

Chapter-I
Introduction

CHAPTER-I INTRODUCTION

1.1 Budget and application of resources

There are 46 departments and 50 autonomous bodies in the State. The status of budget estimates and actual expenditure by the State Government during 2014-19 is given in **Table-1.1** below:

Table-1.1: Budget and Expenditure of the State Government during 2014-19

(₹ in crore)

| Particulars | 2014-15 | | 2015-16 | | 2016-17 | | 2017-18 | | 2018-19 | |
|-------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | Budget Estimates | Actuals |
| Revenue Expenditure | | | | | | | | | | |
| General Services | 8,344 | 7,604 | 9,207 | 8,788 | 10,135 | 9,728 | 11,230 | 11,009 | 13,331 | 11,438 |
| Social Services | 7,913 | 7,451 | 9,676 | 7,980 | 11,388 | 9,610 | 11,884 | 10,337 | 13,488 | 11,482 |
| Economic Services | 5,413 | 4,723 | 6,407 | 5,525 | 7,314 | 5,996 | 7,734 | 5,697 | 9,082 | 6,512 |
| Others | 3 | 9 | 5 | 10 | 5 | 10 | 9 | 10 | 11 | 10 |
| Total (1) | 21,673 | 19,787 | 25,295 | 22,303 | 28,842 | 25,344 | 30,857 | 27,053 | 35,912 | 29,442 |
| Capital Expenditure | | | | | | | | | | |
| Capital Outlay | 1,993 | 2,473 | 2,991 | 2,864 | 3,241 | 3,499 | 3,531 | 3,756 | 4,298 | 4,583 |
| Loans and advances disbursed | 367 | 474 | 397 | 463 | 428 | 3,290 | 448 | 503 | 448 | 468 |
| Repayment of Public Debt | 1,511 | 8,260 | 1,503 | 3,948 | 2,229 | 3,943 | 3,105 | 3,500 | 3,184 | 4,673 |
| Public Accounts disbursements | 2,978 | 8,844 | 2,978 | 10,577 | 3,103 | 12,351 | 3,303 | 13,043 | 3,303 | 14,493 |
| Closing Cash balance | -- | (-) 739 | -- | 216 | -- | 316 | -- | 183 | -- | 53 |
| Total (2) | 6,849 | 19,312 | 7,869 | 18,068 | 9,001 | 23,399 | 10,387 | 20,985 | 11,233 | 24,270 |
| Grand Total | 28,522 | 39,099 | 33,164 | 40,371 | 37,843 | 48,743 | 41,244 | 48,038 | 47,145 | 53,712 |

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

During 2014-19, the total expenditure¹ of the State increased from ₹ 22,734 crore to ₹ 34,493 crore at an annual average rate of 12 per cent. Revenue expenditure increased by 49 per cent from ₹ 19,787 crore to ₹ 29,442 crore and capital expenditure increased by 85 per cent from ₹ 2,473 crore to ₹ 4,583 crore. During 2014-19, revenue expenditure constituted 79 to 87 per cent and capital expenditure 11 to 13 per cent of the total expenditure.

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

1.2 Grants-in-aid from the Government of India

The Grants-in-aid (GIA) from the Government of India (GoI) increased from ₹ 7,178 crore in 2014-15 to ₹ 15,117 crore in 2018-19 and by ₹ 2,023 crore (15 per cent) in 2018-19 over the previous year, as shown in **Table 1.2**

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

(₹ in crore)

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|--|--------------|---------------|---------------|---------------|---------------|
| Non-Plan Grants | 1,199 | 8,524 | 8,877 | -- | -- |
| Grants for State Plan Schemes | 4,333 | 756 | 1,188 | -- | -- |
| Grants for Central Plan Schemes | 31 | 38 | 44 | -- | -- |
| Grants for Centrally Sponsored Schemes | 1,615 | 1,978 | 3,055 | -- | -- |
| Centrally Sponsored Schemes | -- | -- | -- | 3,590 | 4,010 |
| Finance Commission Grant | -- | -- | -- | 8,889 | 8,831 |
| Other Transfer/ Grants to State/ Union Territories with Legislature | -- | -- | -- | 615 | 2,276 |
| Total | 7,178 | 11,296 | 13,164 | 13,094 | 15,117 |
| Percentage of increase/ decrease over previous year | 13.68 | 57.37 | 16.54 | (-) 0.53 | 15.45 |

(Source: Finance Accounts for the respective years) *Finance Commission Grants include post devolution revenue deficit grant, grants for local bodies and SDRF which was earlier depicted as Non-plan grants in State Accounts.

