

OVERVIEW

This Report contains 38 paragraphs, eight 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 6,559 crore in 2005-06 to Rs 7,835 crore in 2006-07 at the growth rate of 19.45 *per cent*. While 38 *per cent* of the revenue receipts during 2006-07 have come from the State's own resources (tax and non-tax), Central tax transfers and grants-in-aid together contributed 62 *per cent* of the total revenues.
- The overall expenditure of the State comprising revenue expenditure, capital expenditure and loans and advances, increased from Rs 7,301 crore in 2005-06 to Rs 8,780 crore in 2006-07 at the growth rate of 20.26 *per cent*. Expenditure on General Services and Interest payments, considered as non-developmental, accounted for 38.28 *per cent* of the total expenditure in 2006-07.
- The salaries and wages; pensions and interest payments and subsidies continued to consume on average 94 *per cent* of the Non-Plan Revenue Expenditure as committed expenditure during the period 2002-07.
- The fiscal liabilities of the State have consistently increased and stood at as high as 64 *per cent* of GSDP in 2006-07 and appears to be quite high especially when compared with the Twelfth Finance Commission norm of 31 *per cent* to be achieved by March 2009.
- The huge accumulated losses of Rs 644.51 crore by Statutory Government Corporations and Government Companies especially Himachal Road Transport Corporation: Rs 405.34 crore and Himachal Pradesh State Electricity Board: Rs 239.17 crore resulting in negligible rate of return (being less than one *per cent*) on Government's investment and inadequate interest cost recovery continued to be a cause of concern of the State Government.

(Chapter-I)

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 2007, excess expenditure of Rs 15,614.79 crore incurred during 2001-07 requires regularisation.
- During 2006-07, there were savings in 30 cases aggregating Rs 218 crore. Of these, savings of Rs 187 crore (86 per cent) occurred in four grants and one appropriation.
- Supplementary provisions totalling Rs 11.67 crore obtained in four cases during the year proved unnecessary, as the expenditure in these cases was less than the original budget provisions.
- In the case of three grants, Rs 27.28 crore were surrendered, although expenditure exceeded the grants and no savings were available for surrender.
- In 10 cases (sub-heads) involving seven grants, Rs 88.12 crore were injudiciously reappropriated, as the original grants were adequate or no savings were available for surrender.

(Chapter-II)

PERFORMANCE REVIEWS

3. Educational Development of Scheduled Castes and Scheduled Tribes

The financial and physical performance of the departments engaged in implementation of various Centrally sponsored schemes like Pre-matric scholarship to the children of those engaged in unclean occupations, Post-matric scholarship scheme, upgradation of merit of Scheduled Castes/Scheduled Tribes students, etc., was grossly deficient. The implementation of these schemes was affected by deficiencies such as short contribution of funds by the State, short coverage of eligible beneficiaries, delay in payment of scholarship, non-payment of scholarship at enhanced rates, unsatisfactory system of selection of beneficiaries, delay in completion of hostel building, poor performance of pre-examination coaching centre, etc. Some significant audit findings are as under:

- Survey was not conducted for ascertaining the targeted population under each educational development scheme to assess the requirement of funds.
- The shortfall in coverage of beneficiaries under Pre-matric scholarship scheme in the State during 2002-07 was 66 per cent. In the districts test-checked 59 per cent beneficiaries remained uncovered.

- Against the prescribed success rate of 33 *per cent*, the performance of pre-examination coaching centre run by Himachal Pradesh University ranged between zero and nine *per cent*.

(Paragraph 3.1)

4. Accelerated Rural Water Supply Programme

The objectives of Accelerated Rural Water Supply Programme were to accelerate the coverage of uncovered habitations in rural areas to promote sustainability of potable drinking water systems besides revival of traditional water sources. The survey to identify and ascertain the status of habitations regarding availability of safe drinking water in rural areas required to be completed by March 2003 was completed in December 2005. The performance audit of the programme revealed cases of financial mismanagement, irregular stock adjustments, lapses in internal control, monitoring and evaluation. Some of the audit findings are as under:

- Survey to identify and ascertain the status of habitations regarding availability of safe drinking water in rural areas required to be completed by March 2003 was completed in December 2005. Out of 51,848 habitations identified, 25,756 were fully covered and 19,504 partially covered while 6,588 habitations were not covered.
- In five divisions, Rs 3.50 crore allocated under ARWSP were diverted and spent on the execution of 68 water supply schemes which were not approved under ARWSP.
- Rs 87.86 lakh earmarked for SC/ST sectors were diverted by two divisions to other sectors in contravention of the ARWSP guidelines.

