

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 ₹ 22.26 crore were required to be paid as interest on the balance of ₹ 114.98 crore lying under interest bearing deposits/Reserve Funds as on 1st April 2023 as shown in **Table 4.1**. However, the same has not been paid. 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 st April 2023	Basis for calculation of interest	Amount of interest not paid
1.	Defined Contribution Pension Scheme for Government Employees	17.39	Interest calculated at the rate of 7.10 <i>per cent</i> as per interest payable to General Provident Fund	1.19
2.	State Disaster Response Fund (SDRF)	55.55	Interest calculated at the rate of 8.50 <i>per cent</i> {average rate of W&MA during 2023-24 (6.50) plus 2 <i>per cent</i> }	11.36
3	State Disaster Mitigation Fund (SDMF)	42.04		9.71
Total		114.98		22.26

Source: Finance Accounts.

4.2 Funds transferred directly to State implementing agencies

The Government of India has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. Government of India decided to route these funds through the State Budget from 2014-15 onwards. However, during the year 2023-24, ₹ 1,946.42 crore under 41 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 and State Budget. This constituted 4.97 *per cent* and 13.03 *per cent* of total Revenue receipts (₹ 39,173.04 crore) and Grants-in-aid (₹ 14,942.15 crore) respectively for the year 2023-24. During 2023-24, the direct transfer of fund to the implementing agencies has decreased by 33.76 *per cent* as compared to 2022-23 (from ₹ 2,938.36 crore in 2022-23 to ₹ 1,946.42 crore in 2023-24). During the year 2023-24, Centrally Sponsored Schemes, where funds transferred directly exceeded ₹ 400 crore were Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (₹ 604.57 crore), Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) (₹ 544.71 crore) and Jal Jeevan Mission (JJM) (₹ 402.34 crore).

The State Government accounts for the year 2023-24 depicts only ₹ 5,328.69 crore under Central share of Centrally Sponsored Schemes. Besides contracting the budget and expenditure of the State Government to the extent of ₹ 1,946.42 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 2,990 UCs amounting to ₹ 2,795.23 crore were pending as of March 2024 (**Appendix 4.2**). Out of which, 1,648 UCs for grants of ₹ 1,050.63 crore pertained to the period 2017-22. 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 2021-22	2,260	1,688.92	1,400	1,208.67	860	480.25
2022-23	1,846	2,553.59	1,058	1,983.21	788	570.38
2023-24	18,804	5,846.94	17,462	4,102.34	1,342	1,744.60
Total	22,910	10,089.45	19,920	7,294.22	2,990[#]	2,795.23[#]

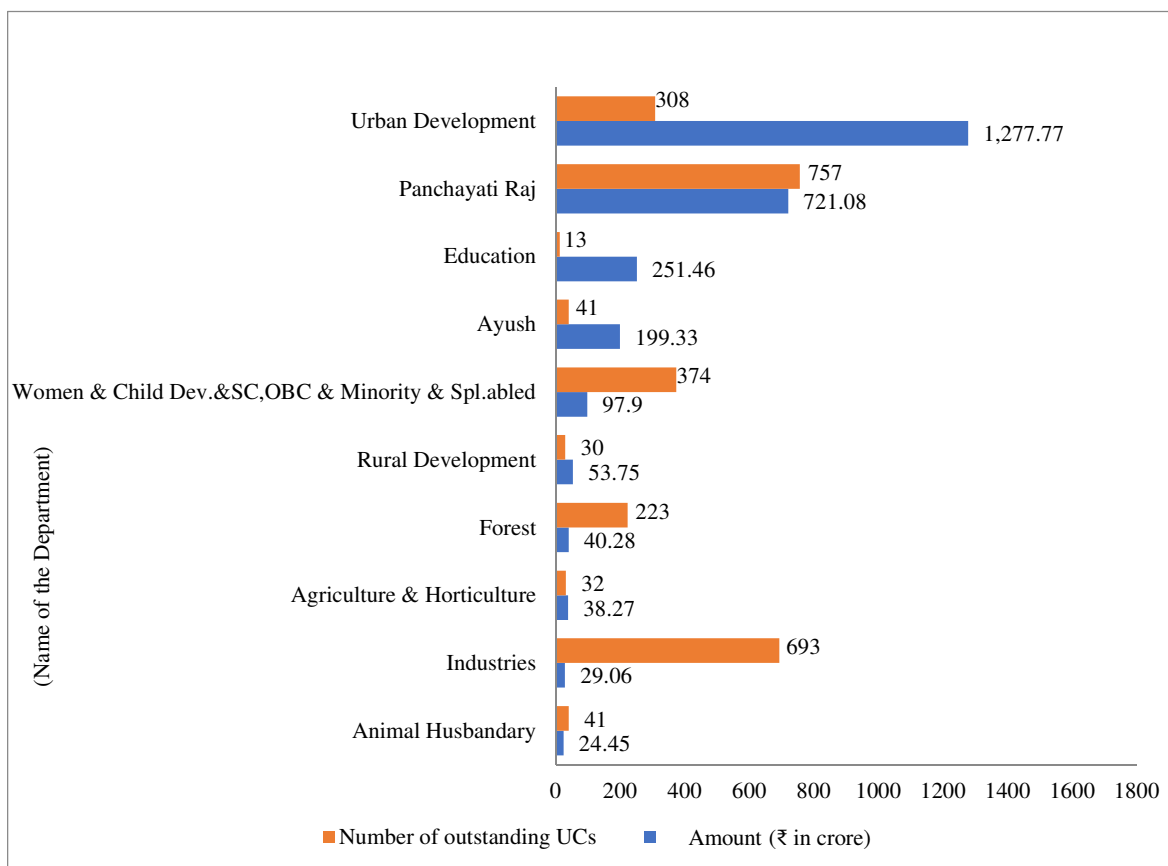
Source: Compiled from the information provided by the PAG (A&E), Himachal Pradesh.

