

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 expenditure by the State Government during 2011-16 is given in **Table-1.1** below.

Table-1.1: Budget and Expenditure of the State Government during 2011-16

(₹ in crore)

Particulars	2011-12		2012-13		2013-14		2014-15		2015-16	
	Budget Estimates	Expenditure	Budget Estimates	Expenditure	Budget Estimates	Expenditure	Budget Estimates	Expenditure	Budget Estimates	Expenditure
Revenue expenditure										
General services	5,971	5,690	6,651	6,618	7,196	7,047	8,344	7,604	9,207	8,788
Social services	5,669	5,147	6,635	6,131	7,117	6,706	7,913	7,451	9,676	7,980
Economic services	3,819	3,049	4,517	3,418	4,873	3,590	5,413	4,723	6,407	5,525
Grants-in-aid and contributions	12	12	7	7	3	9	3	9	5	10
Total (1)	15,471	13,898	17,810	16,174	19,189	17,352	21,673	19,787	25,295	22,303
Capital expenditure										
Capital Outlay	1,899	1,810	2,059	1,955	2,104	1,856	1,993	2,473	2,991	2,864
Loans and advances disbursed	390	493	379	469	342	531	367	474	397	463
Repayment of Public Debt	1,099	1,128	1,930	2,117	1,714	1,704	1,511	8,260	1,503	3,948
Contingency Fund	---	--	---	--	--	--	--	--	--	--
Public Accounts disbursements	1,987	8,526	2,288	8,285	2,828	9,227	2,978	8,844	2,978	10,577
Closing Cash balance	---	569	---	(-) 295	--	(-) 887	--	(-) 739	--	216
Total (2)	5,375	12,526	6,656	12,531	6,988	12,431	6,849	19,312	7,869	18,068
Grand Total (1+2)	20,846	26,424	24,466	28,705	26,177	29,783	28,522	39,099	33,164	40,371

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 ₹ 16,201 crore to ₹ 25,630 crore during 2011-16 while the revenue expenditure increased by 60 per cent from ₹ 13,898 crore in 2011-12 to ₹ 22,303 crore in 2015-16. Non-Plan revenue expenditure increased by 54 per cent from ₹ 12,197 crore to ₹ 18,810 crore and capital

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

expenditure increased by 58 *per cent* from ₹ 1,810 crore to ₹ 2,864 crore during the period 2011-16.

The revenue expenditure constituted 86 to 88 *per cent* of the total expenditure during the years 2011-16 and capital expenditure nine to 11 *per cent*. During this period, total expenditure increased at an annual average rate of 10 *per cent* whereas revenue receipts grew at an annual average rate of 13 *per cent*.

1.3 Funds transferred directly to the State implementing agencies

During 2015-16, Government of India (GOI) directly transferred ₹ 364.57 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 grants-in-aid received from GOI during the years 2011-12 to 2015-16 have been given in **Table-1.2** below.

Table-1.2: Grants-in-aid from GOI

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan Grants	2,647	2,526	2,025	1,199	8,524
Grants for State Plan Schemes	3,342	4,179	3,765	4,333	756
Grants for Central Plan Schemes	27	28	17	31	38
Grants for Centrally Sponsored Schemes	505	580	507	1,615	1,978
Total	6,521	7,313	6,314	7,178	11,296
Percentage of increase over previous year	15.25	12.15	(-) 13.66	13.68	57.36
Percentage of Revenue Receipts	45	47	40	40	48

Total grants-in-aid from GOI increased from ₹ 6,521 crore to ₹ 7,313 crore during 2011-13 but 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 2014-16, it increased from ₹ 6,314 crore to ₹ 11,296 crore. Its percentage to revenue receipts ranged between 40 and 48 *per cent* during 2011-16.

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 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 2015-16, compliance audit of 759 drawing and disbursing officers of the State and 51 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Himachal Pradesh. Besides, five performance audits were also conducted.

1.6 Response of Government to Audit Report

In the last a 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 the 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 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 five performance audits and 31 draft paragraphs were forwarded to the concerned administrative Secretaries. But replies of the Government were received in only four draft paragraphs. The matter was also brought to the notice of the State Chief Secretary in November 2016.

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 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 ₹ 3.54 crore pointed out in 4,684 cases, the DDOs concerned had effected recovery of ₹ 0.75 crore in 1,336 cases during 2015-16 as given in **Table-1.3** below.

Table-1.3: Recoveries pointed out by Audit and accepted / recovered by Departments during 2015-16

(₹ in crore)

Department	Particulars of recoveries noticed	Recoveries pointed out in Audit during 2015-16		Recoveries effected during 2015-16	
		Number of cases	Amount involved	Number of cases	Amount involved
Miscellaneous Departments	Overpayment on account of excess payment of Medical re-imburement and pay.	4,684	3.54	1,336	0.75

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, 33,103 audit observations contained in 8,351 IRs outstanding as on 31st March 2016 are given in **Table-1.4** below.

Table-1.4: Outstanding Inspection Reports/ Paragraphs

(₹ in crore)

Sl. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1.	Social Sector	5,988	25,246	12,230.85
2.	General Sector	1,153	4,509	9,070.96
3.	Economic Sector (Non-PSUs)	1,210	3,348	2,091.79
Total		8,351	33,103	23,393.60

A detailed review of the IRs issued to 68 Drawing and Disbursing Officers² (DDOs) up-to September 2015 pertaining to Land Revenue Department and Urban Development Department showed that 2,349 paragraphs having financial implications of about ₹ 2,108.94 crore relating to 351 IRs remained outstanding at the end of 31 March 2016. Of these, 363 paragraphs having financial implication of ₹ 201.78 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 of Procedure for the Committee on Public Accounts, all administrative departments were to initiate *suo motu* action on all audit paragraphs and

² Land Revenue: 22 and Urban Development: 46.

reviews 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 the period ended 31 March 2015 as on 31 August 2016 is given in **Table-1.5** below.

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

Audit Reports	Year	Department(s)	ATNs pending as of 31 August 2016	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		
		Planning	01		
		Tribal Development	01		
		Social Justice and Empowerment	02		
	2014-15	Miscellaneous Departments	32	07.04.2016	06.07.2016
State Finances	2013-14	Finance and Misc. Departments	All Chapters	10.04.2015	09.07.2015
	2014-15			07.04.2016	06.07.2016

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 Report for the last three years alongwith their money value is given in **Table-1.6** below.

Table-1.6: Performance audits and Paragraphs that appeared in Audit Reports during 2012-15

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	1,879.92	23	169.85	-	2
2014-15	4	1,389.83	28	653.39	-	3

During 2015-16, five performance audits and 31 Audit paragraphs were issued to the State Government. However, reply in respect of only four paragraphs was received from the Government.

Five Performance Audits involving money value of ₹ 343.99 crore and 13 audit paragraphs involving ₹ 67.62 crore have been included in this Report. Replies, wherever received, have been suitably incorporated in the report.