

EXECUTIVE SUMMARY

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Background

This Report on the finances of the Government of Himachal Pradesh is brought out to assess the financial performance of the State during the year 2014-15 vis-à-vis the Budget Estimates, the targets set under the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 amended further by Act No. 25 of 2011 and analyses the dominant trends and structural profile of Government's receipts and disbursements.

Based on the audited accounts of the Government of Himachal Pradesh for the year ended 31 March 2015 and additional data collated from several sources such as the Economic survey brought out by the State government and Census, this Report provides an analytical review of the Annual Accounts of the State Government in three Chapters.

Chapter-I is based on the audit of Finance Accounts and makes an assessment of the Himachal Pradesh Government's fiscal position as on 31 March 2015. It provides an account of time series of receipts and disbursements, market borrowings, quality of expenditure, financial analysis of government expenditure and investment, debt sustainability and fiscal imbalances.

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

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

Audit findings

Chapter I

Finances of the State Government

The revenue deficit which was required to be brought down to zero during 2011-12 and maintain revenue surplus thereafter could not be achieved. The revenue and fiscal deficit stood at ₹ 1,641 crore and ₹ 4,011 crore respectively in 2013-14, increased to ₹ 1,944 crore, ₹ 4,200 crore respectively in

2014-15 while the Primary deficit decreased by ₹ 179 crore during 2014-15 over the previous year.

The average return on the government's investments in Statutory Corporations, Rural Banks and Joint Stock companies in the past five years was 3.81 *per cent* while the government paid an average rate of interest of 7.86 *per cent* on its borrowings.

13 projects of two departments which were scheduled to be completed between July 2005 and March 2015 were still lying incomplete (March 2015).

The Social Sector expenditure as a proportion of aggregate expenditure in the State was lower than that of SCS by 2.92 and 3.06 *per cent* in 2011-12 and 2014-15 respectively.

Priority has not been given by the State Government to capital expenditure as the percentage ratio of capital expenditure to aggregate expenditure is 11.17 in 2011-12 and 10.88 in 2014-15, which is lower than the average ratio of Special Category States 14.02 in 2011-12 and 14.22 in 2014-15.

Fiscal liabilities at the end of the current year were ₹ 38,192 crore with growth of 13 *per cent* over the previous year and stood at 40 *per cent* of GSDP and 214 *per cent* of the revenue receipts. The share of closing balance of market loans in the total public debt increased from 49.45 *per cent* in 2010-11 to 59.06 *per cent* in 2014-15. Maturity amount constituted an average 9.53 *per cent* of the outstanding market loans over the next seven years, with significant pressure on redemption during the years 2017-18 and 2018-19 at 13.48 *per cent* and 13.83 *per cent* of the outstanding debt respectively.

Chapter II

Financial management and budgetary control

The overall excess of ₹ 74.79 crore registered under grants/appropriation during the year 2014-15 was the net result of excess of ₹ 1,585.69 crore offset by savings of ₹ 1,510.90 crore. The excess expenditure of ₹ 1,585.69 crore of 2014-15 in addition to ₹ 5,055.89 crore for the years 2009-14 requires regularisation of the State Legislature.

In 16 cases ₹ 1,648.74 crore were surrendered at the end of the financial year (more than ₹ 10 crore surrender in each case). There were instances of

injudicious re-appropriations, which resulted in excess / savings of over ₹ one crore in each case under 54 sub-heads.

Funds amounting to ₹ 58.79 crore were drawn to avoid lapse of budget grant and kept under Civil Deposits. Supplementary provision aggregating ₹ 343.99 crore obtained in six cases (₹ One crore or more in each case) proved unnecessary as original provisions were sufficient to meet the expenditure in these cases.

Chapter III

Financial reporting

There were delays in furnishing 15,539 Utilisation Certificates in respect of loans and grants amounting to ₹ 2,387.39 crore as on 31 March 2015.

The State Government reported 47 cases of misappropriations/loss, theft etc., involving government money amounting to ₹ 78.70 lakh on which final action was pending as of June 2015. Out of these, 41 cases were more than five years old.

During 2014-15 receipts amounting to ₹ 2,680 crore (15.02 *per cent* of the total revenue receipts) and ₹ 878 crore (3.94 *per cent* of the total expenditure) were classified under the omnibus Minor Head 800-other receipts/ expenditure during 2014-15 rendering State accounts opaque to that extent.

