

INDIAN AUDIT AND ACCOUNTS DEPARTMENT

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT), HIMACHAL PRADESH, SHIMLA-171003 PRESS RELEASE

on

THE STATE FINANCES AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA – GOVERNMENT OF HIMACHAL PRADESH FOR THE YEAR ENDED 31 MARCH 2022

The State Finances Audit Report of the Comptroller and Auditor General of India for the Government of Himachal Pradesh for the year ended 31 March 2022 - Report No. 2 of the year 2023 - is prepared under provisions of Article 151 of the Constitution of India. The Report was forwarded to the Government of Himachal Pradesh on 27 March 2023 and laid on the table of Vidhan Sabha on 05 April 2023.

The Report contains audit observations on the Finance and Appropriation accounts of the State Government for the year 2021-22 in five chapters and provides an overview of the status of the State Government's compliance with various financial rules, procedures and directives relating to financial reporting.

Followings are some of the important audit observations contained in the State Finances Audit Report:

Fiscal Management

- The State Government passed the Himachal Pradesh Fiscal Responsibility and Budget Management (HP-FRBM) Act in April 2005 (amended in 2011) and provided for quantitative targets to be adhered to by the State with regard to deficit measures and debt levels. The HP-FRBM Act was required to be amended to prescribe revised targets for deficit and debt levels. However, the same had not been done by the State Government.
- During the year 2021-22, the Government was unable to contain the total outstanding debt-Gross State Domestic Product (GSDP) ratio within the target prescribed by the 15th Finance Commission (15th FC), however, revenue deficit-GSDP and fiscal deficit-GSDP ratios remained within the levels fixed by 15th FC and target set in the budget estimates.
- During the year 2021-22, Revenue deficit (₹ 97 crore) of 2020-21 turned to revenue surplus (₹ 1,115 crore). The fiscal deficit (₹ 5,245 crore) decreased by ₹ 455 crore over the previous year (₹ 5,700 crore). Primary deficit decreased to ₹ 604 crore during 2021-22 from ₹ 1,228 crore in 2020-21.

Finances of the State Government

- During the year 2021-22 revenue receipts increased by ₹ 3,871 crore (11.58 *per cent*) over the previous year. During 2021-22, the increase was mainly due to increase in receipts under State's share of Union Taxes and Duties by ₹ 2,595.12 crore

(54.59 per cent), State's Own Tax Revenue by ₹ 1,631.27 crore (20.18 per cent) and Non-Tax Revenue by ₹ 423.90 crore (19.37 per cent). The increase was partly counterbalanced by decrease in Grants-in-aid from GoI by ₹ 779.26 crore (4.23 per cent).

- Total expenditure increased by ₹ 11,290.53 crore (36.06 per cent) over a period of five years (2017-22). During 2021-22, it increased by ₹ 3,437.63 crore (8.78 per cent) over the previous year. As a percentage of GSDP, the total expenditure remained in the range of 22.60 per cent to 25 per cent during 2017-22. Revenue Expenditure increased by 33.79 per cent during 2017-22 while capital expenditure increased by 50.47 per cent during the same period. The increase in committed expenditure during 2021-22 over the previous year was ₹ 767.71 crore (3.42 per cent). During the period 2017-18 to 2021-22, it accounted for a dominant share of revenue expenditure (65-71 per cent) and revenue receipts (62-70 per cent).
- There was a trend of sustained growth in capital expenditure during the last five years. It increased by ₹ 2,273.71 crore (60.54 per cent) during 2017-22. During 2021-22, capital expenditure (₹ 6,029.38 crore) increased by ₹ 720.16 crore (13.56 per cent) over the previous year 2020-21 (₹ 5,309.22 crore).
- During 2021-22, the State Government earned 3.39 per cent return on its total investments (₹ 4,913.00 crore) in Statutory Corporations, Rural Banks, Government Companies and Co-operatives up to 31 March 2022 and paid 7.03 per cent average interest on its borrowings.
- The overall outstanding debt/ liabilities of the State increased by ₹ 18,092.07 crore from ₹ 51,030.51 crore in 2017-18 to ₹ 69,122.58 crore (excluding ₹ 4,412.22 crore (2020-22) as back-to-back loans to State from GoI in lieu of GST compensation shortfall) registering an increase of 35.45 per cent, mainly due to increase in internal debt (₹ 10,784.56 crore), loans and advances from GoI (₹ 1,259.76 crore) and public account liabilities (₹ 6,047.75 crore).
- Out of total outstanding public debt along with interest of ₹ 68,630 crore (principal: ₹ 45,297 crore and interest: ₹ 23,333 crore), 10 per cent (₹ 6,952 crore) is payable in the next one year, 40 per cent (₹ 27,677 crore) is payable in the next two to five years, while the remaining 50 per cent (₹ 34,001 crore) is to be paid after more than five years. Annual outgo on public debt repayment and interest will be approximately ₹ 6,926 crore during the next five years up to 2026-27. Current annual repayment of public debt (principal) including interest is ₹ 6,766 crore (excluding ₹ 1043.74 crore of WMA and Overdrafts).

