PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. Chapters I and II of this Report contain Audit findings on issues arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2010.

3. Chapter III on 'Financial Reporting' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

4. The Report containing the findings of performance audit and audit of transactions in various departments and observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing observations on Revenue Receipts are presented separately.

5. The Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

Background

In May 2005, Himachal Pradesh Government responded to the Twelfth Finance Commission's recommendation by legislating its "Fiscal Responsibilities and Budget Management Act (FRBM)." It set out a reform agenda through fiscal correction path in the medium term with the long-term goal of securing growth stability for its economy. The State Government's commitment to carry forward these reforms is largely reflected in certain policy initiatives announced in the budgets subsequently. While the benefits of FRBM legislation have been realised to a great extent already, in terms of reduction in major deficit indicators, etc., the State Government's resolve to implement VAT, introduction of New Pension Scheme will go a long way in building up the much needed 'fiscal space' for improving the quality of public expenditure and to promote fiscal stability.

The State Government has done well in establishing an institutional mechanism on fiscal transparency and accountability as evident from the year-on-year presentation of outcome budgets. These outcome indicators tend to serve the limited purpose of measuring the department-wise performance against the targets. They do not, however, give the 'big picture' of the status of financial management including debt position and cash management, etc., for the benefit of the State Legislature and other stakeholders.

The Comptroller and Auditor General's civil audit reports step in to fill this gap. The Comptroller and Auditor General's reports have been commenting upon the Government's finances for over four years since the FRBM legislation and have published four reports already. Since these comments formed part of the civil audit report, it was felt that the audit findings on State finances remained camouflaged in the large body of audit findings on compliance and performance audits. The obvious fallout of this well-intentioned but all-inclusive reporting was that the financial management portion of these findings did not receive proper attention. In recognition of the need to bring State finances to center-stage once again, a stand-alone report on State Government finances is considered an appropriate audit response to this challenge. Accordingly, from the report year 2009 onwards, Comptroller and Auditor General had decided to bring out a separate volume titled "Report on State Finances." This is the second edition of this endeavour.

The Report

Based on the audited accounts of the Government of Himachal Pradesh for the year ending March 2010, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of Himachal Pradesh Government's fiscal position as on 31 March 2010. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of Central funds transferred directly to the State implementing agencies through off-budget route.

Chapter 2 is based on audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter 3 is an inventory of Himachal Pradesh Government's compliance with various reporting requirements and financial rules. The report also has an appendage of additional data collated from several sources in support of the findings.

Audit findings and recommendations

Return to Fiscal correction: The State had achieved five out of eight targets as set out in FRBM Act/TFC during 2009-10. There is reasonable prospects of returning back to fiscal correction path if efforts are taken to increase tax compliance, reduce tax administration costs, collection of revenue arrears and prune unproductive expenditure so that deficit is curtailed. Efforts should also be made to improve collection of non tax revenue so that recourse to borrowed funds from GOI can be reduced.

Funds directly transferred by GOI: The GOI directly transferred ₹923.48 crore to the State Implementing Agencies thereby increasing the total availability of State resources from ₹19754 crore to ₹20677 crore. There was however, no single agency to monitor the receipt/ transfer of funds directly by GOI and therefore, utilization of these funds remains to be verified by Audit to establish accountability of the State Government for these funds.

Greater priority to capital expenditure: The State had an increasing trend in capital expenditure upto 2008-09 which was indicative of improvement in social as well as economic services. But during 2009-10 the capital expenditure decreased by ₹136 crore over previous year. Evidently less priority was given to social and economic services and may have an adverse impact on the social and economic health of the State if left unattended. A monitoring organ should be put in place to ensure effective budgetary system and keep a vigil on how prudently the Government money is being utilised so that value for money is channelised in its entirety to the intended beneficiaries.

Review of Government investments: A performance based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed

with low financial but high socio-economic returns and justify if high cost borrowings are worth being channelized there.

Initiative for fiscal correction: The ThFC has recommended a target to achieve debt stock of 25 *per cent* of GSDP by 2014-15. But the State has not even been able to achieve the target of 31 *per cent* as recommended by TFC and its debt stock as on 31 March 2010 stood at 56 *per cent* of GSDP. The State Government therefore needs to gear up its activities so that at least the target set out by the ThFC can be achieved.

Financial Management and budgetary control: Excess expenditure of ₹887.80 crore requires regularisation under Article 205 of the Constitution of India. Parking of funds in Deposit Accounts and Personal Deposit Accounts, to avoid lapse of budget, is fraught with the risk of misuse of funds and therefore, needs to be avoided. Expenditure should be planned in advance and incurred uniformly throughout the year. Budgetary controls should be strictly observed to avoid such deficiencies in financial management.

Monitoring mechanism needs to be strengthened: The Abstract Contingent Bills amounting to ₹93.70 crore had not been adjusted for long periods of time which is fraught with the risk of misappropriation and therefore needs to be monitored closely.

Financial reporting: There were delays in furnishing utilisation certificates amounting to ₹ 829.48 crore in respect of 26,057 cases for periods ranging upto 9 years and above against the loans and grants from various grantee institutions. There were instances of losses and misappropriation that indicate inadequacy of controls in the departments which needs to be strengthened. An effective mechanism also needs to be put in place to ensure speedy settlement of cases relating to misappropriations and losses. Instances of inadequate response to Audit findings and observations resulted in erosion of accountability and therefore needs to be addressed appropriately.

CHAPTER-I
FINANCES OF THE STATE GOVERNMENT

The State of Himachal Pradesh is considered a special category State[1] because of its mountainous terrain, which has the inherent disadvantage of infrastructure and transaction costs and also calls for relatively higher cost of governance. Despite this, the State has seen considerable economic growth in the past decade and the compound growth rate of its Gross State Domestic Product (GSDP) for the period 2000-01 to 2009-10 has been almost 12 *per cent*. During this period, its population has grown by 10 *per cent* (*Appendix-1*) and the per capita income growth has also been at 10 *per cent* between 2009 and 2010. The Financial Accounts of the State Government are laid out in 19 statements, the structure and layout of which are depicted in *Appendix-1.1.* This chapter provides a broad perspective of the finances of the Government of Himachal Pradesh during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. *Appendix 1.2* of the chapter briefly outlines the methodology adopted for the assessment of the fiscal position of the State and *Appendix-1.3* presents the time series data on key fiscal variables/parameters and fiscal ratios relating to the State Government finances for the period 2005-10.

1.1 Summary of Current Year's Fiscal Transactions

Table-1.1 presents the summary of the State Government's fiscal transactions during the current year (2009-10) vis-à-vis the previous year while *Appendix-1.4* provides details of receipts and disbursements as well as overall fiscal position during the current year as compared to the previous year.

Table-1.1: Summary of Current Year's Fiscal Operations

(₹ in crore)

2008-09	Receipts	2009-10	2008-09	Disbursements	2009-10		
Section-A: Revenue					**Non Plan**	**Plan**	**Total**
9,308	**Revenue receipts**	**10,346**	**9,438**	**Revenue expenditure**	**9,913[$]**	**1,238**	**11,151[$]**
2,242	Tax revenue	2,574	3,918	General services	4,335	42	4,377
1,756	Non tax revenue	1,784	3,332	Social services	3,307	595	3,902
838	Share of Union Taxes/ Duties	862	2,184	Economic services	2,267	601	2,868[$]
4,472	Grants from Government of India	5,126	4	Grants-in-aid and Contributions	4	-	4
Section-B: Capital							
--	**Misc. Capital Receipts**	-	**2,079**	**Capital Outlay**	**48**	**1,895**	**1,943**
21	**Recoveries of Loans and Advances**	**34**	**90**	**Loans and Advances disbursed**	**3**	**67**	**70**
2,249	**Public Debt receipts**	**2,553[$]**	**885**	**Repayment of Public Debt**	-	-	**867**
--	**Contingency Fund**	-	--	**Contingency Fund**	-	-	-
6,760	**Public Account receipts**	**6,821**	**5,690**	**Public Account disbursements**	-	-	**6,421**
823	**Opening Cash Balance**	**979**	**979**	**Closing Cash Balance**	-	-	**281**
19,161	**Total**	**20,733**	**19,161**	**Total**			**20,733**

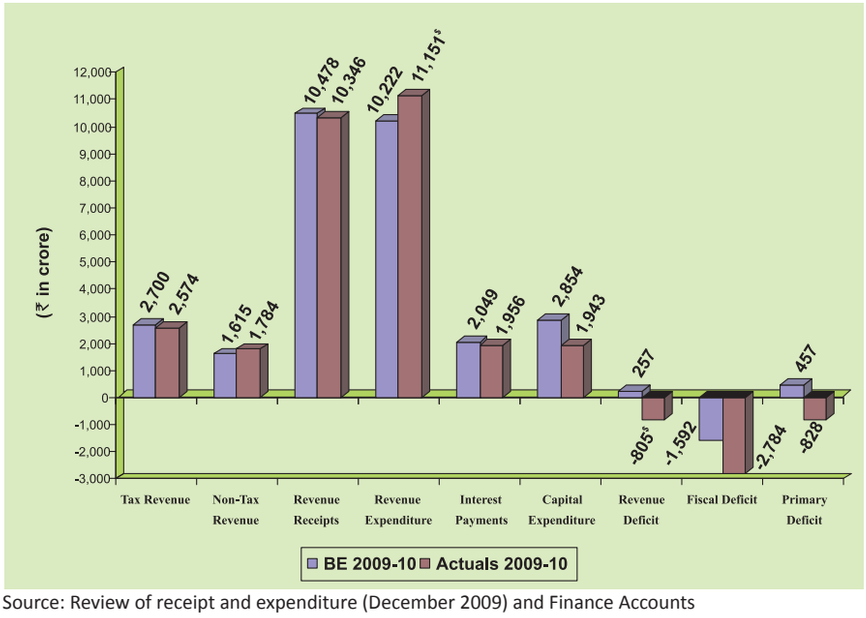
[1] The Special privileges given to Himachal Pradesh include financial assistance from GOI in the ratio of 90 *per cent* grant and 10 *per cent* loan unlike non-special category states which get central aid in the ratio 70 *per cent* grant and 30 *per cent* loan. Besides, significant excise duty concessions persuading industry to relocate/locate manufacturing within its territory are also available.

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

- Being a special category State 50 *per cent* of the revenue receipts are in the form of grants from GOI. Although revenue receipts in 2009-10 grew by 11 *per cent* over the previous year, revenue expenditure grew by 18 *per cent*.
- State's own tax revenue (OTR) increased in the current year by ₹332 crore (15 *per cent*) over the previous year whereas Non Tax Revenue (NTR) marginally increased by two *per cent*. Increase in OTR was mainly due to collection of more sales/trade taxes, state excise, taxes on vehicles, stamp and registration fee on sale of land/property and passenger and goods taxes, etc.
- Revenue expenditure in the current year increased by ₹1,713 crore (*18 per cent*) over the previous year.
- The revenue deficit increased by ₹675 crore *(519 per cent)* from ₹130 crore in 2008-09 to ₹805[$] crore in 2009-10. Revenue deficit as a percentage of the GSDP in the current year is 1.9 as compared to 0.35 in the previous year. Reasons for the increase in revenue deficit were impact of pay revision arrear payments, pension, increase in Dearness Allowance, enhancement of rates of wages and increased interest payments.
- Repayment of public debt has reduced in the current year due to less borrowing and repayments as per prescribed schedules[2].
- Disbursement of Loans and Advances has reduced by 22 *per cent* over the previous year. This was higher last year due to a one time loan given to Himachal Pradesh State Electricity Board (HPSEB).
- Fiscal deficit in the current year as percentage of GSDP was 6.58 in comparison to 6.17 *per cent* in the previous year.
- Though the opening balance in 2009-10 was higher by 19 *per cent* over the previous year the closing balance decreased by 71 *per cent* in 2009-10.

Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters.

Chart 1.1: Selected Fiscal Parameters: Budget Estimates vis-a-vis Actuals



Source: Review of receipt and expenditure (December 2009) and Finance Accounts

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[2] As intimated by the Finance Department.

Chart 1.1 depicts that actual tax revenue fell short by ₹126 crore (five *per cent*) and revenue receipts by ₹132 crore against the estimated budget. Revenue expenditure was higher by ₹929 crore (9.09 *per cent*) i.e. ₹11,151[$] crore during 2009-10 against the estimated ₹10,222 crore. *Against the estimation of revenue surplus of ₹257 crore, there was a deficit of ₹805[$] crore during the current year*. Fiscal deficit and primary deficit were ₹2,784 crore and ₹828 crore against the estimated fiscal deficit and primary surplus of ₹1,592 crore and ₹457 crore respectively.

The performance of the State during 2009-10 in terms of key fiscal targets set for selected variables laid down in HPFRBM[3] Act, 2005 as well as projections made in FCP[4] and MTFPS[5] vis-à-vis achievements for 2009-10 are summarised in Table-1.1A below:

Table-1.1A: Key fiscal targets for selected variables

(₹ in crore)

Fiscal forecasts	Projections in FRBM Act/TFC	Projections made by State Government in		Actual	Percentage variation of actual over		
		MTFPS	FCP		TFC[6]	MTFPS	FCP
Own Tax Revenue	2,569	2,700	1,943	2,574	*	4.63	*
Non Tax Revenue	697	1,615	828	1,784	*	*	*
Non-Plan Revenue Expenditure (NPRE)	5,916	9,140	6,437	9,913[$]	*	*	*
Capital Expenditure	---	1,863	1,006	1,943	*	*	*
Revenue Deficit (-) Surplus (+) as per cent of RRs	0.0 (By 2008-09)	(+) 2.45	(-) 9	(-) 7.78	7.78	10.23	*
Fiscal Deficit(-)/ Surplus (+) as per cent of GSDP	3.0 (By 2008-09)	3.54	4.46	(-) 6.58	9.58	10.12	11.04
Consolidated debt (including Guarantees) as *per cent* of GSDP	31 (By 2009-10)	54	74	61	30	7	*
Outstanding guarantees as percentage of the State's RRs of preceding financial year	80	25	68	21	*	*	*

* Targets were achieved.

- Although targets set for attaining the level of revenue and fiscal deficits in HPFRBM Act as well as in MTFPS, FCP and TFC were achieved in 2007-08 (i.e. earlier than timeline of 2008), the State had again gone under revenue and fiscal deficits during 2008-09 and 2009-10. This was due to the continued impact of the general economic slowdown and the counter cyclical fiscal stimulus measures that had to be taken.

- In 2008-09 the State had revenue deficit of ₹130 crore which increased to ₹805[$] crore (519 *per cent*) in the current year. Similarly fiscal deficit also increased by ₹506 crore from ₹2278 crore in 2008 to ₹2784 crore in the current year (i.e. 6.58 *per cent* of GSDP) which is much higher than the projections shown in the above table.

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[3] Himachal Pradesh Fiscal Responsibility and Budget Management.

[4] Fiscal Correction Path.

[5] Medium Term Fiscal Plan Statement.

[6] Twelfth Finance Commission.

- *The consolidated debt of the State which is 61 per cent of GSDP is also higher than the target of 31 per cent laid down by the TFC which was to be achieved by 2009-10.*

- As per recommendation of TFC under Debt Consolidation and Relief Facility (DCRF) there was a debt waiver component. The debt waiver is granted by GOI based on fiscal performance linked to reduction of revenue deficit of States. *It was noticed that the State Government failed to get the benefit of debt waiver of ₹65.75 crore for the financial year 2008-09 and 2009-10 due to non-reduction of revenue deficits as per stipulated norms*. The State Government stated (September 2010) that no such targets were given in debt waiver component. The reply is not acceptable as recommendations of TFC for fiscal consolidation were clear and GOI had also formulated a scheme of DCRF for 2006-10.

Commitments made in the Budget Speech 2009-10

In budget speech Finance Minister had made the following commitment for fiscal consolidation in the year 2009-10:

- Stock of borrowings to be restricted to ₹23000 crore (i.e. after net additional borrowings estimated at about ₹1500 crore in 2009-10);
- The GSDP at current prices to increase from ₹36940 crore in 2008-09 to more than ₹45000 crore;
- Per capita income to be more than ₹50000 against estimated per capita income of ₹44803 for 2008-09.

However, at the close of financial year 2009-10 outstanding borrowings of the State increased by ₹713 crore and stood at ₹23713 crore whereas GSDP remained at ₹42278 crore. The level of per capita income remained at ₹49211 and was also not achieved to the desired level but was close to the target.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams[7] of receipts that constitute the resources of the State Government.

Table-1.1 presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while Chart 1.2 depicts the trends in various components of the receipts of the State during 2005-10. Chart 1.3 depicts the composition of resources of the State during the current year.

[7] **Revenue receipts:** These includes own tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from GOI.

Capital receipts: These comprise proceeds from disinvestment recovery of loans and advances, debt receipt from internal sources i.e. market loan, borrowings from financial institutions/commercial banks and loans and advances from GOI as well as accrual from public account.

Chart 1.2: Trends in Receipts

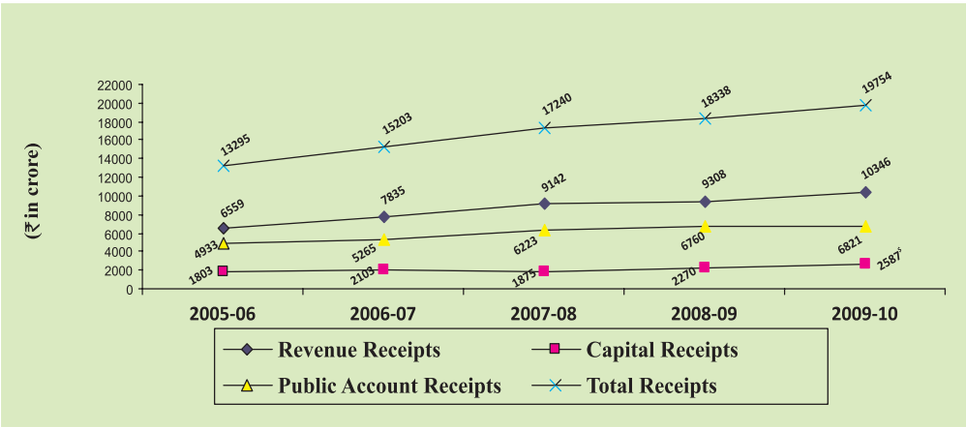
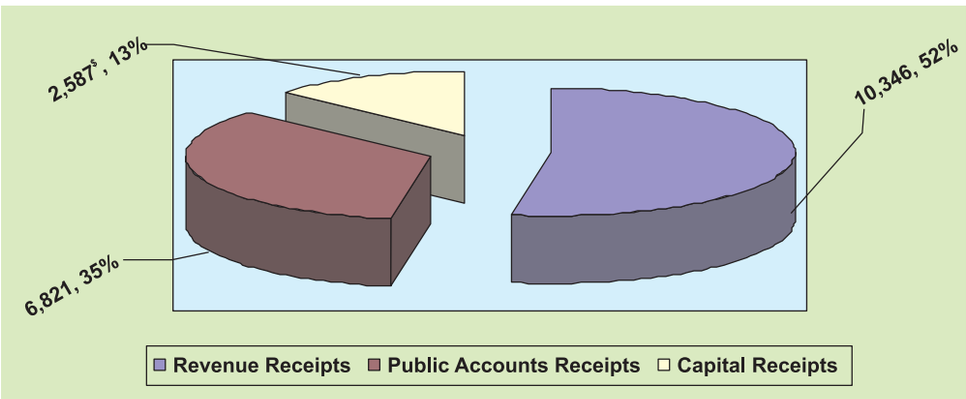


Chart 1.3: Composition of Receipts during 2009-10



The above charts show that the total receipts of the State Government increased by eight *per cent* from ₹18,338 crore to ₹19,754[$] crore in 2009-10 over the previous year. Of which, 52 *per cent* (₹10,346 crore) came from revenue receipts, the balance 48 *per cent* from borrowings (13 *per cent*) and Public Account (35 *per cent*). The share of Revenue receipts in the total receipts of the State increased from 49 *per cent* in 2005-06 to 52 *per cent* in 2009-10. On the other hand, the Capital receipts (market borrowings and special securities issued to NSSF) together with Public account receipts ranged between 47 and 51 *per cent* of total receipts during 2005-10. Revenue receipts increased steadily by 58 *per cent* from ₹6,559 crore in 2005-06 to ₹10,346 crore in 2009-10, whereas the debt Capital receipts increased from ₹1,803 crore (14 *per cent* of total receipts) in 2005-06 to ₹2,587[$] crore (13 *per cent* of total receipts) in 2009-10[8]. Public account receipts increased steadily from ₹4,933 crore in 2005-06 to ₹6,821 crore in 2009-10 ranging between 35 and 37 *per cent* of total receipts.

1.2.2 Funds Transferred to State Implementing Agencies outside the State Budgets

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies[9] for the implementation of various schemes/ programmes in social and

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[8] In 2006-07: Debt Capital Receipts were ₹2103 crore; 2007-08: ₹1875 crore and 2008-09 ₹2270 crore.

[9] State Implementing Agency includes any Organization/Institution including Non-Governmental Organization which is authorized by the State Government to receive the funds from the Government of India for implementing specific programmes in the State, e.g. State Implementation Society for SSA and State Health Mission for NRHM, etc.

economic sectors recognized as critical. As these funds are not routed through the State Budget/State Treasury System, Annual Finance Accounts do not capture the flow of these funds and to that extent, State's receipts and expenditure as well as other fiscal variables/ parameters derived from them are underestimated. During 2009-10, the Government of India has transferred an approximate amount of ₹923.48 crore directly to State Implementing Agencies (detailed in *Appendix-1.5*). Significant amounts given to the major programmes/ schemes are presented in Table 1.2.

Table-1.2: Funds Transferred Directly to State Implementing Agencies

(₹ in crore)

Sl. No.	Name of the Programme/Scheme	Name of the Implementing Agency in the State	Total fund released by the Government of India during 2009-10
1.	Sarva Siksha Abhiyan (SSA)	Mission Director, SSA	86.08
2.	National Rural Employment Guarantee Scheme (NREGA)	Project Director, District Rural Development Agency	395.43
3.	Indira Awas Yojana (IAY)	Project Director, District Rural Development Agency	18.64
4.	Accelerated Rural Water Supply Programme (ARWSP)	Engineer-in-Chief	127.82
5.	Pradhan Mantri Gram Sadak Yojana	Engineer-in-Chief	53.96
6.	Integrated Watershed Management Programme	Project Director, District Rural Development Agency	35.61
	Total		**717.54**

Source: Central Plan Scheme Monitoring System of CGA's website

Table 1.2 shows that an amount of ₹395.43 crore (43 *per cent* of the total funds transferred) was given for National Rural Employment Guarantee Programme, ₹127.82 crore (14 *per cent*) for Accelerated Rural Water Supply Programme (ARWSP) and ₹86.08 crore (nine *per cent*) for Sarva Siksha Abhiyan. Thus, with the transfer of ₹923.48 crore during 2009-10 directly by GOI to the State Implementing Agencies, the total availability of State resources increased from ₹19,754 crore to ₹20,677 crore. It is evident from the above that there is no single agency monitoring the funds directly transferred by the GOI and there is no readily available data on how much is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by State Implementing agencies and funded directly by the GOI and therefore, utilization of these funds remains to be verified by Audit to establish accountability of the State Government for these funds.

Mahatama Gandhi National Rural Employment Guarantee Act (MNREGA): The GOI released ₹395.43 crore under MNREGA to the State Implementing Agency (Rural Development Department) during 2009-10 which was also confirmed by the Agency but ₹19.93 crore was accounted for during 2010-11 due to its receipt in April 2010.

Accelerated Rural Water Supply Programme: Under Accelerated Rural Water Supply Programme (ARWSP) ₹127.82 crore was released to the State Implementing Agency (Irrigation and Public Health Department) by GOI during 2009-10 but the SIA confirmed receipt of ₹123.19 crore only from GOI and showed pending release of ₹15.33 crore for the year 2009-10. Thus, there was a difference of ₹10.70 crore which needs reconciliation between funds sanctioned and released by GOI.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and NTRs, central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2005-10 are presented in *Appendix 1.3* and also depicted in Chart 1.4 and 1.5 respectively.

Chart 1.4: Trends in Revenue Receipts

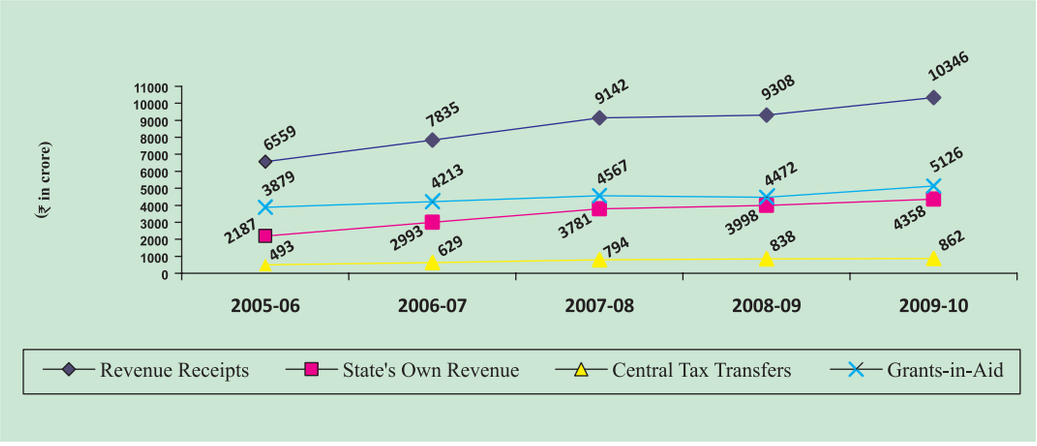
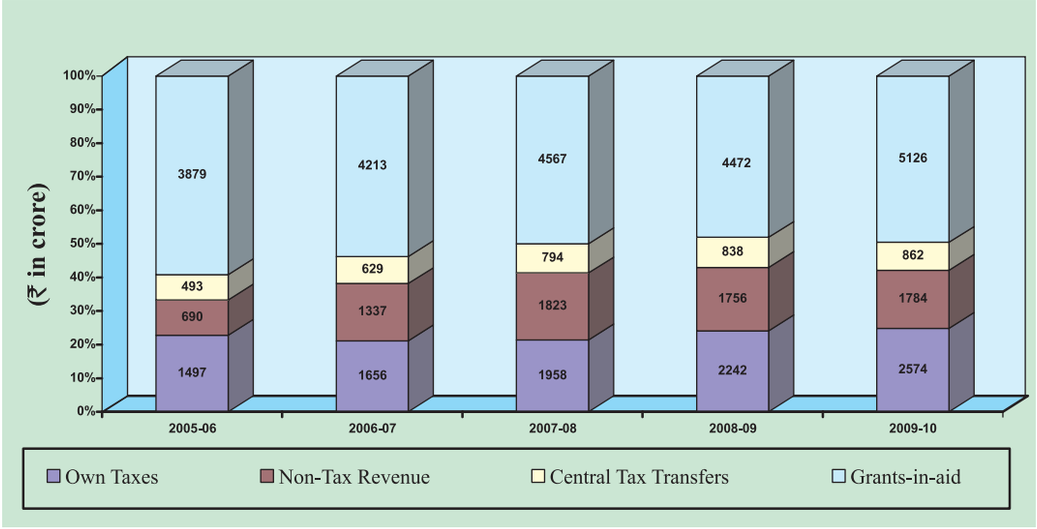


Chart 1.5: The composition of Revenue Receipts during 2005-10



Revenue receipts steadily increased from ₹6,559 crore in 2005-06 to ₹9,308 crore in 2008-09 at an annual average rate of 20 *per cent* but during 2009-10 it recorded increase of 11.15 *per cent*. The share of NTR and grants-in-aid from GOI exhibited increase of two *per cent* and 15 *per cent* respectively over the previous year.

While 42 *per cent* of the revenue receipts during 2009-10 have come from the State's own resources comprising taxes and non-taxes, the remaining 58 *per cent* were contributed by Central transfers comprising the State's share in Central taxes and duties (eight *per cent*) and grants-in-aid from GOI (50 *per cent*).

Central Tax transfers: Central tax transfers increased by ₹24 crore from ₹838 crore in 2008-09 to ₹862 crore in 2009-10 and constituted eight *per cent* of the revenue receipts during the year. The increase was due to increase in Corporation tax (₹80 crore) and taxes on income other than corporation tax (₹25 crore) which was counterbalanced by decrease in custom (₹40 crore) and union excise duties (₹43 crore).

Grants-in-aid: Grants-in-aid from the GOI increased by ₹654 crore from ₹4,472 crore in 2008-09 to ₹5,126 crore in 2009-10.

The trends in revenue receipts relative to GSDP are presented in Table 1.3 below:

Table 1.3: Trends in Revenue Receipts relative to GSDP

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Receipts (RR) (₹ in crore)	**6,559**	**7,835**	**9,142**	**9,308**	**10,346**
Rate of growth of RR (*per cent)*	41.51	19.45	16.68	1.82	11.15
RR/GSDP (*per cent)*	25.54	27.40	28.37	25.21	24.47
Buoyancy Ratios[10]					
Revenue Buoyancy w.r.t GSDP	3.657	1.720	1.313	0.124	0.769
State's Own Tax Buoyancy w.r.t GSDP	1.72	0.94	1.44	0.99	1.02

Revenue receipts of the State increased from ₹6,559 crore in 2005-06 to ₹10,346 crore in 2009-10 at an average rate of 18.12 *per cent*. There was consistent decline in the growth rates during 2005-10 from 41.51 *per cent* in 2005-06 to 11.15 *per cent* in 2009-10 with sharp decline (1.82 *per cent*) noticed in 2008-09 due to decrease in NTR and grants received from GOI. Besides this, buoyancy ratio of revenue and State's own taxes with reference to GSDP increased from 0.12 to 0.77 and from 0.99 to 1.02 respectively during 2009-10 over the previous year. For every one *per cent* increase in GSDP, revenue increased by 0.8 *per cent* indicating that tax efforts need to be stepped up in the State. The State's own tax buoyancy with respect to GSDP was higher than revenue buoyancy because NTR as a percentage of GSDP has come down from 4.76 *per cent* in 2008-09 to 4.22 *per cent* in the current year.

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of central tax receipts and central assistance for plan schemes, etc., the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

Tax Revenue

Tax revenue of the State increased from ₹1,497 crore in 2005-06 to ₹2,574 crore in 2009-10 at an annual average rate of 16 *per cent*. The major contributors in the State's own tax during 2009-10 are taxes on Sales, Trades, etc.: ₹1,487 crore (58 *per cent* of tax revenue), State Excise: ₹500 crore (19 *per cent* of tax revenue), taxes on vehicles: ₹134 crore (five *per cent* of tax revenue), Stamps and Registration fees: ₹113 crore (four *per cent* of tax revenue) and taxes on goods and passengers: ₹89 crore (three *per cent*

[10] 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 at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one per cent.

of tax revenue). Collection of Sales tax, trade, etc. and State excise increased by ₹241 crore and ₹68 crore respectively in 2009-10 over the previous year.

Non-tax revenue

Non-tax revenue on the other hand showed consistent increase from ₹690 crore in 2005-06 to ₹1,823 crore in 2007-08 at an annual average rate of 48 *per cent* but decreased during 2008-09 to ₹1,756 crore by (four *per cent). H*owever, during 2009-10 it further increased to ₹1,784 crore (two *per cent*) over the previous year. The major contributors in State's NTR during 2009-10 were power sector: ₹1,215 crore (68 *per cent* of NTR), interest receipts, dividends and profits: ₹150 crore (8 *per cent* of NTR). Although these were major contributors to non tax revenue (NTR) in 2009-10, it showed a decline in power sector and interest, dividends and profits by ₹40 crore and ₹18 crore respectively over the previous year.

