

OVERVIEW

This Report contains 31 paragraphs, seven performance reviews (including one review on Internal Control System) apart from comments on the Finance and Appropriation Accounts. The draft audit paragraphs and draft performance reviews were sent to the concerned Secretaries to the State Government by the Accountant General with a request to furnish replies within eight weeks. The audit findings relating to the draft performance reviews were discussed with the Secretaries to the State Government and the views of the Government were incorporated wherever appropriate.

1. FINANCES OF THE STATE GOVERNMENT

- Revenue receipts of the State increased from Rs 3,046 crore in 2000-2001 to Rs 6,559 crore in 2005-2006. The rate of growth during 2005-2006 was 41.51 *per cent*. While 33 *per cent* of the revenue receipts during 2005-2006 have come from the State's own resources (tax and non-tax), Central tax transfers and grants-in-aid together contributed 67 *per cent* of the total revenues.

- The overall expenditure of the State comprising revenue expenditure, capital expenditure and loans and advances, increased from Rs 4,918 crore in 2000-2001 to Rs 7,301 crore in 2005-2006. The rate of growth during 2005-2006 was 12.83 *per cent*. Expenditure on General Services and Interest payments, considered as non-developmental, accounted for 39.31 *per cent* of the total expenditure in 2005-2006.

- The expenditure on the salary and wage component under the sub sector "Education, Sports, Art and Culture" under the sector "Social Services" increased from Rs 682 crore in 2000-2001 to Rs 1,004 crore in 2005-2006, whereas the expenditure on the non-salary and wage component has decreased from Rs 198 crore in 2000-2001 to Rs 168 crore in 2005-2006. Similarly, under the sub sector "Health and Family Welfare," against the increase in the expenditure on the salary and wage component from Rs 198 crore in 2000-2001 to Rs 284 crore in 2005-2006, the expenditure on the non-salary and wage component decreased from Rs 65 crore in 2000-2001 to Rs 61 crore in 2005-2006.

- The expenditure on salary and wage component under "Economic Services" increased by 98 *per cent* from Rs 302 crore in 2000-2001 to 598 crore in 2005-2006 and on non-salary and wage component it decreased by 12 *per cent* from Rs 832 crore in 2000-2001 to 735 crore in 2005-2006.

The abbreviations used in this report have been listed in the Glossary in Appendix-XXVII (Page 222-223).

- By the end of 2005-2006, the total investment in statutory corporations, etc., stood at Rs 1,842 crore. The average return on this investment was less than 0.3 *per cent* in the last 6 years, while the Government paid interest at the average rate of 9.20 to 11.06 *per cent* on its borrowings during 2000-2006.
- Fiscal liabilities of the State increased from Rs 8,621 crore in 2000-2001 to Rs 17,432 crore in 2005-2006. In addition, Government had given guarantees which stood at Rs 3,587 crore.

(Chapter-1)

2. ALLOCATIVE PRIORITIES AND APPROPRIATION

- Expenditure incurred by the Government, substantially in excess of the amounts sanctioned by the State Legislature, needs to be regularised in terms of Article 205 of the Constitution of India. As of August 2006, excess expenditure of Rs 14,718.20 crore incurred during 2001-2006 requires regularisation.
- During 2005-2006, there were savings in 42 cases aggregating Rs 596 crore. Of these, savings of Rs 534 crore (90 *per cent*) occurred in four grants and one appropriation.
- Supplementary provisions totalling Rs 41.46 crore obtained in three cases during the year proved unnecessary, as the expenditure in these cases was less than the original budget provisions.
- In two cases, the amount surrendered exceeded the overall savings by Rs 42.27 crore. Further, in the case of four grants, Rs 9.65 crore were surrendered, although expenditure exceeded the grant and no savings were available for surrender.
- Recoveries in reduction of expenditure were underestimated by Rs 302.58 crore.
- In 11 cases (sub-heads) involving eight grants, Rs 71.68 crore were injudiciously reappropriated, as the original grants were adequate or no savings were available for surrender.

(Chapter-II)

PERFORMANCE REVIEWS

3. Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan (SSA) aimed at providing useful and relevant elementary education to all the children in the age group of 6 to 14 years by 2010, with the active participation of the community. The scheme envisaged involving the *panchayat* institutions, school management committees, village

and urban slum level education committees, parent-teacher associations, mother-teacher associations, tribal autonomous councils and other grassroot level structures in the management of schools, to bridge social, regional and gender gaps.

