

CHAPTER-I INTRODUCTION

1.1 Budget profile

There are 53 departments and 48 autonomous bodies in the State. The position of budget estimates and actuals thereagainst by the State Government during 2008-13 is given in Table 1.1.

Table-1.1
Budget and expenditure of the State Government during 2008-13

(₹ in crore)

Particulars	2008-09		2009-10		2010-11		2011-12		2012-13	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure										
General services	4258	3918	4582	4377	5340	5279	5971	5690	6651	6618
Social services	3784	3332	4086	3902	4929	4979	5669	5147	6635	6131
Economic services	2528	2184	2994	2868	3393	3682	3819	3049	4517	3418
Grants-in-aid and contributions	4	4	4	4	6	6	12	12	7	7
Total (1)	10574	9438	11666	11151	13668	13946	15471	13898	17810	16174
Capital expenditure										
Capital Outlay	2149	2079	2160	1943	1814	1789	1899	1810	2059	1955
Loans and advances disbursed	24	90	51	70	225	227	390	493	379	469
Repayment of Public Debt	2501	885	920	867	879	870	1099	1128	1930	2117
Contingency Fund	---	---	---	---	---	---	---	--	---	--
Public Accounts disbursements	1987	5690	1987	6421	1987	7162	1987	8526	2288	8285
Closing Cash balance	---	979	---	281	---	635	---	569	---	(-) 295
Total (2)	6661	9723	5118	9582	4905	10683	5375	12526	6656	12531
Grand Total (1+2)	17235	19161	16784	20733	18573	24629	20846	26424	24466	28705

Source: Annual Financial Statements and Explanatory Memorandum of the Budget of the State Government.

1.2 Application of resources of the State Government

As against the total outlay of the budget of ₹ 24,466 crore, total expenditure was ₹ 28,705 crore. The total expenditure¹ of the state increased from ₹ 11,607 crore to ₹ 18,598 crore during 2008-13, the revenue expenditure of the State Government increased by 71 per cent from ₹ 9,438 crore in 2008-09 to ₹ 16,174 crore in 2012-13. Non-Plan revenue expenditure increased by 65 per cent from ₹ 8,561 crore to ₹ 14,094 crore and capital expenditure decreased by six per cent from ₹ 2,079 crore to ₹ 1,955 crore during the period 2008-13.

The revenue expenditure constituted 81 to 87 per cent of the total expenditure during the years 2008-13 and capital expenditure 11 to 18 per cent. During this period, total expenditure increased at an annual average rate of 14 per cent, whereas revenue receipts grew at an annual average growth rate of 11 per cent during 2008-13.

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

1.3 Persistent savings

In four cases, there were persistent savings of more than ₹one crore in each during the last five years as per the details given in **Table-1.2**.

Table-1.2
List of grants with persistent savings during 2008-13

Sr. No.	Grant number and name	Amount of Savings				
		2008-09	2009-10	2010-11	2011-12	2012-13
(₹ in crore)						
Revenue-Voted						
1.	03-Administration of Justice	3.66	2.84	16.51	15.96	14.78
2.	15-Planning and Backward Area Sub-Plan	15.06	9.99	7.78	9.43	6.89
3.	20-Rural Development	8.48	2.06	4.06	75.07	72.69
Capital-Voted						
4.	29-Finance	2.32	4.19	1.84	1.67	5.07

Source: Appropriation Accounts.

A significant portion of savings under Grant No. 20-Rural Development had occurred under Mahatma Gandhi National Rural Employment Guarantee Scheme during 2011-12 (₹ 57.86 crore) and 2012-13 (₹ 18.16 crore). This indicated inadequate financial control.

1.4 Funds transferred directly to the State implementing agencies

During 2012-13, Government of India (GOI) directly transferred ₹ 1202 crore to various State implementing agencies without routing through the State budget. There is no single agency in the State to monitor the funds directly transferred by the GOI to the implementing agencies and no data readily available as to how much money has actually been spent in a particular year on major flagship schemes and other important schemes which are being implemented by State implementing agencies and funded directly by the GOI.

1.5 Grants-in-aid from Government of India

The Grants-in-aid received from the GOI during the years 2008-09 to 2012-13 have been given in **Table-1.3**.

Table-1.3
Grants-in-aid from GOI

Particulars	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	2311	2052	2634	2647	2526
Grants for State Plan Schemes	1700	2731	2680	3342	4179
Grants for Central Plan Schemes	5	5	1	27	28
Grants for Centrally Sponsored Schemes	456	339	343	505	580
Total	4472	5127	5658	6521	7313
Percentage of increase over previous year	-2.08	14.65	10.36	15.25	12.15
Percentage of Revenue Receipts	48	50	45	45	47

Total grants-in-aid from GOI increased from ₹ 4472 crore to ₹ 7313 crore during the period 2008-13. The percentage increase ranged between 10 and 15 during the period 2009-13 over the previous year whereas its percentage to revenue receipts ranged between 45 and 50 per cent.

1.6 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 2012-13, compliance audit of 300 drawing and disbursing officers of the State and 38 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Himachal Pradesh. Besides, three Performance Audits were also conducted.