The actual realisation of State's own taxes (₹2574 crore) was less by five *per cent* and NTR (₹1784 crore) was higher by 10 *per cent* than the projections made in MTFPS (₹2700 crore and ₹1,615 crore) respectively. The State's own tax/NTR were higher by 0.2 *per cent* and 156 *per cent* than the projection made in the TFC (₹2,569 crore and ₹697 crore) and higher by 32 *per cent* and 115 *per cent* than the projection made in the FCP (₹1,943 crore and ₹828 crore) respectively (*Appendix-1.2*).

The current level of cost recovery (revenue receipts as percentage of revenue expenditure) in supply of goods and services is depicted in the following table:

Table 1.4: Current level of cost recovery

(₹ in crore)

Sl. No.	Departments	2005-06			2009-10		
		Receipt	Expenditure	Percentage	Receipt	Expenditure	Percentage
1.	Health and Family Welfare	5.37	344.84	1.56	5.90	609.68	0.97
2.	Minor Irrigation	0.54	84.14	0.64	0.80	208.47	0.38
3.	Secondary Education	33.40	443.28	7.53	3.85	638.04	0.60
4.	University & Higher Education	2.78	72.72	3.82	4.46	137.88	3.23
5.	Power	251.47	120.68	208.38	1214.80	185.33*	655.48
6.	Road Transport	0.02	51.93	0.04	0.04	58.48	0.07

Source: Finance Accounts

A look at the expenditure-receipt ratio for major departments of the State indicate that between 2005-06 and 2009-10 in all the above departments, the situation has deteriorated because the expenditure has drastically increased whereas the receipt has only increased marginally except under power.

1.3.2 Loss of Revenue due to Evasion of Taxes, Write Off/waivers, Refunds and Revenue arrears

The Excise and Taxation Department despite making numerous requests did not provide details of cases pending, detected, penalty raised in respect of Sales Tax, State Excise, Passenger and goods Tax and analysis of arrears of Revenue.

* Includes an amount of ₹21.07 crore now correctly classified to Major Head 6003- Internal Debt of the State Government to rectify the misclassification of loans of previous years.

Refunds: The number of refund cases pending at the beginning of the year 2009-10, claims received, refunds allowed during the year in the Excise and Taxation Department are detailed below:

Table 1.5: Refund cases outstanding

(₹ in crore)

Sr. No.	Particulars	Sales tax		State Excise	
		Number of cases	Amount	Number of cases	Amount
1.	Claims outstanding at the beginning of the year	23	0.61	0	0
2.	Claims received during the year	17	0.92	5	0.17
3.	Refunds made during the year	23	0.73	4	0.06
4.	Balance outstanding at the end of the year	17	0.80	1	0.11

Source: Departmental figures

Cost of collection

Expenditure on collection of taxes on Sales, Trade was ₹15.06 crore, State Excise ₹5.06 crore, Taxes on Vehicles, Goods and Passengers ₹2.53 crore and Stamp Duty and Registration Fee ₹1.02 crore during 2009-10. Percentage of expenditure to gross collection was 1.01, 1.01, 1.14 and 0.90 respectively. Percentage of expenditure to gross collection in the State was below the all India average except in the case of Taxes on Sales, trade etc. which was 0.13 per cent higher than the all India average percentage of collection for the year 2009-10. Efforts need be taken to reduce the expenditure in order to at least achieve the all India average.

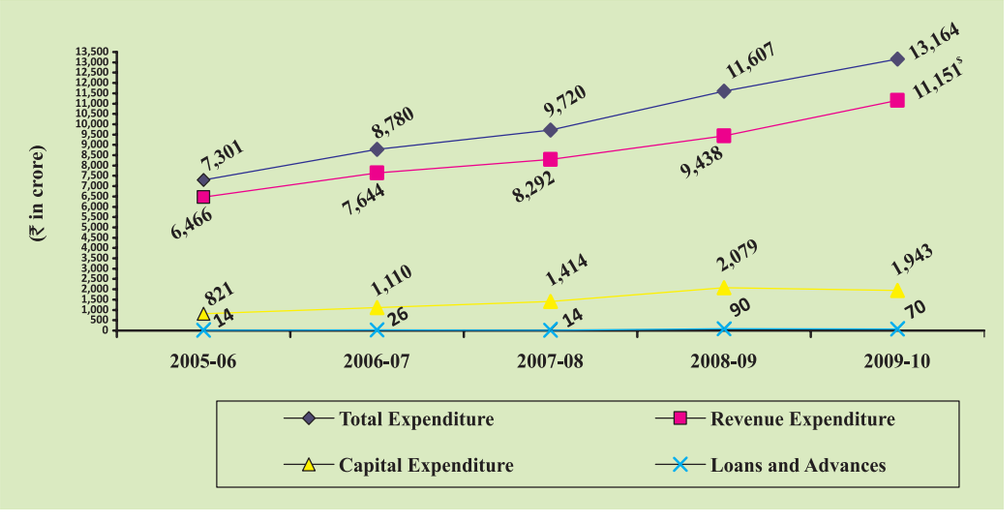
1.4 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is therefore important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

1.4.1 Growth and Composition of Expenditure

Chart 1.6 presents the trends in total expenditure over a period of five years (2005-10) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in Charts 1.7 and 1.8.

Chart 1.6: Total Expenditure: Trends and Composition



- The total expenditure[11] of the State increased from ₹7,301 crore in 2005-06 to ₹13,164 crore in 2009-10 at an annual average rate of 15 *per cent* and increased by 13 *per cent* (₹1,557 crore) in 2009-10 over the previous year. The increase of ₹1,557 crore in total expenditure during 2009-10 over the previous year was due to increase in revenue expenditure by ₹1,713 crore whereas capital expenditure and disbursements of loans and advances decreased by ₹136 crore and ₹20 crore respectively.

- Revenue expenditure increased from ₹6,466 crore in 2005-06 to ₹11,151[$] crore in 2009-10 at an annual average rate of 14 *per cent*. The increase in revenue expenditure during 2009-10 over the previous year was mainly due to expenditure on Education, Sports, Art and Culture (₹350 crore), Water Supply, Sanitation, Housing and Urban Development (₹51 crore), Health and Family Welfare (₹128 crore), Social Welfare and Nutrition (₹31.98 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹4.93 crore) in Social sector and Agriculture and Allied activities (₹354.51 crore), Transport (₹201.85 crore), Energy (₹80.75* crore), Rural Development (₹27.86 crore), Irrigation and Flood Control (₹17.87 crore) in Economic Sector.

- *Capital expenditure increased from ₹821 crore in 2005-06 to ₹2,079 crore in 2008-09 at an annual average rate of 34 per cent but decreased during 2009-10 by ₹136 crore (seven per cent) over the previous year.* No specific norms for prioritisation of capital expenditure have been laid down in FRBM Act. Water Supply and Sanitation, Housing and Urban Development (₹308.90 crore), Education (₹157.46 crore) in Social sector and Transport (₹588.98 crore), Irrigation and Flood Control (₹287.77 crore) and Power

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[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[11] Statements 12 and 13 of the Finance Accounts depict the detailed revenue expenditure and capital expenditure by minor heads respectively. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations.

[*] Includes an amount of ₹21.07 crore now correctly classified to Major Head 6003- Internal Debt of the State Government to rectify the misclassification of loans of previous years.

Projects (₹210.61 crore) in Economic sector were the beneficiary sectors where capital expenditure was made. Loans and advances constituted ₹70 crore (0.53 *per cent*) of the total expenditure which was less by ₹20 crore over the previous year.

1.4.2 Trends in Total Expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. The relative share of these components in total expenditure are indicated in charts 1.7 and 1.8 respectively.

Chart 1.7: Total Expenditure : Trends in share of its components

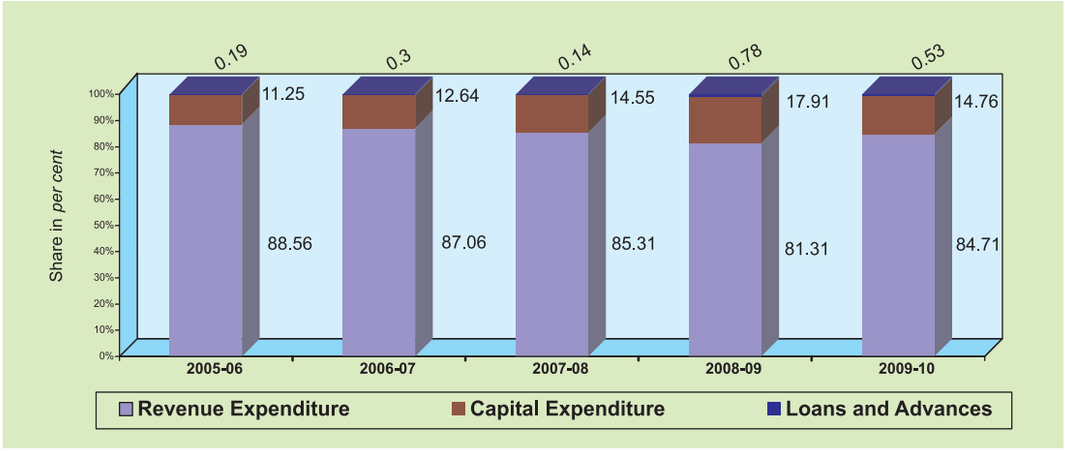
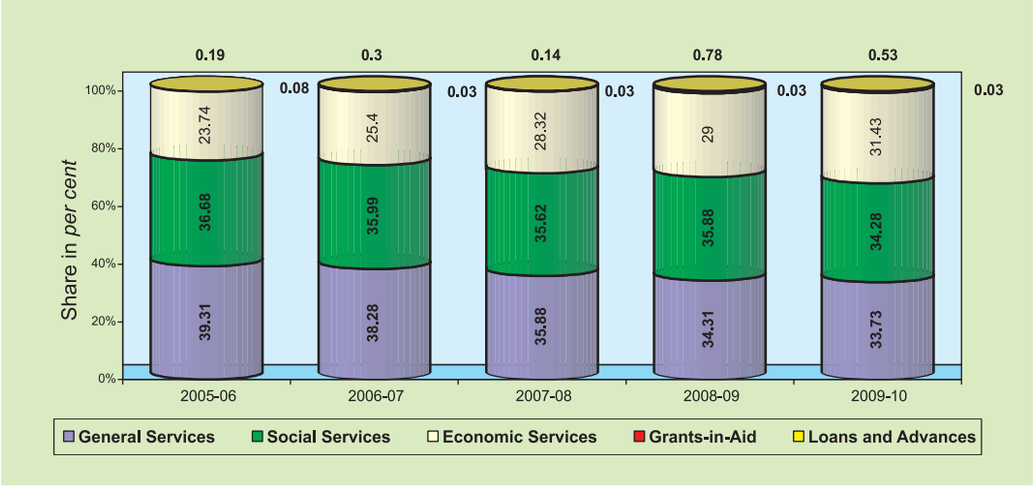


Chart 1.8: Total Expenditure : Trends by 'Activities'



The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. Expenditure on General Services (including interest payments) which is considered as non-developmental, together consistently decreased from 39.31 *per cent* in 2005-06 to 33.73 *per cent* in 2009-10. On the other hand, developmental expenditure i.e. on Social and Economic Services together accounted for 66 *per cent* in 2009-10

as against 65 *per cent* in 2008-09. The marginal increase in share of Economic Services and Social Services was mainly on account of increase in expenditure on General Education (₹344 crore), Transport (₹202 crore) and Agriculture and Allied Activities (₹354.51 crore).

1.4.3 Incidence of Revenue Expenditure

Revenue expenditure had the predominant share in the total expenditure. It is incurred to maintain the current level of services and payments, for the past obligations, and, as such, does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in Appendix-1.3. Non-plan revenue expenditure (NPRE) increased from ₹5,284 crore in 2005-06 to ₹9,913[$] crore in 2009-10 at an annual average rate of 16 *per cent* and the Plan Revenue Expenditure (PRE) increased from ₹877 crore in 2008-09 to ₹1,238 crore in 2009-10. The break up of total expenditure during 2009-10 in terms of Plan and Non-Plan expenditure reveals that Non-Plan expenditure contributed a dominant share of ₹9,964[$] crore (76 *per cent* of the total expenditure) while the remaining ₹3,200 crore (24 *per cent)* was in the form of plan expenditure.

The revenue expenditure increased by 18 *per cent* from ₹9,438 crore in 2008-09 to ₹11,151[$] crore in 2009-10. The NPRE has shown an inter year variation at an average rate of 15.61 *per cent* over the periods 2005-10 and continued to share a dominant proportion varying in the range of 82-91 *per cent* of the revenue expenditure. The increase in NPRE by ₹1,352 crore during the current year was mainly due to increase in Education (₹288 crore), Interest payments (₹62 crore), pension (₹194 crore), salaries and wages (₹832 crore) and assistance to Local Bodies (₹136 crore).

The ratio of NPRE to GSDP increased from 20.57 *per cent* to 23.45 *per cent* during 2005-10. The buoyancy of revenue expenditure to NPRE decreased from 1.19 *per cent* in 2005-06 to 0.67 *per cent* in 2008-09, but increased to 1.15 *per cent* in 2009-10 while with reference to Revenue Receipts it decreased from 7.59 in 2008-09 to 1.63 in 2009-10. In other words, in 2009-10 for every one *per cent* increase in Revenue receipt, NPRE increased by 1.63 *per cent*. The NPRE not only exceeded the assessment made by the State Government in FCP (₹6,437 crore) and MTFPS (₹9,140 crore), but also exceeded the normative assessment made by TFC (₹5,916 crore) by ₹3,997 crore (68 *per cent*) for 2009-10.

The PRE on the other hand has displayed fluctuations varying from 20.86 *per cent* in 2005-06 and decreased to 12.10 *per cent* in 2006-07, which turned negative (9.28 *per cent*) in 2007-08 and (27.04 *per cent*) during 2008-09. However, it increased by ₹361 crore and recorded increase of 41.16 *per cent* during 2009-10 over the previous year.

1.4.4 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. Table 1.6 and Chart 1.9 present the trends in the expenditure on these components during 2005-10 and 2007-10 respectively.

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

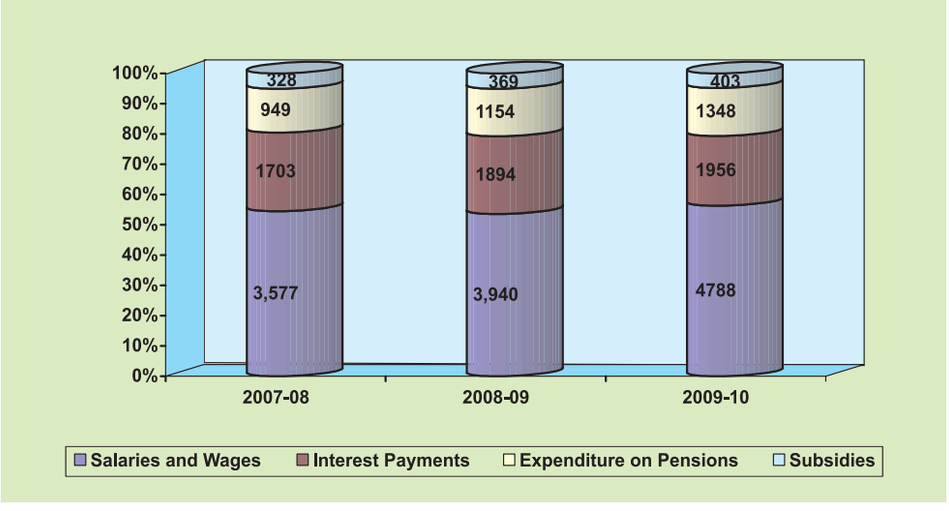
Table-1.6: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2005-06	2006-07	2007-08	2008-09	2009-10	
					BE	Actuals
Salaries & Wages , *Of which*	2,515 (38)	3,057 (39)	3,577 (39)	3,940 (42)	3,881	4,788 (46)
Non-Plan Head	2,115 (32)	2,577 (33)	3,173 (35)	3,813 (41)	-	4,645 (45)
Plan Head*	400 (6)	480 (6)	404 (4)	127 (1)	-	143 (1)
Interest Payments	1,563 (24)	1,669 (21)	1,703 (17)	1,894 (20)	2,053	1,956 (19)
Expenditure on Pensions	670 (10)	912 (12)	949 (10)	1,154 (12)	1,299	1,348 (13)
Subsidies	142 (2)	343 (4)	328 (4)	369 (4)	347	403 (4)
Total	**4,890**	**5,981**	**6,557**	**7,357**		**8,495**

Source: Accountant General (Accounts & Entitlement) office
Figures in the parentheses indicate percentage to Revenue Receipts.
**Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.*

Chart 1.9: Share of Committed Expenditure in Non-Plan Revenue Expenditure during 2007-10 (Value in labels in ₹ crore)



The expenditure on salaries and wages alone accounted for more than 46 *per cent* of revenue receipts of the State during 2009-10. It increased by about 22 *per cent* from ₹3,940 crore in 2008-09 to ₹4,788 crore in 2009-10. Salary expenditure under Non-plan head during 2009-10 increased by ₹832 crore (22 *per cent*) over the previous year whereas the salary expenditure on plan head increased by ₹16 crore (12.6 *per cent*) over the previous year. Non-plan salary expenditure ranged between 84.10 and 97.01 *per cent* of total expenditure on salaries during 2005-10. *The salary expenditure during the current year exceeded the projections made in MTFPS (₹3,748 crore) and the FCP (₹2,811 crore). The salary expenditure is 61 per cent of revenue expenditure net of interest and pension payments, which is much higher than the norm of 35 per cent recommended by the TFC requiring attention of the State Government.*

- **Pension Payments**

The expenditure on pension payments increased by 101 *per cent* from ₹670 crore in 2005-06 to ₹1,348 crore in 2009-10 and by ₹194 crore during the current year, recording a growth rate of 17 *per cent* over the previous year. Pension payments accounted for nearly 13 *per cent* of revenue receipts of the State during 2009-10. The actual expenditure on pension payments for the current year exceeded the projections made in the TFC (₹1,065 crore), FCP (₹880 crore) and MTFPS (₹1,299 crore).

- **Interest Payments**

The interest payments increased by 25 *per cent* from ₹1,563 crore in 2005-06 to ₹1,956 crore in 2009-10 and by ₹62 crore during the current year, recording a growth rate of three *per cent* over the previous year. The major source of borrowings is market loans at interest rates varying from five to 13.99 *per cent*. Interest payments exceeded the TFC projections (₹1,752 crore) for the year 2009-10. *The interest payments relative to revenue receipts which at 19 per cent, was higher than the norms of 15 per cent as recommended by TFC to be achieved during the award period*.

- **Subsidies**

The State Government has been paying subsidies to various institutions/bodies/Corporations, etc. The subsidies increased by 184 *per cent* from ₹142 crore in 2005-06 to ₹403 crore in 2009-10 and by nine *per cent* over the previous year and constituted about four *per cent* and three *per cent* of the revenue receipts and total expenditure respectively. The major components of subsidies were food and supply items (₹116 crore); transport (₹51 crore) and electricity (₹140 crore). The subsidy at ₹403 crore in 2009-10 was higher than the projections made both in FCP (₹186 crore) and MTFPS (₹347 crore).

1.4.5 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in Table 1.7.

Table 1.7: Financial Assistance to Local Bodies, etc.

(₹ in crore)

Financial Assistance to Institutions	2005-06	2006-07	2007-08	2008-09	2009-10
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	132.81	117.50	176.49	203.49	231.14
Municipal Corporation and Municipalities	32.68	46.74	70.66	82.46	115.92
Zila Parishads and other Panchayati Raj Institutions	70.08	100.58	134.13	188.45	217.92
Development Agencies	112.10	93.44	37.74	44.45	48.61
Hospitals and other charitable Institutions	0.40	0.12	0.10	4.85	41.25
Other Institutions[12]	31.56	41.11	47.65	58.55	63.25
Total	**379.63**	**399.49**	**466.77**	**582.25**	**718.09**
Assistance as per percentage of Revenue Expenditure	5.87	5.23	5.63	6.17	6.44

Source: Accountant General (Accounts & Entitlement) office

[12] Other institutions include those institutions, which received ad hoc or one time grants during the year.

The grants extended to local bodies and other institutions consistently showed an increasing trend over the years 2005-10. It increased by ₹136 crore (23 *per cent*) during current year over the previous year. The share of grants in revenue expenditure indicated increasing trend ranging between 5.23 *per cent* and 6.44 *per cent* during the period 2006-10. Another important trend emerging from Table-1.7 is that the share of other institutions has consistently increased from ₹31.56 crore in 2005-06 to ₹63.25 crore in 2009-10 indicating that huge financial assistance is being given on *ad hoc* basis to various State Government institutions. The sharp increase under different components during 2009-10 was mainly due to release of more grant to Municipal Corporation/Municipalities (₹33.46 crore), Educational Institutions (₹27.65 crore) and Zila Parishads and Panchayati Raj Institutions (₹29.47 crore).

1.5 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services); efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

1.5.1 Adequacy of Public Expenditure

Table 1.8 analyses the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year, which is the terminal year of the TFC and 2005-06 which is the first year of the award period.

Table-1.8: Fiscal Priority of the State during 2005-06 and 2009-10

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE
Himachal Pradesh' Average (Ratio) 2005-06	28.42	60.46	36.68	11.25
Himachal Pradesh' Average (Ratio) 2009-10	31.13	66.20	34.28	14.76

* As per cent to GSDP

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure.

Development expenditure includes Developmental Revenue Expenditure, Developmental Capital Expenditure and Loans and Advances disbursed

Source: (1) for GSDP, the information was collected from the State's Directorate of Economics and Statistics

Fiscal priority refers to the priority given to a particular category of expenditure by the State. On comparing expenditure patterns of Himachal Pradesh in 2009-10 with what it was in 2005-06 it was found that:

- The Government spent a larger proportion of GSDP on Aggregate expenditure (AE) primarily due to the impact of the Pay Commission;
- Development expenditure (DE)[13] as a proportion of AE increased by almost six per cent. The increase in expenditure was mainly on Economic Services, since the proportion of expenditure of SSE actually fell by two *per cent*.
- The proportion of Capital Expenditure (CE) increased by four *per cent.*

[13] DE=SSE+ES.

The above table indicates that due priority was given to development and capital expenditure. However, unless the financial outlays are translated into physical assets, the outcome cannot be assessed.

1.5.2 Efficiency of Expenditure Use

Table 1.9: Efficiency of expenditure use in selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2005-06			2009-10		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S &W	O&M		S&W	O &M
Social Services (SS)						
General Education	0.03	0.86	-	0.07	0.86	--
Health and Family Welfare	0.12	0.82	0	0.10	0.83	--
WS, Sanitation, & Housing and Urban Development	0.38	0.23	0.74	0.33	0.47	0.31
Total (SS)	**0.15**	**0.72**	**0.16**	**0.14**	**0.78**	**0.06**
Economic Services (ES)						
Agriculture & Allied Activities	0.02	0.52	0.01	0.06	0.39	0.00
Irrigation and Flood Control	0.54	0.51	0.61	0.57	0.73	0.46
Energy (Power)	0	0.01	-	0.53	0.01	--
Transport	0.40	0.58	0.28	0.39	0.61	0.66
Total (ES)	**0.35**	**0.48**	**0.16**	**0.32**	**0.47**	**0.31**
Total (SS+ES)	**0.19**	**0.63**	**0.16**	**0.23**	**0.65**	**0.16**

Source: Finance Accounts and Accountant General (Accounts & Entitlement) office
TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance

The ratio of capital expenditure to total expenditure in Social sector decreased to 0.14 in 2009-10 from 0.15 in 2005-06. In case of General Education, the ratio of CE to TE increased from 0.03 in 2005-06 to 0.07 in 2009-10 whereas in Health & Family Welfare it decreased to 0.10 in 2009-10 from 0.12 in 2005-06 and Water Supply, Sanitation & Housing and Urban Development decreased to 0.33 from 0.38 meaning thereby less priority was given to capital expenditure in 2009-10. Similarly, ratio of CE to TE in economic sector decreased from 0.35 in 2005-06 to 0.32 in 2009-10. In 2005-06 no capital expenditure was incurred in power sector whereas in 2009-10; its ratio was 0.53. The ratio of CE to TE increased in Irrigation and Flood Control from 0.54 to 0.57 and in Agriculture & Allied Activities from 0.02 to 0.06 during this period. In water supply, Sanitation and Urban Development the ratio of salary and wages increased from 0.23 in 2005-06 to 0.47 in 2009-10, in Irrigation and Flood Control from 0.51 to 0.73. In water supply, Sanitation and Urban Development the ratio of O and M decreased from 0.74 in 2005-06 to 0.31 in 2009-10, in Irrigation and Flood Control from 0.61 to 0.46. However, in transport sector it increased from 0.28 to 0.66.

1.5.3 Effectiveness of the Expenditure, i.e. Outlay-Outcome Relationship

As per data available from Government sources *(Appendix-I)*, Himachal Pradesh has fared relatively better as compared to other States as far as number of people below poverty line and literacy rate is concerned. However, in order to ensure effectiveness in public expenditure, the State will have to improve the delivery mechanism to achieve the desired outcomes. The State Government is expected to relate expenditure to outcomes in terms of quality, reach and the impact of government expenditure. A performance audit pertaining to the Economic Services sector was taken up and the audit findings are contained in the Civil Audit Report 2009-10, which is being presented separately to the State Legislature. The main highlights of the audit is as under:

Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)

The Government of India (GOI) launched a scheme namely Mahatma Gandhi National Rural Employment Guarantee Act from February 2006. The basic objective of the Act is to provide 100 days guaranteed employment in a financial year to every household whose adult members volunteered to do unskilled manual work at the minimum wage rate. The performance audit covered the period 2005-10. Performance audit of the scheme revealed that during 2005-10, the State Government generated 617.70 lakh persondays of employment by spending ₹1,039.63 crore and benefiting 4.97 lakh (cumulative number) rural households in the State. There were deficiencies in the planning process, particularly in the preparation of five year District Perspective Plans (DPPs). Works were not taken up in order of priority and rural connectivity which was at the bottom in the priority list was given top priority. This resulted in non-execution of adequate number of works such as drought proofing, afforestation and soil conservation for addressing the chronic cause of poverty and strengthening the natural resource base of rural livelihood. Wages of ₹97.45 lakh were paid to workers with delays ranging from 15 to 90 days after the prescribed period of a fortnight. The Status of inspection of works at State, District and Block levels was poor and the State Government had not designated any State and District Quality Monitors for ensuring quality audit of works as of June 2010. Besides, monitoring at high level by the State Employment Guarantee Council was also found deficient.

1.6 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-à-vis previous years.

1.6.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31st March 2010 is given in Table 1.10.

Table-1.10: Department-wise Profile of Incomplete Projects

(₹ in crore)

Department	Number of incomplete Projects	Initial budgeted cost	Revised Total Cost of Projects*	Cumulative actual expenditure as on 31.03.2010	Cost overrun
1.	2.	3.	4.	5.	6 (5-3)
Irrigation and Public Health	19	54.47	111.24	97.47	43.00
Public Works	10	16.91	-	10.62	-
Total:	**29**	**71.38**	**111.24**	**108.09**	**36.71**

Source: Finance Accounts

** Indicates the revised total cost of the projects as per the last revision by the State Government.*

Details of incomplete projects pertaining to Irrigation and Public Health and Public Works departments are presented in Table-1.10. In respect of 14 incomplete projects, revised costs of which are available, the cost overrun was ₹37 crore. An analysis of the delays revealed time overruns ranging between three months to 11 years. These projects were lying incomplete due to non availability of land, paucity of funds, court cases, non release of supply of power, etc.

Efforts needs to be taken to sort out the pending issues and complete the projects expeditiously in order to avoid further time and cost overruns and also to ensure that the envisaged benefits accrue to the intended beneficiaries at the earliest.

1.6.2 Investment and returns

No norms for investments have been prescribed by the State Government. As on 31 March 2010, Government had invested ₹2,663 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operative Societies (Table 1.11). *The average return on this investment was 1.65 per cent in the last five years while the Government paid an average interest rate of 9.1 per cent on its borrowings during 2005-10.*

Table-1.11: Return on Investment

(₹ in crore)

Investment/ Return/ cost of Borrowing	2005-06	2006-07	2007-08	2008-09	2009-10
Investment at the end of the year	1,842	1,861	2,033	2,369	2663
Return	28.61	1.80	0.52	89.58	73.49
Return *(per cent)*	1.55	0.10	0.03	3.78	2.76
Average rate of interest on Government borrowings *(per cent)*	9.20	9.40	9.09	9.19	8.59
Difference between interest rate and return *(per cent)*	7.65	9.30	9.06	5.41	5.83

Major investments were made in six Statutory Corporations/Boards (₹839.35 crore), 21 Government Companies (₹702.16 crore) and a Central PSU Himachal Pradesh Satluj Jal Vidyut Nigam (₹1043.90 crore). The two Statutory Corporations/Boards had incurred accumulated loss of ₹742.59 crore (Himachal Pradesh Road Transport Corporation: ₹512.23 crore and Himachal Pradesh

State Electricity Board: (₹230.36 crore) at the end of March 2010. The major recipients amongst Government Companies, which incurred accumulated losses upto 31 March 2010 were, Himachal Pradesh Agro-Industrial Packaging India Limited (₹74.57 crore), Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited (₹46.33 crore), Himachal Pradesh State Forest Development Corporation (₹50.54 crore) and Himachal Pradesh Handicrafts and Handloom Corporation Limited (₹17.98 crore).

1.6.3 Loans and advances by State Government

In addition to investments in co-operative societies, Corporations and Companies, Government had also been providing loans and advances to many of these institutions/ organisations. Table 1.12 presents the outstanding loans and advances as on 31 March 2010, interest receipts vis-à-vis interest payments during the last three years.

Table-1.12: Average Interest Received on Loans Advanced by the State Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	**2007-08**	**2008-09**	**2009-10**
Opening Balance	236.96	224.85	293.49
Amount advanced during the year	13.94	89.61	69.67
Amount repaid during the year	26.05	20.97	33.85
Closing Balance	**224.85**	**293.49**	**329.31**
Of which Outstanding balance for which terms and conditions have been settled	--	--	--
Net addition	(-) 12.11	68.64	35.82
Interest Receipts	16	11	11
Interest receipts as *per cent* to outstanding Loans and advances	6.9	4.2	3.5
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	9.4	9.8	9.0
Difference between interest payments and interest receipts (*per cent*)	(-) 2.5	(-) 5.6	(-) 5.5

Total amount of outstanding loans and advances as on 31 March 2010 was ₹329.31 crore. Against ₹69.67 crore advanced, only ₹33.85 crore was repaid during 2009-10, recording an increase of ₹12.88 crore in repayment over the previous year. Major recipients of loans during 2009-10 were Power projects (₹62 crore). There was a huge variation in the average rate of interest being paid by the Government on borrowings vis-à-vis the percentage of interest received on outstanding loans and advances. The shortfall ranged between 2.5 *per cent* and 5.6 *per cent* during 2007-10. *During 2009-10, the Government received 3.5 per cent return of interest receipts as percentage to outstanding loans against the targeted receipt of seven per cent fixed by TFC. It, however, paid nine per cent interest on borrowings during this period.*

1.6.4 Cash Balances and Investment of Cash balances

Table 1.13 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table-1.13: Cash Balances and Investment of Cash balances

(₹ in crore)

Particulars	As on 1st April 2009	As on 31st March 2010	Increase (+)/ Decrease(-)
Cash Balances	979.23	281.16	(-)698.07
Investments from Cash Balances			
a. GOI Treasury Bills	1,129.18	582.60	(-)546.58
b. GOI Securities	3,889.21	4285.64	(+)396.43
Funds-wise break-up of Investment from Earmarked balances	--	--	--
Interest realised	60.45	63.70	(+)3.25

Cash balances of the State Government at the end of the current year decreased by ₹698.07 crore from ₹979.23 crore in 2008-09 to ₹281.16 crore in 2009-10. The State Government has invested ₹582.60 crore in GOI Treasury Bills and ₹4285.64 crore in GOI Securities and earned an interest of ₹63.70 crore during 2009-10. The Government was able to maintain daily cash balance fixed by Reserve Bank of India and did not avail ways and means advances *(Appendix-1.3)*.