Note: *UCs for GIA disbursed during 2022-23 become due only during 2023-24 i.e. the year mentioned above relates to "Due year" i.e., after 12 months of actual withdrawal.

[#] It includes 128 number of GIA vouchers on account of C.S.S. amounting to ₹ 579.47 crore.

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

Year in which GIA transferred	Number of outstanding UCs	Amount (₹ in crore)
Up to 2017-18	102	50.88
2018-19	147	66.84
2019-20	199	75.08
2020-21	412	287.45
2021-22	788	570.38
2022-23	1,342	1,744.60
Total	2,990	2,795.23

Chart 4.1: Outstanding UCs in respect of 10 major departments as on 31st March 2024

From **Chart 4.1**, it is evident that 2,512 UCs amounting to ₹ 2,733.35 crore i.e. 97.79 per cent of the total outstanding UCs (₹ 2,795.23 crore) pertains to 10 departments. Out of which, 1,493 UCs amounting to ₹ 2,547.54 crore pertains to five departments viz. - Urban Development (45.71 per cent, ₹ 1,277.77 crore), Panchayati Raj (25.80 per cent, ₹ 721.08 crore), Education (nine per cent, ₹ 251.46 crore), Ayush (7.13 per cent, ₹ 199.33 crore) and Women & Child Dev. & SC, OBC & Spl. Able (3.50 per cent, ₹ 97.90 crore).

Out of above, two major departments i.e. Urban Development (308 UCs: ₹ 1,277.77 crore), and Panchayati Raj (757 UCs: ₹ 721.08 crore), the following number of UCs were selected for substantive audit/ test-check during 2023-24:

- (i) Urban Development (142 UCs- ₹ 1,078.16 crore),
- (ii) Panchayati Raj (135 UCs - ₹ 41.64 crore),

During scrutiny of 277 UCs amounting to ₹ 1,119.80 crore, selected for test-check, 39 UCs amounting to ₹ 152.43 crore had been fully or partially adjusted with supporting documents (i.e., sub-vouchers, bills and sanction orders, etc.). The remaining 238 UCs amounting to ₹ 967.37 crore were also partially/fully utilised/ adjusted but supporting documents were not available with the departments. 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. This is also due to lack of monitoring and non-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). Therefore, 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 remained shown as outstanding in the Accounts.
- Sanctions were found incomplete to the extent that in the test-checked UCs which had the supporting documents, the sanction orders did not mention (i) whether grants were recurring or non-recurring, (ii) periodicity of submission of UCs and (iii) whether the UCs were required to be submitted or not.
- 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 should be 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 Abstract Contingent (AC) bills. In terms of Rule 187 of *ibid* Rule DDOs are required to present Detailed Contingent (DC) bills containing vouchers in support of final expenditure with same financial year. Delayed submission or prolonged non-submission of DC bills may affect the completeness and correctness of accounts.