In addition, the GoI has been transferring substantial funds directly to the State implementing agencies for implementation of various schemes. The GoI decided to route these funds through State Budget from 2014-15 onwards. However, during 2018-19, the GoI transferred ₹ 962.08 crore directly to various implementing agencies/Non-Government Organisations of the State (**Appendix-1.1**).

1.3 Persistent savings

During the last five years, in 20 grants there were 24 cases where persistent savings occurred (₹ one crore or more in each case) (**Appendix-1.2**) out of which three cases (₹ 100 crore or more in each case) are depicted in the **Table-1.3** below:

Table 1.3: List of grants with substantial persistent savings during 2014-19

(₹ in crore)

| Sl. No. | Grant number and name | Amount of Savings | | | | |
|----------------------|------------------------------|-------------------|----------|---------|---------|---------|
| | | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Revenue-Voted | | | | | | |
| 1. | 08-Education | 385.37 | 1,076.22 | 864.96 | 665.02 | 955.16 |
| 2. | 09-Health and Family Welfare | 151.89 | 366.81 | 295.90 | 211.66 | 330.85 |
| 3. | 20-Rural Development | 109.86 | 228.23 | 121.61 | 402.93 | 383.93 |

Source: Appropriation Accounts of respective years.

1.4 Planning and conduct of Audit

The audit process commences with a risk assessment of various departments, autonomous bodies, schemes/ projects, considering 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 scope of audit is decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Reports (IRs) containing audit findings are issued to the heads of the offices with request to furnish replies within four weeks. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India and these Audit Reports are submitted to the Governor of Himachal Pradesh under Article 151(2) of the Constitution of India.

During 2018-19, compliance audit of 1,086 drawing and disbursing offices of the State and 21 autonomous bodies was conducted by the Office of the Principal Accountant General (Audit), Himachal Pradesh under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. In addition, two² performance audits were also conducted and forwarded to the concerned Administrative Secretaries.

1.5 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 were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action, under intimation to audit.

Against recovery of ₹ 3.85 crore pointed out in 4,400 cases, the DDOs concerned had accepted recovery of ₹ 2.83 crore in 4,372 cases, however, recovery of ₹ 1.04 crore in 2,794 cases only was effected during 2018-19 as detailed in **Table-1.4** below:

Table-1.4: Recoveries pointed out by Audit and accepted / effected by the departments

(₹ in crore)

| Department | Particulars of recoveries noticed | Recoveries pointed out in audit during 2018-19 | | Recoveries accepted during 2018-19 | | Recoveries effected during 2018-19 | |
|---------------------------|--|--|-----------------|------------------------------------|-----------------|------------------------------------|-----------------|
| | | Number of cases | Amount involved | Number of cases | Amount involved | Number of cases | Amount involved |
| Miscellaneous Departments | Overpayment of pay, medical reimbursement etc. | 4,400 | 3.85 | 4,372 | 2.83 | 2,794 | 1.04 |

² Working of Horticulture Department and Solid Waste Management in Urban Areas.

1.6 Lack of responsiveness of the 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). However, 38,630 audit observations contained in 8,853 IRs were outstanding as on 31st March 2019 as given in **Table-1.5** below:

Table-1.5: Outstanding Inspection Reports/ Paragraphs

(₹ in crore)

| Sl. No. | Name of Sector | Inspection Reports | Paragraphs | Amount involved |
|---------|----------------------------|--------------------|---------------|-----------------|
| 1. | Social Sector | 6,136 | 28,313 | 36,017 |
| 2. | General Sector | 1,447 | 6,555 | 8,044 |
| 3. | Economic Sector (Non-PSUs) | 1,270 | 3,762 | 7,451 |
| | Total | 8,853 | 38,630 | 51,512 |

A detailed review of the IRs issued to 105 Drawing and Disbursing Officers (DDOs) upto September 2018 pertaining to Rural Development Department, indicated that 1,437 paragraphs issued through 414 IRs and having financial implications of about ₹ 1,339.30 crore remained outstanding as on 31 March 2019. Of these, 410 paragraphs of 218 IRs having financial implication of ₹ 135.26 crore pertained to the period 1975-2009. The year-wise status of these outstanding IRs and paragraphs is detailed in **Appendix-1.3** and the types of irregularities are indicated in **Appendix-1.4**.