1.7 Assets and Liabilities

1.7.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix 1.4* gives an abstract of such liabilities and the assets as on 31 March 2010, compared with the corresponding position on 31 March 2009. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances.

1.7.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.3*. However, the composition of fiscal liabilities during the current year vis-à-vis the previous years are presented in Table-1.14.

Table-1.14: Fiscal Liabilities – Basic Parameters

	2005-06	2006-07	2007-08	2008-09	2009-10
Fiscal Liabilities (₹in crore)	17,432	18,071	19,419	21,819	23,713
Rate of Growth (*per cent*)	5.44	3.67	7.46	12.36	8.68
Ratio of Fiscal Liabilities to					
GSDP (*per cent*)	67.87	63.21	60.27	59.09	56.09
Revenue Receipts (*per cent*)	265.77	230.64	212.42	234.41	229.20

Thirteenth Finance Commission's recommendation on debt stabilisation

Thirteenth Finance Commission (ThFC) has recommended a target for reducing the consolidated debt stock of the States to 25 *per cent* of GSDP by 2014-15. The current debt of the State is ₹23,713 crore which is 56 per cent of the GSDP. The State Government has to take initiatives for fiscal correction to achieve the above target in a phased manner by 2014-15. The State Government stated (September 2010) that the target of 25 per cent is not applicable to this State as there is no target given in this component by the ThFC. The reply is not acceptable as the above target is clearly mentioned in Paragraph 9.29, 9.67, 9.69 and table 9.7 of report of the ThFC which states that the medium term combined debt to GDP ratio target for 2014-15 at 68 *per cent, w*ith the target Central Government debt at 45 *per cent* of GDP in 2014-15, therefore, this implies a target debt to GDP ratio of 25 *per cent* for all states in the same year (the state and central ratios do not add up to the combined ratio because central loans to the states have to be netted out).

The overall fiscal liabilities of the State increased from ₹17,432 crore in 2005-06 to ₹23,713 crore in 2009-10. Fiscal liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liability (₹17,113 crore) comprised market loans (₹8,835 crore), loans from GOI (₹984 crore) and other loans (₹7,294 crore which includes ₹4,286 crore on Special Security issued to NSSF of the GOI). The Public Account liabilities (₹6,600 crore) comprise Small Savings and Provident Funds (₹5,214 crore), interest bearing obligations and non-interest bearing obligations like deposits (₹1,248 crore) and reserve funds (₹138 crore). The rate of growth of fiscal liabilities was 8.68 *per cent* during 2009-10. The ratio of fiscal liabilities to GSDP consistently decreased to 56.09 *per cent* in 2009-10 from 67.87 *per cent* in 2005-06. These liabilities stood at 2.29 times the revenue receipts at the end of 2009-10. *The State Government was required to set up a Consolidated Sinking Fund as recommended by the TFC for amortisation of market borrowings as well as other loans and debt obligations. The State Government has not yet set up the sinking fund.*

1.7.3 Status of Guarantee[14] – Contingent liabilities

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years as shown in Statement 9 of the Finance Accounts, is given in Table 1.15.

Table-1.15: Guarantees given by the Government of Himachal Pradesh

(₹ in crore)

Guarantees	2007-08	2008-09	2009-10
Max amount guaranteed	6,450	6,076	4361
Outstanding amount of guarantees	2,632	2,291	1949
Percentage of maximum amount guaranteed to total revenue receipts	70.6	65	42

No law has been passed by the State Legislature under Article 293(1) of the Constitution laying down the limits within which Government may give guarantees on the security of the Consolidated Fund of the State. However, the HPFRBM Act, 2005 provides that the total outstanding guarantees are to be limited to 80 *per cent* of revenue receipts in the year preceding the current year. Since the enactment of the FRBM Act, 2005, the outstanding guarantees given by the State Government were within the limit prescribed by the Act. The outstanding guarantees on the loans raised by various corporations

[14] 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.

and others stood at ₹1,949 crore at the end of 2009-10 which was 20.94 *per cent* of the revenue receipts of the previous year and maximum amount guaranteed (₹4,361 crore) to total revenue receipts was 42 *per cent* which is within the permissible limits. The major recipients of guarantees against which amounts were outstanding as on 31 March 2010 were 5 Statutory Boards/Corporations (₹1,490 crore), seven Government companies (₹171 crore), one Co-operative Bank (₹249 crore) and two Local/Autonomous Bodies (₹39 crore). *The State Government was required to set up the Guarantee Redemption Fund as recommended by the TFC to meet the contingent liabilities arising from the guarantees given. However, the State Government has not set up such a Fund so far.*

1.8 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability[15] of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization[16]; sufficiency of non-debt receipts[17]; net availability of borrowed funds[18]; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. Table 1.16 analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2007-10.

Table 1.16: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2007-08	2008-09	2009-10
Debt Stabilization (Quantum Spread + Primary Deficit)	1,812	1,054	573
Sufficiency of Non-debt Receipts (Resource Gap)	370	(-) 1,726	(-) 506
Net Availability of Borrowed Funds	(-) 79	507	341
Burden of Interest Payments (IP/RR Ratio)	0.186	0.203	0.189
Maturity Profile of State Debt (In Years)*			
0 – 1	1,793.89	987.20 (6.40)	869.69 (5.08)
1 – 3	3,519.01	3,654.02 (23.26)	2444.40 (14.29)
3 – 5	2,802.05	2,733.06 (17.40)	3238.28 (18.92
5 – 7	2,019.54	2,167.37 (13.80)	2568.84 (15.01)
7 and above	4,830.94	6,766.17 (43.07)	7991.73 (46.70)

Figures in parenthesis indicate percentages.

15 The Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

16 A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

17 Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

18 Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

Table-1.16 reveals that quantum spread together with primary deficit was positive during 2007-10 indicating declining trend of debt-GSDP ratio. These trends indicate that the State is moving towards debt stabilisation, which in turn may improve the debt sustainability position of the State. However, the negative resource gap during 2009-10 indicates a risk of worsening of the fiscal and debt stability of the State provided this trend continues. During 2009-10, net borrowed funds available was positive indicating that ₹341 crore of total debt receipts were utilized for other purposes rather than for discharging past debt obligations. The maturity profile of the State Government indicates that 38 *per cent* (₹6552 crore) of the total Public Debt is repayable within the next five years while the remaining 62 *per cent* (₹10560.57 crore) loans are required to be paid in more than five years time.

1.9 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2009-10.

1.9.1 Trends in Deficits

Charts 1.10 and 1.11 present the trends in deficit indicators over the period 2005-10:

Chart 1.10: Trends in Deficit Indicators (₹in crore)

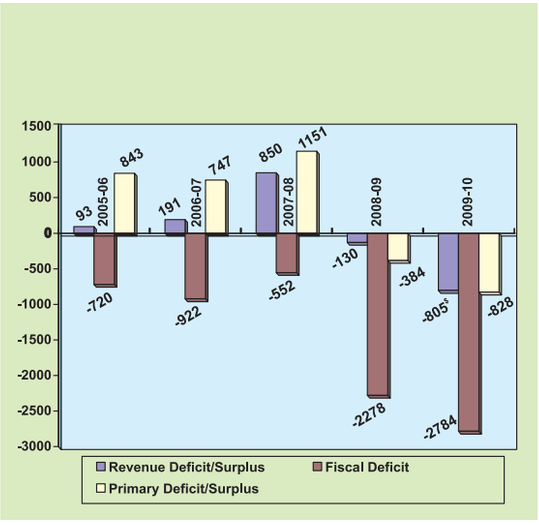
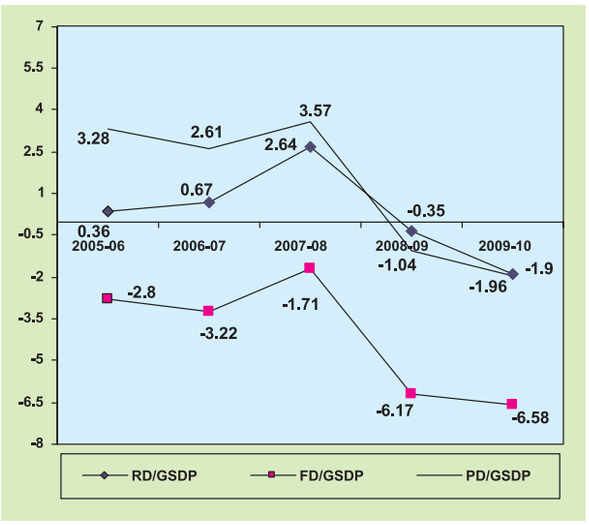


Chart 1.11: Trends in Deficit Indicators relative to GSDP (figures as percentage to GSDP)



Charts 1.10 and 1.11 reveal that all accounts of revenue, fiscal and primary experienced a situation of huge deficit during current year. From a revenue surplus position in 2005-06 to 2007-08 the State had a revenue deficit of ₹130 crore in 2008-09 which further deteriorated and rose to ₹805$ crore in 2009-10 indicating an increase of 519 *per cent*. The NTR showed marginal increase by ₹28 crore, tax

$ Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

revenue by ₹332 crore, share of union taxes/duties by ₹24 crore and GIA received from GOI increased by ₹654 crore which accounted for ₹1,038 crore increase in revenue receipts during 2009-10. Against receipts, revenue expenditure increased by 1,713 crore (18 per cent) which led to increase in revenue deficit. Further, fiscal deficit sharply increased by ₹506 crore from ₹2278 crore in 2008-09 to ₹2,784 crore during 2009-10. The primary deficit of ₹384 crore in 2008-09 increased to ₹828 crore in 2009-10 indicating an increase of 116 *per cent.* However, it was offset to some extent by the increase in interest payments (₹62 crore). Thus, revenue deficit and fiscal deficit was 1.9 and 6.58 *per cent* of GSDP which were higher than the projections made by TFC i.e. 0 and three *per cent* respectively which is a set back to the State that was heading towards achieving the target set forth in the FRBM Act.

1.9.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the Table 1.17.

Table-1.17: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Decomposition of Fiscal Deficit						
1	Revenue Deficit	(+) 93 (0.36)	(+) 191 (0.67)	(+) 850 (2.64)	(-) 130 (-) (0.35)	(-) 805[$] (-) (1.90)
2	Capital Expenditure	821 (3.20)	1,110 (3.88)	1,414 (4.39)	2,079 (5.63)	1943 (4.60)
3	Net Loans and Advances	8 (0.03)	(-) 3 ((-) 0.01)	(-)12 (0.04)	69 (0.19)	36 (0.09)
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	425	467	1,322	1,752	1177
2	Loans from GOI	(-) 38	(-) 91	(-) 5	(-) 44	13
3	Special Securities Issued to NSSF	813	670	134	60	396
4	Loans from Financial Institutions	(-) 739	(-) 309	(-) 599	(-) 406	78[♠]
5	Small Savings, PF, etc.	310	322	540	515	546
6	Deposits and Advances	103	(-)500	(-) 366	217	265
7	Suspense and Misc.	9	(-) 7	2	53	117
8	Remittances	119	73	50	(-) 2	75
9	Others	(-) 279	297	(-) 526	151	117
10	Overall Surplus/Deficit	(-) 720	(-) 922	(-) 552	(-) 2,278	(-) 2784

Figures in brackets indicate the per cent to GSDP.
*All these figures are net of disbursements/outflows during the year.

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[♠] ₹78 crore is net increase of loans during 2009-10 which has been worked out as under:

Balance as of 1st April 2009	₹2930.11 crore
Additions during 2009-10	₹574.67 crore
Total:	₹3504.78 crore
Repayment of loans during the year	₹496.47 crore

Table 1.17 reveals that fiscal position of the State had plunged to a huge deficit during 2008-09 and 2009-10. During 2009-10, the fiscal deficit of ₹2,784 crore was mainly due to heavy borrowings from market (₹1,177 crore), small savings, PF, etc. (₹546 crore), special securities issued to NSSF (₹396 crore) and deposits and advances (₹265 crore). During 2009-10, the market borrowings and small savings, PF, etc. together contributed 62 *per cent* which will increase the interest burden in future.

1.9.3 Quality of Deficit/Surplus

The ratio of Revenue Deficit to Fiscal Deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (Table 1.18) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.18: Primary deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Total Primary Expenditure	Primary revenue surplus	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2005-06	6,581	4,903	821	14	5,738	1678	843
2006-07	7,858	5,975	1,110	26	7,111	1883	747
2007-08	9,168	6,589	1,414	14	8,017	2579	1,151
2008-09	9,329	7,544	2,079	90	9,713	1785	(-) 384
2009-10	10380	9195	1943	70	11208	1185	(-) 828

- From 2005-06 onwards, non-debt receipts of the State was higher than the PRE which was sufficient to meet this expenditure. From 2007-08, the non-debt receipts as compared to primary revenue expenditure continued to fall from ₹2,579 crore in 2007-08 to ₹1,185 crore in 2009-10.

- Total primary expenditure increased by ₹5470 crore from ₹5738 crore to ₹11208 crore during the period 2005-10 which was due to increase of primary revenue expenditure of ₹4292 crore from ₹4903 crore in 2005-06 to ₹9195 crore in 2009-10 and capital expenditure by ₹1122 crore from ₹821 crore in 2005-06 to ₹1943 crore in 2009-10.

- During the period 2005-08 the State had primary surplus but it plunged into deficit of ₹384 crore in 2008-09 which further increased to ₹828 crore in 2009-10. The primary deficit during 2008-09 was mainly due to decrease of non-tax revenue by ₹67 crore *(four per cent)* and less receipt of grant-in-aid by ₹95 crore *(two per cent)* over the previous

year on the one hand and significant increase in disbursement of loans and advances i.e. by ₹76 crore *(543 per cent)* and increase in capital expenditure by ₹665 crore *(47 per cent)* over the previous year on the other hand. The increase in revenue deficit during 2009-10 was due to payment of dearness allowance and revised pay.

1.10 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters viz. Revenue deficit, fiscal deficit and primary deficit revealed during the year, the revenue receipts (₹10346 crore) of the State grew by only 11 *per cent* while the rate of growth of revenue expenditure (₹11151[$] crore) was 18 *per cent* over the previous year. This resulted in increased revenue deficit of ₹805[$] crore, in comparison to ₹130 crore during 2008-09.

The increase in revenue deficit combined with decrease in capital expenditure and disbursement of net loans and advances resulted in a fiscal deficit of ₹2784 crore in 2009-10. The primary deficit increased by ₹444 crore from ₹384 crore in 2008-09 to ₹828 crore in 2009-10. The fiscal deficit as a percentage of GSDP was 6.58 *per cent* in 2009-10 against FRBM Act target of 3 *per cent*.

The revenue expenditure constituted 85 *per cent* of the total expenditure during 2009-10 while the Non-Plan Revenue Expenditure (NRPE) constituted 89 *per cent* of revenue expenditure. The Plan Revenue Expenditure increased by 41 *per cent* over the previous year whereas the Capital Expenditure decreased by 7 *per cent* (₹136 crore) over the previous year.

The salary expenditure during the current year exceeded the projections made in MTFPS (₹3,748 crore) and the FCP (₹2,811 crore). The salary expenditure is 61 per cent of revenue expenditure net of interest and pension payments, which is much higher than the norm of 35 per cent recommended by the TFC requiring attention of the State Government.

The State Government failed to get the benefit of debt waiver of ₹65.75 crore for the financial year 2008-09 and 2009-10 due to non-reduction of revenue deficits as per stipulated norms.

The fiscal liability increased by nine per cent over the previous year. The fiscal liabilities to GSDP ratio at 56 *per cent* was higher than the norms of 31 *per cent* recommended by the TFC.

As of 31 March 2010, there were 29 incomplete projects in which ₹108.09 crore were blocked. Efforts need be taken to expedite completion of incomplete projects in order to avoid further time and cost overruns.

The TFC recommended setting up of guarantee redemption and consolidated sinking funds with Reserve Bank of India to mitigate the impact of liabilities during its award period of 2005-10. However, the State Government has not yet set up the funds even after completion of the award period.

Return to Fiscal correction: The State had achieved five out of eight targets as set out in FRBM Act/TFC during 2009-10. There is reasonable prospects of returning back to fiscal correction path if efforts are taken to increase tax compliance, reduce tax administration costs, collection of revenue arrears and prune unproductive expenditure so that deficit are curtailed. Efforts should also be made to improve collection of non tax revenue so that recourse to borrowed funds from GOI can be reduced.

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

Funds directly transferred by GOI: The GOI directly transferred ₹923.48 crore to the State Implementing Agencies thus total availability of State resources increased from ₹19,754 crore to ₹20,677 crore. There was no single agency to monitor the receipt/transfer of funds directly by GOI and therefore, utilisation of these funds remains to be verified by Audit to establish accountability of the State Government for these funds.

Greater priority to capital expenditure: The State had an increasing trend in capital expenditure upto 2008-09 which was indicative of improvement in social as well as economic services. But during 2009-10 the capital expenditure decreased by ₹136 crore over previous year. Evidently less priority was given to social and economic services and may have an adverse impact on the social and economic health of the State if left unattended. A monitoring organ should be put in place to ensure effective budgetary system and keep a vigil on how prudently the Government money are being utilized so that value for money is channelized in its entirety to the intended beneficiaries.

Review of Government investments: A performance based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify if high cost borrowings are worth to be channelized there.

Initiative for fiscal correction: The ThFC has recommended a target to achieve debt stock of 25 *per cent* of GSDP by 2014-15. But the State has not even been able to achieve the target of 31 *per cent* as recommended by TFC and its debt stock as of 31 March 2010 stood at 56 *per cent* of GSDP. The State Government, therefore, needs to gear up its activities so that atleast the target set out by the ThFC can be achieved.

CHAPTER-II
FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Accounts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provision and are therefore complementary to Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provision of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2009-2010 against 32 grants/appropriations was as given in Table-2.1:

Table-2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	9,063.10	601.38	9,664.48	10,439.72*	(+) 775.24
	II Capital	1,895.82	319.87	2,215.69	2,030.76*	(-) 184.93
	III Loans and Advances	10.06	1.58	11.64	69.67	(+) 58.03
Total Voted		**10,968.98**	**922.83**	**11,891.81**	**12,540.15**	**(+) 648.34**
Charged	IV Revenue	2,067.04	6.81	2,073.85	1,980.62	(-) 93.23
	V Capital	---	12.31	12.31	12.45	(+) 0.14
	VI Public Debt-Repayment	980.73	--	980.73	866.80	(-) 113.93
Total Charged		**3,047.77**	**19.12**	**3,066.89**	**2,859.87**	**(-) 207.02**
Appropriation to Contingency Fund (if any)		---	---	---	---	---
Grand Total		**14,016.75**	**941.95**	**14,958.70**	**15,400.02**	**(+) 441.32**

*These are gross figures except in respect of Grant Nos. 10, 13 and 31 in which certain suspense heads are operated.

The overall excess of ₹441.32 crore was the result of excess of ₹887.80 crore in 16 grants and one appropriation under Revenue Section, four grants and one appropriation under Capital Section offset by saving of ₹446.48 crore in 16 grants and five appropriations under Revenue Section and 20 grants and two appropriations under Capital Section.

The savings/excesses (Detailed Appropriation Accounts) were intimated (July 2010) to the Controlling Officers requesting them to explain the significant variations. Besides, the Finance Department was also intimated (August 2010). Out of 777 sub-heads, explanations for variation were not received (September 2010) in respect of 563 sub-heads (Saving: 283 sub-heads and Excess: 280 sub-heads). 15 departments have substantial excess of more than ₹one crore in each case and eight departments have savings more than ₹one crore in each case.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 19 cases, savings exceeded ₹one crore in each case and by more than 20 *per cent* of total provision in six cases **(***Appendix 2.1*). Against the total savings of ₹446.48 crore, savings of ₹284.20 crore[1] (64 *per cent*) occurred in three cases relating to two appropriations and one grant as indicated in Table-2.2.

Table-2.2: List of Grants with savings of ₹50 crore and above

(₹ in crore)

Sr. No.	Number and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
	Revenue-Charged					
1.	29-Finance	2,048.59	---	2,048.59	1,955.85	92.74
	Capital-Voted					
2.	23-Power Development	242.00	---	242.00	164.46	77.54
	Capital-Charged					
3.	29-Finance	980.73	--	980.73	866.81	113.92
	Total	**3,271.32**	**---**	**3,271.32**	**2,987.12**	**284.20**

Reasons for savings were awaited (September 2010).

2.3.2 Excess Expenditure

In 14 cases, expenditure aggregating ₹8,972.39 crore exceeded the approved provision by ₹884.23 crore and more than ₹one crore in each case and more than 20 *per cent* of the total provision in three cases. Details are given in *Appendix 2.2.* Of these, in the following grants/heads (Table-2.3), excess expenditure has been observed consistently for the last five years:

[1] Exceeding Rs 50 crore in each case.

Table-2.3: List of Grants indicating Persistent Excess expenditure during 2005-10

(₹ in crore)

Sr. No.	Number and Name of the Grant	Amount of Excess Expenditure				
		2005-06	2006-07	2007-08	2008-09	2009-10
	Revenue-Voted					
1.	10-Public Works-Roads, Bridges and Buildings	120.02	161.42	126.38	134.46	215.36
2.	14-Animal Husbandry, Dairy Development and Fisheries	1.89	4.63	7.76	4.08	5.70

Reasons for persistent excess were awaited (September 2010).

2.3.3 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹451.37 crore was incurred in four cases as detailed in Table-2.4 without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table-2.4: Expenditure incurred without provision during 2009-10

(₹ in crore)

Number and Name of Grants/Appropriations	Amount of Expenditure without provision	Remarks
05-Land Revenue and District Administration	19.30	Reasons were awaited.
13-Irrigation, Water Supply and Sanitation	54.33	Reasons were awaited.
29-Finance	377.24	Reasons were awaited.
31-Tribal Development	0.50	Reasons were awaited.
Total	**451.37**	

2.3.4 Drawal of funds to avoid lapse of budget grant

As per provisions of Treasury Rules read with Rule 2.10 of Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. During test-check of the records of various Drawing and Disbursing Officers (DDOs), it was noticed that the amounts drawn were neither fully spent for the specific purposes nor refunded into treasury before closure of financial year 2009-10 as detailed below:

(i) Unutilised funds: ₹32 lakh drawn by the Director of Horticulture, Himachal Pradesh, Shimla during 2008-09 for construction of residential building for the Director and Supervisory Training Centre at Naubahar had remained unutilised as of September 2010 with the executing agency Public Works Department (PWD) since the amount of ₹32 lakh was insufficient to start the work.

(ii) Unspent balances: The Block Medical Officer, Ghumarwin drew (December 2006-January 2007) ₹15 lakh for construction of staff quarters at Primary Health Centre (PHC) Harlog but the amount remained unspent as of September 2010 due to sufficient number of existing quarters for the PHC staff.

(iii) Unutilised funds: ₹68.77 lakh were drawn by the Principal, Indira Gandhi Medical College, Shimla in March 2007 and transferred to the executing agency PWD for renovation of operation theatres (OTs) but the amount had remained unutilised (September 2010) with the executing agency as the OTs had not been handed over by the Institutional authorities to the PWD.

(iv) Drawal of funds to avoid lapse of budget: Scrutiny of records (May 2009-March 2010) of 11 divisions (Public Works (PW): eight divisions[2] and Irrigation and Public Health (I&PH): three divisions[3]) revealed that ₹16.70 crore (PW: ₹12.29 crore and I&PH: ₹4.41 crore) were released through letters of credit by the concerned Superintending Engineers at the fag end of the financial year 2008-09 for the construction of various roads, buildings, tubewells, flood protection works and repair and maintenance of works. The Executive Engineers (EEs) drew the entire amount of ₹16.70 crore in March 2009 and showed it as final expenditure in accounts. Out of this, 10 divisions[4] transferred an amount of ₹15.70 crore (PW: ₹11.29 crore and I&PH: ₹4.41 crore) to the sub-divisions under their control/other divisions and kept under deposits. The remaining amount of ₹one crore transferred (March 2009) to the Additional Deputy Commissioner, Kaza by the EE B&R Division, Kaza was also received back (May 2009) and kept thereafter under deposit head. Thus, depiction of expenditure of ₹16.70 crore to the final head of account of works in the financial year 2008-09 and its utilisation in the subsequent financial year was in contravention of rules.

The concerned EEs confirmed the facts (May 2009-March 2010).

(v) Advance payments made to avoid lapse of budget: Scrutiny of records (June 2009-March 2010) of four divisions[5] revealed that advance payments of ₹10.66 crore were made to the Himachal Pradesh State Civil Supplies Corporation, Shimla (Corporation) on 31 March 2008 (₹2.56 crore) and 31 March 2009 (₹8.10 crore) for procurement of materials. The advance payments were charged (except Nahan Division) to the final heads of account of various works instead of keeping the amounts under the suspense head "Miscellaneous Works Advances" pending receipt of material. It was also noticed that there was nothing on the records of the divisions to show whether any requirement of the material was ever assessed before making the huge advance payments to the Corporation for procurement of materials.

The Corporation supplied cement and Ductile Iron pipes valuing ₹26.23 lakh and ₹80.23 lakh respectively to Nahan and Shimla-I divisions upto March 2009 against advance payment of ₹7.50 crore and refunded the balance amount of ₹6.44 crore between May 2009 and March 2010. In respect of Anni and Sundernagar divisions, no supply of material was received and the Corporation refunded

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2 Bilaspur-II, Chamba, Chopal, Jubbal, Karchham, Kasauli, Kaza and Shimla-II.

3 Hamirpur, Shahpur and Una-II.

4 Bilaspur-II, Chamba, Chopal, Hamirpur, Jubbal, Karchham, Kasauli, Shahpur, Shimla-II and Una-II.

5 Anni, Nahan, Shimla-I and Sundernagar.

the whole amount of advance (₹3.16 crore) in June 2009 and August 2009 respectively. The amounts refunded by the Corporation were credited to 'Public Works Deposits' for utilisation in the subsequent financial years and were thus kept outside the normal budgetary process.

The EEs confirmed (June 2009-March 2010) the facts and stated that funds were received at the fag end of the financial years (2007-08 and 2008-09) and had to be utilised by depositing the same with the Corporation to avoid lapse/surrender. The reply is not acceptable as it is contrary to the financial rules.

The action of the Department resulted in interest loss of ₹63.67 lakh to the Government (worked out at an average rate of interest of 9.19 *per cent* on its borrowings during 2008-09) as the amounts remained with the Corporation outside the Government accounts from 50 to 472 days. Besides, incorrect position of expenditure was depicted in the accounts without it being actually utilised and further the funds were parked under 'Public Works Deposits'.

(vi) Funds under Public Works Deposits remaining unutilised: Funds received by the EEs from various Departments/agencies for the execution of works on their behalf are temporarily kept under the transitory head "Public Works Deposits". Such funds should not be allowed to remain unutilised for an indefinite period as their prolonged retention results in not only keeping the money outside the normal budgetary process but also in blocking of Government funds.

Scrutiny of the records of five divisions[6] revealed (July 2009-March 2010) that ₹3.77 crore received from various Departments between September 2004 and July 2009 for execution of 11 deposit works[7] remained unutilised due to non-commencement of works for reasons like non-handing over /finalisation of sites by the client Departments (nine cases), non-finalisation of estimate (one case) and pending decision of the client Department for execution of work (one case). Non-utilisation of ₹four crore (deposited upto July 2007) in respect of construction of Degree College Building at Nahan due to non-handing over of site was also pointed out in Paragraph 2.20 of Report of the Comptroller and Auditor General of India for the year ended March 2009. Despite this, ₹0.65 crore were further remitted (March 2009) by the Higher Education Department without ensuring availability of site.

The concerned EEs admitted (July 2009-March 2010) the facts. Evidently, funds under deposit head were received by the respective divisions from different Departments without ensuring the pre-requisite formalities and availability of land for the execution of works of the sanctioned infrastructure.

The deposits amounting to ₹3.77 crore remained unutilised for periods ranging between eight and 66 months thereby defeating the purpose for which these were sanctioned.

In sum, the action of the divisions not only violated the prescribed financial system but also resulted in keeping the money outside the normal budgetary process. Moreover, there may be some other needy departments where these funds could have been utilised gainfully.

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[6] Kasauli, Kumarsain, Nahan, Nalagarh and Rampur.

[7] Construction of Degree College/Hospital Buildings: three, Community Bhawan/Sarai: two, Mortuary Water Tank: one, Staff quarter: one and construction of School Building/Science Laboratories in Schools : four.

2.3.5 Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, but the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹1,101.46 crore for the years 2007-2009 was yet to be regularised as detailed in *Appendix 2.3*. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in Table-2.5.

Table-2.5: Excess over provision relating to previous years requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2007-08	18	3	544.94	Audit comments sent to the Finance Department/ H.P. Vidhan Sabha. Not yet discussed by the PAC.
2008-09	11	3	556.52	It was due for discussion from 13.07.2010. *Suo moto* replies from the Finance Department are still awaited.
Total			**1,101.46**	

2.3.6 Excess over provision during 2009-10 requiring regularisation

Table 2.6 contains the summary of total excess in 22 grants/appropriations amounting to ₹887.80 crore over authorization from the Consolidated Fund of State (CFS) during 2009-10 and requires regularisation under Article 205 of the Constitution.