It has been observed that a total of 368 AC bills amounting to ₹ 5.93 crore were drawn during 2023-24, out of which 31 AC bills amounting to ₹ 0.04 crore (0.67 *per cent*) were drawn in March 2024. One AC bill amounting to ₹ 0.12 crore relating to MH-2851 (Village and Small Industry) is still pending for adjustment/by way of submission of DC bill as of 31st December 2024.

4.5 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 2023-24, the booking of expenditure under Minor Head-800 decreased to ₹ 530.09 crore (in 19 Major Heads of accounts) from ₹ 654.61 crore (28 Major Heads of accounts) over the previous year. This constituted 1.05 *per cent* (1.30 *per cent* during 2022-23) of the total Revenue and Capital expenditure ₹ 50,361.42 crore during 2023-24. Out of which, substantial expenditure (20 *per cent* and above) had been booked under 05 Major Heads of account (**Appendix 4.3**). Further, in terms of amount, 75 *per cent* bookings have been made in the following three Major Heads - MH-2230-Labour, Employment and Skill Development (₹ 92.37 crore), MH-2235-Social Security and Welfare (₹ 97.58 crore) and MH-2801-Power (₹ 207.23 crore).

However, during 2023-24, the booking of receipts under 800 - Other Receipts under 47 Major Heads of Account had increased to ₹ 2,425.22 crore from ₹ 2,277.32 crore over the previous year. This constituted 6.19 *per cent* (5.98 *per cent* during 2022-23) of the total Revenue receipts (₹ 39,173.05 crore). Out of these 47 Major Heads, substantial receipts (20 *per cent* and above) had been booked under the Minor Head 800-Other Receipts in 32 Major Heads (**Appendix 4.4**). Further, in terms of amount, 86 *per cent* had been booked under the following three Major Heads - MH-0071-Contribution and recoveries towards Pension and other retirement benefits (₹ 150.88 crore), MH-0045-Other Taxes and Duties on Commodities and Services (₹ 274.95 crore) and MH-0801-Power (₹ 1,667.36 crore). Out of above, Power alone accounts for 69 *per cent* of such bookings.

Issues related to measurement

4.6 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 4.4**.

Table 4.4: Balances under Suspense and Remittance Heads

(₹ in crore)

Head of Account		2021-22		2022-23		2023-24	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658	Suspense Account						
101	Pay and Accounts Office-Suspense	133.69	87.07	138.84	82.14	55.47	2.54
	Net Debit (Dr.) / Credit (Cr.)	46.62 Dr.		56.70 Dr.		52.93 Dr.	
102	Suspense Account-(Civil)	767.15	271.88	373.26	338.42	49.79	3.53
	Net Debit (Dr.) / Credit (Cr.)	495.27 Dr.		34.84 Dr.		46.27 Dr.	

Head of Account		2021-22		2022-23		2023-24	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
109	Reserve Bank Suspense-(Headquarters)	00.05	00.00	00.05	00.00	00.05	00.00
	Net Debit (Dr.) / Credit (Cr.)	00.05 Dr.		00.05 Dr.		00.05 Dr.	
110	Reserve Bank Suspense (Central Accounts Office)	26.53	00.00	27.32	00.00	5.73	00.00
	Net Debit (Dr.) / Credit (Cr.)	26.53 Dr.		27.32 Dr.		5.73 Dr.	
112	Tax Deducted at Source (TDS) Suspense	00.03	41.60	00.00	81.72	00.00	42.22
	Net Debit (Dr.) / Credit (Cr.)	41.57 Cr.		81.72 Cr.		42.22 Cr.	
123	A.I.S Officers' Group Insurance Scheme	00.81	00.03	00.84	00.03	00.79	00.00
	Net Debit (Dr.) / Credit (Cr.)	00.78 Dr.		00.81 Dr.		00.79 Dr.	
129	Material Purchase Settlement Suspense Account	00.00	234.90	00.00	263.05	00.00	328.95
	Net Debit (Dr.) / Credit (Cr.)	234.90 Cr.		263.05 Cr.		328.95 Cr.	
8782	Cash Remittance and adjustments between officers rendering account to the same Accounts Officer						
102	Public Works Remittances	00.00	637.47	00.00	477.98	0.78	606.09
	Net Debit (Dr.) / Credit (Cr.)	637.47 Cr.		477.98 Cr.		605.30 Cr.	
103	Forest Remittances	00.00	16.67	00.00	16.67	5.77	22.44
	Net Debit (Dr.) / Credit (Cr.)	16.67 Cr.		16.67 Cr.		16.67 Cr.	
8793	Inter-State Suspense Account						
101	Inter-State Suspense Account	00.03	00.00	00.08	00.00	00.00	00.05
	Net Debit (Dr.) / Credit (Cr.)	00.03 Dr.		00.08 Dr.		00.05 Cr.	

