

Chapter-I

Introduction

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1.1 Budget profile

There are 52 departments and 53 autonomous bodies in the State. During 2016-17, against overall budget estimates of ₹ 37,843 crore, there was expenditure of ₹ 48,427 crore. The position of budget estimates and expenditure by the State Government during 2012-17 is depicted below:

Table 1.1: Budget and Expenditure of the State Government during 2012-17

(₹ in crore)

Particulars	2012-13		2013-14		2014-15		2015-16		2016-17	
	Budget Estimates	Expenditure								
Revenue										
General Services	6,651	6,618	7,196	7,047	8,344	7,604	9,207	8,788	10,135	9,728
Social Services	6,635	6,131	7,117	6,706	7,913	7,451	9,676	7,980	11,388	9,610
Economic Services	4,517	3,418	4,873	3,590	5,413	4,723	6,407	5,525	7,314	5,996
Grants-in-aid and contributions	7	7	3	9	3	9	5	10	5	10
Total (1)	17,810	16,174	19,189	17,352	21,673	19,787	25,295	22,303	28,842	25,344
Capital and others										
Capital Outlay	2,059	1,955	2,104	1,856	1,993	2,473	2,991	2,864	3,241	3,499
Loans and advances disbursed	379	469	342	531	367	474	397	463	428	3,290
Repayment of Public Debt	1,930	2,117	1,714	1,704	1,511	8,260	1,503	3,948	2,229	3,943
Contingency Fund	--	--	--	--	--	--	--	--	--	--
Public Accounts disbursements	2,288	8,285	2,828	9,277	2,978	8,844	2,978	10,577	3,103	12,351
Closing Cash balance	--	(-) 295	--	(-) 887	--	(-) 739	--	216	--	316
Total (2)	6,656	12,531	6,988	12,431	6,849	19,312	7,869	18,068	9,001	23,399
Grand Total (1+2)	24,466	28,705	26,177	29,783	28,522	39,099	33,164	40,371	37,843	48,743

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

1.2 Application of resources of the State Government

The total expenditure¹ of the State increased from ₹ 18,598 crore in 2012-13 to ₹ 32,133 crore during 2016-17 while revenue expenditure increased by 57 per cent from ₹ 16,174 crore in 2012-13 to ₹ 25,344 crore in 2016-17. Non-Plan revenue expenditure increased by 48 per cent from ₹ 14,095 crore to ₹ 20,824 crore and capital expenditure increased by 79 per cent from ₹ 1,955 crore to ₹ 3,499 crore during the period 2012-17.

The revenue expenditure constituted 79 to 88 per cent of the total expenditure during the years 2012-17 and capital expenditure nine to 11 per cent. During this period, total expenditure increased at an annual average rate of 15 per cent whereas revenue receipts grew at an annual average of 13 per cent.

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

1.3 Funds transferred directly to the State implementing agencies

During 2016-17, Government of India (GOI) directly transferred ₹ 457.18 crore to various State implementing agencies without routing through the State budget. Consequently, these amounts remained outside the scope of the annual accounts (Finance Accounts and Appropriation Accounts).

1.4 Grants-in-aid from Government of India

The details of grants-in-aid received from GOI during 2012-17 are depicted below:

Table 1.2: Grants-in-aid from GOI

(₹ in crore)					
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Plan Grants	2,526	2,025	1,199	8,524	8,877
Grants for State Plan Schemes	4,179	3,765	4,333	756	1,188
Grants for Central Plan Schemes	28	17	31	38	44
Grants for Centrally Sponsored Schemes	580	507	1,615	1,978	3,055
Total	7,313	6,314	7,178	11,296	13,164
Percentage of increase over previous year	12.15	(-) 13.66	13.68	57.36	16.54
Percentage of Revenue Receipts	47	40	40	48	50

Total grants-in-aid from GOI decreased by ₹ 999 crore from ₹ 7,313 crore to ₹ 6,314 crore during 2013-14 mainly due to decrease of ₹ 554 crore in Thirteenth Finance Commission grants and ₹ 414 crore in grants for State Plan Schemes. However, during 2014-17, it increased from ₹ 6,314 crore to ₹ 13,164 crore. Its percentage to revenue receipts ranged between 40 and 50 during 2012-17.

1.5 Planning and conduct of audit

The audit process commences with a risk assessment of various departments, autonomous bodies, schemes/ projects that includes an assessment of the 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 Reports containing audit findings are issued to the heads of the offices 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 2016-17, compliance audit of 602 drawing and disbursing officers of the State and 44 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Himachal Pradesh. Besides, four performance audits (including one IT audit) were also conducted.