Table-2.6: Excess over provision requiring regularisation during 2009-10

(In ₹)

Sr. No.	Number and title of Grant/ Appropriation (Revenue and Capital)	Total grant	Expenditure	Excess
1.	01-Vidhan Sabha	11,25,49,000	11,35,68,028	10,19,028
2.	04-General Administration	83,75,73,000	84,70,74,862	95,01,862
3.	05-Land Revenue and District Administration	292,91,22,761	327,44,39,442	34,53,16,681
4.	06- Excise and Taxation	26,47,28,000	27,35,78,632	88,50,632
5.	07-Police and Allied Organisations	387,79,11,045	400,22,60,814	12,43,49,769
6.	08-Education	1903,31,63,000	1906,37,72,580	3,06,09,580
7.	10-Public Works-Roads, Bridges and Buildings	1360,78,94,000	1576,14,50,582	215,35,56,582
8.	13-Irrigation, Water Supply and Sanitation	985,60,79,600	1222,15,70,031	236,54,90,431

9.	14-Animal Husbandry, Dairy Development and Fisheries	131,31,67,103	137,02,11,131	5,70,44,028
10.	16-Forest and Wild Life	300,17,50,000	553, 31,90,706	253,14,40,706
11.	19-Social Justice and Empowerment	275,42,21,000	281,53,64,371	6,11,43,371
12.	23-Power Development	172,21,10,000	187,19,33,685	14,98,23,685
13.	26-Tourism and Civil Aviation	9,25,73,000	9,36,84,990	11,11,990
14.	27-Labour, Employment and Training	49,29,79,000	49,79,24,613	49,45,613
15.	28-Urban Development, Town and Country Planning and Housing	101,57,75,000	115,67,26,647	14,09,51,647
16.	29-Finance	1328,80,63,000	1377,68,32,099	48,87,69,099
17.	02-Governor and Council of Ministers	2,67,27,000	2,85,18,187	17,91,187
18.	10-Public Works-Roads, Bridges and Buildings	325,83,00,000	326,50,33,076	67,33,076
19.	13-Irrigation, Water Supply and Sanitation	420,78,46,000	440,25,68,902	19,47,22,902
20.	25-Road and Water Transport	45,32,00,000	63,32,00,000	18,00,00,000
21.	32-Scheduled Caste Sub-Plan	382,12,09,000	384,04,31,066	1,92,22,066
22.	10-Public Works-Roads, Bridges and Buildings	12,02,94,000	12,19,08,087	16,14,087
	Total	**8608,72,34,509**	**9496,52,42,531**	**887,80,08,022 or 887.80 crore**

Reasons for the excesses had not been furnished by the Government as of September 2010.

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹13.55 crore obtained in five cases, ₹25 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in *Appendix 2.4.* In 11 cases, supplementary provision of ₹486.66 crore proved insufficient by more than ₹one crore in each leaving an aggregate uncovered excess expenditure of ₹814.32 crore (*Appendix 2.5*). Of the uncovered excess of ₹814.32 crore, ₹253.15 crore (31 *per cent*) were incurred by the Forest Department.

2.3.8 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹10 lakh in 140 sub-heads. The excess/saving was more than ₹two crore in 35 sub-heads as detailed in *Appendix 2.6*. Of these, in three[8]

[8] Grant Nos. 10, 23 and 29: one Sub-head each.

sub-heads the savings/expenditure exceeded ₹25 crore for which no reasons had been furnished by the Government as of September 2010.

2.3.9 Unexplained re-appropriations

According to Paragraph 13.3 (b) of Himachal Pradesh Budget Manual, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and vaguely worded phrases such as "due to over estimating" "re-appropriation proved unnecessary or inadequate", etc., should be avoided. Further, if an excess occurs under "travelling allowances" it should be explained why additional travelling allowance could not have been foreseen and provision made to cover its cost and why it was necessary. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 569 items out of 2,996 (19 *per cent*), reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature like "more/less touring by staff", "more/less purchase of machinery/equipment", "more/less receipt of rent, rates and taxes bills" and "more expenditure under other schemes".

2.3.10 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 23 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹535.78 crore in these 23 schemes, ₹478.21 crore (89 *per cent*) were surrendered, which included cent *per cent* surrender in 6 schemes (₹52.70 crore) (*Appendix 2.7).*

Similarly, out of total savings of ₹29.76 crore under five other grants (savings of ₹one crore and above were indicated in each grant) amount aggregating to ₹9.98 crore (34 *per cent* of total savings) were not surrendered, details of which are given in *Appendix 2.8.* Besides, in seven cases (surrender of funds in excess of ₹10 crore) ₹340.58 crore were surrendered (*Appendix 2.9*) on the last working day of March 2010 indicating inadequate financial control. Also, the fact that these funds could not be utilised for other development purposes.

2.3.11 Surrender in excess of actual saving

In nine cases, the amount surrendered (₹50 lakh or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹131.13 crore, the amount surrendered was ₹158.66 crore resulting in excess surrender of ₹27.53 crore. Details are given in *Appendix 2.10.* Reasons for surrender in excess of savings were awaited (September 2010).

2.3.12 Rush of expenditure

According to the Himachal Pradesh Financial Rules, the expenditure should be regulated in a phased manner and rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 28 sub-heads listed in *Appendix 2.11*, expenditure exceeding ₹10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2010. Table-2.7

presents the major heads where more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year.

Table-2.7: Cases of Rush of Expenditure towards the end of the financial year 2009-10

(₹ in crore)

Sr. No.	Major Head (Charged/Voted)	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2010	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2236(V)	68.48	37.68	55	28.67	42
2.	2402(V)	45.73	23.27	51	16.11	35
3.	2406(V)	578.21	380.95	66	65.28	11
4.	2801(V)	185.33	169.50	91	169.00	91
5.	2851(V)	38.69	23.22	60	17.90	46
6.	4059(V)	47.44	30.65	65	23.19	49
7.	4202(V)	214.69	174.05	81	134.73	63
8.	4210(V)	69.48	65.08	94	39.39	57
9.	4402(V)	48.64	46.56	96	39.58	81
10.	4701(V)	57.79	38.23	66	28.90	50
11	4702(V)	187.34	116.87	62	94.34	50
12	4711(V)	70.97	43.62	61	38.06	54
13	4801 (V)	210.61	156.01	74	156.01	74
14.	5054 (C)	12.19	11.86	97	11.86	97
	Total	**1,835.59**	**1,317.55**	**72**	**863.02**	**47**

Source: Accountant General (Accounts & Entitlement) office

2.3.13 Budgetary process in the Ayurveda Department

A performance audit on the working of the Ayurveda Department was undertaken during the year and the following deficiencies in the budgeting process were noticed:

During the period 2005-10, the Department of Ayurveda had been allocated ₹404.50 crore for development of AYUSH against which an expenditure of ₹449.04 crore was incurred resulting in

an excess of ₹44.54 crore (11 *per cent*). The financial and operational management were deficient as the resources provided for medicines and contingencies were decreasing while expenditure on salary and wages of staff had been increasing abnormally. Unutilised central grants of ₹1.17 crore was unauthorisedly deposited into the treasury as State receipt.

The AYUSH Society received ₹37.23 crore from GOI for the development of AYUSH institutions during 2005-10 out of which ₹30.19 crore remained unutilised as of March 2010 which is indicative of the fact that the budgeting and financial management in the Department was deficient.

2.4 Non-reconciliation of Departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per rule, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General (Accounts & Entitlement).

Scrutiny of the records of 42 departments at Directorate level revealed that in respect of nine DDOs[9] an amount of ₹136.70 crore was paid on AC bills during the period 2005-10 against which DCC bills for only ₹43 crore were submitted leading to an outstanding balance of ₹93.70 crore as on 31 March 2010.

Year-wise and Department-wise pending DCC bills for the years 2005-10 is detailed in *Appendix 2.12.* It was further noticed that majority of the AC bills were being drawn for Mid Day Meal scheme, purchase of medicines/raw herbs, purchase of Special Nutrition Programme items, POL expenditure and training. No cogent reasons for non-submission of DCC bills were furnished by the concerned DDOs.

Non-submission of DCC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and therefore needs to be monitored closely.

2.4.2 Non-adjustment of Temporary Advances

Drawing and Disbursing Officers draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanction of the State Government. As per Rule 2.10 of Himachal Pradesh Financial Rules, the Treasury Officer may authorise advance drawal to the extent of ₹10,000 only for each head of office and no subsequent drawal of advance shall be permitted by him unless first advance is duly accounted for.

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[9] Animal Husbandry, Education, Finance (Treasury &Accounts), Health and Family Welfare, Indian Systems of Medicines and Homeopathy, Labour and Employment, *Panchayati Raj,* Youth Services and Sports and Social Justice and Empowerment.

Test-check of records of eight DDOs[10] in the State revealed that ₹7.35 crore were pending adjustment as of March 2010. Age wise analysis of advances pending is given in Table-2.8.

Table-2.8

Sr. No.	Pendency	No. of Advances	Amount (₹ in crore)
1.	More than five years up to 10 years	33	0.05 (0.68)
2.	More than one year but less than five years	465	7.30 (99.32)
Total		**498**	**7.35 (100)**

Figures in parenthesis indicate percentage to total amount.
Source: Departmental figures

No reasons for non-adjustment of temporary advances were furnished by the concerned DDOs. Non-adjustment of temporary advances for long periods is fraught with the risk of misappropriation and fraud. The Controlling Officers of the concerned departments need to exercise the prescribed financial control over authorization and timely adjustment of temporary advances, scrupulously.

2.5 Operation of Personal Deposit Accounts

Personal Deposit Accounts (PDAs) are created by debit to the Consolidated Fund and the same should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund.

Information collected from the Accountant General (Accounts & Entitlement) office revealed that 137 PDAs were in operation in 14 District Treasuries at the beginning of the year 2009-10, out of which three PDAs involving an amount of ₹92,821 (two PDAs having (-) balances of ₹73,612 and ₹19,210 and a PDA with plus balance of ₹one) were closed during the year. No new PDA was created during 2009-10. The position of remaining 134 PDAs having balance of ₹138.68 crore as on 31 March, 2010 was as under:

- 48 PDAs having balance of ₹132.69 crore had been in operation during the year.
- 86 PDAs involving an amount of ₹5.99 crore remained inoperative during the current year.
- All the 86 PDAs remained inoperative continuously for periods upto 20 years. Of these, 15 PDAs having balance of ₹13.50 lakh remained inoperative for more than five years but below 20 years.
- PDAs should normally close with credit balance, as the payment against deposit should not exceed deposits received. Scrutiny of PDAs revealed that there were adverse balances of

[10] (i) Controller Dr. Y.S. Parmar University, Solan (₹323.15 lakh) (ii) DHS-cum-Nodal Officer (SSRC), Shimla (₹271.05 lakh) (iii) Director, Urban Development, Shimla (₹0.26 lakh) (iv) Deputy Director, Agriculture, Kullu (₹23.88 lakh) (v) Executive Engineer (Design), Dr. Y.S. Parmar University, Solan (₹5.38 lakh) (vi) Managing Director, Himachal Pradesh Milk Federation, Totu, Shimla (₹109.44 lakh) (vii) Project Director, Desert Development Project, Pooh (₹1.13 lakh) and (viii) Scientist-C, Research Extension Centre, Palampur, Kangra (₹0.35 lakh).

₹2.34 lakh in six cases *(Appendix-2.13)* which could be due to misclassification, excess payments, non-reconciliation of the accounts or some other reasons which required investigation and rectification.

The funds meant for various development works were, thus, parked in the PDAs without undertaking the work for which these were sanctioned and released. The practice of retaining funds in the PD Account after the close of the financial year is fraught with the risk of misuse of funds and therefore, needs to be avoided.

2.6 Outcome of Review of Selected Grant

Review of one grant (Grant No.10- Public Works, Roads, Bridges and Buildings) revealed the following:

(i) Excess over the budget provision due to unrealistic estimation awaiting regularisation

During 2009-10 there was a total excess of ₹216.19 crore (Revenue section: ₹215.36 crore and Capital section: ₹0.83 crore) under the grant. The details of the major head of the Grant contributing to the such excess is given below:

Table-2.9

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expen-diture	Excess	Per-centage
	Revenue (Voted)	Original	Supplem-entary	Re-appro-priation	Total			
1.	2059-Public Works	356.21	4.71	(-) 25.91	335.01	524.83	(+) 189.82	56.66

Source: Accountant General (Accounts &Entitlement) office

It is seen from the above that under the major head 2059 though there was huge excess under the head, an amount of ₹25.91 crore was re-appropriated out of the head during the year. It was noticed in audit that the major reason for such huge excess was contributed by ₹87.24 crore under 'Stock Suspense'. The reasons for such huge variation between the budget provision and actual expenditure under the major head could not be furnished though called for. This indicates that preparation of budget estimates was un-realistic.

The overall excess expenditure of ₹216.19 crore under the grant had not been regularised (September 2010).

(ii) Inadequate supplementary provision

Against the additional requirement of ₹328.32 crore under three major heads, supplementary provision of only ₹111.65 crore had been obtained as per details given in table- 2.10.

Table- 2.10

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess	Difference in original provision and expenditure
	Revenue (Voted)	Original	Supple-mentary	Re-appropriation	Total			
1.	2059-Public Works	356.21	4.71	(-) 25.91	335.01	524.83	(+) 189.82	168.62
2.	3054-Road and Bridges	981.19	17.24	25.86	1,024.29	1,049.79	(+) 25.50	68.60
	Total	**1,337.40**	**21.95**	**(-) 0.05**	**1,359.30**	**1,574.62**	**215.32**	**237.22**
	Capital (Voted)							
3.	5054-Capital Outlay on Roads and Bridges	222.61	77.67	(-) 0.22	300.06	301.52	(+) 1.46	78.91
	Total	**222.61**	**77.67**	**(-) 0.22**	**300.06**	**301.52**	**(+) 1.46**	**78.91**
	Capital (Charged)							
4.	5054-Capital Outlay on Roads and Bridges	0.00	12.03	0.00	12.03	12.19	(+) 0.16	12.19
	Total	**0.00**	**12.03**	**0.00**	**12.03**	**12.19**	**0.16**	**12.19**
	Grand Total	**1,560.01**	**111.65**	**(-) 0.27**	**1,671.39**	**1,888.33**	**216.94**	**328.32**

Source: Appropriation Accounts

Thus, the meagre supplementary provision in above cases proved inadequate leaving an uncovered excess expenditure of ₹216.94 crore. This is also indicative of unrealistic estimation.

(iii) Surrender of funds

A review of the overall budget provision and expenditure under Grant No. 10 revealed that there was a total excess of ₹216.19 crore during the year 2009-10. However, the Department instead of requesting for more provision surrendered an amount of ₹0.22 crore during the year.

Thus, it is evident that the foresight and planning in the Department relating to management of finances was lacking which resulted in injudicious surrender of ₹0.22 crore.

(iv) Injudicious re-appropriation

Under two major heads of the Grant against original appropriation of ₹578.82 crore, an expenditure of ₹826.35 crore was incurred. An amount of ₹247.53 crore should have been obtained in the supplementary provision, but in these cases supplementary provision of only ₹82.38 crore had been obtained out of which ₹26.13 crore were re-appropriated resulting in an overall excess of ₹191.28 crore against aforesaid major heads as detailed below:

Table-2.11

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess over provision
	Revenue (Voted)	Original	Supple-mentary	Re-appro-riation	Total		
1.	2059-Public Works	356.21	4.71	(-) 25.91	335.01	524.83	189.82
	Total	**356.21**	**4.71**	**(-) 25.91**	**335.01**	**524.83**	**189.82**
	Capital (Voted)						
2.	5054-Capital Outlay on Roads and Bridges	222.61	77.67	(-) 0.22	300.06	301.52	1.46
	Total	**222.61**	**77.67**	**(-) 0.22**	**300.06**	**301.52**	**1.46**
	Grand Total	**578.82**	**82.38**	**(-) 26.13**	**635.07**	**826.35**	**191.28**

Source: Accountant General (Accounts & Entitlement) office

Thus, it is evident that the re-appropriation in the above cases was unnecessary and injudicious.

(v) Unnecessary supplementary provision

Against the original provision of ₹18.80 crore and supplementary provision of ₹0.15 crore under major head-4059, an expenditure of ₹18.40 crore was incurred. Thus, the supplementary provision was unnecessary, as the expenditure was less than the original provision. The saving under this head was therefore, more than the supplementary provision.

(vi) Rush of expenditure

Government has prescribed (September 1995) quarter-wise percentages for incurring expenditure. In the case of Grant No. 10, the quarter-wise flow of expenditure was not maintained during 2009-10 according to prescribed norms as per details tabulated in table- 2.12.

Table- 2.12

(₹ in crore)

Month	Expenditure	Quarter	Quarterly expenditure	Percentage of actual expenditure	Percentage as per prescribed norms
April 2009	42.96	1st quarter	277.73	14.50	20
May 2009	106.76				
June 2009	128.01				
July 2009	127.69	2nd quarter	343.02	17.92	25
August 2009	107.44				
September 2009	107.89				
October 2009	175.25	3rd quarter	419.16	21.89	30
November 2009	109.07				
December 2009	134.84				
January 2010	225.06	4th quarter	874.93	45.69	25
February 2010	145.69				
March 2010	504.18				
Total	**1,914.84**		**1,914.84**	**100.00**	**100**

Source: Accountant General (Accounts & Entitlement) office

The rush of expenditure in the last quarter of the financial year was more than 45 *per cent* of the total expenditure. This indicates lack of planning and absence of financial control.

Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill planned expenditure. The Department should ensure that the funds are expended uniformly as prescribed throughout the year as far as practicable to avoid rush of expenditure at the end of the financial year.

(vii) Non-submission of liability statements to the Finance Department

Liability statements to exercise effective control over expenditure and preparation of correct budget estimates were not sent by the Engineer-in-Chief (E-in-C) to the Finance Department during 2009-10 as required under budget manual.

Liability register to keep track of undisclosed/undischarged liabilities, required to be maintained as per budget manual, was not maintained by the E-in-C.

2.7 Conclusion and Recommendations

The State had an overall excess of ₹441.32 crore as a result of excess of ₹887.80 crore offset by saving of ₹446.48 crore. The excess expenditure of ₹887.80 crore requires regularisation under Article 205 of the Constitution of India.

'Public Works' and 'Animal Husbandry, Dairy Development and Fisheries' persistently incurred excess expenditure for the last five years. Supplementary provision aggregating ₹13.55 crore obtained in five cases (₹25 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision. In nine cases, the amount surrendered (₹50 lakh or

more in each case) was in excess of actual savings. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations besides rush of expenditure in the last quarter of the financial year indicating lack of or inadequate budgetary control in the departments.

Funds amounting to ₹31.13 crore were drawn to avoid lapse of budget grant and either kept under Civil Deposit or paid to Corporations which resulted in avoidance of legislative control. Besides, funds amounting to ₹138.68 crore meant for developmental works were parked in Personal Deposit Accounts without undertaking the work for which these were sanctioned and released. These are chronic features noticed in the overall financial management in the departments and these practices are fraught with the risk of misuse of funds. Further, in many cases, the savings were either not surrendered or surrendered on the last day of the year leaving no scope for utilising these funds for other development purposes.

Financial Management and budgetary control: Excess expenditure of ₹887.80 crore requires regularisation under Article 205 of the Constitution of India. Parking of funds in Deposit Accounts and Personal Deposit Accounts, to avoid lapse of budget, is fraught with the risk of misuse of funds and therefore, needs to be avoided. Expenditure should be planned in advance and incurred uniformly throughout the year. Budgetary controls should be strictly observed to avoid such deficiencies in financial management.

Monitoring mechanism needs to be strengthened: The Abstract Contingent Bills amounting to ₹93.70 crore had not been adjusted for long periods of time which is fraught with the risk of misappropriation and therefore needs to be monitored closely.

CHAPTER-III
FINANCIAL REPORTING

A sound internal financial reporting 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 compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilisation Certificates

Financial Rules provide that Utilisation Certificates (UCs) should be obtained for specific purpose grants by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts & Entitlement) within one year from the date of their sanction unless specified otherwise. However, of the 43,238 utilisation certificates (UC) due in respect of grants and loans aggregating ₹1257.75 crore up to 2009-10; 26,057 UCs (60 *per cent*) for an aggregate amount of ₹829.48 crore were pending as of March 2010 out of which 199 UCs involving ₹23.95 crore were pending for more than five years. The department-wise break-up of outstanding UCs is given in *Appendix 3.1* and age-wise delays in submission of UCs are summarised in Table 3.1.

Table3.1: Age-wise arrears of Utilisation Certificates

(₹ in crore)

Sl. No.	Range of delay (In number of years)	Total grants paid		Utilisation Certificates outstanding	
		Number of Cases	Amount	Number	Amount
1.	0 – 1	21,543	582.25	18,823	462.71
2.	1 – 3	20,567	566.57	6,465	304.28
3.	3 – 5	822	77.63	570	38.54
4.	5 – 7	281	23.20	196	18.42
5.	7 – 9	22	6.44	2	4.16
6.	9 & above	3	1.66	1	1.37
	Total	**43,238**	**1257.75**	**26,057**	**829.48**

Source: Accountant General (Accounts & Entitlement) office

Pendency of UCs mainly pertained to Education Department (18,891 UCs: ₹161.86 crore), Rural Development Department (4,108 UCs: ₹470.16 crore), Industries Department (704 UCs: ₹2.47 crore), Art and Culture (859 UCs: ₹2.13 crore), Social Justice and Empowerment Department (1042 UCs: ₹54.27 crore), Urban Development Department (51 UCs: ₹62.52 crore), Sports and Youth (49 UCs: ₹6.35 crore), Tourism Department (3 UCs: ₹1.86 crore), Forest (9 UCs: ₹3.61 crore) and Secretariat and Social Service (10 UCs: ₹3.70 crore).

In the absence of the UCs, it could not be ascertained whether the recipients had utilized the grants for the purpose for which these were given.

3.2 Delay in submission of Accounts/Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedures, etc. The audit of accounts of 13 bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature are indicated in *Appendix-3.2.* The frequency distribution of autonomous bodies on the delays in submission of accounts to Audit and placement of Separate Audit Reports in the legislature after the entrustment of Audit to Comptroller and Auditor General of India is summarized in Table 3.2.

Table 3.2: Delays in Submission of Accounts and tabling of Separate Audit Reports

Delays in submission of Accounts (In Months)	Number of Autonomous Bodies	Reasons for the Delay	Delays in submission of SARs in Legislature (in Years)	Number of Autonomous Bodies	Reasons for the Delay
0 – 1	--	--	0 – 1	12	Not furnished
1 – 6	1	Not furnished	1 – 2	--	--
6 – 12	--	--	More than three years	--	--
Total	**1**	--	--	**12**	--

The accounts of Himachal Pradesh State Veterinary Council, Shimla was outstanding for two months as of August 2010. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and therefore, the accounts need be finalized and submitted to audit at the earliest.

12 SARs of the 12 Autonomous Bodies are yet to be placed before the legislature. These need to be placed at the earliest as non-placement violates the statutory responsibility of keeping the State legislature informed about the financial status of the bodies.

3.3 Misappropriation, loss, defalcation, etc.

As per the provisions of Himachal Pradesh financial rules, State Government reported 50 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹76.92 lakh up to the period June 2010 on which final action was pending. The department-wise break up of pending cases and age wise analysis is given in *Appendix-3.3* and nature of these cases is given in *Appendix-3.4*. The age-profile of the pending cases and the number of cases pending in each category – theft and misappropriation/loss as emerged from these appendices are summarized in Table 3.3.

Table 3.3: Profile of Misappropriations, losses, defalcations, etc.

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	**Number of Cases**	**Amount Involved (₹ in lakh)**	**Nature/Characteristics of the Cases**	**Number of Cases**	**Amount Involved (₹ in lakh)**
0 – 5	5	12.54	Theft	8	6.65
5 – 10	11	11.97			
10 – 15	13	44.06	Misappropriation/Loss of material	42	70.27
15 – 20	2	2.35			
20 – 25	8	1.93	**Total**	**50**	**76.92**
25 & above	11	4.07	Cases of Losses Written off during the Year	Nil	Nil
Total	**50**	**76.92**	**Total Pending cases**	**50**	**76.92**

A further analysis indicates that the reasons for which the cases were outstanding could be classified in the categories listed in Table-3.4.

Table 3.4: Reasons for Outstanding cases of Misappropriations, losses, defalcations, etc.

Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (₹ in lakh)
i)	Awaiting departmental and criminal investigation	23	49.20
ii)	Departmental action initiated but not finalized	1	2.57
iii)	Awaiting orders for recovery or write off	23	23.62
iv)	Pending in the courts of law	2	1.51
v)	Orders issued but recovery pending	1	0.02
	Total	**50**	**76.92**

An effective mechanism needs to be put in place to ensure speedy settlement of cases relating to misappropriations and losses as also to place systems in order.

3.4 Audit Effectiveness-Erosion of accountability

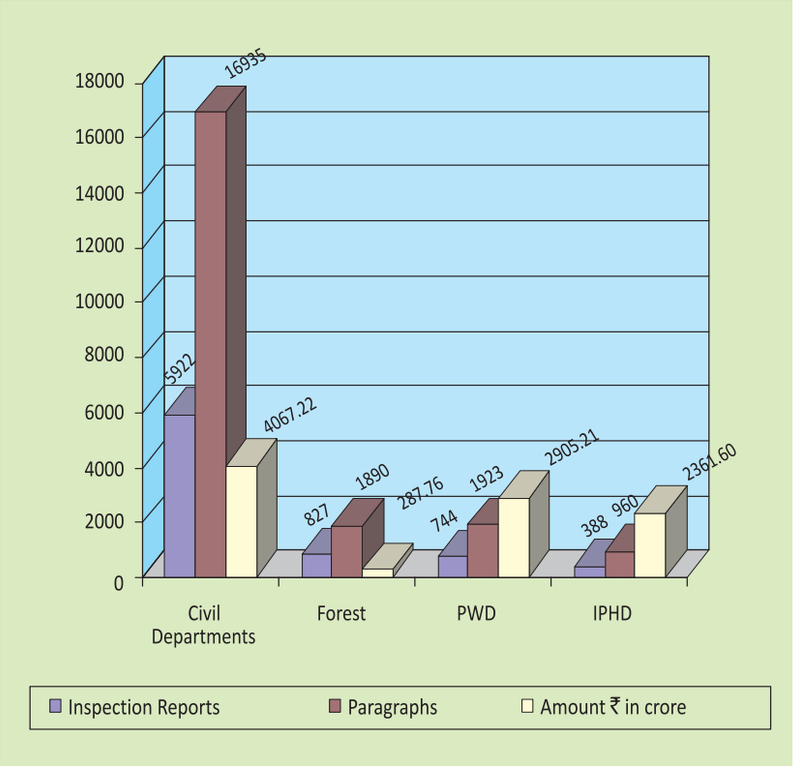
Inadequate response to Audit findings and observations resulted in erosion of accountability

Principal Accountant General (Audit) arranges to conduct periodical inspection of Government Departments to test-check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions within four weeks and report their compliance to the Principal Accountant General. Serious irregularities are also brought to the notice of the heads of Departments by the office of the Principal Accountant General through a half yearly report of pending IRs sent to the State Principal Secretary (Finance).

Based on the result of test audit, 21,708 audit observations amounting to ₹9621.79 crore, contained in 7,881 IRs outstanding as on 31st March 2010[1] are indicated in the chart below:

Chart 3.1



During 2009-10, 43 Adhoc Committee (Audit Committee) meetings were held in which 219 IRs and 1528 paragraphs were settled.

It is recommended that the Government look into the matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/paragraphs as per the prescribed time schedule, (b) action to recover losses/outstanding advances/overpayments is taken in a time bound manner and (c) the system is streamlined to ensure proper response to audit observations.

3.5 Conclusion and Recommendations

Utilisation Certificates (60 *per cent*) for an aggregate amount of ₹829.48 crore in 26,057 cases were not furnished to the Accountant General (Accounts & Entitlement) as per provision of financial rules which has increased year after year and needs urgent attention of the Government. Out of 50 outstanding cases of misappropriation, loss, defalcation, etc., involving ₹76.92 lakh

[1] Including IRs and paragraphs issued upto 30 September 2009 and outstanding as on 31 March 2010.

during last more than 25 years, departmental proceedings and criminal investigation were not initiated in 23 cases involving ₹49.20 lakh (64 *per cent*), indicating lack of initiative on the part of the Government to fix acountability. 21,708 number of audit observations amounting to ₹9621.79 crore contained in 7,881 Inspection Reports were outstanding as on 31 March 2010 resulting in erosion of accountability.

Departmental enquiries in fraud and misappropriation cases should be expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent such cases.

(Rita Mitra)
Principal Accountant General (Audit)
Himachal Pradesh

Shimla
The

Countersigned

(Vinod Rai)
Comptroller and Auditor General of India

New Delhi
The

Appendix-1

STATE PROFILE

A General Data

S.No.	Particulars		Figures
1.	Area		55673/sq km
2.	Population		
	a	As per Census (2001)	0.61 crore
	b	2009	0.67[⌖] crore
3	Density of Population (2001) (All India Density= 325 persons/sq k m)		109 /sq km
4	Population below poverty line (All India average= 27.5%)		10%
5	Literacy (2001) (All India average= 64.8%)		76.50%
6	Gini Coefficient [++++]		
	a	Rural (All India= 0.30)	0.3
	b	Urban (All India= 0.37)	0.32
7	Gross State Domestic Product (GSDP) 2009-10		42278 crore
8	GSDP CAGR[*] (2000-01 to 2009-10)		11.66%

B Financial Data

1	CAGR* (2000-01 to 2009-10)		
	a	of Revenue Receipts	14.55%
	b	of Own Tax Revenue	15.05%
	c	of Non-Tax Revenue	29.26%
	d	of Total Expenditure	11.56%
	e	of Capital Expenditure	15.08%
	f	of Revenue Expenditure on Education	9.98%
	g	of Revenue Expenditure on Health	9.79%
	h	of Salary and wages	10.81%
	i	of Pension	14.74%

⌖ Office of the Registrar General of India.

++++ Source: Finance Accounts and Audit Reports,. BPL (Planning Commission and NSSO data, 61st round), Gini Coefficient (unofficial estimates of Planning Commission and NSSO data, 61st round 2004-05 MRP), Density of Population (Office of the Registrar General and census commissioner of India; Ministry of Home Affairs) and Literacy (Office of the Registrar General of India; Ministry of Home Affairs).

* CAGR: Compound Annual Growth Rate.

Appendix-1.1

Part-A

Structure and Form of Government Accounts

Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund : All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund: Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: 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.

Appendix-1.1

Part-B

Layout of Finance Accounts

The new format of Finance Accounts introduced from the year 2009-10, has been divided into two Volumes – Volume I and II. Volume I represents the financial statements of the Government in summarized form while Volume II represents detailed financial statement. The layout of the Finance Accounts is chalked out in the following manner:

	Layout
VOLUME 1	
Statement 1	Statement of Financial Position
Statement 2	Statement of Receipts and Disbursements
Statement 3	Statement of Receipts (Consolidated Fund)
Statement 4	Statement of Expenditure (Consolidated Fund) By Function and Nature Notes to Accounts Appendix I: Cash Flow Statement
VOLUME 2 PART I	
Statement 5	Statement of Progressive Capital expenditure
Statement 6	Statement of Borrowings and other Liabilities
Statement 7	Statement of Loans and Advances given by the Government
Statement 8	Statement of Grants-in-aid given by the Government
Statement 9	Statement of Guarantees given by the Government
Statement 10	Statement of Voted and Charged Expenditure
PART II	
Statement 11	Detailed Statement of Revenue and Capital Receipts by minor heads
Statement 12	Detailed Statement of Revenue Expenditure by minor heads
Statement 13	Detailed Statement of Capital Expenditure by minor heads
Statement 14	Detailed Statement of Investments of the Government
Statement 15	Detailed Statement of Borrowings and other Liabilities
Statement 16	Detailed Statement on Loans and Advances given by the Government
Statement 17	Detailed Statement on Sources and Application of funds for expenditure (other than revenue account to end of 2009-10)
Statement 18	Detailed Statement on Contingency Fund and other Public Account transactions
Statement 19	Detailed Statement on Investments of earmarked funds

Part III: Appendices	
II	Comparative Expenditure on Salary
III	Comparative Expenditure on Subsidy
IV	Grants-in-aid (Scheme wise and Institution wise)
V	Externally Aided Projects
VI	Plan Scheme expenditure (Central and State Plan Schemes)
VII	Direct transfer of funds to implementing agencies
VIII	Summary of Balances
IX	Financial results of Irrigation Schemes
X	Incomplete Works
XIII	Maintenance expenditure with segregation of salary and non-salary portion

Appendix-1.2
(Reference: Paragraph 1.3.1; Page 9)

Part-A: Methodology adopted for the Assessment of Fiscal Position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analyzed wherever necessary over the period 2004-09 and observations have been made on their behaviour. In its Restructuring Plan of State finances, the TFC recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States enact the Fiscal Responsibility Acts and draw their fiscal correction path accordingly for the five-year period (2005-10) so that the fiscal position of State could be improved as committed in their respective FR Acts/Rules covering medium to long term. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Governments in their FR Acts and in other Statements required to be laid in the legislature under the Act, have been used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that GSDP is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and NTR, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP[1] at current market prices. The buoyancy coefficients for tax revenues, NTRs, revenue expenditure etc., with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilization of resources, pattern of expenditure etc., are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP. The New GSDP series with 1999-2000 as base as published by the Director of Economics and Statistics of the State Government in Economic Survey 2008-09 have been used in estimating these percentages and buoyancy ratios.

