

CHAPTER-IV
QUALITY OF ACCOUNTS AND
FINANCIAL REPORTING PRACTICES

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A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Non-discharge of liability in respect of interest towards interest bearing deposits/ Reserve Funds

The Government has a liability to provide and pay interest on the amounts in the Interest-bearing Deposits/Reserve Funds.

Audit observed that ₹ 4.75 crore were required to be paid as interest on the balance of ₹ 64.09 crore lying under interest bearing deposits/Reserve Funds as on 1 April 2022 as shown in **Table 4.1**. Non-payment of interest liability has resulted in understatement of revenue deficit and fiscal deficit to that extent.

Table 4.1: Details of non-discharge of liability in respect of interest towards interest bearing deposits/Reserve Funds

(₹ in crore)

Sr. No.	Name/Head of the interest bearing deposit	Opening Balance as on 1 April 2022	Basis for calculation of interest	Amount of interest not provisioned
1.	Defined Contribution Pension Scheme for Government Employees	14.30	Interest calculated at the rate of 7.10 per cent as per interest notified by the Government/ General Provident Fund.	1.02
2.	State Disaster Response Fund	49.79	Interest calculated at the rate of 7.49 per cent taking into account of average rate of overdraft during 2022-23.	3.73
Total		64.09		4.75

Source: Finance Accounts.

4.2 Funds transferred directly to State implementing agencies

The Government of India (GoI) has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. GoI decided to route these funds through the State Budget from 2014-15 onwards. However, during the year 2022-23, ₹ 2,938.36 crore under 39 Central Schemes (including Centrally Sponsored Schemes) as detailed in **Appendix 4.1** was transferred directly to the implementing agencies in the State bypassing the Consolidated Fund of the State. This constituted

7.71 per cent and 17.56 per cent of total revenue receipts (₹ 38,089.50 crore) and Grants-in-Aid (₹ 16,733.93 crore) respectively. During the year 2022-23, Centrally Sponsored Schemes, where funds transferred directly exceeded ₹ 500 crore were Jal Jeevan Mission (JJM) (₹ 1,345.34 crore) and Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGP) (₹ 662.32 crore).

The State Government accounts for the year 2022-23 depicts only ₹ 4,736.66 crore under Central share of Centrally Sponsored Schemes. Besides contracting the budget and expenditure of the State Government to the extent of ₹ 2,938.36 crore, the assets created and expenditure for the public were out of the State Government accounts making them incomplete.

Issues related to transparency

4.3 Delay in submission of Utilisation Certificates

Rule 157 of HPFR 2009 prescribes that institutions or organisations receiving grants shall furnish audited utilisation certificate to the Government after utilisation of grants-in-aid. Utilisation Certificates (UCs) outstanding beyond the specified periods indicate absence of assurance on utilisation of the grants for intended purposes and the expenditure shown in the accounts to that extent cannot be treated as final. A total number of 4,106 UCs amounting to ₹ 4,242.51 crore were pending as of March 2023 (Appendix 4.2). The age-wise and year-wise arrears in submission of UCs are summarised in Tables 4.2 and 4.3.

Table 4.2: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)