(Paragraph 3.2)

5. National Highways

National Highways are important roads conforming to the latest road safety norms between the State capitals, industrial towns, places of tourist attraction and other places of historical and religious importance. Performance audit of National Highways revealed that Central funds were underutilised by the State Government, while various claims of reimbursement were either withheld or disallowed by the Government of India for violation of prescribed norms. Labour was deployed for maintenance of national highways in excess of the fixed norms. Lack of proper survey and estimation resulted in time and cost overruns, non-completion of works and delay in award of works. The main points noticed in audit are as under:

- Against the allocation of Rs 45 crore under capital head during 2004-05, department could utilise Rs 39.56 crore only. Resultantly, allocation for the year 2005-06 was reduced by the GOI to Rs 39 crore.

- The State Government deployed labour for maintenance of national highways during 2002-07 in excess of the norms prescribed by the GOI, which resulted in unauthorised expenditure of Rs 17.97 crore. Further, labour deployed by the State Government was in excess of its own norms, which resulted in avoidable expenditure of Rs 7.26 crore.
- A bye pass to Kullu town completed (September 2004) at a cost of Rs 25.26 crore could not be put to use due to non-completion of another bridge at Jia, which was to be completed by September 2004. A sum of Rs 14.06 crore had been spent on the latter bridge upto March 2007.

(Paragraph 3.3)

6. Rural Roads in South Zone

Construction of Rural Roads in South Zone of the State aims to provide connectivity to all census villages in a time bound manner. A core network forming part of a long term Master Plan to identify and provide connectivity to all census villages in a time bound manner had not been formulated. Roads were constructed without obtaining technical sanctions and there were huge excesses over the administratively approved funds. A large number of road works remained incomplete due to various reasons resulting in idle investment. Despite limited resources, physical achievement of construction of roads in terms of kms was abnormally on higher side, whereas about 75 per cent rural roads were awaiting completion. Annual repair and maintenance estimates had not been prepared. The main points noticed in audit are as under:

- Annual targets for construction of rural roads had not been fixed on realistic basis. Physical and financial progress did not match, as there was huge gap between the two during 2002-07.
- Department had not formulated long term plan for providing a phase-wise connectivity through rural roads to all census villages in the State. Out of 770 road works taken up for execution by 14 divisions, only 189 works had been completed as of March 2007. Of these 28 works costing Rs 26.11 crore were completed after delays ranging between 10 and 216 months.
- In 10 divisions 36 road works costing Rs 21.11 crore were taken up for construction between 2002-03 and 2006-07 without obtaining technical sanction.

(Paragraph 3.4)

7. Implementation of Watershed Development Programmes

The three programmes viz. Desert Development Programme, Drought Prone Area Programme and Integrated Wasteland Development Programme were launched with the main objectives of developing waste/degraded lands,

restoration of ecological balance by harnessing, conserving natural resources such as land, water and vegetative cover and promoting overall economic development and improving the socio-economic conditions of resource poor and disadvantaged sections of the people inhabiting the project areas.

A performance review of the programmes revealed that funds provided were not fully utilised, evidence of area treated had not been maintained in some cases and Self Help Groups were not formed in nine selected Project Implementation Agencies comprising 165 watersheds. The main points noticed in audit were as under:

- The State Government did not prepare a long term perspective plan for treatment of waste/degraded lands, drought prone and desert areas.
- The shortfall in treatment of area during 2002-07 in the State under Drought Prone Area Programme, Desert Development Programme and Integrated Wasteland Development Programme ranged between 31 and 52; 50 and 85 and 16 and 53 respectively.
- Four selected Project Implementing Agencies spent Rs 6.06 crore on treatment of waste/degraded lands under Drought Prone Area Programme (Rs 1.69 crore) and Integrated Wasteland Development Programme (Rs 4.37 crore) during 2002-07 but no evidence of area actually developed/treated was kept in Measurement Books/Muster Rolls. The expenditure of Rs 6.06 crore was, thus doubtful.

(Paragraph 3.5)

8. Integrated Child Development Services

The Integrated Child Development Services programme is a Centrally sponsored scheme aiming at holistic development of children in the age group of 0-6 years, expectant and nursing mothers and adolescent girls belonging to most deprived sections of the society. The funds under the scheme remained unutilised year after year. The programme coverage of identified beneficiaries under health checkup and referral services, nutrition and health education and Kishori Shakti Yojna was deficient. A large number of Anganwadi Centres were running in unhygienic conditions. The training and orientation of personnel was deficient. Some significant findings are as under:

- While the staff costs and administrative expenses increased from 57 to 70 *per cent* of the total expenditure, the expenditure on programme implementation correspondingly decreased during 2002-05.
- In the State 10,894 additional Anganwadi Centres were not opened to meet the determined requirement of 18,248 Anganwadi Centres depriving large number of beneficiaries of the intended benefits of the scheme.
- During 2002-07 coverage of identified beneficiaries under supplementary nutrition in five selected districts fell short by 20 to

30 per cent for children and 22 to 30 per cent for expectant and nursing mothers whereas at the State level overall shortfall ranged between 41 to 46 per cent and 26 to 42 per cent respectively during the same period.