Trends in Gross State Domestic Product (GSDP)

The trends in GSDP for the last five years are indicated below:

	2005-06	2006-07	2007-08	2008-09	2009-10
Gross State Domestic Product (Rs in crore)	25685	28591	32221(P)	36924(Q)	42278(Ad)
Growth rate of GSDP	11.35	11.33	12.75	14.6	14.5

Source: Department of Economics and Statistics, Government of Himachal Pradesh.

The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given below:

Terms	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	[(Current year Amount /Previous year Amount)-1]* 100

[1] GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production.

Development Expenditure	Social Services + Economic Services
Average interest paid by the State	Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)2]*100
Interest spread	GSDP growth – Average Interest Rate
Quantum spread	Debt stock *Interest spread
Interest received as *per cent* to Loans Outstanding	Interest Received [(Opening balance + Closing balance of Loans and Advances)2]*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts **minus** all Plan grants and Non-plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of Avoidance of debt

Part-B: Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005

The Government of Himachal Pradesh enacted the Fiscal Responsibility and Budget Management (HPFRBM) Act, 2005 in April 2005 to ensure prudence in fiscal management and fiscal stability, by progressive reduction in revenue deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework. To give effect to the fiscal management principles as laid down in the Act and the rules framed thereunder, the Act prescribed the following fiscal targets for the State Government:

- reduce revenue deficit as a percentage of total revenue receipts by at least two percentage points each financial year, compared to previous year, to eliminate revenue deficit by 31st March 2009;
- progressively reduce fiscal deficit to bring it to three *per cent* of Gross State Domestic Product (GSDP) by 31st March 2009; and
- progressively reduce its outstanding guarantees on long term debt, until it can cap outstanding risk weighted guarantees at 80 *per cent* of the total revenue receipts in the preceding financial year.

Part-C: Outcome indicators of the State's Own Fiscal Correction Path

(₹ in crore)

	Base year estimates 2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
A. STATE REVENUE ACCOUNT :							
1. Own Tax Revenue	984.32	1251.89	1416.76	1505.62	1637.56	1782.78	1942.75
2. Own Non-Tax Revenue	275.00	600.00	623.10	683.44	712.61	732.49	828.12
3. Own Tax +Non-Tax Revenue (1+2)	**1259.32**	**1851.89**	**2039.86**	**2189.06**	**2350.17**	**2515.27**	**2770.87**
4. Share in Central Taxes and Duties	449.55	537.32	496.00	496.00	496.00	496.00	496.00
5. Plan-Grants	1320.64	1215.16	1264.80	1393.20	1530.62	1681.78	1848.06
6. Non-Plan Grants	765.31	816.12	2270.69	2318.15	2334.26	2207.35	2036.74
6.a. Centrally Sponsored Schemes	186.10	214.02	261.94	124.82	124.82	124.82	124.82
7. Total Central Transfer (4 to 6a)	**2721.60**	**2782.62**	**4293.43**	**4332.17**	**4485.70**	**4509.95**	**4505.62**
8. Total Revenue Receipts (3+7)	**3980.92**	**4634.51**	**6333.29**	**6521.23**	**6835.87**	**7025.22**	**7276.49**
9. Plan Expenditure	718.68	818.32	935.53	1011.26	1112.39	1223.62	1345.99
10. Non-Plan Expenditure	4744.85	4807.05	5339.24	5615.52	5787.67	6088.38	6436.59
11. Salary Expenditure	2073.50	2177.18	2272.64	2294.45	2455.06	2626.92	2810.80
12. Pension	532.78	626.00	727.93	698.25	754.11	814.44	879.59
13. Interest Payments	1472.78	1641.00	1670.13	1754.56	1736.18	1837.76	1977.98
14. Subsidies-General	91.06	91.06	53.53	79.20	82.37	85.66	89.09
15. Subsidies-Power	81.00	81.00	91.00	86.45	89.91	93.50	97.24
15.a.Centrally Sponsored Schemes	124.55	167.56	151.97	148.54	148.54	148.54	148.54
16. Total Revenue Expenditure (9+10 +15a))	**5588.08**	**5792.93**	**6426.74**	**6775.32**	**7048.60**	**7460.54**	**7931.12**
17. Salary+Interest+ Pensions (11+12+13)	4079.06	4444.18	4670.70	4747.26	4945.35	5279.11	5668.37
18. as % of Revenue Receipt (17/8)	1.02	0.96	0.74	0.73	0.72	0.75	0.78
19. Revenue surplus/deficit (8-16)	**-1607.16**	**-1158.42**	**-93.45**	**-254.09**	**-212.73**	**-435.32**	**-654.63**
B. CONSOLIDATED REVENUE ACCOUNT:							
1. Power Sector loss/profit net of actual subsidy transfer	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Increase in debtors during the year in power utility account (increase (-))	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest payment on Off Budget Borrowings and SPV borrowings made by PSUs/SPUs outside budget	----	----	----	----	-----	----	----
4. Total (1 to 3)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Consolidated Revenue Deficit (A.19+B4)	**-1607.16**	**-1158.42**	**-93.45**	**-254.09**	**-212.73**	**-435.32**	**-654.63**

C. CONSOLIDATED DEBT:							
1. Outstanding Debt and liability	14437.32	16532.89	17504.74	18493.00	19527.86	20867.48	22516.89
2. Total Outstanding Guarantee of which (a) guarantee on account of off budget borrowing and (b) SPV borrowings	4682.43	4751.05	4751.05	4751.05	4751.05	4751.05	4751.05
D. CAPITAL ACCOUNT:							
1. Capital Outlay	784.84	653.99	716.17	756.06	831.67	914.83	1006.32
2. Centrally Sponsored Schemes	60.98	46.46	119.37	3.95	3.95	3.95	3.95
3. Disbursement of Loans and Advances	19.91	23.78	37.79	11.52	11.52	11.52	11.52
4. Recovery of Loans and Advances	28.29	25.79	28.53	23.67	25.00	26.00	27.00
5. Other capital receipts						-	
E. GROSS FISCAL DEFICIT (GFD) :	-2444.60	-1856.86	-938.25	-1001.95	-1034.87	- 1339.62	-1649.42
GSDP (Rs in crores) at Current Prices	18062.00	20234.06	22824.02	25745.49	29040.92	32758.15	36951.20
F. FISCAL DEFICIT :							
Actual/Assumed Nominal Growth Rate (*per cent*)	----	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%
Fiscal Deficit/GSDP (*per cent*) as per the para 19 of the guidelines	----	9.18%	4.11%	3.89%	3.56%	4.09%	4.46%

Appendix-1.3
(Reference: Paragraph 1.3 and 1.7.2; Pages 7 and 21)

Time Series Data on the State Government Finances

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Part-A: Receipts					
1. Revenue Receipts	**6,559**	**7,835**	**9,142**	**9,308**	**10346**
(i) Tax Revenue	***1,497 (23)***	***1,656 (21)***	***1,958 (21)***	***2,242 (24)***	***2574(25)***
Taxes on Agricultural Income	--	--	--	--	
Taxes on Sales, Trade, etc.	727 (49)	914 (55)	1,092 (56)	1,246 (56)	1487***(58)***
State Excise	329 (22)	342 (21)	389 (20)	432 (19)	500***(19)***
Taxes on Vehicles	102 (7)	106 (6)	114 (6)	136 (6)	134***(5)***
Stamps and Registration fees	82 (5)	93 (6)	87 (4)	98 (4)	113***(4)***
Taxes and Duties on electricity	89 (6)	30 (2)	82 (4)	79 (4)	39***(2)***
Land Revenue	1 (--)	2 (--)	2 (--)	20 (1)	15***(1)***
Taxes on Goods and Passengers	43 (3)	50 (3)	55 (3)	62 (3)	89***(3)***
Other Taxes	124 (8)	119 (7)	137 (7)	169 (7)	197***(8)***
(ii) Non Tax Revenue	***690 (11)***	***1,337 (17)***	***1,823 (20)***	***1,756(19)***	***1784(17)***
(iii) State's share of Union taxes and duties	***493 (7)***	***629 (8)***	***794 (9)***	***838 (9)***	***862 (8)***
(iv) Grants in aid from Government of India	***3,879 (59)***	***4,213 (54)***	***4,567(50)***	***4,472(48)***	***5126(50)***
2. Miscellaneous Capital Receipts	**--**	**--**	**--**	**----**	**--**
3. Recoveries of Loans and Advances	**22**	**23**	**26**	**21**	**34**
4. Total Revenue and Non debt capital receipts (1+2+3)	**6581**	**7858**	**9168**	**9,329**	**10380**
5. Public Debt Receipts	**1,781**	**2,080**	**1,849**	**2,249**	**2553[$]**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,753 (98)	2,042 (98)	1,798 (97)	***2,237 (99)***	***2484[$](97)***
Net transactions under Ways and Means Advances and Overdrafts	--	--	--	--	--
Loans and Advances from Government of India	28 (2)	38 (2)	51 (3)	***12 (1)***	***69(3)***
6. Total Receipts in the Consolidated Fund (4+5)	**8,362**	**9,938**	**11,017**	**11,578**	**12933[$]**
7. Contingency Fund Receipts	**--**	**--**	**--**	**--**	**--**
8. Public Account Receipts	**4,933**	**5,265**	**6,223**	**6,760**	**6821**
9. Total Receipts of the State (6+7+8)	**13,295**	**15,203**	**17,240**	**18,338**	**19754**

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**6,466**	**7,644**	**8,292**	**9,438**	**11151[$]**
Plan	1,182 (18)	1,325 (17)	1,202 (14)	877 (9)	1238***(11)***
Non Plan	5,284 (82)	6,319 (83)	7,090 (86)	8,561 (91)	9913[$]***(89)***
General Services (including interest payments)	2,818 (43)	3,300 (43)	3,429 (41)	3,918 (42)	4377***(39)***
Social Services	2,309 (36)	2,586 (34)	2,876 (35)	3,332 (35)	3902***(35)***
Economic Services	1,333 (21)	1,755 (23)	1,984 (24)	2,184 (23)	2868[$]***(26)***
Grants-in-aid and contributions	6 (--)	3 (--)	3 (--)	4 (--)	4 (--)
11. Capital Expenditure	**821**	**1,110**	**1414**	**2079**	**1943**
Plan	820 (100)	1,043 (94)	1,313 (93)	1,992 (96)	1895***(98)***
Non Plan	1 (-)	67 (6)	101 (7)	87 (4)	48***(2)***
General Services	52 (6)	61 (5)	59 (4)	64 (3)	63***(3)***
Social Services	369 (45)	575 (52)	586 (42)	833 (40)	610***(31)***
Economic Services	400 (49)	474 (43)	769 (54)	1,182 (57)	1270***(65)***
12. Disbursement of Loans and Advances	**14**	**26**	**14**	**90**	**70**
13. Total (10+11+12)	**7,301**	**8,780**	**9,720**	**11,607**	**13164**
14. Repayments of Public Debt	**1,308**	**1,311**	**937**	**885**	**867**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1219 (93)	1,182 (90)	839	829	811
Net transactions under Ways and Means Advances and Overdraft	23 (2)	--	42	--	--
Loans and Advances from Government of India	66 (5)	129 (10)	56	56	56
15. Appropriation to Contingency Fund	**--**	**--**	**--**	**--**	**--**
16. Total disbursement out of Consolidated Fund (13+14+15)	**8,609**	**10,091**	**10,657**	**12,492**	**14031**
17. Contingency Fund disbursements	**--**	**--**	**--**	**--**	**--**
18. Public Account disbursements	**4,387**	**5,370**	**5,737**	**5,690**	**6421**
19. Total disbursement by the State (16+17+18)	**12,996**	**15,461**	**16,394**	**18,182**	**20452**
Part C. Deficits					
20. Revenue Deficit(-)/ Revenue Surplus (+) (1-10)	**(+) 93**	**(+) 191**	**(+) 850**	**(-) 130**	**(-) 805[$]**
21. Fiscal Deficit (-)/Fiscal Surplus (+) (4-13)	**(-) 720**	**(-) 922**	**(-) 552**	**(-) 2,278**	**(-) 2784**
22. Primary Deficit (-)/Surplus (+) (21+23)	**(+) 843**	**(+) 747**	**(+) 1,151**	**(-) 384**	**(-) 828**

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

	2005-2006	2006-2007	2007-2008	2008-09	2009-10
Part D: Other data					
23. Interest Payments (included in revenue expenditure)	**1,563**	**1,669**	**1,703**	**1,894**	**1956**
24. Financial Assistance to local bodies etc.,	**380**	**399**	**467**	**582**	**718**
25. Ways and Means Advances/Overdraft availed (days)	**13**	**01**	**--**	**--**	**--**
Ways and Means Advances availed (days)	**13**	**01**	**--**	**--**	**--**
Overdraft availed (days)	**--**	**--**	**--**	**--**	**--**
26. Interest on Ways and Means Advances/ Overdraft	**0.32**	**0.89**	**--**	**--**	**--**
27 Gross State Domestic Product (GSDP)@	**25,685 (11.35)**	**28,591(11.31)**	**32,221(12.70)**	**36,924 (14.60)**	**42,278 (14.50)**
28 Outstanding Fiscal liabilities (year end)	**17,432**	**18,071**	**19,419**	**21,819**	**23713**
29. Outstanding guarantees (year end) (including interest)	**3,587**	**2,976**	**2,632**	**2,291**	**1949**
30. Maximum amount guaranteed (year end)	**5,526**	**6,347**	**6,450**	**6,076**	**4361**
31. Number of incomplete projects	**15**	**30**	**20**	**17**	**29**
32. Capital blocked in incomplete projects	**25**	**160**	**121**	**96**	**108**
Part E: Fiscal Health Indicators					
I Resource Mobilization					
Own Tax revenue/GSDP	0.06	0.06	0.06	0.06	0.06
Own Non-Tax Revenue/GSDP	0.03	0.05	0.06	0.05	0.04
Central Transfers/GSDP	0.02	0.02	0.03	0.02	0.02
II Expenditure Management					
Total Expenditure/GSDP	0.28	0.31	0.30	0.31	0.31
Total Expenditure/Revenue Receipts	1.11	1.12	1.06	1.25	1.27
Revenue Expenditure/Total Expenditure	0.89	0.87	0.85	0.81	0.85
Expenditure on Social Services/Total Expenditure	0.37	0.36	0.36	0.36	0.34
Expenditure on Economic Services/Total Expenditure	0.24	0.25	0.28	0.29	0.31
Capital Expenditure/Total Expenditure	0.11	0.13	0.15	0.18	0.15
Capital Expenditure on Social and Economic Services/Total Expenditure.	0.11	0.12	0.14	0.17	0.14

	2005-2006	2006-2007	2007-2008	2008-09	2009-10
III Management of Fiscal Imbalances (In *per cent*)					
Revenue deficit (surplus)/GSDP	0.36	0.67	2.64	(-) 0.35	(-) 1.90
Fiscal deficit/GSDP	(-) 2.80	(-) 3.22	(-) 1.71	(-) 6.17	(-) 6.58
Primary Deficit (surplus) /GSDP	3.28	2.61	3.57	(-) 1.04	(-) 1.96
Revenue Deficit/Fiscal Deficit	NA	NA	NA	(-) 5.71	(-) 28.92
Primary Revenue Balance/GSDP (ratio)	--	--	0.284	0.247	0.241
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	0.68	0.63	0.60	0.59	0.56
Fiscal Liabilities/RR	2.66	2.31	2.12	2.34	2.29
Primary deficit vis-à-vis quantum spread	4.153	2.223	1.741	(-) 0.364	(-) 0.591
Debt Redemption (Principal +Interest)/ Total Debt Receipts	1.18	1.27	1.02	0.92	0.94
V Other Fiscal Health Indicators					
Return on Investment	28.61	1.80	0.52	89.58	73.49
Balance from Current Revenue (Rs in crore)	(-) 191	(-) 281	(+) 113	(-) 1,423	(-) 2,642
Financial Assets/Liabilities	0.54	0.57	0.60	0.68	0.67
Revenue Expenditure: Basic Parameters					
Revenue Expenditure (RE) (₹ in crore)	6,466	7,644	8,292	9,438	11,151[$]
Rate of Growth (*per cent*) RE	11.62	18.22	8.48	13.82	18.15
Non-Plan Revenue Expenditure (NPRE) (₹ in crore)	5,284	6,319	7,090	8,561	9,913[$]
Rate of Growth (*per cent*) NPRE	9.74	19.59	12.20	20.75	15.79
Plan Revenue Expenditure (₹ in crore)	1,182	1,325	1,202	877	1,238
Rate of Growth (*per cent*) PRE	20.86	12.10	(-) 9.28	(-) 27.04	41.16
NPRE/GSDP (*per cent*)	20.57	22.10	22.00	23.18	23.45
RE/TE[2] (*per cent*)	88.73	87.32	85.43	81.95	85.16
NPRE as *per cent* of TE	72.37	71.97	72.94	73.76	75.30
NPRE as *per cent* of RR	80.56	80.65	77.55	91.97	95.81
Percentage of NPRE to RE	81.72	82.67	85.50	90.70	88.90
PRE to RE	18.28	17.33	14.50	9.30	11.10
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.02	1.61	0.67	0.95	1.25
RRs (ratio)	0.28	0.94	0.51	7.59	1.63
NPRE (ratio)	1.19	0.93	0.70	0.67	1.15
PRE (ratio)	0.56	1.51	(-) 0.91	(-) 0.51	0.44

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[2] Total expenditure excludes loan and advances.

Figures in brackets represent percentages (rounded) to total of each sub-heading.

@ GSDP figures communicated by the Government adopted.

Appendix-1.4
(Reference: paragraph 1.1 and 1.7.1; pages 1 and 21)

Part A: Abstract of Receipts and Disbursements for the year 2009-10

Receipts				(₹ in crore)	Disbursements					(₹ in crore)
2008-09			2009-10		2008-09				2009-10	
							Non-Plan	Plan	Total	
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
Section – A Revenue										
	9,307.99	I-Revenue Receipts		10346.36	9,438.13	I-Revenue Expenditure				11151.00[$]
2242.49		(i) Tax revenue	2574.52			**General Services**	**4335.21**	**41.57**	**4376.78**	**4376.78**
1756.24		(ii) Non-tax revenue	1783.66			**Social Services**	**3306.99**	**594.72**	**3901.71**	**3901.71**
837.49		(iii) State's share of Union Taxes and Duties	861.63			Education, Sports, Art and Culture	1899.85	172.04	2071.89	
2310.43		(iv) Non-Plan Grants	2052.08			Health and Family Welfare	562.07	47.61	609.68	
1700.38		(v) Grants for State Plan Schemes	2730.95			Water Supply, Sanitation, Housing and Urban Development	557.67	75.62	633.29	
460.96		(vi) Grants for Central Plan and Centrally Sponsored Plan Schemes	343.52			Information and Broadcasting	17.89	0.13	18.02	
						Welfare of Scheduled Castes, Scheduled Tribes and Other backward Classes	8.18	46.57	54.75	
						Labour and Labour Welfare	28.83	5.81	34.64	
						Social Welfare and Nutrition	225.47	241.11	466.58	
						Others	7.03	5.83	12.86	
						Economic Services	**2266.96**	**601.26**	**2868.22**	**2868.22**
						Agriculture and Allied Activities	861.61	316.08	1177.69[#]	
						Rural Development	160.59	117.36	277.95	
						Special Area Programme	--	--	--	
						Irrigation and Flood Control	213.54	5.61	219.15	
						Energy	187.38	1.40	188.78[*]	
						Industry and Minerals	25.37	21.59	46.96	
						Transport	783.37	133.49	916.86	
						Science, Technology and Environment	2.14	0.21	2.35	
						General Economic Services	32.96	5.52	38.48	
						Grants-in-aid and Contributions	**4.29**	**--**	**4.29**	**4.29**
		Total				**Total**	**9913.45**	**1237.55**	**11151.00**	**11151.00[$]**
130.14		**II-Revenue Deficit carried over to Section-B**		**804.64[$]**		**II-Revenue surplus carried over to Section-B**				
9,438.13		**Total**		**11151.00**	**9438.13**	**Total**				**11151.00[$]**

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[#] Includes an amount of ₹259.55 crore now correctly classified to Major Head 6003-Internal Debt of the State Government to rectify the misclassification of loans raised through Himachal Pradesh Forest Corporation during the period January 1997 to February 2002.

[*] Includes an amount of ₹21.07 crore now correctly classified to Major Head 6003- Internal Debt of the State Government to rectify the misclassification of loans of previous years.

2008-09				2009-10	2008-09				2009-10	
							Non-Plan	Plan	Total	
1.	2.	3.	4.	5.	6.	7.	8	9.	10.	11.
Section-B-Capital										
822.99		III-Opening cash balance including Permanent Advances and Cash Balance Investment		979.24		III- Opening overdraft from Reserve Bank of India	--	--	--	--
		IV- Misc. Capital Receipts			2079.07	IV- Capital Outlay				
						General Services	**0.05**	**63.51**	**63.56**	**63.56**
						Social Services	**--**	**609.54**	**609.54**	**609.54**
						Education, Sports, Art and Culture	--	214.69	214.69	
						Health and Family Welfare	---	69.48	69.48	
						Water Supply, Sanitation, Housing and Urban Development		308.90	308.90	
						Information and Broadcasting	--	0.10	0.10	
						Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	--	9.08	9.08	
						Social Welfare and Nutrition	--	7.19	7.19	
						Others	--	0.10	0.10	
						Economics Services	**48.60**	**1221.74**	**1270.34**	**1270.34**
						Agriculture and Allied Activities	4.76	74.97	79.73	
						Rural Development	--	0.10	0.10	
						Special Areas Programmes	--	--	-	
						Irrigation and Flood Control	--	287.77	287.77	
						Energy	--	210.61	210.61	
						Industry and Minerals	--	15.68	15.68	
						Transport	43.84	545.14	588.98	
						General Economic Services	--	87.47	87.47	
						Total	**48.65**	**1894.79**	**1943.44**	**1943.44**
	20.98	**V-Recoveries of Loans and Advances**		**33.84**	**89.61**	**V- Loans and Advances disbursed**	**2.56**	**67.11**	**69.67**	**69.67**
0.76		From Power Projects	15.16			For Power Projects	-	62.34	62.34	
14.97		From Government Servants	13.77			To Government Servants	1.59	4.37	5.96	
5.25		From Others	4.91			To others	0.97	0.40	1.37	
	--	**VI-Revenue surplus brought down**			**130.14**	**VI-Revenue deficit brought down**			**--**	**804.64[$]**

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

2008-09				2009-10	2008-09				2009-10	
							Non-Plan	Plan	Total	
1.	2.	3.	4.	5.	6.	7.	8	9.	10.	11.
	2,248.74	**VII-Public Debt Receipts**		**2552.51**[$]	**1885.54**	**VII-Repayment of Public Debt**				**866.81**
2236.75		Internal Debt other than Ways and Means Advances and Overdraft	2483.49[$]			Internal debt other than Ways and Means Advances and Overdraft		810.77		
		Net transactions under Ways and Means Advances including Overdraft	--			Net transactions under Ways and Means Advances and Overdraft		--		
11.99		Loans and Advances from the Central Government	69.02			Repayment of Loans and Advances to Central Government		56.04		
--		**VIII-Appropriation to Contingent Fund**			**--**	**VIII-Appropriation to Contingent Fund**				**-----**
--		**IX- Amount transferred to Contingent Fund**			**--**	**IX-Expenditure from Contingent Fund**				**-----**
	6,760.47	**X- Public Account Receipts**		**6821.13**	**5,689.58**	**X- Public Account disbursements**				**6421.00**
1571.83		Small Savings and Provident Funds	1659.48			Small Savings and Provident Funds		1113.80		
464.13		Reserve Funds	294.82			Reserve Funds		897.17		
1111.32		Deposits and Advances	1223.55			Deposits and Advances		958.49		
257.28		Suspense and Miscellaneous	346.68			Suspense and Miscellaneous		230.01		
3355.91		Remittances	3296.60			Remittances		3221.53		
--		**XI- Closing overdraft from Reserve Bank of India**			**979.24**	**XI-Cash Balance at end**				**281.16**
						Cash in Treasuries and Local Remittances		3.46		
						Departmental Cash Balance including Permanent Advances		0.19		
						Deposits with Reserve Bank		(-) 305.09		
						Cash Balance investment		582.60		
9,853.18		**Total**		**10386.72**	**9,853.18**	**Total**				**10386.72**

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

Appendix-1.4 (Continued)
(Reference: Paragraphs 1.1 and 1.7.1; Pages 1 and 21)

(₹ in crore)

Part B Summarised financial position of the Government of Himachal Pradesh as on 31 March, 2010			
As on 31.03.2009	**Assets**		**As on 31.03.2010**
13,714.41	**Gross Capital Outlay on Fixed Assets -**		**15657.85**
2,369.24	Investments in shares of Companies, Corporations, etc.	2662.52	
11,345.17	Other Capital Outlay	12995.33	
293.49	**Loans and Advances -**		**329.31**
153.28	Loans for Power Projects	200.47	
79.37	Other Development Loans	76.84	
60.84	Loans to Government servants and Miscellaneous loans	52.00	
--	**Reserve Fund Investments**		-
979.23	**Cash -**		**281.16**
3.74	Cash in Treasuries and Local Remittances	3.46	
(-) 153.88	Deposits with Reserve Bank of India	(-) 305.09	
0.16	Departmental Cash Balance	0.16	
0.03	Permanent Advances	0.03	
1,129.18	Cash Balance Investments	582.60	
7295.01*	**Cumulative excess of expenditure over receipts -**		**8099.67**
22282.14			**24367.99**

* The Cumulative excess of expenditure over receipts is different from, and not the fiscal/revenue deficit for the current year.

As on 31.03.2009	Liabilities		As on 31.03.2010
14,456.26	**Internal Debt -**		**16129.00**
7,657.85	Market Loans bearing interest	8834.90	
0.17	Market Loans not bearing interest	0.14	
428.50	Loans from Life and General Insurance Corporation of India	379.86	
764.18	Loans from the NABARD	964.32	
19.29	Loans from National Co-operative Development Corporation	13.16	
3,889.21	Special securities issued to NSSF of the Central Government	4285.64	
(-) 21.07	Compensation and other bonds	--	
1,718.13	Loans from other Institutions	1650.98	
970.97	**Loans and Advances from Central Government -**		**983.95**
13.72	Non-Plan Loans	14.18	
914.26	Loans for State Plan Schemes	930.89	
0.16	Loans for Central Plan Schemes	0.14	
42.70	Loans for Centrally Sponsored Plan Schemes	38.61	
0.13	Pre 1984-85 Loans	0.13	
5.00	**Contingency Fund**	--	**5.00**
4,668.44	**Small Savings, Provident Funds, etc.**		**5214.11**
982.12	**Deposits and Advances**		**1247.18**
740.65	**Reserve Funds**		**138.30**
54.05	**Suspense and Miscellaneous Balances***		**170.73**
404.65	**Remittance Balances**		**479.72**
22282.14			**24367.99**

* This does not include figures relating to Cash Balance Investment Accounts.