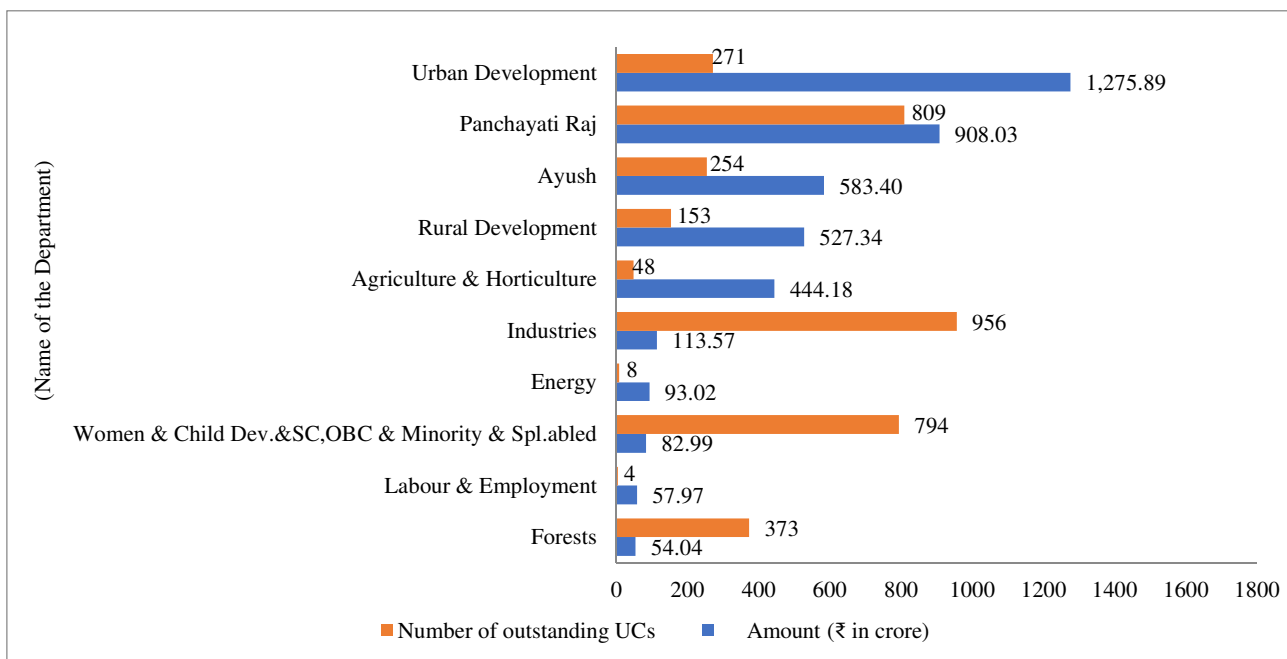
Year	Opening Balance		Clearance		Due for submission	
	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount
Up to 2020-21	1,796	2,359.16	755	1,722.97	1,041	636.19
2021-22	1,823	2,392.99	604	1,340.26	1,219	1,052.73
2022-23	17,267	4,980.79	15,421	2,427.20	1,846	2,553.59
Total	20,886	9,732.94	16,780	5,490.43	4,106	4,242.51

Source: Compiled from the information provided by the PAG (A&E), Himachal Pradesh.

Note: UCs for GIA disbursed during 2021-22 become due only during 2022-23 i.e., the year mentioned above relates to "Due year" i.e., after 12 months of actual withdrawal.

Table 4.3: Year-wise break-up of outstanding UCs

Year in which GIA transferred	Number of outstanding UCs	Amount (₹ in crore)
2016-17	80	31.15
2017-18	153	80.13
2018-19	400	269.74
2019-20	408	255.17
2020-21	1,219	1,052.73
2021-22	1,846	2,553.59
Total	4,106	4,242.51

Chart 4.1: Outstanding UCs in respect of 10 major departments as on 31 March 2023

From **Chart 4.1**, it is evident that ₹ 3,738.84 crore i.e., 88.13 *per cent* of the total outstanding UCs (₹ 4,242.51 crore) pertains to five departments viz., - Urban Development (30.07 *per cent*, ₹ 1,275.89 crore), Panchayati Raj (21.40 *per cent*, ₹ 908.03 crore), Ayush (13.75 *per cent*, ₹ 583.40 crore), Rural Development (12.43 *per cent*, ₹ 527.34 crore) and Agriculture & Horticulture departments (10.47 *per cent*, ₹ 444.18 crore). However, out of the total 4,106 outstanding UCs for grants of ₹ 4,242.51 crore, 2,260 UCs for grants of ₹ 1,688.92 crore pertained to the period from 2016-17 to 2020-21.

Out of 2,253 UCs amounting to ₹ 2,498.27 crore outstanding as of August 2023 under the following seven departments, 601 UCs amounting to ₹ 1,426.53 crore (37.15 *per cent*) were selected for substantive audit/ test-check during 2022-23:

- (i) Urban Development (81 UCs - ₹ 744.54 crore),
- (ii) Panchayati Raj (91 UCs - ₹ 491.24 crore),
- (iii) Rural Development (75 UCs - ₹ 101.23 crore),
- (iv) Health and Family Welfare (41 UCs - ₹ 41.18 crore),
- (v) Women and Child Development (State Women's Commission) (265 UCs - ₹ 18.77 crore),
- (vi) Horticulture (12 UCs - ₹ 18.10 crore) and
- (vii) Language, Art and Culture (36 UCs - ₹ 11.47 crore).

