

## OVERVIEW

This Report contains 38 Audit Paragraphs and six performance reviews/long paragraphs apart from comments on the Finance and Appropriation Accounts. The draft Audit Paragraphs and draft Audit Reviews are sent to the concerned Secretaries to the State Government by the Accountant General with a request to furnish replies within eight weeks. The Secretaries are also reminded by the Accountant General for replies. However, despite such efforts, no response was received from the concerned Secretaries to the State Government.

### 1. FINANCES OF THE STATE GOVERNMENT

- ◆ The revenue deficit of the State increased from Rs 106 crore in 1999-2000 to Rs 1,607 crore in 2003-2004. The fiscal deficit too increased from Rs 189 crore to Rs 2,384 crore during the corresponding period. As proportion to State's gross domestic product, revenue deficit had increased to 8.92 *per cent* in 2003-2004.
- ◆ Revenue receipts of the State increased from Rs 3,715 crore in 1999-2000 to Rs 3,981 crore in 2003-2004. Rate of growth during 2003-2004 was 8.80 *per cent*. Rate of growth of revenue receipts failed to keep pace with GSDP growth in three out of five years and overall buoyancy was less than one.
- ◆ Overall expenditure of the State comprising revenue expenditure, capital expenditure and the loans and advances increased at an average annual trend of 10 *per cent* to Rs 6,393 crore in 2003-2004 from Rs 4,435 crore in 1999-2000. Expenditure on General Services and Interest payments considered as non-developmental accounted for 39.21 *per cent* of the total expenditure.
- ◆ By the end of 2003-2004 total investment in statutory corporations, etc., stood at Rs 1,922 crore compared to Rs 1,105 crore in 1999-2000. Dividend received from these companies, etc., was negligible.
- ◆ Fiscal liabilities of the State increased from Rs 7,104 crore in 1999-2000 to Rs 14,437 crore in 2003-2004 at an average annual rate of 18.34 *per cent*. The net funds available towards the internal debt, loans and advances from Government of India and other liabilities after providing for interest and repayments were 24 *per cent* on an average during 1999-2004 of total fiscal liabilities. In addition, Government had given guarantees which stood at Rs 4,682 crore.
- ◆ The Government could not maintain minimum cash balance with the Reserve Bank of India and obtained ways and means advances of Rs 1,729 crore on 133 days and overdraft of Rs 1,145 crore on 117 days. Interest of Rs 7.13 crore was paid during the year on ways and means advances and overdraft.
- ◆ Failure to sign the Memorandum of Understanding before the commencement of financial year 2003-04 and also to bring about the

required improvement in revenue deficit, deprived the State Government of revenue deficit grant of Rs 125.88 crore. Besides, matching grant of Rs 8.03 crore for the Incentive Fund and assistance of Rs 15.22 crore could also not be obtained from the Government of India.

*(Chapter-1)*

## **2. ALLOCATIVE PRIORITIES AND APPROPRIATION**

- ◆ 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 August 2004, excess expenditure of Rs 12,836.25 crore incurred during 2000-2004 remained to be regularised.
- ◆ During 2003-2004, there were savings in 44 cases aggregating Rs 697 crore. Of these, savings of Rs 651 crore (93 per cent) occurred in seven grants and one appropriation.
- ◆ Supplementary provisions totalling Rs 30.46 crore obtained in six cases during the year proved unnecessary as the expenditure in these cases was less than the original budget provisions.
- ◆ In nine cases, the amount surrendered exceeded the overall savings by Rs 14.11 crore. Further, in the case of two grants, Rs 9.28 crore were surrendered although expenditure exceeded the grant and no savings were available for surrender.
- ◆ Recoveries in reduction of expenditure were grossly underestimated by Rs 344.11 crore.
- ◆ In 23 cases (sub-heads) involving 11 grants/appropriations Rs 185.12 crore were injudiciously reappropriated as the original grants were adequate or no savings were available for surrender.
- ◆ Expenditure of Rs 308.66 crore in respect of two heads of account remained unreconciled.

*(Chapter-II)*

## **PERFORMANCE REVIEWS/LONG PARAGRAPHS**

### **3. Working of Health and Family Welfare Department**

The main objective of Health and Family Welfare Department to provide “Health for all by the year 2000”, for which specific goals were set, was not achieved by March 2004 in respect of pre-natal and child mortality, effective couple protection, pregnant mothers receiving ante-natal services and delivery by trained attendants, etc. Review of certain aspects of working of the department revealed the following main points:

- ◆ Investment of Rs five crore in Himachal Pradesh Health System Corporation to improve infrastructure in health institutions could not achieve the intended purpose as no infrastructure was created.

- ◆ Of 3,276 vacant posts as of October 2003, all the posts under 19 categories remained vacant which affected the healthcare services in the State.
- ◆ Pre-service training courses for nurses and multipurpose health workers were not conducted after 2001-2002 and salary of Rs 78.13 lakh was paid to the training staff for the idle period.
- ◆ Fifty bed Mental Hospital constructed in Shimla at a cost of Rs 2.17 crore remained non-functional due to non-posting of psychiatrist and related staff.
- ◆ The State Government could not avail additional Central assistance of Rs 8.96 crore provided by the Government of India under *Pradhan Mantri's Gramodaya Yojna* for strengthening rural health sector.