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 should ensure prompt and proper response to audit observations.

1.7 Follow-up on Audit Reports

According to the Rules and Procedure for the Public Accounts Committee, all administrative departments were to initiate *suo moto* action on all compliance 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 status regarding non-receipt of Action Taken Notes (ATNs) on the paragraphs included in the Audit Reports upto the period ended 31 March 2019, as on

31 March 2020 is given in **Table-1.6** below:

Table-1.6: Status 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 st March 2020 |
|---|---------|---------------------------------------|---|------------------------------|--|
| Social, General and Economic Sectors (Non-PSUs) | 2012-13 | Tribal Development | 21.02.2014 | 20.05.2014 | 01 |
| | 2013-14 | Health and Family Welfare | 10.04.2015 | 09.07.2015 | 01 |
| | | Tribal Development | | | 01 |
| | 2014-15 | SC, OBC and Minority Affairs | 07.04.2016 | 06.07.2016 | 01 |
| | 2015-16 | Home | 31.03.2017 | 30.06.2017 | 02 |
| | | IPH | | | 03 |
| | 2016-17 | Information Technology | 05.04.2018 | 04.07.2018 | 01 |
| | | Horticulture | | | 01 |
| | | Home | | | 01 |
| | 2017-18 | Miscellaneous Departments | 14.12.2019 | 13.03.2020 | -- |
| State Finances | 2017-18 | Finance and Miscellaneous Departments | 14.12.2019 | 13.03.2020 | All Chapters |

1.8 Non-submission of Accounts / Separate Audit Reports (SARs) of Autonomous Bodies and placement of SARs before the State Legislature

Audit of accounts in respect of 14 Autonomous Bodies in the State has been entrusted to the Comptroller and Auditor General of India. Out of 14 Autonomous Bodies, only three (Himachal Pradesh Legal Services Authority, Shimla; District Legal Services Authority, Shimla and District Legal Services Authority, Solan) had submitted their accounts for the year 2018-19. The remaining 11 entities had not submitted their accounts, despite delay of one year as of September 2019. Details of period upto which accounts were rendered, issuance of Separate Audit Reports and their placement in the State Legislature are given in **Appendix-1.5**.

1.9 Year-wise details of performance audits and paragraphs included in Audit Reports

As per the Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to performance audit reports/ compliance audit paragraphs within six weeks.

Year-wise detail of performance audits and compliance audit paragraphs included in the Audit Reports for the last three years, along with their money value, is given in **Table-1.7** below:

Table-1.7: Performance audits and Compliance Audit Paragraphs that appeared in Audit Reports 2015-18

(₹ in crore)

| Year | Performance Audits | | Compliance Audit Paragraphs | | Replies received | |
|---------|--------------------|-------------|-----------------------------|-------------|--------------------|------------|
| | Number | Money value | Number | Money value | Performance Audits | Paragraphs |
| 2015-16 | 5 | 343.99 | 13 | 67.62 | -- | 4 |
| 2016-17 | 4 | 318.11 | 26 | 595.88 | -- | 5 |
| 2017-18 | 2 | 341.17 | 21 | 114.52 | 2 | 20 |

The matter regarding furnishing of replies was taken up with the concerned Secretaries of the departments and also brought to the notice of the Chief Secretary in October 2020. The status of replies received in respect of Audit Reports 2015-18 is shown in the foregoing **Table 1.7**.

The current Audit Report for the year ended 31 March 2019 includes two performance audits (₹ 116.09 crore) and 14 compliance audit paragraphs (₹ 86.92 crore) involving a total money value ₹ 203.01 crore. Replies were received in the case of one performance audit (Solid Waste Management in Urban Areas) and nine compliance audit paragraphs (December 2020) which have been suitably incorporated in this Report.