During test-check of these seven departments, it was noticed that out of 601 UCs amounting to ₹ 1,426.53 crore, 387 UCs amounting to ₹ 323.24 crore had been fully or partially utilised with supporting documents (i.e., sub-vouchers, bills etc.). The remaining 214 UCs amounting to ₹ 1,103.29 crore were also partially/fully utilised/adjusted but supporting documents were not available with the department. The UCs to the extent of the utilised amount were being sent by the grantees (implementing/

executing agencies) to the Heads of Department (HoDs) as and when the work got completed. However, at the HoDs level, the UCs and amount of grant utilised by the grantees are not being reconciled/ co-related with the sanctioned grant. Further, in these cases the HoDs did not forward the UCs to the Pr. Accountant General (A&E), as a result of which these UCs are shown as outstanding in the Accounts. This is also due to lack of monitoring and reconciliation of position of grants at various levels.

In addition to the above, following points also emerged from the substantive/ test-check of records of the above departments:

- There is no provision mentioned in the HPFR, 2009 that the UCs should, after verification, be sent to Pr. Accountant General (A&E).
- Sanctions were found incomplete to the extent that in the test-checked UCs which had the supporting documents, the sanction orders did not have mention of (i) whether the UCs were required to be submitted or not, (ii) periodicity of submission of UCs, and (iii) whether grants were recurring or non-recurring.
- Lack of correlation/ reconciliation was noticed between the total grants extended to the grantees (implementing/executing agencies) and the UCs of partial grant utilised as received in the department. This is due to submission of UCs for partial grant without any supporting documents.

The status of outstanding UCs should be monitored closely by the Heads of Departments (HoDs) and the same reconciled with the office of the Pr. Accountant General (A&E), to ensure submission of UCs in a time bound manner.

4.4 Abstract Contingent bills

Rule 183(3)(V) of Himachal Pradesh Treasury Rules 2017 envisages that no moneys should be drawn from government treasury unless it is required for immediate disbursement. In emergent circumstances, Drawing and Disbursing Officers (DDOs) are authorised to draw sums of money through bills by debiting Service Heads. Rule 187 further provides that advance withdrawals shall be permitted for emergent circumstances on Abstract Contingent (AC) bills to be drawn by DDOs as specified by the Finance Department for reasons to be recorded in writing. At a time, only one advance can be granted/ passed by District Treasury Officer / Treasury Officer (DTO/TO). It shall be the responsibility of the DDO concerned to get the advance adjusted during the same financial year in which it is drawn. The DTO/TO shall enter advances separately in the advance register. They shall monitor that these are accounted for within the same financial year through Detailed Contingent (DC) bills to Principal Accountant General (A&E). The advance payment register shall be operated continuously and shall be maintained till all advances entered in it are fully recovered/ adjusted. Delayed submission or prolonged non-submission of DC bills may affect the completeness and correctness of accounts.

After repeated correspondence with the State Government, the State Government w.e.f. October 2022, implemented a mechanism for distinct identification and codification for drawing advances through AC bills and adjustments thereof through DC bills.

It has been observed that a total of 245 AC bills amounting to ₹ 13.77 crore were drawn during 2022-23 (from October 2022), out of which 49 AC bills (20 per cent) amounting to ₹ 0.15 crore were drawn in March 2023. Out of total bills drawn in March 2023, four AC bills amounting to ₹ 0.16 lakh were drawn on the last day of March. One AC bill amounting to ₹ 0.02 crore drawn by office of Modern Central Jail, Nahan, (District Sirmour), Himachal Pradesh which was pending for adjustment/ DC bill as on 31 March 2023, has been adjusted/ settled as of August 2023.

4.5 Personal Ledger/Deposit Accounts

Rules 69 and 70 of the Himachal Pradesh Financial Rules 2009 provide that the Personal Ledger Account shall be authorised to be opened by an order of the Finance Department in consultation with the Accountant General. Such special order or permission shall be issued or granted by the Finance Department after it is satisfied that the initial accounts of the moneys to be held in a Personal Ledger Account and disbursed are maintained properly and the same are subject to audit. Every Personal Ledger Account so authorised to be opened shall form part of the Public Account of the Government.

