

## OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Himachal Pradesh for the year 2001-2002 and four other chapters, comprising four reviews and 40 paragraphs, based on the results of test audit of certain selected programmes and activities and of the financial transactions of the Government. A synopsis of the important findings contained in the Report is presented in this overview.

### 1. Review of the State's finances

- ◆ The liabilities of the State Government grew by 17 *per cent* during 2001-2002 as compared to 2000-2001, mainly as a result of high (27 *per cent*) growth in deficit on the Government account.
- ◆ Interest payments of Rs 1042 crore increased significantly by Rs 244 crore (31 *per cent*) over the previous year. This was due mainly to increase in interest payments by Rs 153.27 crore on internal debt. During the year, the interest payments constituted 23 *per cent* of revenue expenditure.
- ◆ The funds (Rs 5,356 crore) were mainly applied to meet revenue expenditure (85 *per cent*).
- ◆ The share of capital expenditure in total expenditure increased marginally from 11 *per cent* in 2000-2001 to 12 *per cent* in 2001-2002.
- ◆ Assistance to local bodies and others ranged between four and nine *per cent* of the revenue receipts and between four and eight *per cent* of the revenue expenditure during 1997-2002.
- ◆ The net addition to Public Debt as adjusted by the effect of remittance, suspense balance, etc., was Rs 1640.43 crore. This after meeting capital expenditure (Rs 649.80 crore) and lending for development and other purposes (Rs 30.35 crore) generated a surplus of Rs 960.28 crore. After meeting the revenue deficit (Rs 860.46 crore), there was a surplus of Rs 99.82 crore.
- ◆ The growth of internal debt of the State Government during 1997-2002 was 777 *per cent*, loans and advances from the Government of India 20 *per cent* and other liabilities 95 *per cent*.
- ◆ The Government could not maintain minimum cash balance with the Reserve Bank of India on 315 days and obtained ways and means

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The abbreviations used in this Report have been listed in the Glossary in Appendix-XVIII (Page 184-185).

advances of Rs 587 crore on 71 days, overdraft of Rs 2228 crore on 229 days and rediscounted treasury bills of Rs 223 crore on 15 days.

(Chapter-I)

### **Indicators of financial performance of the State Government**

- ◆ Analysis shows that a negative BCR and negligible return on investment have adversely affected the sustainability of the State's finances. Falling tax ratio has made the situation worse. Consequently Government had to take recourse to increased borrowings. Similarly falling assets to liability ratio, high amounts of guarantees including guarantees to loss making units and revenue and fiscal deficits have added considerably to the vulnerability of the State's finances. Consequently this year the interest payments had also increased significantly by Rs 244 crore (31 *per cent*). This was to exceed even tax revenue by Rs 126 crore had Rs 203 crore on account of Customs, Union Excise Duties and Service Tax not been credited direct to tax revenue of the State. The limited capital expenditure had no appreciable benefit due to negligible return on investments.

(Paragraph 1.12)

## **2. Appropriation Audit and Control over expenditure**

- ◆ Expenditure incurred by the Government, substantially in excess of the amounts sanctioned by the State Legislature, remained to be regularised in terms of Article 205 of the Constitution of India. As of July 2002, excess expenditure of Rs 8,341.72 crore incurred during 1999-2002 remained to be regularised.
- ◆ During 2001-2002, there were savings in 45 cases aggregating Rs 469.17 crore. Of these, savings of Rs 50 lakh and more in each case aggregating Rs 467.13 crore occurred in 32 cases involving 24 grants.
- ◆ Supplementary provisions totalling Rs 34.89 crore obtained in 15 cases during the year proved unnecessary as the expenditure in these cases was less than the original budget provisions.
- ◆ Persistent savings/excesses, ranging from 5 to 1723 *per cent*, occurred in nine cases involving nine grants and one appropriation during the period 1999-2002.
- ◆ In 15 cases, the amount surrendered exceeded the overall savings by Rs 19.41 crore. Further, in the case of four grants, Rs 49.02 crore were

surrendered although expenditure exceeded the grant and no savings were available for surrender.