*(Paragraph 3.1)*

#### **4. Pradhan Mantri Gram Sadak Yojna (PMGSY)**

The scheme launched in December 2000, aimed at connecting every village having population of more than 1,000 through good all weather roads within three years and villages having population of more than 500 (250 in case of hilly/desert tracts) were to be connected by 2007. A review of implementation of the scheme in the State revealed that there was significant shortfall in achievement of targets fixed for completion of roads. Funds were not fully utilised. Guidelines of the scheme were not followed while executing the works. Instances of sub-standard execution of works, undue financial aid to contractors and illegitimate charge to works were noticed. Some of the significant audit findings were:

- ◆ Against 229 villages with a population of over one thousand to be connected through 215 roads by 2003, only 41 could be linked through 37 roads by March 2004.
- ◆ Only 149 roads covering 213 villages with a population of over 250 could be completed by March 2004 as against 245 roads covering 359 villages approved for completion by June 2003 under PMGSY 2001-2002 (Phase-II).
- ◆ Funds of Rs 62.30 crore and interest of Rs 5.72 crore remained unutilised with seven Project Implementation Units and two District Rural Development Agencies.
- ◆ Thirteen roads costing Rs 5.12 crore were incorrectly reported as having been completed during June 2002-December 2003 though only 11 roads were actually completed by September 2003-March 2004 and two roads were still incomplete as of April 2004.
- ◆ In 15 divisions, performance security of Rs 1.91 crore was not obtained from 35 contractors. Further, against the leviable liquidated damages of Rs 3.21 crore on 38 contractors in 13 divisions, liquidated damages of Rs 58 lakh alone were levied out of which Rs 3 lakh only were recovered.
- ◆ Incorrect designing of pavements of 13 roads under five divisions resulted in sub-standard execution of works to the extent of

Rs 5.18 crore. Adoption of uneconomical specifications for the execution of 90 roads under 15 divisions resulted in extra avoidable expenditure of Rs 1.09 crore and failure to ensure quality control had resulted in sub-standard execution of a road costing Rs 88 lakh.

- ◆ In five divisions, 10 “All Weather Roads” constructed at a cost of Rs 5.42 crore could not be used for want of bridge/railway crossings.

*(Paragraph 3.2)*

## **5. Sectoral Decentralised Planning Programme**

Audit scrutiny of records relating to implementation of the programme revealed the following main points:

- ◆ Funds ranging between Rs 4.88 crore and Rs 19.60 crore remained unspent with the Deputy Commissioners, Hamirpur, Kangra and Mandi during 1999-2004 and were kept in banks. Further, unutilised funds of Rs 5.56 crore were kept by various implementing agencies in commercial banks as of March 2004.
- ◆ The Deputy Commissioners of Hamirpur, Kangra and Mandi districts sanctioned 3,849 works valuing Rs 54.54 crore during 1999-2004. Of these, 2,169 works valuing Rs 36.27 crore had not been approved by the District Planning, Development and Twenty Point Programme Review Committee, as required.
- ◆ Expenditure of Rs 64.90 lakh incurred on construction of sheds for Government College at Balh (Paur) near Palampur during 2002 was rendered wasteful due to change of site of the college to Tikka Nihag in Palampur.
- ◆ Funds of Rs 88.16 lakh meant for rural water supply schemes were unauthorisedly diverted by the Deputy Commissioners of Hamirpur, Kangra and Mandi districts to other heads of account in violation of the guidelines of the programme.
- ◆ The programme was not effectively monitored by the Principal Advisor-cum-Secretary (Planning) as no records relating to works sanctioned under the programme, taken up for execution, completed and remaining incomplete were maintained in his office.

*(Paragraph 3.3)*

## **6. Himachal Pradesh Energy Development Agency (Himurja)**

Test-check of the records of the Himachal Pradesh Energy Development Agency (*Himurja*) revealed the following points:

- ◆ *Himurja* unauthorisedly created capital fund without laying down the manner in which funds available in the capital fund were to be utilised.
- ◆ Delay in commissioning of Micro Hydel Projects in Chamba, Kangra, Kullu and Lahaul and Spiti districts resulted in non-generation of 91,10,400 units of energy entailing revenue loss of Rs 2.28 crore. Further, Gharola, Juthed, Kothi, Lingti and Sural projects commissioned between January 2001 and July 2003 were running at

seven to 56 per cent of their installed capacity which resulted in loss of revenue of Rs 1.21 crore.

- ◆ Against the proposed installation of 600 Hydrams at various places in the State, only 206 hydrams were installed.

*(Paragraph 3.4)*

## **AUDIT OF TRANSACTIONS**

### **7. Infructuous/wasteful expenditure and overpayment**

- ◆ Application of incorrect rule for regulation of pay on promotion of Head Teachers during March 1996 to November 2003 resulted in overpayment of Rs 19.43 lakh.