A performance review of the implementation of the SSA revealed that adequate funds were not provided for the scheme. The State Government did not release its agreed share and the funds released were also not utilised fully. Habitation and block level planning was not done through active participation of grass root level functionaries. A large number of disabled children remained to be covered under the programme. Despite adequate strength of primary teachers, additional teachers were not provided to single teacher schools. A review of the implementation of the scheme upto March 2006 revealed the following:

- Implementation of the scheme suffered because of non-release of adequate funds by the Central and State Governments during 2001-2006.
- Participation of community and grass root level functionaries for preparation of plans was not ensured.
- There was only one teacher against the minimum requirement of two teachers in 1,488, 1,273 and 1,478 primary schools during 2003-2004, 2004-2005 and 2005-2006 respectively.
- In test-checked districts, 367 schools (primary: 88; upper primary: 279) did not have their own buildings.
- Rupees 1.10 crore was diverted for obtaining liquified petroleum gas connections out of school grants available for replacement of non-functional school equipment.
- Repair and maintenance grant amounting to Rs 38.80 lakh was incorrectly paid during 2002-2006 to 776 schools (primary: 204 and upper primary: 572) in Shimla district which had no existing buildings of their own. Besides, repair and maintenance grant of Rs 19.85 crore was given to 40,009 schools in the districts selected for test-check during 2002-2006, without receipt of specific proposals from the village education committees.

(Paragraph 3.1)

4. Sewerage Schemes

Hygienic sanitation facilities are essential for healthy living. The State Government was required to provide these facilities to 56 towns of the State through sewerage schemes. The Government had, however, not prepared any master plan to provide sewerage facilities to cover all the towns in a phased manner. Funds provided for sewerage schemes were diverted to irrigation and water supply schemes and there were instances of abnormal delays in completion of schemes. Sewage treatment plants provided in the schemes

were not being utilised fully mainly because of non-release of sewerage connections due to lack of awareness among the beneficiaries about its utility. The main points noticed in audit were as under:

- In disregard of Government policy, smaller towns were taken up for sewerage schemes in preference to district headquarters and famous pilgrim and tourist centres.
- Targets for the completion of seven schemes during 2001-2006 had either not been achieved or achieved after delays ranging between one and over four years.
- Out of Rs 30 crore, awarded by the Eleventh Finance Commission during 2001-2005 for providing sewerage systems in Dharamshala, Hamirpur and Jawalamukhi towns, Rs 5.13 crore was unauthorisedly diverted for other purposes during 2002-2003 and 2004-2005.
- The sewerage scheme, Jawalamukhi, completed at a cost of Rs 7.49 crore, had not been operationalised since October 2005 as the beneficiaries did not come forward to obtain sewerage connections. The other sewerage scheme at Sri Naina Devi Ji, provided at a cost of Rs 1.87 crore, had also not been made functional since completion (March 1998).
- A sewage treatment plant of 2.90 million litres per day capacity of Solan town, completed (March 2001) at a cost of Rs 1.18 crore, had not been made functional as of October 2005, due to non-laying of sewerage network.
- Six sewage treatment plants of 35.63 million litres per day capacity of Shimla sewerage system, completed between April 2002 and September 2004, were commissioned with partial sewage. The plants had not been working at optimum level resulting in largely unfruitful expenditure of Rs 76.01 crore, besides wasteful expenditure on their operation.

(Paragraph 3.2)

5. Food Security, Subsidy and Management of Foodgrains

Government's food management strategy involves ensuring availability of foodgrains to the public at reasonable prices through the Targeted Public Distribution System. Identification of below poverty line families for the Tenth Five Year Plan, required to be completed by 31 March 2003, was not done as of June 2006. Supply of foodgrains to identified below poverty line families was also not regulated according to the prescribed scale and rates. The State Government failed to exercise check over bogus ration cards to prevent diversion of foodgrains. Some significant audit findings are as under:

- Fixing of higher issue (60 kg per month per family) scale over and above the scale prescribed (35 kg per month per family) by the

Government of India resulted in excess distribution of 1,02,691 MTs of foodgrains during 2003-2006 involving subsidy of Rs 24.82 crore.

- The ration card population of the State was more than the actual population. Periodical checking and weeding out of ineligible and bogus ration cards had not been done as per the provisions of the Public Distribution System (Control) Order, 2001.
- Against 0.90 lakh *Antyodaya* families requiring coverage under *Antyodaya Anna Yojana*, 1.56 lakh families were covered on the basis of 5.14 lakh below poverty line families according to the projected population estimates of Government of India, resulting in excess coverage of 0.66 lakh families under *Antyodaya Anna Yojana*.
- State, District and Block Level Vigilance Committees had not been constituted for implementation and monitoring of the Targeted Public Distribution System. The State Government had not got an evaluation of the scheme done to ascertain its impact.

(Paragraph 3.3)

6. National Parks including Wildlife Preservation

The wildlife wing was created in the State to protect, develop and scientifically manage the wildlife in the protected areas, to protect the wildlife and its habitats in areas outside the protected area and to carry out integrated eco-development work in the vicinity of protected areas to reduce the biotic pressure in protected areas.

