

# **Chapter-I**

## **Introduction**



## CHAPTER-I INTRODUCTION

### 1.1 Budget and Application of Resources

There are 48 departments, 29 State Public Sector Enterprises<sup>1</sup> and 54 autonomous bodies in the State. The status of budget estimates and actual expenditure by the State Government, during 2015-20, is given in **Table-1.1**:

**Table-1.1: Budget and Expenditure of the State Government during 2015-20**

(₹ in crore)

Particulars	2015-16		2016-17		2017-18		2018-19		2019-20	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
<b>Revenue Expenditure</b>										
General Services	9,207	8,788	10,135	9,728	11,230	11,009	13,331	11,438	14,351	12,335
Social Services	9,676	7,980	11,388	9,610	11,884	10,337	13,488	11,482	13,895	12,047
Economic Services	6,407	5,525	7,314	5,996	7,734	5,697	9,082	6,512	7,832	6,338
Others	5	10	5	10	9	10	11	10	11	10
<b>Total (1)</b>	<b>25,295</b>	<b>22,303</b>	<b>28,842</b>	<b>25,344</b>	<b>30,857</b>	<b>27,053</b>	<b>35,912</b>	<b>29,442</b>	<b>36,089</b>	<b>30,730</b>
<b>Capital Expenditure</b>										
Capital Outlay	2,991	2,864	3,241	3,499	3,531	3,756	4,298	4,583	4,580	5,174
Loans and advances disbursed	397	463	428	3,290	448	503	448	468	457	458
Repayment of Public Debt	1,503	3,948	2,229	3,943	3,105	3,500	3,184	4,673	3,262	6,701
Public Accounts disbursements	2,978	10,577	3,103	12,351	3,303	13,043	3,303	14,493	3,303	20,111
Closing Cash balance	-	216	-	316	-	183	-	53	-	1,060
<b>Total (2)</b>	<b>7,869</b>	<b>18,068</b>	<b>9,001</b>	<b>23,399</b>	<b>10,387</b>	<b>20,985</b>	<b>11,233</b>	<b>24,270</b>	<b>11,602</b>	<b>33,504</b>
<b>Grand Total</b>	<b>33,164</b>	<b>40,371</b>	<b>37,843</b>	<b>48,743</b>	<b>41,244</b>	<b>48,038</b>	<b>47,145</b>	<b>53,712</b>	<b>47,691</b>	<b>64,234</b>

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

During 2015-20, the total expenditure<sup>2</sup> of the State excluding repayment of public debt and public account disbursements increased from ₹ 25,630 crore to ₹ 36,362 crore at compounded annual average growth rate of 9.14 *per cent*. Revenue expenditure increased by 38 *per cent* from ₹ 22,303 crore to ₹ 30,730 crore and capital expenditure increased by 81 *per cent* from ₹ 2,864 crore to ₹ 5,174 crore. During 2015-20, revenue expenditure constituted 84 to 87 *per cent* and capital expenditure 11 to 14 *per cent* of the total expenditure.

<sup>1</sup> The performance of the State Public Sector Enterprises have been discussed in the General Purpose Financial Report – Government of Himachal Pradesh for the year ended 31 March 2020.

<sup>2</sup> Total expenditure includes revenue expenditure, capital outlay and loans and advances disbursed.

## 1.2 Grants-in-aid from the Government of India

The Grants-in-aid (GIA) from the Government of India (GoI) increased from ₹ 11,296 crore in 2015-16 to ₹ 15,939 crore in 2019-20 and by ₹ 822 crore (5 per cent) in 2019-20 over the previous year, as shown in **Table-1.2**:

**Table-1.2: Grants-in-aid from Government of India**

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	8,524	8,877	-	-	-
Grants for State Plan Schemes	756	1,188	-	-	-
Grants for Central Plan Schemes	38	44	-	-	-
Grants for Centrally Sponsored Schemes	1,978	3,055	-	-	-
Centrally Sponsored Schemes	-	-	3,590	4,010	4,915
Finance Commission Grant*	-	-	8,889	8,831	8,618
Other Transfer/ Grants to State/ Union Territories with Legislature	-	-	615	2,276	2,406
<b>Total</b>	<b>11,296</b>	<b>13,164</b>	<b>13,094</b>	<b>15,117</b>	<b>15,939</b>
Percentage of increase/ decrease over previous year	57.37	16.54	(-) 0.53	15.45	5.44

Source: Finance Accounts for the respective years.

