medical Education and Research			01
	2014-15	SC, OBC and Minority Affairs	07/04/2016	06/07/2016	01
		Revenue			01
	2015-16	Public Works	31/03/2017	30/06/2017	02
		Home			02
		IPH			03
		Fisheries			01
		Planning			01
	2016-17	Revenue	05/04/2018	04/07/2018	01
		Miscellaneous Departments (Except Agriculture, IPH and Industries)			--
State Finances	2016-17	Finance and Miscellaneous Departments	05/04/2018	04/07/2018	All Chapters

### 1.10 Year-wise details of performance audits and paragraphs appeared in Audit Reports

The year-wise details of performance audits and paragraphs that appeared in the Audit Reports for the last three years alongwith their money value is given in **Table-1.6** below:

**Table-1.6: Performance audits and Paragraphs that appeared in Audit Reports 2014-17** (₹ in crore)

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money value	Number	Money value	Performance Audits	Paragraphs
2014-15	4	1,389.83	28	653.39	--	3
2015-16	5	343.99	13	67.62	--	4
2016-17	4	318.11	26	595.88	--	5

During 2017-18, two performance audits and 21 Audit Paragraphs were issued to the State Government. Replies in respect of two performance audits and 20 draft paragraphs were received from the Government.

Two Performance Audits involving money value of ₹ 341.17 crore and 21 audit paragraphs involving ₹ 114.52 crore have been included in this Report. Replies wherever received have been suitably incorporated in the Report.