Adequate attention towards protection, development and scientific management of wildlife or its environment had not been paid. The boundaries of protected areas were not notified rationally. Inhabited and cultivated areas, heavily burdened with biotic pressures were included, while areas harbouring wild animals were excluded. There were cases of abnormal delays in declaring protected areas. Failure to finalise proposals in time resulted in non-recovery of committed funds from various user agencies, thereby putting the Government to loss. Some significant findings are as under:

- Focused development, scientific management and systematic growth of parks and sanctuaries could not be ensured due to non-preparation/delay in preparation of management plans.
- The State Government failed to issue final notification for an area of 766 sq kms as protected area despite the expiry of periods ranging between 4 and 32 years from the issuance of intention notifications. Protected area network was created without keeping in view the ecological status of a particular area. While areas with high population were included, areas with rich bio-diversity were excluded.

- Failure of the department to recover the cost of treatment plan works, compensation for loss of environment and cost of trees standing on the diverted land, resulted in loss of Rs 8.77 crore to the State Government.
- 3,774 trees valued at Rs 17.18 crore were allowed to be removed from the sanctuaries in violation of the orders of the Supreme Court of India.
- Delay in submission/approval of project reports resulted in non-utilisation of earmarked funds of Rs 32.65 crore. Further, out of these funds, Rs 2.75 crore was utilised irregularly for purposes other than conservation of wildlife.

(Paragraph 3.4)

7. Sampoorna Grameen Rozgar Yojna
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The objective of *Sampoorna Grameen Rozgar Yojna* was to provide additional wage employment, creation of durable community, social and economic assets and infrastructural development in rural areas. The earmarking of resources at prescribed percentage for the creation of need based infrastructure at village level in scheduled caste/scheduled tribe habitations and for beneficiary oriented individual/group works for scheduled castes/scheduled tribes of below poverty line category at *Zila Parishad* and Block *Samiti* level was not done. Special safeguards for reservation of 30 *per cent* employment opportunities for women beneficiaries had not been provided. Some significant audit findings are as under:

- Expenditure of Rs 49.08 crore was incurred in four test-checked districts without preparation of Annual Action Plans by the District *Panchayats*.
- Ten districts of the State (excluding two tribal districts) did not utilise earmarked funds of Rs 8.92 crore for creation of need based village infrastructure in scheduled caste/scheduled tribe habitations/wards and the amount was utilised for other components of the scheme.
- In six districts, Rs 1.66 crore was utilised less for individual works of scheduled castes/scheduled tribes beneficiaries of below poverty line and the funds were utilised for other components of the scheme.
- In six blocks of Shimla and Sirmour districts, wage employment for 19,002 mandays was provided to foreign labourers, defeating the purpose of providing employment opportunities to rural poor of the area.

(Paragraph 3.5)

8. Old Age/Widow Pension Scheme

The old age/widow pension scheme was implemented by the State Government to provide social security and financial assistance to old persons/widows who had insufficient/inadequate means of livelihood.

The review highlights defective budgeting, lack of maintenance of consolidated information about eligible persons for grant of pension, non-fixing of the time schedule for finalisation of pension cases, cases of sanction of double pensions due to non-maintenance of proper records, delay in disbursement of pension, deficient and inadequate use of the computerised programme and lack of monitoring thereby depriving eligible persons of the benefits of the social security scheme. Important points noticed as a result of test-check of records are summarised as under:

- The department had not maintained the year-wise consolidated data for grant of social security pension, in the absence of which grant of pension to the eligible persons could not be ensured.
- There was no linkage between the number of pensioners, budget allotment and actual expenditure on pension during 2001-2006.
- Time schedule had not been fixed for finalisation of pension cases. The delay in finalisation of pension cases ranged between 13 and 93 months after allowing a period of one year as time taken for processing a pension case.
- The department failed to detect remittance of double pension of Rs 5.16 lakh in 813 cases due to defective maintenance of records of the pensioners.
- The evaluation of the implementation of the scheme was done (July 2004) by the Economics and Statistics Department. The department is yet to obtain the list of the ineligible pensioners identified in the sample check for taking further action.

(Paragraph 3.6)

9. Internal Control System

An evaluation of the internal control system in the Horticulture Department during the period 2001-2006 revealed significant weaknesses resulting in non-compliance with rules, manuals and codes in the areas of budget preparation, expenditure control and implementation of various schemes.

- Receipts of Rs 5.03 crore realised between 2001-2006 were remitted directly into the treasuries and were not simultaneously accounted

for in the cash book, as required under the Financial Rules. Of these, receipts of Rs 2 crore had not been reconciled as of May 2006.