- ◆ In the case of 43 sub-heads involving 13 grants/appropriations Rs 43.10 crore were injudiciously reappropriated as either the original grants were adequate or no savings were available for reappropriation.
- ◆ Out of 645 heads/sub-heads of accounts, explanations for savings/excesses were not received in respect of 431 heads/sub-heads (67 per cent) of accounts as of August 2002.
- ◆ Of Rs 8.71 crore drawn for execution of various schemes/development works, etc., during 1999-2002 by three departments in advance of actual requirement, Rs 5.51 crore (63 per cent) were lying unutilised either with the executing agencies (Rs 0.65 crore) or deposits with the banks (Rs 4.86 crore).

(Chapter-II)

### **3. Local District Planning and Vidhayak Kshetra Vikas Nidhi Yojana**

The objective of the scheme was the execution of small development works of local importance by creating community assets and employment opportunities. Review of the schemes in audit revealed the following points:

- ◆ Amounts ranging from Rs 19.11 lakh to Rs 4.84 crore remained unutilised with the Deputy Commissioners, Bilaspur, Kangra and Sirmour and were kept in the banks resulting in completion of only 2,429 works (84 per cent) against the target of 2,887 works.
- ◆ Shelf of development works at the district and block level was not prepared in Bilaspur, Kangra and Sirmour districts and 2,887 individual works proposed by the *Gram Panchayats* were sanctioned by the DCs.
- ◆ For the completion of 263 ongoing works already financed from the LDP funds between 1997 and 2002, additional funds of Rs 65.99 lakh were sanctioned by the Deputy Commissioners, Bilaspur, Kangra and Sirmour in disregard of the guidelines.
- ◆ Deputy Commissioners, Bilaspur, Kangra and Sirmour sanctioned 305 works not permissible under the scheme and released Rs 1.25 crore to the executing agencies.

- ◆ In contravention of the instructions of the Government, 87 works valuing Rs 1.44 crore were executed through contractors.

(Paragraph 3.1)

#### **4. Swarnjayanti Gram Swarozgar Yojana**

*Swarnjayanti Gram Swarozgar Yojana*, started in April 1999 was a holistic programme covering all aspects of self employment such as organisation of rural poor into Self Help Groups, providing training, credit, technology, infrastructure and market facilities. The objective was to bring the *Swarozgaris* above the poverty line in three years by ensuring the individual family a net monthly income of at least Rs 2000. The following points were noticed during review of the programme.

- ◆ Shortfall in expenditure on training, infrastructure development and revolving funds to self help groups ranged between 46 and 81 *per cent*.
- ◆ A special project for installation of 400 hydrams at a cost of Rs 10.47 crore was not well conceived.
- ◆ Against the required 50 *per cent* coverage of SC/ST beneficiaries under the programme, the actual coverage in nine districts ranged between 25 and 49 *per cent*. Similarly, against the required 40 *per cent* coverage for women, the actual coverage in four districts ranged between 16 and 35 *per cent*.
- ◆ In nine blocks, assistance of 41.86 lakh was released to 123 beneficiaries whose names did not figure in the approved list of below poverty line families.

(Paragraph 3.2)

#### **5. Rural Housing (*Indira Awas Yojana* and other Rural Housing Schemes)**

*Indira Awas Yojana*, a Government of India scheme, is aimed at combating the rural housing problem. The primary objective and thrust of the scheme was to solve the housing requirement of families below the poverty line in rural areas. Audit review of implementation of the scheme brought out the following points:

- ◆ Delay in submission of proposals by the State Government for release of funds resulted in short release of Rs 2.58 crore thereby resulting in denial of assistance to 1,170 beneficiaries under the scheme.

- ◆ Rupees 61.80 lakh were paid to 618 beneficiaries by 15 BDOs during 1999-2002 even though the beneficiaries had neither constructed sanitary latrines nor installed smokeless *chullahs* in their houses as required under the scheme.
- ◆ Excess financial assistance of Rs 51.62 lakh was released to 2,065 beneficiaries who had constructed their houses in the main habitation during 1997-2002.