As at the end of 2022-23, an amount of ₹ 1.76 crore remained as unspent balance in 68 Personal Deposit (PD) Accounts (**Appendix 4.3**). The status of PD accounts at the close of the financial year 2022-23 is depicted in **Table 4.4** below:

Table 4.4: Status of PD accounts (MH 8443-106) as on 31 March 2023

(₹ in crore)

PD Accounts as on 01.4.2022		Additions during the year		Close/ withdrawal during the year		Closing balance as on 31.03.2023		Operative Accounts		Inoperative Accounts	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
106	1.74	1	0.65*	39**	0.63**	68	1.76	64	1.61	4	0.15

* Out of total receipts of deposit of ₹ 1.01 crore (including one new account having amount ₹ 4,900/-), ₹ 0.36 crore were lapsed deposits.

** Deposit accounts pertaining to Major Head 8448-109-Panchayat Bodies Funds (38 PD accounts: ₹ 0.03 crore) & 8448-106 Funds of ICAR (1 PD account: Nil amount) amounting to ₹ 0.03 crore have been separated from the list of PDAs and maintained in a separate list as they do not fall under the category/ classification of PD accounts. In addition, ₹ 0.60 crore were utilised/withdrawn during the year.

Out of a total of 68 PD accounts, 64 PD accounts were operative whereas four PD accounts were inoperative for more than three years. Further, one PD account was opened, and 39 PD accounts were closed during the year as these PD accounts did not fall under the category/ classification of PD accounts.

Further, Rule 200(4) of Himachal Pradesh Treasury Rules 2017 provides that a certificate from the Administrator of every Personal Deposit/ Ledger Account to the effect that the balances claimed are of the same amount and agree with the treasury figures, shall be obtained at the closing of the year. In compliance with the above rule, out of 68 Administrators, 66 Administrators had reconciled and verified their balances with the Treasury and furnished annual verification certificates to the Treasury Officer/

Pr. Accountant General (A&E) whereas two Administrators (Assistant Commissioner to District Commissioner, Kangra and Sub-Divisional Officer, Dodra Kwar) had not reconciled and verified their balances with the treasury figures. However, both these accounts have nil balances.

Unspent balances lying in PD Accounts meant that there was overstatement of expenditure to the extent of the balances. Non-reconciliation of Personal Deposit Accounts periodically and unspent balances lying in Personal Deposit Accounts, entails the risk of misuse of public funds.

4.6 Indiscriminate use of Minor Head-800

Minor Head-800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged since it renders the accounts opaque. Classification of large amounts under the omnibus Minor Head-800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

It was observed that during 2022-23, the expenditure booked under the Minor Head-800-Other Expenditure had decreased to ₹ 654.61 crore, constituting 1.30 *per cent* (5.34 *per cent* during 2021-22) of the total revenue and capital expenditure (₹ 50,454.15 crore), under 28 Major Heads of account from ₹ 2,255.53 crore under 41 Major Heads during 2021-22 (**Appendix 4.4**), out of which substantial expenditure (20 *per cent* and above) had been booked under Minor Head-800-Other Expenditure under 11 Major Heads of account. Further, in terms of amount, 62 *per cent* bookings have been made in the following four Major Heads - MH-2230: ₹ 138.89 crore, MH-2235: ₹ 99.05 crore, MH-4851: ₹ 111.86 crore and MH-5452: ₹ 58.88 crore).

However, during 2022-23, the booking of receipts under 800 - Other Receipts under 46 Major Heads of Account had increased to ₹ 2,289.91 crore from ₹ 1,957.37 crore over the previous year (**Appendix 4.5**). This constituted 6.01 *per cent* (5.25 *per cent* during 2021-22) of the total revenue and capital receipts (₹ 38,102.09 crore). Out of these 46 Major Heads, substantial receipts (20 *per cent* and above) had been booked under the Minor Head 800-Other Receipts in 30 Major Heads. Further, in terms of amount, 84 *per cent* had been booked under the following four Major Heads – MH-0039: ₹ 107.46 crore, MH-0045: ₹ 220.53 crore, MH-0801: ₹ 1,428.28 crore and MH-1054: ₹ 169.53 crore. MH-0801 - Power alone accounts for 62 *per cent* of such bookings.

Issues related to measurement

4.7 Outstanding balances under major Suspense and DDR heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Significant suspense items have been shown as gross debit and credit balances for the last three years, in **Table 4.5**.