Budgetary Management

- The total budget provision for expenditure in 2021-22 was ₹ 55,714.72 crore. The actual expenditure during the year was ₹ 50,129.36 crore (90 per cent). This resulted in savings of ₹ 5,585.36 crore (10 per cent).

- During 2021-22, there were 13 cases (₹ one crore or more in each case) under 11 grants (Revenue-Voted/ Capital-Voted) where supplementary provision of ₹ 647.13 crore proved unnecessary as expenditure did not reach even the level of original provision. In 12 cases, supplementary provision of ₹ 876.14 crore proved insufficient as it was not adequate to meet the requirement, leaving aggregate uncovered excess expenditure of ₹ 1,706.13 crore.
- Re-appropriations in 15 cases (savings of ₹ 10 crore and more in each case) proved unnecessary, as the savings under these cases were more than re-appropriated amount.
- In 13 grants and two appropriations, expenditure of ₹ 1,782.17 crore was in excess of the authorisation made by the State Legislature. The excess expenditure is required to be regularised by the State Legislature along with excess expenditure of ₹ 8,818.47 crore pertaining to the period 2014-15 to 2020 21.
- There was rush of expenditure towards the end of the financial year. Under six grants substantial expenditure was incurred in last quarter (ranged between 50-71 *per cent*) and during March (ranged between 12-65 *per cent*) of 2022.

Quality of Accounts and Financial Reporting Practices

- The State Government had yet not fully implemented the notified Indian Government Accounting Standards in the State.
- Out of total 3,619 outstanding Utilisation Certificates (UCs) for grants of ₹ 4,752.14 crore, 1,796 UCs for grants of ₹ 2,359.15 crore pertained to the period 2015-16 to 2019-20. Out of total amount of ₹ 4,752.14 crore for which UCs were outstanding, 81.43 *per cent* (1,497 UCs - ₹ 3,869.88 crore) pertained to four departments – 33.25 *per cent* (₹ 1,580.03 crore) to Panchayati Raj; 23.87 *per cent* (₹ 1,134.45 crore) to Urban Development; 13.42 *per cent* (₹ 637.98 crore) to Ayurveda (Ayush); and 10.89 *per cent* (₹ 517.42 crore) to Rural Development.
- Drawing of advances through Abstract Contingent (AC) bills without proper mechanism for their identification/ distinction leading to subsequent lack of monitoring, increases the possibilities of mis-utilisation/ misappropriation of Government money.
- Similarly, 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.
- During 2021-22, an amount of ₹ 2,255.53 crore under 41 Major Heads of account, constituting 5.34 *per cent* of total expenditure (₹ 42,223.92 crore), was classified under Minor Head-800 'Other Expenditure' in the Revenue and Capital accounts. Similarly, ₹ 1,957.37 crore under 46 Major Heads of Account, constituting

5.25 per cent of total receipts (₹ 37,316.31 crore), was booked under Minor Head-800 'Other Receipts'.

State Public Sector Enterprises (SPSEs)

- As on March 2022, there were 29 SPSEs under the audit jurisdiction of the CAG. These include 25 SPSEs (Other than Power Sector) and four Power Sector SPSEs. Out of 25 SPSEs (Other than Power Sector), there are 19 Government Companies, two Statutory Corporations and four Government Controlled Other Companies.
- Out of 26 working SPSEs, 10 working SPSEs earned profit of ₹ 21.47 crore as per their latest finalised accounts as on 30 September 2022 as compared to 11 SPSEs which earned profit of ₹ 28.18 crore in 2020-21. Five SPSEs had either not prepared their first accounts/profit and loss account or their excess of expenditure over income was reimbursed by the State Government.
- only two SPSEs declared/paid dividend of ₹ 0.71 crore (Himachal Pradesh State Civil Supplies Corporation Limited: ₹ 0.35 crore and Himachal Pradesh General Industries Corporation Limited: ₹ 0.36 crore). Four profit making SPSEs did not pay/provide dividend of ₹ 2.42 crore to the State Government as per their latest finalised accounts as of 30 September 2022. Remaining four profit making SPSEs were not eligible to pay dividend as per State Government policy.
- The Return on Equity (RoE) of the profit earning 10 working SPSEs stood at 16.45 per cent as per latest finalised accounts as on 30 September 2022. As the net income of all 26 working SPSEs during the period 2019-22 was negative, the RoE could not be calculated.
- Out of total loss of ₹ 498.55 crore incurred during 2021-22 by 12 SPSEs, Himachal Road Transport Corporation reported loss of ₹ 40.23 crore. Besides this, loss of ₹ 185.32 crore, ₹ 132.06 crore and ₹ 128.24 crore is also attributed to Himachal Pradesh State Electricity Board Limited, Himachal Pradesh Power Transmission Corporation Limited and Himachal Pradesh Power Corporation Limited respectively as per their latest finalised accounts as of 30 September 2022.
- There were 14 SPSEs with accumulated losses of ₹ 4,378.24 crore. Of these, 12 SPSEs incurred losses amounting to ₹ 498.55 crore as per latest finalised accounts as of 30 September 2022. The net worth of nine out of 13 SPSEs had been completely eroded by accumulated losses and their net worth was either zero or negative.