



सत्यमेव जयते

**STATE FINANCES AUDIT REPORT
OF
THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2020



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



GOVERNMENT OF HIMACHAL PRADESH

Report No. 3 of the year 2021

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PREFACE

This Report is prepared for submission to the Governor of the State of Himachal Pradesh under Article 151 of the Constitution of India.

Chapter I provides an overview of the State, sectoral Contribution to GSDP, structure of Government accounts and snapshot of the State's finances.

Chapters II and III of this Report contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts, respectively, of the State Government for the year ended 31 March 2020. Information has been obtained from the Government of Himachal Pradesh wherever necessary.

Chapter IV on ' Quality of Accounts and Financial Reporting Practices ' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives relating to Financial Reporting during the current year.

The Report containing the findings of performance audit and audit of transactions in various departments, Report containing observations on audit of Statutory Corporations, Boards and Government Companies, and Report on State Revenues are presented separately.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

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 2019-20 *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 2020 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 four Chapters.

Chapter I describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

Chapter-II is based on the audit of Finance Accounts and provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key public Account transactions.

Chapter-III 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-IV presents a description of the State Government's compliance with various reporting requirements and financial rules, and quality of accounts rendered by different authorities of the State Government.

Audit findings

Chapter I: Overview

➤ The State passed FRBM Act, 2005 to ensure prudence in fiscal management and fiscal stability by progressive elimination of Revenue deficit. However, the FRBM has not been amended as per the recommendations of the 14th Finance Commission.

(Paragraph 1.5.1)

➤ During 2016-20, the State had continuously reported revenue surplus due to increase in central devolutions on the recommendations of 14th Finance Commission. However, the revenue surplus consistently declined from 2016-17 to 2019-20 (except 2018-19) to ₹ 12 crore during 2019-20.

➤ The fiscal deficit (₹ 5,597 crore) was 3.38 *per cent* of GSDP against the target as per the 14th Finance Commission and FRBM Act of three *per cent* or less during 2019-20. Primary surplus of ₹ 510 crore in 2018-19 turned into primary deficit of ₹ 1,363 crore in 2019-20. Projections made in budget/Medium term fiscal plan were not in line with the recommendations of the 14th FC and actuals for the year 2019-20 were significantly at variance with the targets.

(Paragraph 1.5.3)

Chapter II: Finances of the State

➤ During 2019-20, State had negative growth (-0.67 *per cent*) in revenue receipts over the previous year which was a significant reduction from 2015-16 (31.37 *per cent*). 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 (15 *per cent*) and grants-in-aid from GoI (52 *per cent*).

(Paragraph 2.3.2.1)

➤ During 2019-20, total expenditure (₹ 36,362 crore) of the State increased by ₹ 1,869 crore (5.42 *per cent*) over the year 2018-19. Revenue expenditure constituted an average of 84.4 *per cent* (ranging from 78.9 *per cent* to 87.0 *per cent*) of the total expenditure during the period 2015-20. Rate of growth of revenue expenditure has displayed fluctuating trend over the last five year period 2015-20. The committed expenditure ranged between 68 and 71 *per cent* of revenue expenditure, while it accounted for 65 to 70 *per cent* of the revenue receipts of the State during the five-year period 2015-20.

(Paragraphs 2.4.1, 2.4.2 and 2.4.2.2)

➤ During 2019-20, capital expenditure (₹ 5,174 crore) increased by ₹ 591 crore (13 *per cent*) over the previous year 2018-19 (₹ 4,583 crore) and constituted 14 *per cent* in total expenditure.

(Paragraph 2.4.3)

➤ Overall fiscal liabilities at the end of the year were ₹ 62,212 crore with growth of 14.57 *per cent* over the previous year. The total fiscal liabilities-GSDP ratio in 2019-20 increased by 2.31 *per cent* over the previous year and stood at 37.60 *per cent*, which was above the target of 14th FC. Internal debt of the Government increased to ₹ 39,528 crore (11.78 *per cent*) during 2019-20 from ₹ 35,363 crore in 2018-19.

(Paragraph 2.6.1)

➤ Maturity profile of outstanding stock of public debt and interest of ₹ 62,234 crore (principal: ₹ 40,572 crore and interest: ₹ 21,662 crore), as on 31 March 2020 indicates that the annual outgo in shape of public debt repayment and interest will be approximately ₹ 6,207 crore during next five years up to 2024-25.

(Paragraph 2.6.2)

Chapter III: Budgetary Management

➤ During 2019-20, expenditure of ₹ 45,528 crore (84.77 per cent) was incurred against total grants and appropriations of ₹ 53,708 crore. Overall savings of ₹ 8,179.45 crore were the net of savings (₹ 8,229.36 crore) and excess expenditure (₹ 49.91 crore) in various grants/appropriations. Further, excess expenditure of ₹ 9,154.31 crore for the period 2013-14 to 2018-19 and ₹ 49.91 crore (2019-20) required regularisation of the State Legislature under Article 205 of the Constitution of India.

(Paragraphs 3.1.1, 3.3.8.1 and 3.3.8.3)

➤ Supplementary provision of ₹ 438.61 crore in 18 sub-heads (₹ one crore or more in each case) under 16 grants (Revenue/Capital-Voted and Charged-Voted) proved unnecessary/ unutilised as the expenditure did not come up even to the level of original provision. Re-appropriation of funds of ₹ 6.82 crore (71 per cent) in four cases (under three grants) was made from Supplementary Grants/ provisions (₹ 9.63 crore), without prior approval of the State Legislature.

(Paragraphs 3.3.4 and 3.3.5)

➤ The Re-appropriation in seven cases out of eight cases proved unnecessary, as the savings under these cases was more than re-appropriated amount. And in one case Re-appropriation proved insufficient as the expenditure resulted in excess. In 24 cases, there was surrender of ₹ 6,706 crore which was 15 per cent of the original budget.

(Paragraphs 3.3.6 and 3.3.7)

Chapter IV: Quality of Accounts and Financial Reporting Practices

➤ Non-submission of Utilisation Certificates indicated lack of monitoring as regards utilisation of grants released by the departments to the grantees, and entailed risk of non-utilisation, misutilisation or diversion of funds released for various works/schemes/programmes. A total number of 2,482 UCs of various departments amounting to ₹ 2,847.94 crore was pending as of March 2020. Out of total 2,482 outstanding UCs, 1,083 UCs for grants of ₹ 1,062.58 crore pertain to the period 2009-10 to 2017-18. Further, 58 per cent of the total outstanding amount pertain to two departments (41.15 per cent Panchayat Raj Department: ₹ 1,171.90 crore and 16.72 per cent Urban Development Department: ₹ 476.19 crore).

(Paragraph 4.6)

➤ During 2019-20, an amount of ₹ 1,275 crore constituting 3.55 per cent of expenditure (₹ 35,904 crore) was classified under the Minor Head-800 'Other Expenditure'. Similarly, ₹ 1,637 crore constituting 5.33 per cent of receipts (₹ 30,744 crore) was booked under the Minor Head-800 'Other Receipts'. Operation of omnibus Minor Head 800-Other Expenditure/Other Receipts affects transparency in financial reporting, and obscured proper analysis of allocative priorities and quality of expenditure.

(Paragraph 4.9)

➤ The State Government is yet to fully implement the notified IGAS- 2 and 3 rules in the State, thereby, compromising on the quality of financial reporting. Institution wise break-up of the Grants-in-aid was not provided (IGAS-2). Detailed information regarding repayment in arrears from other loanee entities and fresh loans and advances made during the year to the loanee entities from whom repayments of earlier loans are in arrears was not furnished (IGAS-3).

(Paragraph 4.13)

CHAPTER-I

OVERVIEW

CHAPTER I

Overview

1.1 Profile of State

State of Himachal Pradesh is located in the Himalayan region of the northern part of India. The altitude of the different areas of the State varies from 350 to 6,975 meters above the mean sea level, rendering the climate from humid sub-tropical to dry temperate alpine. State is the 17th largest State in terms of geographical area (55,673 sq. km.) and 21st by population (as per 2011 census).

Himachal Pradesh is a Special Category State (SCS), accordingly, it is entitled to financial assistance from Government of India (GOI) in the ratio of 90 *per cent* grant and 10 *per cent* loan unlike Non-Special Category States, which get central aid in the ratio of 30 *per cent* grant and 70 *per cent* loan. The social indicators, viz. literacy rate and rate of infant mortality at birth, indicate that the State had better literacy rate and infant mortality rate than the All India Average. The percentage of below poverty line (BPL) population in the State was also well below the All India Average (Appendix-1).

1.1.1 Gross State Domestic Product of Himachal Pradesh

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time as shown in **Table-1.1**.

Table 1.1: Trends in GSDP compared to the national GDP (at Current Prices)

Year	2015-16	2016-17	2017-18	2018-19	2019-20
National GDP (2011-12 Series) (₹in crore)	1,37,71,874.00	1,53,91,669.00	1,70,98,304.00	1,89,71,237.00	2,03,39,849.00
Growth rate of GDP over previous year (in per cent)	10.46	11.76	11.09	10.95	7.21
State's GSDP (2011-12 Series) (₹in crore)	1,14,239.41	1,25,633.65	1,38,351.06 ^a	1,53,844.80 ^b	1,65,472.39 ^c
Growth rate of GSDP over previous year (in per cent)	10.09	9.97	10.12	11.20	7.56

Source: Department of Economics and Statistics, Himachal Pradesh and Central Statistics Office.
a – Second Revised Estimate, b- First Revised Estimate, c- Advance Estimate

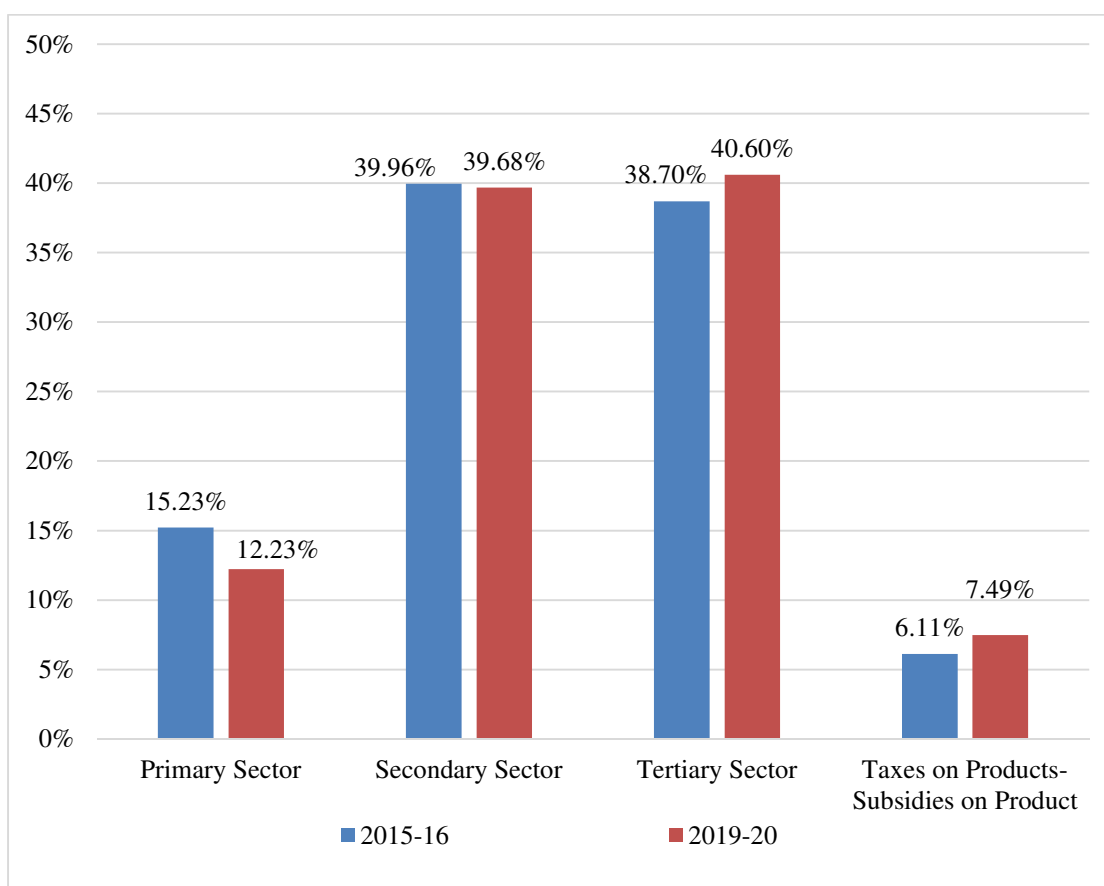
Growth rate of GSDP during 2019-20 came down to 7.56 *per cent*, due to decline in growth rate under industry and service sector as compared to 2018-19. The Compound

Annual Growth Rate (CAGR) of its GSDP at current prices for the period 2011-12 to 2019-20 was 10.82 per cent, marginally below the CAGR of SCS of 11.24 per cent.

1.1.2 Sectoral contribution to GSDP

Changes in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors. The Primary sector mainly corresponds to Agricultural activities along with other economic activities of primary nature viz. forestry, animal husbandry, fishing and mining. The Secondary Sector corresponds to manufacturing, construction and services related to supply electricity, gas, etc. whereas the Tertiary Sector corresponds to Service sectors. Changes in sectoral contribution to GSDP and sectoral growth in GSDP during 2015-16 to 2019-20 is depicted in **Charts 1.1 and 1.2**.

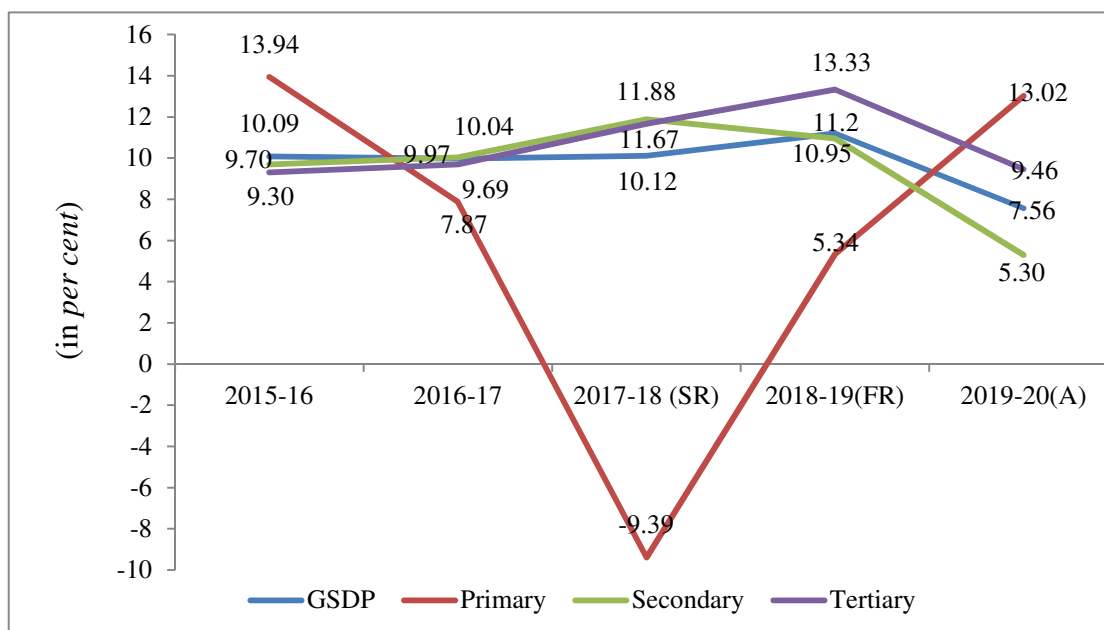
Chart-1.1: Change in sectoral contribution to GSDP (2015-16 to 2019-20)



Source of data: Department of Economics and Statistics, Himachal Pradesh

During 2019-20, there was a decline in the growth rate of Secondary and Tertiary sectors against increase in Primary Sector in comparison with the previous year, as can be seen from **Chart-1.2**:

Chart-1.2: Sectoral growth in GSDP



Source: Department of Economics and Statistics, Himachal Pradesh

The steep decline in the percentage share of Primary Sector in 2017-18 as compared to 2016-17 was due to decrease in the contribution on account of Forestry and logging. In 2016-17, the contribution of Forestry and logging to Primary sector was ₹ 6,731.02 crore while in 2017-18 it was ₹ 4,762.35 crore, which was 29.25 per cent less compared to 2016-17. After comparing the volume of various trees and herbs between the year 2016-17 and 2017-18, it was noticed that there is a major fall in the computation of volume¹ of trees and herbs. The reason behind shortfall in volumes was weather conditions i.e. rain, snowfall and other natural factors, which were not so supportive in the year 2017-18.

Thus, due to lesser volume of trees, medicinal herbs, etc. under Forestry and Logging during 2017-18, there was a downfall in GSDP in Primary sector. The situation improved in the subsequent year 2018-19, due to favourable conditions along with a better than expected contribution by Livestock in that year.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Himachal Pradesh for the year ended 31 March 2020 has been prepared by the CAG for submission to the Governor of the State under Article 151 (2) of the Constitution of India.

¹ In DEODAR trees there was a downfall from 60,600 mtr. cube in 2016-17 to 26,009 mtr. cube in 2017-18 and in the volume of others for e.g. KAIL, FIR/SPRUCE, etc., increase/decrease has been seen during 2017-18 over the previous year. Shortfall also seen in the volume of medicinal herbs which decreased from 4,240 tons in 2016-17 to 1,791 tons in 2017-18.

Principal Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2019-20 constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2019-20 forms an important source of data: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Pr. Accountant General (Audit), Himachal Pradesh;
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS),
- GSDP data and other State related statistics; and
- Various Audit Reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XIV Finance Commission (14th FC), State Financial Responsibility and Budget Management (FRBM) Act, best practices and guidelines of the Government of India. The draft State Finance Audit Report was forwarded to the State Government in March 2021 for comment; replies/viewpoint of the Government had not been received (May 2021). However, an exit conference was held on 28th June 2021 with the Additional Chief Secretary (Finance), State Government; their replies have been incorporated at appropriate places.

1.3 Report Structure

The SFAR is structured into the following four Chapters:

Chapter - I	Overview This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter - II	Finances of the State This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter - III	Budgetary Management This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - IV	Quality of Accounts and Financial Reporting Practices This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

1.4 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

Part I: Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

Part II: Contingency Fund of the State (Article 267(2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorization of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

Part III: Public Accounts of the State (Article 266(2) of the Constitution of India)

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayable like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

Budget Document

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue receipts consists of tax revenue, non-tax revenue, share of Union Taxes/Duties, and grants from Government of India.

Revenue expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

Capital receipts consist of:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, etc.;
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances.

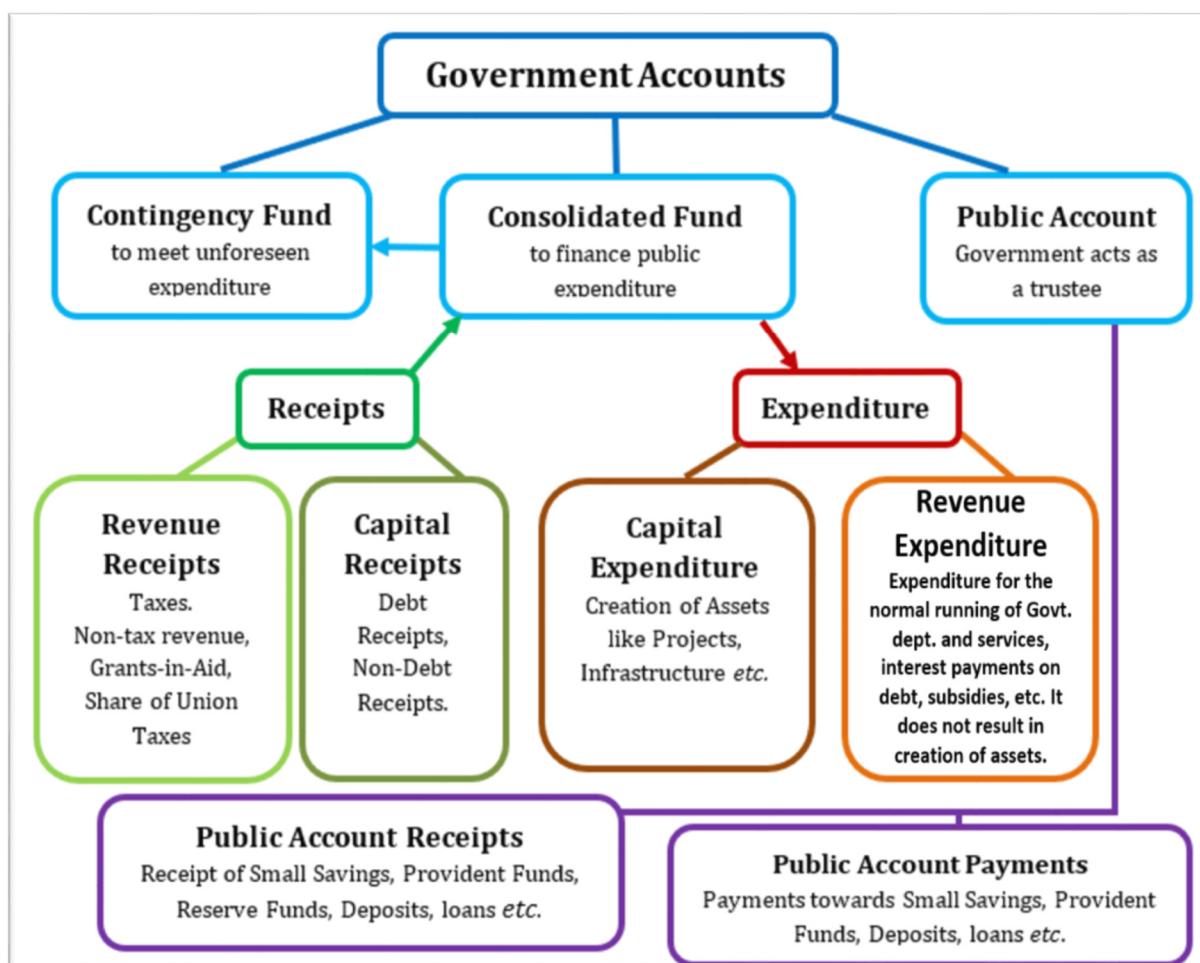
Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

At present, we have an accounting classification system in government that is both functional and economic.

	Attribute of transaction	Classification
Standardized in List of Major and Minor Heads by Controller General Account	Function- Education, Health, etc. / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, etc. (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt, etc. classification of Government Accounts is depicted in **Chart 1.3**.

Chart 1.3: Structure of Government Accounts



Source: Budget Manual

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State will cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2019-20, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Some States have more than one consolidated Budget – there could be sub-budgets like Child Budget, Agriculture Budget, Weaker sections (SC/ST) Budget, Disability Budget, etc.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1 Snapshot of Finances

The **Table-1.2** provides the details of actual financial results vis-a-vis Budget Estimates for the year 2019-20 *vis-a-vis* actual of 2018-19:

Table-1.2: Actual Financial Results vis-a-vis Budget Estimates

(₹ in crore)

Sr. No.	Components	2018-19 (Actual)	2019-20 (Budget Estimates)	2019-20 (Actuals)	Percentage of Actual to BE	Percentage of Actual to GSDP
1	Tax Revenue	7,573	7,921	7,624	96	5
2	Non-Tax Revenue	2,830	2,443	2,501	102	2
3	Share of Union taxes/duties	5,430	7,398	4,678	63	3
4	Grants-in-aid and Contributions	15,117	15,985	15,939	100	10
5	Revenue Receipts (1+2+3+4)	30,950	33,747	30,742	91	19
6	Recovery of Loans and Advances	22	27	21	78	0
7	Other Receipts	9	-	2		0
8	Borrowings and other Liabilities ^(a)	3,512	1,536	5,597	364	3
9	Capital Receipts (6+7+8)	3,543	1,563	5,620	360	3
10	Total Receipts (5+9)	34,493	35,310	36,362	103	22
11	Revenue Expenditure Of which,	29,442	36,089	30,730	85	19
12	Interest payments	4,022	4,552	4,234	93	3
13	Capital Expenditure	5,051	5,037	5,632	112	3
14	Capital outlay	4,583	4,580	5,174	113	3
15	Disbursement of Loans and advances	468	457	458	100	0
16	Total Expenditure (11+13)	34,493	41,126	36,362	88	22

Sr. No.	Components	2018-19 (Actual)	2019-20 (Budget Estimates)	2019-20 (Actuals)	Percentage of Actual to BE	Percentage of Actual to GSDP
17	Revenue Deficit(-)/ Revenue Surplus(+) (5-11)	1,508	(-) 2,342	12	(-)1	0
18	Fiscal Deficit {16-(5+6+7)}	3,512	7,352	5,597	76	3
19	Primary Deficit (18-12)	-510	2,800	1,363	49	1

Source: Finance Account and State's budget documents

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

1.4.2 Snapshot of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. Summarised position of Assets and Liabilities of the State is given in **Table-1.3** below:

Table-1.3: Summarized position of Assets and Liabilities

(₹ in crore)

Liabilities as on					Assets as on				
		31 March 2019	31 March 2020	Percent increase			31 March 2019	31 March 2020	Percent increase
Consolidated Fund									
A	Internal Debt	35,363.18	39,527.78	12	A	Gross Capital Outlay	38,946.98	44,120.89	13
B	Loans and Advances from GoI	1,061.77	1,043.82	(-2)	B	Loans and Advances	6,953.33	7,390.50	6
Contingency Fund									
A	Contingency Fund	5.00	5.00	--			--	--	
Public Account									
A	Small Savings, Provident Funds, etc.	14,349.52	15,537.13	8	A	Cash balance (including investment in Earmarked Fund)	52.70	1,060.18	1912
B	Deposits	3,206.58	3,380.30	5					
C	Reserve Funds	317.60	2,722.31	757					
D	Remittances	509.49	606.29	19					
E	Suspense and Miscellaneous	74.49	(-) 1,330.44	(-) 1,886		Cumulative excess of expenditure over receipts	8,934.62	8,920.62	--
Total:		54,887.63	61,492.19	12.03	Total:		54,887.63	61,492.19	12.03

1.5 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

Deficits must be financed by borrowings giving rise to government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which adds to the stock of debt. If the government continues to borrow year after year, it leads to the accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both government and industry can borrow more. Also, if the government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. However, the major thrust has been towards reduction in government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

1.5.1 FRBM Targets on Key Fiscal Parameters and Achievements thereon

The State Government had passed Fiscal Responsibility and Budget Management Act (FRBM) in April 2005 with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

As per the amendment to the FRBM Act 2011, the State Government was to eliminate Revenue deficit by 2011-12 and maintain Revenue surplus thereafter, reduce Fiscal

Deficit to three *per cent* of the estimated GSDP and maintain the same level thereafter. Further, the Act also envisaged that the State Government would limit the total outstanding debt to GSDP to 40.1 *per cent* in 2014-15.

The FRBM Act was required to be further amended as per the recommendation of the 14th FC, however, the State Government had not yet amended the FRBM Act.

Performance of the State Government on major fiscal variables against the 14th Finance Commission targets are given in **Table-1.4**:

Table-1.4: Compliance with provisions of 14th Finance Commission and FRBM Act

Fiscal Parameters	Fiscal targets set in the FRBM Act	Fiscal targets set in the 14 th FC	Achievement (₹ in crore)				
			2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	Maintain Revenue Surplus	Maintain Revenue Surplus	1,137	920	314	1,508	12
			✓	✓	✓	✓	✓
Fiscal Deficit (-)/ Surplus (+) (as <i>per cent</i> of GSDP)	Three or less	Three or less	-1.90	-2.35	-2.80	-2.28	-3.38
			✓	✓	✓	✓	✗
Ratio of total outstanding debt to GSDP (in <i>per cent</i>)	Not Available	31.11*	36.06	37.60	36.88	35.29	37.60
			✗	✗	✗	✗	✗

* Source: Targets taken from the 14th FC Report, because the FRBM Act had not yet been amended by the State Government.

1.5.2 Medium Term Fiscal Plan

As per the FRBM Act, the State Government is required to lay before the legislative Assembly in every financial year, the Medium Term Fiscal Plan Statement (MTFPS) along with the budget. The MTFPS sets forth the fiscal objectives, strategic priorities of the State Government and a three-year rolling target for fiscal management.

Table-1.5 indicates the variation between the projections made for 2019-20 in MTFPS presented to the State Legislature along with the Annual Budget and Actuals for the year 2019-20.

Table-1.5: Actuals *vis-à-vis* projection in MTFPS for 2019-20

(₹ in crore)				
Sl. No.	Fiscal Variables	Target/projection as per MTFPS	Actuals (2019-20)	Variation (in <i>per cent</i>)
1	Own Tax Revenue	7,921	7,624	-3.75
2	Non-Tax Revenue	2,443	2,501	2.37
3	Share of Central Taxes	7,398	4,678	-36.77
4	Grants-in-aid from GoI	15,985	15,939	-0.29
5	Revenue Receipts (1+2+3+4)	33,747	30,742	-8.90
6	Revenue Expenditure	36,089	30,730	-14.85
7	Revenue Deficit (-)/ Surplus (+) (5-6)	-2,342	12	100.51
8	Fiscal Deficit (-)/ Surplus (+)	7,352	5,597	-23.87

Sl. No.	Fiscal Variables	Target/projection as per MTFPS	Actuals (2019-20)	Variation (in per cent)
9	Debt-GSDP ratio (<i>per cent</i>)	34.04	37.60	3.56
10	GSDP growth rate at current prices (<i>per cent</i>)	11.50	7.56	-3.94

Source: Finance Account and Budget document

The projections made for the fiscal parameters (Revenue deficit, Fiscal deficit to GSDP and Debt-GSDP ratio) by the State in the MTFPS were not in line with the projections of the 14th Finance Commission and the FRBM Act. As against the target of maintaining revenue surplus in the 14th FC, the MTFPS stipulated revenue deficit for the year 2019-20. Similarly, the targets for Fiscal deficit to GSDP ratio and debt-GSDP ratio were fixed at 4.35 *per cent* and 34.04 *per cent* or less respectively, in contrast to the corresponding targets² fixed in the 14th Finance Commission and the FRBM Act.

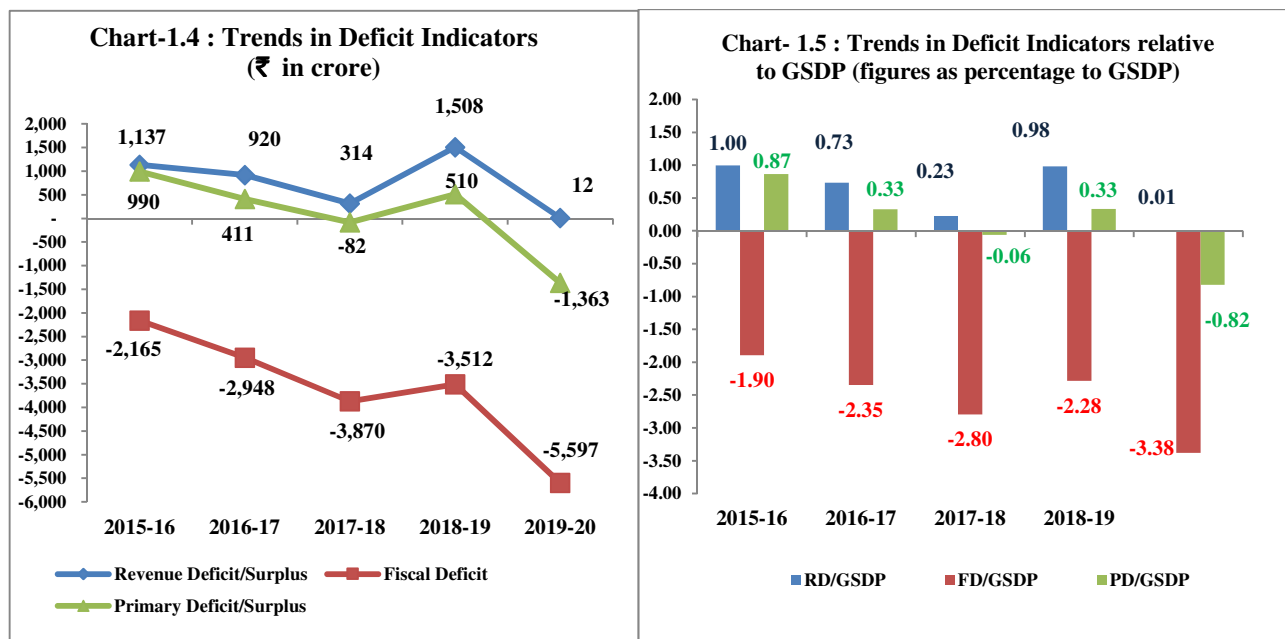
Further, there was a significant variation between the targets projected in the MTFPS and the actual figures for revenue deficit/surplus and fiscal deficit: revenue surplus of ₹ 12 crore against projected revenue deficit of ₹ 2,342 crore in Budget/MTFPS; fiscal deficit of ₹ 5,597 crore against projected fiscal deficit of ₹ 7,352 crore in the Budget/MTFPS.

The large difference between projected and actual figures for revenue deficit/surplus was due to incurring of substantially less amount of development revenue expenditure than the budget estimates. This indicated either that the State Government had not properly assessed the estimated expenditure at the time of budget preparation, or that the State Government lacked the capacity to spend.

1.5.3 Trends of Deficit/ Surplus

The State was able to achieve the target for revenue surplus specified by the XIV FC during 2019-20. However, the State had a fiscal deficit of ₹ 5,597 crore during the year 2019-20, representing 3.38 *per cent* of the GSDP. The Primary surplus of ₹ 510 crore during 2018-19 turned to deficit to ₹ 1,363 crore during the current year (2019-20). The trend of these deficits over the five-year period from 2015-16 to 2019-20 is depicted in **Chart-1.4** and trend in deficit relative to GSDP is given in **Chart-1.5**. Component and trend of Fiscal Liabilities and its percentage to GSDP is also given in **Chart-1.6**.

² Fiscal deficit to GSDP ratio less than 3 *per cent*; Debt-GSDP ratio 31.11 *per cent*



Revenue Deficit

Revenue deficit indicates the excess of revenue expenditure over revenue receipts. As per the FRBM act, the State was to eliminate revenue deficit by financial year 2011-12 and maintain revenue surplus thereafter. Revenue surplus helps to decrease the borrowings. Revenue surplus of ₹ 1,508 crore in 2018-19 decreased to ₹ 12 crore in 2019-20. The high percentage of committed revenue expenditure reduces maneuverability around expenditure decisions by the State and indicates that the State has limited revenue space available after accounting for its committed expenditure needs. Hence, the State Government needs to make medium term corrections on the expenditure side to moderate such committed expenditures and streamline revenue collections.

Fiscal Deficit

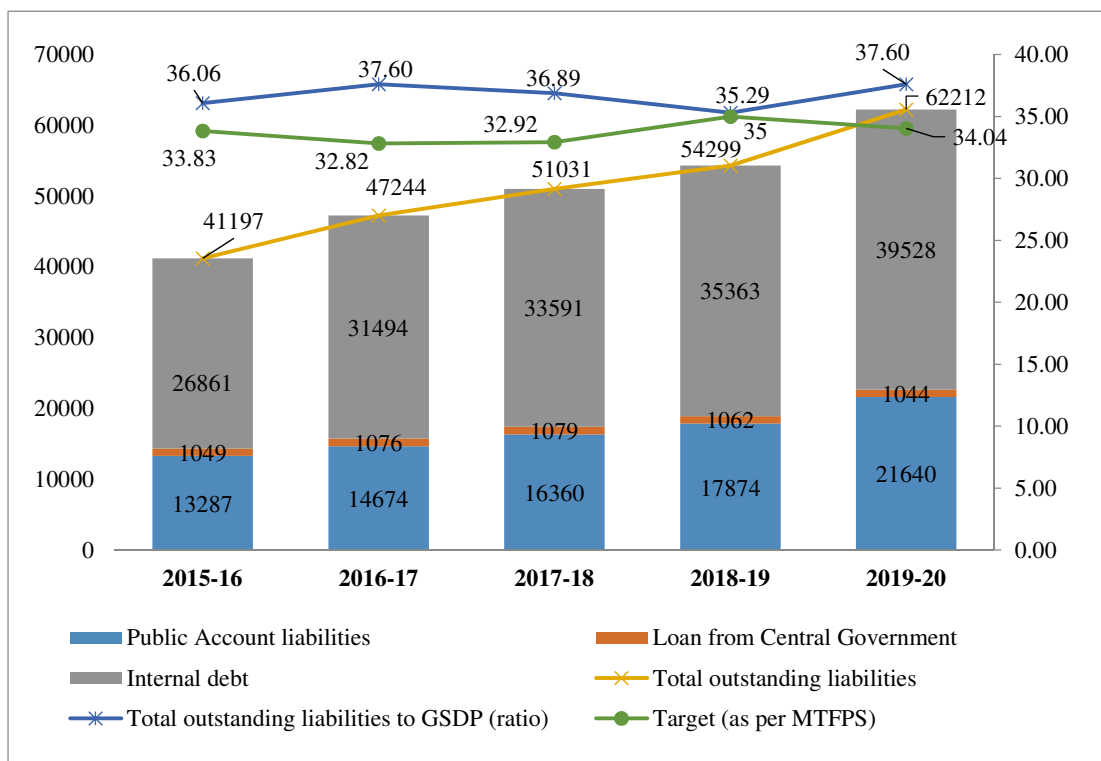
Fiscal deficit represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. During 2019-20, fiscal deficit (₹ 5,597 crore) increased by ₹ 2,085 crore over the previous year (₹ 3,512 crore). Fiscal Deficit was 3.38 *per cent* of the GSDP, which exceeded the target set by the 14th Finance Commission.

Primary Deficit

While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments in respect of States having deficit on revenue account. Interest payments represent the expenditure of past obligations and are independent of ongoing expenditure. To look at the imbalances of current nature, these payments need to be separated and deducted from the total imbalances. The primary deficit is thus an important parameter that reflects a State's

current financial position. If there is primary deficit it means that the State has a deficit even after netting out interest, and it will have to borrow even to pay interest on its borrowings. Primary surplus of ₹ 510 crore in 2018-19 turned into primary deficit of ₹ 1,363 crore during 2019-20.

Chart-1.6: Trends in Fiscal Liabilities and GSDP (₹ in crore)



As can be seen from the **Chart-1.6**, the total outstanding liabilities increased from ₹ 41,197 crore in 2015-16 to ₹ 62,212 crore during 2019-20. The ratio of total outstanding liabilities to GSDP also increased over the past five years and was well above the State's own target set in the MTFPS during 2015-20.

1.6 Deficits and Total Debt after examination in audit

In order to present better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off budget fiscal operations.

1.6.1 Impact on Revenue and Fiscal deficit

Misclassification of revenue expenditure as capital and off budget fiscal operations impacts deficit figures. Besides, deferment of clear-cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, sinking and redemption funds, etc. also impacts the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities was analysed and depicted in the **Table-1.6**.

Table-1.6: Revenue and Fiscal Deficit, post examination by Audit*(₹in crore)*

Particulars	Impact on Revenue Surplus (overstated) (₹in crore)	Impact on Fiscal Deficit (understated) (₹in crore)	Para Reference
Non-contribution to Consolidated Sinking Fund	271.50	271.50	2.5.2.1
Non-contribution to Guarantee Redemption Fund	21.55	21.55	2.5.2.3
Total	293.05	293.05	

Source: Finance Accounts and audit analysis

1.6.2 Post audit - Total Public Debt

Recently the Union Government expanded its definition of Debt. Debt as per amendments in 2018 in the FRBM Act now includes public debt (internal and external debt), total outstanding liabilities on public account and ‘such financial liabilities of anybody corporate or other entity owned or controlled by the Central Government, which the Government has to repay or service from the AFS, reduced by cash balance at the end of that date’.

As per the explanatory note to the Budget, the debt liabilities of the State comprise of Internal debt, loans from Central Government, liabilities on public Account and other debt liabilities of PSUs. There is no explicit definition of total liabilities in the HP-FRBM act. However, it states that borrowing by Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments, where the liability for repayment is on the State Government are also to be treated as borrowings of the State Government. The total outstanding public debt for the year ending 2019-20 of the State Government comprising of liabilities upon the Consolidated fund, Public Account liabilities, and other borrowings is shown in **Table-1.7**.

Table-1.7: Components of outstanding debt/liabilities*(₹in crore)*

Liabilities upon the Consolidated Fund (Public Debt)	Amount
Internal Debt (A)	39,527.77
Market Loans	28,142.16
Loan from Life Insurance Corporation of India	24.77
Loan from NABARD	2,755.76
Loan from National Co-operative Development Corporation	125.40
Compensation and other Bonds	2,890.50
Loans from other Institutions, etc.	61.23
Special Securities issued to the National Small Saving Fund of the Central Government	5,527.95
Loans and Advances from Central Government (B)	1,043.81
Non-plan Loans	2.75
Loans for State Plan Schemes	1,040.94
Others	0.12
Liabilities upon Public Accounts (C)	21,640.25
Small Savings, Provident Funds, etc.	15,537.13
Deposits	3,380.81
Reserve Funds	2,722.31
Total (A+B+C)	62,211.83

There were no cases of off-budget fiscal operations such as borrowings by State PSUs, Special Purpose Vehicles (SPVs) etc., on behalf of the State Government where principal and / or interest are to be serviced out of the State budgets; deployment of own funds by the State PSUs, SPVs, etc., for execution of the deposit work of the State Government which was to be financed by the State Government through borrowings; and non-reimbursement of the Principal/Interest component by the State Government to State PSUs, SVPs, etc., of the loan taken by them on behalf of the State Government. As such, there was no impact of these on overall debt of the State Government.

CHAPTER-II

FINANCES OF THE STATE

CHAPTER – II

Finances of the State

This chapter provides a broad perspective of the finances of the State and analyses the critical changes in major fiscal aggregates relative to the previous year. It discusses overall trends during the five-year period from 2015-16 to 2019-20, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government, wherever necessary.

2.1 Major changes in Key fiscal aggregates in 2019-20 vis-à-vis 2018-19

This section gives a bird's eye view of the major changes in key fiscal aggregates of the State during the financial year 2019-20 as compared to the previous year. Each of these indicators have been analysed in the succeeding paragraphs.

Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none">✓ Revenue receipts of the State decreased by 0.67 per cent✓ Own Tax receipts of the State increased by 0.66 per cent✓ Own Non-tax receipts decreased by 11.63 per cent✓ State's Share of Union Taxes and Duties decreased by 13.85 per cent✓ Grants-in-Aid from Government of India increased by 5.44 per cent
Revenue Expenditure	<ul style="list-style-type: none">✓ Revenue expenditure increased by 4.37 per cent✓ Revenue expenditure on General Services increased by 7.84 per cent✓ Revenue expenditure on Social Services increased by 4.92 per cent✓ Revenue expenditure on Economic Services decreased by 2.67 per cent
Capital Expenditure	<ul style="list-style-type: none">✓ Capital expenditure increased by 12.90 per cent✓ Capital expenditure on General Services decreased by 10.13 per cent✓ Capital expenditure on Social Services increased by 5.98 per cent✓ Capital expenditure on Economic Services increased by 17.13 per cent
Loans and Advances	<ul style="list-style-type: none">✓ Disbursement of Loans and Advances decreased by 2.14 per cent✓ Recoveries of Loans and Advances decreased by 4.55 per cent
Public Debt	<ul style="list-style-type: none">✓ Public Debt Receipts increased by 68.77 per cent✓ Repayment of Public Debt increased by 43.40 per cent
Public Account	<ul style="list-style-type: none">✓ Public Account Receipts increased by 40 per cent✓ Disbursement of Public Account increased by 38.76 per cent
Cash Balance	<ul style="list-style-type: none">✓ Cash balance increased by ₹ 1,007.48 crore (1,811.73 per cent) during 2019-20 compared to previous year

2.2 Sources and Application of Funds

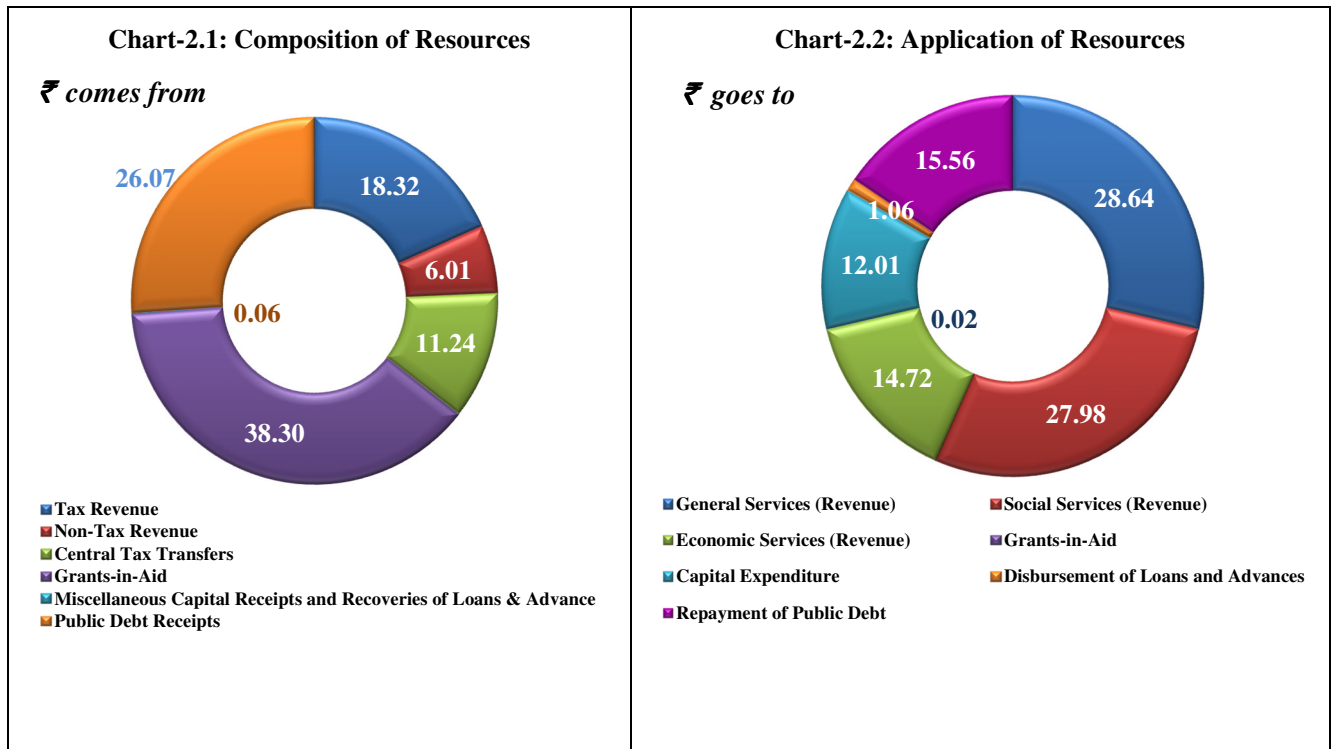
This section compares the components of the sources and application of funds of the State during the financial year 2019-20 as compared to the previous year (2018-19).

Table-2.1: Details of Sources and Application of funds during 2018-19 and 2019-20

(₹ in crore)

	Particulars	2018-19	2019-20	Increase/ Decrease (Percentage)
Sources	Opening Cash Balance	183.23	52.70	(-) 130.53 (71)
	Revenue Receipts	30,950.32	30,742.41	(-) 207.91 (1)
	Miscellaneous Capital Receipts	8.82	2.04	(-) 6.78 (77)
	Recoveries of Loans and Advances	21.83	21.04	(-) 0.79 (4)
	Public Debt Receipts (Net)	1,754.05	4,146.64	2,392.59 (136)
	Public Account Receipts (Net)	1,627.95	2,457.90	829.95 (51)
	Total	34,546.20	37,422.73	2,876.53 (8)
Application	Revenue Expenditure	29,442.11	30,730.43	1,288.32 (4)
	Capital Expenditure	4,583.41	5,173.91	590.50 (13)
	Disbursement of Loans and Advances	467.98	458.21	(-)9.77 (2)
	Closing Cash Balance	52.70	1,060.18	1,007.48 (1912)
	Total	34,546.20	37,422.73	2,876.53(8)

Percentage composition of sources and application of funds in the Consolidated Fund of the State during 2019-20 is given in **Charts 2.1 and 2.2**.



Source: Finance Accounts

2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

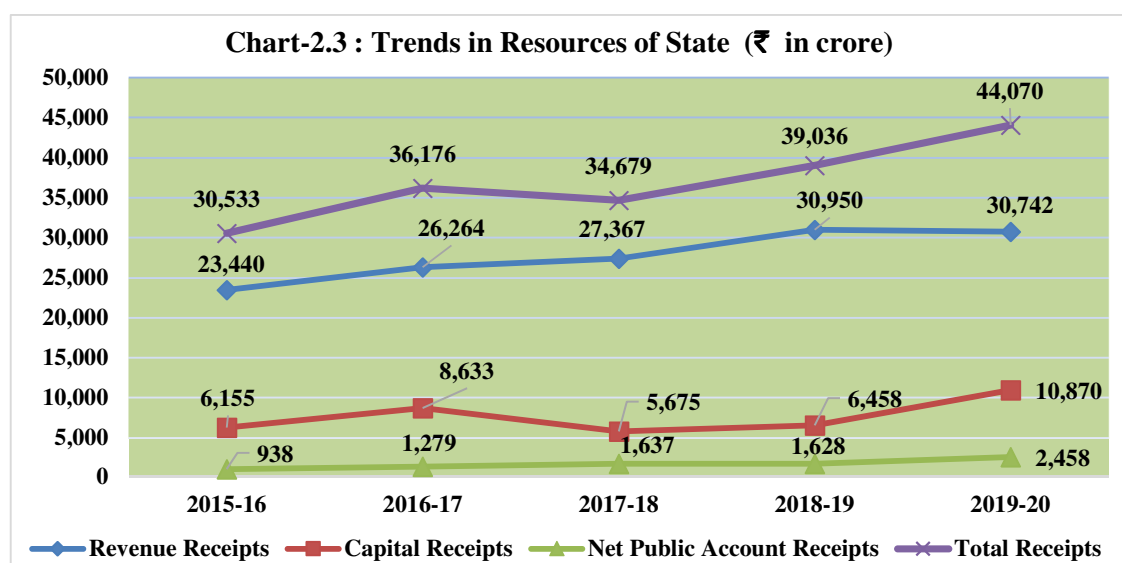
3. **Net Public Accounts receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

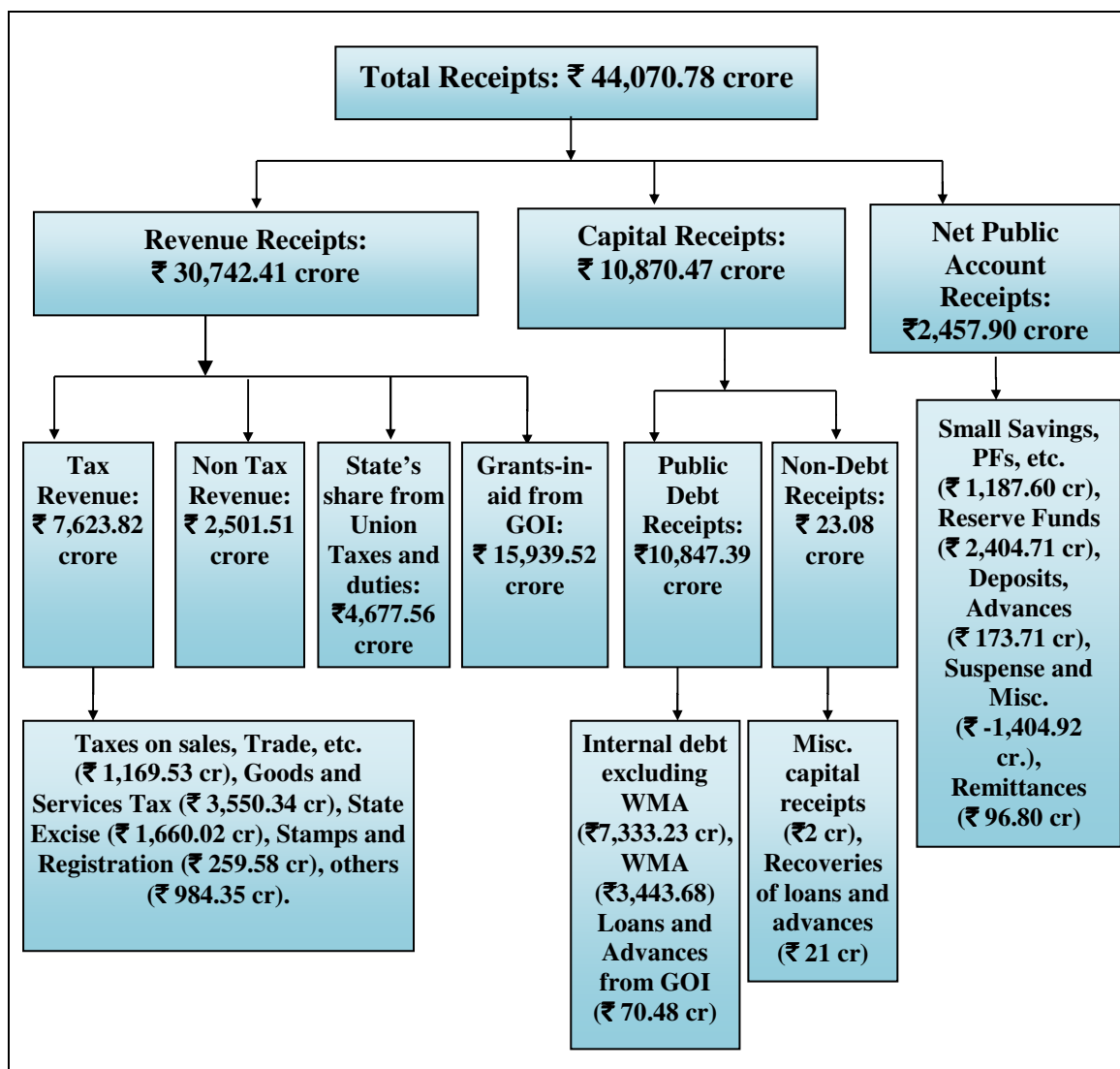
This paragraph provides the composition of the overall revenue receipts. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

Trends in various components of the receipts of the State during 2015-20 is given in **Chart 2.3** while composition of receipts of the State during 2019-20 is given in **Chart-2.4**.



Source: Finance Accounts of the respective years

Chart-2.4: Composition of receipts of the State during 2019-20



Source: Finance Accounts

2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

2.3.2.1 Trends and growth of Revenue Receipts

Table-2.2 provides the trends and growth of revenue receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-20. Further, trends in revenue receipts relative to GSDP and composition of revenue receipts are given in the Chart-2.5 and Chart-2.5 (A) respectively. Basic Composition of revenue receipt over past five years is detailed in Appendix 2.

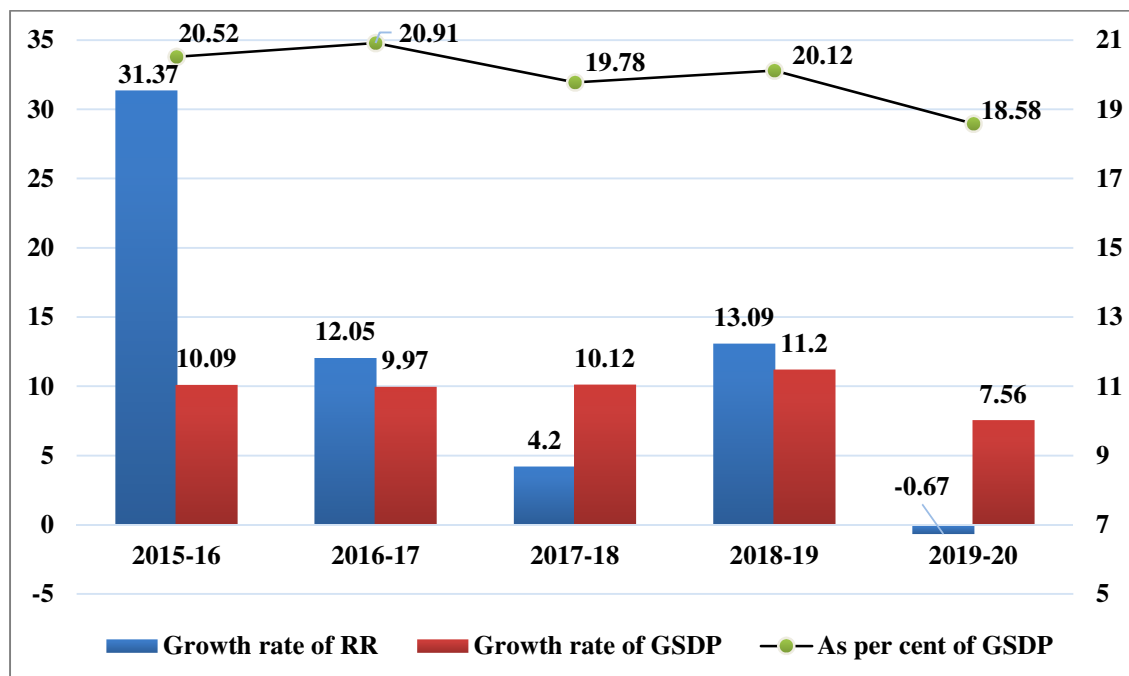
Table-2.2: Trends in Revenue Receipts and buoyancy ratio

Trends in Revenue Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	23,440.48	26,264.34	27,367.06	30,950.32	30,742.41
Rate of growth of RR (<i>per cent</i>)	31.37	12.05	4.20	13.09	-0.67
Own Tax Revenue (₹ in crore)	6,695.81	7,039.05	7,107.67	7,572.81	7,623.82
Rate of growth of TR (<i>per cent</i>)	12.73	5.13	0.97	6.54	0.66
Non-Tax Revenue	1,837.15	1,717.24	2,363.85	2,830.07	2,501.51
Rate of growth of NTR (<i>per cent</i>)	(-) 11.74	(-) 6.53	37.65	19.72	(-) 11.61
Rate of growth of State's Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	6.37	2.62	8.17	9.82	-2.68
Gross State Domestic Product (2011-12 Series) (₹ in crore)	1,14,239.41	1,25,633.65	1,38,351.06 ^a	1,53,844.80 ^b	1,65,472.39 ^c
Rate of growth of GSDP (<i>per cent</i>)	10.09	9.97	10.12	11.20	7.56
RR/GSDP (<i>per cent</i>)	20.52	20.91	19.78	20.12	18.58
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t. GSDP	3.11	1.21	0.41	1.17	-0.09
State's Own Revenue Buoyancy w.r.t. GSDP	0.63	0.26	0.81	0.88	-0.35

a- Second Revised Estimate, b – First Revised Estimate, c – Advance Estimate

Source: Finance accounts and Department of Economics and Statistics, Himachal Pradesh

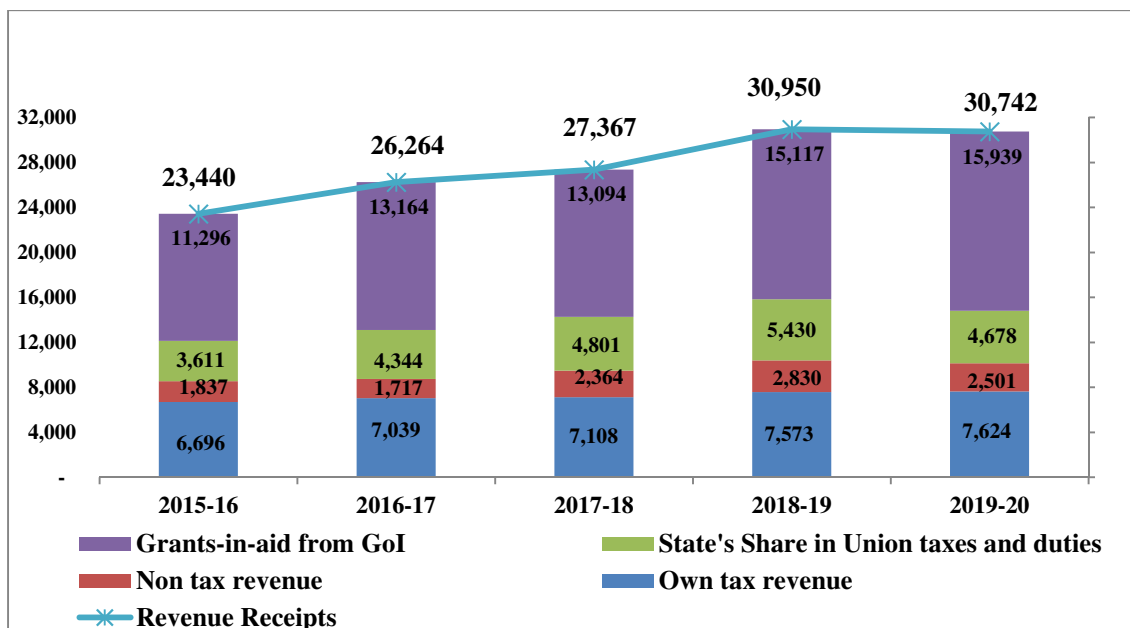
Chart-2.5: Trends in Revenue Receipts as percentage of GSDP



¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.

Chart-2.5(A): Trend of components of Revenue Receipts during 2015-20

(₹ in crore)



- It can be seen that annual growth rate of revenue receipt decreased from 31.37 per cent to -0.67 from 2015-20. During 2019-20, revenue receipts decreased by ₹ 208 crore (0.67 per cent) over the previous year mainly due to less receipts under non-tax revenue (₹ 329 crore) and State's share of Union Taxes and Duties (₹ 752 crore). The decrease was partly counterbalanced by increase in Grants-in-aid from GoI by ₹ 822 crore (5.44 per cent) and own tax revenue (marginally) by ₹ 51 crore (0.66 per cent).
- During the year 2019-20, 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 were contributed by central transfers comprising the State's share in central taxes and duties (15 per cent) and Grants-in-Aid from GoI (52 per cent). This is indicative of the fact that the fiscal position of Himachal Pradesh is influenced/ dependent mostly by/on Central transfers.
- During the year 2019-20, there was a decrease of 0.67 per cent (₹ 208 crore) in Revenue Receipts and increase of 4.37 per cent (₹ 1,288 crore) in Revenue Expenditure, leading to decrease in revenue surplus in current year (₹ 12 crore) than that of the previous year (₹ 1,508 crore).
- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission Award (14th FC impact in 2016-17) and implementation of GST (in 2017-18), impacted the actual receipts in different components of revenue. During 2019-20, the revenue buoyancy with respect to GSDP turned negative largely due to decrease in Non-tax revenue (₹ 329 crore) and decrease in State's share in Union Taxes and Duties (₹ 752 crore) even though there was an increase in Grants-in-Aid (₹ 822 crore).

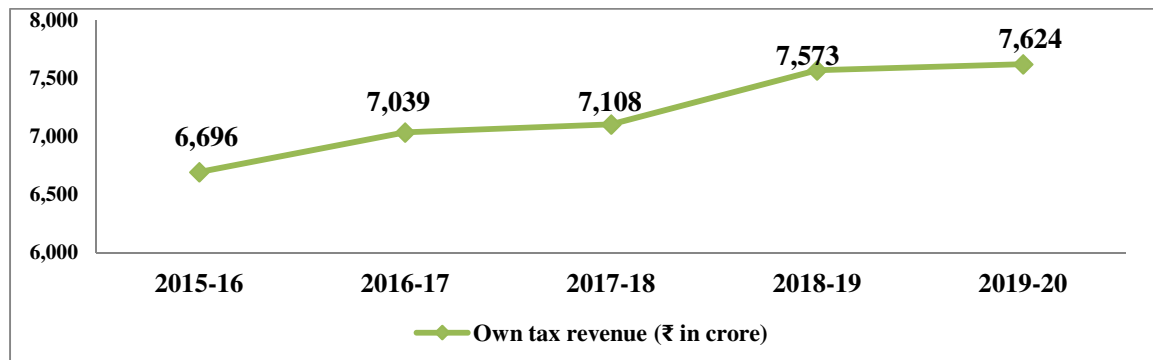
2.3.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-aid from Central government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

(i) Own Tax revenue

Own Tax revenues of the State consist of State GST, State excise, taxes on vehicles, stamp duty and registration fees, land revenue, taxes on goods and passengers, etc. The details of Own Tax Revenue of the State during the five-year period 2015-20 are given in the **Chart-2.6** below:

Chart-2.6: Growth of Own Tax Revenue during the period 2015-16 to 2019-20



Own tax revenue relative to GSDP of the State was 4.61 *per cent* as compared to Punjab (5.22 *per cent*) and Uttarakhand (4.54 *per cent*).

The component-wise details of Own Tax Revenue collected during the years 2015-16 to 2019-20 are given in the **Table 2.3** below:

Table-2.3: Components of State's own Tax Revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
State Goods and Services Tax (SGST)	-	-	1833.16	3342.68	3550.34	
Taxes on sales, trades, etc.	3992.99	4381.91	2525.87	1185.43	1169.53	
State excise	113.122	1307.87	1311.25	1481.63	1660.02	
Taxes on vehicles	317.05	279.58	367.16	408.01	465.52	
Stamp duty and registration fees	205.52	209.16	229.18	250.55	259.58	
Taxes and duties on electricity	551.06	371.67	360.79	487.08	100.86	
Land revenue	7.43	7.64	16.96	8.39	4.79	
Taxes on goods and passengers	115.28	121.37	111.69	104.38	104.03	
Other taxes	375.26	359.85	351.61	304.66	309.15	
Total Tax Revenue	6695.81	7039.05	7107.67	7572.81	7623.82	

Source: Finance Accounts of respective years

Own Tax Revenue of the State increased by ₹ 928.01 crore (13.86 per cent) during 2015-20. During the year 2019-20, major contributors of Tax Revenue were Goods and Services Tax (46.56 per cent), State Excise (21.77 per cent), Taxes on Sales, Trades etc. (15.35 per cent) and Taxes on Vehicles (6.11 per cent). There was a slight increase in tax revenue during 2019-20 over the previous year, under SGST: ₹ 207.66 crore, State Excise: ₹ 178.39 crore, Taxes on vehicles: ₹ 57.51 crore. However, the increase was set-off by decrease under Taxes and duties on electricity by ₹ 386.22 crore. The reason attributed by the department for the decrease was that the department used the collected taxes and duties for Board's expenses and did not deposit the money in Government account, in violation of the Himachal Pradesh Financial Rules 2009. The department also stated that the amount would be adjusted in the next financial year. The percentage of Own Tax Revenue to Total Revenue Receipts has shown steady decline from 28.57 during 2015-16 to 24.80 during 2019-20.

(ii) State Goods and Services Tax (SGST)

As per the GST (Compensation to States) Act, 2017, States will be compensated for the shortfall in the revenue arising on account of implementation of the Goods and Services tax, considering an annual growth of 14 per cent from the base year, for a period of five year. The centre levies the Integrated GST (IGST) on inter-state supply of goods and services and apportions the State's share of tax to the State where the goods or services are consumed.

In the case of Himachal Pradesh, the finalized revenue figure during the base year (2015-16) was revised from ₹ 3,634 crore to ₹ 3,678 crore in September 2020. The protected revenue in accordance with the base year figure, actual revenue collected and compensation due and received from the GoI during the period 2017-18 to 2019-20 is given in **Table- 2.3 (A)**.

Table-2.3(A): Detail of collection of GST and compensation from GoI

(₹ in crore)

Year	Projected revenue amount*	Revenue collected amount**	Compensation due amount	Compensation received amount	Shortfall
	1	2	3 = 1-2	4	5 = 3-4
2017-18	3,585	2,497	1,088	539	549
2018-19	5,450	3,367	2,083	2,037	46
2019-20	6,213	3,594	2,619	1,877	742
Total	15,248	9,458	5,790	4,453	1,337

Source: Finance Accounts of respective years and information obtained from PAG (A&E)

* Protected Revenue is to be calculated considering the revenue figures of 2015-16 as base year by adding 14 per cent per annum

** Includes VAT & CST (net of refund) and revenue from the taxes subsumed in GST by excluding VAT and CST on petroleum products and liquor.

The growth in GST collection in the State was lesser than the projected growth and there was total shortfall of ₹ 5,790 crore during the period 2017-20, against the protected GST receipt of ₹ 15,248 crore. As per the Compensation to the States Act, the GoI had to compensate for the loss of revenue. However, as is evident from the above table, GoI only released ₹ 4,453 crore upto March 2020, resulting in a shortfall of ₹ 1,337 crore. State did not receive its share of net proceeds under IGST during the year 2019-20.

However, after scrutiny of records of Excise and Taxation Department, it was observed that the actual shortfall in the compensation to be received was only ₹ 319 crore (figures as per departmental) as against ₹ 1,337 crore (figures as per Finance Accounts). Thus, there was a difference of ₹ 1,018 crore (2017-20) between the figures booked in Finance Accounts (₹ 4,453 crore) and figures available with the Department (Excise and Taxation) (₹ 5,471 crore). This was due to the fact that in the Finance Accounts, figures had been booked against the month in which amount was received irrespective of the month(s) to which it actually pertained. However, the department booked the figures against the month to which it actually pertained, irrespective of the date of receipt as shown in **Table 2.3 (B)**.

Table-2.3 (B): Difference between Departmental (Excise & Taxation) figures and Finance Account

Period to which receipt pertains	Departmental GST Compensation figures (₹ in crore)			Date of receipt	Finance Account figures (₹ in crore)		
	2017-18	2018-19	2019-20		2017-18	2018-19	2019-20
November-December	539			January	539		
January-February	336			May		336	418
March	184			June		184	
April-May		225	359	July		225	359
June-July		354	419	August		354	419
August-September		315	463	November		315	
				December			463
October-November		330	385	January		330	
				February			218.33*
December-February		293	612.47	March		293	0
March		418	238.51				
Total	1,059	1,935	2,476.98		539	2,037	1,877.33
Grand Total	5,471				4,453		
Difference	1,018						

Source: Information obtained from PAG (A&E) and Excise and Taxation Department.

(iii) Audit of GST receipts

The Government of India's decision to provide access to pan-State back-end data and systems to Audit was conveyed on 20th June 2020. The required full access to data is yet to be provided. Not having full access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2019-20 are, therefore, certified on the basis of test audit, as was done when records were manually maintained.

(iv) Analysis of arrears of revenue and arrears of assessment

The arrear of revenue indicates delayed realization of revenue due to the Government. Similarly, arrear of assessment indicates potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit.

(A) Arrears of Revenue

The arrears of revenue as on 31 March 2020 in some principal heads of revenue amounted to ₹ 4,149.63 crore, of which ₹ 2,444.70 crore (58.91 per cent) were outstanding for more than five years as detailed in **Table 2.4** below:

Table-2.4: Arrears of Revenue

(₹ in crore)

Head of Revenue	Total amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020
0039-State-Excise	268.03	39.76
0040-Value Added Tax	3,790.19	2,351.48
0042-Passengers and Goods Tax	7.51	6.45
0045-Other Tax and Duties	83.90	47.01
Total	4,149.63	2,444.70

Source: State Department

(B) Arrears in assessment

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and the number of cases pending for finalisation at the end of the year as furnished by the State Tax Department in respect of Sales/VAT/GST are given in **Table 2.5**:

Table-2.5: Arrears in Assessment

(₹ in crore)

Head of revenue		Opening balance	New cases due for assessment during 2019-20	Total assessment due	Cases disposed of during 2019-20	Balance at the end of the year	Percentage of disposal
Taxes/VAT on sales, trade etc.	CST	1,52,169	6,147	1,58,316	36,856	1,21,460	23
	VAT	1,71,389	12,902	1,84,291	35,829	1,48,462	19
Luxury tax		3,812	553	4,365	1,419	2946	33
Tax on works contracts		1,135	0	1,135	163	972	14
Total		3,28,505	19,602	3,48,107	74,267	2,73,840	21

Source: State Department

(v) Details of evasion of tax detected by Department, refund cases, etc.

The cases of evasion of tax detected by the Excise & Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money, etc. The details of evasion of tax detected by the State Tax Department and details of refund cases are given in the **Table 2.6(A)** and **Table 2.6(B)** below:

Table-2.6(A): Evasion of Tax Detected

Sr. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment/investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31 March 2020
					No. of cases	Amount of demand (₹ in crore)	
1.	State Excise	72	838	910	848	2.46	62
2.	Taxes on sales trade etc.	65	731	796	731	3.25	65
3.	Passengers and goods tax	36	16,571	16,607	16,586	7.23	21
4.	Other taxes and duties on commodities and services	7	1,268	1,275	1,239	5.57	36
	Total:	180	19,408	19,588	19,404	18.51	184

Table-2.6(B): Details of refund cases

(₹ in crore)

Sr. No.	Particulars	Sales Tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	48	11.51	23	1.09
2.	Claims received during the year	197	59.69	54	3.42
3.	Refunds made during the year	195	48.27	71	4.31
4.	Refunds rejected during the year	--	--	--	--
5.	Balance outstanding at the end of year	50	22.93	6	0.20

(vi) Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc.

Table-2.7: Components of State's non-tax revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Interest receipts	93.84	145.56	340.54	385.88	245.36	
Dividends and profits	111.94	289.63	255.58	181.92	248.44	
Other non-tax receipts	1631.36	1282.04	1767	2262.27	2007.72	
Misc. General Services	19.37	2.35	5.46	20.76	5.17	
Education, Sports, Arts and Culture	206.37	112.22	180.76	214.59	238.59	
Forestry and Wildlife	34.47	18.5	46.87	76.32	83.61	
Other Administrative Services	32.81	42.63	40.45	51.34	49.65	
Non-ferrous Mining and Metallurgical Industries	155.08	176.22	441.46	221.05	246.30	
Power	923.68	650.93	687.61	1134.34	1021.68	
Others	259.58	279.19	364.39	543.87	362.72	
Total	1837.15	1717.24	2363.85	2830.07	2501.51	

Source: Finance Accounts

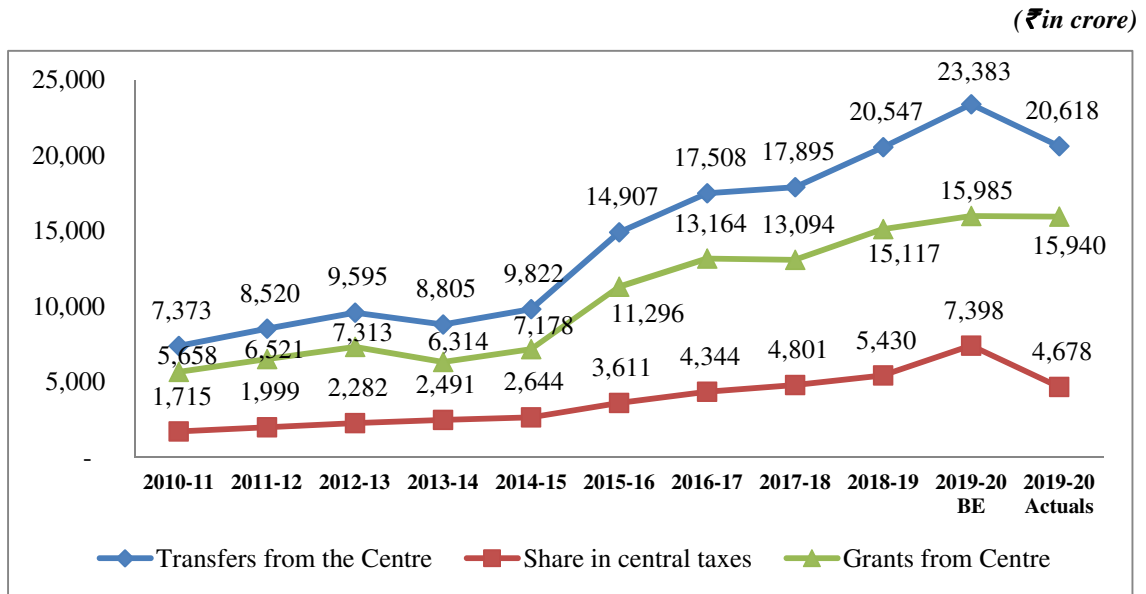
Non-Tax Revenue constituted between six and nine *per cent* of total revenue receipts of the State during the five-year period from 2015-16 to 2019-20. During 2019-20, non-tax revenue constituted 8.14 *per cent* of the revenue receipts which was less by one *per cent* over the previous year. Over the last five years, the main contributor was

Power sector which contributed between 29 and 50 *per cent* towards NTR. Non-Tax Revenue decreased by ₹ 328.56 crore (11.61 *per cent*) during 2019-20 over the previous year. The decrease was due to decrease in receipts mainly under interest receipts (₹ 140.52 crore) and power (₹ 112.66 crore).

2.3.2.3 Transfers from the Centre

Transfers from Centre are heavily dependent on Finance Commission recommendation. The trends of Central transfers for the last 10 years are shown in the **Chart 2.7**.

Chart-2.7: Trends in transfers from Centre



(i) Central tax transfer

The 14th FC had recommended that the States' share of central taxes be increased to 42 *per cent* from 2015-16 onwards. Consequently, the State's share in the net proceeds of Central Taxes (excluding Service Tax) for the period 2015-16 to 2019-20 has been fixed at 0.713 *per cent*. The actual devolution *vis-à-vis* Finance Commission projections during the period 2010-11 to 2019-20 are given in **Table 2.8** below:

Table-2.8: State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2010-11	0.781 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 0.793 <i>per cent</i> of net proceeds of sharable service tax (As per recommendations of 13 th FC)	1,634.82	1,715.35	80.53
2011-12		2,060.67	1,998.37	(-) 62.30
2012-13		2,362.61	2,282.02	(-) 80.59
2013-14		2,716.72	2,491.53	(-) 225.19
2014-15		2,993.17	2,644.17	(-) 349.00

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2015-16	0.713 per cent of net proceeds of all shareable taxes excluding service tax and 0.722 per cent of net proceeds of sharable service tax (As per recommendations of 14 th FC)	3,743.71	3,611.17	(-) 132.54
2016-17		4,074.67	4,343.70	269.03
2017-18		4,819.21	4,801.31	(-) 17.90
2018-19		5,619.31	5,429.77	(-) 189.54
2019-20		5,769.12	4,677.56	(-) 1,091.56

Source: Reports of the 13th FC & 14th FC, Finance Accounts and Annual Financial Statement.

The details of Central tax transfers to the State during 2015-20 are given in **Table 2.9**.

Table-2.9: Composition of Central Tax Transfers

(₹ in crore)

Components of Central Tax Transfers	2015-16	2016-17	2017-18	2018-19	2019-20	Difference over the previous year
Central Goods and Services Tax (CGST)	--	--	68.36	1,340.15	1,327.34	-12.81
Integrated Goods and Services Tax (IGST)	--	--	484.84	107.00	--	-107.00
Corporation Tax	1,135.61	1,393.48	1,470.67	1,888.31	1,594.86	-293.45
Taxes on Income other than Corporation Tax	786.68	968.47	1,241.88	1,390.66	1,249.68	-140.98
Customs	579.13	599.42	484.70	384.89	296.49	-88.40
Union Excise Duties	484.57	684.49	506.50	255.78	206.16	-49.62
Service Tax	621.90	694.64	544.40	49.66	--	-49.66
Other Taxes ²	3.28	3.20	(-) 0.04	13.32	3.03	-10.29
Central Tax transfers	3,611.17	4,343.70	4,801.31	5,429.77	4,677.56	-752.21
Percentage of increase over previous year	36.57	20.29	10.54	13.09	(-) 13.85	
Percentage of Central tax transfers to Revenue Receipts	15.41	16.54	17.54	17.54	15.22	

Source: Finance Accounts

Over the five-year period 2015-20, Central tax transfers increased by 29.53 per cent. During the current year, it decreased by ₹ 752.21 crore (13.85 per cent) over the previous year. For the year 2019-20, Central Tax transfer constituted 15.22 per cent of the Revenue Receipts which was 2.32 per cent less over the previous year. Further, as

² Includes Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

has been tabulated above, the State did not receive its share of Union Taxes and Duties as per the recommendations of the Finance Commissions (13th FC and 14th FC) from the period 2011-12 to 2019-20 (except 2016-17). During the current year, the share was short by ₹ 1,091.56 crore.

(ii) Grants- in-aid from Government of India (GoI)

GoI discontinued Plan and Non-Plan classification and operated new Sub-Major Heads under Major Head-1601-Grants-in-Aid (GIA) for providing GIA to States from 2017-18. The position of GIA from GoI received by State Government during the period 2015-16 to 2019-20 is given in **Table 2.10**.

Table-2.10: Grants-in-aid from GoI

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants[#]	8,524.32	8,877.19	--	--	--
Grants for State Plan Schemes[#]	755.52	1,187.49	--	--	--
Grants for Central Plan Schemes[#]	37.96	44.45	--	--	--
Grants for Centrally Sponsored Plan Schemes[#]	1,978.55	3,055.23	--	--	--
Centrally Sponsored Schemes	--	--	3,590.26	4,010.49	4,915.06
Finance Commission Grants	--	--	8,889.00	8,831.25	8,617.82*
Other Transfer/Grants to State/ Union Territories with Legislatures	--	--	615.39	2,275.93	2,406.64 [@]
Total	11,296.35	13,164.35	13,094.23	15,117.66	15,939.52
Percentage increase over previous year	57.38	16.54	(-) 0.53	15.45	5.44
Percentage of Revenue Receipts	48.19	50.12	47.85	48.84	51.85

Source: Finance Accounts for the respective years

* Finance Commission Grants includes post devolution revenue deficit grant (₹7,866 crore), grants for local bodies(₹555 crore) and State Disaster Response Fund (₹197 crore) which was earlier depicted as Non-plan grants in State Accounts.

@ Includes ₹1,877.33 crore on account of compensation for loss of revenue arising out of implementation of GST.

There are no figures since the nomenclature of plan and non-plan grants was removed with effect from 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

In 2019-20, GIA from GoI increased over the previous year by ₹ 821.86 crore. 49 per cent of the GIA was on account of post devolution revenue deficit grants. Share of GIA in State's revenue receipts ranged between 48 and 52 per cent during 2015-20.

(iii) Fourteenth Finance Commission Grants

As mentioned in the previous paragraph, 14th FC Grants were provided to the States for local bodies and State Disaster Response Fund. Details of grants provided by the GoI to the State during the years 2015-16 to 2019-20 are given in **Table 2.11**.

Table-2.11: Recommended amount, actual release and transfers of Grants-in-aid

(₹ in crore)

Transfers	Recommendation of the 14 th FC			Actual release by GoI			Release by State Government		
	2015-16 to 2018-19	2019-20	Total (2015-20)	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total
1. Local Bodies	1,401.47	610.10	2,011.57	1,283.99	530.77	1,814.76	1,283.99	530.77	1,814.76
(i) Grants to PRIs	1,261.44	548.36	1,809.80	1,175.67	488.64	1,664.31	1,175.67	488.64	1,664.31
(a) General Basic Grant	1,140.18	488.64	1,628.82	1,140.18	488.64	1,628.82	1,140.18	488.64	1,628.82
(b) General Performance Grants	121.26	59.72	180.98	35.49	0	35.49	35.49	0	35.49
(ii) Grants to ULBs	140.03	61.74	201.77	108.32	42.13	150.45	108.32	42.13	150.45
(a) General Basic Grant	113.00	48.42	161.42	100.41	42.13	142.54	100.41	42.13	142.54
(b) General Performance Grants	27.03	13.32	40.35	7.91	0	7.91	7.91	0	7.91
2. State Disaster Response Fund*	1,017.00	287.00	1,304.00	915.62	197.23	1,112.85	1,024.98	28.70	1,053.68
Grand Total (1+2)	2,418.47	897.10	3,315.57	2,199.61	728.00	2,927.61	2,308.97	559.47	2,868.44

Source: 14th FC Report and information provided by State Departments

* Including State share of 25 per cent of total grant

The State could not get its complete share of 14th FC grant basically due to non-achievement of criteria for getting performance grant in both PRIs and ULBs. Further, amount of State Disaster Response Fund has not been depicted as disbursement in the Finance Accounts as the State Government did not furnish proof/sub-vouchers of the actual expenditure incurred during the year 2019-20.

2.3.3 Capital Receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and

advances from GoI. The trends in growth and composition of capital receipts during the past five years (2015-20) are presented in **Table 2.12**.