*(Paragraph 3.3)*

## 6. Review of Public Works Department and manpower management

The Public Works Department is responsible for planning, construction and maintenance of roads, bridges and buildings (residential and non-residential) for various Government departments and execution of civil engineering works on behalf of local bodies, Public Undertakings, Boards etc., as deposit works. Construction of roads and bridges is the main activity of the department. To connect 16,997 villages of the State, construction of roads was taken up by the department under Central and State Sectors. A requirement of total length of 39,045 kms of roads was assessed by the State Government on the basis of providing road density of 70.13 kms per 100 sq kms and 7.55 kms per 1,000 population. Out of 22,634 kms long roads constructed, 11,286 kms long roads could be used during fair weather only. Roads were constructed without obtaining technical sanction. Some important points noticed in audit are as under:

- ◆ Budget estimates were not prepared on realistic basis. Persistent excesses occurred in the revenue section during 1999-2002 which contributed to revenue deficit of the State Government.
- ◆ Failure of the Government to release Rs 35 lakh for payment of compensation to 1,397 daily waged workers declared surplus in June 2000 in Dharampur Division, resulted in non-retrenchment of workers and avoidable wages of Rs 5.02 crore had to be paid to them.
- ◆ Out of 952 road works taken up for construction by Arki, Barsar, Bilaspur-II, Kalpa, Karsog, Kullu, Kumarsain, Mandi, Nirmand, Palmpur, Rajgarh, Rampur, Sarkaghat, Shimla-I, Shimla-II, Solan and Sundernagar divisions upto March 2002, 644 works remained incomplete after incurring expenditure of Rs 83.45 crore. Cost overrun of Rs 3.47 crore in case of 24 completed works and Rs 29.59 crore in case of 157 works in progress respectively occurred. Time overrun in these cases ranged between four and 349 months.

- ◆ Expenditure of Rs 3.96 crore incurred by Chamba, Kalpa, Kangra, Kaza, Kumarsain and Sundernagar divisions on construction of seven bridges and three roads remained unfruitful as these could not be put to use due to various reasons.
- ◆ Investment of Rs 10.62 crore on the construction of 66 roads and two bridges remained idle because the works remained incomplete due to various lapses of the department.
- ◆ In Arki, Bilaspur-II, Karsog, Kullu-I, Kumarsain, Nirmand, Rampur, Sarkaghat, Shimla-II, Solan and Sundernagar divisions, Rs 6.36 crore were spent during 1999-2002 on construction of 169 roads under scheduled caste component plan without identifying predominantly scheduled caste inhabited villages.
- ◆ Rupees 71.53 crore were spent by Arki, Barsar, Bilaspur-II, Kalpa, Kullu, Kumarsain, Mandi, Nirmand, Palampur, Rampur, Sarkaghat, Shimla-I, Shimla-II, Solan and Sundernagar divisions on maintenance of roads during 1999-2002 over and above the norms fixed.

*(Paragraph 4.1)*

<b>7. Working of Dr. Y. S. Parmar University of Horticulture and Forestry, Nauni (Solan)</b>
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Dr. Y. S. Parmar University of Horticulture and Forestry (UHF), Nauni (Solan) was established to provide teaching, research and extension education in horticulture, forestry and allied branches of learning. Test-check of accounts and other relevant records of the UHF revealed the following points:

- ◆ Overpayment and inadmissible and irregular payment of Rs 1.63 crore was made by the UHF during 1996-2002 on account of house rent allowance/Secretariat allowance to its employees and workers engaged on daily wage basis.
- ◆ In spite of availability of Government and private transport facilities between Solan and Nauni, the UHF plied its own buses for transporting its employees on concessional pass basis and incurred a loss of Rs 70 lakh during 1997-February 2002.
- ◆ Failure to install humidifiers due to non-availability of adequate and regular water supply resulted in non-utilisation of five prefabricated cold storage walk-in-chambers installed at a cost of Rs 44.28 lakh in December 1996 at Regional Horticulture Research Station, Mashobra.

- ◆ Expenditure of Rs 27.26 lakh incurred on five incomplete works awarded to four contractors during January 1990-September 1991 for completion within one year of award remained unfruitful.