Source: Finance Accounts.

The Suspense balances (Debit/Credit) under the Minor heads 101-PAO Suspense, 102-Suspense Account (Civil) and 129-Material Purchase Settlement Suspense Account under Major Head 8658-Suspense Account and 102-Public Works Remittances and 103-Forest Remittances under 8782-Cash Remittances appearing in the Finance Accounts for the year 2023-24 are detailed below:

Pay and Accounts Office (PAO)– 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 (31st March 2024) under this Head decreased to ₹ 52.93 crore from ₹ 56.70 crore debit balance of the previous year.

Suspense Account - Civil (Minor Head 102): The transactions which cannot be taken to final Head of expenditure/receipt accounts for want of certain information/ documents (challans, vouchers etc.) are initially booked under this suspense head. Receipts are credited and expenditure is debited to this account and cleared on receipt of required information by minus credit and minus debit respectively during the financial year. There was an outstanding debit balance of ₹ 46.27 crore under this minor head as of 31st March 2024 that implies 'payment made' but could not be debited to the final head of expenditure for want of certain particulars.

Material Purchase Settlement Suspense Account (Minor Head 129): There was an outstanding credit balance of ₹ 328.95 crore under this minor head as of 31st March 2024. 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 the case, the cash balances of the State will increase.

Public Works Remittances (Minor Head 102): There was net credit balance of ₹ 605.30 crore under this head as of 2023-24. 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.

4.7 Reconciliation of Cash Balances

The Cash Balance of the State Government as on 31st March 2024 as per Accounts of the Principal Accountant General (A&E) was ₹ 42.44 crore (Debit) while the same was reported as ₹ 33.38 crore (Credit) by the Reserve Bank of India (RBI). As such, there was a net un-reconciled difference of ₹ 9.06 crore (Debit).

The difference was mainly due to pending reconciliation of figures between the Treasury/ RBI/ Agency Bank and AG Office.

4.8 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 31st March 2024, as per Finance Accounts, a small amount of ₹ 0.16 crore (Debit) was lying under Major Head 8671 (Public Accounts).

Issues related to disclosure

4.9 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 2023-24 is detailed in **Table 4.5**.

Table 4.5: Compliance to Accounting Standards

Sr. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Remarks
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 Statement 9 whereas sector and class-wise details are depicted in Statement 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.

4.10 Submission of accounts of Autonomous Bodies

Several autonomous bodies/authorities 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 31 autonomous bodies/authorities in the State has been entrusted to the Comptroller and Auditor General of India. Audit of these 31 bodies is conducted under section 19(3) of the C&AG's (Duties, Powers and Conditions of Service) Act and Separate Audit Reports are prepared for the same (**Appendix 4.5**). Details of bodies/authorities whose accounts are in arrears are given in **Table 4.6**.

Table 4.6: Arrears of accounts of Autonomous Bodies as on 31st March 2024

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending
1.	HP Khadi and Village Industries Board	2013-14	10
2.	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2021-22	02
Total			12

Source: Departmental data/information.

It can be seen from the above table that accounts of two bodies/authorities were in arrears for two and ten 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/authorities in order to assess their financial position.

4.11 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 by Audit from the bodies/authorities concerned and only five¹ bodies/authorities (out of 39), furnished the information to Audit (**Appendix 4.5**).

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 and Section 14 of the CAG's (DPC) Act.

4.12 Departmental Commercial Undertakings/Corporations/Companies

According to Section 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 54 accounts were in arrears in case of 18 Public Sector Undertakings (PSUs)/ Corporations (including two inactive PSUs) upto 30th September 2024 (**Appendix 4.6**), of which five² were loss making (as per their latest/last accounts). Further, audit noticed that out of five loss making companies, a budgetary support of ₹ 146.48 crore was provided to two SPSEs during the last three years, despite their accounts being in arrears as detailed in **Table 4.7**.