\*Finance Commission Grants include post devolution revenue deficit grant, grants for local bodies and SDRF which were earlier depicted as Non-plan grants in State Accounts.

In addition, the GoI has been transferring substantial funds directly to the State implementing agencies for implementation of various schemes. The GoI decided to route these funds through State Budget from 2014-15 onwards. However, during 2019-20, the GoI transferred ₹ 1,372.69 crore directly to various implementing agencies/Non-Government Organisations of the State (**Appendix-1.1**).

## 1.3 Persistent savings

During the last five years in 22 grants, there were 28 cases (₹ one crore or more in each case) where persistent savings occurred (details given in **Appendix-1.2**), out of which four cases (₹ 100 crore or more in each case) are depicted below in the **Table-1.3**:

**Table-1.3: Details of persistent savings cases (₹ 100 crore or more in each case)**

(₹ in crore)

Sl. No.	Grant Number	Name of Grant/ Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Revenue - Voted</b>							
1	08	Education	1,076.22	864.96	665.02	955.16	1,110.61
2	09	Health and Family Welfare	366.81	295.90	211.66	330.83	377.72
3	20	Rural Development	208.74	121.61	402.93	383.93	351.17
4	31	Tribal Area Development Programme	123.39	177.85	242.34	325.72	371.39

Source: Appropriation Accounts.

#### 1.4 Planning and conduct of Audit

The audit process commences with a risk assessment of various Departments, Autonomous Bodies, schemes/ projects, considering the criticality/ complexity of activities, level of delegated financial powers, internal controls, concerns of stakeholders and previous audit findings. Based on this risk assessment, the scope of audit is decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Reports (IRs) containing audit findings are issued to the heads of the offices with request to furnish replies within four weeks. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India and these Audit Reports are submitted to the Governor of Himachal Pradesh under Article 151 of the Constitution of India.

During 2019-20, Compliance Audit of 28 departments was conducted by the Office of the Principal Accountant General (Audit), Himachal Pradesh under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

#### 1.5 Recoveries at the instance of Audit

Audit findings involving recoveries that came to notice in the course of test audit of accounts of the departments of the State Government were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action, under intimation to audit.

Against recovery of ₹ 29.29 crore pointed out in 1,436 cases, the DDOs concerned had accepted recovery of ₹ 28.11 crore in 1,395 cases, however, recovery of ₹ 6.72 crore in 798 cases only was effected during 2019-20 as detailed in **Table-1.4** below:

**Table-1.4: Recoveries pointed out by Audit and accepted / effected by the departments**  
(₹ in crore)

Department	Particulars of recoveries noticed	Recoveries pointed out in audit during 2019-20		Recoveries accepted during 2019-20		Recoveries effected during 2019-20	
		Number of cases	Amount involved	Number of cases	Amount involved	Number of cases	Amount involved
Miscellaneous Departments	Overpayment of pay, medical reimbursement, wrong fixation of pay, overpayment of DA and undue favour to the contractor etc.	1,436	29.29	1,395	28.11	798	6.72

#### 1.6 Lack of responsiveness of the Government to Audit

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 inspection

Reports (IRs). However, 46,400 audit observations contained in 10,493 IRs were outstanding as on 31 March 2020 as given in **Table-1.5**.

**Table-1.5: Outstanding Inspection Reports/ Paragraphs**

Sl. No.	Name of Sector	Inspection Reports	Paragraphs
1.	AMG-I (Social Sector)	6,331	30,722
2.	AMG-III (General Sector)	1,526	6,820
3.	AMG-II (Economic Sector) <sup>3</sup>	2,636	8,858
<b>Total</b>		<b>10,493</b>	<b>46,400</b>

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 should ensure prompt and proper response to audit observations.

### **1.7 Follow-up on Audit Reports**

According to the Rules and Procedure for the Public Accounts Committee, all administrative departments are to initiate *suo moto* action on all Compliance 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 are 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 status regarding non-receipt of Action Taken Notes (ATNs) on the paragraphs included in the Audit Reports up to the period ended 31 March 2021 is given in **Table-1.6**:

**Table-1.6: Status regarding non-receipt of ATNs on the paras included in the Audit Reports**

Audit Report	Year	Department(s)	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 <sup>st</sup> March 2021
<b>C&amp;AG Report on Social, General and Economic Sectors (Non-PSUs)</b>	2012-13	Tribal Development	21.02.2014	20.05.2014	01
	2013-14	Health and Family Welfare	10.04.2015	09.07.2015	01
		Tribal Development			01
		Medical Education and Research			01
	2014-15	SC, OBC and Minority Affairs	07.04.2016	06.07.2016	01
	2015-16	Home	31.03.2017	30.06.2017	02
		IPH			03
		Fisheries			01
	2016-17	Information Technology	05.04.2018	04.07.2018	01
		Horticulture			01
		Home			01
	2017-18	Animal Husbandry	14.12.2019	13.03.2020	01
		Health and Family Welfare			01
Revenue		02			

<sup>3</sup> It also includes pendency of Inspection Reports pertaining to State Public Sector Enterprises.