*(Paragraph 4.1)*

### **8. Avoidable/excess/unfruitful expenditure**

- ◆ Investment of Rs 1.59 crore on purchase of 5,000 square metre of land for study centre of International Centre for Distance Education and Open Learning of Himachal Pradesh University at Delhi in April 2000 proved idle as the centre had not been constructed as of March 2004.

*(Paragraph 4.2)*

- ◆ Instructions of the Government of March 2001 transferring 28 godowns to the Himachal Pradesh Civil Supplies Corporation without incurring any future liabilities were not followed and the Food and Supplies Department incurred unauthorised expenditure of Rs 43 lakh on construction of godowns at Karyuni and Karyas in Pangi valley.

*(Paragraph 4.3)*

- ◆ Expenditure of Rs 40.95 lakh was unauthorisedly incurred on salaries of cooks deployed in HIPA Co-operative Mess Limited, Fairlawns, Shimla and those declared surplus in five hospitals due to transfer of catering services to the Himachal Pradesh Tourism Development Corporation and private contractors.

*(Paragraph 4.4)*

- ◆ Purchase of medicines by Health and Family Welfare Department from the open market during 1997-2003 without following the procedure for procurement thereof resulted in loss of Rs 22.98 lakh to the Government.

*(Paragraph 4.5)*

- ◆ Negligence on the part of Science, Technology and Environment Department/Government to issue instructions for adopting the methods

for removal of advertisements and hoardings from the rocks, etc., in Kullu district resulted in avoidable payment of Rs one crore.

***(Paragraph 4.7)***

- ◆ Thirteen officials of Primary Education and Animal Husbandry departments did not report for duty at new stations on transfer between August 2001 and May 2003 but their successors joined duties against them. Thus two officials were deployed against one post in every case, resulting in unauthorised expenditure of Rs 15.33 lakh.

***(Paragraph 4.8)***

- ◆ Failure of the Executive Engineer, Kalpa Public Works Division to acquire private land falling in the alignment of two roads resulted in the works remaining incomplete and unfruitful expenditure of Rs 1.05 crore.

***(Paragraph 4.9)***

- ◆ The inability of Public Works Division, Chopal in Shimla district to supply correct drawings for fabrication of super-structure of a bridge over *Patal khad* resulted in unfruitful expenditure of Rs 39.95 lakh besides creation of an avoidable liability of Rs 13 lakh.

***(Paragraph 4.14)***

- ◆ Faulty planning in the construction of Leedang Demul motorable road in Spiti valley resulted in unfruitful expenditure of Rs 1.46 crore and denial of intended benefits to the beneficiaries.

***(Paragraph 4.15)***

- ◆ Injudicious rescission of contracts of 15 contractors and non-initiation of action against the contractors for non-commencement of contracted works resulted in extra avoidable expenditure of Rs 23.32 lakh besides undue financial favour of Rs 6.09 lakh to the contractors.

***(Paragraph 4.17)***

- ◆ Lift irrigation schemes Pirh and Maila (Kangra district) constructed in May 1999 provided negligible irrigation to the culturable command area resulting in unfruitful expenditure of Rs 97.02 lakh.

***(Paragraph 4.18)***

- ◆ Flow irrigation scheme, Hudan Bhatari in Pangri tehsil provided irrigation to only five *per cent* of the envisaged culturable command area of 1,023 hectares resulting in unfruitful expenditure of Rs 66.39 lakh.

***(Paragraph 4.19)***

## **9. Idle investment/idle establishment/blockage of funds**

- ◆ Lack of proper survey and investigation before commencement of construction of Tissa Shawa road in Chamba district in May 1996 resulted in idle investment of Rs 59.15 lakh as the road was not constructed upto motorable standards and could not be opened for vehicular traffic.

*(Paragraph 4.23)*

- ◆ No irrigation was provided by three flow irrigation schemes in Spiti Valley since their commissioning in 1995-96 resulting in wasteful investment of Rs 1.12 crore.

*(Paragraph 4.24)*

- ◆ Investment of Rs 1.17 crore on lift irrigation scheme, Gathutar in Kangra district proved idle as negligible irrigation was provided by the scheme due to defective designing of rising main and distribution system.

*(Paragraph 4.25)*

## **10. Regulatory issues and other points**

- ◆ Students' fund amounting to Rs 20.85 lakh was unauthorisedly diverted by the Himachal Pradesh University for payment of salary to the teaching staff.

*(Paragraph 4.28)*

- ◆ Vice Chancellor of Himachal Pradesh University committed serious irregularities in operation of secrecy fund.

*(Paragraph 4.29)*

- ◆ Fees amounting to Rs 2.04 crore received from non-resident Indian students were deposited by the Principal, Indira Gandhi Medical College, Shimla in the bank account of the Indira Gandhi Medical College and Hospital Welfare Society, Shimla resulting in falsification of accounts.

*(Paragraph 4.30)*

- ◆ Treated water was not supplied to the beneficiaries by Executive Engineers of Arki, Kullu-I, Mandi, Shimla-I and Sundernagar divisions even after investment of Rs 9.49 crore on water supply schemes and hand pumps.

*(Paragraph 4.32)*