

## EXECUTIVE SUMMARY

### Background

This Report on the finances of the Government of Himachal Pradesh is brought out to assess the financial performance of the State during the year 2012-13. The aim of this Report, which is based upon the actual data, is to provide the State government timely input on the performance of the departments on financial management/implementation of schemes/programmes of the government. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State government in Fiscal Responsibility and Budget Management (FRBM) Act, 2005 amended further by Act No. 25 of 2011 and the Budget Estimates of 2012-13.

Based on the audited accounts of the Government of Himachal Pradesh for the year ending March 2013, this Report provides an analytical review of the annual accounts of the State government. The Report is structured in three Chapters.

**Chapter I** is based on the Finance Accounts and makes an assessment of the fiscal position of the Government of Himachal Pradesh as on 31 March 2013. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of Central funds transferred directly to the State implementing agencies through off-budget route.

**Chapter II** is based on Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

**Chapter III** is on compliance with various reporting requirements and financial rules. The cases of misappropriation/loss are also detailed in this Chapter.

### Audit findings and recommendations

**Fiscal correction path:** The State had revenue surplus of ₹645 crore in 2011-12 which turned into revenue deficit of ₹576 crore during the current year 2012-13. The fiscal deficit increased from ₹1633 crore in 2011-12 to ₹2979 crore in 2012-13 and was 4.13 *per cent* of GSDP, which was above the FRBM target of three *per cent*. The revenue expenditure increased by ₹2276 crore (16 *per cent*) and revenue receipts increased by ₹1055 crore but non-tax revenue fell sharply by ₹538 crore (28 *per cent*) during 2012-13 over the previous year.

During 2012-13, the State had achieved the target of 44.4 *per cent*, 40.10 *per cent* and 41.03 *per cent* in respect of ratio of total outstanding debt of the government to GSDP as set out in FRBM Act, budget and MTFPs, respectively. The State, however, could not achieve the targets of revenue deficit as set out in FRBM and fiscal deficit as set out in FRBM and MTFPs.

**Fiscal liabilities:** Fiscal liabilities at the end of current year were ₹30442 crore with growth of eight *per cent* over the previous year and stood at 42 *per cent* of GSDP.

**Oversight of funds transferred directly to the State implementing agencies:** During 2012-13, 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.

**System to ensure proper accounting of funds:** A system has to be put in place to ensure proper accounting of funds transferred directly by the GoI and the updated information should be validated by the State government as well as Accountant General (A&E).

**Review of government investments:** The average return on investment by the government in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was 3.18 *per cent* while the government paid an average interest of 8.28 *per cent* during 2008-13 on its borrowings from Central government/financial institutions. *The government may consider taking appropriate measure to ensure better value for money in investments.*

**Action Plan for incomplete projects:** There were 12 incomplete projects which were to be completed between July 2005 and December 2012 with cumulative actual expenditure of ₹115 crore as on 31 March, 2013. There was cost overrun of ₹35.01 crore in seven projects of Irrigation and Public Health department and in the remaining projects the revised cost was not available. The government may prepare an effective action plan to complete all projects promptly so that people derive envisaged benefits in time.

**Unbundling of Himachal Pradesh State Electricity Board:** The Government of Himachal Pradesh notified the Himachal Pradesh Power Sector Reforms Transfer Scheme 2010 to transfer the assets amongst the three companies. The unbundling in true spirit as envisaged in Electricity Act, 2003 has not been achieved as HPSEBL is still managing/operating all existing generating and transmission network except 13 transmission lines alongwith distribution activities. As regards HPSEBL, against the investment of ₹1021.78 crore made by the Government, the company had accumulated losses of ₹885.59 crore as per the latest finalized accounts for the year 2010-11.

**Financial management and budgetary control:** The State government's budgetary processes have not been sound during the year 2012-13 due to excess expenditure and expenditure without provision, drawal of funds to avoid lapse of budget grant and unnecessary withdrawal of funds. In many cases, anticipated savings (shortfall in the utilisation of budgets) were either not surrendered or surrendered at the end of the year leaving no scope for utilising these funds for other development purposes. Financial rules were flouted by several departments by drawing funds in excess of requirement, resorting to re-appropriation without proper explanation and expending without provision of funds. The Abstract Contingent (AC) bills had not been adjusted for long periods of time.

**Financial reporting:** There were delays in furnishing utilization certificates against the loans and grants from various grantee institutions and instances of theft, loss and misappropriation where departmental and criminal investigation was awaited. There were 10 autonomous bodies, which had not submitted their accounts for the year 2012-13 for audit as of August 2013.