- **The Director, Horticulture had furnished to the Government of India, utilisation certificates for Rs 30.10 crore, against the actual utilisation of only Rs 22.03 crore during 2003-2006.**
- Grants of Rs 6.33 crore were irregularly released to two Universities after first March of the respective financial years.
- No steps had been taken either to fill up or abolish 215 posts of various categories lying vacant for five years or more.
- Reasons for shortfall in achieving the targets in respect of four State schemes ranging between 16 and 100 *per cent* during 2001-2006 were not investigated.
- Internal audit had not been conducted since January 1996.

(Paragraph 5.1)

AUDIT OF TRANSACTIONS

10. Fraud/misappropriation/embezzlement/losses

- **Negligence on the part of the Agriculture Department to follow the specified procedure for accountal of stores resulted in pilferage amounting to Rs 33.13 lakh.**

(Paragraph 4.1)

11. Overpayment/wasteful/unfruitful/infructuous expenditure

- Failure of the Indian System of Medicine and Homeopathy Ayurveda Department to implement the rejuvenation package of *Panchakarma* therapy led to wasteful expenditure of Rs 22 lakh on procurement of equipment, training of manpower, purchase of medicines and advertisement.

(Paragraph 4.4)

- Overpayment of pensionary benefits aggregating Rs 21.34 lakh was made by the Treasury Officers/Sub-Treasury Officers/Banks during 2001-2005.

(Paragraph 4.5)

- Failure of the Dr. Y. S. Parmar University of Horticulture of Forestry, Solan to provide refrigeration system in the Mushroom Research Unit rendered the expenditure of Rs 50.19 lakh on the construction of the unit unfruitful.

(Paragraph 4.6)

- Expenditure of Rs 28.24 lakh incurred on construction and restoration of damages to Flow Irrigation Scheme, Baragran in Kullu district remained unfruitful as no irrigation was provided to the culturable command area.

(Paragraph 4.8)

- Rupees 1.04 crore spent on two tubewells and three lift irrigation schemes remained unfruitful, as the envisaged irrigation facilities were not provided to the beneficiaries.

(Paragraph 4.9)

- Unjustified expenditure of Rs 1.54 crore was incurred by the Executive Engineer, Irrigation and Public Health Division Shimla-II on the widening of a link road to Drabla in Shimla district without observing codal formalities.

(Paragraph 4.12)

- Inadequate survey before taking up the construction of Kiato Chicham Chikzar road in Spiti valley resulted in wasteful expenditure of Rs 37.37 lakh.

(Paragraph 4.14)

- Expenditure of Rs 19.07 lakh incurred on construction of approaches between Hansa and Kiamo villages in Lahaul and Spiti without finalising the location of bridge over Spiti river remained unfruitful.

(Paragraph 4.15)

- Expenditure of Rs 1.99 crore incurred on construction of five motorable link roads in Kaza, Kumarsain and Rohru divisions remained unfruitful due to non-acquisition of private land.

(Paragraph 4.16)

- Expenditure of Rs 58.54 lakh incurred on construction of two bridges, one each in Kullu and Mandi districts, had remained unfruitful. Besides, a foot bridge was constructed adjacent to an existing bridge in Shimla district without any justification, resulting in avoidable expenditure of Rs 13.20 lakh.

(Paragraph 4.17)

- Failure of the Tourism Department to obtain prior approval of the Government of India for use of forest land and undue haste shown for construction of toilets resulted in wasteful expenditure of Rs 23.86 lakh.

(Paragraph 4.18)

12. Undue favour to contractors/avoidable expenditure

- Lack of financial control by the Director, Food, Civil Supplies and Consumer Affairs led to avoidable extra expenditure of Rs 52.60 lakh.

(Paragraph 4.19)

13. Idle investment/blocking of funds/diversion of funds

- Funds amounting to Rs 16.50 lakh under Members of Parliament Local Area Development Scheme were diverted by the Deputy Commissioner, Kangra in contravention of the provisions of the scheme.

(Paragraph 4.23)

- Investment of Rs 43.33 lakh on construction of Bhadwar Kherian road in Kangra district and bridge over Grail *khad* remained idle, as the completed works could not be put to use due to steep grades of the road.

(Paragraph 4.24)

- Funds of Rs 1.29 crore received from various departments remained unutilised in the divisions due to non-execution of works.

(Paragraph 4.25)

- The Deputy Commissioners of four districts irregularly diverted Rs 1.69 crore from calamity relief funds for works not related to natural calamities.

(Paragraph 4.26)

- The decision of the State Government not to start new courses at proposed Government Polytechnic Institute at Talwar in Kangra district resulted in idle investment of Rs 1.22 crore on construction of building, and denial of the facility of technical education to the students of the rural areas of the State.

(Paragraph 4.27)