

OVERVIEW

This Report contains 31 paragraphs, five performance reviews (including one Integrated Audit) apart from comments on the Finance and Appropriation Accounts. The draft audit paragraphs and draft performance reviews were sent to the concerned Secretaries to the State Government by the Principal Accountant General with a request to furnish replies within eight weeks. The audit findings relating to the draft performance reviews were discussed with the Secretaries to the State Government and the views of the Government were incorporated wherever appropriate.

1. FINANCES OF THE STATE GOVERNMENT

- Revenue receipts of the State increased from Rs 7,835 crore in 2006-07 to Rs 9,142 crore in 2007-08 at the growth rate of 16.68 *per cent*. While 41 *per cent* of the revenue receipts during 2007-08 have come from the State's own resources (tax and non-tax), Central tax transfers and grants-in-aid together contributed 59 *per cent* of the total revenues.
- The overall expenditure of the State comprising revenue expenditure, capital expenditure and loans and advances, increased from Rs 8,780 crore in 2006-07 to Rs 9,720 crore in 2007-08 at the growth rate of 10.71 *per cent*. Expenditure on General Services and Interest payments, considered as non-developmental, accounted for 35.88 *per cent* of the total expenditure in 2007-08.
- The salaries and wages, pensions, interest payments and subsidies continued to consume on an average 94 *per cent* of the Non-Plan Revenue Expenditure during the period 2003-08.
- The fiscal liabilities of the State have consistently increased and stood at 61 *per cent* of GSDP in 2007-08 and are high especially when compared with the Twelfth Finance Commission's norm of 31 *per cent* to be achieved by March 2009.

(Chapter-I)

2. ALLOCATIVE PRIORITIES AND APPROPRIATION

- As of August 2008, excess expenditure of Rs 9,898.62 crore incurred during 2003-08 required regularisation.
- In four cases, the amount surrendered exceeded the overall savings by Rs 81.19 crore. Further, in the case of two grants, Rs 41.14 crore were

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

- In eight cases (sub-heads) involving eight grants, Rs 67.10 crore were injudiciously reappropriated, as the original grants were adequate or no savings were available for surrender.

(Chapter-II)

PERFORMANCE REVIEWS

3. Macro Management of Agriculture

Macro Management of Agriculture, a Centrally sponsored scheme was launched with the objective of accelerating the agriculture growth and aimed at all round development of agriculture through Annual Work Plans prepared by the State. The efforts of the Department proved inadequate, as the important components of the Annual Work Plans were discontinued mid-way and certain activities relating to demonstration and supply of material to farmers lacked proof of execution. For promoting the cultivation of newer high yielding varieties of wheat, paddy and maize, the data of area actually brought under high yielding varieties was not maintained. Farmers Advisory-cum-input Centres were not constructed for dissemination of the latest agriculture technology and watershed works taken up during the Tenth Plan were not completed on time. Creation of an online agriculture database with local networking to ensure greater reliability of estimates, forecasting, planning and policy making is also yet to be implemented. Some significant findings are as under:

- Annual Work Plans were prepared on time but did not indicate benefit stream in terms of area, production level and productivity.
- Agriculture growth rate showed a declining trend and declined from 13.3 *per cent* in 2003-04 to 3.9 *per cent* in 2006-07. The area under kharif crops did not achieve the target level of cropped area and foodgrain production also fell short during the Tenth Five Year Plan.
- Seeds of high yielding varieties viz., wheat, maize and paddy were not available with the agriculture extension officers during the sowing period of these crops.

(Paragraph 3.1)

4. Technology Mission for Integrated Development of Horticulture

The Centrally sponsored scheme of Technology Mission for Integrated Development of Horticulture was launched with the objectives of ensuring

adequate attention to all links in the production of horticulture crops, post harvest management, maximising economic, ecological and social benefits from existing investments, promoting ecological sustainability, economical diversity and skilled employment to generate value addition to horticulture crops.

A performance review of the scheme revealed that the implementation of the scheme was done in a half hearted manner and substantial funds remained unutilised at the close of financial year 2007-08. AAPs formulated for implementation of the scheme were not based on any baseline survey and physical performance was not achieved to the desired level due to non-fixing of realistic targets, lack of monitoring and supervision. Similarly, there was no progress in creating linkages with MM-I, MM-III and MM-IV relating to research work and supply of basic seed and planting material, post-harvest management, marketing and export and processing. Besides, establishment of plant health clinics and bio-control laboratories was not monitored to ensure timely availability of disease diagnosis facilities to the farmers.

(Paragraph 3.2)

5. Urban Water Supply Schemes

The Irrigation and Public Health Department of the State was entrusted with the task of providing safe and sufficient drinking water to 49 towns by augmentation of the existing water supply schemes. While the State specific Water Policy was formulated in 2005 as required under the National Water Policy, there was no Master plan specifying the coverage of the towns and urban agglomerates within definite timelines. The problem of adequacy of water at source was not addressed and the quality of water provided is not as per the norms. Some of the significant audit findings are as under:

- Nine schemes targeted for completion between 2003-2008 remained incomplete. However, new schemes were taken up simultaneously without completing the ongoing schemes thereby spreading the resources thin.
- Augmentation of water supply to Shimla town was designed only for 15 years instead of 30 years as is the norm.
- Out of 49 towns, water supply in 26 towns was below the norms (120 lpcd) prescribed for urban areas. Shortfall in water supply had ranged between two and 81 *per cent* during 2003-08.
- Supply of non-potable water and water tests done by unqualified staff are fraught with the risk of affecting the health of beneficiary population.

