

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 2016-17 *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 2017 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 2017. 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

As per the FRBM Act/Thirteenth Finance Commission the revenue deficit was required to be brought down to zero during 2011-12 and thereafter a revenue surplus was to be maintained. However, the target of bringing down the revenue deficit to zero had been achieved in 2015-16 and 2016-17. After performing well in 2015-16, decline was observed in all three deficit indicators during 2016-17 viz. revenue deficit, fiscal deficit and primary deficit.

During 2016-17, revenue surplus of ₹ 1,137 crore declined to ₹ 920 crore over the previous year. It was also noticed that though the central transfers has increased this year, on the contrary the revenue surplus declined.

Fiscal deficit increased by ₹ 783 crore from ₹ 2,165 crore in 2015-16 to ₹ 2,948 crore in 2016-17. It was 2.37 *per cent* of GSDP during current year and was within the target fixed in FRBM Act (3.17 *per cent*) and projections made by

XIVth FC (i.e. 3 *per cent*). Primary surplus of ₹ 990 crore and ₹ 411 crore was observed during 2015-16 and 2016-17 respectively.

During 2016-17, revenue receipts (₹ 26,264 crore) of the State grew by ₹ 2,824 crore (12 *per cent*) as compared to previous year. Only 33 *per cent* of receipts came from State's own resources comprising tax and non-taxes, while the major portion (67 *per cent*) of revenue receipts came from Central transfers (i.e. grants-in-aid (50 *per cent*) and State share in central taxes and duties (17 *per cent*)).

During 2016-17, total expenditure (₹ 32,133 crore) of the State increased by ₹ 6,503 crore (25 *per cent*) over the previous year. Revenue expenditure increased by ₹ 3,041 crore (14 *per cent*) from ₹ 22,303 crore in 2015-16 to ₹ 25,344 crore in 2016-17 and its share in total expenditure was 79 *per cent* in 2016-17. Plan revenue expenditure (₹ 4,520 crore) increased by ₹ 1,027 crore (29 *per cent*) over the previous year (₹ 3,493 crore) and constituted 13 to 18 *per cent* of revenue expenditure over the last five years. However, the Non-Plan Revenue Expenditure (NPRE) constituted 82-87 *per cent* of revenue expenditure during 2012-17. The expenditure on salaries, interest payments, pensions and subsidies has shown consistent increase over the period 2012-17 from ₹ 12,939 crore in 2012-13 to ₹ 17,919 crore in 2016-17 and constituted an average of 76 *per cent* of revenue expenditure. The share of capital expenditure to total expenditure has decreased from 11.2 *per cent* in 2015-16 to 10.9 *per cent* in 2016-17.

Substantial funds amounting to ₹ 457.18 crore were still being transferred by GoI directly to the State Implementing agencies during 2016-17 in spite of Central Government decision to route these funds through the State budget from 2014-15. There is no single agency in the State to monitor the expenditure from these funds and no data is readily available as to how much money has actually been spent in a particular year by these implementing agencies.

Funds aggregating ₹ 187.62 crore were locked up in 12 incomplete projects at the end of 2016-17.

Fiscal liabilities at the end of the current year were ₹ 47,244 crore (includes ₹ 2,890.50 crore on account of UDAY Scheme) with growth of 15 *per cent* over the previous year and stood at 38 *per cent* of GSDP and 180 *per cent* of the revenue receipts. The share of market borrowings in the total public debt went up from 57 *per cent* in 2012-13 to 59 *per cent* in 2016-17. During 2016-17, 36 *per cent* of borrowings were used for repayment of earlier debts defeating the very objectives for these loans.

Chapter II

Financial management and budgetary control

The overall excess of ₹ 32.29 crore registered under grants/appropriations during the year 2016-17 was the net result of excess of ₹ 3,037.61 crore offset by saving of ₹ 3,005.32 crore. An excess expenditure of ₹ 9,402.18 crore relating to the

period 2011-12 to 2016-17 required regularisation under Article 205 of the State Legislature.

Supplementary provision of ₹ 2,113.09 crore in 14 sub-heads proved unnecessary/inadequate as either expenditure did not come up to the level of original provision or leaving an aggregate uncovered excess expenditure and re-appropriation of funds in 27 sub-heads (₹ one crore or more in each case) was made injudiciously which resulted in excess/savings. In 58 cases (₹ 10 crore or more in each case) ₹ 2,863 crore were surrendered at the end of the financial year. In 62 cases/sub-heads, 100 *per cent* grant amounting to ₹ 379.63 crore was surrendered.

In nine cases, the expenditure incurred during the last quarter of the year ranged between 54 and 91 *per cent* and the expenditure incurred during the month of March 2017 alone under these heads of accounts constituted 51 to 79 *per cent* of the total expenditure.

Chapter III

Financial reporting

There were delays in furnishing 2,587 Utilisation Certificates in respect of loans and grants amounting to ₹ 2,910.67 crore as on 31 March 2017.

There were 45 cases of misappropriations/loss, theft etc., involving government money amounting to ₹ 78.10 lakh on which final action was pending as of June 2017. Out of these, 40 cases were more than five years old.

The Government's compliance to various rules, procedures and directives was lacking in various departments as there were 76 cases of temporary advances aggregating ₹ 23.19 crore pending in the State departments for adjustments.

