

EXECUTIVE SUMMARY

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Background

This Report on the finances of the Government of Himachal Pradesh presents an assessment of the financial performance of the State during the year 2018-19 *vis-à-vis* the Budget Estimates and targets prescribed under the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 amended further by Act No. 25 of 2011; and analysis of the dominant trends and structural profile of State Government's receipts and disbursements.

Based on the audited accounts of the Government of Himachal Pradesh for the year ended 31 March 2019 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 of 31 March 2019. It provides an account 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 contains observations on financial accountability and budget management, deficiencies in working of treasuries and results of review of selected grants.

Chapter-III presents a description of the State Government's compliance with various reporting requirements and financial rules.

Audit findings

Chapter I: Finances of the State Government

The State has not yet amended the FRBM Act as recommended by Fourteenth Finance Commission.

(Paragraph 1.1.2)

During 2018-19, the State's revenue receipts (₹ 30,950 crore) increased by 13 per cent over the previous year (₹ 27,367 crore). Only 33 per cent of the

revenue receipts came from the State's own resources comprising taxes and non-taxes, while the remaining 67 per cent was contributed by central transfers comprising the State's share in central taxes and duties (18 per cent) and grants-in-aid from GoI (49 per cent).

(Paragraph 1.3)

During 2018-19, total expenditure (₹ 34,493 crore) of the State increased by ₹ 3,181 crore (10 per cent) over the previous year. Revenue expenditure constituted 85.3 per cent of total expenditure. Total expenditure on four components i.e. salary and wages, pension liabilities, interest payments and subsidies constituted 73 per cent of the revenue expenditure during 2018-19.

(Paragraphs 1.6.1 and 1.6.2)

During 2018-19, capital expenditure (₹ 4,583 crore) increased by ₹ 827 crore (22 per cent) over the previous year (₹ 3,756 crore). The share of capital expenditure to total expenditure increased from 12 per cent in 2017-18 to 13.29 per cent in 2018-19.

(Paragraph 1.6.1.2)

Overall fiscal liabilities at the end of the year 2018-19 were ₹ 54,299 crore with growth of 6.41 per cent over the previous year. Fiscal liabilities were 36 per cent of GSDP and 1.75 times the revenue receipts.

(Paragraph 1.9.2)

Total Public debt increased from ₹ 25,729 crore in 2014-15 to ₹ 36,425 crore in 2018-19 registering annual average growth rate of 9.60 per cent. The share of market borrowings in total public debt went up from 59 per cent in 2014-15 to 65 per cent in 2018-19. During the current year (2018-19), total public debt increased by five per cent over the previous year.

(Paragraph 1.10)

In the next ten years, out of total outstanding market loans and UDAY bonds of ₹ 26,573 crore, the State has to repay principal of market loans and UDAY bonds of ₹ 25,005 crore (94.10 per cent) and interest amounting to ₹ 12,521 crore.

(Paragraph 1.10)

Revenue surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus of ₹ 314 crore during 2017-18 increased to ₹ 1,508 crore in 2018-19.

(Paragraph 1.11.1)

During 2018-19, fiscal deficit (₹ 3,512 crore) decreased by ₹ 358 crore over the previous year (₹ 3,870 crore). Primary deficit of ₹ 82 crore in 2017-18 turned into primary surplus of ₹ 510 crore in 2018-19.

(Paragraph 1.11.1)

Chapter II: Financial management and budgetary control

During 2018-19, expenditure of ₹ 42,469.10 crore (90.38 per cent) was incurred against total grants and appropriations of ₹ 46,984.68 crore. Overall savings of ₹ 4,515.58 crore were the result of savings of ₹ 5,336.95 crore minus excess expenditure of ₹ 821.37 crore in various grants/appropriations, which, in addition to excess expenditure of ₹ 8,333.35 crore for the period 2013-14 to 2017-18 required regularisation of the State Legislature under Article 205 of the Constitution of India.

(Paragraphs 2.2, 2.2.1 and 2.3.1)

Supplementary provision of ₹ 1,916.49 crore in 12 sub-heads proved unnecessary/ inadequate as expenditure either did not come up to the level of original provision or exceeded the total provision leaving an aggregate uncovered excess expenditure. Re-appropriations made proved injudicious in view of excessive surrenders or insufficient augmentation and resulted in excess expenditure of over ₹ 617.17 crore in 18 sub-heads and savings of over ₹ 196.22 crore under 12 sub-heads (₹ one crore or more in each case). In 155 sub-heads, out of the total provision (₹ 2,951.82 crore) (₹ 50 lakh or more in each case) an amount of ₹ 2,328.25 crore (78.87 per cent) was surrendered at the end of the financial year. In 60 heads of account/schemes, 100 per cent grant (amounting to ₹ 801.05 crore) were surrendered.

(Paragraphs 2.3.1.1, 2.3.2 and 2.3.4.2)

Chapter III: Financial reporting

Out of 5,758 Utilisation Certificates (UCs) due in respect of grants aggregating ₹ 5,128.42 crore, 2,407 UCs (42 *per cent*) aggregating ₹ 1,898.80 crore (37 *per cent*) were pending as of March 2019. High pendency of UCs is fraught with risk of misappropriation of fund and fraud. The State Government may ensure timely submission of utilisation certificates in respect of the grants released to grantee institutions, and may also review whether grants should continue to be given to a grantee with high pendency in submission of UCs.

(Paragraph 3.1)

Out of 14 Autonomous Bodies, only three Autonomous Bodies had submitted their accounts for 2018-19. The remaining 11 entities had not submitted their accounts despite delay of one year as of September 2019.

(Paragraph 3.2)

State Government reported 44 cases of misappropriation/loss, theft, etc., of government money amounting to ₹ 93.79 lakh upto March 2019 on which final action was still pending. Forty one out of 44 cases were more than five years old.

(Paragraph 3.4)

The drawing of advances through Abstract Contingent Bills (AC Bills) by departments without a mechanism for their identification/distinction and subsequent lack of monitoring entailed risk of misappropriation/malfeasance, and parking of funds in bank accounts outside the Consolidated Fund of the State with the resultant effect of overstatement of expenditure.

(Paragraph 3.5)