Table 4.5: Balances under Suspense and Remittance Heads

₹ in crore)

Head of Account		2020-21		2021-22		2022-23	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658	Suspense Account						
101	Pay and Accounts Office-Suspense	138.83	66.53	133.69	87.07	138.84	82.14
	Net Debit (Dr.) / Credit (Cr.)	72.30 Dr.		46.62 Dr.		56.70 Dr.	
102	Suspense Account-(Civil)	1,854.36	223.31	767.15	271.88	373.26	338.42
	Net Debit (Dr.) / Credit (Cr.)	1,631.05 Dr.		495.27 Dr.		34.84 Dr.	
109	Reserve Bank Suspense-(Headquarters)	0.42	00.37	00.05	00.00	00.05	00.00
	Net Debit (Dr.) / Credit (Cr.)	0.05 Dr.		00.05 Dr.		00.05 Dr.	
110	Reserve Bank Suspense (Central Accounts Office)	2.24	2.26	26.53	00.00	27.32	00.00
	Net Debit (Dr.) / Credit (Cr.)	0.02 Cr.		26.53 Dr.		27.32 Dr.	
112	Tax Deducted at Source (TDS) Suspense	471.25	497.83	00.03	41.60	00.00	81.72
	Net Debit (Dr.) / Credit (Cr.)	26.58 Cr.		41.57 Cr.		81.72 Cr.	
123	A.I.S Officers' Group Insurance Scheme	0.73	0.04	00.81	00.03	00.84	00.03
	Net Debit (Dr.) / Credit (Cr.)	0.69 Dr.		00.78 Dr.		00.81 Dr.	
129	Material Purchase Settlement Suspense Account	81.69	219.46	00.00	234.90	00.00	263.05
	Net Debit (Dr.) / Credit (Cr.)	137.77 Cr.		234.90 Cr.		263.05 Cr.	
8782	Cash Remittance and adjustments between officers rendering account to the same Accounts Officer						
102	Public Works Remittances	6,841.07	7,372.10	00.00	637.47	00.00	477.98
	Net Debit (Dr.) / Credit (Cr.)	531.03 Cr.		637.47 Cr.		477.98 Cr.	
103	Forest Remittances	0.03	16.81	00.00	16.67	00.00	16.67
	Net Debit (Dr.) / Credit (Cr.)	16.78 Cr.		16.67 Cr.		16.67 Cr.	
8793	Inter-State Suspense Account						
101	Inter-State Suspense Account	4.14	0.02	00.03	00.00	00.08	00.00
	Net Debit (Dr.) / Credit (Cr.)	4.12 Dr.		00.03 Dr.		00.08 Dr.	

Source: Finance Accounts.

The Suspense balances (Debit/Credit) under the Minor heads 101-PAO Suspense, 102-Suspense Account (Civil) and 110-Reserve Bank Suspense-Central Accounts Office under Major Head 8658-Suspense Account appearing in the Finance Accounts for the year 2022-23 are detailed below:

Pay and Accounts Office – Suspense (Minor Head 101): This Minor Head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs under the Union Government, PAOs of the Union Territories and the Accountants General. Outstanding debit balance under this Head means that payments have been made by the PAO on behalf of other PAO(s), which are yet to be recovered. The outstanding debit balance (31 March 2023) under this Head increased to ₹ 56.70 crore from ₹ 46.62 crore debit balance of the previous year.

Material Purchase Settlement Suspense Account (Minor Head 129): There was an outstanding credit balance of ₹ 263.05 crore under this minor head as of 31 March 2023. This was on account of pending adjustment in respect of value of material received in advance by the divisions, but the payment is yet to be made. On clearance/ settlement of this amount, the cash balances of the State will increase.

Public Works Remittances (Minor Head 102): There was net credit balance of ₹ 477.98 crore under this head as of 2022-23. On clearance/settlement, the cash

balances of the State Government will increase. The remittances relate to cheques deposited by PWD into Treasury.

Forest Remittances (Minor Head 103): The net credit balance under this head was ₹ 16.67 crore. On clearance/settlement, the cash balance of the State Government will decrease. The remittances relate to cheques issued by Forest Division to the parties.

Huge balances under these Heads (Public Account) at the end of the year distorts the financial position of the State Government to that extent, as these expenditure(s)/ receipt(s) could not be booked to their final heads of account and remained outside the Consolidated Fund of the State.

