

Chapter-I

Introduction

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1.1 Budget profile

There are 53 departments and 60 autonomous bodies in the State. The position of budget estimates and actuals thereagainst by the State Government during 2010-15 is given in Table 1.1.

Table-1.1
Budget and expenditure of the state government during 2010-15

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15	
	Budget Estimates	Actuals								
(₹ in crore)										
Revenue expenditure										
General services	5340	5279	5971	5690	6651	6618	7196	7046	8344	7604
Social services	4929	4979	5669	5147	6635	6131	7117	6706	7913	7451
Economic services	3393	3682	3819	3049	4517	3418	4873	3591	5413	4723
Grants-in-aid and contributions	6	6	12	12	7	7	3	9	3	9
Total (1)	13668	13946	15471	13898	17810	16174	19189	17352	21673	19787
Capital expenditure										
Capital Outlay	1814	1789	1899	1810	2059	1955	2104	1856	1993	2473
Loans and advances disbursed	225	227	390	493	379	469	342	531	367	474
Repayment of Public Debt	879	870	1099	1128	1930	2117	1714	1704	1511	8260
Contingency Fund	---	---	---	--	---	--	--	--	--	--
Public Accounts disbursements	1987	7162	1987	8526	2288	8285	2828	9227	2978	8844
Closing Cash balance	---	635	---	569	---	(-) 295	--	(-) 887	--	(-) 739
Total (2)	4905	10683	5375	12526	6656	12531	6988	12431	6849	19312
Grand Total (1+2)	18573	24629	20846	26424	24466	28705	26177	29783	28522	39099

Source: Annual Financial Statements and Finance Accounts of the State Government.

1.2 Application of resources of the State Government

The total expenditure¹ of the state increased from ₹ 15962 crore to ₹ 22734 crore during 2010-15, the revenue expenditure of the State Government increased by 42 *per cent* from ₹ 13946 crore in 2010-11 to ₹ 19787 crore in 2014-15. Non-Plan revenue expenditure increased by 35 *per cent* from ₹ 12294 crore to ₹ 16583 crore and capital expenditure increased by 38 *per cent* from ₹ 1789 crore to ₹ 2473 crore during the period 2010-15.

The revenue expenditure constituted 86 to 88 *per cent* of the total expenditure during the years 2010-15 and capital expenditure nine to 11 *per cent*. During this period, total expenditure increased at an annual average rate of 12 *per cent*, whereas revenue receipts grew at an annual average growth rate of 12 *per cent* during 2010-15.

¹ Total expenditure includes revenue expenditure, capital outlay and loans and advances.

1.3 Funds transferred directly to the State implementing agencies

During 2014-15, Government of India (GOI) directly transferred ₹ 278.55 crore to various State implementing agencies without routing through the State budget. Consequently, these amounts remained outside the scope of Annual Accounts (Finance Accounts and Appropriation Accounts).

1.4 Grants-in-aid from Government of India

The Grants-in-aid received from the GOI during the years 2010-11 to 2014-15 have been given in **Table-1.2**.

Table-1.2
Grants-in-aid from GOI

Particulars	₹ in crore)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	2634	2647	2526	2025	1199
Grants for State Plan Schemes	2680	3342	4179	3765	4333
Grants for Central Plan Schemes	1	27	28	17	31
Grants for Centrally Sponsored Schemes	343	505	580	507	1615
Total	5658	6521	7313	6314	7178
Percentage of increase over previous year	10.36	15.25	12.15	(-) 13.66	13.68
Percentage of Revenue Receipts	45	45	47	40	40

Total grants-in-aid from GOI increased from ₹ 5658 crore to ₹ 7313 crore during the period 2010-13, but it decreased by ₹ 999 crore from ₹ 7313 crore to ₹ 6314 crore during the year 2013-14 mainly due to decrease of ₹ 554 crore in Thirteenth Finance Commission (ThFC) grants and ₹ 414 crore in grants for State Plan scheme and during 2014-15 it increased by ₹ 864 crore from ₹ 6314 crore to ₹ 7178 crore. Its percentage to revenue receipts ranged between 40 and 47 *per cent* during the period 2010-15.

1.5 Planning and conduct of audit

The Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/ projects, etc., criticality/ complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies within one month. Whenever replies are received, audit findings are either settled/ or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Himachal Pradesh under Article 151 of the Constitution of India.

During 2014-15, compliance audit of 654 drawing and disbursing officers of the State and 60 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Himachal Pradesh. Besides, four Performance Audits were also conducted.

1.6 Response of Government to Audit Report

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/ activities as well as on the quality of internal controls in selected departments, which have negative impact on the success of programmes and functioning of the departments. The focus was on auditing the specific programmes/ schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provision of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft performance audit reports/ draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India, to be placed before the Himachal Pradesh Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Principal Accountant General to discuss the draft reports of Performance Audits and draft audit paragraphs. These draft reports and paragraphs proposed for inclusion in the Report were also forwarded to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on four Performance Audits and 28 draft paragraphs were forwarded to the concerned Administrative Secretaries. But replies of the Government were received in three cases only. The matter was also brought to the notice of the State Chief Secretary in October 2015.

1.7 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the State Government during central audit/ local audit were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to audit.