Table-2.12: Trends in growth and composition of capital receipts

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts (CR)	2,207.37	4,689.97	2,174.87	1,784.70	4,169.72
Miscellaneous Capital Receipts	Nil	Nil	34.82	8.82	2.04
Recoveries of Loans and Advances	25.90	29.50	39.61	21.83	21.04
Net Public Debt Receipts	2,181.47	4,660.47	2,100.44	1,754.05	4,146.64
Internal Debt	2,203.29	4,633.10	2,097.45	1,771.71	4,164.59
Growth rate	13.88	110.28	-54.73	-15.53	135.06
Loans and advances from GoI	-21.82	27.37	2.99	-17.66	-17.95
Growth rate	-137.13	225.44	-89.08	-690.64	-1.64
Rate of growth of debt Capital Receipts	-16.64	113.64	-54.93	-16.49	136.40
Rate of growth of non-debt capital receipts	-96.25	13.90	152.31	-58.82	-24.70
Rate of growth of GSDP	10.09	9.97	10.12	11.20	7.56
Rate of growth of Capital Receipts (<i>per cent</i>)	-33.26	112.47	-53.63	-17.94	133.64

Source: Finance Accounts of the respective years.

Capital receipts decreased from ₹ 2,207.37 crore in 2015-16 to ₹ 1,784.70 crore in 2018-19 (except in 2016-17 due to inclusion of loan of ₹ 2,890.50 crore given to DISCOM on account of UDAY scheme). In 2019-20, capital receipts (₹ 4,169.72 crore) increased by ₹ 2,385.02 crore over the previous year mainly due to increase in market loans (₹ 2,370 crore).

Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During the five-year period 2015-16 to 2019-20, 60.54 *per cent* of Public debt receipts were utilised for repayment of Public Debt taken during the period and the only the remaining 39.46 *per cent* was utilised for other purposes.

2.3.4 State's performance in mobilisation of resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2019-20 vis-à-vis assessment made by 14th FC and MTFPS are given in the **Table 2.13**.

Table-2.13: States own resources: projections *vis-à-vis* actuals

(₹ in crore)

	14 th FC projections	Budget Estimates	MTFPS projection	Actual	Percentage variation of actual over		
					14 th FC projections	Budget estimates	MTFPS projection
Own Tax revenue	16,591	7,921.43	7,921.43	7,623.82	-54.05	-3.76	-3.76
Non-tax revenue	2,685	2,442.86	2,442.86	2,501.51	-6.83	Target Achieved	Target Achieved

The actual collection under State's own tax revenue fell short by 54.05 *per cent* of the projections made by 14th FC and 3.76 *per cent* of budget estimates and MTFPS projection. The actual receipts under non-tax revenue were less by 6.83 *per cent* of the projections made by 14th FC but were more than the targets set in budget estimates and MTFPS. Thus, the State Government could not achieve even their own targets projected in the budget and MTFPS in case of own tax revenue.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. The application of resources is analysed under various headings such as growth and composition of expenditure, revenue expenditure, committed expenditure and financial assistance to local bodies and other institutions in the succeeding paragraphs.

2.4.1 Growth and composition of expenditure

The expenditure of State Government can be classified in two categories namely Revenue Expenditure and Capital Expenditure.

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure.

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also bears charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital expenditure.

Trend and composition of total expenditure over the last five years (2015-20) are shown in **Table 2.13(A)**.

Table-2.13(A): Total expenditure and its composition

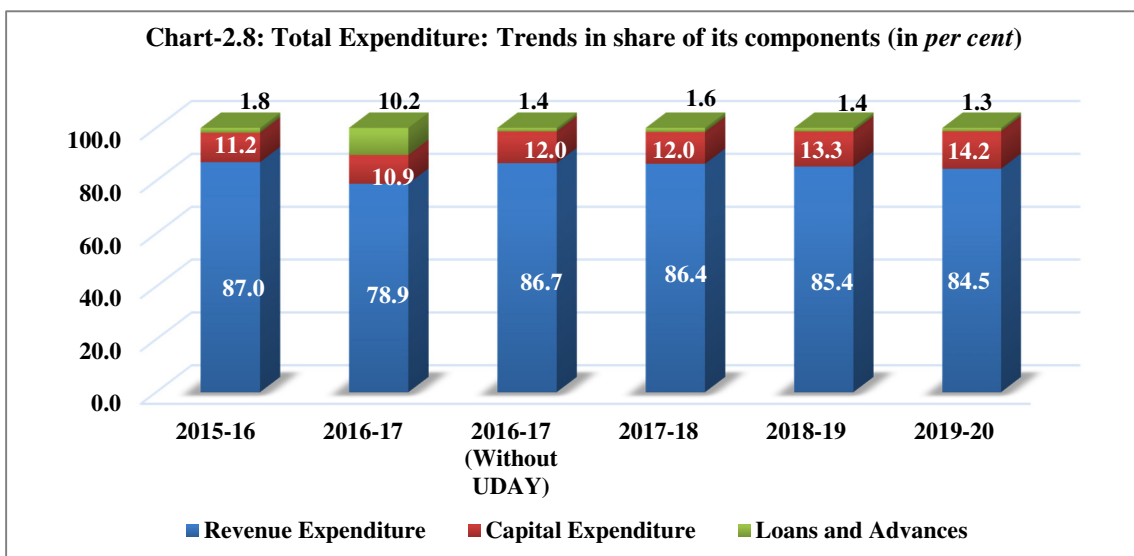
(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	25,630.47	32,132.94	31,311.36	34,493.50	36,362.55
Revenue Expenditure (RE)	22,302.81	25,344.22	27,053.16	29,442.11	30,730.43
Capital Expenditure (CE)	2,864.49	3,499.03	3,755.67	4,583.41	5,173.91
Loans and Advances disbursed	463.17	3,289.69 [@]	502.53	467.98	458.21
GSDP	114,239.41	125,633.65	138,351.06	153,844.80	165,472.39
As a percentage of GSDP					
TE/GSDP	22.44	25.58	22.63	22.42	21.97
RE/GSDP	19.52	20.17	19.55	19.14	18.57
CE/GSDP	2.51	2.79	2.71	2.98	3.13
Loans and Advances/GSDP	0.41	2.62	0.36	0.30	0.28

Source: Finance Accounts of the respective years.

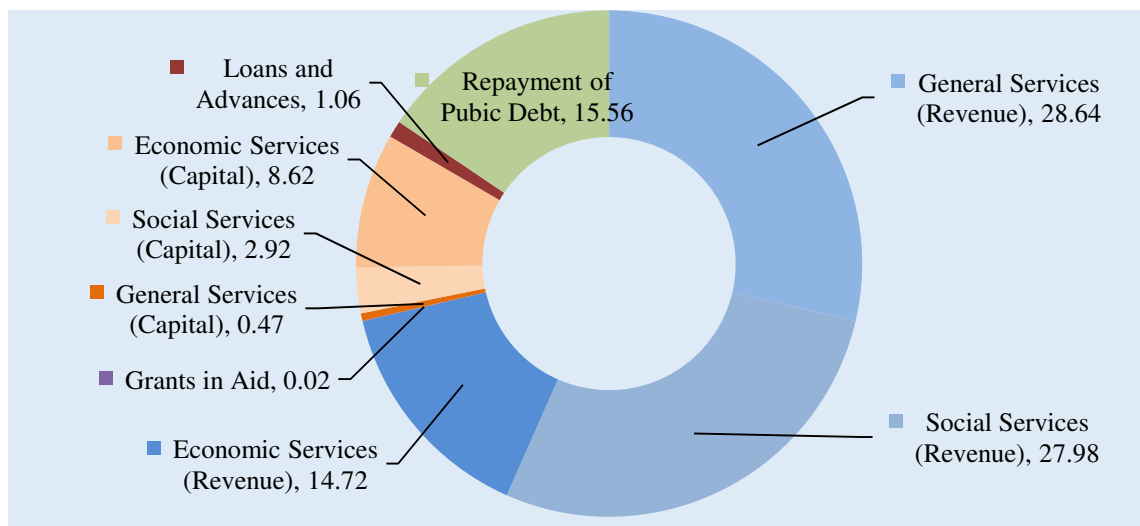
@ Loan of ₹2,890.50 crore given to DISCOM on account of UDAY scheme

Total expenditure increased by 41.87 per cent over a period of five years (2015-20). During 2019-20, it increased by ₹ 1,869 crore (five per cent) over the previous year. As a percentage of GSDP, the total expenditure remained in the range of 22.63 per cent to 25.58 per cent during 2015-20. The Revenue Expenditure increased by 37.79 per cent during 2015-20 while the capital expenditure increased by 80.62 per cent during the same period. As depicted in **Chart 2.8**, the share of revenue expenditure in total expenditure ranged from 84.5 to 87.0 per cent during 2015-20. Similarly, the share of capital expenditure in total expenditure increased slightly from 11.2 per cent in 2015-16 to 14.2 per cent in 2019-20. The share of loans and advances was 10.2 per cent in 2016-17 due to disbursement of loans under UDAY scheme which reduced to 1.3 per cent in 2019-20. The share of loans and advances disbursed remained almost static during the same period.



In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹ 36,362 crore (refer Appendix-2) during 2019-20 is given in **Chart 2.9**.

Chart-2.9: Composition of expenditure during 2019-20 (in per cent)



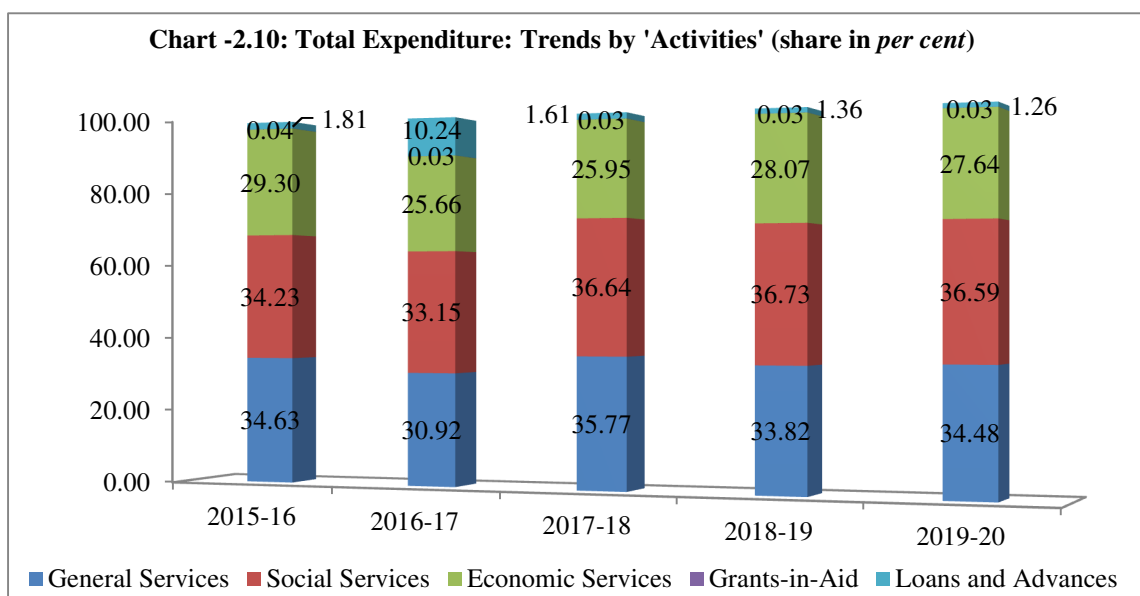
The relative shares of various sectors of expenditure during the period 2015-20 is given in **Table 2.14**.

Table-2.14: Relative share of various sectors of expenditure

(In per cent)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	34.63	30.92	35.77	33.82	34.48
Social Services	34.23	33.15	36.64	36.73	36.59
Economic Services	29.30	25.66	25.95	28.07	27.64
Others (Grants to Local Bodies and Loans and Advances)	1.84	10.27	1.64	1.38	1.29

Chart-2.10 depicts trends of sectoral component in Total Expenditure for the period 2015-16 to 2019-20.



The movement of relative share of these components of expenditure indicates that the share of General Services, Social Services, and others in the Total Expenditure had slight inter-year variations during the period 2015-16 to 2019-20. Expenditure on General Services (including interest payments) which forms part of non-development expenditure, increased from 33.82 *per cent* in 2018-19 to 34.48 *per cent* as a percentage of total expenditure in 2019-20. Development expenditure *i.e.* expenditure on Social and Economic Services together accounted for 64.10 *per cent* in 2019-20 against 64.8 *per cent* in 2018-19. The share of loans and advances remained almost static over the past five years except in 2016-17 (10.24 *per cent*) when loan amounting to ₹ 2,890.50 crore was disbursed to DISCOM under UDAY Scheme.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations. As such, it does not result in any addition to the State's infrastructure and service network. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts during the period 2015-20 are indicated in **Table 2.15**.

Table-2.15: Growth of revenue expenditure during 2015-20

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	25,630.47	32,132.94	31,311.36	34,493.50	36,362.55
Revenue Expenditure (RE)	22,302.81	25,344.22	27,053.16	29,442.11	30,730.43
Rate of Growth of RE (per cent)	12.72	13.63	6.74	8.83	4.37
Revenue Expenditure as percentage of TE	87.02	78.87	86.40	85.36	84.51
RE/GSDP (per cent)	19.52	20.17	19.55	19.14	18.57
Revenue Receipts (RR)	23,440.48	26,264.34	27,367.06	30,950.32	30,742.41
RE as percentage of RR	95.15	96.50	98.85	95.13	99.96
Rate of Growth of RR (per cent)	31.37	12.05	4.20	13.09	-0.67
GSDP	1,14,239.41	1,25,633.65	1,38,351.06	1,53,844.80	1,65,472.39
Rate of growth of GSDP (per cent)	10.09	9.97	10.12	11.20	7.56
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.26	1.37	0.67	0.79	0.58
Revenue Receipts (ratio)	0.41	1.13	1.61	0.67	-6.52

Source: Finance Accounts of respective years

Revenue expenditure during 2015-20 increased by ₹ 10,732 crore (41.87 per cent) at an annual growth rate ranging from four to 14 per cent. Rate of growth of Revenue Expenditure has displayed fluctuating trend over the last five-year period 2015-20. Revenue expenditure in 2019-20 (₹ 30,730 crore) increased by ₹ 1,288 crore (four per cent) over 2018-19 (₹ 29,442 crore). The increase was due to more expenditure under General services and Social Services and was set-off by decrease in Economic Services.

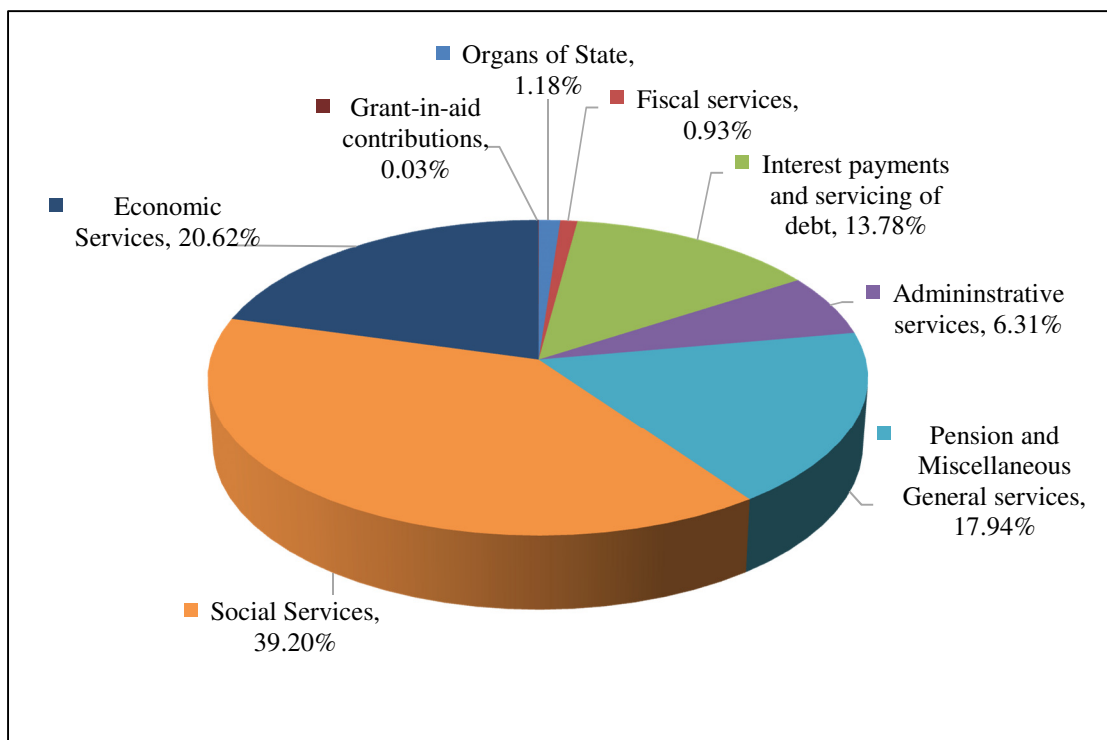
The percentage of State's revenue receipts and revenue expenditure to GSDP stood at almost same i.e., 18.58 and 18.57 per cent respectively during 2019-20. Thus, the State had revenue surplus of only ₹ 12 crore during 2019-20 which was 0.01 per cent of GSDP.

Revenue expenditure in 2019-20 at ₹ 30,730 crore was less than the projections made in Budget and MTFPS (₹ 36,089 crore) and the normative assessment of 14th FC (₹ 34,541 crore).

The sectoral distribution of Revenue Expenditure pertaining to 2019-20 is given in Chart 2.11.

Chart-2.11: Sector-wise distribution of revenue expenditure during 2019-20

(In per cent)



2.4.2.1 Major changes in Revenue Expenditure

Table 2.16 highlights the cases of significant increase or decrease in various Heads of Account in Revenue Expenditure during 2019-20 vis-à-vis the previous year.

Table-2.16: Significant variations in Revenue Expenditure during 2019-20 as compared to 2018-19(*₹in crore*)

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
General Services	11,438.34	12,335.20	896.86
2071-Pensions and other retirement benefits	4974.77	5489.74	514.97
2049-Interest Payments	4,021.52	4,234.02	212.50
2055-Police	1,092.57	1,142.93	50.36
2015-Elections	44.87	90.77	45.90
Social Services	11,482.20	12,046.95	564.75
2202-General Education	5,691.76	6,037.87	346.11
2235-Social Security and Welfare	1,048.37	1,228.62	180.25
2515-Other Rural Development Programmes	751.63	923.64	172.01
2210-Medical and Public Health	1,529.35	1,661.55	132.20
2215-Water Supply and Sanitation	1,141.35	942.18	-199.17
2216-Housing	103.31	35.73	-67.58
Economic Services	6512.19	6338.01	-174.18
2801-Power	579.19	406.20	-172.99
2505-Rural Employment	335.48	235.72	-99.76
Grant-in-Aid and Contribution	9.39	10.27	0.88
3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	9.39	10.27	0.88

Source: Finance Accounts of the respective years.

Revenue expenditure on General services increased by ₹ 896.86 crore due to increase in expenditure mainly on Pension and other retirement, interest payments, police services and elections. Interest payments on market loans increased by ₹ 166.12 crore during the year. The expenditure on Social services increased by ₹ 564.75 crore over the previous year due to increase in expenditure mainly on General Education, Social Security and Welfare, Other Rural Development Programmes Medical and Public Health. The increase was partly offset by the decrease in Water Supply and Sanitation and Housing. Expenditure on economic services decreased by ₹ 174.18 crore mainly due to decrease in expenditure on Power and Rural Employment.

2.4.2.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector.

Table 2.17 presents the trends in the components of committed expenditure during 2015-20, whereas percentage share of Committed Expenditure in total Revenue Expenditure is given in **Chart 2.12**.

Table-2.17: Components of Committed Expenditure

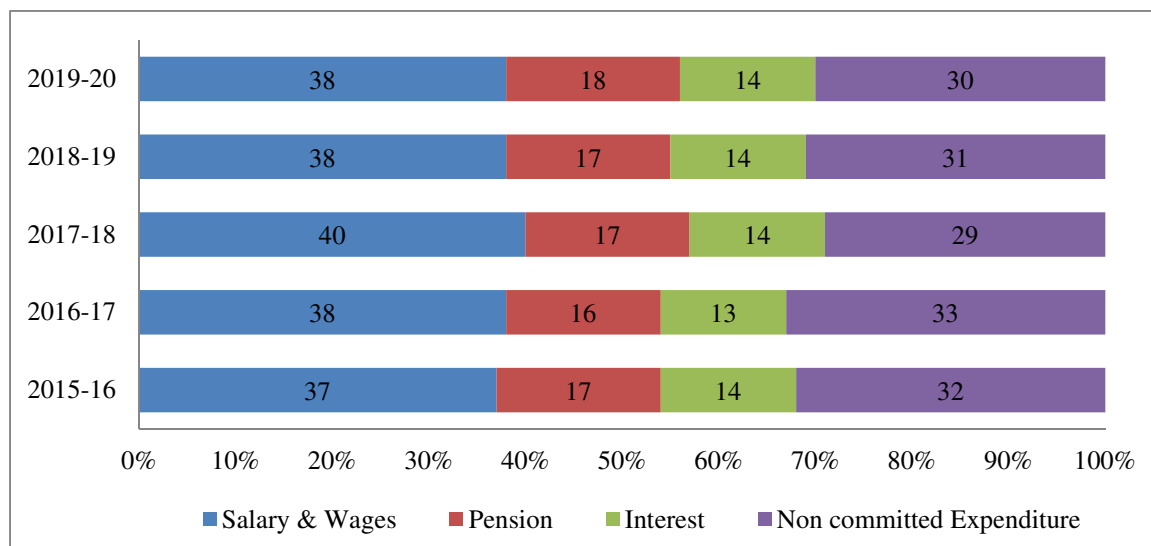
(₹ in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages	8,174.13	9,681.67	10,765.83	11,210.42	11,742.23*
Expenditure on Pensions	3,836.44	4,114.17	4,708.85	4,974.77	5,489.75
Interest Payments	3,155.00	3,358.91	3,788.22	4,021.52	4,234.02
Total	15,165.57	17,154.75	19,262.90	20,206.71	21,466.00
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	34.87	36.86	39.34	36.22	38.20
Expenditure on Pensions	16.37	15.66	17.21	16.07	17.86
Interest Payments	13.46	12.79	13.84	12.99	13.77
Total	64.70	65.31	70.39	65.28	69.83
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	36.65	38.20	39.80	38.08	38.21
Expenditure on Pensions	17.20	16.23	17.41	16.90	17.86
Interest Payments	14.15	13.25	14.00	13.66	13.78
Total	68.00	67.68	71.21	68.64	69.85

Source: Finance Accounts of respective years

* Salary: ₹11,477.37 crore; wages: ₹264.86 crore

Chart-2.12: Share of Committed expenditure in total Revenue Expenditure



There was a consistent rise in committed expenditure of the State. The increase in committed expenditure during 2019-20 over the previous year was ₹ 1,259 crore (six per cent). It consumed a dominant share of revenue expenditure (68-71 per cent) and revenue receipts (65-70 per cent) during the period 2015-16 to 2019-20 leaving little scope for the Government to spend on developmental activities.

Salaries and Wages: The expenditure on salaries and wages increased from ₹ 8,174 crore in 2015-16 to ₹ 11,742 crore in 2019-20. It increased by ₹ 532 crore (five per cent) during 2019-20 over the previous year and consumed 38 per cent of revenue receipts of the State during 2019-20. The expenditure on salaries in the current year (₹ 11,742 crore) was within the projections made in Medium Term Fiscal Plan Statement (MTFPS) (₹12,359 crore).

Interest Payments: Interest payments increased by 34 per cent from ₹ 3,155 crore in 2015-16 to ₹ 4,234 crore in 2019-20. The increase in 2019-20 over the previous year was ₹ 212 crore (five per cent). Interest payments consumed 14 per cent share of revenue receipts and revenue expenditure. Interest payments were within the normative assessment made by 14th FC (₹ 4,575 crore) and projections made in MTFPS (₹ 4,550 crore).

Pension Payments: The expenditure on pension payments increased from ₹ 3,836 crore in 2015-16 to ₹ 5,490 crore in 2019-20 and by ₹ 525 crore (11 per cent) during the current year over the previous year. During 2019-20, salary and pension payments together accounted for 56 per cent of revenue expenditure. It was noticed that there was significant variation (by ₹ 1,170 crore or 18 per cent) between the pension payments projected in the MTFPS (₹ 6,660 crore) and the actual expenditure (₹ 5,490 crore).

2.4.2.3 Undischarged liabilities in National Pension Scheme

Government introduced the 'National Pension System' (NPS) applicable to all new entrants joining State Government Service on or after 15 May 2003. Under this system, employees contribute 10 per cent basic pay and dearness allowance, which is matched by the State Government and both employee's and employer's contribution are initially transferred to the Public Account (Major Head '8342-Other Deposits-117-Defined Contributory Pension Scheme'). The State Government has the responsibility to deposit both employee's and employer's share with the designated authority i.e., National Securities Depository Limited (NSDL)/trustee bank for further investment as per the guidelines of NPS. The State Government opens a Current Account with the Bank for parking the funds before transfer to NSDL.

During the year 2019-20, a total amount of ₹ 821.27 crore was credited to the Major Head 8342-Other Deposits-117 Defined Contribution Pension Scheme for Government Employees (Employees' Share: ₹ 349.31 crore, Government Share: ₹ 471.91 crore and Interest: ₹0.05 crore). The Government transferred ₹ 821.51 crore to NSDL (Employees' Share: ₹ 350.29 crore and Government Share: ₹ 471.22 crore). However, adverse balances of ₹ 1.41 crore (2018-19) under the Major Head 8342-Other Deposits-117 Defined Contribution Pension Scheme for Government Employees has further gone up to ₹ 1.64 crore at the end of the year (2019-20), which needs to be reconciled with the State Government. In this regard, the NSDL confirmed a total amount of ₹ 821.41 crore was credited during the current year. The difference is under reconciliation between the State Government and NSDL.

2.4.2.4 Subsidies

The State Government has been paying subsidies to various departments/institutions/bodies/corporations.

Expenditure on subsidies decreased by ₹ 278.30 crore (20.67 per cent) from ₹ 1,346.08 crore in 2015-16 to ₹ 1,067.78 crore in 2019-20, which was 3.47 per cent of the revenue receipts as details given in **Table 2.18**.

Table-2.18: Expenditure on subsidies during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	1,346.08	763.96	906.79	1,282.60	1,067.78
Subsidies as a percentage of Revenue Receipts	5.74	2.91	3.31	4.15	3.47
Subsidies as a percentage of Revenue Expenditure	6.04	3.01	3.35	4.36	3.49

Source: Finance Accounts of respective years

During 2019-20, there was a decrease of ₹ 216 crore in expenditure on subsidies over the previous year.

During the year, subsidies of ₹ 1,067.78 crore were paid to various departments, which consumed about 3.5 per cent of both revenue receipts and revenue expenditure. Major recipients of subsidies were Energy (₹ 400 crore-37.46 per cent), Food and Supply (₹ 244.88 crore- 22.93 per cent), Transport (₹ 160 crore-14.98 per cent), Agriculture (₹ 123.65 crore-11.58 per cent) and Horticulture (₹ 109.72 crore-10.28 per cent). The total subsidy released by the Government during the year was in consonance with the projection made in the MTFPS (₹ 1,066.23 crore).

2.4.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local bodies and other institution by way of grants and loans. The quantum of assistance provided by way of grants to local bodies and other institutions during the period 2015-16 to 2019-20 is presented in **Table 2.19**.

Table-2.19: Financial Assistance to Local Bodies etc.

(₹ in crore)

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
Local Bodies					
Municipal Corporations and Municipalities	321.63	554.49	249.31	487.99	456.22
Panchayati Raj Institutions	926.72	1,011.60	781.21	1,026.07	1,053.39
Total (A)	1,248.35	1,566.09	1,030.52	1,514.06	1,509.61
Others					

Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	663.67	849.57	905.15	951.22	1,020.83
Development Authorities	80.53	150.37	111.07	143.68	99.16
Hospitals and Other Charitable Institutions	277.14	271.64	343.87	337.38	439.71
Other Institutions	342.58	519.31	504.85	687.61	437.17
Total (B)	1,363.92	1,790.89	1,864.94	2,119.89	1,996.87
Total (A+B)	2,612.27	3,356.98	2,895.46	3,633.95	3,506.48
Revenue Expenditure	22,302.81	25,344.22	27,053.16	29,442.11	30,730.43
Assistance as percentage of Revenue Expenditure	11.71	13.25	10.70	12.34	11.41

Source: Finance Accounts and information received from PAG (A&E)

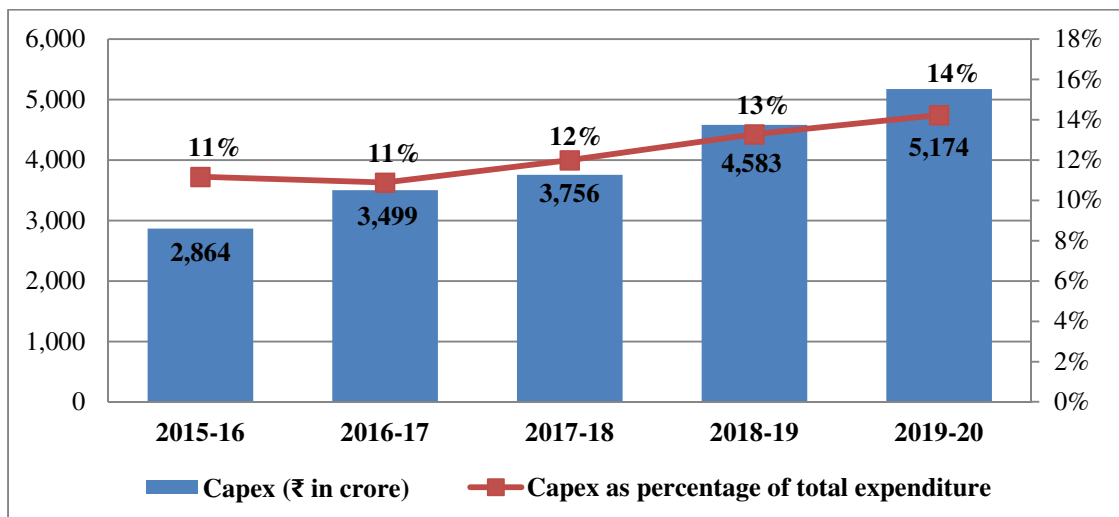
Table 2.19 indicates that the financial assistance to local bodies and other institutions increased from ₹ 2,612.27 crore in 2015-16 to ₹ 3,506.48 crore, constituting 11.41 *per cent* of the revenue expenditure during 2019-20.

Except the educational institutions and hospitals and other charitable institutions, the assistance provided by the State Government during the year 2019-20 was less than the previous year. This led to a decrease of ₹ 127.47 crore in the total quantum of assistance in the current year as compared to the previous year. Amongst the various recipients, Municipal Corporations, Municipalities and Panchayati Raj Institutions (Local Bodies) together accounted for 43.23 *per cent* of the total financial assistance during the current year.

2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings etc. Trend of Capital Expenditure as percentage of Total Expenditure for the period 2015-20 is given in **Chart 2.13**.

Chart-2.13: Trend of Capital Expenditure as *per cent* of Total Expenditure during 2015-20



There was a trend of sustained growth in capex for the last five years. It increased by ₹ 2,310 crore (81 per cent) during 2015-20. During 2019-20, capital expenditure (₹ 5,174 crore) increased by ₹ 591 crore (13 per cent) over the previous year 2018-19 (₹ 4,583 crore) and constituted 14 per cent in total expenditure.

2.4.3.1 Major changes in Capital Expenditure

Table 2.20 highlights the cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2019-20 vis-à-vis the previous year.

Table-2.20: Variation in Capital Expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Accounts	2019-20	2018-19	Increase (+)/ Decrease (-)
Capital Expenditure	5,173.91	4,583.41	590.50
General Services	203.74	227.13	(-)23.39
Social Services	1,258.41	1,187.22	71.19
4215-Capital Outlay on Water Supply and Sanitation	598.92	417.69	181.23
4210-Capital Outlay on Medical and Public Health	231.78	345.61	-113.83
Economic Services	3,711.76	3,169.06	542.70
5054-Capital Outlay on Roads and Bridges	2,205.12	1,940.98	264.14
4711-Capital Outlay on Flood Control Projects	326.68	137.02	189.66
4702-Capital Outlay on Minor Irrigation	280.06	226.60	53.46

It can be seen from above table that the increase in capital expenditure was mainly due to increased expenditure by State Government on Road & Bridges, Minor Irrigation Projects, Flood Control and Water Supply and Sanitation Projects. This was partially offset by the reduction in Capital expenditure on Medical and Public Health Sector.

2.4.3.2 Quality of capital expenditure

(i) Investments and Returns

The Government as of 31 March 2020 had invested ₹ 4,261.06 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (Table 2.21). The average return on these investments was 6.05 per cent in the last five years while the Government paid an average interest rate of 7.63 per cent on its borrowings during 2015-20.

Table-2.21: Details of Investment and return on Investments

Investment/ Return/ cost of Borrowing	2015-16	2016-17	2017-18	2018-19	2019-20
Investments at the end of the year (₹ in crore)	3,040.67	3,293.54	3,532.97	3,848.83	4,261.06
Return (₹ in crore)	111.94	289.63	255.58	181.91	248.44
Return (per cent)	3.68	8.79	7.23	4.73	5.83
Average rate of interest on government borrowings (per cent)	7.95	7.60	7.71	7.64	7.27
Difference between interest rate and return (per cent)	4.27	(-)1.19	0.48	2.91	1.44
Notional loss due to difference between interest on Government borrowings and return on investment (₹ in crore) #	129.85	NA	16.96	112.01	61.36

Source: Finance Accounts

NA: Not applicable

Investment at the end of year x Difference between interest rate and return

Out of total investment of ₹ 4,261.06 crore, investment of ₹ 3,809.76 crore (89 per cent) was in five³ companies. The State Government keeps on making investments in loss making Government companies.

(ii) Quality of investments in the companies, corporations and other bodies

Capital expenditure in the companies, corporations and other bodies, which are loss making or where net worth is being eroded, is not sustainable. The State Government has made investment of ₹ 412.23 crore during 2019-20 shown in **Table 2.22**.

Table-2.22: Investments made in loss incurring companies

(₹ in crore)

Sr. No.	Government Companies	Investment (upto 2018-19)	Investment during 2019-20	Investment (upto 2019-20)	Accumulated Loss	Year of Account
		(₹ in crore)				
1.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (2018-19)	31.20	0.00	31.20	87.77	2018-19
2.	Himachal Pradesh State Forest Development Corporation Limited (2016-17)	11.71	0.00	11.71	97.45	2016-17
3.	Himachal Pradesh Financial Corporation (2017-18)	92.98	0.00	92.98	166.56	2017-18
4.	Himachal Road Transport Corporation (2018-19)	762.71	79.39	842.10	1387.28	2018-19
5.	Himachal Pradesh Power Transmission Limited (2018-19)	217.75	53.75	271.50	53.06	2018-19
6.	Himachal Pradesh Power Corporation Limited (2017-18)	697.63	165.00	862.63	116	2017-18
7.	Agro-Industrial Packaging India Limited (2013-14)	16.75	0.00	16.75	11.29	2013-14
Total		1830.73	298.14	2128.87	1919.41	

Source: Finance Accounts and Annual accounts of companies

³ Satluj Jal Vidyut Nigam (₹ 1,098.14 crore), Himachal Pradesh Power Transmission Corporation Ltd. (₹ 263.50 crore), Himachal Pradesh Power Corporation (₹ 862.64 crore), Himachal Pradesh State Electricity Board Ltd. (₹ 743.87 crore) and Himachal Road Transport Corporation (₹ 841.60 crore)

Seven Government companies with an aggregate investment of ₹ 2,128.87 crore was incurring losses and their accumulated losses amounted to ₹ 1,919.41 crore as per the accounts furnished by these companies. Out of seven loss incurring Government companies, losses of ₹ 1651.29 crore in three companies (Himachal Pradesh Financial Corporation, Himachal Road Transport Corporation and Himachal Pradesh State Forest Development Corporation Limited) constituted 86 per cent of the total losses of Government Companies.

Out of total investment of ₹ 412.23 crore during 2019-20, the State Government invested ₹ 298.14 crore during 2019-20 in three loss incurring companies. The State Government may consider reviewing the working of State PSUs which are incurring huge losses, formulate a strategic plan for their revival or closure, as the case may be.

(iii) Erosion of net worth

Net worth means the sum total of the paid-up capital, free reserves and surplus reduced by accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment of the owners has been eroded due to accumulated losses. As on 31 March 2020, the overall accumulated losses of the seven loss incurring companies were ₹ 1,919.41 crore as against the capital investment of ₹ 2,128.87 crore resulting in erosion of net worth of the investments to ₹ 209.46 crore. Out of this, in two loss incurring DISCOMs, the overall accumulated losses were ₹ 169.06 crore as against the capital investment of ₹ 1,134.13 crore, thus erosion of net worth to ₹ 965.07 crore.

(iv) Reconciliation of Government Investments with Accounts of Companies

The Government investments as equity in State Public Sector Undertakings (PSUs) should agree with that of the figures appearing in the PSUs. Reconciliation of figures is necessary to figure out the differences in Accounts of PSUs and Finance Accounts.

There is a difference in the details relating to the State Public Sector Undertakings (PSUs) as given in Finance Accounts and the CAG's Audit Report on the State PSUs. The differences have arisen primarily due to the reason that investment transactions in Government accounts are being booked on the basis of vouchers received in the Office of the Pr. Accountant General (A&E), whereas the details given in the Audit Reports are obtained from the individual PSUs. The differences in the number of PSUs as well as investments made by the State Government in these PSUs are under reconciliation. Reconciliation needs to be carried out in time-bound manner to figure out the differences.

(v) Implementation of Ujwal DISCOM Assurance Yojana (UDAY)

With the objective of ensuring financial turnaround of Power Distribution Companies (DISCOM), the Ministry of Power, Government of India (GoI) introduced (November 2015) the Ujwal DISCOM Assurance Yojna (UDAY) to improve the operational and financial efficiency of the State DISCOM. States were to take over 75 per cent of DISCOM debt as on 30 September 2015 over two years i.e., 50 per cent of DISCOM debt shall be taken over in 2015-16 and 25 per cent in 2016-17.

The DISCOM shall be under obligation to discharge the liability of interest as well as repayment of principal amount to the Government of Himachal Pradesh (GoHP) (15 days before the date of payment of interest and principal by the GoHP to the bond holders under UDAY) as per repayment schedule. In case the DISCOM fails to make payment of interest/principal on due dates, then the DISCOM shall be liable to pay penal interest @ 2 per cent per annum on the defaulted amount for the period of delay.

The UDAY bonds carried an interest element of an average rate of 7.88 per cent per annum. These Bonds have a moratorium period of five years for repayment of Principal and repayment shall start from the 2022-23. The principal has to be redeemed in 10 equal installments of ₹ 289.05 crore per annum till 2031-32. Annual interest liability is ₹ 227.78 crore, payable on half yearly basis on 28 August and 28 February of every year beginning from year 2017-18.

Himachal Pradesh entered into a tripartite Memorandum of Understanding (MoU) between GoI, GoHP and Himachal Pradesh State Electricity Board Limited (DISCOM) on 8th December 2016 to take over the entire 75 per cent (₹ 2,890.50 crore) of the outstanding debt of Himachal Pradesh DISCOM (₹ 3,854 crore) as on 30 September 2015 in the year 2016-17. After signing of the Tripartite Agreement, the GoHP raised funds amounting to ₹ 2,890.50 crore through issuing of UDAY Bonds (7.88 per cent) and transferred these funds to the DISCOM during 2016-17. This outstanding debt of ₹ 2,890.50 crore given to the DISCOM, is to be converted into Grants (₹ 2,167.50 crore) and Equity (₹ 723 crore) in the year 2020-21.

The State Government disbursed ₹ 227.78 crore towards interest to bond holders and received interest of ₹ 113.89 crore from Himachal Pradesh State Electricity Board during the year 2019-20.

(vi) Resource availability of the State under Public Private Partnership Projects

Public Private Partnership (PPP) is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development. Sector-wise details of completed, ongoing and planned for future PPP projects with a total estimated cost is given in **Table 2.23**.

Table-2.23: Sector-wise details of PPP Projects

(₹ in crore)

Sr. No.	Sector	Completed		Ongoing		Planned for future	
		Number	Estimated Cost	Number	Estimated Cost	Number	Estimated Cost
1.	Urban Infrastructure	7	129.00	12	1,180.00	3	-
2.	Energy*	28	3,125.99	15	3,838.60	53	2,872.60
3.	Social	4	115.00	-	-	-	-
4.	Others	-	-	2	15.50	-	-
Total		39	3,369.99	29	5,034.10	56	2,872,60

* Under Energy Sector, estimated cost included cost of 23 (out of 28) completed projects; 14 (out of 15) for ongoing projects and 25 (out of 53) for projects planned for future

(vii) Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, State Government has also provided loans and advances to many institutions/ organisations. **Table 2.24** presents the outstanding loans and advances as on 31 March 2020 along with interest receipts *vis-à-vis* interest payments during the five-year period from 2015-16 to 2019-20.

Table-2.24: Details of quantum of Loans disbursed and recovered during 2015-20
(₹ in crore)

Quantum of loans/interest receipts/ cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of the loans outstanding *	2,346.82	2,784.08	6,044.27	6,507.18	6,953.33
Amount advanced during the year	463.16	3,289.69	502.53	467.98	458.21
Amount recovered during the year	25.90	29.50	39.62	21.83	21.03
Closing Balance of the loans outstanding*	2,784.08	6,044.27	6,507.18	6,953.33	7,390.49
Net addition	437.26	3,260.19	462.91	446.15	437.17
Interest Received	53.38	80.35	255.59	272.15	135.11
Interest rate on Loans and Advances given by the Government	2.27	2.89	4.24	4.18	1.94
Interest payment as <i>per cent</i> to outstanding fiscal liabilities of the previous year	8.26	8.15	8.02	7.88	7.79
Notional loss due to difference between the rate of interest paid and interest received (<i>per cent</i>)	5.99	5.26	3.79	3.70	5.85

Source: Finance Accounts

* From 2016-17, closing and opening balance includes ₹2,890.50 crore extended loan to DISCOM under UDAY Scheme.

The total amount of outstanding loans and advances as on 31 March 2020 was ₹ 7,390 crore. Within the Economic Services, major recipient was Power Sector ₹ 423 crore (92.36 *per cent*) followed by Co-operation ₹ 24 crore (5.24 *per cent*).

The amount of ₹ 39.62 crore recovered in 2017-18 was the highest quantum of recovery of loans and advances in the last five years. Since then, there has been a decreasing trend in the recovery of loans and advances. Even the interest receipts in this regard have decreased drastically in 2019-20, as compared to last year. This clearly highlights the need to review the recovery mechanism by the State Government.