4.8 Reconciliation of Cash Balances

The Cash Balance of the State Government as on 31 March 2023 as per Accounts of the Principal Accountant General (A&E) was ₹ 89.33 crore (Credit) while the same was reported as ₹ 89.35 crore (Debit) by the Reserve Bank of India (RBI). As such, there was a net un-reconciled difference of ₹ 0.02 crore (Debit).

The difference was mainly due to incorrect reporting of transactions and non-reconciliation of figures by the Agency Banks with the RBI.

4.9 Unspent amount lying with divisional officers

As per Codal provisions, funds received by Public Works Divisions towards Deposit Works from Non-Government Agencies are required to be credited under Minor Head 108 - Public Works Deposits below Major Head 8443 - Civil Deposits. The expenditure for related Deposit Works is also met from the same head of account. In the Monthly Divisional Accounts, un-remitted amount of such deposits are classified under Major Head 8671 -Departmental Balances, 101 - Civil, by the PW Divisions, under Public Account of the State and then form part of the Government Accounts. However, the funds received towards Deposit Works are being kept in the bank accounts of Divisional Officers operated by Public Works Divisions instead of remitting them into Government Account and are thus not forming part of cash balance of the State with Reserve Bank of India.

As on 31 March 2023, as per Finance Accounts, a small amount of ₹ 0.16 crore was lying under Major Head 8671 (Public Accounts).

Issues related to disclosure

4.10 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India (CAG), prescribe the form of accounts of the Union and of the States. On the advice of the CAG, the President of India has so far notified three Indian Government Accounting Standards (IGASs). Compliance to these Accounting Standards by Government of Himachal Pradesh as well as deficiencies therein during 2022-23 is detailed in **Table 4.6**.

Table 4.6: Compliance to Accounting Standards

Sr. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Deficiency
1.	IGAS-1	Guarantees given by the Government - Disclosure requirements	Complied (Statements 9 and 20 of Finance Accounts)	Sector wise details are disclosed in the Statements 9 and 20 of the Finance Accounts.
2.	IGAS-2	Accounting and Classification of Grants-in-aid	Partially complied (Statement 10 of Finance Accounts)	Information regarding the total value of Grants-in-aid given in kind was not provided by the State Government.
3.	IGAS-3	Loans and Advances made by the Government	Complied (Statements 7 and 18 of Finance Accounts)	Details of Loans and Advances made by Government are disclosed in Statements 7 and 18.

Source: Finance Accounts.

4.11 Submission of accounts of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in the fields of Education, Welfare, Law and Justice, Health, etc. Audit of accounts in respect of 18 autonomous bodies/authorities in the State has been entrusted to the Comptroller and Auditor General of India. Audit of these 18 bodies is conducted under section 19(3) of the C&AG's DPC Act and Separate Audit Reports are prepared for the same (**Appendix 4.6**). Details of bodies/authorities whose accounts are in arrears are given in **Table 4.7**.

Table 4.7: Arrears of accounts of Autonomous Bodies as on 31 March 2023

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending
1.	HP Khadi and Village Industries Board	2013-14	9
2.	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2019-20	3
Total			12

Source: Departmental data/information.

It can be seen from the above table that accounts of two bodies/authorities (out of 18) were in arrears for periods ranging between three years and nine years.

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. The State Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.

4.12 Non-submission of details of grants/loans given to bodies and authorities

In order to identify institutions that attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the

Government/ Heads of the Departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, purpose for which such assistance was granted, and the total expenditure of the institutions.

Further, Para 88 of Regulations on Audit and Accounts (Amendments) 2020 provides that the Government and Heads of Departments which sanction grants and/or loans to bodies or authorities shall furnish to the Audit Office, by the end of July every year, a statement of such bodies and authorities to which grants and/or loans aggregating to ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned, and (c) the total expenditure of the body or authority.

The State Government did not furnish information pertaining to grants aggregating to ₹ 10 lakh or more extended to Autonomous Bodies/Authorities in the State of Himachal Pradesh. However, information was sought (September, 2023) by Audit from the bodies/authorities concerned and only two¹ bodies/authorities (out of 35), furnished the information to Audit (**Appendix 4.6**).

Non-furnishing of information by the State Government/Heads of the Department to Audit was in violation of Regulations on Audit and Accounts (Amendments) 2020.