(Paragraph 3.3)

6. Rural Roads in North and Central Zones

The Public Works Department aimed at providing road connectivity to all the identified villages in a time bound manner. Out of 17,449 villages in the State, 8,838 (51 *per cent*) villages had been provided with road connectivity as of March 2008. A performance review of the rural roads in North and Central Zones revealed that the Department had not formulated any long term plan for providing road connectivity. Consequently, the pace of work was slow and the goals set in the Bharat Nirman Programme are unlikely to be achieved. There was no uniformity in allocation of funds during the years, as sizeable funds were released at the fag end of the financial years thereby postponing the implementation of rural road works. Poor contract management and inadequate monitoring of works contributed to instances of substandard road works, unfruitful, excess and wasteful expenditure, leading to denial of the envisaged road connectivity to the rural population. The main points noticed in audit are as under:

- Funds valuing Rs 10.57 crore received at the fag end of the financial years, were irregularly booked to the rural road works without any physical achievements during 2005-07.
- Out of 664 road works taken up for execution by 15 divisions, only 121 works had been completed as of March 2008. Of these, 22 works costing Rs 16.04 crore were completed after delays ranging between two to 24 years.

(Paragraph 3.4)

7. Integrated Audit of Animal Husbandry Department

The objectives of improving genetic level of animals, upgradation of local non-descript buffaloes with Murrah breed and boosting livestock breeding programmes had not been achieved as, in a span of five years since 2003, the Department could achieve only 35, 27 and 22 *per cent* levels of exotic inheritance in cattle, buffaloes and sheep respectively against the target of achieving 50 *per cent* in cattle and 75 *per cent* in buffaloes and sheep. The efforts of the Department proved inadequate as annual action plans for State Plan schemes were not prepared and there were deficiencies in implementation of CSSs. The sperm stations, semen banks, farms, field performance recording units, etc., were not computerised. Some significant findings are as under:

- Annual Action Plans detailing the implementation strategy for various State schemes were not prepared by the Department during 2003-08.
- Though grants aggregating Rs 32.52 crore were paid to the Himachal Pradesh Krishi Vishva Vidyalaya during 2003-08 for research

activities, yet no new genetically improved species of animals were developed by the University.

- Out of 154 building works taken up during 1994-95 to 2007-08, 96 works costing Rs 2.43 crore had not been started and 58 works costing Rs 3.84 crore were lying incomplete. The delay ranged between two and 14 years.

(Paragraph 5.1)

AUDIT OF TRANSACTIONS

8. Excess/overpayment/wasteful/unfruitful/infructuous expenditure

- Installation of milk processing plant at Parel in Chamba district by MILKFED without assessing the availability of sufficient milk from milk producers resulted in its underutilisation and rendered the expenditure of Rs 78.70 lakh largely unfruitful.

(Paragraph 4.1)

- Failure of the Department to ensure supply of power from the Himachal Pradesh State Electricity Board authorities resulted in unfruitful expenditure of Rs 1.95 crore on completed schemes.

(Paragraph 4.2)

- Failure of the Irrigation and Public Health Department to complete Lift Irrigation Scheme, Neri Tikker and Flow Irrigation Scheme, Bara Khamba resulted in unfruitful expenditure of Rs 99.74 lakh.

(Paragraph 4.3)

- Failure of the Public Works Department to acquire private land before taking up construction of four roads resulted in infructuous expenditure of Rs 2.34 crore.

(Paragraph 4.7)

9. Undue favour to contractors/avoidable expenditure

- Failure of the Irrigation and Public Health Department to obtain a certificate from District Collector/Deputy Commissioner, Shimla for exemption of Central Excise Duty on Ductile Iron pipes resulted in avoidable expenditure of Rs 46.26 lakh.

(Paragraph 4.11)

- Inaction on the part of the Public Works Department to levy and recover liquidated damages of Rs 50.29 lakh for delay in completion of road work resulted in undue favour to a contractor.

(Paragraph 4.13)

10. Idle investment/blocking of funds/diversion of funds

- The Director-cum-Warden of Fisheries, Bilaspur and the Deputy Commissioners of Lahaul and Spiti and Una districts irregularly diverted Rs 2.11 crore from calamity relief fund for works not related to natural calamities.

(Paragraph 4.15)

- Funds amounting to Rs 31.90 lakh under Vidhayak Kashetriya Vikas Nidhi Yojna were diverted by the Deputy Commissioner, Una in contravention of the provisions of the scheme.

(Paragraph 4.16)

- Rupees 62.19 lakh meant for operation and maintenance of works were diverted by the Public Works and Irrigation and Public Health divisions to meet office contingencies.

(Paragraph 4.17)

- Funds of Rs 50.46 lakh for construction of jetties at Govind Sagar Lake in Bilaspur district remained unutilised due to improper planning and failure of the Transport Department in seeking advance technical advice relating to feasibility of the project.

(Paragraph 4.23)