(Paragraph 3.6)

9. Information Technology Audit of On Line Treasury Information System (OLTIS) and e_pension software

Online Treasury Information System (OLTIS) aims at exercising control over expenditure as per budget allocation, prevention of diversion of funds and wrong booking of expenditure, etc. The e_pension system aims for computerised Pension disbursement. Audit observed that there was absence of documentation and user manuals to ensure trouble free operation of the systems. Besides, the absence of input controls has resulted in wrong booking of expenditure and allowing inadmissible payments. The following main points were noticed in OLTIS and e_pension system:

- The User Manuals, Operational Manuals and System Manuals were not available in all the test checked treasuries.
- The Department had not formulated and documented any Disaster Recovery Plan. There were no documented procedures indicating frequency for taking back up of data, its storage and restoration. The Treasury Officers were taking back ups on an adhoc basis.
- Due to absence of input controls, possibility of double drawal of bills in OLTIS and overpayment/incorrect payment of pension existed.

(Paragraph 3.7)

10. Internal Control System

Audit of internal control system in the Industries Department revealed significant weaknesses in financial management, non-compliance with rules, manuals and codes in the area of budget preparation, expenditure control, recovery of loans and implementation of various schemes as given below:

- Scheme funds of Rs 25.04 crore and departmental receipts amounting to Rs 9.44 crore received (2002-07) by six DDOs were remitted directly into the bank/treasuries without entering in the cash book.
- Wrong utilisation certificate for Rs 4 crore sanctioned for infrastructure development works at Sansarpur Terrace was furnished by the Superintending Engineer, HPSIDC though infact the amount had been diverted and used on other works by the State Government.

- Allotment of land for developing industrial areas/estates to prospective entrepreneurs had not been monitored at the Government level. Only 42 bighas (three *per cent*) land had been allotted by GMs DICs Lahaul and Spiti, Shimla and Solan as of March 2007 out of 1415.03 bighas transferred to the Industries Department.
- Infrastructure created at a cost of Rs 77.10 lakh for setting up of an industrial estate at Keylong (Lahaul and Spiti district) in August 2002 remained unutilised due to improper planning of the department for selection and development of industrial area.

(Paragraph 5.1)

AUDIT OF TRANSACTIONS

11. Excess/overpayment/wasteful/unfruitful/infructuous expenditure

- Expenditure of Rs 1.74 crore incurred on execution of two Lift Water Supply Schemes in Shimla district remained infructuous as pumping machinery was not installed.

(Paragraph 4.6)

- Irrigation potential of two Lift Irrigation Schemes in Baggi division constructed and maintained at a cost of Rs 1.35 crore was grossly underutilised.

(Paragraph 4.9)

- Poor planning of the Irrigation and Public Health Department to design Flow Irrigation Scheme, Kaurik (Lahaul and Spiti district) in danger zone of floods resulted in wasteful expenditure of Rs 65.43 lakh, as the scheme was washed away due to increase in discharge of Parchu lake.

(Paragraph 4.11)

- Expenditure of Rs 3.98 crore incurred on construction of two roads in Spiti Valley remained infructuous as the roads could not be opened for vehicular traffic due to loose strata and glacier points in the way.

(Paragraph 4.15)

- Lack of proper planning by the Public Works Department resulted in infructuous expenditure of Rs 5.61 crore on construction of Marhi-Kamlah-Tihra-Sandhole motorable road.

(Paragraph 4.17)

- Expenditure of Rs 3.89 crore incurred on construction of Gurukund-Talli road in Solan district and Luna-Ohra road in Chamba district proved infructuous due to non-construction of bridges at take off point.

(Paragraph 4.18)

- Non-handing over of the completed helipad at Satrundi in Chamba district to the Tourism and Civil Aviation Department led to infructuous expenditure of Rs 30.09 lakh on its construction.

(Paragraph 4.21)

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

- Funds amounting to Rs 38.30 lakh under Member of Parliament Local Area Development Scheme were diverted by the Deputy Commissioner, Shimla in contravention of the provisions of the scheme.

(Paragraph 4.23)

- The Deputy Commissioners of four districts irregularly diverted Rs 1.92 crore from calamity relief funds for works not related to natural calamities.

(Paragraph 4.27)

13. Regulatory issues and other points

- Inaction of the Home (Police) Department in pursuing leave salary and pension contributions from commercial organisations resulted in accumulated recovery of Rs 14.63 crore.

(Paragraph 4.33)

- Failure of Himachal Pradesh Housing and Urban Development Authority to correctly assess water supply rates against actual expenditure resulted in loss of Rs 1.73 crore.

(Paragraph 4.34)