

EXECUTIVE SUMMARY

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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 2017-18 *vis-à-vis* the Budget Estimates, the targets set under the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 amended further by Act No. 25 of 2011 and analyses the dominant trends and structural profile of Government's receipts and disbursements.

Based on the audited accounts of the Government of Himachal Pradesh for the year ended 31 March 2018 and additional data collated from several sources such as the Economic survey brought out by the State government and Census, this Report provides an analytical review of the Annual Accounts of the State Government in three Chapters.

Chapter-I is based on the audit of Finance Accounts and makes an assessment of the Himachal Pradesh Government's fiscal position as on 31 March 2018. It provides an account of time series of receipts and disbursements, market borrowings, quality of expenditure, financial analysis of government expenditure and investment, debt sustainability and fiscal imbalances.

Chapter-II is based on the audit of Appropriation Accounts and gives a grant-wise description of appropriations. It elaborates on financial accountability and budget management, deficiencies in working of treasuries and outcome of review of selected grant.

Chapter-III is an inventory of the Himachal Pradesh Government's compliance with various reporting requirements and financial rules.

Audit findings

Chapter I: Finances of the State Government

The State is on a fiscal correction path. However, the State has not yet amended the FRBM Act as recommended by 14th FC. The State had a revenue deficit during the period 2013-14 and 2014-15 and thereafter, it maintained a revenue surplus during the last three years (2015-18). However, the surplus consistently declined from ₹ 1,137 crore (2015-16) to ₹ 920 crore (2016-17) and ₹ 314 crore (2017-18) despite heavy devolution from the GoI.

Fiscal deficit increased by ₹ 922 crore from ₹ 2,948 crore in 2016-17 to ₹ 3,870 crore in 2017-18. Primary surplus of ₹ 990 crore and ₹ 411 crore during 2015-16 and 2016-17 respectively turned to primary deficit of ₹ 82 crore in 2017-18.

During 2017-18, the State's revenue receipts (₹ 27,367 crore) increased by 4 *per cent* over the previous year (₹ 26,264 crore). Only 35 *per cent* of the Revenue receipts came from the State's own resources comprising taxes and non-taxes, while the

remaining 65 per cent were contributed by central transfers comprising the State's share in central taxes and duties (17 per cent) and grants-in-aid from GoI (48 per cent).

Substantial funds amounting to ₹ 901.83 crore were still being transferred by GoI directly to the State Implementing agencies during 2017-18 in spite of Central Government decision to route these funds through the State budget from 2014-15.

During 2017-18, total expenditure (₹ 31,312 crore) of the State decreased by ₹ 821 crore (3 per cent) over the previous year primarily on account of disbursement of loan of ₹ 2,890.50 crore during 2016-17 to DISCOM under UDAY Scheme.

The revenue expenditure increased by ₹ 1,709 crore (7 per cent) from ₹ 25,344 crore in 2016-17 to ₹ 27,053 crore in 2017-18 and its share in total expenditure increased from 79 per cent in 2016-17 to 86 per cent in 2017-18.

Overall fiscal liabilities at the end of the year were ₹ 51,030 crore with growth of 8 per cent over the previous year. Fiscal liabilities were 37.55 per cent of GSDP and 1.86 times of the revenue receipts.

During next ten years (2028-29) State has to repay market loan of ₹ 20,874 crore (96.75 per cent) out of total outstanding loan of ₹ 21,574 crore along with interest amounting to ₹ 9,483 crore.

Chapter II

Financial management and budgetary control

During 2017-18, expenditure of ₹ 37,811.09 crore was incurred against total grants and appropriations of ₹ 41,267.45 crore. Overall savings of ₹ 3,456.36 crore were the result of savings of ₹ 3,843.12 crore in various grants/appropriations offset by excess expenditure of ₹ 386.76 crore in two grants and one appropriation which required regularisation of the State Legislature under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 9,402.18 crore for the period 2011-12 to 2016-17.

Supplementary provision of ₹ 1,340.08 crore in 21 sub-heads proved unnecessary/inadequate as either expenditure did not come up to the level of original provision or leaving an aggregate uncovered excess expenditure and re-appropriation of funds in 20 sub-heads (₹ one crore or more in each case) was made injudiciously which resulted in excess/savings. In 60 cases (₹ 10 crore or more in each case) ₹ 2,558.50 crore were surrendered at the end of the financial year. In 70 cases/sub-heads, 100 per cent grant amounting to ₹ 661.87 crore was surrendered.

In six cases, the expenditure incurred during the last quarter of the year ranged between 65 and 97 per cent and the expenditure incurred during the month of March 2018 alone under these heads of accounts constituted 58 to 88 per cent of the total expenditure.

Chapter III

Financial reporting

Substantial delays in submission of utilisation certificates occurred and as a result proper utilisation of grants could not be ensured. In the absence of annual accounts, it could not be ascertained whether certain autonomous bodies/authorities attract the provision of Section 14 of the CAG's Act 1971. A large number of autonomous bodies did not prepare their final accounts for considerable periods. As a result, their financial position could not be assessed. Further, there were cases of temporary advances pending for adjustment, cases of theft of Government money, misappropriation, loss of Government material and defalcation, departmental action was pending for long periods.