¹ (i) HP State Milkfed Co-operative, Totu, Shimla (ii) HP State Council for Science, Technology and Environment, Kasumpti, Shimla (iii) Dr.Y.S. Parmar Horticulture University, Nauni, Solan, HP (iv) HP Livestock and Poultry Development Board, Boileauganj, Shimla-5 and (v) HP State Co-operative Marketing and Consumers Federation Ltd. (HIMFED).

² (i) Himachal Pradesh Power Corporation Limited, (ii) Himachal Pradesh Tourism Development Corporation Limited, (iii) Sri Naina Devi Ji and Sri Anandpur Sahib ji Ropeway Company Limited, (iv) Himachal Pradesh Financial Corporation and (v) Himachal Pradesh Agro Industrial Packaging India Limited.

Table 4.7: 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
		2021-22		2022-23		2023-24				
		Equity	Loan	Equity	Loan	Equity	Loan	Equity	Loan	
1	Himachal Pradesh Power Corporation Limited	11.00	0.58	67.35	0.58	21.50	43.47	99.85	44.63	144.48
2	Himachal Pradesh Tourism Development Corporation Limited	2.00	0.00	0.00	0.00	0.00	0.00	2.00	0.00	2.00
Grand Total		13.00	0.58	67.35	0.58	21.50	43.47	101.85	44.63	146.48

Source: Information provided by the PSUs.

Age-profile of PSUs/ Corporations having accounts in arrears is given in **Table 4.8**.

Table 4.8: Age-profile of PSUs/Corporations having accounts in arrear

Range in years	Number of PSUs/ Corporations	Number of accounts in arrears
0-1	5	5
1-3	8	21
3-5	3	13
>5	2	15
Total	18	54

Source: Information supplied by the PSUs.

Table 4.8 shows that accounts in respect of two SPSEs were in arrears for more than five years which are inactive companies. 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).

Other Issues

4.13 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 30 cases of misappropriation, losses, theft, etc., involving ₹ 49.56 lakh as of 31st March 2023. Out of this, 15 cases amounting to ₹ 11.17 lakh relating to Public Works Department were settled/ cleared during the year 2023-24. During the year none of any new case has been reported. However, 15 cases involving ₹ 38.39 lakh were still pending as on 31st March 2024. The department-wise break-up of pending cases is given in **Table 4.9**.

Table 4.9: 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	6	5.36
Land Revenue	1	0.91	Awaiting orders for recovery or write off	1	0.91
Horticulture	3	2.89			
Police	1	0.08	Pending in the courts of Law	3	25.43
Municipal Corporation, Chamba	1	0.42			
Home Guard	2	25.37			
Public Health (Medical)	1	0.95	Recovery made/ written off but awaiting final disposal from PAC	4	6.27
Forest	3	4.82			
			Others	1	0.42
Total	15	38.39	Total	15	38.39

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 4.10**.

Table 4.10: Profile of misappropriation, losses, defalcations, etc.

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹ in lakh)		Number of cases	Amount involved (₹ in lakh)
0-5	0	0.00	Theft cases	3	1.13
5-10	3	4.81	Misappropriation/ loss of Government material	12	37.26
10-15	5	4.81			
15-20	7	28.77			
Total	15	38.39	Total	15	38.39

Out of the total 15 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 15 cases, 40 *per cent* (six cases) were pending due to delays in finalising/ initiating departmental and criminal investigation. It was further noticed that all 15 cases were more than five years old, including seven cases, which were more than 15 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.

4.14 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 submitted ATNs/ *suo-motu* Explanatory Notes of SFARs up to 2021-22. The SFARs for the year 2008-09 to 2021-22 have been discussed by the Public Accounts Committee (PAC) on 19.11.2024. Action Taken Reports on the recommendations of the PAC on these reports have not been received yet.

4.15 Conclusions

Utilisation Certificates (UCs), 2,990 in number, for Grants-in-aid amounting to ₹ 2,795.23 crore 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 18 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 15 cases of theft, misappropriation and loss of Government material, departmental action was pending for long periods.

4.16 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 should prepare 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.*

Shimla
Dated: 12 June 2025


(PURUSHOTTAM TIWARY)
Principal Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
Dated: 01 July 2025


(K. SANJAY MURTHY)
Comptroller and Auditor General of India