Audit Report	Year	Department(s)	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 <sup>st</sup> March 2021
C&AG Report on PSUs	2014-15	Himachal Pradesh State Electricity Board Limited	07.04.2016	06.07.2016	09
	2016-17	Himachal Pradesh State Electricity Board Limited	05.04.2018	04.07.2018	07
	2017-18	Himachal Pradesh Power Corporation Limited	14.12.2019	13.03.2020	02
		Beas Valley Power Corporation Limited			01
		Himachal Pradesh State Electricity Board Limited			02
		Himachal Pradesh State Electronic Development Corporation Limited			01
		Himachal Pradesh Financial Corporation			01
		Himachal Pradesh General Industries Corporation Limited			01
		Himachal Pradesh Handicrafts and Handloom Corporation			01
		Himachal Pradesh Industrial Development Corporation			01
		Himachal Road Transport Corporation			01
		Himachal Pradesh Road & Other Infrastructure Development Corporation Limited			01

### 1.8 Non-submission of Accounts / Separate Audit Reports (SARs) of Autonomous Bodies and placement of SARs before the State Legislature

Several Autonomous Bodies have been set up by the State Government in the fields of Education, Welfare, Law and Justice, Health, etc. Out of which, audit of accounts in respect of 18 Autonomous Bodies in the State has been entrusted to the Comptroller and Auditor General of India. Audit of these 18 bodies is conducted under section 19(3) of the C&AG's DPC Act and Separate Audit Reports are prepared for the same. Detail of authorities whose accounts are in arrears is given in **Table-1.7**:

**Table-1.7: Arrears of accounts of Bodies or Authorities**

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2019-20
1	Himachal Pradesh Building and Other Construction Workers Welfare Board, Shimla	2019-20	01
2	HP Khadi and Village Industries Board	2013-14	07
3	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2013-14	07
4	HP City Transport and Bus Stand Management and Development Authority	2018-19	02

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2019-20
5	HP State Regulatory Commission	2019-20	01
6	Himachal Pradesh State Veterinary Council, Shimla	2019-20	01
7	District Legal Services Authority, Hamirpur	2018-19	02
8	District Legal Services Authority, Bilaspur		02
9	District Legal Services Authority, Nahan		02
10	District Legal Services Authority, Una	2019-20	01
11	District Legal Services Authority, Shimla		01
12	District Legal Services Authority, Kinnaur at Rampur		01
13	District Legal Services Authority, Mandi		01

It can be seen from **Table-1.7** that the accounts are in arrears/pending ranging from one to seven years. Delay in finalizations 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.

### 1.9 Year-wise details of Performance Audits and Compliance Audit paragraphs included in Audit Reports

As per the Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to Performance Audits/Compliance Audit paragraphs within six weeks.

Year-wise detail of Performance Audits and Compliance Audit paragraphs included in the Audit Reports for the last three years, along with their money value, is given in **Table-1.8**:

**Table-1.8: Performance Audits and Compliance Audit Paragraphs that appeared in Audit Reports 2016-19**

(₹ in crore)

Name of Audit Report	Year	Performance Audits		Compliance Audit Paragraphs		Replies received	
		Number	Money value	Number	Money value	Performance Audits	Compliance Audit Paragraphs
C&AG Report on Social, General and Economic Sectors (Non-PSUs)	2016-17	4	318.11	26	595.88	-	5
	2017-18	2	341.17	21	114.52	2	20
	2018-19	2	116.09	14	86.92	1	9
C&AG Report on PSUs	2016-17	1	203.54	13	34.10	1	5
	2017-18	1	643.04	11	20.08	1	2
	2018-19	-	-	10	437.17	-	5



The matter regarding furnishing of replies was taken up with the concerned Secretaries of the departments and also brought to the notice of the Chief Secretary in October 2020. The status of replies received in respect of Audit Reports 2016-19 is shown in the foregoing **Table-1.8**.

This Audit Report contains ten Compliance Audit paragraphs. The total financial implication of the audit findings in this Audit Report is ₹ 302.90 crore.