Against recovery of ₹ 4.83 crore pointed out in 2337 cases, the DDOs concerned had effected recovery of ₹ 1.69 crore in 795 cases during 2014-15 as per the details given in **Table-1.3**.

Table-1.3
Details of recoveries pointed out by audit and accepted / recovered by the Departments during 2014-15

Department	Particulars of recoveries noticed	(₹ in crore)			
		Recoveries pointed out in Audit and accepted by the Departments during 2014-15		Recoveries effected during 2014-15	
		Number of cases	Amount involved	Number of cases	Amount involved
Miscellaneous Departments	Overpayment on account of excess payment of medical re-imbursement, pay, etc.	2337	4.83	795	1.69

1.8 Responsiveness of Government to Audit

The Principal Accountant General (Audit), Himachal Pradesh (HP) conducts periodical inspection of Government Departments by test-check of transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs). When important irregularities, etc., detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to the Principal Accountant General (Audit) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the departments by the office of the Principal Accountant General (Audit), HP through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the results of test audit, 31154 audit observations contained in 8288 IRs outstanding as on 31st March 2015 are given in **Table-1.4**.

Table-1.4
Outstanding Inspection Reports / Paragraphs

(₹ in crore)				
Sr. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1.	Social Sector	5972	24338	11694.84
2.	General Sector	1155	3675	9505.99
3.	Economic Sector (Non-PSUs)	1161	3141	2055.53
Total:		8288	31154	23256.36

A detailed review of the IRs issued to 250 Drawing and Disbursing Officers² (DDOs) up-to September 2014 pertaining to Technical Education Department and Elementary Education Department showed that 707 paragraphs having financial implications of about ₹ 349.71 crore relating to 333 IRs remained outstanding at the end of 31 March 2015. Of these, oldest items pertain to IRs issued during the year 1972-73 and 342 paragraphs having financial implication of ₹ 51.13 crore had not been settled for more than 10 years. The year-wise position of these outstanding 333 IRs and 707 paragraphs is detailed in **Appendix-1.1** and types of irregularities in **Appendix-1.2**.

The departmental officers failed to take action on observations contained in IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

1.9 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo motu* action on all Audit Paragraphs and Performance Audits featuring in the Audit Reports of the Comptroller and Auditor General of India regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature.

The position regarding receipt of Action taken Notes (ATNs) on the paragraphs included in the Audit Reports up-to the period ended 31 March 2014 as on 31 August 2015 is given in **Table-1.5**.

² Technical Education: 88 and Elementary Education: 162.

Table-1.5
Position regarding receipt of ATNs on the paragraphs included in the ARs

Audit Reports	Year	Department(s)	ATNs pending as of 31 August 2015	Date of presentation in the State Legislature	Due date for receipt of ATNs
Social, General and Economic Sectors (Non-PSUs)	2011-12	MPP and Power	01	9.4.2013	08.07.2013
		Women and Child Development	01		
		Revenue	01		
	2012-13	Public Works	08	21.2.2014	20.05.2014
		Education	02		
		Transport	01		
		Tribal Development	01		
2013-14	Miscellaneous departments	26	10.04.2015	09.07.2015	
State Finances	2013-14	Finance and Misc. departments	All Chapters	10.04.2015	09.07.2015

1.10 Delay in submission of Accounts/ Audit Reports of Autonomous Bodies and placement of Audit Reports before the State Legislature

Several Autonomous Bodies have been set up by the State government. The audit of accounts of 14 autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix-1.3**.

The accounts of HP Building and other Construction Workers Welfare Board, Shimla were late by 12 months for the year 2013-14 whereas the delay in respect of other bodies ranged between half month and three months. The accounts for the year 2014-15 in respect of all the 13 bodies (except State Veterinary Council, Shimla) had not been furnished as of August 2015. 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.

Separate Audit Reports (SARs) for 2012-13 and 2013-14 of State Veterinary Council have been issued and placed before the State Legislature. SAR on the State Veterinary Council for the year 2014-15 has also been issued but the same is yet to be placed before the Legislature. SARs of the remaining 13 Autonomous Bodies issued for the year 2012-13 are yet to be placed before the State Legislature. SARs for 13 bodies for 2014-15 are pending due to non-furnishing of accounts for the year 2014-15.

1.11 Year-wise details of Performance Audits and paragraphs appeared in Audit Report

The year-wise details of reviews and paragraphs that appeared in the Audit Reports for the last two years alongwith their money value is given in **Table-1.6**.

Table-1.6
Details regarding reviews and paragraphs appeared in Audit Report during 2012-14

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money value (₹ in crore)	Number	Money value (₹ in crore)	Performance Audit	Draft paragraphs
2012-13	3	579.78	22	679.17	1	7
2013-14	4	1879.92	23	169.85	-	2

During 2014-15, four Performance Audits and 28 Audit paragraphs were issued to the State Government. However, reply in respect of only three paragraphs was received from the Government.

Four Performance Audits and 28 Audit paragraphs involving money value of ₹ 2043.22 crore³ have been included in this Report. Replies, wherever received, have been incorporated at appropriate places.

³ Performance Audit: ₹ 1389.83 crore and Audit paragraphs: ₹ 653.39 crore.