Appendix-1.5
(Reference: Paragraph 1.2.2; Page 6)

Statement showing the funds transferred to the State Implementing Agencies under Programme / Schemes outside the state budget during 2009-10

Govt. of India Scheme	Implementing Agency	Government of India release	
		(₹ in lakh)	
		2009-10	2008-09
National Rural Employment Guarantee Act	Project Director, DRDAs	3,95,42.50	4,11,14.83
	Scheme Total:	**3,95,42.50**	**4,11,14.83**
Sarva Shiksha Abhiyan	H.P. Primary Education Society	86,08.00	85,53.00
	Scheme Total:	**86,08.00**	**85,53.00**
National Institute of Technology NIT DHE	NIIT Hamirpur	57,93.00	25,55.00
	Scheme Total:	**57,93.00**	**25,55.00**
Pradhanmantri Gram Sadak Yojna	RIDF	53,95.50	33,57.50
	Scheme Total:	**53,95.50**	**33,57.50**
Integrated Watershed Management Programme (IWMP)	DRDA Project Directors	35,60.62	38,51.50
	Scheme Total:	**35,60.62**	**38,51.50**
Package for Special Category State	H.P. State Industrial Development Corporation	19,00.00	25,00.00
	Scheme Total:	**19,00.00**	**25,00.00**
Development for Tourist Destinations	H.P. Tourism	18,86.00	26,26.12
	Scheme Total:	**18,86.00**	**26,26.12**
Product/ Infrastructure	Government of H.P.	18,86.00	26,26.12
	Scheme Total:	18,86.00	26,26.12
Rural Housing IAY	Project Director DRDAs	18,63.81	21,91.86
	Scheme Total:	**18,63.81**	**21,91.86**
MPs Local Area Development	Deputy Commissioners	12,00.00	14,00.00
	Scheme Total:	**12,00.00**	**14,00.00**
Hospitals and Dispensaries (Under NRHM)	Society for the Development of Ayush Institutions in H.P.	11,18.87	21,72.50
	Scheme Total:	**11,18.87**	**21,72.50**
Central Rural Sanitation Scheme	State Water and Sanitation Mission	7,08.40	3,43.00

Central Rural Sanitation Scheme	DWSM Deputy Commissioner-cum-Chief Executive Officer Shimla	--	7,96.17
Central Rural Sanitation Scheme	DRDA Project Directors	4,08.40	--
	Scheme Total:	**11,16.80**	**11,39.17**
Swaran Jayanti Gram Swarojgar Yojna	Project Director DRDAs	9,92.78	13,67.22
	Scheme Total:	**9,92.78**	**13,67.22**
DRDA Administration	Project Director DRDAs	8,17.74	5,71.51
	Scheme Total:	**8,17.74**	**5,71.51**
E-Governance	SITEG	7,84.00	14,00.00
	Scheme Total:	**7,84.00**	**14,00.00**
National Aids Control Programme Including STD Control	HP State Aids Control Society	7,51.89	6,53.13
	Scheme Total:	**7,51.89**	**653.13**
Support to State for Extension Reforms	State Agricultural Management & Extension Training Institute H.P.	5,14.83	1,12.00
	Scheme Total:	5,14.83	1,12.00
Rashtriya Gram Swaraj Yojna	Principal Panchayati Raj Training Institute Shimla	4,89.26	6,79.40
	Scheme Total:	4,89.26	6,79.40
National Afforestation Programme	Forest Development Agency	3,59.04	7,83.00
	Scheme Total:	**3,59.04**	**7,83.00**
Panchayat Yuva Krida and Khel Abhiyan (PYKKA)	H.P. Sports Council	3,27.60	1,63.80
	Scheme Total:	3,27.60	1,63.80
Studies in Agricultural Economic Policy and Development	H.P. University Shimla	2,68.09	1,95.00
	Scheme Total:	**2,68.09**	**1,95.00**
Development of Marketing Board	HPSA Marketing Board Shimla	2,19.98	2,16.77
	Scheme Total:	**2,19.98**	**2,16.77**

Health Insurance for Unorganised Sector Workers (Rashtriya Swasthya Bima Yojna)	National Rural Health Mission	--	1,75.31
Health Insurance for Unorganised Sector Workers (Rashtriya Swasthya Bima Yojna)	State Health & Family Welfare Society	1,02.65	--
Health Insurance for Unorganised Sector Workers (Rashtriya Swasthya Bima Yojna)	Himachal Pradesh Swasthaya Yojna	61.59	--
	Scheme Total	**1,64.24**	**1,75.31**
Accelerated Rural Water Supply Scheme	State Water Sanitation Mission	1,27,81.60	2,13.00
Accelerated Rural Water Supply Scheme	DWSM Deputy Commissioner-cum-Chief Executive Officer	--	1,30.35
	Scheme Total	**1,27,81.60**	**3,43.35**
Research and Designing in New and Renewable Energy Technologies	CEO Himurja	--	1,95.15
Research and Designing in New and Renewable Energy Technologies	CSK HP Krishi Vishawavidhalaya	5.87	4.00
	Scheme Total	**5.87**	**1,99.15**
	Grand Total	**92348.02**	**80947.24**

Appendix-2.1
(Reference: Paragraph 2.3.1; Page 30)

Statement of various grants/appropriations 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/Appropriation	Total Grant/ Appropriation	Savings	Percentage
1.	03	Administration of Justice (Revenue-Voted)	59.92	2.84	---
2.	09	Health and Family Welfare (Revenue-Voted)	563.67	14.22	---
3.	12	Horticulture (Revenue-Voted)	101.13	1.65	---
4.	15	Planning and Backward Area Sub-Plan (Revenue-Voted)	46.47	9.99	21
5.	18	Industries, Minerals, Supplies and Information Technology (Revenue-Voted)	46.87	4.46	---
6.	20	Rural Development (Revenue-Voted)	242.62	2.06	---
7.	25	Road and Water Transport (Revenue-Voted)	79.92	19.29	24
8.	30	Miscellaneous General Services (Revenue-Voted)	39.81	1.21	---
9.	31	Tribal Development (Revenue-Voted)	441.87	2.19	---
10.	32	Scheduled Caste Sub-Plan (Revenue-Voted)	299.23	11.60	---
11.	29	Finance (Revenue-Charged)	2,048.59	92.74	--
12.	08	Education (Capital-Voted)	140.00	37.56	27
13.	9	Health and Family Welfare (Capital-Voted)	55.85	1.25	---
14.	12	Horticulture (Capital-Voted)	20.29	2.00	---
15.	15	Planning and Backward Area Sub-Plan (Capital-Voted)	167.48	13.85	---
16.	23	Power Development (Capital-Voted)	242.00	77.54	32
17.	28	Urban Development, Town and Country Planning and Housing (Capital-Voted)	53.13	28.50	54
18.	29	Finance (Capital-Voted)	8.96	4.19	47
19.	29	Finance (Capital-Charged)	980.73	113.92	---

Appendix-2.2
(Reference: Paragraph 2.3.2; Page 30)

Statement of various grants/appropriations where expenditure 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/ Appropriation	Total Grant/ Appropriation	Expenditure	Percentage of Excess Expenditure
		Revenue-Voted			
1.	05	Land Revenue and District Administration	292.91	327.44	---
2.	07	Police and Allied Organisations	387.79	400.23	---
3.	08	Education	1,903.32	1,906.37	---
4.	10	Public Works-Roads, Bridges and Buildings	1,360.79	1,576.15	---
5.	13	Irrigation, Water Supply and Sanitation	985.61	1,222.16	24
6.	14	Animal Husbandry, Dairy Development and Fisheries	131.32	137.02	---
7.	16	Forest and Wild Life	300.18	553.32	84
8.	19	Social Justice and Empowerment	275.42	281.54	---
9.	23	Power Development	172.21	187.19	---
10.	28	Urban Development, Town and Country Planning and Housing	101.58	115.67	---
11.	29	Finance	1,328.81	1,377.68	---
		Capital-Voted			
12.	13	Irrigation, Water Supply and Sanitation	420.78	440.26	---
13.	25	Road and Water Transport	45.32	63.32	40
14.	32	Scheduled Caste Sub-Plan	382.12	384.04	---
		Total	**8,088.16**	**8,972.39**	

Appendix-2.3
(Reference: Paragraph 2.3.5; Page 34)

Excess over provision of previous years requiring regularisation

(₹ in crore)

Year	Number of grants/ appropriations	Grant/ appropriation numbers	Amount of excess	Stage of consideration by Public Accounts Committee (PAC)
2007-08	18 Grants 3 Appropriations	1,4,5,6,7,8,9,10,12,13,14,15,16, 18, 22,25,27 and 31 2,3 and 31	544.94	Audit comments sent to the Finance Department/H.P. Vidhan Sabha. Not yet discussed by the PAC.
2008-09	11 Grants 3 Appropriations	7,10,12,13,14,16,20,28,30,31 and 32 2,3 and 29	556.52	It was due for discussion from 13.07.2010. *Suo moto* replies from the Finance Department are still awaited.
		Total	**1,101.46**	

Appendix-2.4
(Reference: Paragraph 2.3.7; Page 35)

Cases where supplementary provision (₹ 10 lakh or more in each case) proved unnecessary

(In thousands of ₹)

Sr. No.	Number and Name of the Grant	Original Provision	Actual expenditure	Savings out of Original provision	Supplementary provision
	Revenue (Voted)				
1.	03-Administration of Justice	58,71,01	57,08,37	1,62,64	1,21,48
2.	20-Rural Development	2,41,56,51	2,40,55,64	1,00,87	1,05,41
3.	25-Road and Water Transport	70,22,21	60,62,97	9,59,24	9,69,93
	Capital (Voted)				
4.	15-Planning and Backward Area Sub-Plan	1,66,52,00	1,53,62,84	12,89,16	95,62
5.	28-Urban Development, Town and Country Planning and Housing	52,50,00	24,62,77	27,87,23	63,00
Total		**5,89,51,73**	**5,36,52,59**	**52,99,14**	**13,55,44 or 13.55 crore**

Appendix-2.5
(Reference: Paragraph 2.3.7; Page 35)

Statement of various grants/appropriation where supplementary provision proved insufficient by more than ₹one crore each

(₹ in crore)

Sr. No.	Grant Number	Name of the Grants and Appropriation	Original Provision	Supplementary provision	Total	Expenditure	Excess
1.	05	Land Revenue and District Administration	264.60	28.31	292.91	327.44	34.53
2.	07	Police and Allied Organisations	349.29	38.50	387.79	400.23	12.44
3.	10	Public Works-Roads, Bridges and Buildings	1,338.83	21.96	1,360.79	1,576.15	215.36
4.	13	Irrigation, Water Supply and Sanitation	890.75	94.86	985.61	1,222.16	236.55
5.	14	Animal Husbandry, Dairy Development and Fisheries	111.52	19.80	131.32	137.02	5.70
6.	16	Forest and Wild Life	259.19	40.98	300.17	553.32	253.15
7.	19	Social Justice and Empowerment	228.97	46.45	275.42	281.54	6.12
8.	23	Power Development	143.03	29.18	172.21	187.19	14.98
9.	28	Urban Development, Town and Country Planning and Housing	67.54	34.04	101.58	115.67	14.09
10.	13	Irrigation, Water Supply and Sanitation	293.55	127.23	420.78	440.26	19.48
11.	32	Scheduled Caste Sub-Plan	376.77	5.35	382.12	384.04	1.92
		Total	**4,324.04**	**486.66**	**4,810.70**	**5,625.02**	**814.32**

Appendix-2.6
(Reference: Paragraph 2.3.8; Page 35)

Excess/Unnecessary/Insufficient re-appropriation of funds

(₹ in lakh)

Sr. No.	Grant No.	Description	Head of Account	Re-appropriation	Final Excess(+)/ Saving (-)
1.	07	Police and Allied Organisations	2055-109-01	344.43	1,082.54
2.	08	Education	2202-01-111-01	3,299.99	738.67
3.	09	Health and Family Welfare	2210-01-110-03	(-) 151.07	(-) 260.38
4.			2210-03-110-01	311.59	(-) 511.69
5.			2210-05-105-06	(-) 1,065.63	886.47
6.	10	Public Works-Roads, Bridges and Buildings	3054-03-103-13	396.09	1,154.43
7.			3054-03-103-14	818.45	1,292.85
8.			3054-04-105-02	(-) 8.40	5,655.17
9.	13	Irrigation, Water Supply and Sanitation	2702-80-001-06	174.08	758.82
10.			2702-80-001-07	(-) 170.00	267.58
11.			2702-80-001-01	15.93	(-) 1,677.50
12.			4215-01-102-16	(-) 900.00	(-) 621.43
13.			4702-101-03	(-) 50.00	(-) 308.29
14.	14	Animal Husbandry, Dairy Development and Fisheries	2403-101-01	(-) 48.23	570.67
15.	15	Planning and Backward Area Sub-Plan	4202-01-201-03	162.14	215.33
16.	19	Social Justice and Empowerment	2235-60-200-11	419.00	305.89
17.			2236-02-101-05	469.43	243.15
18.	23	Power Development	4801-01-190-06	(-) 3,988.93	(-) 10,000.00
19.			6801-190-01	3,988.93	2,245.51
20.	28	Urban Development, Town and Country Planning and Housing	2217-80-191-41	0.03	1,373.15
21.	29	Finance	2049-01-101-27	(-) 580.39	(-) 576.89

22.			2049-200-21	(-) 1,282.76	(-) 37,717.24
23.			2049-01-101-91	2,127.00	(-) 963.53
24.			2049-01-101-92	724.00	1,256.62
25.			2049-01-101-93	740.00	1,367.50
26.			2049-01-101-94	1,680.00	(-) 1,576.67
27.			2049-01-101-95	4,215.00	(-) 2,107.50
28.	31	Tribal Development	2251-796-03	(-) 40.03	(-) 323.17
29.			4702-796-02	303.18	(-) 623.76
30.			4702-796-01	(-) 6.00	363.57
31.			4702-796-02	12.00	266.70
32.	32	Scheduled Caste Sub-Plan	2210-03-789-01	99.43	(-) 317.78
33.			2225-01-789-01	16.59	(-) 235.00
34.			4215-01-789-02	159.93	613.30
35.			4215-01-789-04	(-) 2,400.00	327.00

Appendix-2.7
(Reference: Paragraph 2.3.10; Page 36)

Substantial surrenders made during the year

Sr. No.	Number and title of Grant	Name of the scheme (Head of Account)	Amount of Surrender (₹ in lakh)	Percentage of Surrender
1.	09-Health and Family Welfare	Rural Health (2210-03-110-03)	180.00	100
The entire provision was surrendered due to non-completion of codal formalities.				
2.	13- Irrigation, Water Supply and Sanitation	Hand Pumps (4215-01-102-08)	15,00.00	100
The entire provision was surrendered due to non-execution of works.				
3.	15-Planning and Backward Area Sub-Plan	Construction of Government Accommodation to District Planning Officers/Staff (5475-800-03)	200.00	100
The entire provision was surrendered due to cut in plan ceiling.				
4.	22-Food and Civil Supplies	Annapurna Scheme (2236-02-101-06)	40.00	100
The entire provision was surrendered due to non-purchase of nutrition under the scheme.				
5.	28-Urban Development, Town and Country Planning and Housing	Repayment of HUDCO Loan (4216-01-106-03)	28,50.00	100
The entire provision was surrendered due to shifting of repayment of Hudco Loan to Major Head 6003.				
6.	29-Finance	Interest on Ways and Means Advances and Over Drafts by Reserve Bank of India (2049-200-08)	500.00	100

The entire provision was surrendered due to non-availing of Ways and Means Advances.

Appendix-2.8
(Reference: Paragraph 2.3.10; Page 36)

Details of saving of ₹ one crore and above not surrendered

(₹ in crore)

Sr. No.	Number and Name of Grants	Saving	Surrender	Saving which remained to be surrendered
1.	12-Horticulture	1.65	1.46	0.19
2.	15-Planning and Backward Area Sub-Plan	9.99	8.90	1.09
3.	18-Industries, Minerals, Supplies and Information Technology	4.46	4.35	0.11
4.	20-Rural Development	2.06	1.99	0.07
5.	32-Scheduled Caste Sub-Plan	11.60	3.08	8.52
	Total	**29.76**	**19.78**	**9.98**

Appendix-2.9
(Reference: Paragraph 2.3.10; Page 36)

Cases of surrender of funds in excess of ₹ 10 crore on 31 March, 2010

(₹ in crore)

Sr. No.	Grant No.	Major Head	Amount of Surrender	Percentage of Total Provision
1.	08	4202-Capital Outlay on Education, Sports, Art and Culture	37.56	27
2.	09	2210-Medical and Public Health	16.13	3
3.	13	4215-Capital Outlay on Water Supply and Sanitation	24.00	7
4.	25	3055-Road Transport	19.27	24
5.	28	4216-Capital Outlay on Housing	28.50	54
6.	29	2049-Interst Payments	102.22	5
7.	29	6003-Internal Debt of State Government	112.90	12
		Total	**340.58**	

Appendix-2.10
(Reference: Paragraph 2.3.11; Page 36)

Surrenders in excess of actual savings (₹ 50 lakh or more)

(₹ in crore)

Sr. No.	Number and name of the grant/ appropriation	Total grant/ appropriation	Saving	Amount surrendered	Amount surrendered in excess
	Revenue-Voted				
1.	03-Administration of Justice	59.92	2.84	2.90	0.06
2.	09-Health and Family Welfare	563.67	14.22	17.93	3.71
3.	22-Food and Civil Supplies	127.51	0.83	1.15	0.32
4.	30-Miscellaneous General Services	39.81	1.21	1.46	0.25
5.	31-Tribal Development	441.87	2.20	11.81	9.61
	Revenue-Charged				
6.	29-Finance	2,048.59	92.74	102.22	9.48
	Capital-Voted				
7.	09-Health and Family Welfare	55.85	1.24	1.99	0.75
8.	12-Horticulture	20.29	2.00	3.01	1.01
9.	15-Planning and Backward Area Sub-Plan	167.48	13.85	16.19	2.34
	Total	**3,524.99**	**131.13**	**158.66**	**27.53**

Appendix-2.11
(Reference: Paragraph 2.3.12; Page 36)

Rush of Expenditure

(₹ in crore)

Sr. No.	Grant Number and Name	Head of account Scheme/Service	Expenditure incurred during Jan-March 2010	Expenditure incurred in March 2010	Total expenditure	Percentage of total expenditure incurred during	
						Jan-March 2010	March 2010
1.	08-Education	2202-01-111-01	25.93	25.93	40.39	64	64
2.	08-Education	2202-01-800-01 (COON)	31.95	28.74	34.84	92	82
3.	08-Education	4202-01-201-01	60.34	60.34	61.85	98	98
4.	08-Education	4202-01-202-01	21.02	19.48	24.29	87	80
5.	09-Health and Family Welfare	4210-02-110-01	18.51	10.06	18.64	99	54
6.	10-Puplic Works-Roads, Bridges and Buildings	3054-03-103-06	14.26	13.13	15.23	94	86
7.	10-Puplic Works-Roads, Bridges and Buildings	3054-03-103-11	37.29	33.30	58.09	64	57
8.	10-Puplic Works-Roads, Bridges and Buildings	3054-04-105-02	45.43	36.40	61.61	74	59
9.	10-Puplic Works-Roads, Bridges and Buildings	5054-04-337-02	11.86	11.86	12.19	97	97
10.	11-Agriculture	2401-800-13 (SONA)	17.59	13.69	17.64	100	78
11.	11-Agriculture	4402-102-02 (SONA)	40.42	34.05	42.00	96	81
12.	13-Irrigation, Water Supply and Sanitation	4215-01-102-19 (COON)	13.39	12.75	14.29	94	89
13.	13-Irrigation, Water Supply and Sanitation	4215-01-102-19	17.13	14.56	17.20	100	85
14.	13-Irrigation, Water Supply and Sanitation	4702-101-06	29.29	26.80	34.61	85	77

(₹ in crore)

Sr. No.	Grant Number and Name	Head of account Scheme/Service	Expenditure incurred during Jan-March 2010	Expenditure incurred in March 2010	Total expenditure	Percentage of total expenditure incurred during	
						Jan-March 2010	March 2010
15.	15-Planning and Backward Area Sub-Plan	5054-04-800-06 (SOOB)	13.21	11.43	21.61	61	53
16.	19-Social Justice and Empowerment	2236-02-101-05 (COON)	21.14	21.14	38.46	55	55
17.	23-Power Development	2801-80-101-02	28.10	28.10	28.10	100	100
18.	23-Power Development	2801-80-101-07	140.00	140.00	140.00	100	100
19.	23-Power Development	4801-01-190-06	68.11	68.11	68.11	100	100
20.	23-Power Development	4801-01-190-07	24.00	24.00	34.00	71	71
21.	29-Finance	2049-01-101-16	12.24	12.24	12.24	100	100
22.	29-Finance	2049-01-101-95	21.08	21.08	21.08	100	100
23.	31-Tribal Development	3054-04-796-05	15.87	14.88	19.08	83	78
24.	31-Tribal Development	5054-03-796-01	30.07	27.01	36.16	83	75
25.	32-Scheduled Caste Sub-Plan	4202-01-789-05	15.00	15.00	15.00	100	100
26.	32-Scheduled Caste Sub-Plan	4701-01-789-01	26.29	25.87	27.23	97	95
27.	32-Scheduled Caste Sub-Plan	4801-01-789-01	49.60	49.60	82.00	60	60
28.	32-Scheduled Caste Sub-Plan	4801-01-789-02	14.30	14.30	26.00	55	55

Appendix-2.12
(Reference: Paragraph 2.4.1; Page 38)

(i) Year-wise details of AC Bills/DCC Bills

(₹ in crore)

Year	No. of AC Bills	Amount of AC Bills	No. of DCC Bills	Amount of DCC Bills	Outstanding AC Bills	Amount of outstanding AC Bills
2005-06	12	6.36	10	6.16	2	0.20
2006-07	54	8.83	48	3.83	6	5.00
2007-08	21	5.36	12	1.56	9	3.80
2008-09	107	32.89	83	3.52	24	29.37
2009-10	88	83.26	56	27.93	32	55.33
Total	**282**	**136.70**	**209**	**43.00**	**73**	**93.70**

(ii) Pending DCC bills for the years 2005-10

Sr. No.	Department	Number of AC bills	Amount (₹ in crore)
1.	Animal Husbandry	1	0.0006
2.	Education	26	48.64
3.	Finance (Treasury and Accounts)	2	0.08
4.	Health and Family Welfare	5	2.92
5.	Indian Systems of Medicines and Homeopathy	28	8.25
6.	Labour and Employment	3	0.0011
7.	*Panchayati Raj*	1	0.0008
8.	Youth Services and Sports	1	0.0031
9.	Social Justice and Empowerment	6	33.81
	Total	**73**	**93.70**

Appendix-2.13
(Reference: Paragraph 2.5; Page 40)

Statement showing adverse/negative balances as on 31 March, 2010

(In ₹)

Major Head/Minor Head	Treasury/DDO	Opening Balance	Credit	Debit	Closing Balance
8448- Deposit of Local Fund					
102-Municipal Fund	NAC Chopal	(-) 49,99,894	49,83,456	0	(-) 16,438
	MC Una	(-) 77,387	0	0	(-) 77,387
	MC Hamirpur	5,40,915	5,80,346	11,86,042	(-) 64,781
8448-Deposit of Local Fund					
109-*Panchayat* Body Fund	PS Nalagarh	64,509	0	93,720	(-) 29,211
	PS Banjar	1,48,964	25,612	1,99,612	(-) 25,036
	PS Karsog	28,031	42,688	91,398	(-) 20,679
	Total	**(-) 42,94,862**	**56,32,102**	**15,70,772**	**(-) 2,33,532**

APPENDIX-3.1
(Reference: Paragraph 3.1; Page 45)

Utilisation certificates outstanding as on 31 March 2010

(₹ in lakh)

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
			Number	Amount	Number	Amount
1.	**Rural Development**					
	2505	2001-02	29	219.45	-	-
		2002-03	11	231.22	-	-
		2003-04	59	519.13	10	67.01
		2004-05	29	413.39	5	83.97
		2005-06	31	486.13	-	-
		2006-07	48	959.55	11	328.81
		2007-08	49	1,759.93	39	1,270.54
		2008-09	76	3,561.89	73	3,503.35
			332	**8,150.69**	**138**	**5,253.68**
	2515	2000-01	19	227.34	-	-
		2001-02	171	631.43	151	627.40
		2002-03	50	1,220.43	45	1,214.18
		2003-04	184	1,182.58	162	1,039.48
		2004-05	348	2,025.82	325	1,789.40
		2005-06	570	3,131.62	415	1,742.24
		2006-07	580	4,904.54	566	4,774.20
		2007-08	685	8,182.26	685	8,182.26
		2008-09	890	13,399.98	890	13,399.98
			3,497	**34,905.99**	**3,239**	**32,769.14**
	2216	2003-04	6	110.13	6	110.13
		2004-05	23	103.43	23	103.43
		2005-06	20	275.93	20	275.93
		2006-07	31	420.54	31	420.54
		2007-08	83	1,158.62	83	1,158.62
		2008-09	120	1,883.38	111	1,731.62
			283	**3,952.03**	**274**	**3,800.28**

Continued..

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
	2501	2000-01	2	415.78	2	415.78
		2004-05	38	656.09	38	656.09
		2005-06	50	443.08	50	443.08
		2006-07	66	1,099.22	66	1,099.22
		2007-08	111	1,109.62	111	1,109.62
		2008-09	190	1,469.28	190	1,469.28
			457	**5,193.07**	**457**	**5,193.07**
2.	**Education**					
	2202	2004-05	34	2,605.16	-	-
		2005-06	50	3,748.82	-	-
		2006-07	3,063	3,949.57	23	1,242.01
		2007-08	12,349	9,016.64	2,887	1,857.13
		2008-09	16,072	13,096.97	15,981	13,086.81
			31,568	**32,417.16**	**18,891**	**16,185.95**
3.	**Urban Development**					
	2217	2007-08	16	2,317.54	15	2,277.89
		2008-09	40	7,249.65	34	3,373.65
			56	**9,567.19**	**49**	**5,651.54**
	3054	2006-07	1	500.00	-	-
		2007-08	1	500.00	-	-
		2008-09	2	600.00	2	600.00
			4	**1,600.00**	**2**	**600.00**
4.	**Animal Husbandry**					
	2403	1995-96	1	20.00	-	-
		2007-08	9	507.89	1	50.00
		2008-09	98	493.20	14	387.10
			108	**1,021.09**	**15**	**437.10**
	2404	2007-08	1	30.00	-	-
		2008-09	8	952.40	-	-
			9	**982.40**	**-**	-

Continued..

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
5.	**Co-operation**					
	2408	2004-05	8	2.36	-	-
		2005-06	37	11.38	-	-
		2006-07	23	25.11	-	-
		2007-08	11	21.32	-	-
		2008-09	27	41.84	1	5.00
			106	**102.00**	**1**	**5.00**
	2425	2006-07	7	0.71	-	-
		2007-08	85	14.04	3	0.62
		2008-09	244	101.11	80	12.57
			336	**115.87**	**83**	**13.19**
6.	**Sports & Youth**					
	2204	2005-06	4	116.43	3	110.43
		2006-07	15	110.06	13	87.43
		2007-08	25	196.80	10	52.84
		2008-09	23	383.88	23	383.88
			67	**807.17**	**49**	**634.58**
7.	**Tourism**					
	3452	1998-99	1	137.00	1	137.00
		2004-05	1	5.15	1	4.40
		2005-06	1	3.55	-	-
		2006-07	-	-	-	-
		2007-08	-	-	-	-
		2008-09	1	45.00	1	45.00
			4	**190.70**	**3**	**186.40**
8.	**Industries**					
	2851	1998-99	1	8.66	-	-
		2000-01	1	0.70	-	-
		2001-02	14	9.02	-	-
		2002-03	6	8.89	-	-
		2003-04	24	9.74	-	-
		2004-05	37	60.50	-	-
		2005-06	46	92.65	4	0.21
		2006-07	971	128.55	514	73.54

Continued..

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
		2007-08	170	298.56	93	87.56
		2008-09	2,255	1,369.24	93	86.15
			3,525	**1,986.52**	**704**	**247.47**
9.	**Agriculture**					
	2415	2007-08	79	5,088.53	9	191.00
		2008-09	38	6,868.00	22	3,798.00
			117	**11,956.53**	**31**	**3,989.00**
	2401	2007-08	-	-	-	-
		2008-09	11	156.50	1	50.00
			11	**156.50**	**1**	**50.00**
10.	**Forest**					
	2406	2006-07	1	5.05	-	-
		2007-08	10	537.80	1	21.69
		2008-09	13	1,368.53	8	339.75
			24	**1,911.39**	**9**	**361.44**
11.	**Art & Culture**					
	2205	2004-05	21	57.25	-	-
		2005-06	101	129.67	66	50.66
		2006-07	291	213.40	220	68.93
		2007-08	257	89.99	229	46.55
		2008-09	390	209.58	344	46.56
			1,060	**699.90**	**859**	**212.70**
12.	**Medical & Public Health**					
	2210	2003-04	5	6.45	-	-
		2004-05	5	5.56	-	-
		2005-06	4	4.50	-	-
		2006-07	7	11.50	5	8.50
		2007-08	6	10.50	3	3.00
		2008-09	123	484.98	123	484.98
			150	**523.49**	**131**	**496.48**

Continued...

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
13.	**Other Administrative Services**					
	2070	2007-08	14	200.00	-	-
		2008-09	14	230.00	-	-
			28	**430.00**	**-**	-
14.	**Vidhan Sabha**					
	2011	2007-08	4	7.2	-	-
		2008-09	4	9.2	-	-
			8	**16.4**	**-**	-
15.	**General Administrative Services**					
	2075	2006-07	9	128.25	9	128.25
		2007-08	18	211.55	18	211.55
		2008-09	17	181.92	17	181.92
			44	**521.71**	**44**	**521.71**
16.	**Social Justice & Empowerment**					
	2225	2006-07	29	851.47	15	653.67
		2007-08	38	1,159.91	37	1,114.91
		2008-09	49	1,589.54	46	1,355.54
			116	**3,600.92**	**98**	**3,124.12**
	2235	2006-07	163	688.33	40	72.49
		2007-08	258	1,282.57	158	995.50
		2008-09	743	1,233.28	743	1,233.28
			1,164	**3,204.18**	**941**	**2,301.27**
	2250	2006-07	1	0.89	1	0.89
		2007-08	1	0.26	1	0.26
		2008-09	1	0.27	1	0.27
			3	**1.42**	**3**	**1.42**
17.	**Fisheries**					
	2405	2007-08	-	-	-	-
		2008-09	15	42.30	-	-
			15	**42.30**	**-**	-
18.	**Planning**					
	3451	2006-07	3	36.22	-	-
		2007-08	3	40.00	-	-
		2008-09	3	90.00	-	-
			9	**166.22**	**-**	-

Continued...

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
19.	**Excise & Taxation Department**					
	3604	2007-08	-	-	-	-
		2008-09	16	396.58	16	396.58
			16	**396.58**	**16**	**396.58**
20.	**Power**					
	2801	2007-08	2	51.00	-	-
		2008-09	4	90.00	-	-
			6	**141.00**	**-**	-
	2810	2008-09	**2**	**136.00**	**-**	-
21.	**Science & Technology**					
	3425	2005-06	1	80.00	-	-
		2006-07	4	90.66	2	60.83
		2007-08	6	60.52	6	60.52
		2008-09	4	69.57	-	-
			15	**300.75**	**8**	**121.35**
22.	**Civil Supplies**					
	3456	2007-08	-	-	-	-
		2008-09	-	-	-	-
23.	**Ecology Environment**					
	3435	2006-07	8	6.00	-	-
		2007-08	8	50.61	-	-
		2008-09	4	47.70	-	-
			20	**104.31**	**-**	-
24.	**Labour & Employment**					
	2230	2007-08	-	-	-	-
		2008-09	1	5.00	-	-
			1	**5.00**	**-**	-
25.	**Secretariat Social Services**					
	2052	2007-08	-	-	-	-
		2008-09	8	58.50	-	-
			8	**58.50**	**-**	-

Continued..

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
	2251	2007-08	2	94.26	2	94.26
		2008-09	8	275.43	8	275.43
			10	**369.69**	**10**	**369.69**
26.	**Census, Surveys & Statistics**					
	3454	2007-08	30	5.46	-	-
		2008-09	28	9.68	-	-
			58	**15.14**	**-**	-
27.	**Police**					
	2055	2008-09	1	25.00	1	25.00
			1	**25.00**	**1**	**25.00**
GRAND TOTAL			**43,238**	**125,774.79**	**26,057**	**82,948.14**

APPENDIX-3.2
(Reference: Paragraph 3.2; Page 46)

Statement showing performance of the autonomous bodies

Sl. No.	Name of body	Period of entrustment	Year up to which accounts were rendered	Delay in submission of accounts (In months)	Period up to which Separate Audit Report is issued	Placement of SAR in the Legislature	Delay in submission of SARs (In years)
1	Himachal Pradesh State Veterinary Council, Shimla	2005-06 onwards	2008-09	2	2008-09	2007-08	1
2.	Himachal Pradesh State Legal Services Authority, Shimla	Audit is being conducted in accordance with section 18 (2) of Legal Services Authorities Act, 1987.	2009-10	No delay	2008-09	2008-09	-
3.	District Legal Services Authority, Shimla		2009-10	No delay	2008-09	Not yet placed.	1
4.	District Legal Services Authority, Solan		2009-10	No delay	2008-09	Not yet placed.	1
5.	District Legal Services Authority, Hamirpur		2009-10	No delay	2008-09	Not yet placed.	1
6.	District Legal Services Authority, Dharamshala		2009-10	No delay	2008-09	Not yet placed.	1
7.	District Legal Services Authority, Una		2009-10	No delay	2008-09	Not yet placed.	1
8.	District Legal Services Authority, Mandi		2009-10	No delay	2008-09	Not yet placed.	1
9.	District Legal Services Authority, Nahan		2009-10	No delay	2008-09	Not yet placed.	1
10.	District Legal Services Authority, Bilaspur		2009-10	No delay	2008-09	Not yet placed.	1
11.	District Legal Services Authority, Chamba		2009-10	No delay	2008-09	Not yet placed.	1
12.	District Legal Services Authority, Reckong Peo		2009-10	No delay	2008-09	Not yet placed.	1
13.	District Legal Services Authority, Kullu and Lahaul Spiti at Kullu		2009-10	No delay	2008-09	Not yet placed.	1

APPENDIX-3.3
(Reference: Paragraph 3.3; Page 46)

Department wise/duration wise break-up of the cases of misappropriation, defalcation, etc.