Scrutiny of the total outstanding loans revealed that there was no repayment of loans by various public sector undertakings under Power projects and Industries and Minerals over the last five years (up to March 2020) and additional loans to Crop Husbandry had been extended despite marginal repayments. The overall outstanding balance has increased over the years.

Since recovery of the loans has been poor, State Government may consider treating these loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position.

(viii) Capital blocked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended

benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years leads to the extra burden in terms of servicing of debt and interest liabilities.

As per Finance Accounts of the State for the year 2019-20, there were 13 incomplete/ ongoing projects divisions of Public Works and Irrigation as on 31 March 2020. Age profile and department-wise profile of incomplete projects based on the year of sanction/ year of start of these projects as on 31 March 2020 is given in **Table-2.25 (A)** and **Table 2.25(B)**.

Table-2.25(A): Age profile of incomplete capital works as on 31 March 2020

(₹ in crore)

Year	No. of incomplete capital works	Estimated cost/ Revised cost	Expenditure (as on 31 March 2020)
1996-97	01	16.36	9.40
2009-10	01	-	10.98
2011-12	03	59.40	62.30
2012-13	-	-	-
2013-14	-	-	-
2014-15	03	177.15	89.19
2015-16	-	-	-
2016-17	05	76.15	96.07
2017-18	-	-	-
2018-19	-	-	-
Total	13	329.06	267.94

Source: Finance Accounts

Table-2.25(B): Department-wise profile of incomplete capital works as on 31 March 2020

(₹ in crore)

Department	No. of incomplete capital works	Estimated cost	Expenditure
Public Works (B&R)	5	186.24	149.88
Irrigation	8	126.46	118.06
Total	13	312.70	267.94

Source: Finance Accounts

Blocking of funds on incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Effective steps need to be taken to complete all these above projects without further delay to avoid cost overrun due to time overrun.

2.4.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table 2.26 analyses expenditure priority of State Government with that of Special Category States (SCSs) with regard to aggregate expenditure, expenditure on Education

and Health Sectors and Capital Expenditure during 2019-20, taking 2015-16 as base year.

Table-2.26: Expenditure priority of the State in 2015-16 and 2019-20

(In per cent)

Fiscal priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education / AE	Health/ AE
Average (ratio) in 2015-16 of							
Special Category States	24.58	36.25	30.10	66.34	13.96	18.32	5.95
Himachal Pradesh	22.44	34.23	31.05	65.28	11.17	17.29	5.53
Average (ratio) in 2019-20 of							
Special Category States	23.02	35.42	28.77	64.20	14.08	17.42	6.19
Himachal Pradesh	21.97	36.59	28.88	65.47	14.23	17.66	6.34

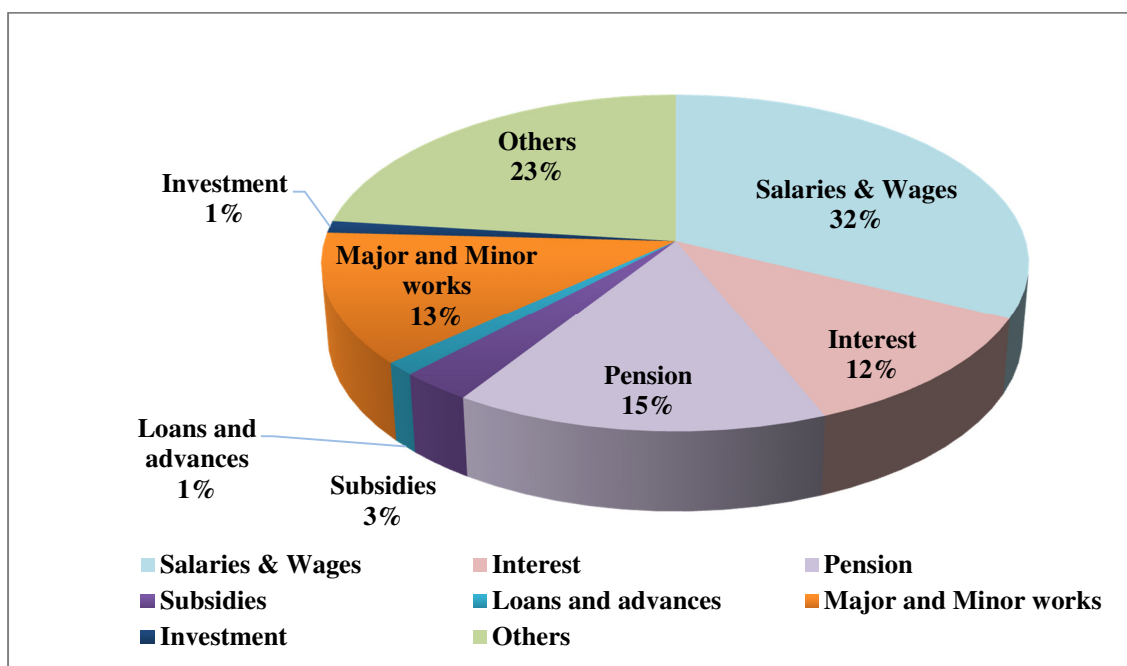
Note: AE-Aggregate expenditure, SSE-Social Sector Expenditure, ESE-Economic Sector Expenditure, DE-Development Expenditure and CE-Capital Expenditure

As can be seen from the above table that every component of fiscal priority (except ESE), as a ratio of Aggregate Expenditure of the State of Himachal Pradesh, was slightly less than that of SCS during 2015-16, however, it was above than that of SCS during 2019-20. Aggregate expenditure as a ratio of GSDP of the State was less than that of SCS during 2015-16 and 2019-20. Expenditure of the State on economic sector was more than that of SCS during 2015-16 and 2019-20.

2.4.5 Object head-wise expenditure

Object head-wise expenditure gives information about the object/ purpose of the expenditure. Details of object head-wise expenditure are provided in the **Chart 2.14**.

Chart-2.14: Object head-wise expenditure (in percentage)



2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the State as at the end of March 2020 are given in **Table 2.27**.

Table-2.27: Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I.-Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	10,639.90	11,844.41	13,236.38	14,349.53	15,537.13
J.-Reserve Funds	(a) Reserve Funds bearing Interest	0.71	0.95	8.48	1.00	1,887.65
	(b) Reserve Funds not bearing Interest	218.62	218.63	316.54	316.60	834.66
	Total (J):	219.33	219.58	325.02	317.60	2,722.31
K.-Deposits and Advances	(a) Deposits bearing Interest	8.39	8.07	-0.89	-1.41	-1.64
	(b) Deposits not bearing Interest	2,419.83	2,601.51	2,799.09	3,208.52	3,382.45
	(c) Advances	-0.53	-0.53	-0.53	-0.53	-0.51
	Total (K):	2,427.69	2,609.05	2,797.67	3,206.58	3,380.30
L.-Suspense and Miscellaneous	(a) Suspense	263.55	191.81	73.04	74.12	-1,330.44
	(b) Other Accounts	-556.62	-759.25	-723.54	-101.91	-982.25
	(c) Accounts with Governments of Foreign Countries	-	-	-	-	-
	(d) Miscellaneous	-	-	-	-	-
	Total (L):	-293.07	-567.44	-650.50	-27.79	-2,312.69
M.-Remittances	(a) Money Orders, and other Remittances	363.54	332.91	398.45	509.19	612.45
	(b) Inter-Governmental Adjustment Account	-0.09	-4.69	-1.21	0.31	-6.16
	Total (M):	363.45	328.22	397.24	509.50	606.29
Grand Total		13,357.30	14,433.82	16,105.81	18,355.42	19,933.34

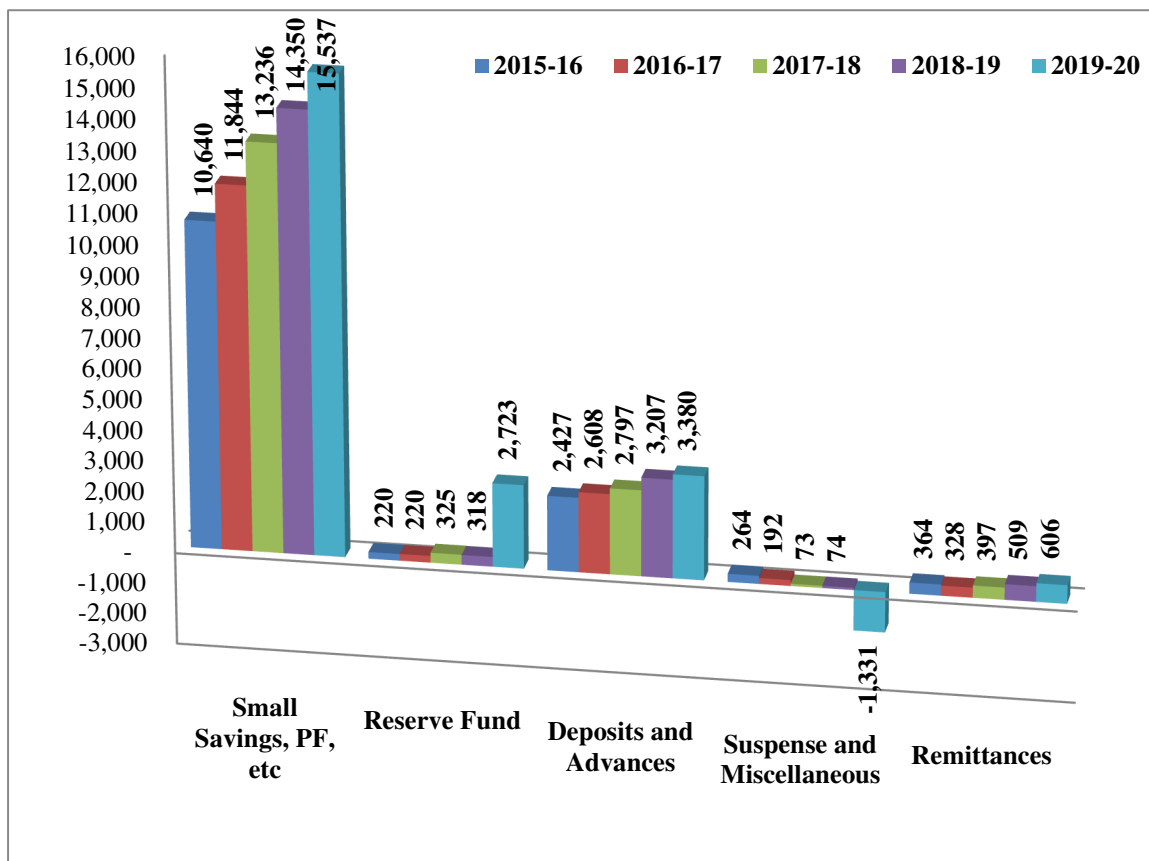
Source: Finance Accounts of the respective years

Note: -ve denotes debit balance and +ve denotes credit balances

The yearly changes in composition of balances in Public Account over the five-year period 2015-20 are given in **Chart 2.15**.

Chart-2.15: Yearly changes in composition of Public Account balances

(₹ in crore)



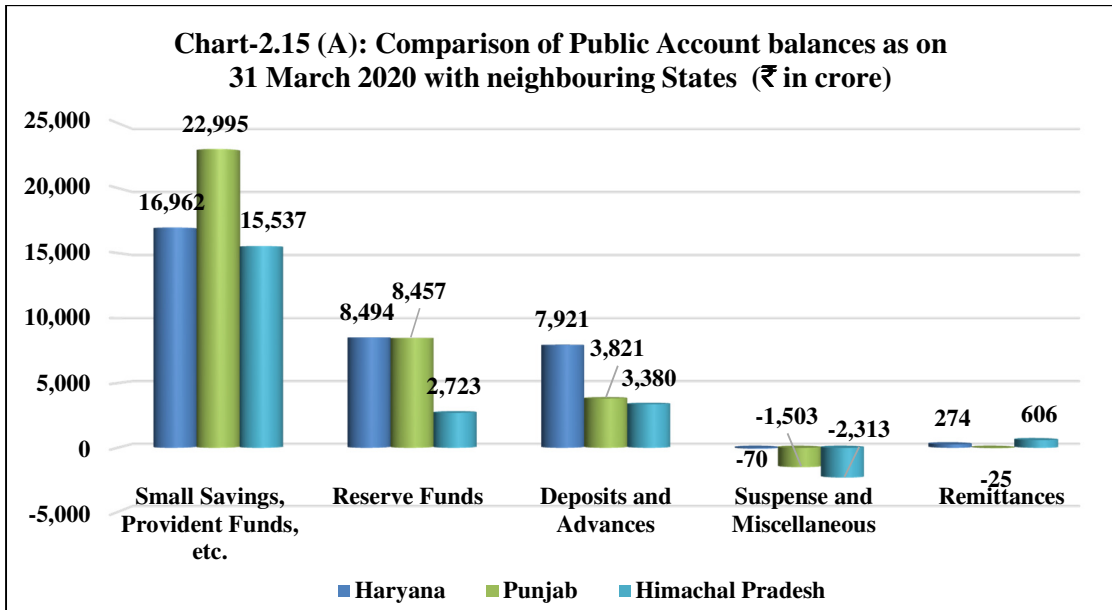
Source: Finance Accounts of respective years

Note: Suspense and Miscellaneous exclude other accounts

It can be seen from the above **Table 2.27** that net-public account balances increased consistently during the period 2015-16 to 2019-20. It increased by ₹ 6,575 crore from ₹ 13,358 crore in 2015-16 to ₹ 19,933 crore during 2019-20. The increase in the net balances during 2019-20 was mainly due to net increase in reserves and suspense heads.

Net public account balances in 2019-20 increased by 8.60 *per cent* over the previous year mainly due to increase in Small Savings, Provident Fund, etc. (₹ 1,187.60 crore), Reserve Funds (₹ 2,404.71 crore) offset by decrease in Suspense and Miscellaneous (₹ 2,284.90 crore).

Comparison of Net Public Account balances as on 31 March 2020 with neighboring States has been given in **Chart 2.15 (A)**. The comparison shows that against the public account balance of ₹ 19,933 crore in Himachal Pradesh, Haryana had the balance of ₹ 33,581 crore and Punjab had the balance of ₹ 33,745 crore.



2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

Details of Reserve Funds are available in **Statements 21 and 22** of the Finance Accounts. There were five Reserve Funds (two Reserve Funds bearing Interest and three Reserve Funds not bearing Interest) earmarked for specific purposes. The interest on balances of Reserve Funds bearing Interest is paid by the Government if the same are not invested while in case of Reserve Funds not bearing Interest, balances are invested in Government Securities/Treasury Bills under the administration of Central Accounts Section of the Reserve Bank of India at Nagpur. The fund balances lying in various Reserve Funds (bearing Interest and not bearing Interest) as on 31 March 2020 are given in **Table 2.28**.

Table-2.28: Details of Reserve Fund

(₹ in crore)

Sr. No.	Name of Reserve Fund	Balance as on 31 March 2020
A	Reserve Funds bearing Interest	1,887.65
1	State Disaster Response Fund	226.93
2	State Compensatory Afforestation Fund	1,660.72
B	Reserve Funds not bearing Interest	834.66
1	Industrial Development Funds	0.16
2	Electricity Development Funds	315.52
3	National Disaster Response Fund	518.98
	Grand Total	2,722.31

Source: Finance Accounts

Out of above, one Reserve Fund not bearing interest i.e., Industrial Development Funds inoperative since at least five years. The State Government is yet to close this inoperative Reserve Fund and transfer their balance to the Consolidated Fund of the State.

2.5.2.1 Consolidated Sinking Fund

The State Government was required to make minimum annual contribution to Consolidated Sinking Fund at 0.5 *per cent* of the outstanding liabilities at the end of the previous financial year. The State Government, however, had not created a Consolidated Sinking Fund. As of 31 March 2019, the outstanding liabilities of the State Government were ₹ 54,299 crore. Had there been a Consolidated Sinking Fund, the liability of the State Government towards the fund would have been ₹ 271.50 crore (0.5 *per cent* of outstanding liabilities in previous year) in 2019-20, indicating that the revenue surplus is overstated and the fiscal deficit is understated to that extent.

2.5.2.2 State Disaster Response Fund

As per recommendations of the Thirteenth Finance Commission (TFC) the State Disaster Response Fund (SDRF) has been constituted by the State Government for meeting the expenditure for providing immediate relief to the victims of cyclone, drought, earthquake, fire, flood, hailstorm, landslide, avalanche, cloud burst, etc.

In terms of Government of India's guidelines, the Centre and the State Government are required to contribute to the Fund in the proportion of 90:10. As per guidelines of the SDRF, the receipt of Central share is accounted for as Revenue under MH 1601-Grants-in-aid from Central Government 07-Finance Commission Grants 104-Grant-in-aid for State disaster response fund in the State Accounts. In order to enable transfer of the total amount of contribution (Central share and State share) to the SDRF, the State Government would make suitable budget provision under the head 2245-Relief on Account of Natural Calamities-05 SDRF- 101-Transfer to Reserve Fund and Deposit Accounts-SDRF. On receipt of Central share, the State would transfer the amount, along with its share to the Public Account under Reserve Fund bearing interest below the Major Head 8121- General and Other Reserve Fund. The actual expenditure on relief works will be booked only under respective Sub/Minor Head within MH 2245.

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis. The accretions to the SDRF together with the income earned on the investment of SDRF is to be invested in Central Government dated Securities, auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks.

During 2019-20, no amount has been shown as expenditure in the Finance Accounts as all the amounts had been objected and kept under OB Suspense Account-8658-102 due

to lack of supporting documents/sub-vouchers/ proof of incurring actual expenditure by the State Government.

2.5.2.3 Guarantee Redemption Fund

State Government have to constitute 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued.

The State Government is required to contribute an amount equivalent to at least 0.5 per cent of the outstanding guarantees at the end of the second financial year preceding the current financial year as reflected in the books of accounts maintained by the Pr. Accountant General (A&E). The funds are invested by the RBI. The State Government, however, had not set up a Guarantee Redemption Fund. Consequently, the revenue surplus was overstated and fiscal deficit was understated to the extent of ₹ 21.55 crore as of 31 March 2020.

2.5.2.4 State Compensatory Afforestation Funds

The State Compensatory Afforestation Fund was required to be created for administering the amount received and utilising the monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto. Detailed guidelines for accounting under this Fund have been issued vide Ministry of Environment, Forest and Climate Change, Government of India in November 2018. During 2019-20, Ministry of Environment, Forest & Climate Change, Government of India has transferred an amount of ₹ 1,660.72 crore from National Compensatory Afforestation Fund, as the share of Himachal Pradesh. This amount is booked under 8121-129-State Compensatory Afforestation Fund.

2.5.3 Suspense and Miscellaneous

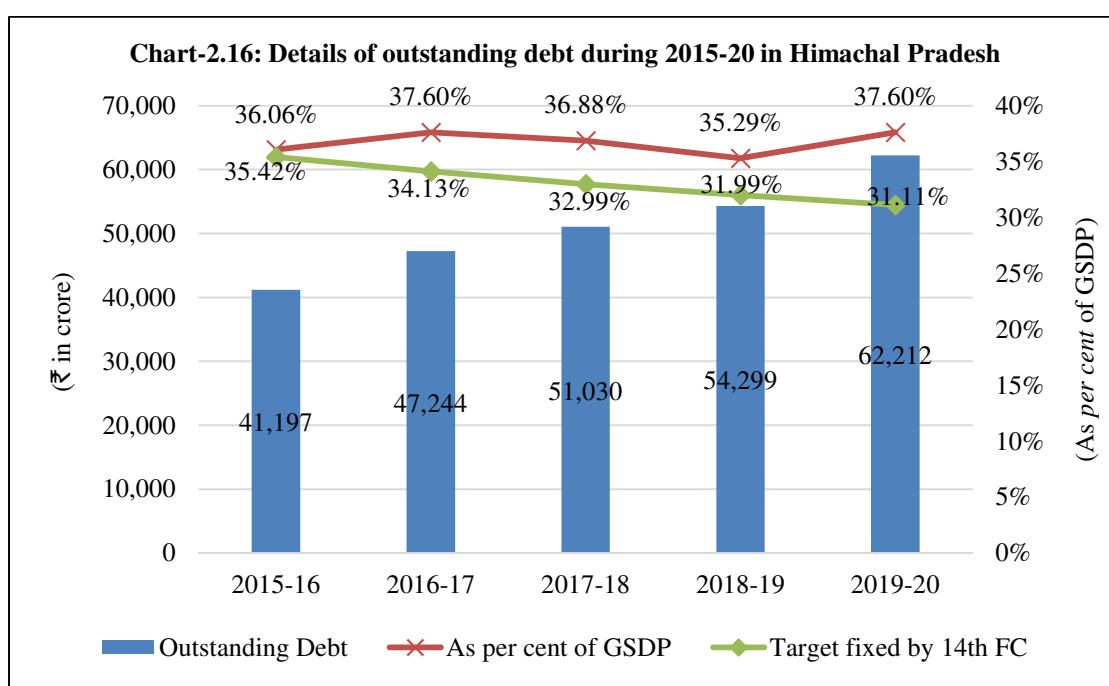
During 2019-20, balances in Suspense account increased significantly as compared to previous year 2018-19. During 2019-20, expenditure of ₹ 1,373.77 crore (Revenue Expenditure: ₹ 1,202.25 crore and Capital Expenditure: ₹ 171.52 crore) has been objected to in the Principal Accountant General (A&E) office due to non-furnishing of the proof of actual expenditure i.e., relevant bills/vouchers and kept the entire amount in abeyance under the Objection Head 8658-102-Suspense Account (Public Account). As the amounts were withdrawn merely based on sanction orders from the treasury by various DDOs and retained outside the government account in different savings bank accounts. The State Government treated the above amounts as expenditure incurred

against the budget provisions made by the State Legislative Assembly without incurring actual expenditure.

2.6 Debt management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Year-wise overall debt during 2015-16 to 2019-20 is given in the **Chart 2.16** below:



2.6.1 Debt profile: Components

Total debt of the State Government constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The outstanding fiscal liabilities of the State are presented in **Chart 2.17** during 2019-20. The component-wise debt trends of the State for the period of five years beginning from 2015-16 are presented in **Table 2.29**.

Table-2.29: Component-wise debt trends

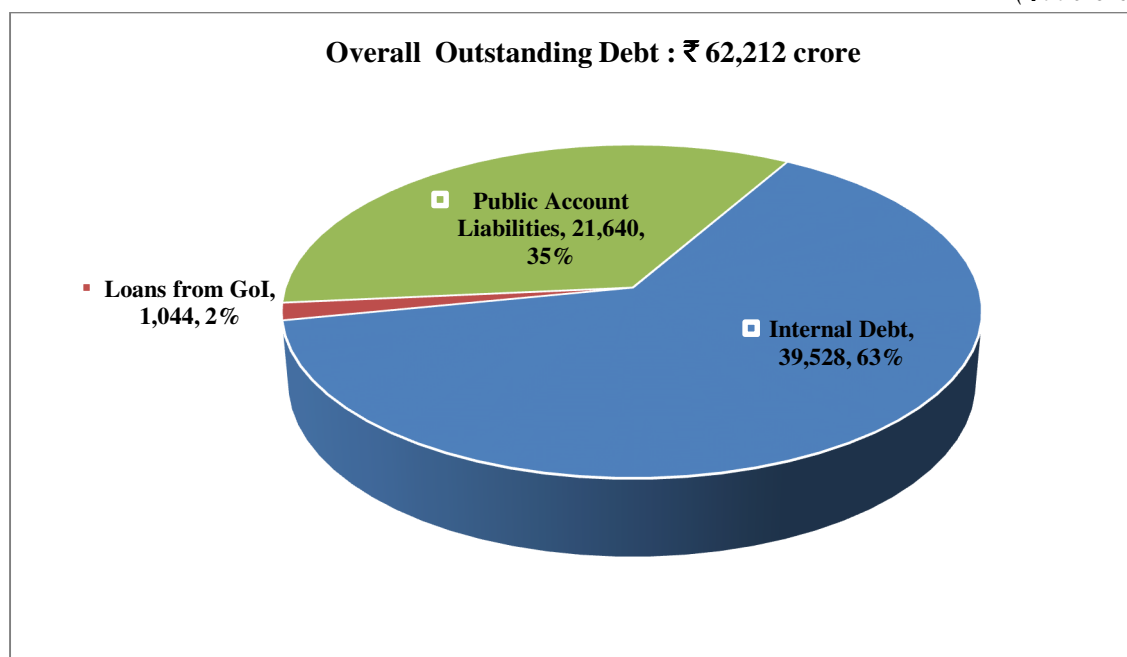
		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Overall Outstanding Debt		41,197.43	47,244.02	51,030.51	54,299.19	62,211.84
Public Debt	Internal Debt	26,860.93	31,494.03	33,591.47	35,363.18	39,527.77
	Loans from GoI	1,049.05	1,076.43	1,079.43	1,061.77	1,043.81
Public Account Liabilities		13,287.45	14,673.57	16,359.61	17,874.24	21,640.25
Rate of growth of outstanding overall debt (percentage)		7.87	14.68	8.01	6.41	14.57

	2015-16	2016-17	2017-18	2018-19	2019-20
Gross State Domestic Product (GSDP)	114,239	125,634	138,351	153,845	165,472
Overall Debt/GSDP (<i>per cent</i>)	36.06	37.60	36.88	35.29	37.60
Public Debt Receipts	6,129.21	8,603.31	5,600.29	6,427.41	10,847.39
Public Debt Repayments	3,947.74	3,942.84	3,499.85	4,673.34	6,700.75
Public Debt Available	2,181.47	4,660.47	2,100.44	1,754.07	4,146.64
Public Debt Repayments/Receipts (<i>percentage</i>)	64.41	45.83	62.49	72.71	61.77
Net Public Account Receipts	824.14	1,386.11	1,686.04	1,514.64	2,457.90
Total Debt Available	3,005.61	6,046.58	3,786.48	3,268.71	6,604.54

Source: Finance Accounts of respective years

Chart-2.17: Break-up of Outstanding Debt at the end of 31 March 2020

(₹ in crore)



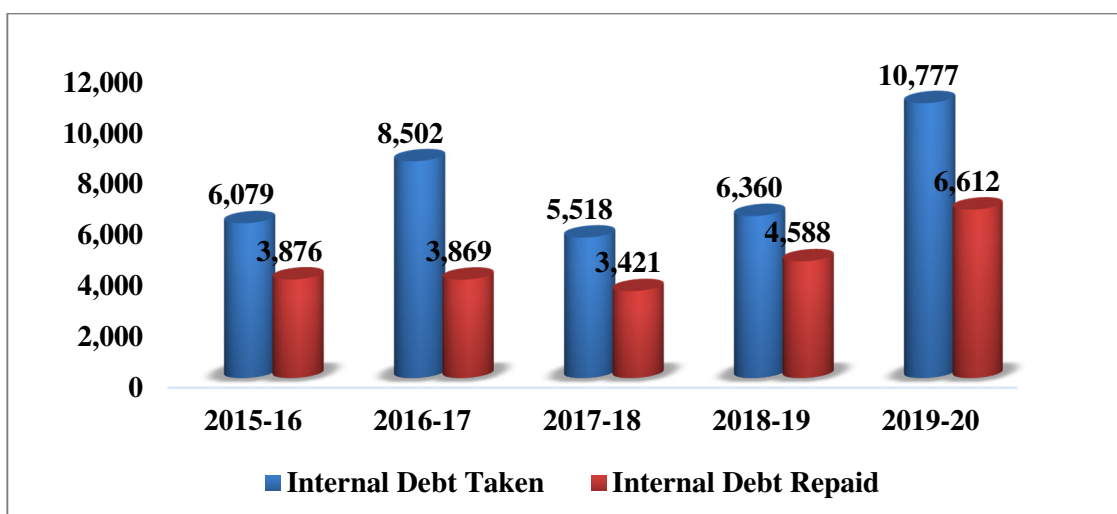
The overall fiscal liabilities of the State increased from ₹ 41,197 crore in 2015-16 to ₹ 62,212 crore in 2019-20 registering an increase of 51.01 *per cent* mainly due to increase in internal debt (₹ 12,666.85 crore) and public account liabilities (₹ 8,352.80 crore). The overall fiscal liabilities increased by 14.57 *per cent* in 2019-20 as compared to 6.41 *per cent* in the previous year. The ratio of fiscal liabilities to GSDP increased from 36.06 *per cent* in 2015-16 to 37.60 *per cent* in 2019-20. The liabilities were 2.02 times of the revenue receipts and 6.14 times the State's own resources. It is significant to note that fiscal liabilities at ₹ 62,212 crore were higher than the target of ₹ 57,518 crore⁴ projected in the MTFPS for the year 2019-20.

The percentage of outstanding debt to GSDP remained between 35 and 38 *per cent* over the last five years (2015-20). 59 to 77 *per cent* of debt receipts were used for making repayments of past obligations during the period 2015-16 to 2019-20.

⁴ 34.04 *per cent* of projected GSDP (₹ 1,68,972 crore)

Chart-2.18: Internal Debt Taken vis-à-vis repaid

(₹ in crore)



Source: Finance Accounts of the respective years

Internal debt of the State Government increased by ₹ 4,698 crore (77.28 per cent) from ₹ 6,079 crore in 2015-16 to ₹ 10,777 crore in 2019-20. An interest of ₹ 2,985.69 crore was paid on internal debt during 2019-20.

Market borrowings form a major portion of the internal debt of the State Government, with interest rates ranging between 6.30 and 9.75 per cent. In 2019-20, out of total internal debt receipts of ₹ 10,777 crore, market loans were of ₹ 6,580 crore. Out of total internal debt re-payments of ₹ 6,612 crore, repayment of market loans was ₹ 2,120 crore. The outstanding market borrowings as of 31 March 2020 were ₹ 28,142 crore. The net increase of market borrowings during the year was 18.83 per cent (₹ 4,460 crore). With regard to heavy borrowings in a non-pandemic year, it was stated by the State Government in the exit conference, that for 2019-20, against the estimated receipts under State's share in Central taxes and duties (₹ 7,398 crore), GoI revised the estimates downwards to ₹ 5,769 crore. However, the actual amount released to the State Government was only ₹ 4,677 crore as receipt under State's share in Central taxes and duties. This led the State Government to borrow more from the Open Market.

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 2.30**. The debt trends comprising of internal debt, Loans from GoI, Public Account over the period 2015-16 to 2019-20 to finance the Fiscal Deficit are highlighted in the **Chart 2.19**.

Table-2.30: Components of fiscal deficit and its financing pattern

(₹ in crore)

	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit		2,164.09	2,948.60	3,869.87	3,512.54	5,597.06
A	Revenue surplus	1,137.67	920.12	313.90	1,508.21	11.98
B	Net Capital Expenditure	-2,864.49	-3,499.03	-3,720.85	-4,574.59	-5,171.87
C	Net Loans and Advances	-437.27	-369.69 [#]	-462.92	-446.16	-437.17

	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	1,664.45	2,162.65	2,550.99	2,108.10	4,460.00
2	Loans from GoI	(-) 21.81	27.38	3.00	(-)17.65	(-) 17.95
3	Special Securities Issued to NSSF	975.15	(-) 500.77	(-)514.71	(-)538.25	(-) 569.10
4	Loans from Financial Institutions	(-) 436.32	80.31 [#]	61.16	201.86	273.69
5	Small Savings, PF, etc.	718.43	1,204.51	1,391.97	1,113.14	1,187.60
6	Deposits and Advances	114.87	181.36	188.63	408.91	173.71
7	Suspense and Misc.	(-) 33.55	(-) 71.74	(-)118.76	1.08	(-) 1,404.92
8	Remittances	147.57	(-)35.23	69.02	112.25	96.80
9	Reserve Fund	(-) 9.15	0.25	105.45	(-) 7.43	2,404.71
10	Overall Deficit	3,119.64	3,048.72	3,736.75	3,382.01	6,604.54
11	Increase (-) Decrease (+) in cash balances	(-) 955.55	(-) 100.12	133.12	130.53	(-) 1,007.48
12	Gross Fiscal Deficit	2,164.09	2,948.60	3,869.87	3,512.54	5,597.06

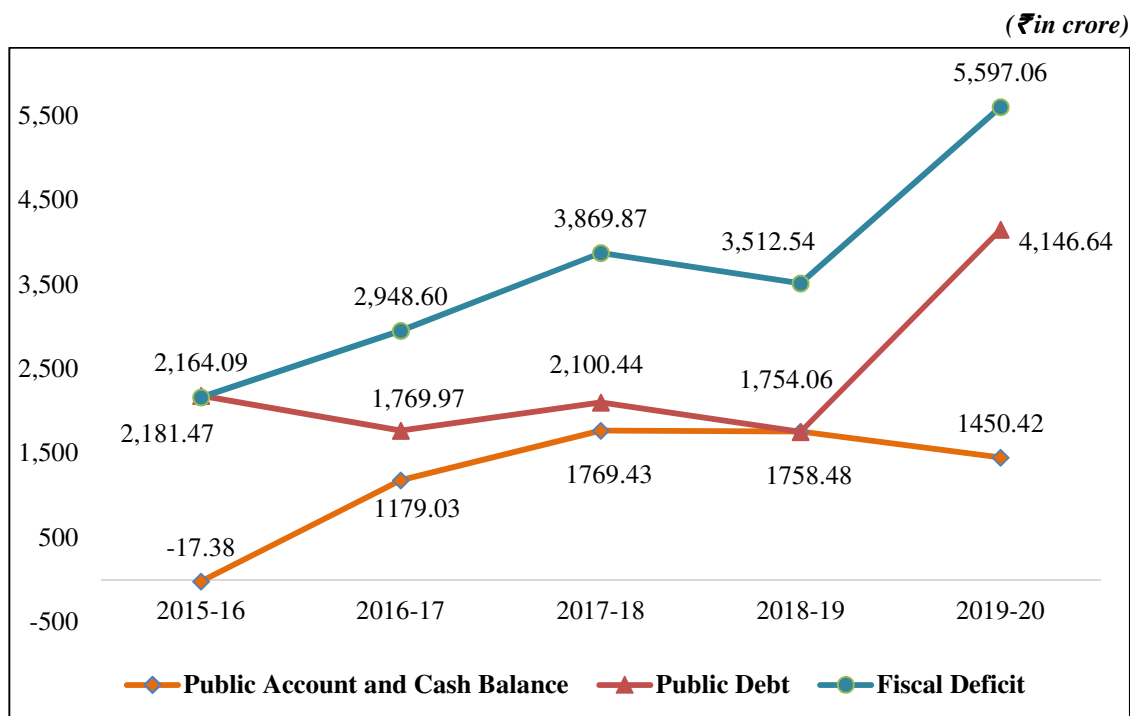
Source: Finance Accounts

* All these figures are net of disbursements/outflows during the year

Excludes an amount of ₹2,890.50 crore (loans to DISCOM)

The fiscal deficits during 2015-20 were largely financed through public debt which includes market borrowings, loans from financial institutions, etc.

Chart-2.19: Trends of financing fiscal deficit during 2015-20



The fiscal deficit (₹ 5,597 crore) in 2019-20 was largely managed by market borrowings (₹ 4,460 crore), Reserve Fund (₹ 2,405 crore) and Small Savings, Provident Fund, etc. (₹ 1,188 crore). **Table 2.31** depicts the receipts and disbursement under the components of Fiscal Deficit.

Table-2.31: Receipts and Disbursements under components financing the fiscal deficit
(₹ in crore)

Particulars	Receipt	Disbursement	Net
1 Market Borrowings	6,580.00	2,120.00	4,460.00
2 Loans from GOI	70.48	88.43	-17.95
3 Special Securities issued to NSSF	0	569.10	-569.10
4 Loans from Financial Institutions	4,196.91	3,923.22	273.69
5 Small Savings, PF, etc.	3,834.47	2,646.87	1,187.60
6 Deposits and Advances	4,060.19	3,886.48	173.71
7 Suspense and Miscellaneous	4,534.10	5,939.02	-1,404.92
8 Remittances	7,735.47	7,638.67	96.80
9 Reserve Fund	2,404.71	0	2,404.71
10 Overall Deficit	33,416.33	26,811.79	6,604.54
11 Increase/Decrease in cash balance	52.70	1,060.18	-1,007.48
12 Gross Fiscal Deficit	33,469.03	27,871.97	5,597.06

Source: Finance Accounts

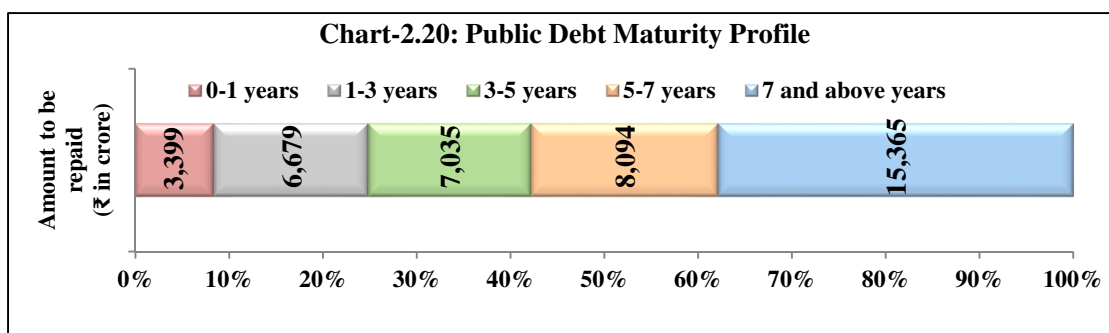
2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. The maturity profile of the State's outstanding loans and advances (public debt) is given in **Table 2.32** and **Chart 2.20**.

Table-2.32: Debt Maturity profile of repayment of Public debt

Year of maturity	Period of repayment (Years)	Amount (₹ in crore)			Percentage (w.r.t. Public debt)
		Internal debt	Loans and advances from GoI	Total	
By 2020-21	0 – 1	3,305	94	3,399	8
Between 2021-22 & 2022-23	1 – 3	6,484	195	6,679	17
Between 2023-24 & 2024-25	3 – 5	6,865	170	7,035	17
Between 2025-26 & 2026-27	5 – 7	7,988	106	8,094	20
2027-28 onwards	7 and above	14,886	479	15,365	38
	Others ⁵	--	--	--	--
Total		39,528	1,044	40,572	100

Source: Finance Accounts

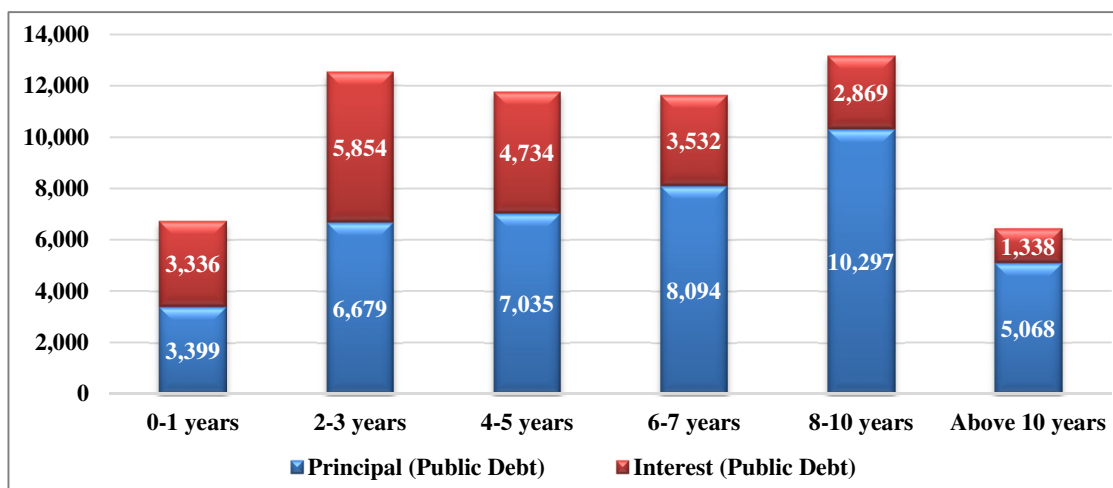


⁵ Payment schedule of this amount is not being maintained by the Pr. Accountant General (A&E).

As of March 2020, total Public outstanding debt was ₹ 40,572 crore. The maturity profile of outstanding stock of public debt as on 31 March 2020 showed that 62 per cent (₹ 25,207 crore) of the total outstanding debt was in the maturity bucket of up to seven years and the balance of ₹ 15,365 crore (38 per cent) from seventh year onwards.

Repayment schedule of the outstanding public debt along with interest has been given in **Chart 2.21**.

Chart-2.21: Repayment schedule of Public Debt (₹ in crore)

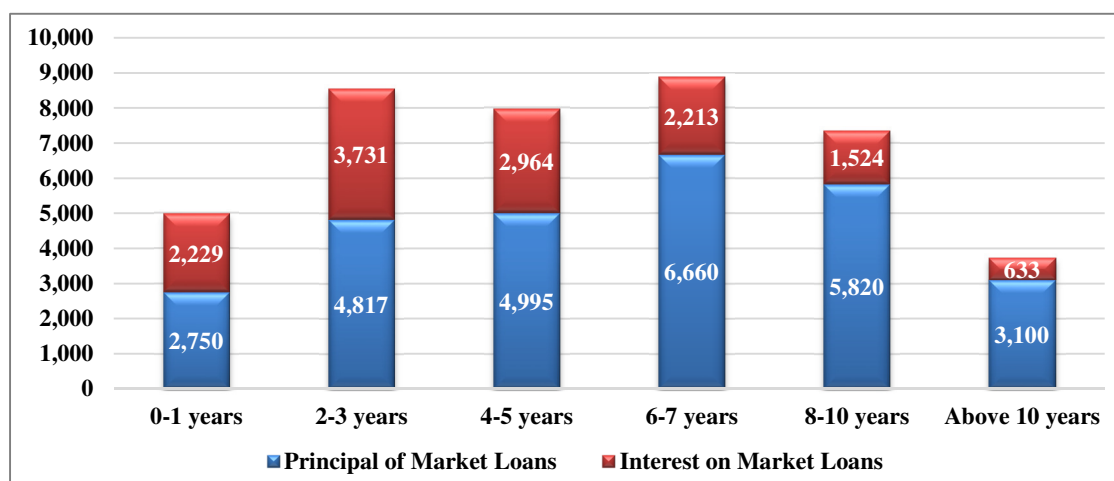


Out of total outstanding public debt along with interest ₹ 62,234 crore (principal: ₹ 40,572 crore and interest: ₹ 21,662 crore), 11 per cent (₹ 6,735 crore) is payable in the next year. Thirty nine per cent (₹ 24,302 crore) is payable in the next 1-5 years' time while the remaining 50 per cent (₹ 31,197 crore) has to be paid in more than five years' time. Annual outgo in shape of public debt repayment and interest will be approximately ₹ 6,207 crore during next five years up to 2024-25. Current annual repayment of public debt (principal) including interest is ₹ 6,327 crore (excluding ₹ 3,444 crore of WMA).