*(Paragraph 6.5)*

### **8. Outstanding claims for reimbursement of expenditure incurred on National Highways**

- ◆ Outstanding claims for reimbursement of expenditure on National Highways from Ministry of Road Transport and Highways increased from Rs 1.55 lakh in 1980 to Rs 33.70 crore as of July 2001.
- ◆ In National Highway Divisions, Pandoh and Solan, claims for Rs 4.07 crore were withheld as sanction of Ministry of Road Transport and Highways for payment of court decree/arbitration awards, etc., was not obtained.
- ◆ Claims amounting to Rs 2.98 crore incurred by four National Highway Divisions (Jogindernagar, Pandoh, Rampur and Solan) were withheld for want of sanction of estimates.
- ◆ Efforts for reimbursement of claims of Rs 10.80 crore transferred by 14 Building and Roads Divisions (Bajjnath, Dharamshala, Fatehpur, Jassur, Jawali, Kangra, Kullu-II, Mandi-II, Nurpur, Palampur, Shimla-I, Shimla-II, Sundernagar and Theog) to three National Highway Divisions (Jogindernagar, Pandoh and Solan) after October 1998 had not been made.

*(Paragraph 4.2)*

### **9. Review of balances under 'Public Works Deposits'**

- ◆ The balance of Rs 64.74 crore under 'Public Works Deposits' at the end of March 1996 increased to Rs 177.07 crore by the end of March 2002 showing an increase of 174 *per cent*.
- ◆ Drawal of Rs 1.61 crore by Sewerage Network Construction Division, Shimla in anticipation of procurement of pipes not required for immediate use on the work resulted in irregular utilisation of budget allotment for 1998-99 and inflated the balances under deposit head to the extent of Rs 1.43 crore.

- ◆ Sales tax amounting to Rs 15.66 lakh deducted from the bills of various contractors by Medical College Division, Shimla during 1996-2000 was credited to deposit head instead of remitting the same to the State Excise and Taxation Department for credit to Government account. This resulted in concealment of revenue and accumulation of balances under deposit head.
- ◆ In four Public Works Divisions (Bajjnath, Chamba, Mandi-I and Shimla-III) and two Irrigation and Public Health Divisions (Dehra and Hamirpur), Rs 1.82 crore were spent on 120 works in excess of deposits received, for which no reasons were furnished.
- ◆ In Shimla Irrigation and Public Health Division No. II, balances of deposits for works amounting to Rs 1.54 crore were lying unutilised at the end of February 2002.

*(Paragraph 4.15)*

#### **10. Stores and Stock Accounts of Home Department**

A review of stores and stock accounts of the Police Department revealed the following points:

- ◆ Unspent amount of Rs 5.15 crore under Police Deposit Fund was not adjusted during 1997-2002 by short drawal in eight units which resulted in keeping huge amounts outside normal budgetary process year after year.
- ◆ Of Rs 11.76 crore sanctioned under Modernisation of State Police Force and Security Related Expenditure Rs 47.70 lakh had been diverted for the purchase of computers, furniture, installation of EPABX, etc., which were not covered under the scheme.

*(Paragraph 5.1)*

#### **11. Blocking of funds**

- ◆ Against the requirement of Rs 1.04 crore for construction of additional accommodation in Distt Hospital, Nahan, funds of Rs 1.76 crore were released to the executing agency which were not utilised in full as the allotment was made without demand.

*(Paragraph 3.12)*

- ◆ Of Rs 3.46 crore drawn by the Executive Engineer, Irrigation and Public Health Division, Reckong Peo on the last two days of March 2001, Rs 3.36 crore were lying unutilised outside the

Government account with the Himachal Pradesh Civil Supply Corporation resulting in undue financial aid to them and loss of interest of Rs 22 lakh to Government.

*(Paragraph 4.14)*

- ◆ Rs 1.41 crore released by the State Government in March 1999 to the Himachal Pradesh University (HPU) for the construction of boys hostel for Scheduled Tribe students were blocked as the construction of the hostel was not taken up.