Sl. No.	Name of the Department	Up to 5 years		5 to 10 years		10 to 15 years		15 to 20 years		20 to 25 years		25 years to More		Total No. of Cases.	
		C	A	C	A	C	A	C	A	C	A	C	A	C	A
1	Education	2	2.19	1	0.71	3	1.00	--	--	1	0.59	1	0.14	8	4.63
2	Rural Development	--	--	1	Nil	--	--	--	--	--	--	--	--	1	Nil
3	Agriculture	2	9.46	--	--	--	--	--	--	--	--	--	--	2	9.46
4	Land Revenue	--	--	--	--	1	2.57	--	--	--	--	--	--	1	2.57
5	Police	--	--	2	1.51	--	--	--	--	--	--	--	--	2	1.51
6	Revenue	--	--	1	0.30	--	--	--	--	--	--	1	0.02	2	0.32
7	Home Guard	--	--	--	--	2	25.37	--	--	--	--	1	0.05	3	25.42
8	Animal Husbandry	--	--	1	0.17	--	--	--	--	--	--	2	0.94	3	1.11
9	Director Planning	--	--	1	2.97	--	--	--	--	--	--	--	--	1	2.97
10	Himachal Pradesh Public Service Commission	--	--	1	2.96	--	--	--	--	--	--	--	--	1	2.96
11.	Health	--	--	1	0.95	--	--	--	--	--	--	--	--	1	0.95
12	Forest	--	--	1	2.38	--	--	--	--	1	0.20	1	0.20	3	2.78
13	Public Works	--	--	--	--	6	7.43	2	2.35	4	0.83	5	2.72	17	13.33
14	Irrigation and Public Health	1	0.89	1	0.02	1	7.69	--	--	2	0.31	--	--	5	8.91
	Total	**5**	**12.54**	**11**	**11.97**	**13**	**44.06**	**2**	**2.35**	**8**	**1.93**	**11**	**4.07**	**50**	**76.92**

C: Number of cases.

A: Amount (₹ in lakh)

Appendix-3.4
(Reference: Paragraph 3.3; Page 46)

Department/category-wise details in respect of cases of loss to Government due to theft, misappropriation/loss of Government material

(₹ in lakh)

Name of Department	Theft Cases		Misappropriation/ Loss of Government Material		Total	
	Number of Cases	Amount (₹ in lakh)	Number of Cases	Amount (₹ in lakh)	Number of Cases	Amount (₹ in lakh)
Education	2	2.19	6	2.44	8	4.63
Rural Development	--	--	1	Nil	1	Nil
Agriculture	--	--	2	9.46	2	9.46
Land Revenue	--	--	1	2.57	1	2.57
Police	--	--	2	1.51	2	1.51
Revenue	1	0.30	1	0.02	2	0.32
Home Guard	--	--	3	25.42	3	25.42
Animal Husbandry	1	0.17	2	0.94	3	1.11
Director Planning	1	2.97	--	--	1	2.97
Himachal Pradesh Public Service Commission	--	--	1	2.96	1	2.96
Health	--	--	1	0.95	1	0.95
Forests	--	--	3	2.78	3	2.78
Public Works	2	0.77	15	12.56	17	13.33
Irrigation and Public Health	1	0.25	4	8.66	5	8.91
Total	**8**	**6.65**	**42**	**70.27**	**50**	**76.92**

EXECUTIVE SUMMARY

Background

In May 2005, Himachal Pradesh Government responded to the Twelfth Finance Commission's recommendation by legislating its "Fiscal Responsibilities and Budget Management Act (FRBM)." It set out a reform agenda through fiscal correction path in the medium term with the long-term goal of securing growth stability for its economy. The State Government's commitment to carry forward these reforms is largely reflected in certain policy initiatives announced in the budgets subsequently. While the benefits of FRBM legislation have been realised to a great extent already, in terms of reduction in major deficit indicators, etc., the State Government's resolve to implement VAT, introduction of New Pension Scheme will go a long way in building up the much needed 'fiscal space' for improving the quality of public expenditure and to promote fiscal stability.

The State Government has done well in establishing an institutional mechanism on fiscal transparency and accountability as evident from the year-on-year presentation of outcome budgets. These outcome indicators tend to serve the limited purpose of measuring the department-wise performance against the targets. They do not, however, give the 'big picture' of the status of financial management including debt position and cash management, etc., for the benefit of the State Legislature and other stakeholders.

The Comptroller and Auditor General's civil audit reports step in to fill this gap. The Comptroller and Auditor General's reports have been commenting upon the Government's finances for over four years since the FRBM legislation and have published four reports already. Since these comments formed part of the civil audit report, it was felt that the audit findings on State finances remained camouflaged in the large body of audit findings on compliance and performance audits. The obvious fallout of this well-intentioned but all-inclusive reporting was that the financial management portion of these findings did not receive proper attention. In recognition of the need to bring State finances to center-stage once again, a stand-alone report on State Government finances is considered an appropriate audit response to this challenge. Accordingly, from the report year 2009 onwards, Comptroller and Auditor General had decided to bring out a separate volume titled "Report on State Finances." This is the second edition of this endeavour.

The Report

Based on the audited accounts of the Government of Himachal Pradesh for the year ending March 2010, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of Himachal Pradesh Government's fiscal position as on 31 March 2010. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of Central funds transferred directly to the State implementing agencies through off-budget route.

Chapter 2 is based on audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter 3 is an inventory of Himachal Pradesh Government's compliance with various reporting requirements and financial rules. The report also has an appendage of additional data collated from several sources in support of the findings.

Audit findings and recommendations

Return to Fiscal correction: The State had achieved five out of eight targets as set out in FRBM Act/TFC during 2009-10. There is reasonable prospects of returning back to fiscal correction path if efforts are taken to increase tax compliance, reduce tax administration costs, collection of revenue arrears and prune unproductive expenditure so that deficit is curtailed. Efforts should also be made to improve collection of non tax revenue so that recourse to borrowed funds from GOI can be reduced.

Funds directly transferred by GOI: The GOI directly transferred ₹923.48 crore to the State Implementing Agencies thereby increasing the total availability of State resources from ₹19754 crore to ₹20677 crore. There was however, no single agency to monitor the receipt/ transfer of funds directly by GOI and therefore, utilization of these funds remains to be verified by Audit to establish accountability of the State Government for these funds.

Greater priority to capital expenditure: The State had an increasing trend in capital expenditure upto 2008-09 which was indicative of improvement in social as well as economic services. But during 2009-10 the capital expenditure decreased by ₹136 crore over previous year. Evidently less priority was given to social and economic services and may have an adverse impact on the social and economic health of the State if left unattended. A monitoring organ should be put in place to ensure effective budgetary system and keep a vigil on how prudently the Government money is being utilised so that value for money is channelised in its entirety to the intended beneficiaries.

Review of Government investments: A performance based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed

with low financial but high socio-economic returns and justify if high cost borrowings are worth being channelized there.

Initiative for fiscal correction: The ThFC has recommended a target to achieve debt stock of 25 *per cent* of GSDP by 2014-15. But the State has not even been able to achieve the target of 31 *per cent* as recommended by TFC and its debt stock as on 31 March 2010 stood at 56 *per cent* of GSDP. The State Government therefore needs to gear up its activities so that at least the target set out by the ThFC can be achieved.

Financial Management and budgetary control: Excess expenditure of ₹887.80 crore requires regularisation under Article 205 of the Constitution of India. Parking of funds in Deposit Accounts and Personal Deposit Accounts, to avoid lapse of budget, is fraught with the risk of misuse of funds and therefore, needs to be avoided. Expenditure should be planned in advance and incurred uniformly throughout the year. Budgetary controls should be strictly observed to avoid such deficiencies in financial management.

Monitoring mechanism needs to be strengthened: The Abstract Contingent Bills amounting to ₹93.70 crore had not been adjusted for long periods of time which is fraught with the risk of misappropriation and therefore needs to be monitored closely.

Financial reporting: There were delays in furnishing utilisation certificates amounting to ₹ 829.48 crore in respect of 26,057 cases for periods ranging upto 9 years and above against the loans and grants from various grantee institutions. There were instances of losses and misappropriation that indicate inadequacy of controls in the departments which needs to be strengthened. An effective mechanism also needs to be put in place to ensure speedy settlement of cases relating to misappropriations and losses. Instances of inadequate response to Audit findings and observations resulted in erosion of accountability and therefore needs to be addressed appropriately.

CHAPTER-I
FINANCES OF THE STATE GOVERNMENT

The State of Himachal Pradesh is considered a special category State[1] because of its mountainous terrain, which has the inherent disadvantage of infrastructure and transaction costs and also calls for relatively higher cost of governance. Despite this, the State has seen considerable economic growth in the past decade and the compound growth rate of its Gross State Domestic Product (GSDP) for the period 2000-01 to 2009-10 has been almost 12 *per cent*. During this period, its population has grown by 10 *per cent* (*Appendix-1*) and the per capita income growth has also been at 10 *per cent* between 2009 and 2010. The Financial Accounts of the State Government are laid out in 19 statements, the structure and layout of which are depicted in *Appendix-1.1.* This chapter provides a broad perspective of the finances of the Government of Himachal Pradesh during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. *Appendix 1.2* of the chapter briefly outlines the methodology adopted for the assessment of the fiscal position of the State and *Appendix-1.3* presents the time series data on key fiscal variables/parameters and fiscal ratios relating to the State Government finances for the period 2005-10.

1.1 Summary of Current Year's Fiscal Transactions

Table-1.1 presents the summary of the State Government's fiscal transactions during the current year (2009-10) vis-à-vis the previous year while *Appendix-1.4* provides details of receipts and disbursements as well as overall fiscal position during the current year as compared to the previous year.

Table-1.1: Summary of Current Year's Fiscal Operations

(₹ in crore)

2008-09	Receipts	2009-10	2008-09	Disbursements	2009-10		
Section-A: Revenue					Non Plan	Plan	Total
9,308	**Revenue receipts**	**10,346**	**9,438**	**Revenue expenditure**	**9,913[$]**	**1,238**	**11,151[$]**
2,242	Tax revenue	2,574	3,918	General services	4,335	42	4,377
1,756	Non tax revenue	1,784	3,332	Social services	3,307	595	3,902
838	Share of Union Taxes/ Duties	862	2,184	Economic services	2,267	601	2,868[$]
4,472	Grants from Government of India	5,126	4	Grants-in-aid and Contributions	4	-	4
Section-B: Capital							
--	**Misc. Capital Receipts**	-	**2,079**	**Capital Outlay**	**48**	**1,895**	**1,943**
21	**Recoveries of Loans and Advances**	**34**	**90**	**Loans and Advances disbursed**	**3**	**67**	**70**
2,249	**Public Debt receipts**	**2,553[$]**	**885**	**Repayment of Public Debt**	**-**	**-**	**867**
--	**Contingency Fund**	-	--	**Contingency Fund**	-	-	-
6,760	**Public Account receipts**	**6,821**	**5,690**	**Public Account disbursements**	**-**	**-**	**6,421**
823	**Opening Cash Balance**	**979**	**979**	**Closing Cash Balance**	**-**	**-**	**281**
19,161	**Total**	**20,733**	**19,161**	**Total**			**20,733**

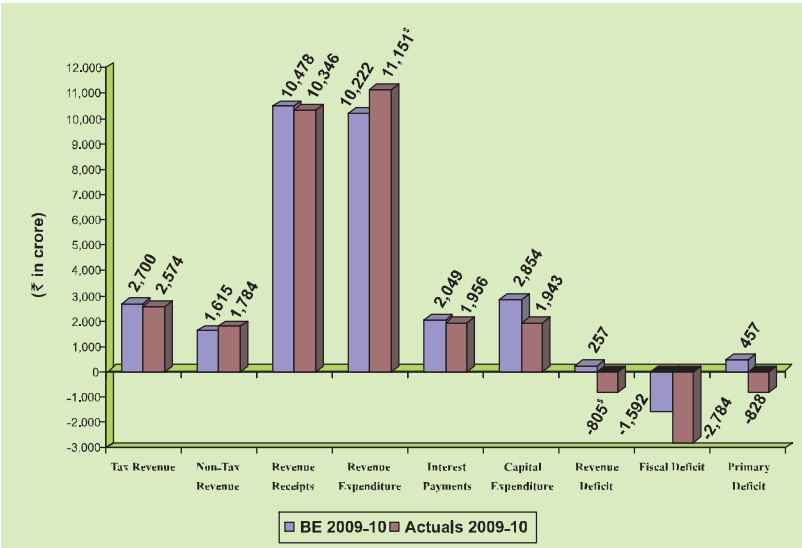
[1] The Special privileges given to Himachal Pradesh include financial assistance from GOI in the ratio of 90 *per cent* grant and 10 *per cent* loan unlike non-special category states which get central aid in the ratio 70 *per cent* grant and 30 *per cent* loan. Besides, significant excise duty concessions persuading industry to relocate/locate manufacturing within its territory are also available.

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

- Being a special category State 50 *per cent* of the revenue receipts are in the form of grants from GOI. Although revenue receipts in 2009-10 grew by 11 *per cent* over the previous year, revenue expenditure grew by 18 *per cent*.
- State's own tax revenue (OTR) increased in the current year by ₹332 crore (15 *per cent*) over the previous year whereas Non Tax Revenue (NTR) marginally increased by two *per cent*. Increase in OTR was mainly due to collection of more sales/trade taxes, state excise, taxes on vehicles, stamp and registration fee on sale of land/property and passenger and goods taxes, etc.
- Revenue expenditure in the current year increased by ₹1,713 crore (*18 per cent*) over the previous year.
- The revenue deficit increased by ₹675 crore *(519 per cent)* from ₹130 crore in 2008-09 to ₹805[$] crore in 2009-10. Revenue deficit as a percentage of the GSDP in the current year is 1.9 as compared to 0.35 in the previous year. Reasons for the increase in revenue deficit were impact of pay revision arrear payments, pension, increase in Dearness Allowance, enhancement of rates of wages and increased interest payments.
- Repayment of public debt has reduced in the current year due to less borrowing and repayments as per prescribed schedules[2].
- Disbursement of Loans and Advances has reduced by 22 *per cent* over the previous year. This was higher last year due to a one time loan given to Himachal Pradesh State Electricity Board (HPSEB).
- Fiscal deficit in the current year as percentage of GSDP was 6.58 in comparison to 6.17 *per cent* in the previous year.
- Though the opening balance in 2009-10 was higher by 19 *per cent* over the previous year the closing balance decreased by 71 *per cent* in 2009-10.

Chart 1.1 presents the budget estimates and actuals for some important fiscal parameters.

Chart 1.1: Selected Fiscal Parameters: Budget Estimates vis-a-vis Actuals



Source: Review of receipt and expenditure (December 2009) and Finance Accounts

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[2] As intimated by the Finance Department.

Chart 1.1 depicts that actual tax revenue fell short by ₹126 crore (five *per cent*) and revenue receipts by ₹132 crore against the estimated budget. Revenue expenditure was higher by ₹929 crore (9.09 *per cent*) i.e. ₹11,151[$] crore during 2009-10 against the estimated ₹10,222 crore. *Against the estimation of revenue surplus of ₹257 crore, there was a deficit of ₹805[$] crore during the current year*. Fiscal deficit and primary deficit were ₹2,784 crore and ₹828 crore against the estimated fiscal deficit and primary surplus of ₹1,592 crore and ₹457 crore respectively.

The performance of the State during 2009-10 in terms of key fiscal targets set for selected variables laid down in HPFRBM[3] Act, 2005 as well as projections made in FCP[4] and MTFPS[5] vis-à-vis achievements for 2009-10 are summarised in Table-1.1A below:

Table-1.1A: Key fiscal targets for selected variables

(₹ in crore)

Fiscal forecasts	Projections in FRBM Act/TFC	Projections made by State Government in		Actual	Percentage variation of actual over		
		MTFPS	FCP		TFC[6]	MTFPS	FCP
Own Tax Revenue	2,569	2,700	1,943	2,574	*	4.63	*
Non Tax Revenue	697	1,615	828	1,784	*	*	*
Non-Plan Revenue Expenditure (NPRE)	5,916	9,140	6,437	9,913[$]	*	*	*
Capital Expenditure	---	1,863	1,006	1,943	*	*	*
Revenue Deficit (-) Surplus (+) as per cent of RRs	0.0 (By 2008-09)	(+) 2.45	(-) 9	(-) 7.78	7.78	10.23	*
Fiscal Deficit(-)/ Surplus (+) as per cent of GSDP	3.0 (By 2008-09)	3.54	4.46	(-) 6.58	9.58	10.12	11.04
Consolidated debt (including Guarantees) as *per cent* of GSDP	31 (By 2009-10)	54	74	61	30	7	*
Outstanding guarantees as percentage of the State's RRs of preceding financial year	80	25	68	21	*	*	*

* Targets were achieved.

- Although targets set for attaining the level of revenue and fiscal deficits in HPFRBM Act as well as in MTFPS, FCP and TFC were achieved in 2007-08 (i.e. earlier than timeline of 2008), the State had again gone under revenue and fiscal deficits during 2008-09 and 2009-10. This was due to the continued impact of the general economic slowdown and the counter cyclical fiscal stimulus measures that had to be taken.

- In 2008-09 the State had revenue deficit of ₹130 crore which increased to ₹805[$] crore (519 *per cent*) in the current year. Similarly fiscal deficit also increased by ₹506 crore from ₹2278 crore in 2008 to ₹2784 crore in the current year (i.e. 6.58 *per cent* of GSDP) which is much higher than the projections shown in the above table.

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[3] Himachal Pradesh Fiscal Responsibility and Budget Management.

[4] Fiscal Correction Path.

[5] Medium Term Fiscal Plan Statement.

[6] Twelfth Finance Commission.

- *The consolidated debt of the State which is 61 per cent of GSDP is also higher than the target of 31 per cent laid down by the TFC which was to be achieved by 2009-10.*

- As per recommendation of TFC under Debt Consolidation and Relief Facility (DCRF) there was a debt waiver component. The debt waiver is granted by GOI based on fiscal performance linked to reduction of revenue deficit of States. *It was noticed that the State Government failed to get the benefit of debt waiver of ₹65.75 crore for the financial year 2008-09 and 2009-10 due to non-reduction of revenue deficits as per stipulated norms.* The State Government stated (September 2010) that no such targets were given in debt waiver component. The reply is not acceptable as recommendations of TFC for fiscal consolidation were clear and GOI had also formulated a scheme of DCRF for 2006-10.

Commitments made in the Budget Speech 2009-10

In budget speech Finance Minister had made the following commitment for fiscal consolidation in the year 2009-10:

- Stock of borrowings to be restricted to ₹23000 crore (i.e. after net additional borrowings estimated at about ₹1500 crore in 2009-10);
- The GSDP at current prices to increase from ₹36940 crore in 2008-09 to more than ₹45000 crore;
- Per capita income to be more than ₹50000 against estimated per capita income of ₹44803 for 2008-09.

However, at the close of financial year 2009-10 outstanding borrowings of the State increased by ₹713 crore and stood at ₹23713 crore whereas GSDP remained at ₹42278 crore. The level of per capita income remained at ₹49211 and was also not achieved to the desired level but was close to the target.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams[7] of receipts that constitute the resources of the State Government.

Table-1.1 presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while Chart 1.2 depicts the trends in various components of the receipts of the State during 2005-10. Chart 1.3 depicts the composition of resources of the State during the current year.

[7] **Revenue receipts:** These includes own tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from GOI.

Capital receipts: These comprise proceeds from disinvestment recovery of loans and advances, debt receipt from internal sources i.e. market loan, borrowings from financial institutions/commercial banks and loans and advances from GOI as well as accrual from public account.

Chart 1.2: Trends in Receipts

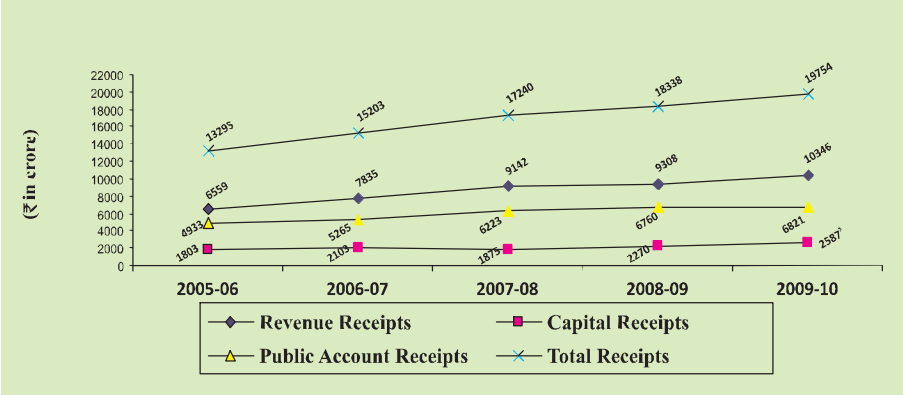
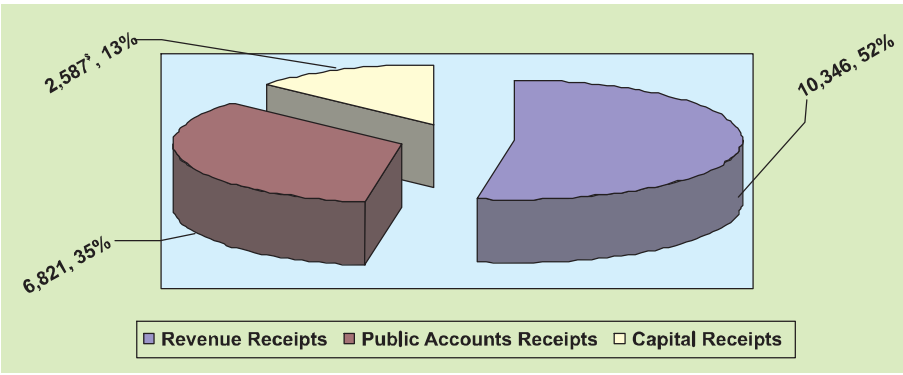


Chart 1.3: Composition of Receipts during 2009-10



The above charts show that the total receipts of the State Government increased by eight *per cent* from ₹18,338 crore to ₹19,754[$] crore in 2009-10 over the previous year. Of which, 52 *per cent* (₹10,346 crore) came from revenue receipts, the balance 48 *per cent* from borrowings (13 *per cent*) and Public Account (35 *per cent*). The share of Revenue receipts in the total receipts of the State increased from 49 *per cent* in 2005-06 to 52 *per cent* in 2009-10. On the other hand, the Capital receipts (market borrowings and special securities issued to NSSF) together with Public account receipts ranged between 47 and 51 *per cent* of total receipts during 2005-10. Revenue receipts increased steadily by 58 *per cent* from ₹6,559 crore in 2005-06 to ₹10,346 crore in 2009-10, whereas the debt Capital receipts increased from ₹1,803 crore (14 *per cent* of total receipts) in 2005-06 to ₹2,587[$] crore (13 *per cent* of total receipts) in 2009-10[8]. Public account receipts increased steadily from ₹4,933 crore in 2005-06 to ₹6,821 crore in 2009-10 ranging between 35 and 37 *per cent* of total receipts.

1.2.2 Funds Transferred to State Implementing Agencies outside the State Budgets

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies[9] for the implementation of various schemes/ programmes in social and

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[8] In 2006-07: Debt Capital Receipts were ₹2103 crore; 2007-08: ₹1875 crore and 2008-09 ₹2270 crore.

[9] State Implementing Agency includes any Organization/Institution including Non-Governmental Organization which is authorized by the State Government to receive the funds from the Government of India for implementing specific programmes in the State, e.g. State Implementation Society for SSA and State Health Mission for NRHM, etc.

economic sectors recognized as critical. As these funds are not routed through the State Budget/State Treasury System, Annual Finance Accounts do not capture the flow of these funds and to that extent, State's receipts and expenditure as well as other fiscal variables/ parameters derived from them are underestimated. During 2009-10, the Government of India has transferred an approximate amount of ₹923.48 crore directly to State Implementing Agencies (detailed in *Appendix-1.5*). Significant amounts given to the major programmes/ schemes are presented in Table 1.2.

Table-1.2: Funds Transferred Directly to State Implementing Agencies

(₹ in crore)

Sl. No.	Name of the Programme/Scheme	Name of the Implementing Agency in the State	Total fund released by the Government of India during 2009-10
1.	Sarva Siksha Abhiyan (SSA)	Mission Director, SSA	86.08
2.	National Rural Employment Guarantee Scheme (NREGA)	Project Director, District Rural Development Agency	395.43
3.	Indira Awas Yojana (IAY)	Project Director, District Rural Development Agency	18.64
4.	Accelerated Rural Water Supply Programme (ARWSP)	Engineer-in-Chief	127.82
5.	Pradhan Mantri Gram Sadak Yojana	Engineer-in-Chief	53.96
6.	Integrated Watershed Management Programme	Project Director, District Rural Development Agency	35.61
	Total		**717.54**

Source: Central Plan Scheme Monitoring System of CGA's website

Table 1.2 shows that an amount of ₹395.43 crore (43 *per cent* of the total funds transferred) was given for National Rural Employment Guarantee Programme, ₹127.82 crore (14 *per cent*) for Accelerated Rural Water Supply Programme (ARWSP) and ₹86.08 crore (nine *per cent*) for Sarva Siksha Abhiyan. Thus, with the transfer of ₹923.48 crore during 2009-10 directly by GOI to the State Implementing Agencies, the total availability of State resources increased from ₹19,754 crore to ₹20,677 crore. It is evident from the above that there is no single agency monitoring the funds directly transferred by the GOI and there is no readily available data on how much is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by State Implementing agencies and funded directly by the GOI and therefore, utilization of these funds remains to be verified by Audit to establish accountability of the State Government for these funds.

Mahatama Gandhi National Rural Employment Guarantee Act (MNREGA): The GOI released ₹395.43 crore under MNREGA to the State Implementing Agency (Rural Development Department) during 2009-10 which was also confirmed by the Agency but ₹19.93 crore was accounted for during 2010-11 due to its receipt in April 2010.

Accelerated Rural Water Supply Programme: Under Accelerated Rural Water Supply Programme (ARWSP) ₹127.82 crore was released to the State Implementing Agency (Irrigation and Public Health Department) by GOI during 2009-10 but the SIA confirmed receipt of ₹123.19 crore only from GOI and showed pending release of ₹15.33 crore for the year 2009-10. Thus, there was a difference of ₹10.70 crore which needs reconciliation between funds sanctioned and released by GOI.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and NTRs, central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2005-10 are presented in *Appendix 1.3* and also depicted in Chart 1.4 and 1.5 respectively.

Chart 1.4: Trends in Revenue Receipts

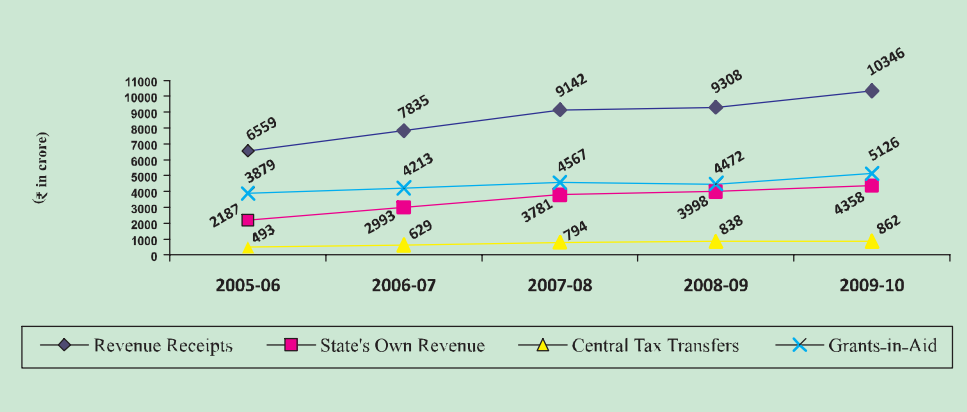
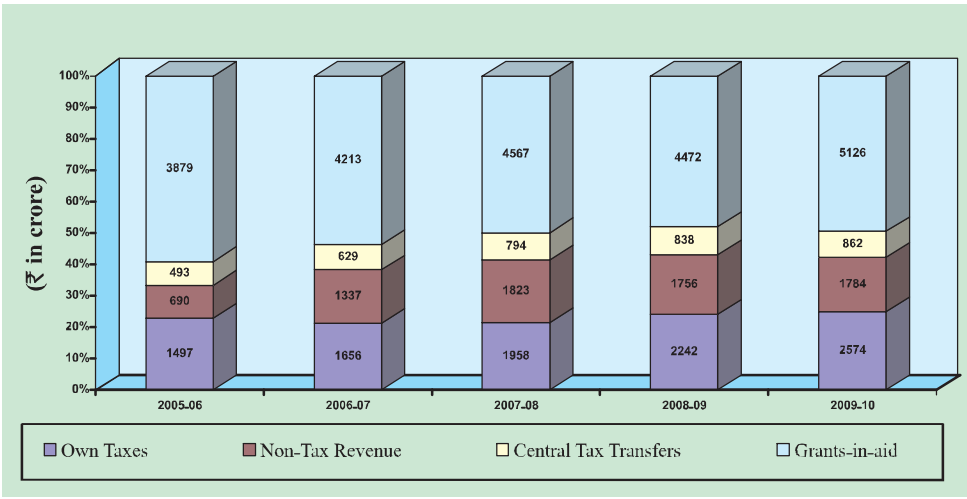


Chart 1.5: The composition of Revenue Receipts during 2005-10



Revenue receipts steadily increased from ₹6,559 crore in 2005-06 to ₹9,308 crore in 2008-09 at an annual average rate of 20 *per cent* but during 2009-10 it recorded increase of 11.15 *per cent*. The share of NTR and grants-in-aid from GOI exhibited increase of two *per cent* and 15 *per cent* respectively over the previous year.

While 42 *per cent* of the revenue receipts during 2009-10 have come from the State's own resources comprising taxes and non-taxes, the remaining 58 *per cent* were contributed by Central transfers comprising the State's share in Central taxes and duties (eight *per cent*) and grants-in-aid from GOI (50 *per cent*).

Central Tax transfers: Central tax transfers increased by ₹24 crore from ₹838 crore in 2008-09 to ₹862 crore in 2009-10 and constituted eight *per cent* of the revenue receipts during the year. The increase was due to increase in Corporation tax (₹80 crore) and taxes on income other than corporation tax (₹25 crore) which was counterbalanced by decrease in custom (₹40 crore) and union excise duties (₹43 crore).

Grants-in-aid: Grants-in-aid from the GOI increased by ₹654 crore from ₹4,472 crore in 2008-09 to ₹5,126 crore in 2009-10.