The amount of outstanding market loans and interest to be paid thereon over the period of ten years is detailed in **Chart 2.22**.

Chart-2.22: Repayment schedule of market loans

(₹ in crore)



The State will have to repay ₹ 7,567 crore of principal of market loans and pay interest of ₹ 5,960 crore in next three financial years *i.e.*, up to 2022-23. In next two years up to 2024-25, ₹ 4,995 crore principal and interest of ₹ 2,964 crore will be payable. Annual outgo in shape of loan repayment and interest will be approximately ₹ 4,297 crore during next five years up to 2024-25. Current annual repayment of loans including interest is ₹ 4,118 crore.

In the period 2025-26 to 2029-30, loans of ₹ 12,480 crore and interest of ₹ 3,737 crore will be payable. As such the State will have to repay approximately ₹ 3,243 crore annually during that period.

2.7 Debt Sustainability Analysis (DSA)

Apart from the magnitude of the debt of the Government, it is important to analyse the various parameters that determine the debt sustainability of the State and indicate ability of the State to service its debt obligation in future. This section assesses the sustainability of the debt of the Government in terms of rate of growth of outstanding debt; ratio of interest payment and revenue receipt, debt repayment and debt receipt; net debt available to the State. **Table 2.33** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2015-16.

Table-2.33: Trends in Debt Sustainability indicators

Indicators of Debt Sustainability	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt* (₹ in crore)	27,910	32,570	34,671	36,425	40,572
Rate of Growth of Outstanding Public Debt (in per cent)	8.48	16.70	6.45	5.06	11.39
GSDP (₹ in crore)	1,14,239	1,25,634	1,38,351	1,53,845	1,65,472
Rate of Growth of GSDP (in per cent)	10.09	9.97	10.12	11.2	7.56
Public Debt/GSDP (in per cent)	24.43	25.92	25.06	23.68	24.52
Interest payments on Public Debt (₹ in crore)	2,244	2,459	2,829	2,958	3,071
Average Interest Rate of Outstanding Public Debt (Interest paid/OB of Public Debt + CB of Public Debt/2) (in per cent)	8.37	8.13	8.41	8.32	7.97
Percentage of Interest Payments to Revenue Receipts	9.57	9.36	10.34	9.56	9.99
Percentage of Public Debt repayments to Public Debt Receipts	64.42	45.83	62.50	72.71	61.78
Net Public Debt Available to the State# (₹ in crore)	(-) 63	2,201	(-)729	(-)1,204	1,075
Net Debt available as per cent to Debt Receipts	-1.03	25.58	-13.02	-18.73	9.92
Debt Stabilisation (Quantum spread + Primary Deficit) (₹ in crore)	1,470	1,010	511	1,559	-1,529

Source: State Finance Accounts of the respective years.

Net Debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and Interest payment on Public Debt.

* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

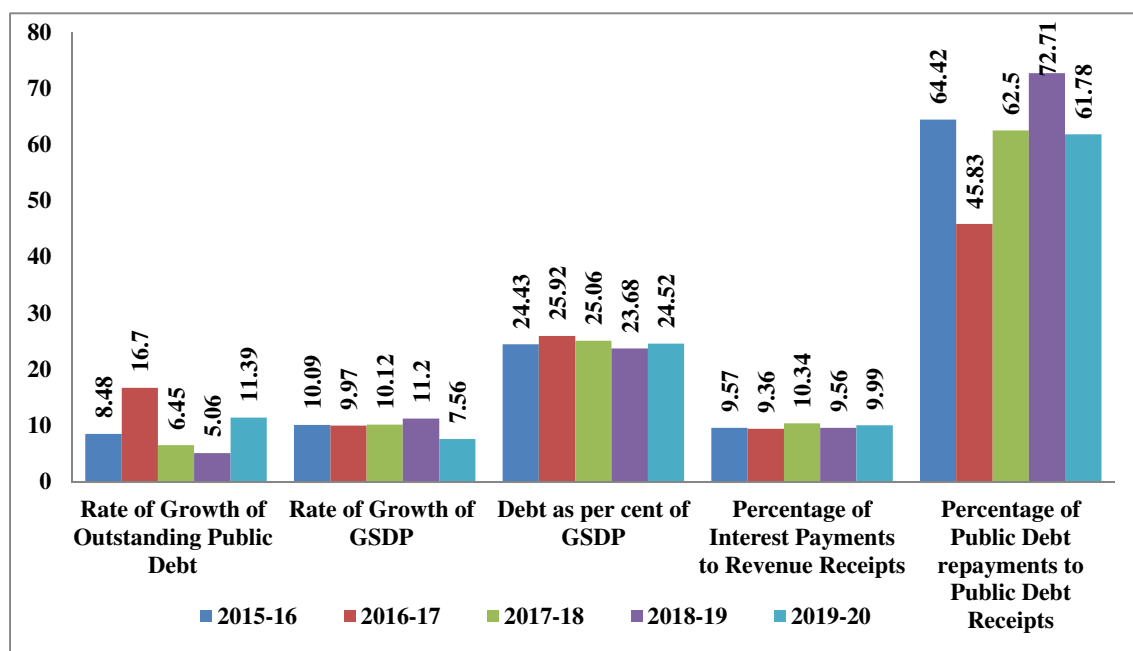
Quantum spread= Debt stock*interest spread; Interest spread= GSDP growth-average interest rate

A necessary condition for debt stability states that if the rate of growth of GSDP exceeds the interest rate for public debt, the debt GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Thus, if primary deficit together with quantum spread turns out to be negative, debt GSDP ratio would be rising.

As can be seen, in the five-year period from 2015-16 to 2019-20, the ratio of public debt to GSDP was within a range of 24 to 26 *per cent*, and below the target ceiling for debt of 31.11 *per cent* set in Budget. The increase in the debt GSDP ratio in 2019-20 as compared to the previous year was due to negative figure of primary deficit together with quantum spread. Trends of Debt sustainability indicators for the five years starting from 2015-16 are shown in **Chart 2.23**.

Chart-2.23: Trends of Debt Sustainability indicators

(In per cent)



Public Debt of the State Government increased from ₹ 27,910 crore in 2015-16 to ₹ 40,572 crore in 2019-20 registering an increase of 45.37 *per cent* during the period 2015-20. The burden of interest payment ranged from nine to 10 *per cent* of the Revenue Receipts. During 2015-20, 45.83 to 72.71 *per cent* of debt receipts were used for discharging existing liabilities.

However, during the five-year period 2015-16 to 2019-20, while GSDP has grown at a CAGR of 7.69 *per cent*, the outstanding public debt has grown at a faster rate of 7.77 *per cent*.

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of

interest on outstanding loans is not sustainable. Trend of utilisation of borrowed funds during past five years are shown in the **Table 2.34** and **Chart 2.24** below.

Table-2.34: Utilisation of borrowed funds

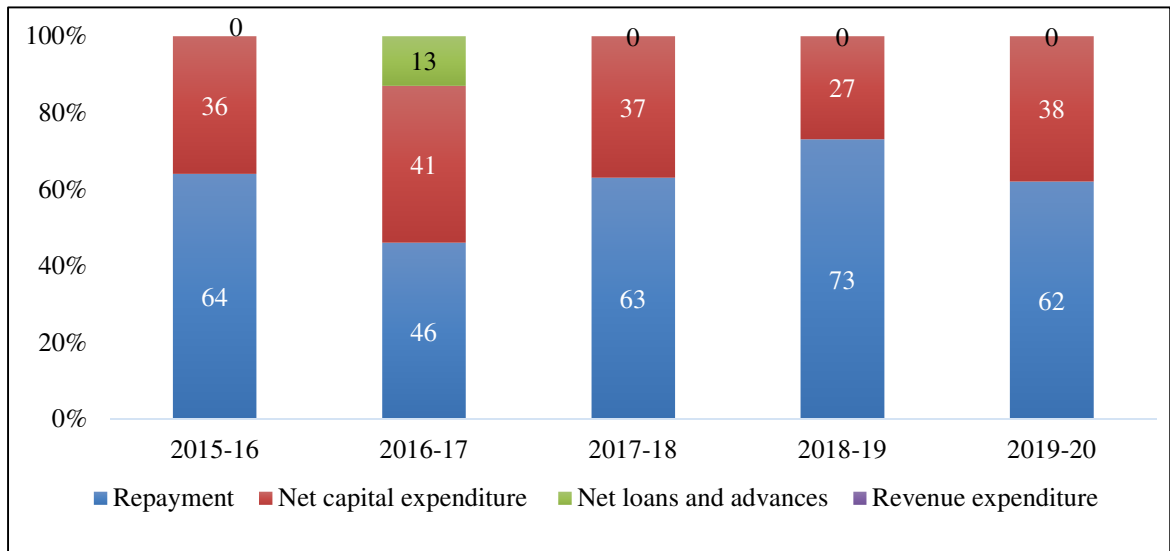
(₹ in crore)

Year	1	2015-16	2016-17	2017-18	2018-19	2019-20
Total Borrowings	2	6,129.21	8,603.31	5,600.29	6,427.40	10,847.39
Repayment of earlier borrowings (Principal)	3	3,947.73 (64.41)	3,942.84 (45.83)	3,499.85 (62.49)	4,673.35 (72.71)	6,700.75 (61.77)
Net capital expenditure*	4	2,181.48 (35.59)	3,499.03 (40.67)	2,100.44 (37.51)	1,754.05 (27.29)	4,146.64 (38.23)
Net Loans and Advances disbursed	5	-Nil-	1,161.44 (13.50)	-Nil-	-Nil-	-Nil-
Portion of total borrowings utilised towards Revenue expenditure	6 {2-(3+4+5)}	-Nil-				

* Net Capital Expenditure = Total Capital Expenditure-Misc. Capital Receipts
Figures in brackets indicate percentage utilisation of borrowed funds

Chart-2.24: Trends of Utilisation of borrowed funds

(In per cent)



During 2015-20, no portion of debt receipts was used for meeting revenue expenditure. The borrowed funds used for repayment of previous borrowings (principal) and on capital expenditure.

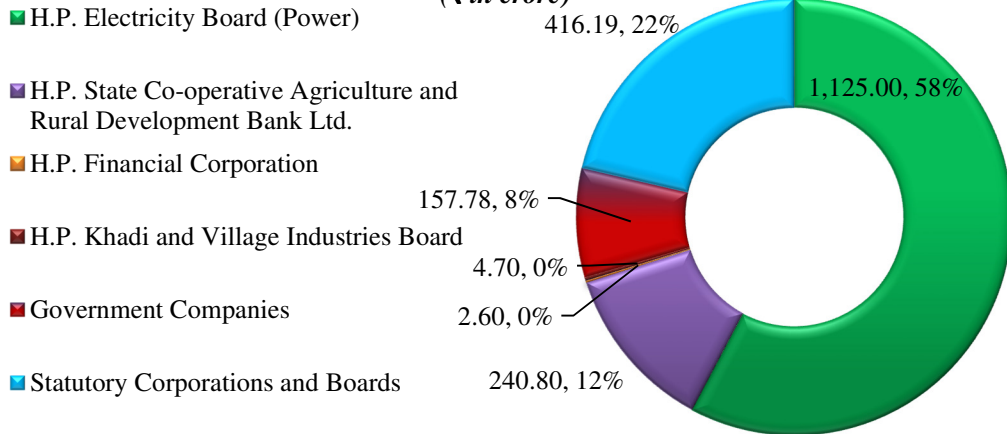
2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per **Statement-9 and 20** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years are given in **Table-2.35** and detail of recipients/bodies who have received guarantees from the State Government at the end of 31 March 2020 are given in **Chart-2.25**.

Table-2.35: Guarantees given by the State Government(*₹* in crore)

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding amount of guarantees	3,714.39	4,550.42	4,393.66	4,309.21	1,947.07
Additions during the year	367.00	3,053.02	146.27	74.28	639.70
Deletions during the year	933.93	2,217.00	303.03	158.72	3001.84*
Invoked during the year	--	--	--	--	--
Ceiling applicable to the outstanding amount of guarantees including interest (criteria)	40 per cent of total revenue receipt in the preceding financial year.				
Percentage of outstanding amount of guarantees to total revenue receipts in the preceding financial year	21	19	17	16	6

* Includes an amount of ₹2,890.50 crore (loans to DISCOM) and ₹13.18 crore (interest charged on guaranteed amount) deleted from this years' Finance Accounts because it is shown as guarantees given by the State Government inadvertently in the previous years' Finance Accounts

Chart-2.25: Bodies in receipt of guarantees at the end of 31 March 2020
(*₹* in crore)

No amount of guarantee was invoked during 2019-20. As of 31 March 2020, outstanding amount of guarantees was ₹1,947 crore as per the Finance Accounts. However, it is to be noted that the accounts of most PSUs were not current and the PSUs and State Government had not reconciled the difference in the figures. The main recipients to whom guarantees given by the State Government during the year (₹640 crore) were Power (₹325 crore), Statutory Corporations and Boards (₹210 crore), Government Companies (₹66 crore) and Co-operative Banks (₹39 crore). The outstanding amount of guarantee (₹1,948 crore) at the close of 2019-20 accounted for six per cent of total revenue receipts of previous year of the State, which was well within the target of 40 per cent prescribed in the FRBM Act.

In addition, as per Himachal Pradesh Financial Rules, 2009 and Government instructions (6th March 1992) the guarantee fees (one per cent) and commitment charges (0.2 per cent) shall be levied from the borrowers at the time of approval of the guarantee. The State Government did not have information about the receivable/due as amount of guarantees fees and commitment charges from the bodies/entities. Over the last 10 years (up to 2018-19), no amount of guarantees fees and commitment charges has been received/levied by the State Government. However, during 2019-20, meagre

amount of ₹ 0.72 lakh was received from Himachal Pradesh Handicrafts and Handloom Corporation Limited, as guarantee commission fees.

2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government are revised by the RBI from time to time.

The State Government has to maintain a minimum Cash balance of ₹ 0.55 crore with the Reserve Bank of India. The limit for ordinary ways and means advances to the State Government is ₹ 550 crore with effect from 1 February 2016. RBI also gives special ways and means advances against the pledge of government securities.

During 2019-20, State Government could maintain minimum daily cash balance for 327 days. The Government had to take ₹ 2,516 crore on 25 occasions in the shape of ways and means advances and overdrafts of ₹ 928 crore on 13 occasions from RBI which were repaid during the year. There were no outstanding ways and means advances and overdrafts at the end of the year 2019-20. An amount of ₹ 361 crore was paid as interest during the year. **Table 2.36** depicts the cash balances and investments made out of these by the State Government during the year.

Table-2.36: Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance as on 1 April 2019	Closing balance on 31 March 2020	Increase (+)/ Decrease (-)
(a) General cash balance			
Cash in treasuries	Nil	Nil	Nil
Remittance in transit-Local	Nil	Nil	Nil
Deposits with RBI	(-) 49.58	77.93	127.51
Total	(-) 49.58	77.93	127.51
Investments held in cash balance Investment account	102.09	9,82.06	879.97
Total (a)	52.51	1,059.99	1,007.48
(b) Other cash balances and investments			
Cash with departmental officers viz., Public Works Department Officers, Forest Department Officers, District Collectors	0.16	0.16	Nil
Permanent advances for contingent expenditure with departmental officers	0.03	0.03	Nil
Investment of earmarked funds	Nil	Nil	Nil
Total (b)	0.19	0.19	Nil
Total (a+b)	52.70	1,060.18	1,007.48
Interest realised	66.90	55.02	-11.88

Cash balances of the State Government at the year-end increased significantly by ₹ 1,007.48 crore from ₹ 52.70 crore in 2018-19 to ₹ 1,060.18 crore in 2019-20. The

investments made out of cash balances also increased from ₹ 102.09 crore to ₹ 982.06 crore.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head ‘0049-Interest Receipts’. The State Government has earned an interest of ₹ 55.02 crore during 2019-20 from cash balance investments made in GoI Securities and Treasury Bills.

The cash balance investments of the State during the five-year period 2015-16 to 2019-20 are given in the **Table-2.37**.

Table-2.37: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	00	556.80	556.80	39.59
2016-17	556.80	759.43	202.63	53.30
2017-18	759.43	723.72	(-) 35.71	81.13
2018-19	723.72	102.09	(-) 621.63	66.90
2019-20	102.09	982.06	879.97	55.02

Source: Finance Accounts

The trend analysis of the cash balance investment of the State Government during the period 2015-16 to 2019-20 revealed that investments increased significantly during 2015-17 and gradually decreased thereafter for two consecutive years. During 2019-20, investments again increased by ₹ 880 crore.

It is indicative of poor monitoring that State Government had to take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use.

Chart 2.26 compares the balances available in the Cash Balance and the Market Loans taken by the State during the period 2015-20. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Chart 2.26: Market loans vis-a-vis Cash Balance

(₹ in crore)

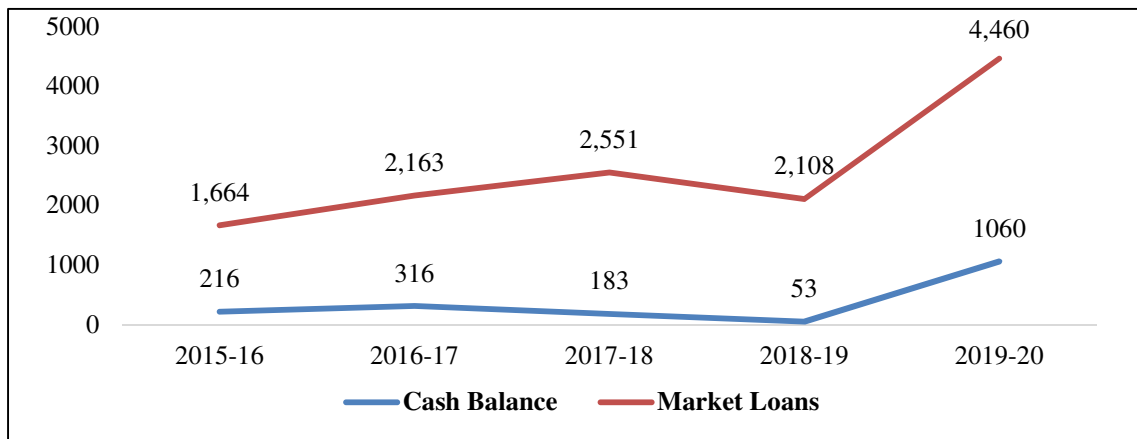
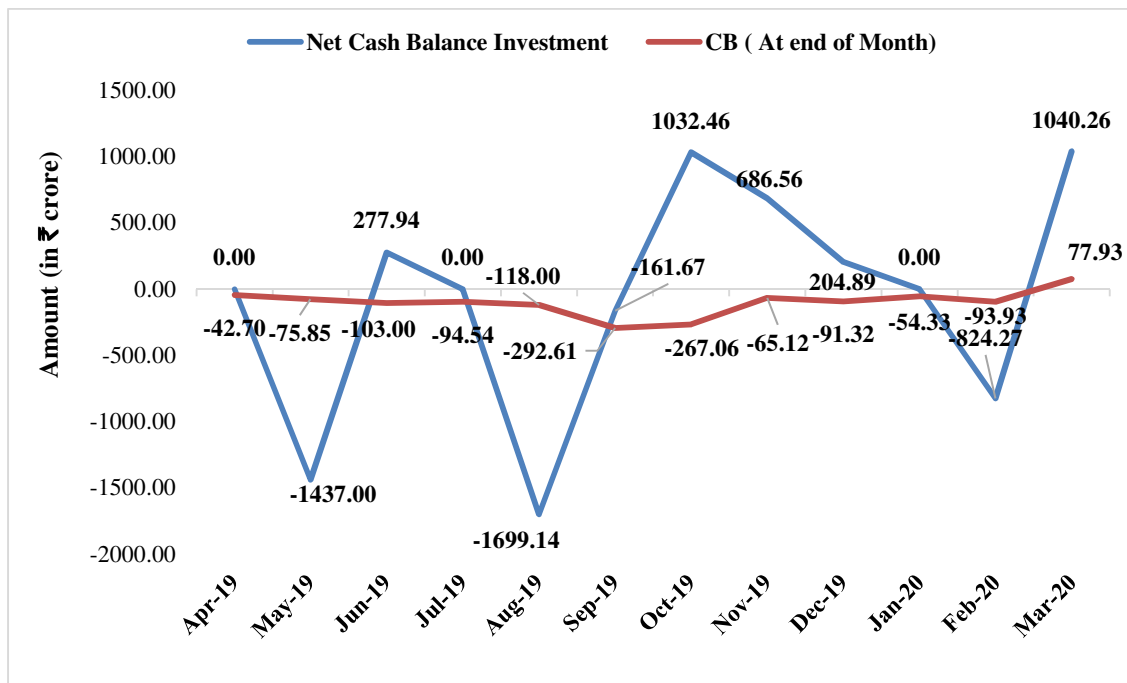


Chart 2.27 compares the month-wise Cash Balance Investment Account with the Cash Balances during 2019-20.

Chart-2.27: Month-wise movement of Cash Balances and net cash balance investments during 2019-20



Source: Monthly Civil Account

The State Government had taken recourse to market loans during the year despite having cash balances without putting it to productive use. During the year 2019-20, the State Government raised ₹ 4,660 crore from the market despite the State had adequate cash balances and the borrowing was avoidable to that extent.

2.8 Conclusions

- The State has not yet amended the FRBM Act as recommended by 14th FC. There was a significant variation between the targets projected in the Budget/MTFPS and the actual figures for revenue deficit/surplus and fiscal deficit. The targets set in the MTFPS were not in consonance with the targets fixed by the 14th FC.
- Although, the State had met the target of maintaining revenue surplus, however there was a continuous declining trend in the same. During 2016-20, the State had continuously experienced revenue surplus due to increase in Central devolutions on the recommendations of 14th Finance Commission. The revenue surplus consistently declined from 2016-17 to 2019-20 (except 2018-19): ₹ 1,137 crore (2015-16), ₹ 920 crore (2016-17), ₹ 314 crore (2017-18), ₹ 1,508 crore (2018-19) and ₹ 12 crore during 2019-20.

- The fiscal deficit (₹ 5,597 crore) was 3.38 *per cent* of GSDP which exceeded the target of three *per cent* or less during the 2019-20. The deficit was mainly managed through market borrowings.
- There has been a continuous decreasing trend in the growth of Revenue Receipts except the year 2018-19. As compared to a growth of 31.37 *per cent* in 2015-16, the revenue receipts registered a decrease of 0.67 *per cent* in 2019-20, which resulted in higher dependency on borrowed funds for meeting the current consumption. 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 (15 *per cent*) and grants-in-aid from GoI (52 *per cent*).
- Revenue expenditure constituted an average of 84.4 *per cent* (ranging from 78.9 *per cent* to 87.0 *per cent*) of the total expenditure during the period 2015-20. Rate of growth of revenue expenditure has displayed fluctuating trend over the last five-year period 2015-20. The committed expenditure ranged between 68 and 71 *per cent* of revenue expenditure, while it accounted for 65 to 70 *per cent* of the revenue receipts of the State during the five-year period 2015-20.
- During 2019-20, capital expenditure (₹ 5,174 crore) increased by ₹ 591 crore (13 *per cent*) over the previous year 2018-19 (₹ 4,583 crore) and constituted 14 *per cent* in total expenditure.
- Overall fiscal liabilities at the end of the year were ₹ 62,212 crore with growth of 14.57 *per cent* over the previous year. The total fiscal liabilities-GSDP ratio in 2019-20 increased by 2.31 *per cent* over the previous year and stood at 37.60 *per cent*, which was above the target of 14th FC. Internal debt of the Government increased to ₹ 39,528 crore (11.78 *per cent*) during 2019-20 from ₹ 35,363 crore in 2018-19.
- The State Government earned a 5.83 *per cent* return on its total investment (₹ 4,261.06 crore) in Statutory Corporations, Rural Banks, Government Companies and Co-operatives up to 31 March 2020. However, only one company contributed more than 98 *per cent* of the total returns. Further, the State Government invested ₹ 1,772.72 crore in eight companies/ corporations whose net worth was completely eroded. This has resulted in erosion of Government investments.
- There was no repayment of loans by various public sector undertakings under Power projects and Industries and Minerals over the last five years (up to March 2020) and additional loans to Crop Husbandry had been extended despite

marginal repayments. The overall outstanding balance has increased over the years.

- State Government operated five Reserve Funds as on 31 March 2020, out of which two Reserve Funds are interest bearing (₹ 1,887.65 crore credit) and three Reserve Funds are non-interest bearing funds (₹ 834.66 crore credit). Out of these, no funds have been invested by the State Government during the year.

2.9 Recommendations

- The State Government should make efforts for augmentation of its own tax revenue. It should settle the pending tax claims timely, settle arrears in assessment of taxes and recover the arrears of revenue and improve non-tax revenues towards better resource mobilisation;
- The State Government should explore ways to minimize its committed expenditure so that more funds could be made available for development expenditure;
- The State Government should explore ways of ensuring reasonable return on capital invested in profit making State PSUs in view of the substantial high cost of borrowings made by it;
- As recovery of loans advanced by the Government to different sectors has been poor, the State Government should consider treating the loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position;
- The State Government should ensure time-bound completion of the incomplete projects and ensure that there are no further cost overruns;
- The State Government should prioritise its revenue expenditure in order to make the State less dependent upon the borrowings to combat future liability.

CHAPTER-III

BUDGETARY MANAGEMENT

Chapter - III

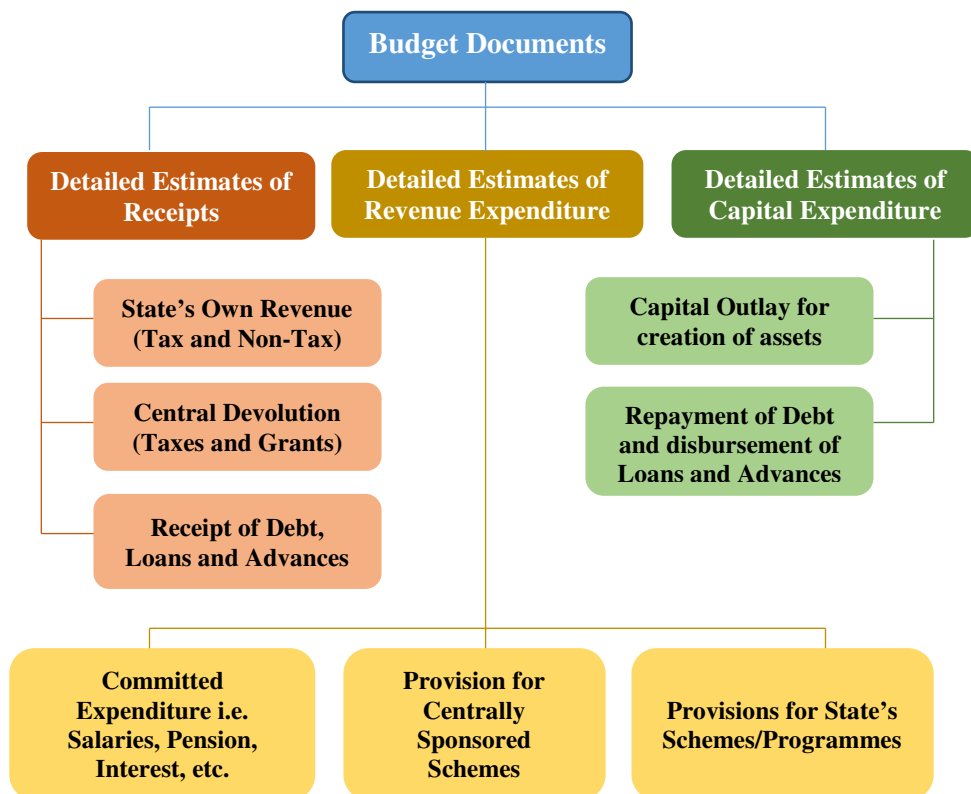
Budgetary Management

3.1 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, the Governor shall cause to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for that year, called “the annual financial statement (Budget)”. The estimates of the expenditure show ‘charged’ and ‘voted’ items¹ of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government. Glossary of important budget related terms is given in **Appendix 3.1**.

As per the Himachal Pradesh Financial Rules, the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called ‘Demand for Grants’. The State budget comprises following documents as given in **Chart 3.1**.

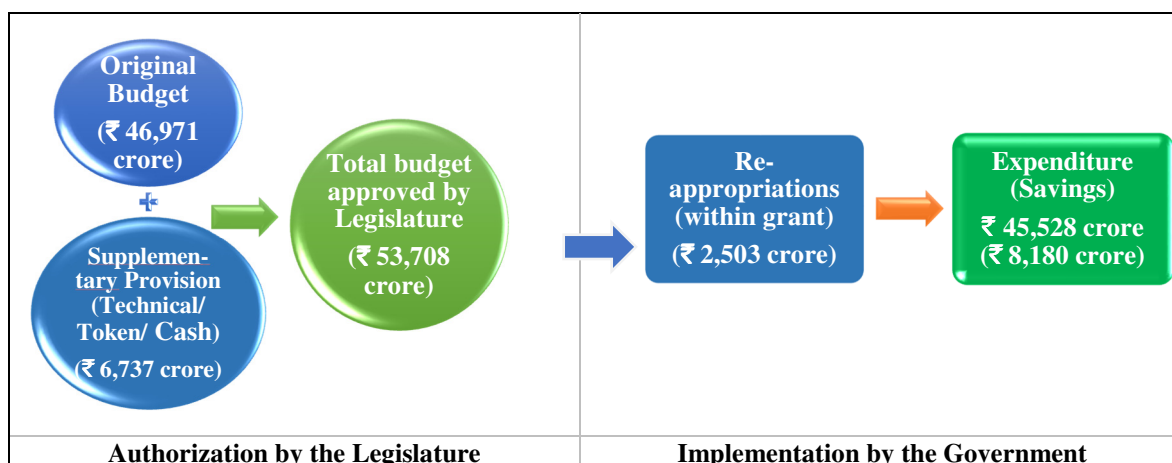
Chart-3.1: Details of State Budget Documents



¹ **Charged expenditure:** Certain categories of expenditure (e.g. salaries of Constitutional authorities, loan repayments, etc.), constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted expenditure:** All other expenditure is voted by the Legislature.

The various components of budget are depicted in the **Chart-3.2** below:

Chart-3.2: Summary of budget implementation for the year 2019-20



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

3.1.1 Summary of total provisions, actual disbursements and savings during financial year

The total budget provision for expenditure in 2019-20 was ₹ 53,708 crore. The actual expenditure during the year was ₹ 45,528 crore (84.77 per cent). This resulted in savings of ₹ 8,180 crore (15.23 per cent). The summarized position of actual expenditure vis-à-vis budgetary provisions during 2019-20 for the total 32 grants/appropriations is given in **Table 3.1**.

Table-3.1: Budget provision, actual disbursement and savings/excess during financial year 2019-20
(₹ in crore)

Total Budget provision		Disbursements		Saving(-)/ Excess(+)	
Voted	Charged	Voted	Charged	Voted	Charged
42,255	11,453	34,507	11,021	-7,748	-432

Source: Appropriation Accounts

3.1.2 Charged and voted disbursements

Break-up of total disbursement into charged and voted during the last five years (2015-20) is given in **Table 3.2**.

Table-3.2: Disbursement and savings/excess during 2015-16 to 2019-20

(₹ in crore)

Year	Total Budget Provision		Disbursements		Saving(-)/ Excess(+)	
	Voted	Charged	Voted	Charged	Voted	Charged
2015-16	27,459	4,829	24,908	7,188	-2,551	2359
2016-17	31,253	7,423	31,312	7,396	59	-27
2017-18	33,869	7,399	30,440	7,371	-3,428	-28
2018-19	37,936	9,048	33,620	8,849	-4,316	-199
2019-20	42,255	11,453	34,507	11,021	-7,748	-432

Source: Appropriation Accounts

As it can be seen from **Table-3.2**, there are savings in both the segments (Voted and Charged). The savings have occurred during 2015-16 and 2017-18 to 2019-20 under Voted segment and during last four years i.e. 2016-17 to 2019-20 under Charged segment.

3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts, thus, facilitate understanding of utilisation of funds, management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Comments on integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this Article 204 of the constitution. Expenditure on new scheme should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

Table 3.3 shows the summary of expenditure without budget provision. This is breach of constitutional provisions. State government must avoid these expenditures. If under any circumstances the expenditure is inevitable, the Finance Department must follow the provisions under Article 205 & 206.

Table- 3.3: Summary of expenditure without Budget Provision

(₹ in lakh)

Grant/ Appropriation	Head of Accounts	Expenditure	Name of Schemes/Sub Heads
Charged			
5	2053-00-093-01-S00N	1.20	General Establishment
Voted			
11	2401-00-109-32-C90N	207.30	National Bamboo Mission
	2401-00-109-32-S10N	23.03	National Bamboo Mission
	2401-00-800-14-S00N	295.61	Crop Diversification Project Japan International Co-operation Agency (JICA)
	4402-00-102-02-S00N	0.82	Small Farmers Development Agency (R.I.D.F.)
22	2408-01-102-13-S25N	817.00	Subsidy On Wheat and Rice to BPL Families
32	2059-01-789-04-S10N	4.88	Maintenance of Government Owned Aanganwadi Centre
Total		1,349.84	

Source: Appropriation Accounts

3.3.2 Transfers not mandated by the Appropriation Act/ Detailed Demands for Grants (into Public Account/ Bank Accounts)

The Appropriation Act authorizes incurrence of expenditure under specified Grants, during the financial year. Hence transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts, not authorized through the Appropriation Act.

No such cases were noticed during current year (2019-20).

3.3.3 Misclassification of capital expenditure as revenue expenditure and charged expenditure & voted expenditure and vice versa

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements. State financial rules categorize the primary units of appropriation. There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only. Classification of expenditure of revenue nature as capital expenditure or vice-versa, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus.

No such cases were noticed during current year (2019-20).

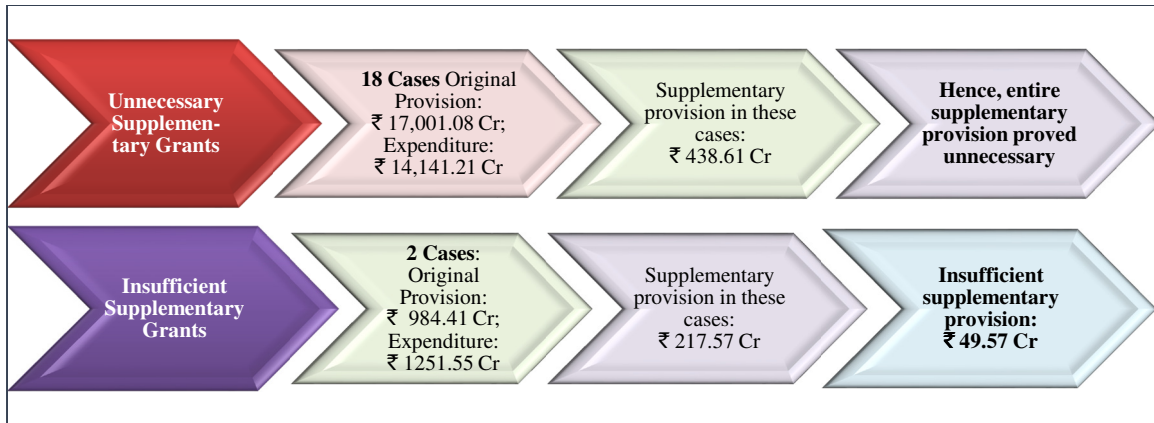
3.3.4 Unnecessary or insufficient supplementary grants

The existence of likely or actual savings in the budget should never be seized upon as an opportunity to introduce fresh items of expenditure which ought to wait till next year. Known savings in the budget should not be left un-surrendered for fear of the next year's budget allotment being reduced.

Considerable Re-Appropriation from one Sub Head to another must always be avoided. That fresh expenditure is unavoidable or imperatively necessary or that it will produce consequential economics or that it is essential for preserving the revenue or the public safety are reasonable justifications for introducing fresh expenditure during the course of the year, but in such circumstances, it must be shown that the requirements could not have been foreseen and provided for in the budget. The process of Re-Appropriation is not designed merely to rectify omissions and lack of foresight.

There are 18 cases (₹ one crore or more in each case) under 16 grants (Revenue/Capital-Voted and Charged-Voted) where supplementary provision of ₹ 438.61 crore proved unnecessary as the expenditure did not come to the level of original provision (**Table 3.4**). And in two cases (**Table 3.5**) supplementary provision of ₹ 217.57 crore proved insufficient as they are not adequate to meet the requirement (**Chart 3.3**).

Chart-3.3: Unnecessary and insufficient supplementary provisions



Source: Appropriation Accounts

Details of cases where supplementary provision (₹ one crore or more in each case) proved unnecessary are detailed in Table-3.4 below:

Table-3.4: Details of cases where supplementary provision (₹ one crore or more in each case) proved unnecessary

(₹ in crore)

Sr. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Saving out of Original Provisions
Revenue- Voted					
1	04-General Administration	219.78	19.31	185.02	34.76
2	07-Police and Allied Organisations	1,429.08	3.98	1,220.59	208.48
3	09-Health and Family Welfare	2,172.35	33.59	1,828.22	344.13
4	10-Public Works - Roads, Bridges and Buildings	3,540.28	29.66	2,833.11	707.16
5	12-Horticulture	350.92	24.07	296.35	54.57
6	21-Co-operation	33.52	1.21	29.95	3.58
7	23-Power Development	505.71	39.98	416.93	88.78
8	24-Printing and Stationery	29.13	1.20	28.18	0.95
9	26-Tourism and Civil Aviation	69.20	19.96	32.97	36.23
10	29-Finance	6,774.49	6.76	5,568.29	1,206.20
11	30-Miscellaneous General Services	91.09	6.18	85.96	5.13
Revenue- Charged					
12	03- Administration of Justice	50.47	2.97	42.08	8.39
Capital- Voted					
13	07-Police and Allied Organisations	68.33	13.89	61.24	7.09
14	08-Education	96.85	10.40	77.02	19.83
15	14-Animal Husbandry, Dairy Development and Fisheries	18.46	1.89	14.93	3.53
16	26-Tourism and Civil Aviation	57.79	8.50	37.34	20.45
17	31-Tribal Development	375.38	64.14	345.48	29.89
18	32-Scheduled Caste Sub Plan	1,118.25	150.92	1,037.55	80.70
Total		17,001.08	438.61	14,141.21	2,859.85

Source: - Appropriation Accounts

Table-3.5: Details of cases where supplementary provision (₹ one crore or more in each case) proved insufficient

Sr. No.	Name of the Grant	Original	Supplementary	Actual expenditure	Excess
Revenue- Voted					
1	22- Food and Civil Supplies	275.36	39.90	316.76	1.49
Capital- Voted					
2	13-Irrigation, Water Supply and Sanitation	709.05	177.66	934.79	48.08
Total		984.41	217.57	1251.55	49.57

Although the demand for supplementary grants was made by the State Government on the reasoning that additional expenditure was to be incurred in various schemes under the respective grants, yet the final expenditure was less than even the original provisions. This indicates that the Administrative Department could not realistically assess/estimate the actual requirement of funds for the remaining period of financial year due to poor monitoring of expenditure through the monthly expenditure control mechanism.

3.3.5 Re-appropriations undertaken require prior Legislative authorization

‘Re-appropriation’ - means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation. The Government is thus allowed to re-appropriate provisions from one unit of appropriation to another within the same Grant, thus altering the destination of an original provision for one purpose to another, subject to the limits and restrictions laid down. No re-appropriation shall be made for any purpose whatsoever from Supplementary Grants voted by the Assembly for a definite purpose, so as to ensure that a Supplementary Grant shall be used for the purpose for which it is voted and for no other.

Under three grants, there are four substantial cases, where Re-appropriation of ₹ 6.82 crore (71 per cent) was made from Supplementary Grants/provisions (₹ 9.63 crore) during current year without prior approval of the Legislature, as shown in **Table -3.6**.

Table-3.6: Details of Re-appropriations made from Supplementary Grants

(in ₹)

Sr. No.	Grant No.	Head of Account	Original Provision	Supplementary provision	Actual Expenditure	Re-appropriation from
1	9	2210-05-105-17	0	4,88,44,000	0	4,88,44,000
2	10	4059-01-051-38	0	10,80,000	34,970	10,45,000
3		5054-04-337-06	0	3,66,51,000	1,91,80,000	1,74,71,314
4	27	2230-02-101-04	0	97,63,500	89,40,383	8,23,117
Total			0	9,63,38,500	2,81,55,353	6,81,83,431

Source: - Appropriation Accounts

All these re-appropriations were carried out on 31 March 2020, and the reasons stated were non-completion of codal formalities (Grant no. 9), enforcement of lockdown (Grant no. 10) and lower electricity bills (Grant no. 27). Considering the fact that the lockdown was imposed in the third week of March 2020, it is clear from the reasons provided and the date

of re-appropriations that the respective departments had failed to assess the estimated periodic expenditures on a regular basis.

3.3.6 Unnecessary or excessive re-appropriation

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. The details of re-appropriations which proved unnecessary or excessive, are shown in Table-3.7.