1.6 Response of Government to Audit Report

In 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 specific

programmes/ schemes and to offer suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens.

As per Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft performance audits/ draft paragraphs proposed for inclusion in the Audit Reports within six weeks. 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 31 draft paragraphs were forwarded to the concerned Administrative Secretaries. But replies of the Government were received in only five draft paragraphs. The matter was also brought to the notice of the State Chief Secretary in October 2017.

1.7 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 during 2016-17 were referred to various departmental drawing and disbursing officers (DDOs) for confirmation and further necessary action under intimation to audit.

Against recovery of ₹ 36.61 crore pointed out in 5,740 cases, the DDOs concerned had effected recovery of ₹ 1.14 crore in 1,994 cases during 2016-17 as depicted below:

Table 1.3: Recoveries pointed out by Audit and accepted/ recovered by Departments during 2016-17

(₹ in crore)

Department	Particulars of recoveries noticed	Recoveries pointed out in audit during 2016-17		Recoveries effected during 2016-17	
		Number of cases	Amount involved	Number of cases	Amount involved
Miscellaneous Departments	Overpayment on account of excess payment of medical re-imbursement, TA, pay, etc.	5,740	36.61	1,994	1.14

1.8 Lack of responsiveness of 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). Based on the results of test audit, 35,014 audit observations contained in 8,512 IRs outstanding as on 31 March 2017 are depicted below:

Table 1.4: Outstanding Inspection Reports/ Paragraphs

(₹ in crore)

Sl. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1.	Social Sector	6,031	26,191	15,153.21
2.	General Sector	1,242	5,455	13,536.20
3.	Economic Sector (Non-PSUs)	1,239	3,368	2,720.88
	Total	8,512	35,014	31,410.29

A detailed review of IRs issued to 242 DDOs² upto September 2016 pertaining to Health and Family Welfare Department and Food and Civil Supplies, showed that 1,103 paragraphs having financial implications of about ₹ 3,157.56 crore relating to 438 IRs remained outstanding at the end of 31 March 2017. Of these, the oldest item

² Health and Family Welfare: 219 and Food and Civil Supplies: 23.

pertained to IR issued during the year 1973-74 and 307 paragraphs having financial implication of ₹ 663.29 crore had not been settled for more than 10 years. The year-wise position of these outstanding IRs and 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 and Procedure for the Committee on Public Accounts, all 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 upto 31 March 2016 as on 31 August 2017 is depicted below:

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

Audit Reports	Year	Department(s)	ATNs pending as of 31 August 2017	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs
Social, General and Economic Sectors (Non-PSUs)	2011-12	Revenue	01	09.04.2013	08.07.2013
	2012-13	Education	02	21.02.2014	20.05.2014
		Tribal Development	01		
	2013-14	Urban Development	01	10.04.2015	09.07.2015
		Health and Family Welfare	02		
		Medical Education and Research	01		
		Tribal Development	01		
		Women and Child Development	01		
		Social Justice and Empowerment	01		
	2014-15	Agriculture	01	07.04.2016	06.07.2016
		Health and Family Welfare	03		
		Higher Education	01		
		Public Works	09		
		Education	01		
		Irrigation and Public Health	05		
		Multipurpose Projects and Power	02		
		SC, OBC and Minority Affairs	01		
Revenue		01			
Medical Education and Research		01			
2015-16	Miscellaneous Departments	18	31.03.2017	30.06.2017	
State Finances	2014-15	Finance and Miscellaneous	All	07.04.2016	06.07.2016
	2015-16	Departments	Chapters	31.03.2017	30.06.2017

1.10 Year-wise details of performance audits and paragraphs appeared in Audit Reports

The year-wise details of performance audits and paragraphs that appeared in the Audit Reports for the last three years alongwith their money value is depicted below:

Table 1.6: Performance audits and Paragraphs that appeared in Audit Reports 2013-16
(₹ in crore)

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money value	Number	Money value	Performance Audits	Paragraphs
2013-14	4	1,879.92	23	169.85	--	2
2014-15	4	1,389.83	28	653.39	--	3
2015-16	5	343.99	13	67.62	--	4

During 2016-17, four performance audits and 31 Audit Paragraphs were issued to the State Government. However, replies in respect of only five paragraphs were received from the Government.

Four Performance Audits involving money value of ₹ 318.11 crore and 26 audit paragraphs involving ₹ 595.88 crore have been included in this Report. Replies wherever received have been suitably incorporated in the Report.