4.13 Departmental Commercial Undertakings/Corporations/Companies

According to Sections 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report should be laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost, similar provisions exist in the respective Acts regulating Statutory Corporations. The above mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and corporations from the Consolidated Fund of the State.

It was observed that 16 Public Sector Undertakings (PSU)/ Corporations whose accounts (46) were in arrears as on 31 March 2023 (one company namely Himachal Worsted Mills Limited, which is under liquidation is not included) were not received upto 30 September 2023, of which six² were loss making (as per their latest/ last accounts). Further, audit noticed that a budgetary support of ₹143.72 crore was provided to two SPSEs during the last three years, despite their accounts being in arrears as detailed in **Table 4.8**.

¹ (i) HP State Milkfed Co-operative, Totu, Shimla (ii) HP State Council for Science, Technology and Environment, Kasumpti, Shimla.

² (i) H.P. State Forest Development Corporation Ltd.; (ii) H.P. Minorities Finance and Development Corporation; (iii) HP Agro-Industrial Packaging India Ltd.; (iv) HP Tourism Development Corporation Ltd; (v) H.P. Power Corporation Ltd and (vi) Sri Naina Devi Ji and Sri Anandpur Sahib ji Ropeway Company Limited.

Table 4.8: Year wise details of Budgetary support to loss making Commercial Undertakings/ Corporations/Companies(*₹ in crore*)

Sr. No.	Name of the Company	Budgetary Support						Total		Grand Total
		2020-21		2021-22		2022-23		Equity	Loan	
		Equity	Loan	Equity	Loan	Equity	Loan			
1	Himachal Pradesh Power Corporation Limited	62.21	0.00	11.00	0.58	67.35	0.58	140.56	1.16	141.72
2	Himachal Pradesh Tourism Development Corporation Limited	0.00	0.00	2.00	0.00	0.00	0.00	2.00	0.00	2.00
Grand Total		62.21	0.00	13.00	0.58	67.35	0.58	142.56	1.16	143.72

Source: Information provided by the PSUs.

Age profile of PSUs/ Corporations having accounts in arrears is given in **Table 4.9**.

Table 4.9: Age-profile of PSUs/Corporations having accounts in arrear

Range in years	Number of PSUs/Corporations
0-1	4
2-3	7
4-5	4
> 5	1
Total	16

Source: Information supplied by the PSUs.

Table 4.9 shows that accounts in respect of one SPSE (which is an inactive company) were in arrears for more than five years. In the absence of timely finalisation of accounts, results of investments of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

It is recommended that the State Government should evolve a system and direct the authorities of the SPSEs to complete its up-to date accounts (i.e., last preceding year), for making them eligible for financial support of the State Government, if required.

Other Issues

4.14 Misappropriations, losses, thefts, etc.

Rules 23 and 24 of Himachal Pradesh Financial Rules 2009 provide that a detailed enquiry by the authority concerned on the cause of loss of moveable and immoveable property, as the case may be, shall be conducted, and after a detailed enquiry has been completed, the detailed report shall be sent by the authority concerned to the Government through proper channels for appropriate action with a copy to the Accountant General. Rule 145 (5) stipulates that in case goods become unserviceable

due to negligence, fraud or mischief on the part of the Government servant, responsibility for the same shall be fixed.

There were 31 cases of misappropriation, losses, theft, etc., involving ₹ 52.32 lakh as of 31 March 2022. Out of this, an amount of ₹ 2.76 lakh (i.e., one case of ₹ 1.10 lakh relating to Forest Department: and partial amount of ₹ 1.66 lakh relating to Land Revenue Department) were settled/ cleared during the year 2022-23. However, 30 cases involving ₹ 49.56 lakh were still pending as on 31 March 2023. The department-wise break-up of pending cases is given in **Table 4.10**.

Table 4.10: Department-wise break up of pending cases and reasons for pendency of action in cases of misappropriation, losses, theft, etc.