Table-3.7: Excess /unnecessary/insufficient re-appropriation

(₹ in crore)

Sr. No.	Grant No.	Head of account	Provision				Actual expenditure	Final excess (+)/savings (-)
			Original	Supplementary	Re-appropriation	Total		
1	5- Land Revenue and District Administration	2245-80-102-05	5.50	0.00	8.85	14.35	0.00	-14.35
2	8-Education	2202-02-109-15	11.85	0.00	4.99	16.84	0.00	-16.84
		2202-80-107-08	5.00	0.00	7.00	12.00	0.00	-12.00
3	13-Irrigation, Water Supply and Sanitation	4215-01-102-23	72.13	0.00	36.52	108.65	165.24	56.59
4	15-Planning and Backward Area Sub Plan	5054-04-800-06	33.13	0.00	7.40	40.53	24.65	-15.88
		5475-00-800-01	79.52	0.00	4.25	83.77	56.45	-27.32
5	20-Rural Development	2216-03-102-04	8.22	0.00	2.49	10.71	0.10	-10.61
6	29-Finance	2049-03-104-01	1,265.95	0.00	182.42	1,448.37	1,143.72	-304.65
7	31-Tribal Development	2202-03-796-02	21.81	0.00	8.85	30.66	5.58	-25.08
8	32-Scheduled Caste Sub Plan	2225-01-789-08	0.00	0.00	18.86	18.86	0.28	-18.58
		2236-02-789-01	20.56	0.00	0.46	21.02	8.49	-12.53
		2501-06-789-06	6.30	0.00	12.40	18.70	0.00	-18.70

Source: - Appropriation Accounts

The re-appropriation orders in all these cases were dated as 31 March 2020 and specified the need for additional expenditure under the respective schemes. The Re-appropriation in seven cases out of eight cases proved unnecessary, as the savings under these cases was more than re-appropriated amount. In one case Re-appropriation proved insufficient as the expenditure resulted in excess under the Grant. However, no case of re-appropriation from Capital to Revenue and vice-versa and from Voted to Charged and vice-versa was noticed during 2019-20.

3.3.7 Savings

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, it is not readily excusable. The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the

estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of the funds, which they could have utilised.

(i) Savings vis-à-vis allocations

There were overall savings of ₹ 8,180 crore. An analysis of appropriations showed that in 57 cases, savings exceeded ₹ one crore or more than 20 per cent of the total provision, as detailed in **Appendix-3.2**. Against the total provision of ₹ 45,451.32 crore, ₹ 8,225.53 crore remained utilised/savings in various grants. In 14 grants (voted), out of total savings/utilised of ₹ 8,225.53 crore, substantial savings (₹ 100 crore and more in each case) in 17 cases amounting to ₹ 6,828.96 crore (83 per cent) are given in **Table-3.8** below.

Table-3.8: List of grants having large savings (above ₹ 100 crore) during the year
(₹ in crore)

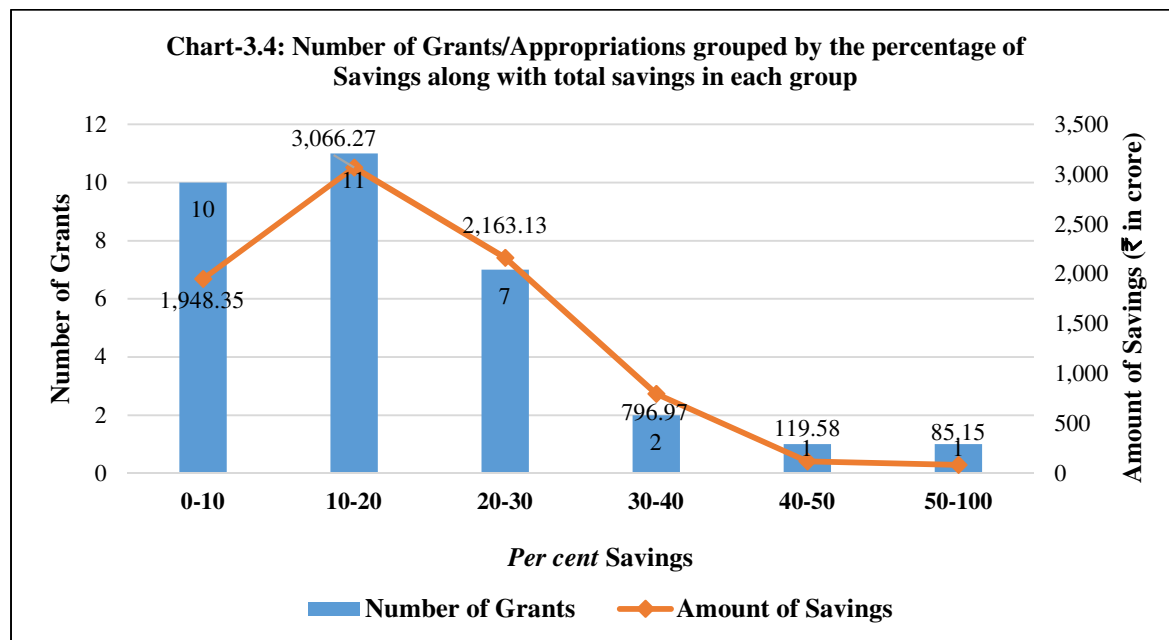
Sr. No.	Grant Number	Original	Supplementary	Total provisions	Actual expenditure	Savings	Surrender	Saving excluding surrender
Revenue- (Voted)								
1	05	724.59	1,023.96	1,748.55	1,096.92	651.63	104.30	547.33
2	07	1,429.08	3.98	1,433.06	1,220.59	212.47	211.91	0.56
3	08	6,641.11	0.00	6,641.11	5,530.51	1,110.61	1,070.29	40.32
4	09	2,172.35	33.59	2,205.94	1,828.22	377.72	372.54	5.18
5	10	3,540.28	29.66	3,569.94	2,833.11	736.83	736.45	0.38
6	13	2,586.54	0.00	2,586.54	2,358.63	227.91	228.34	0.43
7	16	592.47	0.00	592.47	447.22	145.25	145.20	0.05
8	18	234.06	0.00	234.06	133.54	100.52	84.70	15.81
9	20	1,463.63	0.00	1,463.63	1,112.46	351.17	310.09	41.08
10	23	505.71	39.98	545.69	416.93	128.76	14.87	113.89
11	29	6,774.49	6.76	6,781.25	5,568.29	1,212.96	1,304.08	-91.12
12	31	1,360.02	0.00	1,360.02	988.64	371.39	329.19	42.20
13	32	1,424.41	0.00	1,424.41	911.05	513.37	395.09	118.27
Capital- (Voted)								
14	10	1,292.53	515.61	1,808.14	1,624.21	183.94	247.47	-63.54
15	15	303.99	0.00	303.99	188.65	115.34	30.40	84.94
16	23	429.39	250.00	679.39	521.92	157.47	202.13	-44.66
17	32	1,118.25	150.92	1,269.17	1,037.55	231.62	222.55	9.08
Total		32,592.90	2,054.46	34,647.36	27,818.44	6,828.96	6,009.60	820.20

Source: Appropriation Accounts

As is evident from table above, Government sought supplementary budget of ₹ 2,054.46 crore in 17 cases under 14 grants which proved unnecessary as there was a saving of ₹ 6,828.96 crore (21 per cent) against the Original Budget. The specific reasons

for savings were neither given in the Appropriation Accounts (except routine nature and repetitive reasons) nor provided by the State Government (December 2020). Large savings under these grants implied that the State government had made budget provisions without realistic estimation of fund requirement.

Chart 3.4 categorises the grants/appropriations according to percentage of savings against budget allocations.



(ii) Persistent Savings

During the last five years in 22 grants, there were 28 cases (₹ one crore or more in each case) where persistent savings occurred (details given in **Appendix 3.3**), out of which four cases (₹ 100 crore or more in each case) are depicted below in the **Table-3.9**.

Table-3.9: Details of persistent savings cases (₹ 100 crore or more in each case)

(₹ in crore)

Sr. No.	Grant Number	Name of Grant/ Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue- Voted							
1	08	Education	1076.22	864.96	665.02	955.16	1110.61
2	09	Health and Family Welfare	366.81	295.90	211.66	330.83	377.72
3	20	Rural Development	208.74	121.61	402.93	383.93	351.17
4	31	Tribal Development	123.39	177.85	242.34	325.72	371.39

Source: Appropriation Accounts

The substantial persistent savings indicated that budgetary controls in the departments were not effective and previous years' trends were not taken into account while allocating

funds for the year. This had been pointed out in earlier State Finance Audit Reports, but the State Government had not taken cognizance of these reports.

(iii) Details of Surrenders of funds in excess of ₹ 10 crore

Instances of surrender of funds in excess of ₹ 10 crore at the end of March are given in **Table-3.10**.

Table-3.10: Details of surrender of funds in excess of ₹ 10 crore at the end of March

(₹ in crore)

Sr. No.	Grant Number	Original	Supplementary	Total Provisions	Actual expenditure	Savings	Amount Surrendered
1	3	257.64	12.18	269.82	215.98	-53.84	-50.84
2	4	229.81	46.78	276.59	198.66	-77.93	-61.45
3	5	735.49	1023.96	1759.45	1100.51	-658.94	-104.69
4	6	88.05	32.03	120.08	105.61	-14.47	-14.31
5	7	1497.41	18.05	1515.46	1282.01	-233.45	-224.08
6	8	6737.96	10.70	6748.66	5607.82	-1140.84	-1100.52
7	9	2325.54	78.94	2404.48	2001.40	-403.08	-397.88
8	10	4834.81	648.20	5483.01	4464.64	-1018.37	-983.92
9	11	524.07	37.60	561.67	519.75	-41.92	-41.66
10	12	367.28	24.07	391.35	311.75	-79.60	-33.69
11	13	3295.58	187.14	3482.72	3303.03	-179.69	-228.43
12	14	424.49	1.89	426.38	351.15	-75.23	-60.41
13	15	378.64	0.00	378.64	240.62	-138.02	-53.09
14	16	610.91	0.04	610.95	459.36	-151.59	-151.54
15	18	280.96	0.00	280.96	161.38	-119.58	-103.76
16	19	1067.72	106.64	1174.36	1060.62	-113.74	-101.41
17	20	1483.66	0.06	1483.72	1126.50	-357.22	-310.09
18	23	935.10	289.98	1225.08	938.86	-286.23	-216.99
19	27	381.42	60.76	442.18	402.17	-40.01	-32.25
20	28	568.11	102.93	671.04	577.80	-93.24	-71.65
21	29	14600.02	3445.76	18045.78	16510.49	-1535.29	-1312.24
22	30	132.13	9.44	141.57	123.70	-17.87	-11.29
23	31	1735.40	64.49	1799.89	1334.30	-465.59	-421.91
24	32	2542.66	150.93	2693.59	1948.60	-744.99	-617.64
Total		46,034.85	6,352.57	52,387.43	44,346.71	-8,040.72	-6,705.74

Source: Appropriation Accounts

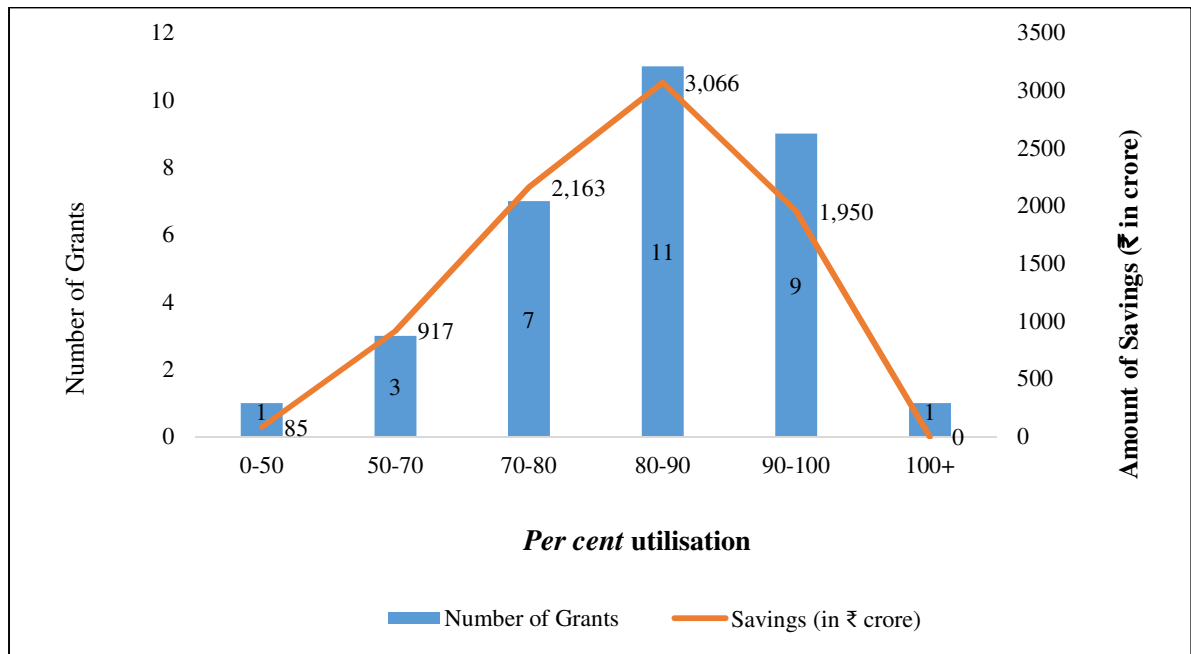
In 24 cases, there was surrender of ₹ 6,705.74 crore (₹ 10 crore or more in each case) (15 per cent or original budget allocation) on 31 March 2020. The main reason for surrender furnished by State Department is enforcement of lockdown due to COVID-19. The reason is not justifiable, because lockdown due to COVID-19 was enforced after 20th March 2020.

Surrender of funds on the last working day (31 March 2020) indicated weak financial controls and resulted in non-utilization of funds for other development purpose.

(iv) Distribution of the number of Grants/Appropriations grouped by the percentage of utilisation

Details of distribution of the number of Grants/Appropriations grouped by the percentage of Utilisation are given in the **Chart 3.5**.

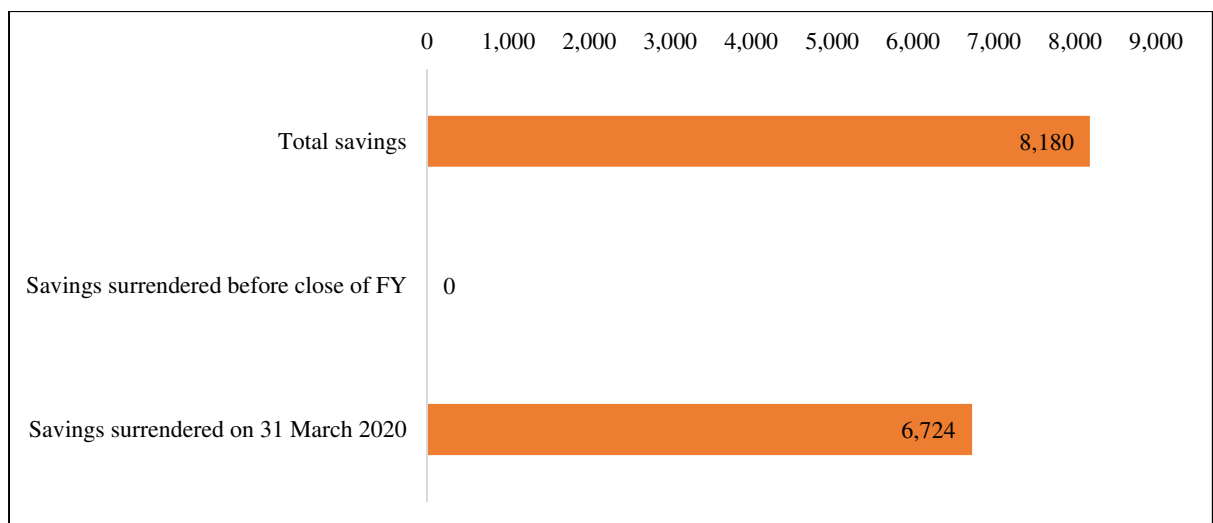
Chart-3.5: Distribution of the number of Grants/Appropriations grouped by the percentage of utilisation



There has been only one Grant (26-Tourism and Civil Aviation) in which the utilisation was less than 50 *per cent* of the funds available. This had resulted in a savings of ₹ 85.15 crore (55 *per cent*) due to less utilisation (45 *per cent*) of the funds available. This savings was mainly due to the less receipt of project proposals.

Chart-3.6: Savings and surrenders before close of financial year 2019-20

(₹ in crore)



As observed from the surrender orders intimated by the State Government, all surrenders were done on 31 March 2020, thereby indicating poor management of funds resulting in ineffective utilisation of financial resources.

3.3.8 Excess expenditure and its regularization

As per Article 204 of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article. Further, as per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee.

3.3.8.1 Excess expenditure relating to financial year 2019-20

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose. Cases of excess expenditure over the provision of the financial year are given in the **Table-3.11**.

Table-3.11: Summary of excess disbursements over grants/ appropriation during 2019-20

(In ₹)

		Name of Department/Grant					
		5-Land revenue and District Administration	13- Irrigation, Water supply and Sanitation	21-Co-Operation	22- Food and Civil Supplies	28-Urban Development, Town & Country Planning	29-Finance
Voted	Revenue	00	00	00	1,49,32,006	00	00
	Capital	00	48,07,99,467	3,50,000	00	6,06,266	00
Charged	Revenue	1,20,000	00	00	00	00	00
	Capital	00	22,70,296	00	00	00	42,183
Total Excess		49,91,20,218					

Source: - Appropriation Accounts

In seven cases (four grants and three appropriations) excess expenditure of ₹ 49.91 crore over budget provision was incurred in 2019-20. Details of the excess disbursement over the authorisation from the Consolidated Fund of State under the schemes contributing significantly to the above, during the financial year 2019-20 are given **Table-3.12**.

Table-3.12: Head wise disbursement over the authorisation during 2019-20

(in ₹ lakh)

Sr. No	Grant No.	Head of Account	Name of Scheme	Total Provision	Re-appropriation	Total	Expenditure	Excess
Revenue- Voted								
1	22	2408-01-102-13	Subsidy on Wheat and Rice to BPL Families	0.00	667.44	667.44	817.00	149.56
Revenue-Charged								
2	05	2053-00-093-01	General Establishment	0.00	0.00	0.00	1.20	1.20
Capital- Voted								
3	13	4215-01-102-08	Hand Pumps	424.00	0.00	424.00	425.67	1.67
		4215-01-102-23	National Rural Drinking Water Programme	7212.60	3651.82	10864.42	16524.20	5659.78
		4702-00-101-01	Lift Irrigation Schemes in Various District	326.00	37.58	363.58	415.18	51.60
4	21	6425-00-107-02	(Receipts from Loans) to Credit Co-Operatives	1.00	0.00	1.00	4.50	3.50
5	28	4215-02-106-02	Drainage Sanitation Sewerage Schemes in Various Districts	6342.00	0.00	6342.00	6380.03	38.03
Capital- Charged								
6	13	4700-01-800-01	Canals	879.96	0.00	879.96	907.49	27.53
7	29	6003-00-110-03	Shortfall And Over Draft By R.B.I.	92363.73	467.98	92831.71	92832.19	0.48

Source: Appropriation Accounts

In case of Grant no. 22, the final excess of ₹ 1.50 crore was due to the issue of advance two months wheat flour and rice during the Covid-19 pandemic. However, no reasons were intimated with regard to the other excesses.

3.3.8.2 Persistent excesses in certain Grants

A number of grants witness excess expenditure year after year. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure is in violation of the will of the State Legislature. Strictly, not a rupee can be spent without prior legislative authorisation and, therefore, this to be viewed seriously. Persistent excesses may be due to improper estimation at the time of preparation of budget.

No case of persistent excesses was noticed during 2015-16 to 2019-20.

3.3.8.3 Regularization of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. However, the excess expenditure of ₹ 9,154.73 crore under 21 Grants and 12 Appropriations for the years 2013-14 to 2018-19 was yet to be regularized by the State Legislature as of December 2020. In addition, the above, excess expenditure of ₹ 49.91 crore over authorisation made by the four Grants and three Appropriations during the financial year 2019-20 also requires regularization. The year-wise amount of excess expenditure pending regularisation is summarised in **Table-3.13** below:

Table-3.13: Excess expenditure relating to previous years (2013-19) requiring regularization

Year	Number of Grants/ Appropriations	Grant/Appropriation numbers	Amount of excess required to be regularized as commented in the Appropriation Account (Figures in ₹)	Status of regularization
2013-14	10 Grants 3 Appropriations	2, 3, 4, 5, 10, 13, 16, 17, 21 and 28 2, 7 and 9	4,74,86,14,325	Not yet regularized
2014-15	10 Grants 6 Appropriations	1,2,6,11,12,13,18,19, 23 (Revenue) and 23 (Capital) 1, 10, 19, 29 (Revenue), 29 (Capital) and 31	15,85,69,18,458	
2015-16	7 Grants 4 Appropriations	5, 8, 10, 13, 19, 23, 28 13, 16, 29 (Revenue) and 29 (Capital)	28,48,43,38,113	
2016-17	5 Grants 3 Appropriations	2, 13 (Revenue) and 3,10 and 23 (Capital) 1, 16 (Revenue) and 29 (Capital)	30,37,60,82,471	
2017-18	2 Grants 1 Appropriation	5, 10 (Revenue) 10 (Capital)	3,86,76,41,211	
2018-19	6 Grants 2 Appropriations	05,13, 22,20 (Revenue) 03,10,12,29 (Capital)	8,21,37,16,840	
Total			91,54,73,11,418	

Source: Appropriation Accounts

3.3.9 Grant-in-aid for creation of capital assets

As per IGAS 2, Grant-in-aid disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as Grants-in-aid are to be spent by the grantee, except in cases where it has been specifically authorized by President on the advice of the Comptroller and Auditor General of India.

During 2019-20, an amount of ₹ 844.13 crore was extended as Grants-in-aid for Capital Asset and the whole amount has been booked under revenue head. This has been classified as revenue expenditure in the accounts.

3.4 Comments on effectiveness of budgetary and accounting process

3.4.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised.

The summarised position of original and supplementary provision *vis-à-vis* actual expenditure during 2019-20 in respect of 32 grants/appropriations is given in **Table-3.14**.

Table-3.14: Summarised position of Budget (Original/Supplementary) provisions *vis-à-vis* Actual Expenditure during 2019-20

(₹ in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Net of Savings (-)	Surrender during March	
							Amount	Per cent
Voted	I. Revenue	33,995.63	1,616.41	35,612.04	28,830.50	-6,781.54	5,754.25	16.16
	II. Capital	4,635.89	1,292.51	5,928.41	5,218.72	-709.69	654.38	11.04
	III. Loans and Advances	457.06	257.29	714.34	458.21	-256.14	296.64	41.53
	Total	39,088.58	3,166.21	42,254.80	34,507.43	-7,747.37	6,705.27	15.87
Charged	I. Revenue	4,618.79	18.47	4,637.25	4,303.65	-333.60	17.78	0.38
	II. Capital	2.00	112.89	114.89	16.40	-98.48	1.17	1.02
	III. Public Debt repayments	3,261.75	3,439.00	6,700.75	6,700.75	0.00	0.00	0.00
	Total	7,882.54	3,570.35	11,452.89	11,020.81	-432.08	18.95	1.40
Grand Total	46,971.12	6,736.56	53,707.68	45,528.24	-8,179.45	6,724.21	12.52	

Source: Appropriation Accounts.

As shown in above table, there was an overall saving of ₹ 8,179.45 crore which was result of saving of ₹ 8,229.36 crore in grants and Appropriations, offset by excess of ₹ 49.91 crore.

Details of Original Budget, Revised Estimate and Actual expenditure during 2015-20 are given in **Table-3.15**.

Table-3.15: Original Budget, Revised Estimate and Actual Expenditure during 2015-20

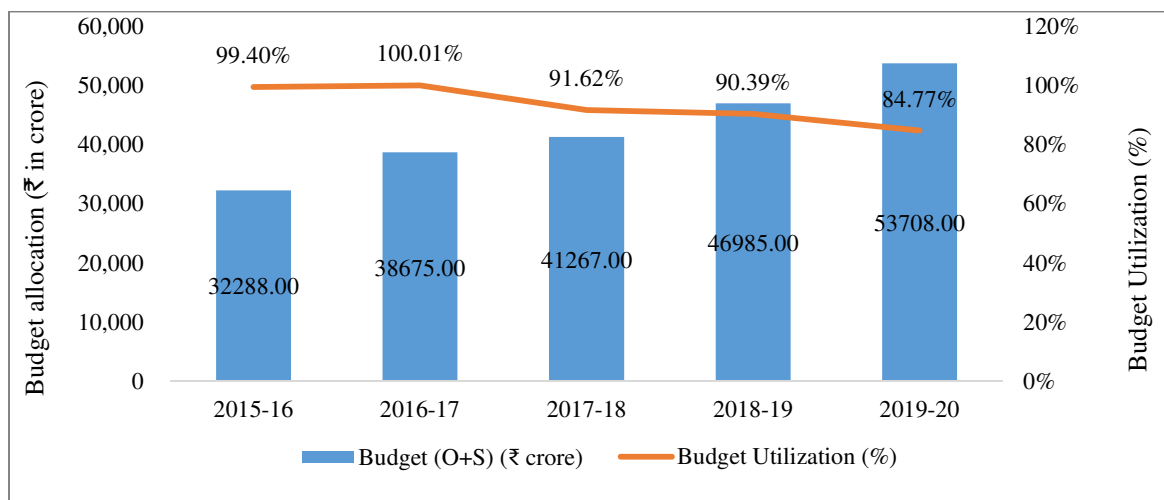
(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	30,186	34,739	37,940	43,842	46,971
Supplementary Budget	2,102	3,937	3,327	3,143	6,737
Revised Estimate	28,986	35,439	36,872	41,428	47,061
Actual Expenditure	32,096	38,708	37,811	42,469	45,528
Saving (-)/ Excess (+)	-192	32	-3,456	-4,516	-8,180
Percentage of Saving (-)/ excess (+)	(-) 0.59	0.08	(-) 8.37	(-) 9.61	(-) 15.23

Source: Appropriation Accounts and Budget documents of respective years.

The budget utilization shows declining trend from 2016-17 to 2019-20 against the allocation. Budget allocation (Original and Supplementary) and utilisation there against is given in **Chart-3.7**.

Chart-3.7: Budget Utilization during 2015-16 to 2019-20



Source: Appropriation Accounts

3.4.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes is not extended to the public at a large in such cases. Further, this leads to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister (FM) Budget Speech and other budget documents which are either for that financial year i.e. one-time activity or is of recurring nature. Detail of un-utilised funds under Capital Voted section is given in **Table-3.16** below:

Table-3.16: Detail of un-utilised funds under Capital Voted section

(₹ in crore)

Sr. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
Capital- Voted						
1	07-Police and Allied Organisations	68	14	82	61	21
2	08-Education	97	10	107	77	30
3	14-Animal Husbandry, Dairy Development and Fisheries	18	2	20	15	5
4	26-Tourism and Civil Aviation	58	9	67	37	30
5	32-Scheduled Caste Sub Plan	1,118	151	1,269	1,038	231
	Total:	1,359	186	1,545	1,228	317

Source: Appropriation Accounts

Due to non-availability of data from State Government in respect of schemes/projects which could not be completed for want of funds during the year, it could not be ascertained in audit whether savings of ₹ 317 crore under capital section could have been utilised for the completion of those schemes/projects.

3.4.3 Major policy pronouncements in budget and actual expenditure

Some major policy pronouncements in budget and actual expenditure there against are given in Table 3.17.

Table-3.17: Major policy pronouncements in budget and actual expenditure during 2019-20

(₹ in lakh)					
Sr. No.	Name of the Scheme	Classification	Budget Provisions	Actual expenditure	Savings (+)/ Excess (-)
1	Kaushal Vikas Bhatta Yojna	2230-03-003-09	9,900.00	4,620.14	5,279.86
		2230-03-796-06	103.37	21.61	81.76
		Total	10,003.37	4,641.75	5,361.62
2	Atal Aadarsh Vidya Kendras	4202-01-202-09	1500.00	0.00	1500.00
3	Mukhya Mantri Nutan Poly House	4402-00-102-02	700.00	0.82	699.18
		4402-00-796-01	100.00	0.00	100.00
		4402-00-789-02	200.00	0.00	200.00
		Total	1,000.00	0.82	999.18
4	Mukhya Mantri Khumb Vikas Yojna	2401-00-119-75	500.00	298.84	201.16
5	Ek Buta Beti Ke Naam	2406-01-102-41	29.79	29.79	52.8
6	Integrated Cooperative Development Project	2425-00-109-01	20.07	20.07	0.00
		2425-00-789-01	1.00	0.00	1.00
		6425-00-107-02	1.00	4.50	-3.5
		Total	22.07	24.57	-2.5
7	SAHARA	2210-06-200-09	37.14	37.14	0.00
Total			13,092.37	5,032.91	8,059.46

Source: Budget Speech and information provided by Finance department

As evident from above, against the total budget provision of ₹ 130.93 crore, expenditure of ₹ 50.33 crore (38.44 per cent) only was incurred on these schemes during 2019-20. Out of seven, in two schemes, the expenditure was less than 50 per cent of the budget provision. This deprived the beneficiaries of intended benefits.

3.4.4 Schemes and their actual funding for ensuring implementation

Several policy initiatives taken up by Government are partially or not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, etc. This deprives the beneficiaries of intended benefits. Savings in such schemes deprives other departments of the funds, which they could have utilised.

There are 96 schemes where provision (say ₹ one crore and above) was made but no expenditure was incurred (details given in **Appendix 3.4**), out of which details of some schemes are depicted in **Table-3.18**.

Table-3.18: Detail of some schemes for which provision was made but no expenditure incurred

(₹ in crore)

Sr. No.	Name of Department	Scheme Name	Approved outlay	Expenditure	Remarks
1	(Jal Shakti Vibhag) Engineer-in Chief Himachal Pradesh (I&PH) Department	Rural Water Supply and Sanitation Scheme Under Externally Aided Projects (Bricks)	100.07	0	No expenditure has been incurred on these schemes during the year. No reasons were intimated for the lack of expenditure under these schemes.
2	Director, Horticulture	Horticulture Development Project	78.97	0	
3	Engineer-in-Chief, HPPWD	World Bank State Roads	75.00	0	
4	Engineer-in-Chief, HPPWD	Expenditure on maintenance of roads	69.29	0	
5	Director Energy	Loans to Himachal Pradesh Power Corporation	62.00	0	
6	Director, Panchayati Raj	Performance grant to Gram Panchayats under Finance Commission	59.72	0	
7	Director, Tourism	Infrastructure Development Investment Programme for Tourism	55.69	0	
8	Director Energy	Equity contribution in HP Power Corporation	45.00	0	
9	Director, Education	Post Matric Scholarship to Scheduled Caste students	44.28	0	
10	Secretary, Finance	Pensioners of Funds Reserve with Finance Department	42.40	0	

Source: Appropriation Accounts

There are 36 schemes, where budget provision was more than ₹ 10 crore, but in the revised outlay the entire provision was removed either by re-appropriation or by surrender. The details of these schemes are given in **Table-3.19**:

Table-3.19: Details of schemes where entire budget provision was reduced to zero

(₹ in crore)

Sl. No	Name of Schemes	Total provision	Re-appropriation	Surrender	Revised outlay
1	Construction of State Guest House at New Delhi	20.90	0.00	-20.90	0.00
2	Mukhya Mantri Aadarsh Vidya Kendra	15.00	0.00	-15.00	0.00
3	Upgradation/Maintenance of Existing Information Communication Tech. Lab. and Other Lab. Facilities	32.90	-24.76	-8.14	0.00
4	Construction of Medical College at Chamba	10.38	0.00	-10.38	0.00
5	Expenditure on Maintenance of Roads	69.29	-69.29	0.00	0.00

Sl. No	Name of Schemes	Total provision	Re-appropriation	Surrender	Revised outlay
6	World Bank State Roads	75.00	0.00	-75.00	0.00
7	Jal Se Krishi Ko Bal	25.00	-25.00	0.00	0.00
8	Command Area Development Under Minor Irrigation Schemes	26.06	-26.06	0.00	0.00
9	Rural Water Supply and Sanitation Scheme Under Externally Aided Projects (Bricks)	100.07	-100.07	0.00	0.00
10	Construction of Railway Lines	26.19	0.00	-26.19	0.00
11	Creation of State of Art Industrial Areas	15.00	0.00	-15.00	0.00
12	Pensioners of Funds Reserve with Finance Department	42.40	-36.28	-6.12	0.00
13	Deen Dyal Upadhaya Grameen Kaushal Yojna	28.97	0.00	-28.97	0.00
14	Shyama Parshad Mukharji Rubran Mission	29.32	0.00	-29.32	0.00
15	Pradhan Mantri Krishi Sinchayee Yojna	14.80	0.00	-14.80	0.00
16	Performance Grant to Grampanchyats Under Finance Commission	59.72	-8.78	-50.94	0.00
17	Pradhan Mantri Awas Yojna (Gramin)	24.28	0.00	-24.28	0.00
18	S.J.V.N.L.	10.00	0.00	-10.00	0.00
19	Smart City Mission	37.40	-28.54	-8.86	0.00
20	World Bank Aided Greater Shimla Water Supply Scheme	11.61	0.00	-11.61	0.00
21	H.P. State Development Loan (New Loan)	331.20	-331.20	0.00	0.00
22	Loan for HP Power Corporation Projects	47.00	0.00	-47.00	0.00
23	World Bank Assisted Himachal Pradesh Horticulture Development Project	10.80	0.00	-10.80	0.00
24	National Rural Employment Guarantee Scheme	40.50	0.00	-40.50	0.00
25	National Rural Employment Guarantee Scheme	113.35	0.00	-113.35	0.00
26	Deendayal Upadhyay Gramin Kaushal Yojna	11.09	-11.09	0.00	0.00
27	National Rurban Mission	11.22	-6.58	-4.64	0.00
28	Chief Minister Rural Drinking Water Supply Scheme-Externally Aided Project National Development Bank	33.70	0.00	-33.70	0.00
29	World Bank Assisted HP Horticulture Development Project (EAP)	30.23	-2.58	-27.65	0.00
30	Smart City Mission	12.60	-1.07	-11.53	0.00
31	Investment in HRTC	15.62	-15.62	0.00	0.00
32	Rural Road World Bank	25.00	-16.20	-8.80	0.00
33	Loans to H.P. Power Corporation	62.00	0.00	-62.00	0.00
34	Upgradation/Maintenance of Existing Information Communication Technology Laboratories & Other Lab. Facilities	12.60	0.00	-12.60	0.00
35	Post Matric Scholarship to Scheduled Caste Students	34.28	0.00	-34.28	0.00
36	Expenditure on Government Colleges	12.00	-12.00	0.00	0.00
Total		1477.48	-715.12	-762.36	0.00

Non-utilization of the funds on sanctioned scheme shows the casual approach of State Departments in preparation of budget estimates and their utilisation. Weak scheme implementation capacities, the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts and surrender at the end of year also deprives other Departments of the funds, which they could have utilised.

3.4.5 Rush of expenditure

Government funds should be evenly spent throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Instruction regarding this is available in Budget Manual, Finance Department OMs, etc. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month.

The State Government has prescribed quarter wise percentages² for incurring expenditure during the year, with an aim to regulate the expenditure in a phased manner. Detail of cases, where substantial expenditure (or above particular percentage) was incurred in March 2020 are given in **Appendix 3.5**. Some cases where more than 50 per cent of expenditure incurred in March alone are given in **Table-3.20** below:

Table-3.20: Grants where more than 50 per cent of expenditure was incurred in March alone (Descending order of percentage)

Sr. No.	Name of the Grant	Head of Account	Expenditure during March (in per cent)
1	29- Finance	2049-03-104-01	98.01
2	10- Public Works - Roads, Bridges and Buildings	4216-01-106-01	69.67
3	13- Irrigation, Water Supply and Sanitation	4702-00-101-03	67.14
4	11- Agriculture	2401-00-109-31	66.75
5	13- Irrigation, Water Supply and Sanitation	4701-20-800-02	64.60
6	05- Land Revenue and District Administration	2245-05-101-02	62.61
7	28-Urban Development, Town and Country Planning and Housing	4215-02-106-02	55.86
8	27- Labour Employment and Training	4202-02-105-03	52.15
9	32- Scheduled Caste Sub Plan	5054-04-789-04	53.02
10	32- Scheduled Caste Sub Plan	4215-01-789-04	50.19

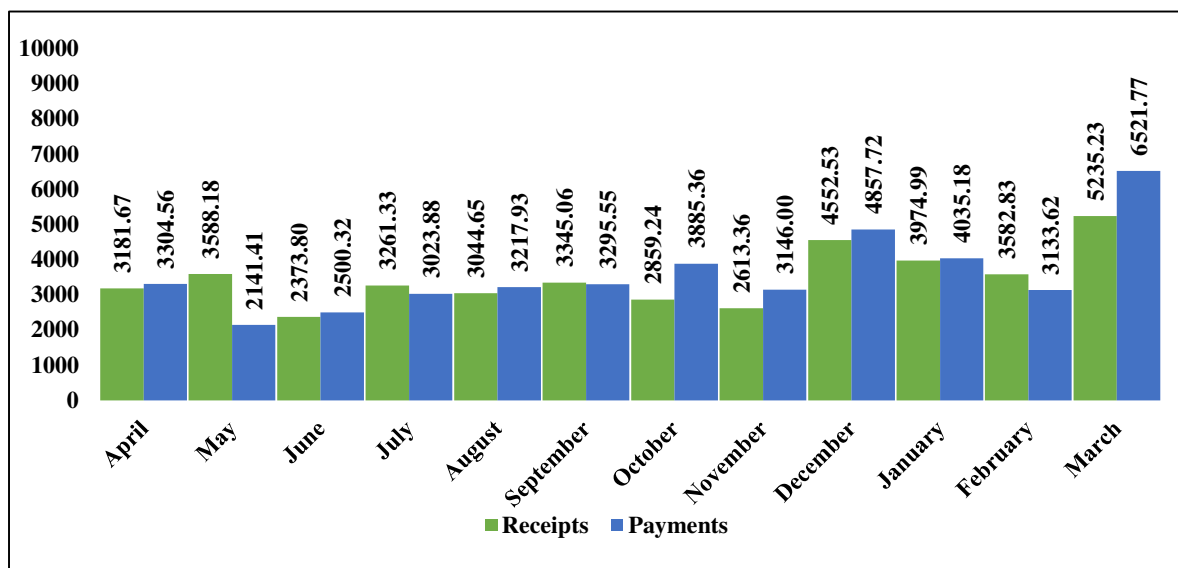
However, further analysis revealed that there were no such cases/sub-heads (schemes), where entire expenditure was incurred in March 2020.

Details of monthly receipts and expenditure incurred against these receipts are given in the **Chart-3.8**.

² 1st Quarter-20 per cent; 2nd Quarter-25 per cent; 3rd Quarter-30 per cent; 4th Quarter-25 per cent

Chart-3.8: Monthly receipts and expenditure during the year 2019-20

(₹ in crore)



Rush of expenditure during the last quarter, especially during the month of March, showed non-adherence to financial rules. The State Government may consider devising suitable mechanism to avoid rush of expenditure in the last quarter/month of the financial year.

3.5 Review of Selected Grants

A review of budgetary procedure and control over expenditure in respect of two grants (Grant No. 13- 'Irrigation and Public Health' and Grant No. 22- 'Food and Civil Supplies' for the period 2017-18 to 2019-20 revealed the following:

3.5.1 Grant No 13 – Irrigation and Public Health

The overall position of funds allotted, expenditure incurred and savings/excesses under Revenue and Capital sections for the last three years (2017-18 to 2019-20) is given in Table 3.21.

Table-3.21: Details of funds allocated, expenditure incurred and savings/excesses

(₹ in crore)

Year	Section	Original provision	Supplementary provision	Total Grant	Expenditure incurred	Excess (+)/ Savings (-)
2017-18	Revenue Section	2,260.78	177.80	2,438.58	2,408.25	-30.32
	Capital Section	489.66	77.95	567.61	478.84	-88.76
2018-19	Revenue Section	2,530.56	0	2,530.56	2,636.89	106.33
	Capital Section	579.74	218.08	797.82	626.04	-171.78
2019-20	Revenue Section	2,586.53	0.22	2,586.75	2,358.76	-227.99
	Capital Section	709.05	186.92	895.97	944.27	48.30

From the above table it would be seen that during 2017-18 and 2019-20 under Revenue section, there was a savings of ₹ 30.06 crore and ₹ 227.99 crore respectively against the budget provision. Similarly, under Capital section during 2017-18 and 2018-19, the funds allocated from supplementary provision proved unnecessary and resulted in savings of ₹ 88.76 crore and ₹ 171.78 crore respectively. An expenditure of ₹ 106.33 crore in 2018-19 (Revenue section) and ₹ 48.30 crore in 2019-20 (Capital section) proved excess/unauthorized and requires regularization from the State legislature. The Assistant Controller (F&A) stated (December 2020) that additionality of ₹ 57.11 crore was received on 28.03.2020 under capital section (Jal Jeevan Mission-Central share) from the Government, which was not taken into consideration.

Savings over the budget provision

Rule 31(4) of Himachal Pradesh Financial Rules 2009, provides that the revised estimates of both plan and non-plan expenditure and budget estimates for non-plan expenditure after being scrutinized and approved by the Administrative department concerned shall be forwarded to the Finance Department in such manner and form as may be prescribed. Similarly, Rule 41 also stipulates that the head of the department through their administrative department, all the anticipated savings noticed in the grants of appropriation controlled by them shall surrender to the Finance Department by the date prescribed before the close of financial year.

Scrutiny of the records revealed that during 2019-20, department either made unrealistic budget provisions or did not disburse/surrender the amount as per prescribed procedure/rule deprived the other necessitated heads where these funds were to be used. Detail of 17 cases/sub-heads (₹ 10 lakh or more in each case) which resulted in savings of ₹ 16.79 crore over the budget provision is given in the **Table-3.22** below:

Table-3.22: Details of savings (₹ 10 lakh or more in each case) over the budget provision
(₹ in lakh)

Sr. No.	Head of accounts	Original Grant	Supplementary	Reappropriation	Final grant	Expenditure	Savings
1	2215-01-005-02-State Non-Plan	57.75	0	165.60	223.35	200.66	-22.69
2	2215-01-102-13-SOON -State Non-Plan	4,374.47	0	4,007.87	8,382.34	8,021.34	-361.01
3	2215-01-102- State Plan	0	0.01	24.09	24.10	11.21	-12.90
4	4215-01-102-01-SOON-State Non Plan	0	0.01	24.76	24.77	0	-24.77
5	4215-01-102-01-SOON-State Plan	1,116.00	0	91.69	1,207.69	1,163.34	-44.35
6	4215-08-SOON-State Non-Plan	515.00	0	0	515.00	500.90	-14.10
7	4215-16- SOON-State Plan	9,800.00	0	853.00	10,653.00	10,274.92	-378.08
8	4215-23- SOON-State Plan	350.00	0	0	350.00	254.33	-95.67
9	4700-01-800-01- SOON-State Plan	0	0.02	22.99	23.01	0	-23.01
10	4702-00-101-02- SOON-State Plan	200.00	0	0	200.00	178.10	-21.90

Sr. No.	Head of accounts	Original Grant	Supplementary	Reappropriation	Final grant	Expenditure	Savings
11	4702-00-101-03- SOON-State Plan	4,489.00	0	0	4,489.00	4,202.21	-286.79
12	4702-00-101-06-C90N Share Central Plan	4,436.00	0	3,651.94	8,087.94	8,038.00	-50.00
13	4702-00-101-06-SOON-State Non Plan	450.00	0	0	450.00	400.00	-50.00
14	4702-00-101-06-S10N-State Plan	494.00	0	57.14	551.14	496.74	-54.40
15	4702-00-101-07-S10N-State Plan	329.00	0	-57.14	271.86	250.31	-21.55
16	4702-00-102-03-SOON-State Plan	1,347.00	0	0	1,347.00	1,218.50	-128.50
17	4705-00-313-01- SOON-State Plan	2,303.00	0	0	2,303.00	2,214.22	-88.78
	Total	30,261.22	0.04	8,841.94	39,103.20	37,424.78	-1,678.50

Further, from the above table, the following points were noticed:

- In two cases (Sr. No. 4 and 9), the whole amount of re-appropriated funds of ₹ 47.75 lakh (₹ 24.76 lakh and ₹ 22.99 lakh respectively) proved unnecessary and remained unutilised and resulted in savings under these heads.
- In nine cases, out of re-appropriated funds of ₹ 8,899.08 lakh, ₹ 971.21 lakh (11 per cent) remained unutilised at the end of the year 2019-20.