*(Paragraph 6.3)*

## **12. Idle investment**

- ◆ Purchase of 21 houses at Kandrori (Kangra district) for residential purpose from Himachal Pradesh Housing Board by the Government without assessment of requirement resulted in idle investment of Rs 66.81 lakh.

*(Paragraph 4.3)*

- ◆ Inadequate attention to procurement planning involving synchronisation of construction of buildings with receipt of equipment, posting of trained staff, undertaking timely repairs, etc., resulted in non-utilisation of high value equipment procured at a cost of Rs 70.79 lakh by various departments.

*(Paragraph 5.5)*

## **13. Unfruitful/wasteful expenditure**

- ◆ Injudicious decision of the department to cancel the agreement without giving 90 days notice to the company resulted in avoidable liability of Rs 3.85 crore and expenditure of Rs 79.55 lakh.

*(Paragraph 3.5)*

- ◆ Failure of the Irrigation and Public Health Department to establish feasibility of 10.5 kilometre long Flow Irrigation Scheme in Pangi Valley (Chamba district) before taking up the work resulted in infructuous expenditure of Rs 16.15 lakh.

*(Paragraph 4.4)*

- ◆ Lackadaisical planning and execution of sewerage project for Reckong Peo town resulted in inordinate delay and escalation of its cost by 229 per cent. The sewerage project had not been commissioned and connected to houses by Irrigation and Public Health Division, Reckong Peo even after two years of its completion rendering the investment of Rs 1.86 crore on it infructuous.

*(Paragraph 4.5)*

- ◆ Construction of three tubewells at Dhandras, Kandiah and Trot (Mandi district) by Irrigation and Public Health Division, Sundernagar, without the approval of site and design by Ground Water Organisation, Una resulted in wasteful expenditure of Rs 26.51 lakh

(Paragraph 4.6)

- ◆ Faulty investigation and designing of Lift Irrigation Scheme, Bari (Mandi district) rendered the expenditure of Rs 22.46 lakh unfruitful, besides, damage to the pumping machinery.

(Paragraph 4.7)

- ◆ Failure of the Irrigation and Public Health Department for not taking into account the existence of glacier points in the alignment of pipe line of 3,124 metres long sprinkler irrigation scheme in *Gram Panchayat Kuleth* (Chamba district) and inadequate investigations resulted in unfruitful expenditure of Rs 21.32 lakh.

(Paragraph 4.8)

- ◆ Non-fencing of fields, delay in execution of *chak* development works and special repairs rendered the Flow Irrigation Scheme, Charling Maidan in Pin Valley (Lahaul and Spiti district) non-functional, leading to unfruitful expenditure of Rs 46.25 lakh

(Paragraph 4.10)

- ◆ Failure of the Irrigation and Public Health Department to select suitable site for the pump house of Lift Irrigation Scheme, Kundlihar (Kangra district) resulted in expenditure of Rs 1.16 crore remaining largely unfruitful.

(Paragraph 4.12)

- ◆ Failure of the Irrigation and Public Health Division, Chamba and Keylong to procure and use readymade interlink chains for providing wire crates resulted in avoidable extra expenditure of Rs 20.07 lakh.

(Paragraph 5.2)

- ◆ The Municipal Corporation, Shimla failed to arrange funds and to finalise the rates of extra/substituted items which resulted in unfruitful expenditure of Rs 23.71 lakh incurred upto June 1997 on the construction of a rest house.

(Paragraph 6.7)

#### **14. Other points of interest**

- ◆ Double/unauthorised payments of Rs 14.50 lakh on account of pensionary benefits was made by nine DDOs in seven departments by preparing duplicate bills.

***(Paragraph 3.14)***

- ◆ Recoverable amount of loans from 121 defaulting societies of Co-operation Department was Rs 3.71 crore as on March 2001. Of this, Rs 45.20 lakh were outstanding against 26 societies under liquidation in seven districts. In 37 cases penal interest of Rs 20.12 lakh was recoverable from the societies.

***(Paragraph 6.2.2)***

- ◆ Failure of the HPU to construct the men's hostel building within the stipulated time resulted in lapsing of UGC grant of Rs 31.50 lakh.

***(Paragraph 6.4)***