1.7 Significant audit observations and response of Government to audit

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 three Performance Audits, 26 draft paragraphs were forwarded to the concerned Administrative Secretaries. But reply of the Government has been received in eight cases only.

1.8 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 were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to audit.

Against recovery of ₹ 1.83 crore pointed out in 900 cases, the DDOs concerned had effected recovery of ₹ 0.13 crore in 227 cases during 2012-13 as per the details given in **Table-1.4**.

Table-1.4
Details of recoveries pointed out by audit and accepted/recovered by the Departments during 2012-13

(₹ in crore)

Department	Particulars of recoveries noticed	Recoveries pointed out in Audit and accepted by the Departments during 2012-13		Recoveries effected during 2012-13	
		Number of cases	Amount involved	Number of cases	Amount involved
Miscellaneous Departments	Overpayment on account of excess payment of Medical re-imburement	900	1.83	227	0.13

1.9 Lack of 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 PAG (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 PAG (Audit), HP through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the results of test audit, 27609 audit observations contained in 7237 IRs outstanding as on 31st March 2013² are given in **Table-1.5**.

Table-1.5
Outstanding Inspection Reports/Paragraphs

(₹ in crore)

Sr. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1.	Social Sector	5467	22182	5304.45
2.	General Sector	1111	3694	4361.48
3.	Economic Sector (Non PSUs)	659	1733	2341.04
Total		7237	27609	12006.97

During 2012-13, 29 meetings of the *Ad hoc* Committee were held in which 338 IRs and 1485 paragraphs were settled.

² Including IRs and paragraphs issued upto 30 September 2012 and outstanding as on 31 March 2013.

A detailed review of the IRs issued to 89 Drawing and Disbursing Officers³ (DDOs) upto September 2012 pertaining to Welfare Department and District Rural Development Agencies showed that 1008 paragraphs having financial implications of about ₹ 1040 crore relating to 254 IRs remained outstanding at the end of 31 March 2013. Of these, oldest items pertain to IRs issued during the year 1978-79 and 151 paragraphs having financial implication of ₹ 81.72 crore had not been settled for more than 10 years. The year-wise position of these outstanding 254 IRs and 1008 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.

1.10 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 Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) 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 ARs to the State Legislature.

The position regarding receipt of Action taken Notes (ATNs) on the paragraphs included in the ARs upto the period ended 31 March 2012 as on 31 August 2013 is given in **Table-1.6**.

Table-1.6
Position regarding receipt of ATNs on the paragraphs included in the ARs

Audit Reports	Year	Department(s)	ATNs pending as of 31 August 2013	Date of presentation in the State Legislature	Due date for receipt of ATNs
Civil/Social, General and Economic Sectors (Non-PSUs)	2009-10	Indian Systems of Medicines and Homeopathy (Ayurveda)	01	8.4.2011	7.7.2011
	2010-11	Education	03	6.4.2012	5.7.2012
		Food and Civil Supplies	01		
	2011-12	Miscellaneous departments	20	9.4.2013	8.7.2013
State Finances	2009-10	Finance and Misc. departments	All Chapters	8.4.2011	7.7.2011
	2010-11	Finance and Misc. departments	All Chapters	6.4.2012	5.7.2012
	2011-12	Finance and Misc. departments	All Chapters	9.4.2013	8.7.2013
Kinnaur District	2011-12	Miscellaneous departments	All Chapters	9.4.2013	8.7.2013

³ Welfare Department: 77 and District Rural Development Agencies: 12.

1.11 Status of placement of Separate Audit Reports of autonomous bodies in the State Assembly

Several Autonomous Bodies have been set up by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedure, etc. 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 Construction Workers Welfare Board, Shimla were late by 273 days for the year 2011-12 whereas for the year 2012-13 the accounts have not been received as of December 2013. The accounts for the year 2012-13 in respect of 10⁴ bodies had not been furnished as of August 2013 and accounts of four District Legal Authorities, Kangra, Mandi, Chamba and Bilaspur were delayed by 52, 52, 38 and 38 days, respectively. 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) of 13 Autonomous Bodies issued by Audit for the year 2011-12 are yet to be placed before the legislature and one SAR has not been issued due to delay in receipt of accounts for 2011-12 (**Appendix-1.3**). These need to be tabled before the State legislature at the earliest.

1.12 Year-wise details of reviews and paragraphs appeared in Audit Report

The year-wise details of reviews and paragraphs that appeared in the Audit Report for the last two years alongwith their money value is given in **Table-1.7**.

Table-1.7
Details regarding reviews and paragraphs appeared in Audit Report during 2010-13

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money value (₹ in crore)	Number	Money value (₹ in crore)	Performance Audit	Draft paragraphs
2010-11	2	604.66	20	804.77	---	---
2011-12	2	731.33	19	176.52	2	1

During 2012-13, three performance audit involving money value of ₹ 579.78 crore and 22 paragraphs involving ₹ 679.17 crore have been included in this Report. Out of this, replies to one performance audit and seven paragraphs were received (December 2013).

⁴ Himachal Pradesh State Veterinary Council, Shimla, Himachal Pradesh Building and Construction Workers Welfare Board, Shimla, State Legal Service Authority, Shimla and District Legal Service Authorities, Hamirpur, Kullu, Nahan, Rampur, Shimla, Solan and Una.