Name of Department	Cases of misappropriation/ losses/ theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.	Number of cases	Amount (₹ in lakh)
	Number of cases	Amount (₹ in lakh)			
Education	3	2.95	Awaiting departmental and criminal investigation	19	15.84
Land Revenue	1	0.91	Awaiting orders for recovery or write off	1	0.91
Horticulture	3	2.89			
Police	1	0.08			
Municipal Corporation, Chamba	1	0.42	Pending in the courts of Law	3	25.43
Home Guard	2	25.37			
Public Health (Medical)	1	0.95	Recovery made/ written off but awaiting final disposal from PAC	6	6.96
Forests	3	4.82			
Public Works	15	11.17	Others	1	0.42
Total	30	49.56	Total	30	49.56

Source: Information received from departments and compiled by Audit.

The State Government may devise an effective mechanism to ensure speedy and time-bound settlement of cases relating to misappropriation/loss, theft, etc.

The age-profile of the pending cases and the number of cases pending in each category- theft and misappropriation/ loss of Government material is summarised in **Table 4.11**.

Table 4.11: Profile of misappropriation, losses, defalcations, etc.

(₹ in lakh)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved	Nature	Number of cases	Amount involved
0-5	1	0.40	Theft cases	6	3.78
5-10	2	4.41			
10-15	5	4.81	Misappropriation/ loss of Government material	24	45.78
15-20	2	1.01			
20-25	7	31.01			
25 and above	13	7.92			
Total	30	49.56	Total pending cases	30	49.56

Out of the total 30 cases of misappropriation, losses, theft etc., 80 *per cent* cases were related to misappropriation/ loss of Government material and the remaining 20 *per cent* were theft cases. Out of these 30 cases, 63.33 *per cent* (19 cases) were pending due to delays in finalising/ initiating departmental and criminal investigation. It was further noticed that all 30 cases were more than five years old, including 20 cases, which were more than 20 years old.

The Government may consider preparing a time bound framework for taking prompt action to ensure speedy settlement of above cases relating to theft, misappropriation, losses, etc., so that accountability can be fixed.

4.15 Follow up action on State Finances Audit Report

In the State of Himachal Pradesh, the Public Accounts Committee (PAC)/ Finance Department require the line departments to provide Action Taken Notes (ATNs)/ *suo-motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within three months of placing the Reports in the Legislature. The line departments are also required to provide a copy (in triplicate) of the same to the Accountant General for vetting and further observations thereon, if any, and onward transmission to the PAC.

In Himachal Pradesh, State Finances Audit Report (SFAR) is being prepared separately and presented to the State Legislature from the year 2008-09 onwards. The State Government had submitted ATNs/ *suo motu* explanatory notes for SFARs up to 2019-20. The ATNs/ *suo motu* explanatory notes for the years 2020-21 and 2021-22 were still awaited (November 2023) from the State Government. The SFARs from the year 2008-09 up to 2019-20 are yet to be taken up for discussion by Public Accounts Committee (PAC) of the State Legislature as of date.

4.16 Implementation of Recommendations of Sixth Himachal Pradesh Finance Commission on fiscal devolution

The Sixth Himachal Pradesh Finance Commission was constituted (August 2020) by the State Government under Articles 243-I and Y of the Constitution of India, read with section 98 (1) of the Himachal Pradesh Panchayati Raj Act 1994 (Act No. 4 of 1994). The Commission submitted its interim report for the year 2022-23 in February 2022 and final report upto 31st March 2027, in October 2022. The Commission recommended –

- Gap filling grants may be devolved rather than specifying any share in the State's own revenues;
- five *per cent* annual hike in the committed liabilities, taking into account the resources availability with the State Government;
- grants may be devolved by giving a weight of 90 *per cent* to population and 10 *per cent* to the area or as per the actual requirement of a local body;
- funds may be divided into 90 *per cent* as Basic Grants and 10 *per cent* as Performance Grants.

The Department stated that the above recommendations have been implemented (except the first one).

4.17 Conclusion

Utilisation Certificates (UCs) amounting to ₹ 4,242.51 crore (4,106 UCs) were awaited which indicates lack of internal control by the administrative departments and tendency on the part of the Government to disburse fresh grants without ascertaining proper utilisation of earlier grants. Two autonomous bodies and 16 Public Sector Undertakings/Corporations did not submit their final accounts for considerable periods. As a result, their financial position could not be assessed and results of investments of the Government remained outside the purview of the State Legislature. Further, in 30 cases of theft, misappropriation and loss of Government material, departmental action was pending for long periods.

4.18 Recommendations

- 1. The Government should ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.*
- 2. The Finance Department should put in place a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.*
- 3. The Government may consider preparing a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.*