Thus unrealistic provision of funds in the original grant and by way of re-appropriation had resulted in savings, which indicate not only casual approach in preparation of budget estimates and demand of funds through re-appropriation but also non-utilization of the funds on sanctioned scheme. The Assistant Controller (F&A) stated (December 2020) that the savings were due to less preparation of DPR, non-acceptance of transfer entries and less execution of work.

3.5.2 Grant No 22 – Food and Civil Supplies

The overall position of funds allotted, expenditure incurred and savings/excesses under Revenue and Capital sections for the last three years (2017-18 to 2019-20) is given in Table 3.23:

Table-3.23: Details of funds allocated, expenditure incurred and savings/excesses

(₹ in crore)

Year	Section	Original provision	Supplementary provision	Total Grant	Expenditure incurred	Excess (+)/ Savings (-)
2017-18	Revenue	239.70	55.15	294.85	240.13	-54.72
	Capital	1.97	0	1.97	1.97	0
2018-19	Revenue	261.52	31.59	293.11	328.40	35.29
	Capital	2.01	0	2.01	2.01	0
2019-20	Revenue	275.36	39.95	315.31	316.80	1.49
	Capital	2.00	0.36	2.36	2.17	-0.19

Source: Appropriation Accounts

Scrutiny of the records of Food and Civil Supplies Department revealed the following points:

Expenditure without provision

Paragraph 1.19 of the Himachal Pradesh Budget Manual (HPBM) stipulates that no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204, through an Appropriation Act.

Scrutiny of re-appropriation order in respect of Grant No.22- 'Food and Civil Supplies' for the year 2019-20 revealed that neither there was any original nor supplementary provision under head of account 2408-01-102-13-S25N-Non-Plan but re-appropriation of ₹ 6.67 crore was made. This is indicative of the fact that re-appropriation was made in contravention of provisions of Himachal Pradesh Budget Manual.

Further, scrutiny of records in the office of the Directorate of Food, Civil Supplies and Consumer Affairs revealed that Finance Department on the request of the Department provided additional funds of ₹ 8.17 crore under the aforementioned head of account (27.03.2020) which were released on the same day to Managing Director, HP State Civil Supplies Corporation Ltd. for providing two months' wheat Atta/Rice to NFSA households in view of exigencies emerged due to outbreak of COVID-19 pandemic. Accordingly, the department had submitted (05.05.2020) final excess/surrender statement to Finance Department containing additionally of ₹ 8.17 crore provided on 27.03.2020.

Finance Department (October 2020) had also taken the cognizance of excess grants/appropriation and called for the reasons from the Department for incurring expenditure in excess of the re-appropriated provision of ₹ 6.67 crore. This indicates that additionally of ₹ 8.17 crore was not sufficiently provided through re-appropriation due to which re-appropriation of ₹ 6.67 crore proved injudicious and resulted in excess expenditure of ₹ 1.50 crore.

The Department stated that due to distribution of two months Wheat Atta/Rice to NFSA households on account of spread of COVID-19 epidemic, the provision was made by the Finance Department. However, the reply of the Finance Department is awaited (May 2021).

Booking of expenditure under omnibus Minor Head 800-Other expenditure

Booking under Minor Head '800-Other Expenditure' should be done only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged since it renders the accounts opaque.

Test check of records of the Directorate of Food, Civil Supplies and Consumer Affairs revealed that an expenditure of ₹ 93.91 crore had been incurred on the State scheme 'Himachal Grihani Suvidha Yojna' and classified under head of account 2408-01-800-Other expenditure-02- Himachal Grihani Suvidha Yojna -State Non Plan during the years 2018-20. The large amount of expenditure incurred on the scheme is of recurring nature

and cannot be treated as temporary which could be classified under omnibus head of account i.e. '800 Other Expenditure' as per the detail given in **Table- 3.24**.

Table-3.24: Booking of expenditure under Minor Head '800-Other Expenditure'

Financial Year	Scheme	Expenditure (₹ in crore)
2018-19	2408-01-800-02- Himachal Grihani Suvidha Yojna	30.34
2019-20	2408-01-800-02- Himachal Grihani Suvidha Yojna	63.57
Total		93.91

Source :<https://himkosh.nic.in/eHPOLTIS/PublicReports/wfrmMinorHeadWiseQueries.aspx>

Thus, the expenditure of ₹ 93.91 crore classified under omnibus minor head '800-Other expenditure instead of depicting in the distinct head of account results in reflecting opaque accounts and adversely affects transparency in financial reporting.

The Department while confirming the facts stated that all the departmental schemes are booked under the Major Head 2408- 'Food Storage and Warehousing' after approval of the Finance Department. The reply is not acceptable as the expenditure booked under omnibus minor head 800- 'Other expenditure' does not reflect fair and transparent presentation of financial reporting.

3.6 Conclusions

- The budgetary system of the State Government was not upto the mark, as overall utilisation of budget was 84.77 *per cent* of total grants and appropriations during 2019-20. Budgetary allocations were based on unrealistic proposals as out of total 32 grants, in 14 grants savings were more than ₹100 crore. In four grants there were persistent savings of more than ₹ 100 crore over the last five years. It was further noted that all surrenders were made on the last day of the financial year.
- Supplementary provisions were also not on realistic basis as in 18 cases the supplementary provisions were either unwarranted or excessive. There was rush of expenditure at fag end of the year. In 10 heads under eight grants/appropriations 50 *per cent* or more of the total expenditure during 2019-20 was incurred in the month of March 2020.
- In four grants and three appropriations the expenditure of ₹ 49.91 crore was excess over the authorisation made by the State Legislature which vitiates the system of budgetary and financial control. The excess expenditure is required to be regularised from the State Legislature along with excess disbursements of ₹ 9,154.73 crore pertaining to 2013-14 to 2018-19.
- In 96 schemes, no expenditure was incurred inspite of budget provisions of more than ₹ one crore being available in each case. Further, in 36 schemes the entire budget provision was removed either by re-appropriation or by surrender. This

indicates weak financial planning by the state departments which has led not only to denial of intended benefits but also blockage of resources.

- Review of Grant No. 13 – Irrigation and Public Health revealed that the unrealistic provision of funds in the original grant and by the way of re-appropriation has resulted in savings. This not only indicates casual approach in preparation of budget estimates and demand of funds through re-appropriation but also non-utilization of the funds on sanctioned scheme.
- Review of Grant No. 22- Food and Civil Supply revealed that expenditure was incurred without budget provisions in contravention of provisions of Himachal Pradesh Budget Manual. Further, the expenditure of ₹ 93.91 crore was classified under omnibus head ‘800-Other Expenditure’ instead of depicting in the distinct head of account which adversely affects transparency in financial reporting.

3.7 Recommendations

- The State Government should be more realistic in its budgetary assumptions and ensure efficient control mechanisms to curtail savings/ excess expenditure.
- The State Government should assess the savings/excess and surrender the amount well before the close of the financial year so that they can be effectively utilised in other areas/ schemes.
- Government should adhere to quarterly targets fixed for incurring expenditure through periodic monitoring, to avoid rush of expenditure towards end of the year, and for proper utilization of savings through timely surrender. Excess expenditure over grants approved by the Legislature is in violation of the will of the Legislature. It, therefore, needs to be viewed seriously and should be regularized at the earliest.
- Government may consider formulating strategies for actual execution of major policy decisions and development schemes in the State at the time of preparing budgetary estimates, to ensure the extension of benefit to the intended beneficiaries.

CHAPTER-IV

QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICE

CHAPTER - IV

Quality of Accounts and Financial Reporting Practices

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) subject to the provisions of article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled “the Consolidated Fund of the State. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

It has been observed that funds meant to be credited to consolidated fund were kept outside the consolidated fund of the State as discussed below:

4.1.1 Building and Other Construction Workers’ Welfare Cess

The Government of India (GoI) enacted “The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996” and the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act), to regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare measures. In exercise of the powers conferred by sub-section (1) of section 14 of the Cess Act, GoI framed the Building and Other Construction Workers’ Welfare Cess Rules, 1998 (Cess Rules). Accordingly, Himachal Pradesh Building and Other Construction Workers Rules 2008 were framed under the Act and the Himachal Pradesh Building and Other Construction Workers Welfare Board was constituted in March 2009.

Section 3 of the Cess Act provides for the levy and collection of cess from every employer in relation to the building or other construction work, and paid to the Board after deducting the cost of collection of such cess not exceeding one *per cent* of the amount collected. As per Section-5 of the Cess rules, the proceeds of the cess collected shall be transferred to the Board along with the form of challan prescribed (and in the head of account of the Board) under the accounting procedures of the State. Further, the Board is an autonomous body

and the accounts of the Board is being separately audited and certified by the Pr. Accountant General (Audit).

It was noted that no rules have been framed by the Government of Himachal Pradesh for accounting of labour cess and no sub head has been provided by the Government for booking and collection of labour cess. The Labour Cess collected is being levied at the rate of one *per cent* of the cost of construction by Building and Roads/Jal Shakti Vibhag and is being booked under 8443-Civil Deposit-108-Public Works Deposits. Since the Public Works Deposits do not have any sub head below it for booking this cess, hence the amount of Cess collected, and transferred to the Labour Welfare Board and balance yet to be transferred cannot be ascertained in the absence of prescribed accounting rules.

As per information provided by the Board, it had an opening balance of ₹ 592.83 crore and had received ₹ 116.53 crore during 2019-20 as labour cess, interest, etc. During the year the Board had spent ₹ 53.49 crore out of which ₹ 51.13 crore was spent on labour welfare activities/schemes.

Thus, the Board was unable to spend even the amount received during the year by way of labour cess collected and interest etc. As a result, the Board had an amount of ₹ 655.87 crore at its disposal at the close of the year (31st March 2020). The amount of unutilized funds and low percentage of utilization indicate that the Board was not spending enough on existing schemes.

4.1.2 Regulators

The status of funds of regulators namely Himachal Pradesh Electricity Regularity Commission (HP-ERC), Himachal Pradesh Private Educational Institutions Regulatory Commission (HP-PEIRC) and Himachal Pradesh Real Estate Regulatory Authority (HP-RERA) is given in the **Table-4.1** below:

Table-4.1: Showing details of regulators and the funds collected by them

Sl. No.	Name of the Regulatory Authority	Constitution of Regulatory Commission Fund	Amount outstanding towards Government
1.	Himachal Pradesh Electricity Regulatory Commission	The Himachal Pradesh Electricity Regularity Commission Fund constituted in May 2007 shall be maintained funds at any Nationalized Bank and subsidiary accounts at such other branches of such banks. The Fund shall comprise of all the grants and loans given by the State Government, all fees and fines, and all other sums received from other sources.	No outstanding amount was due from Himachal Pradesh Electricity Regulatory Commission towards Government.

Sl. No.	Name of the Regulatory Authority	Constitution of Regulatory Commission Fund	Amount outstanding towards Government
2.	Himachal Pradesh Private Educational Institutions Regulatory Commission (HP-PERC)	As per Section 8 of HP-PERC Act 2010 a fund shall be established to which shall be credited a) By the private Education Institution such percentage of total fees every year as may be assist by Commission from time to time but not exceeding 1 per cent of total fees. b) Loan from the State Government which will be repayable within three year c) Any other grants received from any other source and d) All sums received by way of penalty	An amount of ₹ 1.80 crore was collected as 1 per cent fee during the period 2011-12 to 2012-13. However, the provision of collection of 1 per cent fee has been stayed by the Hon'ble High Court and the case is pending for adjudication. The HP-PERC also received an amount of ₹ 1.06 crore on account of fine/penalty imposed. The amount has been parked in Fixed Deposits because of the stay given by the Hon'ble High Court. The HP-PERC received ₹ 7.70 crore from the State Government from 2011-12 to 2019-20 in the shape of loans. The same has been utilized for day-to-day expenditure of HP-PERC. The HP-PERC has not repaid any amount of the loans received as on 31/03/2020. The total amount due as on 31/03/2020 was ₹ 7.70 crore along with interest accrued therein.
3.	Himachal Pradesh Real Estate Regulatory Authority	The income of the Authority shall comprise grants-in-aid, registration charges, complaint fee and e-charges from promoters, agents and complainants.	As the Authority has started its functioning with effect from January 2020 only, therefore the funds have been received as grants-in-aid from the State Government.

4.2 Loans of State Government not being credited to the Consolidated Fund

The State Government intimated that the Government did not resort to off-budget borrowings in the State of Himachal Pradesh. No such borrowings were noticed during audit of Financial Statements of PSUs for the year 2019-20, wherever received.

4.3 Non-discharge of liability in respect of interest towards interest bearing deposits

The Government does not have any liability to provide and pay interest on the amounts in the Interest-bearing Deposits (Major Heads of Accounts 8338 to 8342).

4.4 Funds transferred directly to State implementing agencies

In spite of the Government of India's decision to release all assistance to Centrally Sponsored Schemes/ Additional Central Assistance to the State Government and not to implementing agencies from 2014-15 onwards, funds were transferred directly to implementing agencies. Since these funds are not routed through the State Budget, these

are not reflected in the Accounts of the State Government. Names of some major implementing agencies which received funds directly from the GoI during 2019-20 are given in the **Table-4.2**:

Table-4.2: Funds transferred by Government of India directly to State implementing agencies

(₹ in crore)

Sl. No.	Name of the Implementing Agencies	Name of the Schemes of Government of India	GoI releases during 2019-20
1	Department of Revenue, Himachal Pradesh	Pradhan Mantri Kisan Sampada Yojana-FPI	572.05
3	Himachal Pradesh Rural Development and Employment Guarantee Society	National Rural Employment Guarantee Scheme	441.60
4	Directorate of Women and Child Development	Pradhan Mantri Matru Vandana Yojna	32.97
5	Himachal Pradesh State Industrial Development Corporation Ltd.	Package for Special Category States for J&K, Himachal Pradesh and UK	31.01
6	Himachal Pradesh State Civil Supplies Corporation Ltd.	Assistance to State Agencies for Intra-State	29.18
7	H.P. State Industrial Development Corporation Ltd.	Transport Subsidy Scheme	20.49
8	HP Tourism Development Board	Swadesh Darshan	19.93
9	HP Road Transport Corporation	Road Transport	18.58
10	Himachal Pradesh Transport Corporation	Scheme for Faster Adoption and Manufacturing	18.58
11	HP AIDS Control Society Shimla	National AIDS & STD Control Programme	12.29
12	Himachal Pradesh State AIDS Control Society Shimla	National AIDS and STD Control Programme	12.29
13	Deputy Commissioner, Kangra	MPs Local Area Development	10.00
14	Others		153.72
Total			1,372.69

Source: Finance Account – Appendix VI

The details of aggregate amount transferred to implementing agencies during the last three years are indicated in **Table-4.3**.

Table-4.3: Funds transferred to State Implementing agencies

Direct transfers to State implementing agencies	2017-18	2018-19	2019-20
Funds transferred (₹ in crore)	901.83	962.08	1,372.69

As per the PFMS portal of the Controller General of Accounts (CGA), GoI released ₹ 1,372.69 crore directly to implementing agencies during 2019-20. The direct transfers of funds to implementing agencies have increased by 42.68 per cent from ₹ 962.08 crore in 2018-19 to ₹ 1,372.69 crore in 2019-20. This comprises 27 per cent of the amount

(₹ 4,915.06 crore) released by the GOI for centrally sponsored scheme as Grants-in-aid, through the state budget.

4.5 Deposit of Local Funds

Some State Panchayati Raj Acts provides that Zila Parishad (ZP), Panchayat Samiti (PS) and Gram Panchayat (GP) would maintain ZP fund, PS fund and GP fund respectively (under Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds). This would include all amounts realised or realisable under the Act and all amounts otherwise received by the PRIs, such as grants received from Central Finance Commission and State Government as part of the State Finance Commission award and its own revenue, which includes tax and non-tax receipts. The Acts also envisages that the Municipal Fund is to be held by the Urban Local Bodies (Nagar Panchayat, Municipal Council and Municipal Corporation). All the money realised or realisable under this act and all money otherwise received by them are to be kept in the Municipal Fund under the Major Head 8448-Deposits of Local Funds-102-Municipal Funds. The details of these funds are detailed in **Table 4.4** below.

Table-4.4: Deposits of Local Funds

Year		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Panchayat Bodies Fund (8448-109)	Opening Balance	134.83	5.34	1.18	0.66	0.13
	Receipt	1.68	-	0.51	-0.51	0
	Expenditure	131.17	4.16	1.03	0.02	0.06
	Closing Balance	5.34	1.18	0.66	0.13	0.07
Municipal Fund (8448-102)	Opening Balance	0.23	0.29	0.29	0.19	0.28
	Receipt	0.06	0	-0.02	0.09	0
	Expenditure	-	0	0.08	-	0.16
	Closing Balance	0.29	0.29	0.19	0.28	0.12

Source: Finance Accounts of respective years

As is evident from the above table, the funds of Panchayat Bodies and Urban Local Bodies had an accumulated balance of ₹ 0.07 crore and ₹ 0.12 crore respectively as on 31 March 2020.

Issues related to transparency

4.6 Delay in submission of Utilisation Certificates

In terms of Rule 157 of the Himachal Pradesh Financial Rules, 1971 (Revised in 2009), where grants are sanctioned for specific purpose, the departmental officers concerned

should obtain Utilization Certificates (UCs) from the grantee, which, after verification, should be forwarded to Principal Accountant General (A&E) within the dates specified in the sanction. The departmental officers drawing the grants-in-aid would be primarily responsible for certifying to the Principal Accountant General (Accounts and Entitlement) for the fulfilment of the conditions attached to the grant. UCs outstanding beyond the specified periods indicate absence of assurance on utilization of grants for indented purposes, and thus the expenditure shown in the accounts to that extent can not be treated as final. A total number of 2,482 UCs amounting to ₹ 2,847.94 crore was pending as of March 2020. The age-wise and year-wise position as regards submission of UCs has been summarised in **Table-4.5** and **Table-4.6**.

Table-4.5: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year	Opening Balance		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	1119	777.08	640	307.43	479	469.65
2018-19	1288	1121.72	684	528.79	604	592.93
2019-20	13694	3,344.30	12295	1558.94	1399	1785.36

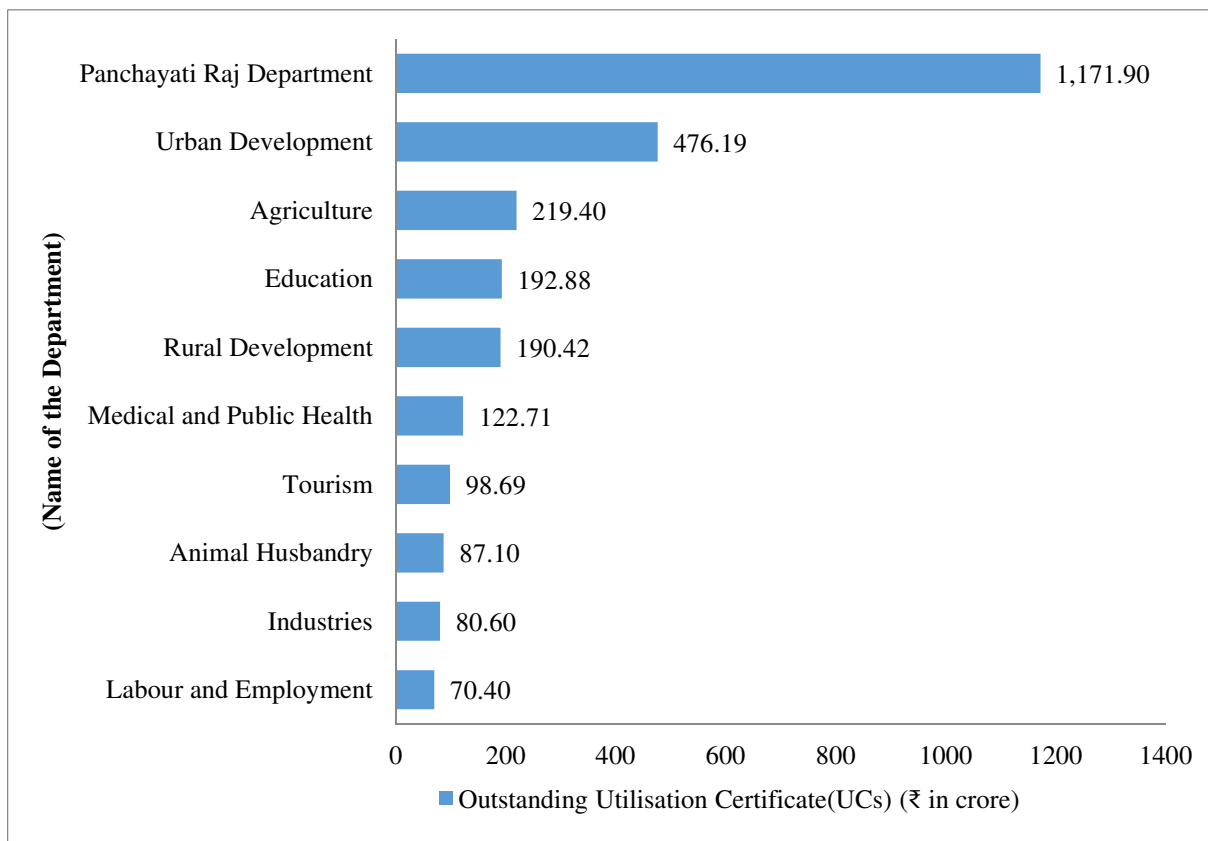
Source: Compiled from the information provided by the PAG (A&E) Himachal Pradesh.

Note: UCs for the GIA disbursed during 2018-19 become due only during 2019-20 i.e. The year mentioned above relates to "Due year" i.e., after 12 months' of actual drawal.

Table-4.6: Year wise break up of outstanding UCs

Year in which GIA transferred	Number of outstanding UCs	Amount (₹ in crore)
2012-13	33	7.96
2013-14	11	15.28
2014-15	10	56.62
2015-16	65	106.21
2016-17	360	283.58
2017-18	604	592.93
2018-19	1,399	1,785.36
Total	2,482	2,847.94

Non-submission of the UCs means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

Chart-4.1: Outstanding UCs in respect of 10 major departments for the grants paid up to 2018-19

Out of total 2,482 outstanding UCs, 1,083 UCs for grants of ₹ 1,062.58 crore pertain to the period 2009-10 to 2017-18. Out of total amount of ₹ 2,847.94 crore for which UCs were outstanding, 58 per cent pertain to two departments (41.15 per cent Panchayat Raj Department: ₹ 1,171.90 crore and 16.72 per cent Urban Development Department: ₹ 476.19 crore).

4.6.1 Recording of Grantee Institution as “Others”

There is a mechanism in some States of giving institute code to various bodies and authorities receiving Grants-in-Aid from Government. These grants are also recorded in VLC system of AG office and submission of UCs is monitored against outstanding amount against each institute. Needless to say, for this system to work, grantee institute should be recorded properly. In absence of proper code, outstanding amounts against all institutes cannot be worked out.

In Himachal Pradesh no code is being allotted to the institutions receiving grants from the Government of Himachal Pradesh for monitoring of UCs by Pr. Accountant General (A&E).

As per the Statement number 10 of the Finance Accounts 2019-20, an amount of ₹ 3,506.49 crore had been given as grants-in-aid to different institutions during the current

year. Out of total grants-in-aid of ₹ 3,506.49 crore, ₹ 555.21 crore (15.83 per cent) was given to “Others” during 2019-20. The Government has continued to record substantial amount of grants-in-aid as ‘Others’, it ranged between 25.09 per cent and 35.14 per cent during 2015-19.

Table-4.7: Grants-in-Aid to Grantee Institutions of Type ‘Others’

(₹ in crore)

Year	Total GIA Amount	Amount to Grantee Institutions of Type ‘Others’	Percentage to total GIA
2015-16	2,612.28	917.86	35.14
2016-17	3,356.98	842.39	25.09
2017-18	2,895.45	784.69	27.10
2018-19	3,633.95	1048.43	28.85
2019-20	3,506.49	555.22	15.83

Source: Finance Accounts for the respective years

4.7 Abstract Contingent Bills

Drawing and Disbursing Officers (DDO) are authorized to draw sums of money in advance and submit adjustment bills thereafter. The State Government had identified (June 2017) six departments namely Youth Services and Sports, Ayurveda, Health and Family Welfare, Prosecution, Agriculture and Horticulture to operate Abstract Contingent (AC) bills but the State Government had not formulated any mechanism to identify/monitor the expenditures of contingency nature drawn as advances (through AC bills) and its adjustment (through Detailed Contingent (DC) bills). However, the Drawing and Disbursing Officers (DDOs) are being using routine expenditure form (HPTR-5) to withdraw the contingent advances from the treasury.

Advances drawn and not accounted for increase the possibility of wastage/misappropriation/malfeasance, etc. and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

4.8 Personal Deposit Accounts

Under Rule 12.7 of the Himachal Pradesh Financial Rules Vol-I, 1971, Personal Deposit (PD) accounts are operated by transferring amounts from the Consolidated Fund to be utilized for specific purposes and booked as final expenditure against the concerned service Major Heads without any actual cash flow. Unspent balances lying in PD accounts are required to be transferred back to the Consolidated Fund on the last working day of the financial year, and reopened next year, if necessary. This Rule has not been followed by the State Government, despite persistent correspondence over the past many years.

At the end of 2019-20, an amount of unspent balances of ₹ 2.82 crore in 112 PD accounts remained un-transferred to the Consolidated Fund of State. The status of PD accounts during 2019-20 is given in **Table-4.8**.

Table-4.8: Status of PD Accounts (MH 8443-106) as on 31 March 2020

(₹ in crore)

PD Accounts as on 01.04.2019		Additions during the year		Disbursements during the year		Closing balance as on 31.03.2020		Operative Accounts		Inoperative Accounts	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
112	2.56	00	0.61	00	0.35	112	2.82	102	2.59	10	0.23

Out of total 112 PD accounts, 36 accounts have zero balance and PD accounts were inoperative since more than one year. As per the prescribed procedure PD accounts are opened under the designated heads of account, i.e., MH- 8443 - Civil Deposits-106 – Personal Deposits and are reconciled with plus and minus memo as supplied PD accounts holders and all the treasuries. However, it was noticed that there were two cases where PD accounts were opened under the heads (8448-106 and 8448-109) other than the designated heads of accounts.

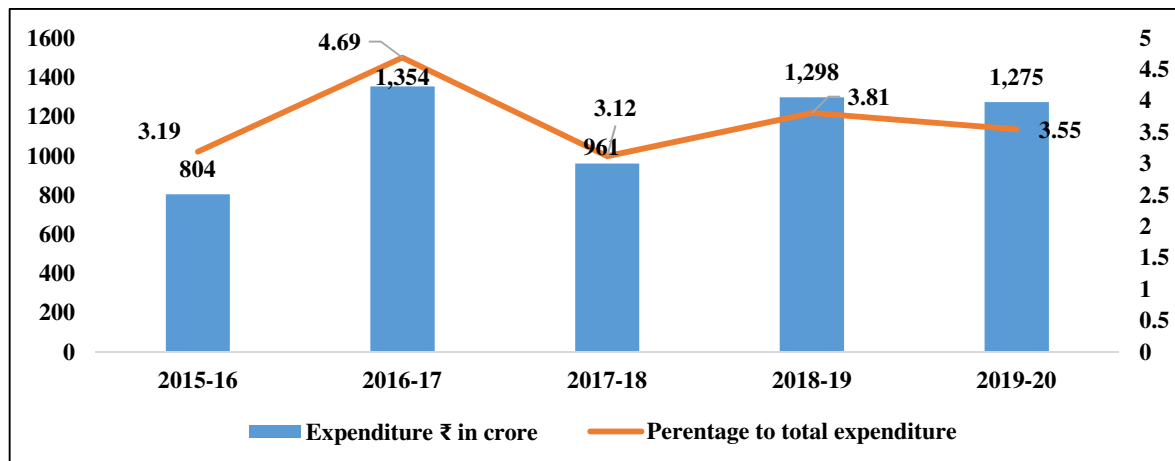
Amounts lying in PD accounts resulted in overstatement of expenditure to that extent. Non-reconciliation of PD accounts periodically and not transferring the unspent balances lying in PD accounts to Consolidated Fund entails the risk of misuse of public funds, fraud and misappropriation.

4.9 Indiscriminate use of Minor Head 800

Minor head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Pr. Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Routine operation of Minor Head 800 is to be discouraged, since indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

The extent of operation of Minor Head-800, as a percentage of total expenditure during 2015-16 to 2019-20 is given in **Chart-4.2**.

Chart-4.2: Operation of Minor Head 800- Other Expenditure during 2015-20



During 2019-20, an amount of ₹ 1,275 crore under 43 Major Heads of account, constituting 3.55 per cent of expenditure (₹ 35,904 crore) was classified under the Minor Head-800 'Other Expenditure' in the Revenue and Capital accounts. Similarly, ₹ 1,637 crore under 46 Major Heads of Account constituting 5.33 per cent of receipts (₹ 30,744 crore) booked under the Minor Head-800 'Other Receipts'. Instances where significant amount (20 per cent or more and exceeding ₹ 5 crore) of the receipts and expenditure was classified under Minor Head '800-Other Receipts' and '800-Other Expenditure' during the year 2019-20 are depicted in Table-4.9.

Table-4.9: Significant amount booked under Minor Head- '800-Other Receipts/ Expenditure' during 2019-20

(₹ in crore)

"800-Other Receipts"				"800-Other Expenditure"			
Major Head	Total receipts	Booked under Minor Head 800	Percentage	Major Head	Total expenditure	Booked under Minor Head 800	Percentage
0801-Power	1,021.68	1,021.68	100.00	4711-Capital Outlay on Major Irrigation	326.68	309.64	94.78
0045-Other Taxes and Duties on Commodities and Services	312.10	210.37	67.40	2230-Labour, Employment and Skill Development	270.22	128.52	47.56
0853-Non-Ferrous Mining and Metallurgical Industries	246.30	56.20	22.82	5475-Capital Outlay on Other General Economic Service	137.69	137.63	99.96
0049-Interest Receipts	245.36	61.51	25.07	4701-Capital Outlay on Medium Irrigation	85.00	55.00	64.70
0235-Social Security and Welfare	38.79	36.73	94.68	5452-Capital Outlay on Tourism	33.69	33.05	98.10

“800-Other Receipts”				“800-Other Expenditure”			
Major Head	Total receipts	Booked under Minor Head 800	Percentage	Major Head	Total expenditure	Booked under Minor Head 800	Percentage
0059-Public Works	53.51	16.47	30.79	4851-Capital Outlay on Village and Small Industries	29.95	22.08	73.71
0070-Other Administrative Services	49.65	26.87	54.11	2075-Miscellaneous General Services	23.89	23.65	99.01
0217-Urban Development	6.62	6.62	100.00	4070-Capital Outlay on Other Administrative Service	15.91	12.91	81.14
1475-Other General Economic Services	13.36	8.59	64.30	2852-Industries	11.59	7.19	62.04
0401-Crop Husbandry	8.48	5.95	70.09	4700-Capital Outlay on Major Irrigation	9.07	9.07	100
1452-Tourism	5.89	5.75	97.54	--	--	--	--
0406-Forestry and Wildlife	83.61	16.78	20.07	--	--	--	--
1054-Roads and Bridges	12.44	4.81	38.65	--	--	--	--
Total:	2,097.79	1,478.33	70.47	Total:	943.69	738.74	78.28

As is evident from above table, around 70 per cent of receipts pertaining to 13 Major Heads were booked under ‘800- Other Receipts’. Similarly, around 78 per cent of revenue and capital expenditure pertaining to 10 Major Heads was booked under the ‘800-Other Expenditure’. Classification of large amounts booked under the Minor Head ‘800-Other Receipts/Expenditure’ affects the transparency/fair picture in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

It is further to be noted that this matter had already been discussed with the Finance Department, and the Finance Department had issued (October 2018) instructions to all the State Departments to stop the existing practice of booking under Minor Head 800- Other expenditure/Other Receipt. It further directed that the expenditure should be booked under already existing appropriate minor head or by opening a new sub head an appropriate minor head. But as is evident from the above table, it is clear that the booking of expenditure under Minor Head 800 is still in practice.

Issues related to measurement

4.10 Outstanding balance under major Suspense and DDR heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc. The position of gross figures under major suspense and remittance heads for the last three years is given in **Table-4.10**.

Table-4.10: Status of Suspense and Remittances Balances

(₹ in crore)

Name of Minor Head	2017-18		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658 - Suspense Accounts						
101-Pay and Accounts Office-Suspense	86.03	36.55	96.21	35.55	124.62	56.33
Net	49.48 Dr.		60.66 Dr.		68.29 Dr.	
102-Suspense Account (Civil)	171.47	164.12	149.77	131.53	1,551.08	164.34
Net	7.35 Dr.		18.24 Dr.		1,386.74 Dr.	
110-Reserve Bank Suspense-Central Accounts Office	0.03	0.03	0.57	---	3,755.23	3,755.23
Net	Nil		0.57 Dr.		Nil	
112-Tax Deducted at Source (TDS) Suspense	400.08	453.76	484.05	497.09	447.74	468.23
Net	53.68 Cr.		13.04 Cr.		20.49 Cr.	
129-Material Purchase Settlement Suspense Account	270.59	347.59	164.43	305.64	139.79	244.17
Net	77.00 Cr.		141.21 Cr.		104.38 Cr.	
8782 - Cash remittances and adjustments between officers rendering accounts to the same Accounts Officer						
102-Public Works Remittances	6,668.66	7,037.44	7,185.44	7,660.51	7,507.51	8,104.89
Net	368.78 Cr.		475.07 Cr.		597.38 Cr.	
103- Forest Remittances	120.04	151.49	151.59	187.49	124.72	141.58
Net	31.45 Cr.		35.90 Cr.		16.86 Cr.	

Source: Finance Accounts

The Suspense balances (Debit/Credit) under the Minor heads 101-PAO Suspense, 102-Suspense Account (Civil) and 110-Reserve Bank Suspense-Central Accounts Office under Major Head 8658-Suspense Account appearing in the Finance Accounts for the year 2019-20 are detailed below:

Pay and Accounts Office – Suspense (Minor Head 101): This Minor Head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of PAOs under the Union Government, PAOs of the Union Territories and the Pr. Accountants General. The outstanding debit balance (31 March 2020) under this Head was ₹ 68.29 crore against debit balance of ₹ 60.66 crore at end of the previous year.

Outstanding debit balance under this Head means that payments have been made by the PAO on behalf of other PAO, which are yet to be recovered.

Suspense Account - Civil (Minor Head 102): The transactions which cannot be taken to final Head of expenditure/receipt accounts for want of certain information/documents (challans, vouchers etc.) are initially booked under this suspense head.

During 2019-20, the debit balances under Suspense head increased significantly by ₹ 1,401.31 crore as compared to previous year 2018-19, primarily due to expenditure of ₹ 1,373.77 crore (Revenue Expenditure: ₹ 1,202.25 crore and Capital Expenditure: ₹ 171.52 crore) has been booked under this head during 2019-20 due to non-furnishing the proof of actual expenditure (relevant bills/vouchers) by the State Government even after repeated requests. The amounts were withdrawn merely based on sanction orders from the treasury by various DDOs and retained outside the Government account in different savings bank accounts. However, the State Government treated the above amounts as expenditure incurred against the budget provisions made by the State Legislative Assembly without incurring actual expenditure.

Apart from above, it was noticed that there was no adverse balance under these minor heads of accounts below the Major Head-Suspense.

4.11 Reconciliation of Departmental figures

To enable Controlling Officers of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Pr Accountant General (A&E).

During the year 2019-20, such reconciliation was completed fully by 102 CCOs/COs covering receipts of ₹ 30,744.45 crore (100 per cent) and expenditure of ₹ 35,904.34 crore (100 per cent) respectively. The reconciliation of receipts and expenditure figures has been fully completed by CCOs/COs during the last three years (2017-20).

4.12 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Pr. Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

There was a net difference of ₹ 17.28 crore (Dr.) in cash balance as on 31 July 2020 between the figures reflected in the account of Pr. Accountant General (A&E), Himachal Pradesh and as reported by the Reserve Bank of India (RBI). The cash balance as worked out the by Office of the Pr. Accountant General (A&E), Himachal Pradesh was ₹ 77.93 crore (Dr.) whereas ₹ 60.65 crore (Cr.) was reported by Reserve Bank of India. The State Government imposed no penal interest on the agency banks.

Issues related to disclosure

4.13 Compliance with Accounting Standards

As per article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS). The compliance of the existing accounting Standards by the State Government is detailed in the **Table-4.11**.

Table-4.11: Compliance to Accounting Standards

Sr. No.	Accounting Standard	Compliance by State Government	Impact of deficiency
1	IGAS 1: <i>Guarantees given by the Government</i>	Complied	Detailed information like number of guarantees for each institution has been furnished.
2	IGAS 2: <i>Accounting and classification of grants-in-aid</i>	Partially complied (Statement 10 and Appendix-III of Finance Accounts)	Details of Grants-in-aid given by the State Government are shown in Statement 10 and Appendix-III of the Finance Accounts as per the requirement of IGAS-2. During the year 2019-20 the State Government released grants-in-aid to the tune of ₹ 3,506.49 crore and allocated fund amounting to ₹ 844.73 crore for creation of Capital assets. Although the break-up of this amount was provided major head wise, however institution wise break-up of the same was not available.
3	IGAS 3: <i>Loans and advances made by Governments</i>	Partially complied (Statement 7 and 18 of Finance Accounts)	Statements 7 and 18 of the Finance Accounts on Loans and Advances given by the Government have been prepared as per the requirements of IGAS 3, to the extent furnished by the State Government except information on (i) Repayment in arrears from other loanee entities and (ii) Fresh loans and advances made during the year to the loanee entities from whom repayments of earlier loans are in arrears.

Source: Indian Government Accounting Standards and Finance Accounts

4.14 Delay in submission of Accounts/Separate Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government in the fields of Education, Welfare, Law and Justice, Health, etc. Out of which, audit of accounts in respect of 18 autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. Audit of these 18 bodies is conducted under section 19(3) of the C&AG's DPC Act and Separate Audit Reports are prepared for the same. Detail of authorities whose accounts are in arrears is given in **Table-4.12**:

Table-4.12: Arrears of accounts of Bodies or Authorities

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to 2019-20
1	Himachal Pradesh Building and Other Construction Workers Welfare Board, Shimla	2019-20	01
2	HP Khadi and Village Industries Board	2013-14	07
3	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	2013-14	07
4	HP City Transport and Bus Stand Management and Development Authority	2018-19	02
5	HP State Regulatory Commission	2019-20	01
6	Himachal Pradesh State Veterinary Council, Shimla	2019-20	01
7	District Legal Service Authority, Hamirpur	2018-19	02
8	District Legal Service Authority, Bilaspur		02
9	District Legal Service Authority, Nahan		02
10	District Legal Service Authority, Una	2019-20	01
11	District Legal Service Authority, Shimla		01
12	District Legal Service Authority, Kinnaur at Rampur		01
13	District Legal Service Authority, Mandi		01

It can be seen from **Table 4.12** that the accounts are in arrears/pending ranging from one to seven years. Delay in finalizations of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to audit at the earliest.

The Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.

4.15 Non-submission of details of grants / loans given to bodies and authorities

To identify the institutions, which attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/ Heads of the Departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose for which the assistance was granted, and the total expenditure of the institutions.

Further, Regulation on Audit and Accounts (Amendments) 2020 provides that Government and the Heads of Departments which sanction grants and/or loans to bodies or authorities, shall furnish to the Audit Office, by the end of July every year, a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid

during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned, and (c) the total expenditure of the body or authority.

The State Government did not furnish the detailed information pertaining to grants aggregating ₹ 10 lakh or more extended to Autonomous Bodies/Authorities in the State of Himachal Pradesh. However, information was sought by Audit from the concerned bodies/authorities, and only five¹ bodies/ authorities (out of 36), furnished the information to Audit (**Appendix-4**).

Thus, non-furnishing of information by the State Government/Heads of the Department in prescribed time to Audit was in violation of Regulations on Audit and Accounts, (Amendments) 2020. Further, in the absence of such information, the bodies/authorities to be audited, could not be identified and in the same time the correctness, regularity/propriety of expenditure from the grants and loans given out of the Consolidated Fund of the State could also not be examined in audit.

4.16 Timeliness and Quality of Accounts

During 2019-20 all the account rendering entities (Treasuries, PWD & I&PH Divisions and PAO New Delhi), who render their monthly accounts to Pr. Accountant General (A&E), had rendered their accounts in time and there was no case of exclusion.

Other Issues

4.17 Misappropriations, losses, thefts, etc.

As per the rule 24 of the Himachal Pradesh Financial Rules, 1971(revised in 2009), an officer shall be held responsible personally or vicariously for any loss sustained by the Government on account of causes mentioned in rule 21 of these rules due to any omission or commission or negligence, whether intentional or unintentional, on his part. And as per rule 145 (5) of the Himachal Pradesh Financial Rules, 1971 (revised in 2009), in case goods become unserviceable due to negligence, fraud or mischief on the part of the Government servant, responsibility for the same shall be fixed.

State Government reported 42 cases of misappropriation/loss, theft, etc., involving government money amounting to ₹ 90.12 lakh upto March 2020 on which final action was pending. In all these cases, the departments concerned had filed First Information Report (FIR). The department-wise break up of pending cases and reasons for pendency of action in these cases is summarized in **Table 4.13**.

¹ Livestock Development Board, Boileauganj, Shimla, HP State Milkfed Co-operative, Totu, Shimla, HP State Cooperative Marketing and Consumers Federation Ltd. (HIMFED), Academy of Language, Art and Culture & RUSA.

Table-4.13: Department-wise break up of pending cases and reasons for pendency of action in cases of misappropriation, losses, theft, etc.

Name of Department	Cases of misappropriation/ losses/ theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.	Number of cases	Amount (₹ in lakh)
	Number of cases	Amount (₹ in lakh)			
Education	04	3.88	Awaiting departmental and criminal investigation	26	31.37
Rural Development	02	4.68			
Agriculture	02	9.46			
Land Revenue	01	2.57	Awaiting orders for recovery or write off	01	2.57
Horticulture	03	2.89			
Police	01	0.08			
Municipal Corporation, Chamba	01	0.42	Pending in the courts of Law	04	26.36
Home Guard	02	25.37			
Public Health (Medical)	01	0.95			
Forests	05	19.75	Recovery made/ written off but awaiting final disposal from PAC	09	29.00
Public Works	15	11.16			
Jal Shakti	05	8.91			
			Others	02	0.82
Total	42	90.12	Total	42	90.12

Source: Information received from departments and compiled by Audit.

The State Government may devise an effective mechanism to ensure speedy and time-bound settlement of cases relating to misappropriation/loss, theft, etc.

The age-profile of the pending cases and the number of cases pending in each category-theft and misappropriation/loss of Government material is summarised in **Table-4.14**.

Table-4.14: Profile of misappropriation, losses, defalcations, etc.

(₹ in lakh)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved		Number of cases	Amount involved
0-5	3	4.81	Theft cases	8	7.20
5-10	6	8.85			
10-15	5	12.03	Misappropriation/ loss of Government material	34	82.92
15-20	12	41.39			
20-25	3	4.91			
25 and above	13	18.13			
Total	42	90.12	Total pending cases	42	90.12

Out of the total loss cases, 80.95 per cent cases are related to Misappropriation/ loss of Government material and the remaining 19.05 per cent were theft cases. Out of the total 42 cases of misappropriation/theft, 61.90 per cent (26 cases) were pending due to delays in finalizing/initiating departmental and criminal investigation. It was further noticed that 39 cases out of total 42 were more than five years old, including 16 cases, which were more than 20 years old. The lackadaisical approach of departments in finalisation of these cases had not only caused loss to the State exchequer but also led to non-accountability of the officers/officials at fault.

The Government may consider preparing a time bound framework for taking prompt action in cases of theft, misappropriation, etc.

4.18 Follow up action on State Finances Audit Report

The State Finances Audit Report is being prepared and presented to the State Legislature from the year 2008-09 onwards. The State Government had submitted action taken notes (ATNs)/ *suo moto* replies upto State Finances Audit Report 2016-17. Public Accounts Committee of the State Legislature had not discussed the State Finances Audit Report despite the issue being taken up with the PAC.

4.19 Conclusions


- Non-submission of Utilisation Certificates indicated lack of monitoring as regards utilisation of grants released by the departments to the grantees, and entailed risk of non-utilisation, misutilisation or diversion of funds released for various works/schemes/programmes.
- Non-submission of accounts by autonomous bodies and non-providing of detailed information as regards bodies/authorities substantially financed through grants and loans entailed risk of financial irregularities in such autonomous bodies/bodies/authorities going undetected.
- The drawing of advances through Abstract Contingent Bills without a mechanism for their identification/distinction and subsequent lack of monitoring entailed risk of misappropriation/malfeasance. Further, there were cases of theft, misappropriation/loss of Government material and defalcation, in respect of which departmental action was pending.
- Significant amounts of expenditure and receipts were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' under various Major Heads affecting the transparency in financial reporting. Operation of omnibus Minor Head 800- Other Expenditure/Other Receipts affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.
- The State Government has yet not fully implemented the notified IGAS- 2 and 3 rules in the State, thereby, compromising on the quality of financial reporting.

4.20 Recommendations

- The Government should ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- State Government should develop a mechanism to monitor withdrawal of contingent nature of advances against AC bills and their adjustments through DC bills.
- The Government should also institute a mechanism to ensure that the respective Autonomous Bodies/authorities and PSUs submit their accounts to audit immediately/without delay.


- The State Government should discourage the operation of omnibus Minor Head 800 and chalk out a specific time frame/period in consultation with the Pr. Accountant General (A&E) to identify appropriate heads of account to classify the transaction correctly in the books of accounts.
- The State Government should take steps to implement fully the IGAS in the State to improve the quality of financial reporting.

Shimla
The 09 August 2021


(RITU DHILLON)
Principal Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
The 23 August 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

Appendix-1

(Reference: Paragraph 1.1; Page 1)

State Profile

A General Data

Sr. No.	Particulars	Figures
1.	Area	55,673 Sq. km.
2.	Population	
	A As per Census (2001)	0.61 crore
	B As per Census (2011)	0.69 crore
	2020 (Projected)	0.73 crore
3.	(a) Density of Population (2001) (All India density= 325 persons/sq. km.)	109 persons/Sq. km.
	(b) Density of Population (2011) (All India average= 382 persons/sq. km.)	123 persons/Sq. km.
4.	Population below poverty line (2011-12) (All India average= 21.90 %)	8.10 %
5.	(a) Literacy (2001) (All India average= 64.84 %)	76.50 %
	(b) Literacy (2011) (All India average= 73 %)	82.80 %
6.	(a) Infant Mortality Rate (IMR) (2017) (All India IMR = 33)	22
	(b) Life Expectancy at Birth (2013-17) (All India average=69.4)	72.9
7.	Gross State Domestic Product (GSDP) 2019-20 (₹ in crore)	1,65,472
8.	GSDP Compound Annual Growth Rate (CAGR) (2011-12 to 2019-20)	10.82 (SCS:11.24)

B Financial Data

Compound Annual Growth Rate (CAGR)							
		2010-11 to 2018-19		2014-15 to 2018-19		2018-19 to 2019-20	
		SCS*	HP**	SCS*	HP**	SCS*	HP**
A	of Revenue Receipts	12.26	11.77	12.85	14.76	-9.88	-0.67
B	of Tax Revenue	13.29	9.58	11.8	6.26	-8.1	0.67
C	of Non-Tax Revenue	13.92	6.62	22.55	7.98	-19.72	-11.61
D	of Total Expenditure	12.56	10.11	12.45	10.98	-6.05	5.42
E	of Capital Expenditure	11.41	12.48	14.74	16.68	-15.6	12.88
F	of Revenue Expenditure on Education	12.75	10.25	12.41	9.10	-8.16	4.54
G	of Revenue Expenditure on Health	15.5	12.02	17.07	11.21	-4.96	9.66
H	of Salary and wages	12.05	8.24	12.45	7.42	-7.07	4.74
I	of Pension	16.56	11.35	16.52	14.30	3.05	10.35

Source: Finance Accounts and Audit Reports, Census info of India (2011), Economics and Statistics Department of Himachal Pradesh and Central Statistical office.

* Special Category States ** Himachal Pradesh

Appendix-2

(Reference: Paragraphs 2.3.2.1 and 2.4.1; Page 20 and 36)

Time Series Data on the State Government Finances

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Part-A: Receipts					
1. Revenue Receipts	23,440	26,264	27,367	30,950	30,742
(i) Tax Revenue	6,696 (29)	7,039 (27)	7,108(26)	7,573(24)	7,624(25)
States Goods and Services Tax (SGST)	-	-	1,833(26)	3,343(44)	3,550(47)
Taxes on Sales, Trade, etc.	3,993 (60)	4,382 (63)	2,526(36)	1,185(16)	1,170(15)
State Excise	1,131 (17)	1,308 (19)	1,311(18)	1,482(20)	1,660(22)
Taxes on Vehicles	317 (5)	280 (4)	367(5)	408(5)	466(6)
Stamps and Registration fees	206 (3)	209 (3)	229(3)	251(3)	260(4)
Taxes and Duties on electricity	551(8)	372(5)	361(5)	487(7)	101(1)
Land Revenue	7(-)	8(-)	17(-)	8(-)	5(-)
Taxes on Goods and Passengers	115 (2)	121(2)	112(2)	104(1)	104(1)
Other Taxes	376(5)	359(4)	352(5)	305(4)	308(4)
(ii) Non Tax Revenue	1,837 (8)	1,717 (6)	2,364(9)	2,830(9)	2,501(8)
(iii) State's share of Union taxes and duties	3,611 (15)	4,344 (17)	4,801(17)	5,430(18)	4,678(15)
(iv) Grants-in-aid from Government of India	11,296 (48)	13,164 (50)	13,094(48)	15,117(49)	15,939(52)
2. Miscellaneous Capital Receipts	-	-	35	9	2
3. Recoveries of Loans and Advances	26	30	40	22	21
4. Total Revenue and Non debt capital receipts (1+2+3)	23,466	26,294	27,442	30,981	30,765
5. Public Debt Receipts	6,129	8,603	5,600	6,427	10,847
Internal Debt (excluding Ways and Means Advances and Overdrafts)	4,294 (70)	6,831 [#] (79)	5,118(91)	4,864(76)	7,333(67)
Ways and Means Advances and Overdrafts	1,785 (29)	1,671 (20)	400(7)	1,496(23)	3,444(32)
Loans and Advances from Government of India	50 (1)	101 (1)	82(2)	67(1)	70(1)
6. Total Receipts in the Consolidated Fund (4+5)	29,595	34,897	33,042	37,408	41,612
7. Contingency Fund Receipts	-	-	-	-	-
8. Public Account Receipts	11,515	13,630	14,680	16,121	22,569
9. Total Receipts of the State (6+7+8)	41,110	48,527	47,722	53,529	64,181
Part-B: Expenditure/disbursement					
10. Revenue Expenditure	22,303	25,344	27,053	29,442	30,730
Plan	3,493(16)	4,520(18)	3,772(14)	4,263(14)	4,028(13)
Non-Plan	18,810(84)	20,824(82)	23,281(86)	25,179(86)	26,702(87)
General Services (including interest payments)	8,788(39)	9,728 (38)	11,009(41)	11,438(39)	12,335(40)
Social Services	7,980 (36)	9,610 (38)	10,337(38)	11,482(39)	12,047(39)
Economic Services	5,525 (25)	5,996 (24)	5,697(21)	6,512(22)	6,338(21)
Grants-in-aid and contributions	10 (-)	10 (-)	10(-)	10(-)	10(-)
11. Capital Expenditure	2,864	3,499	3,756	4,583	5,174
Plan	2,568(90)	3,115(89)	3416(91)	4,102(90)	4,820(93)
Non-Plan	296(10)	384(11)	340(9)	481(10)	354(7)
General Services	88(3)	208 (6)	192(5)	227(5)	204(4)
Social Services	792(28)	1,041 (30)	1,135(30)	1,187(26)	1,258(24)
Economic Services	1,984(69)	2,250 (64)	2,429(65)	3,169(69)	3,712(72)
12. Disbursement of Loans and Advances	463	3,290[@]	503	468	458
13. Total (10+11+12)	25,630	32,133	31,312	34,493	36,362

	2015-16	2016-17	2017-18	2018-19	2019-20
14. Repayments of Public Debt	3,948	3,943	3,500	4,673	6,701
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,557	2,198	3,021	3,092	3,169
Ways and Means Advances and Overdrafts	2,320	1,671	400	1,496	3,444
Loans and Advances from Government of India	71	74	79	85	88
15. Appropriation to Contingency Fund	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	29,578	36,076	34,812	39,166	43,063
17. Contingency Fund disbursements	--	--	--	--	--
18. Public Account disbursements	10,577	12,351	13,043	14,493	20,111
19. Total disbursement by the State (16+17+18)	40,155	48,427	47,855	53,659	63,174
Part-C: Deficit/ Surplus					
20. Revenue Deficit(-)/Revenue Surplus (+) (1-10)	1,137	920	314	1,508	12
21. Fiscal Deficit (-)/Fiscal Surplus (+) (4-13)	(-) 2,165	(-) 2,948 [#]	(-) 3,870	(-) 3,512	(-) 5,597
22. Primary Deficit (-)/Surplus (+) (21+23)	990	411 [#]	(-) 82	510	(-) 1,363
Part-D: Other data					
23. Interest Payments (included in revenue expenditure)	3,155	3,359	3,788	4,022	4234
24. Financial Assistance to local Bodies etc.	2,612	3,357	2,895	3,634	3,506
25. Ways and Means Advances/Overdraft availed (days)	31	23	2	19	38
Ways and Means Advances availed (days)	25	23	2	19	25
Overdrafts availed (days)	06	-	-	-	13
26. Interest on Ways and Means Advances/Overdrafts	6.40	16.17	-	(0.96)	3.61
27. Gross State Domestic Product (GSDP)	1,14,239 (10.09)	1,25,634 (9.97)	1,38,351 (10.12)	1,53,845 (11.20)	1,65,472 (7.56)
28. Outstanding Fiscal liabilities (year end)	41,197	47,244 ^{##}	51,030	54,299	62,212
29. Outstanding guarantees (yearend) (including interest)	3,714	4,550	4,394	4,309	1,947
30. Maximum amount guaranteed (year end)	9,658	12,320	8,848	5,181	640
31. Number of incomplete projects	12	12	11	10	13
32. Capital blocked in incomplete projects	143	188	176	181	268
Part- E: Fiscal Health Indicators					
I. Resource Mobilization (ratio)					
Own Tax revenue/GSDP	0.06	0.06	0.05	0.05	0.05
Own Non-Tax Revenue/GSDP	0.02	0.01	0.02	0.02	0.02
Central Transfers/GSDP	0.13	0.14	0.13	0.13	0.12
II. Expenditure Management(ratio)					
Total Expenditure/GSDP	0.22	0.26	0.23	0.22	0.22
Total Expenditure/Revenue Receipts	1.09	1.22	1.14	1.11	1.18
Revenue Expenditure/Total Expenditure	0.87	0.79	0.86	0.85	0.85
Expenditure on Social Services/Total Expenditure	0.34	0.33	0.37	0.37	0.37
Expenditure on Economic Services/Total Expenditure	0.29	0.26	0.26	0.28	0.28
Capital Expenditure/Total Expenditure	0.11	0.11	0.12	0.13	0.14
Capital Expenditure on Social and Economic Services/Total Expenditure	0.11	0.10	0.11	0.13	0.14

	2015-16	2016-17	2017-18	2018-19	2019-20
III. Management of Fiscal Imbalances (in per cent)					
Revenue Deficit(-)/Revenue Surplus (+) /GSDP	1.00	0.73	0.23	0.98	0.01
Fiscal Deficit (-)/Fiscal Surplus (+)/GSDP	-1.89	-4.65	-2.80	-2.28	-3.38
Primary Deficit (-)/Surplus (+)/GSDP	0.87	-1.97	-0.06	0.33	-0.82
Revenue Deficit/Fiscal Deficit	*	*	*	*	*
IV. Management of Fiscal Liabilities(ratio)					
Fiscal Liabilities/GSDP	0.36	0.38	0.37	0.35	0.38
Fiscal Liabilities/Revenue Receipts	1.76	1.80	1.86	1.75	2.02

@ Includes ₹2,890.50 crore on account of UDAY Scheme

Excludes ₹2,890.50 crore on account of UDAY Scheme

Includes ₹2,890.50 crore on account of UDAY Scheme from the FY 2016-17 onwards

* Revenue Surplus hence, figures not calculated.

Appendix-3.1

(Reference: Paragraph 3.1; Page 71)

Glossary of important Budget related terms

1. ***'Accounts' or 'actuals' of a year.*** - are the amounts of receipts and disbursements for the financial year beginning on *April 1st* and ending on *March 31st* following, as finally recorded in the Accounting authority's books (as audited by C&AG). Provisional Accounts refers to the unaudited accounts.
2. ***'Administrative approval' of a scheme, proposal or work.*** - is the formal acceptance thereof by the competent authority for the purpose of incurring expenditure. Taken with the provision of funds in the budget, it operates as a financial sanction to the work during that particular year in which the Administrative Approval is issued.
3. ***'Annual financial statement'*** – – Also referred to as Budget means the statement of estimated receipts and expenditure of the Central/State Government for each financial year, laid before the Parliament /State Legislature.
4. ***'Appropriation'*** - means the amount authorized by the Parliament/State Legislature for expenditure under different primary unit of appropriation or part thereof placed at the disposal of a disbursing officer.
5. ***'Charged Expenditure'*** - means such expenditure as is not to be submitted to the vote of the Legislature under the provisions of the Constitution.
6. ***'Consolidated Fund of India/ State'***- All revenues of the Union/State Government, loans raised by it and all moneys received in repayment of loans form the Consolidated Fund of India/ State. No moneys out of this Fund can be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution.
7. ***'Contingency Fund'*** is in the nature of an imprest. The Contingency Fund is intended to provide advances to the executive /Government to meet unforeseen expenditure arising in the course of a year pending its authorization by the Parliament/State Legislature. The amounts drawn from the Contingency Fund are recouped after the Parliament/State Legislature approves it through the Supplementary Demands.
8. ***'Controlling Officer (budget)'*** - means an officer entrusted by a Department with the responsibility of controlling the incurring of expenditure and/or the collection of revenue. The term includes the Heads of Department and also the Administrators.
9. ***'Drawing and Disbursing Officer' (DDO)*** – means a Head of Office and also any other Officer so designated by the Finance Department of the State Government, to draw bills and make payments on behalf of the State Government. The term shall also include a Head of Department where he himself discharges such function
10. ***'Excess Grant'*** – Excess grant means the amount of expenditure over and above the provision allowed through the original/supplementary grant, that requires regularization by obtaining excess grant from the Parliament /State Legislature under Article 115/205 of the Constitution.

11. **'New Service'** – As appearing in Article 115(1)(a)/205(1)(a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament/State Legislature earlier, including a new activity or a new form of investment.
12. **'New Instrument of Service'**- means relatively large expenditure arising out of important expansion of an existing activity.
13. **'Public Accounts'**- means the Public Account referred to in Article 266(2) of the Constitution. The receipts and disbursements such as deposits, reserve funds, remittances, etc. which do not form part of the Consolidated Fund are included in the Public Account. Disbursements from the Public Account are not subject to vote by the Parliament/State Legislature, as they are not moneys issued out of the Consolidated Fund of India/State.
14. **'Reappropriation'** - means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation.
15. **'Revised Estimate'** - is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded and anticipation for the remainder of the year in the light of the orders already issued.
16. **'Supplementary Demands for Grants'**- means the statement of supplementary demands laid before the legislature, showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorized in the Annual Financial Statement for that year. The demand for supplementary may be token, technical or substantive/cash.
 - a) **Cash Supplementary** is over and above the original budget provisions and results in enhancement of the allocation for the Demand/Grant. It should be obtained as a last resort and after proper due diligence. Presently, this method is followed by the State.
 - b) There are four Sections in each Demand i.e., Revenue Voted, Revenue Charged, Capital Voted and Capital Charged. **Technical Supplementary**, after obtaining the approval of the State Legislature, allows to utilize the savings of one of the Sections for any other Section.
 - c) **Token Supplementary** allows to utilize the savings within the same section of the grant.
17. **'Major Head'** - means a Major Head of account for the purpose of recording and classifying the receipts and disbursements of the State. A Major Head, particularly the one falling within the Consolidated Fund, generally corresponds to a 'function' of Government such as Agriculture, Education, Health, etc.
18. **"Sub-Major Head"** - means an intermediate head of account introduced between a Major Head and the Minor Heads under it, when the Minor Heads are numerous and can conveniently be grouped together under such intermediate Head.
19. **'Minor Head'** - means a head subordinate to a Major Head or a Sub-Major Head. A Minor Head subordinate to a Major Head identifies a "programme" undertaken to achieve the objectives of the function represented by the Major Head.

20. **“Sub-Head”** - means a unit of account next subordinate to a Minor Head which normally denotes the scheme or organisation under that Minor Head or programme.
21. **‘Major Work’** - means an original work, the estimated cost of which exclusive of departmental charges exceeds the amount as notified by the Government from time to time.
22. **‘Minor Work’** - means an original work, the estimated cost of which exclusive of departmental charges does not exceed the amount as notified by the Government from time to time.
23. **“Modified Grant or Appropriation”** - means the sum allotted to any Sub-Head of Appropriation as it stands after Re-Appropriation or the sanction of an Additional or Supplementary Grant by competent authority.
24. **“Supplementary or Additional Grant or Appropriation”** - means a provision included in an Appropriation Act, during the course of a financial year, to meet expenditure in excess of the amount previously included in an Appropriation Act for that year.
25. **“Schedule of New Expenditure”** - means a statement of items of new expenditure proposed for inclusion in the Budget for the ensuing year.
26. **“Token demand”** - means a demand made to the Assembly for a nominal or token sum when, for example, it is proposed to meet the entire expenditure on a new service from savings out of the sanctioned budget grant.

Appendix-3.2

(Reference: Paragraph 3.3.7; Page 78)

Statement of various grants where saving was more than ₹ one crore each or more than 20 per cent of the total provision

(₹ in crore)

Sr. No.	Grant No.	Name of the Grant	Total Grant	Savings	Percentage (more than 20 per cent)
Revenue-Voted					
1	02	Governor and Council of Ministers	21.20	4.03	19.01
2	03	Administration of Justice	200.01	34.57	17.28
3	04	General Administration	239.09	54.07	22.61
4	05	Land Revenue and District Administration	1,748.55	651.63	37.27
5	06	Excise and Taxation	112.99	14.32	12.67
6	07	Police and Allied Organisations	1,433.06	212.47	14.83
7	08	Education	6,641.11	1,110.61	16.72
8	09	Health and Family Welfare	2,205.94	377.72	17.12
9	10	Public Works - Roads, Bridges and Buildings	3,569.94	736.83	20.64
10	11	Agriculture	487.02	33.44	6.87
11	12	Horticulture	374.99	78.64	20.97
12	13	Irrigation, Water Supply and Sanitation	2,586.54	227.91	8.81
13	14	Animal Husbandry, Dairy Development and Fisheries	406.03	69.81	17.19
14	15	Planning and Backward Area Sub Plan	74.65	22.69	30.40
15	16	Forest and Wildlife	592.47	145.25	24.52
16	17	Election	97.74	11.05	11.31
17	18	Industries, Minerals, Supplies and Information Technology	234.06	100.52	42.95
18	19	Social Justice and Empowerment	1,154.39	99.25	8.60
19	20	Rural Development	1,463.63	351.17	23.99

Sr. No.	Grant No.	Name of the Grant	Total Grant	Savings	Percentage (more than 20 per cent)
20	21	Co-Operation	34.74	4.79	13.79
21	23	Power Development	545.69	128.76	23.60
22	24	Printing and Stationery	30.33	2.14	7.06
23	25	Road and Water Transport	364.52	12.92	3.54
24	26	Tourism and Civil Aviation	89.16	56.20	63.03
25	27	Labour Employment and Training	358.39	39.28	10.96
26	28	Urban Development, Town and Country Planning and Housing	526.12	93.30	17.73
27	29	Finance	6,781.25	1,212.96	17.89
28	30	Miscellaneous General Services	97.28	11.32	11.64
29	31	Tribal Development	1,360.02	371.39	27.31
30	32	Scheduled Caste Sub Plan	1,424.41	513.37	36.04
Revenue-Charged					
31	03	Administration of Justice	53.44	11.36	21.26
32	04	General Administration	15.56	2.02	12.98
33	29	Finance	4,550.00	315.99	6.94
34	30	Miscellaneous General Services	3.06	3.06	100.00
Capital-Voted					
35	03	Administration of Justice	15.20	6.74	44.34
36	04	General Administration	21.94	21.85	99.59
37	05	Land Revenue and District Administration	10.90	7.32	67.16
38	07	Police and Allied Organisations	82.22	20.98	25.52
39	08	Education	107.25	30.23	28.19
40	09	Health and Family Welfare	198.37	25.30	12.75
41	10	Public Works - Roads, Bridges and Buildings	1,808.14	183.94	10.17
42	11	Agriculture	74.65	8.48	11.36
43	14	Animal Husbandry, Dairy Development and Fisheries	20.35	5.42	26.63

Sr. No.	Grant No.	Name of the Grant	Total Grant	Savings	Percentage (more than 20 per cent)
44	15	Planning and Backward Area Sub Plan	303.99	115.34	37.94
45	16	Forest and Wildlife	18.43	6.34	34.40
46	18	Industries, Minerals, Supplies and Information Technology	46.90	19.06	40.64
47	19	Social Justice and Empowerment	19.97	14.48	72.51
48	20	Rural Development	20.03	6.04	30.15
49	23	Power Development	679.39	157.47	23.18
50	25	Road and Water Transport	210.58	18.53	8.80
51	26	Tourism and Civil Aviation	66.29	28.95	43.67
52	29	Finance	13.78	6.35	46.08
53	30	Miscellaneous General Services	41.24	3.50	8.49
54	31	Tribal Development	439.52	94.04	21.40
55	32	Scheduled Caste Sub Plan	1,269.17	231.62	18.25
Capital-Charged					
56	03	Administration of Justice	1.17	1.17	100.00
57	10	Public Works - Roads, Bridges and Buildings	104.46	97.54	93.38
Total			45,451.32	8,225.53	

Appendix 3.3

(Reference: Paragraph 3.3.7; Page 79)

Statement of various grants where persistent saving was more than ₹ one crore or more in each case occurred during 2015-20 (₹in crore)

Sr. No.	Grant Number	Name of Grant/Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue- Voted							
1	03	Administration of Justice	12.53	9.82	10.14	25.20	34.57
2	04	General Administration	17.03	11.62	13.13	18.83	54.07
3	06	Excise and Taxation	3.78	1.84	7.65	13.79	14.32
4	07	Police and Allied Organization	73.42	37.08	81.89	143.83	212.47
5	08	Education	1076.22	864.96	665.02	955.16	1110.61
6	09	Health and Family Welfare	366.81	295.90	211.66	330.83	377.72
7	11	Agriculture	38.47	27.04	11.3	72.67	33.44
08	14	Animal Husbandry, Dairy Development and Fisheries	35.36	35.18	43.67	68.34	69.81
09	15	Planning and Backward Area Sub Plan	31.40	28.40	16.81	30.57	22.69
10	16	Forest and Wildlife	33.23	57.50	85.36	130.31	145.25
11	18	Industries, Minerals, Supplies and Information Technology	12.23	8.46	11.45	96.03	100.52
12	19	Social Justice and Empowerment	47.43	20.78	55.55	28.84	99.25
13	20	Rural Development	208.74	121.61	402.93	383.93	351.17
14	21	Co-operation	8.45	10.23	3.54	3.61	4.79
15	23	Power Development	1.49	146.35	131.18	53.45	128.76
16	24	Printing and Stationery	2.21	6.02	2.81	1.19	2.14
17	25	Road and Water Transport	1.43	1.06	2.1	2.25	12.92
18	27	Labour Employment and Training	63.72	71.98	199.27	39.93	39.28
19	29	Finance	228.94	97.70	266.88	939.93	1212.96
20	30	Miscellaneous General Service	13.99	13.00	7.38	8.97	11.32
21	31	Tribal Development	123.39	177.85	242.34	325.72	371.39
22	32	Scheduled Caste Sub Plan	31.81	321.14	405.83	390.87	231.62
Revenue- Charged							
23	3	Administration of Justice	6.87	5.95	1.73	7.94	11.36
Capital- voted							
24	09	Health and Family Welfare	6.01	2.93	4.77	8.94	25.30
25	15	Planning and Backward Area Sub Plan	32.44	18.95	12.84	1.33	115.34
26	29	Finance	5.2	1.51	7.98	6.27	6.35
27	31	Tribal Development	17.38	20.88	58.21	82.25	94.04
28	32	Scheduled Caste Sub Plan	108.71	99.31	132.87	154.08	231.62

Appendix-3.4

(Reference: Paragraph 3.4.4; Page 88)

Details of the schemes for which provision (one crore and above) was made but no expenditure was incurred

(In ₹)

Sr. No.	Sub Head Description	Original	Supplementary	Actual expenditure
1.	H.P. State Development Loan (New Loan)	3312018000	0	0
2.	5000 Broiler Scheme	20000000	0	0
3.	Assistance to Local Bodies and other non-Govt. Boards/ Institutions	300000000	648000000	0
4.	Assistance to the Families of Killed/Disabled Defence Personnel	1500000	38000000	0
5.	Award of scholarship for financial backward students of general category	35000000	0	0
6.	Award to Panchayats for best female ratio	15000000	0	0
7.	B.P.L. Krishak Bakri Paalan Yojna	20000000	0	0
8.	Buildings (Jail Department)	15000000	0	0
9.	Cash doles	350000000	310000000	0
10.	Cattle feed subsidy to below poverty line families	40000000	0	0
11.	Chief Minister Rural Drinking Water Supply Scheme-Externally Aided Project National Development Bank	337000000	0	0
12.	Construction of buildings of revenue department	20000000	0	0
13.	Construction of bus stands	155300000	0	0
14.	Construction of bus stands at sub divisional / block level	40300000	0	0
15.	Construction of departmental / other buildings for welfare of scheduled castes	13500000	0	0
16.	Construction of District Attorney offices	30000000	0	0
17.	Construction of girls hostels	35000000	0	0
18.	Construction of OBC boys/ girls hostels	39400000	0	0
19.	Construction of residence of Panchayat Inspector/Sub Inspectors	11500000	0	0
20.	Construction of State guest house at New Delhi	0	209000000	0
21.	Construction Of Tenements For Homeless Poor Under Gandhi Kuteer Yojna / Indira Awas Yojna	36900000	0	0
22.	Creation of State of Art Industrial Areas	250000000	0	0
23.	Crop Diversification Project (Japan International Co-Operation Agency) EAP PHASE - II	15000000	0	0
24.	Deduct amount met from State Disaster Response Fund	-2870000000	5180600000	0
25.	Deen Dayal Upadhyay Gramin Kaushal Yojana (DDU-GKY)	44000000	0	0
26.		321800000	0	0
27.		123200000	0	0
28.	Distt. Rural Development Agency Administration	22000000	0	0
29.	Employees State Insurance Schemes (hospital and dispensaries)	27050000	0	0

Sr. No.	Sub Head Description	Original	Supplementary	Actual expenditure
30.	Equity contribution in HP Power Corporation	450000000	0	0
31.	Ex-gratia payment	750000000	304900000	0
32.	Expenditure on damaged water supply drainage and sewerage works	310000000	1340000000	0
33.	Expenditure on Government colleges	120000000	0	0
34.	Expenditure on inclusive education for disabled at secondary stage	10200000	0	0
35.	Expenditure on maintenance of roads	692886000	0	0
36.	Gallantry awards	25000000	0	0
37.	GIA for Revolving Fund for temples	30000000	0	0
38.	Government residential buildings	20000000	0	0
39.	Gram Gaurav Patt	40000000	0	0
40.	Grant to Dairy Cooperative Societies	30000000	0	0
41.	Grant to Gauvansh Samvardhan Board	50100000	0	0
42.	H.P. Forest Ecosystem Management & Livelihood Improvement Project	31500000	0	0
43.	Horticulture Development Project	789700000	0	0
44.	Infrastructure development investment programme for tourism	523700000	33241000	0
45.		176300000	0	0
46.	Investment in HRTC	156200000	0	0
47.	Investment in Himachal Backward Classes, Minorities and Mahila Finance Development Corporation	85200000	0	0
48.	Jal Se Krishi Ko Bal	250000000	0	0
49.	Kalpana Chawala Chhatravriti Yojna	21200000	0	0
50.	Loan for HP Power Corporation Projects	470000000	0	0
51.	Loans to H.P. Power Corporation	620000000	0	0
52.	Maintenance of houses under Rajiv Awas Yojna	18300000	0	0
53.	Major District roads	25000000	3000000	0
54.	Management of Himachal Bhawan at New Delhi	40000000	35000000	0
55.	Matching incentive grant to Mahila Mandal (Prod-act)	12900000	0	0
56.	Mukhya Mantri Aadarsh Vidya Kendra	150000000	0	0
57.	Mukhya Mantri Gian Deep Yojna	30000000	0	0
58.	Mukhya Mantri Green House Renovation Scheme	30000000	0	0
59.	Mukhyamantri Adarsh Gram Yojna	116500000	0	0
60.	National Rurban Mission	169300000	0	0
61.	Pardhan Mantri Krishi Sinchayee Yojna	22600000	0	0
62.	Pensioners of funds reserve with Finance Department	424000000	0	0
63.	Performance Grant to Gram Panchayats under Finance Commission	597200000	0	0
64.	Polyhouses and Micro Irrigation Project	20000000	0	0
65.	Post Matric scholarship to OBC students	50000000	1000	0
66.	Post Matric scholarship to Scheduled Caste students	442800000	0	0
67.	Pradhan Mantri Awas Yojna	88000000	0	0

Sr. No.	Sub Head Description	Original	Supplementary	Actual expenditure
68.	Pradhan Mantri Awas Yojna (Gramin)	373100000	0	0
69.	Pradhan Mantri Krishi Sinchayee Yojna (PMKSY)	63000000	0	0
70.	Pre-matric scholarship to Scheduled Caste students	63900000	1000	0
71.	Promotion of sheep and goat rearing	10340000	0	0
72.	Rajiv Gandhi Digital Yojna (laptop/tablet)	163800000	0	0
73.	Regional Geriatric Centre at Dr. Rajendra Prasad Govt. Medical College Tanda	0	48844000	0
74.	Repair and construction of houses assistance	250000000	6098000	0
75.	Repairs of roads and bridges	854000000	245000000	0
76.	Rural Engineering Based Industries Centre	15405000	0	0
77.	Rural Road World Bank	250000000	0	0
78.	Rural Water Supply and Sanitation scheme under Externally Aided Projects(BRICS)	1000700000	0	0
79.	S.J.V.N.L.	100000000	0	0
80.	Scheme for repair of houses under Rajiv Awaas Yojana for general category BPL persons in rural area	47800000	0	0
81.	Shreshth Shehar Yojna	20000000	0	0
82.	Shyama Parshad Mukharji Rubran Mission	325700000	0	0
83.	Specific State Finance Commission Award for creation/upgradation	20000000	0	0
84.	State Innovation Fund	20000000	0	0
85.	State mission for food processing industry	82900000	0	0
86.		12600000	0	0
87.	State reward under sanitation scheme	21700000	0	0
88.	Subsidy on plastic crates	20000000	0	0
89.	Tools and Plants expenditure on Machinery & Equipment	13040000	0	0
90.	Upgradation/maintenance of existing Information Communication Technology Laboratories & other lab. facilities	329000000	0	0
91.		45000000	0	0
92.		126000000	0	0
93.	Upgradation/setting up of new Polytechnics	17800000	0	0
94.	World Bank Assisted Himachal Pradesh Horticulture Development Project	108000000	0	0
95.	World Bank Assisted HP Horticulture Development Project (EAP)	302300000	0	0
96.	World Bank State Roads	750000000	0	0
	Total:	16055139000	10606685000	0

Appendix-3.5

(Reference: Paragraph 3.4.5; Page 90)

Rush of expenditure

(₹ in crore)

Sr. No.	Grant No.	Name of Grant	Mjr Head	Sm Head	Min Head	Sub Head	Expenditure incurred during Jan-March 2020	Expenditure incurred during in March 2019	Total expenditure during 2018-19	Percentage of total expenditure incurred during	
										Jan-March 2020	March 2020
1.	05	Land Revenue and District Administration	2245	05	101	02	437.57	283.97	453.57	96.47	62.61
2.	09	Health and Family Welfare	2210	05	101	05	17.65	17.65	31.89	55.34	55.34
3.	09		2210	06	200	08	12.00	12.00	17.00	70.59	70.59
4.	09		2211	00	200	08	14.54	14.54	14.54	100.00	100.00
5.	09		4210	03	105	06	15.41	15.39	15.78	97.68	97.53
6.	10	Public Works - Roads, Bridges and Buildings	2216	05	053	01	16.19	12.87	24.47	66.19	52.58
7.	10		4216	01	106	01	31.27	26.30	37.75	82.83	69.67
8.	10		5054	04	337	11	23.15	17.26	27.16	85.26	63.57
9.	11	Agriculture	2401	00	109	31	31.18	25.42	38.08	81.86	66.75
10.	12	Horticulture	2401	00	119	22	12.34	12.17	21.73	56.80	56.03
11.	13	Irrigation, Water Supply and Sanitation	2711	01	799	01	18.47	13.99	24.03	76.84	58.22
12.	13		4701	20	800	02	41.47	35.53	55.00	75.40	64.60
13.	13		4702	00	101	03	34.25	28.21	42.02	81.50	67.14
14.	13		4702	00	101	04	17.52	15.64	23.91	73.30	65.42
15.	13		4705	00	313	01	8.96	15.10	23.14	38.71	65.25
16.	27	Labour Employment and Training	4202	02	105	03	30.96	22.23	42.62	72.64	52.15
17.	28	Urban Development, Town and Country Planning and Housing	2215	02	105	04	13.53	11.97	19.96	67.77	59.98
18.	28		2217	80	192	14	13.89	13.89	24.24	57.30	57.30
19.	28		4215	02	106	02	54.31	35.64	63.80	85.12	55.86
20.	29	Finance	2049	01	101	21	22.56	22.56	22.56	100.00	100.00
21.	29		2049	01	101	23	15.86	15.86	15.86	100.00	100.00
22.	29		2049	01	101	49	42.15	42.15	42.15	100.00	100.00
23.	29		2049	01	101	51	17.83	17.83	17.83	100.00	100.00
24.	29		2049	01	101	56	16.40	16.40	16.40	100.00	100.00
25.	29		2049	01	200	05	11.96	11.96	11.96	100.00	100.00
26.	29		2049	03	104	01	1120.96	1120.96	1143.72	98.01	98.01
27.	29		2054	00	095	04	13.19	11.44	17.95	73.50	63.70

State Finances Audit Report for the year ended 31 March 2020

Sr. No.	Grant No.	Name of Grant	Mjr Head	Sm Head	Min Head	Sub Head	Expenditure incurred during Jan-March 2020	Expenditure incurred during in March 2019	Total expenditure during 2018-19	Percentage of total expenditure incurred during	
										Jan-March 2020	March 2020
28.	31	Tribal Development	2215	01	796	09	14.83	14.83	17.95	82.64	82.64
29.	31		2702	80	796	08	11.27	11.27	11.27	100.00	100.00
30.	32	Scheduled Caste Sub Plan	2401	00	789	49	11.22	10.21	12.53	89.52	81.49
31.	32		4202	02	789	06	13.30	13.30	13.60	97.77	97.77
32.	32		4215	01	789	01	12.04	10.69	15.12	79.62	70.73
33.	32		4215	01	789	04	22.92	17.73	35.33	64.87	50.19
34.	32		4701	20	789	04	12.97	10.61	15.00	86.45	70.71
35.	32		4701	21	789	01	15.00	15.00	15.00	100.00	100.00
36.	32		4702	00	789	04	12.50	11.46	16.36	76.43	70.05
37.	32		4801	01	789	03	45.00	45.00	56.02	80.33	80.33
38.	32		5054	04	789	04	30.43	22.09	41.66	73.05	53.02
Total							2,307.05	2,071.12	2,538.96		

Appendix 4

(Reference: Paragraph 4.15; Page 112)

List of Autonomous Bodies: Total = 54 (18+36)

Sr. No.	Name of the body/authority		Section in which audit has been conducted
1	Himachal Pradesh Building and Other Construction Workers Welfare Board, Shimla		Audit conducted under Section 19(3) and SARs prepared.
2	HP Khadi and Village Industries Board		
3	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)		
4	HP City Transport and Bus Stand Management And Development Authority		
5	HP State Regulatory Commission		
6	Himachal Pradesh State Veterinary Council, Shimla		
7	Himachal Pradesh Legal Service Authority, Shimla		
8	District Legal Service Authority, Hamirpur		
9	District Legal Service Authority, Bilaspur		
10	District Legal Service Authority, Nahan		
11	District Legal Service Authority, Una		
12	District Legal Service Authority, Shimla		
13	District Legal Service Authority, Kinnaur at Rampur		
14	District Legal Service Authority, Mandi		
15	District Legal Service Authority, Kullu		
16	District Legal Service Authority, Dharamshala at Kangra		
17	District Legal Service Authority, Solan		
18	District Legal Service Authority, Chamba		
19	Controller, CSK, HPKVV, Palampur	--	
20	Dr. YS Parmar Horticulture University, Nauni, Solan	--	
21	Seed and Organic Produce Certification Agency, Boileauganj, Shimla	--	
22	Livestock Development Board, Boileauganj, Shimla	Yes	
23	HP State Milkfed Co-operative, Totu, Shimla	Yes	
24	HP State Cooperative Marketing and Consumers Federation Ltd. (HIMFED)	Yes	
25	HP State Council for Science, Technology and Environment, Kasumpti, Shimla	-	
26	CAMPA	-	
27	District Rural Development Authority, Hamirpur	--	

Sr. No.	Name of the body/authority		Section in which audit has been conducted
28	District Rural Development Authority, Bilaspur	--	Audit conducted under Section 14 &15 and IRs are prepared and issued.
29	District Rural Development Authority, Nahan	--	
30	District Rural Development Authority, Una	--	
31	District Rural Development Authority, Shimla	--	
32	District Rural Development Authority, Kinnaur	--	
33	District Rural Development Authority, Mandi	--	
34	District Rural Development Authority, Kullu	--	
35	District Rural Development Authority, Dharamshala at Kangra	--	
36	District Rural Development Authority, Solan	--	
37	District Rural Development Authority, Chamba	--	
38	District Rural Development Authority, Keylong	--	
39	AIDS Control Society	--	
40	HP Nursing Reg. Council	--	
41	NRHM, Shimla	--	
42	Academy of Language, Art and Culture	Yes	
43	SC/ST Corporation, Solan	--	
44	Social Welfare Board, Shimla	--	
45	Council of Child Welfare, Shimla	--	
46	SSA, Shimla	--	
47	Himachal Pradesh University	--	
48	Rin Chen Zen Po Society, Kangra	--	
49	State Water & Sanitation Mission (HP)	--	
50	RMSA	--	
51	Employees State Insurance Society, Shimla	--	
52	RUSA	Yes	
53	State Disaster Management Authority	--	
54	HP Ayurveda and Unani Practitioner Board	--	

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