The trends in revenue receipts relative to GSDP are presented in Table 1.3 below:

Table 1.3: Trends in Revenue Receipts relative to GSDP

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Receipts (RR) (₹ in crore)	**6,559**	**7,835**	**9,142**	**9,308**	**10,346**
Rate of growth of RR (*per cent)*	41.51	19.45	16.68	1.82	11.15
RR/GSDP (*per cent)*	25.54	27.40	28.37	25.21	24.47
Buoyancy Ratios[10]					
Revenue Buoyancy w.r.t GSDP	3.657	1.720	1.313	0.124	0.769
State's Own Tax Buoyancy w.r.t GSDP	1.72	0.94	1.44	0.99	1.02

Revenue receipts of the State increased from ₹6,559 crore in 2005-06 to ₹10,346 crore in 2009-10 at an average rate of 18.12 *per cent*. There was consistent decline in the growth rates during 2005-10 from 41.51 *per cent* in 2005-06 to 11.15 *per cent* in 2009-10 with sharp decline (1.82 *per cent*) noticed in 2008-09 due to decrease in NTR and grants received from GOI. Besides this, buoyancy ratio of revenue and State's own taxes with reference to GSDP increased from 0.12 to 0.77 and from 0.99 to 1.02 respectively during 2009-10 over the previous year. For every one *per cent* increase in GSDP, revenue increased by 0.8 *per cent* indicating that tax efforts need to be stepped up in the State. The State's own tax buoyancy with respect to GSDP was higher than revenue buoyancy because NTR as a percentage of GSDP has come down from 4.76 *per cent* in 2008-09 to 4.22 *per cent* in the current year.

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of central tax receipts and central assistance for plan schemes, etc., the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

Tax Revenue

Tax revenue of the State increased from ₹1,497 crore in 2005-06 to ₹2,574 crore in 2009-10 at an annual average rate of 16 *per cent*. The major contributors in the State's own tax during 2009-10 are taxes on Sales, Trades, etc.: ₹1,487 crore (58 *per cent* of tax revenue), State Excise: ₹500 crore (19 *per cent* of tax revenue), taxes on vehicles: ₹134 crore (five *per cent* of tax revenue), Stamps and Registration fees: ₹113 crore (four *per cent* of tax revenue) and taxes on goods and passengers: ₹89 crore (three *per cent*

[10] 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 at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one per cent.

of tax revenue). Collection of Sales tax, trade, etc. and State excise increased by ₹241 crore and ₹68 crore respectively in 2009-10 over the previous year.

Non-tax revenue

Non-tax revenue on the other hand showed consistent increase from ₹690 crore in 2005-06 to ₹1,823 crore in 2007-08 at an annual average rate of 48 *per cent* but decreased during 2008-09 to ₹1,756 crore by (four *per cent). H*owever, during 2009-10 it further increased to ₹1,784 crore (two *per cent*) over the previous year. The major contributors in State's NTR during 2009-10 were power sector: ₹1,215 crore (68 *per cent* of NTR), interest receipts, dividends and profits: ₹150 crore (8 *per cent* of NTR). Although these were major contributors to non tax revenue (NTR) in 2009-10, it showed a decline in power sector and interest, dividends and profits by ₹40 crore and ₹18 crore respectively over the previous year.

The actual realisation of State's own taxes (₹2574 crore) was less by five *per cent* and NTR (₹1784 crore) was higher by 10 *per cent* than the projections made in MTFPS (₹2700 crore and ₹1,615 crore) respectively. The State's own tax/NTR were higher by 0.2 *per cent* and 156 *per cent* than the projection made in the TFC (₹2,569 crore and ₹697 crore) and higher by 32 *per cent* and 115 *per cent* than the projection made in the FCP (₹1,943 crore and ₹828 crore) respectively (*Appendix-1.2*).

The current level of cost recovery (revenue receipts as percentage of revenue expenditure) in supply of goods and services is depicted in the following table:

Table 1.4: Current level of cost recovery

(₹ in crore)

Sl. No.	Departments	2005-06			2009-10		
		Receipt	Expenditure	Percentage	Receipt	Expenditure	Percentage
1.	Health and Family Welfare	5.37	344.84	1.56	5.90	609.68	0.97
2.	Minor Irrigation	0.54	84.14	0.64	0.80	208.47	0.38
3.	Secondary Education	33.40	443.28	7.53	3.85	638.04	0.60
4.	University & Higher Education	2.78	72.72	3.82	4.46	137.88	3.23
5.	Power	251.47	120.68	208.38	1214.80	185.33*	655.48
6.	Road Transport	0.02	51.93	0.04	0.04	58.48	0.07

Source: Finance Accounts

A look at the expenditure-receipt ratio for major departments of the State indicate that between 2005-06 and 2009-10 in all the above departments, the situation has deteriorated because the expenditure has drastically increased whereas the receipt has only increased marginally except under power.

1.3.2 Loss of Revenue due to Evasion of Taxes, Write Off/waivers, Refunds and Revenue arrears

The Excise and Taxation Department despite making numerous requests did not provide details of cases pending, detected, penalty raised in respect of Sales Tax, State Excise, Passenger and goods Tax and analysis of arrears of Revenue.

* Includes an amount of ₹21.07 crore now correctly classified to Major Head 6003- Internal Debt of the State Government to rectify the misclassification of loans of previous years.

Refunds: The number of refund cases pending at the beginning of the year 2009-10, claims received, refunds allowed during the year in the Excise and Taxation Department are detailed below:

Table 1.5: Refund cases outstanding

(₹ in crore)

Sr. No.	Particulars	Sales tax		State Excise	
		Number of cases	Amount	Number of cases	Amount
1.	Claims outstanding at the beginning of the year	23	0.61	0	0
2.	Claims received during the year	17	0.92	5	0.17
3.	Refunds made during the year	23	0.73	4	0.06
4.	Balance outstanding at the end of the year	17	0.80	1	0.11

Source: Departmental figures

Cost of collection

Expenditure on collection of taxes on Sales, Trade was ₹15.06 crore, State Excise ₹5.06 crore, Taxes on Vehicles, Goods and Passengers ₹2.53 crore and Stamp Duty and Registration Fee ₹1.02 crore during 2009-10. Percentage of expenditure to gross collection was 1.01, 1.01, 1.14 and 0.90 respectively. Percentage of expenditure to gross collection in the State was below the all India average except in the case of Taxes on Sales, trade etc. which was 0.13 per cent higher than the all India average percentage of collection for the year 2009-10. Efforts need be taken to reduce the expenditure in order to at least achieve the all India average.

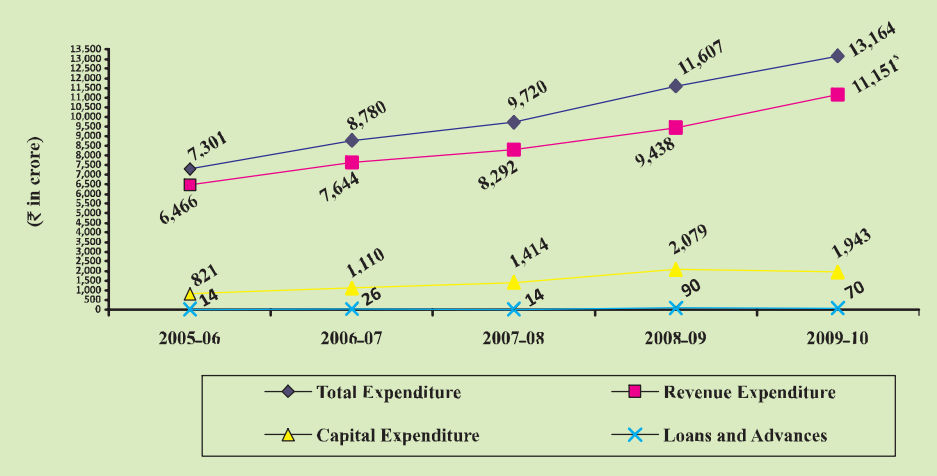
1.4 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is therefore important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

1.4.1 Growth and Composition of Expenditure

Chart 1.6 presents the trends in total expenditure over a period of five years (2005-10) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in Charts 1.7 and 1.8.

Chart 1.6: Total Expenditure: Trends and Composition



- The total expenditure[11] of the State increased from ₹7,301 crore in 2005-06 to ₹13,164 crore in 2009-10 at an annual average rate of 15 *per cent* and increased by 13 *per cent* (₹1,557 crore) in 2009-10 over the previous year. The increase of ₹1,557 crore in total expenditure during 2009-10 over the previous year was due to increase in revenue expenditure by ₹1,713 crore whereas capital expenditure and disbursements of loans and advances decreased by ₹136 crore and ₹20 crore respectively.

- Revenue expenditure increased from ₹6,466 crore in 2005-06 to ₹11,151[$] crore in 2009-10 at an annual average rate of 14 *per cent*. The increase in revenue expenditure during 2009-10 over the previous year was mainly due to expenditure on Education, Sports, Art and Culture (₹350 crore), Water Supply, Sanitation, Housing and Urban Development (₹51 crore), Health and Family Welfare (₹128 crore), Social Welfare and Nutrition (₹31.98 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (₹4.93 crore) in Social sector and Agriculture and Allied activities (₹354.51 crore), Transport (₹201.85 crore), Energy (₹80.75* crore), Rural Development (₹27.86 crore), Irrigation and Flood Control (₹17.87 crore) in Economic Sector.

- *Capital expenditure increased from ₹821 crore in 2005-06 to ₹2,079 crore in 2008-09 at an annual average rate of 34 per cent but decreased during 2009-10 by ₹136 crore (seven per cent) over the previous year.* No specific norms for prioritisation of capital expenditure have been laid down in FRBM Act. Water Supply and Sanitation, Housing and Urban Development (₹308.90 crore), Education (₹157.46 crore) in Social sector and Transport (₹588.98 crore), Irrigation and Flood Control (₹287.77 crore) and Power

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[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[11] Statements 12 and 13 of the Finance Accounts depict the detailed revenue expenditure and capital expenditure by minor heads respectively. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations.

[*] Includes an amount of ₹21.07 crore now correctly classified to Major Head 6003- Internal Debt of the State Government to rectify the misclassification of loans of previous years.

Projects (₹210.61 crore) in Economic sector were the beneficiary sectors where capital expenditure was made. Loans and advances constituted ₹70 crore (0.53 *per cent*) of the total expenditure which was less by ₹20 crore over the previous year.

1.4.2 Trends in Total Expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. The relative share of these components in total expenditure are indicated in charts 1.7 and 1.8 respectively.

Chart 1.7: Total Expenditure : Trends in share of its components

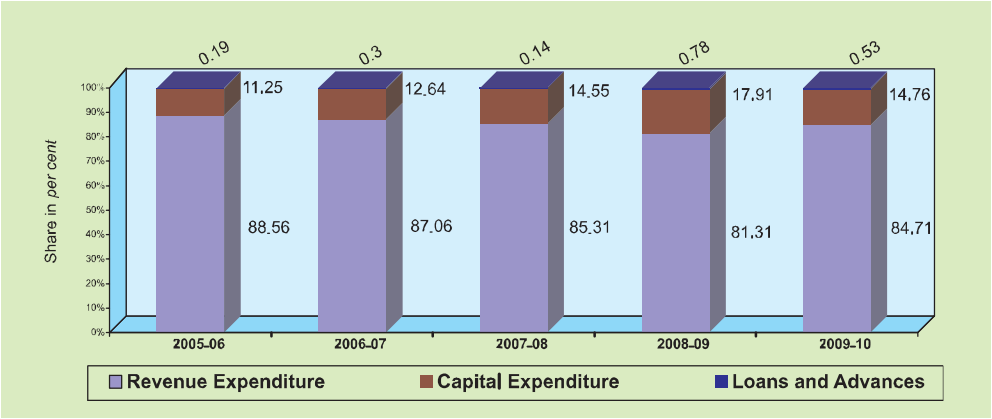
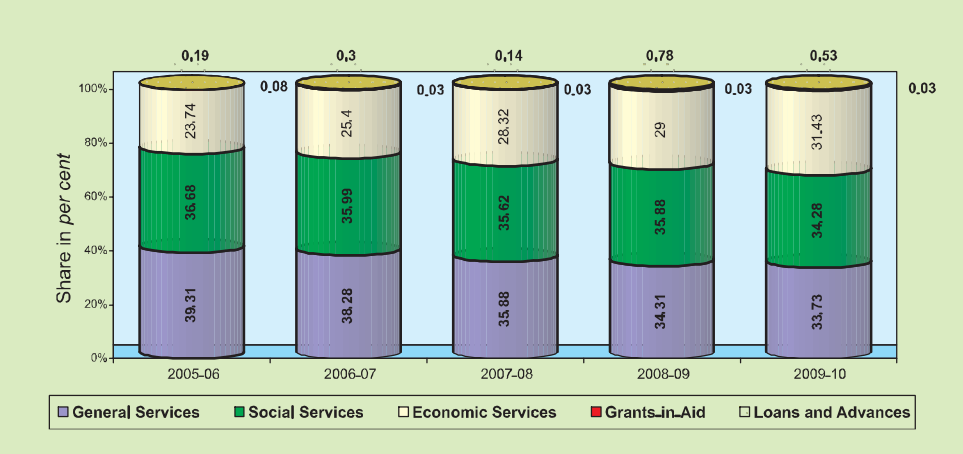


Chart 1.8: Total Expenditure : Trends by 'Activities'



The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. Expenditure on General Services (including interest payments) which is considered as non-developmental, together consistently decreased from 39.31 *per cent* in 2005-06 to 33.73 *per cent* in 2009-10. On the other hand, developmental expenditure i.e. on Social and Economic Services together accounted for 66 *per cent* in 2009-10

as against 65 *per cent* in 2008-09. The marginal increase in share of Economic Services and Social Services was mainly on account of increase in expenditure on General Education (₹344 crore), Transport (₹202 crore) and Agriculture and Allied Activities (₹354.51 crore).

1.4.3 Incidence of Revenue Expenditure

Revenue expenditure had the predominant share in the total expenditure. It is incurred to maintain the current level of services and payments, for the past obligations, and, as such, does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in Appendix-1.3. Non-plan revenue expenditure (NPRE) increased from ₹5,284 crore in 2005-06 to ₹9,913[$] crore in 2009-10 at an annual average rate of 16 *per cent* and the Plan Revenue Expenditure (PRE) increased from ₹877 crore in 2008-09 to ₹1,238 crore in 2009-10. The break up of total expenditure during 2009-10 in terms of Plan and Non-Plan expenditure reveals that Non-Plan expenditure contributed a dominant share of ₹9,964[$] crore (76 *per cent* of the total expenditure) while the remaining ₹3,200 crore (24 *per cent)* was in the form of plan expenditure.

The revenue expenditure increased by 18 *per cent* from ₹9,438 crore in 2008-09 to ₹11,151[$] crore in 2009-10. The NPRE has shown an inter year variation at an average rate of 15.61 *per cent* over the periods 2005-10 and continued to share a dominant proportion varying in the range of 82-91 *per cent* of the revenue expenditure. The increase in NPRE by ₹1,352 crore during the current year was mainly due to increase in Education (₹288 crore), Interest payments (₹62 crore), pension (₹194 crore), salaries and wages (₹832 crore) and assistance to Local Bodies (₹136 crore).

The ratio of NPRE to GSDP increased from 20.57 *per cent* to 23.45 *per cent* during 2005-10. The buoyancy of revenue expenditure to NPRE decreased from 1.19 *per cent* in 2005-06 to 0.67 *per cent* in 2008-09, but increased to 1.15 *per cent* in 2009-10 while with reference to Revenue Receipts it decreased from 7.59 in 2008-09 to 1.63 in 2009-10. In other words, in 2009-10 for every one *per cent* increase in Revenue receipt, NPRE increased by 1.63 *per cent*. The NPRE not only exceeded the assessment made by the State Government in FCP (₹6,437 crore) and MTFPS (₹9,140 crore), but also exceeded the normative assessment made by TFC (₹5,916 crore) by ₹3,997 crore (68 *per cent*) for 2009-10.

The PRE on the other hand has displayed fluctuations varying from 20.86 *per cent* in 2005-06 and decreased to 12.10 *per cent* in 2006-07, which turned negative (9.28 *per cent*) in 2007-08 and (27.04 *per cent*) during 2008-09. However, it increased by ₹361 crore and recorded increase of 41.16 *per cent* during 2009-10 over the previous year.

1.4.4 Committed expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. Table 1.6 and Chart 1.9 present the trends in the expenditure on these components during 2005-10 and 2007-10 respectively.

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

Table-1.6: Components of Committed Expenditure

(₹ in crore)

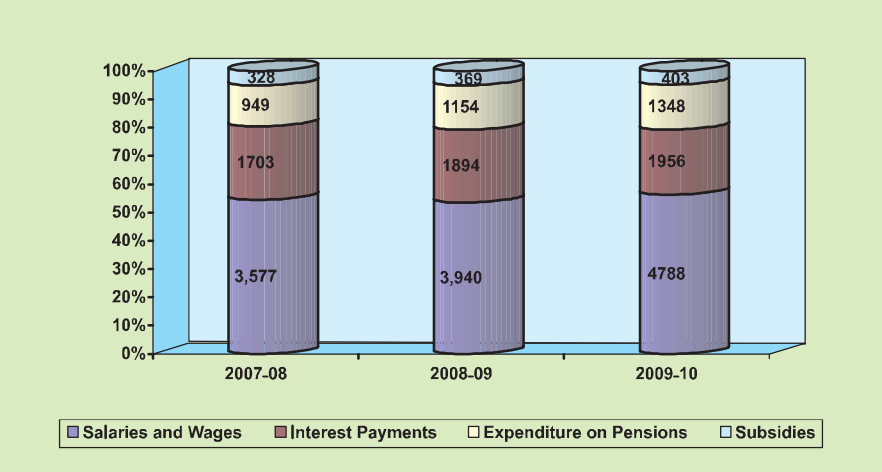
Components of Committed Expenditure	2005-06	2006-07	2007-08	2008-09	2009-10	
					BE	Actuals
Salaries & Wages , *Of which*	2,515 (38)	3,057 (39)	3,577 (39)	3,940 (42)	3,881	4,788 (46)
Non-Plan Head	2,115 (32)	2,577 (33)	3,173 (35)	3,813 (41)	-	4,645 (45)
Plan Head*	400 (6)	480 (6)	404 (4)	127 (1)	-	143 (1)
Interest Payments	1,563 (24)	1,669 (21)	1,703 (17)	1,894 (20)	2,053	1,956 (19)
Expenditure on Pensions	670 (10)	912 (12)	949 (10)	1,154 (12)	1,299	1,348 (13)
Subsidies	142 (2)	343 (4)	328 (4)	369 (4)	347	403 (4)
Total	**4,890**	**5,981**	**6,557**	**7,357**		**8,495**

Source: Accountant General (Accounts & Entitlement) office

Figures in the parentheses indicate percentage to Revenue Receipts.

**Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.*

Chart 1.9: Share of Committed Expenditure in Non-Plan Revenue Expenditure during 2007-10 (Value in labels in ₹ crore)



The expenditure on salaries and wages alone accounted for more than 46 *per cent* of revenue receipts of the State during 2009-10. It increased by about 22 *per cent* from ₹3,940 crore in 2008-09 to ₹4,788 crore in 2009-10. Salary expenditure under Non-plan head during 2009-10 increased by ₹832 crore (22 *per cent*) over the previous year whereas the salary expenditure on plan head increased by ₹16 crore (12.6 *per cent*) over the previous year. Non-plan salary expenditure ranged between 84.10 and 97.01 *per cent* of total expenditure on salaries during 2005-10. *The salary expenditure during the current year exceeded the projections made in MTFPS (₹3,748 crore) and the FCP (₹2,811 crore). The salary expenditure is 61 per cent of revenue expenditure net of interest and pension payments, which is much higher than the norm of 35 per cent recommended by the TFC requiring attention of the State Government.*

- **Pension Payments**

The expenditure on pension payments increased by 101 *per cent* from ₹670 crore in 2005-06 to ₹1,348 crore in 2009-10 and by ₹194 crore during the current year, recording a growth rate of 17 *per cent* over the previous year. Pension payments accounted for nearly 13 *per cent* of revenue receipts of the State during 2009-10. The actual expenditure on pension payments for the current year exceeded the projections made in the TFC (₹1,065 crore), FCP (₹880 crore) and MTFPS (₹1,299 crore).

- **Interest Payments**

The interest payments increased by 25 *per cent* from ₹1,563 crore in 2005-06 to ₹1,956 crore in 2009-10 and by ₹62 crore during the current year, recording a growth rate of three *per cent* over the previous year. The major source of borrowings is market loans at interest rates varying from five to 13.99 *per cent*. Interest payments exceeded the TFC projections (₹1,752 crore) for the year 2009-10. *The interest payments relative to revenue receipts which at 19 per cent, was higher than the norms of 15 per cent as recommended by TFC to be achieved during the award period*.

- **Subsidies**

The State Government has been paying subsidies to various institutions/bodies/Corporations, etc. The subsidies increased by 184 *per cent* from ₹142 crore in 2005-06 to ₹403 crore in 2009-10 and by nine *per cent* over the previous year and constituted about four *per cent* and three *per cent* of the revenue receipts and total expenditure respectively. The major components of subsidies were food and supply items (₹116 crore); transport (₹51 crore) and electricity (₹140 crore). The subsidy at ₹403 crore in 2009-10 was higher than the projections made both in FCP (₹186 crore) and MTFPS (₹347 crore).

1.4.5 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in Table 1.7.

Table 1.7: Financial Assistance to Local Bodies, etc.

(₹ in crore)

Financial Assistance to Institutions	2005-06	2006-07	2007-08	2008-09	2009-10
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	132.81	117.50	176.49	203.49	231.14
Municipal Corporation and Municipalities	32.68	46.74	70.66	82.46	115.92
Zila Parishads and other Panchayati Raj Institutions	70.08	100.58	134.13	188.45	217.92
Development Agencies	112.10	93.44	37.74	44.45	48.61
Hospitals and other charitable Institutions	0.40	0.12	0.10	4.85	41.25
Other Institutions[12]	31.56	41.11	47.65	58.55	63.25
Total	**379.63**	**399.49**	**466.77**	**582.25**	**718.09**
Assistance as per percentage of Revenue Expenditure	5.87	5.23	5.63	6.17	6.44

Source: Accountant General (Accounts & Entitlement) office

[12] Other institutions include those institutions, which received ad hoc or one time grants during the year.

The grants extended to local bodies and other institutions consistently showed an increasing trend over the years 2005-10. It increased by ₹136 crore (23 *per cent*) during current year over the previous year. The share of grants in revenue expenditure indicated increasing trend ranging between 5.23 *per cent* and 6.44 *per cent* during the period 2006-10. Another important trend emerging from Table-1.7 is that the share of other institutions has consistently increased from ₹31.56 crore in 2005-06 to ₹63.25 crore in 2009-10 indicating that huge financial assistance is being given on *ad hoc* basis to various State Government institutions. The sharp increase under different components during 2009-10 was mainly due to release of more grant to Municipal Corporation/Municipalities (₹33.46 crore), Educational Institutions (₹27.65 crore) and Zila Parishads and Panchayati Raj Institutions (₹29.47 crore).

1.5 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services); efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

1.5.1 Adequacy of Public Expenditure

Table 1.8 analyses the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year, which is the terminal year of the TFC and 2005-06 which is the first year of the award period.

Table-1.8: Fiscal Priority of the State during 2005-06 and 2009-10

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE
Himachal Pradesh' Average (Ratio) 2005-06	28.42	60.46	36.68	11.25
Himachal Pradesh' Average (Ratio) 2009-10	31.13	66.20	34.28	14.76

* As per cent to GSDP

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure.

\# Development expenditure includes Developmental Revenue Expenditure, Developmental Capital Expenditure and Loans and Advances disbursed

Source: (1) for GSDP, the information was collected from the State's Directorate of Economics and Statistics

Fiscal priority refers to the priority given to a particular category of expenditure by the State. On comparing expenditure patterns of Himachal Pradesh in 2009-10 with what it was in 2005-06 it was found that:

- The Government spent a larger proportion of GSDP on Aggregate expenditure (AE) primarily due to the impact of the Pay Commission;
- Development expenditure (DE)[13] as a proportion of AE increased by almost six per cent. The increase in expenditure was mainly on Economic Services, since the proportion of expenditure of SSE actually fell by two *per cent*.
- The proportion of Capital Expenditure (CE) increased by four *per cent.*

[13] DE=SSE+ES.

The above table indicates that due priority was given to development and capital expenditure. However, unless the financial outlays are translated into physical assets, the outcome cannot be assessed.

1.5.2 Efficiency of Expenditure Use

Table 1.9: Efficiency of expenditure use in selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2005-06			2009-10		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S &W	O&M		S&W	O &M
Social Services (SS)						
General Education	0.03	0.86	-	0.07	0.86	--
Health and Family Welfare	0.12	0.82	0	0.10	0.83	--
WS, Sanitation, & Housing and Urban Development	0.38	0.23	0.74	0.33	0.47	0.31
Total (SS)	**0.15**	**0.72**	**0.16**	**0.14**	**0.78**	**0.06**
Economic Services (ES)						
Agriculture & Allied Activities	0.02	0.52	0.01	0.06	0.39	0.00
Irrigation and Flood Control	0.54	0.51	0.61	0.57	0.73	0.46
Energy (Power)	0	0.01	-	0.53	0.01	--
Transport	0.40	0.58	0.28	0.39	0.61	0.66
Total (ES)	**0.35**	**0.48**	**0.16**	**0.32**	**0.47**	**0.31**
Total (SS+ES)	**0.19**	**0.63**	**0.16**	**0.23**	**0.65**	**0.16**

Source: Finance Accounts and Accountant General (Accounts & Entitlement) office
TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance

The ratio of capital expenditure to total expenditure in Social sector decreased to 0.14 in 2009-10 from 0.15 in 2005-06. In case of General Education, the ratio of CE to TE increased from 0.03 in 2005-06 to 0.07 in 2009-10 whereas in Health & Family Welfare it decreased to 0.10 in 2009-10 from 0.12 in 2005-06 and Water Supply, Sanitation & Housing and Urban Development decreased to 0.33 from 0.38 meaning thereby less priority was given to capital expenditure in 2009-10. Similarly, ratio of CE to TE in economic sector decreased from 0.35 in 2005-06 to 0.32 in 2009-10. In 2005-06 no capital expenditure was incurred in power sector whereas in 2009-10; its ratio was 0.53. The ratio of CE to TE increased in Irrigation and Flood Control from 0.54 to 0.57 and in Agriculture & Allied Activities from 0.02 to 0.06 during this period. In water supply, Sanitation and Urban Development the ratio of salary and wages increased from 0.23 in 2005-06 to 0.47 in 2009-10, in Irrigation and Flood Control from 0.51 to 0.73. In water supply, Sanitation and Urban Development the ratio of O and M decreased from 0.74 in 2005-06 to 0.31 in 2009-10, in Irrigation and Flood Control from 0.61 to 0.46. However, in transport sector it increased from 0.28 to 0.66.

1.5.3 Effectiveness of the Expenditure, i.e. Outlay-Outcome Relationship

As per data available from Government sources *(Appendix-I)*, Himachal Pradesh has fared relatively better as compared to other States as far as number of people below poverty line and literacy rate is concerned. However, in order to ensure effectiveness in public expenditure, the State will have to improve the delivery mechanism to achieve the desired outcomes. The State Government is expected to relate expenditure to outcomes in terms of quality, reach and the impact of government expenditure. A performance audit pertaining to the Economic Services sector was taken up and the audit findings are contained in the Civil Audit Report 2009-10, which is being presented separately to the State Legislature. The main highlights of the audit is as under:

Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)

The Government of India (GOI) launched a scheme namely Mahatma Gandhi National Rural Employment Guarantee Act from February 2006. The basic objective of the Act is to provide 100 days guaranteed employment in a financial year to every household whose adult members volunteered to do unskilled manual work at the minimum wage rate. The performance audit covered the period 2005-10. Performance audit of the scheme revealed that during 2005-10, the State Government generated 617.70 lakh persondays of employment by spending ₹1,039.63 crore and benefiting 4.97 lakh (cumulative number) rural households in the State. There were deficiencies in the planning process, particularly in the preparation of five year District Perspective Plans (DPPs). Works were not taken up in order of priority and rural connectivity which was at the bottom in the priority list was given top priority. This resulted in non-execution of adequate number of works such as drought proofing, afforestation and soil conservation for addressing the chronic cause of poverty and strengthening the natural resource base of rural livelihood. Wages of ₹97.45 lakh were paid to workers with delays ranging from 15 to 90 days after the prescribed period of a fortnight. The Status of inspection of works at State, District and Block levels was poor and the State Government had not designated any State and District Quality Monitors for ensuring quality audit of works as of June 2010. Besides, monitoring at high level by the State Employment Guarantee Council was also found deficient.

1.6 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-à-vis previous years.

1.6.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31st March 2010 is given in Table 1.10.

Table-1.10: Department-wise Profile of Incomplete Projects

(₹ in crore)

Department	Number of incomplete Projects	Initial budgeted cost	Revised Total Cost of Projects*	Cumulative actual expenditure as on 31.03.2010	Cost overrun
1.	2.	3.	4.	5.	6 (5-3)
Irrigation and Public Health	19	54.47	111.24	97.47	43.00
Public Works	10	16.91	-	10.62	-
Total:	**29**	**71.38**	**111.24**	**108.09**	**36.71**

Source: Finance Accounts

* *Indicates the revised total cost of the projects as per the last revision by the State Government.*

Details of incomplete projects pertaining to Irrigation and Public Health and Public Works departments are presented in Table-1.10. In respect of 14 incomplete projects, revised costs of which are available, the cost overrun was ₹37 crore. An analysis of the delays revealed time overruns ranging between three months to 11 years. These projects were lying incomplete due to non availability of land, paucity of funds, court cases, non release of supply of power, etc.

Efforts needs to be taken to sort out the pending issues and complete the projects expeditiously in order to avoid further time and cost overruns and also to ensure that the envisaged benefits accrue to the intended beneficiaries at the earliest.

1.6.2 Investment and returns

No norms for investments have been prescribed by the State Government. As on 31 March 2010, Government had invested ₹2,663 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operative Societies (Table 1.11). *The average return on this investment was 1.65 per cent in the last five years while the Government paid an average interest rate of 9.1 per cent on its borrowings during 2005-10.*

Table-1.11: Return on Investment

(₹ in crore)

Investment/ Return/ cost of Borrowing	2005-06	2006-07	2007-08	2008-09	2009-10
Investment at the end of the year	1,842	1,861	2,033	2,369	2663
Return	28.61	1.80	0.52	89.58	73.49
Return *(per cent)*	1.55	0.10	0.03	3.78	2.76
Average rate of interest on Government borrowings *(per cent)*	9.20	9.40	9.09	9.19	8.59
Difference between interest rate and return *(per cent)*	7.65	9.30	9.06	5.41	5.83

Major investments were made in six Statutory Corporations/Boards (₹839.35 crore), 21 Government Companies (₹702.16 crore) and a Central PSU Himachal Pradesh Satluj Jal Vidyut Nigam (₹1043.90 crore). The two Statutory Corporations/Boards had incurred accumulated loss of ₹742.59 crore (Himachal Pradesh Road Transport Corporation: ₹512.23 crore and Himachal Pradesh

State Electricity Board: (₹230.36 crore) at the end of March 2010. The major recipients amongst Government Companies, which incurred accumulated losses upto 31 March 2010 were, Himachal Pradesh Agro-Industrial Packaging India Limited (₹74.57 crore), Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited (₹46.33 crore), Himachal Pradesh State Forest Development Corporation (₹50.54 crore) and Himachal Pradesh Handicrafts and Handloom Corporation Limited (₹17.98 crore).

1.6.3 Loans and advances by State Government

In addition to investments in co-operative societies, Corporations and Companies, Government had also been providing loans and advances to many of these institutions/ organisations. Table 1.12 presents the outstanding loans and advances as on 31 March 2010, interest receipts vis-à-vis interest payments during the last three years.

Table-1.12: Average Interest Received on Loans Advanced by the State Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2007-08	2008-09	2009-10
Opening Balance	236.96	224.85	293.49
Amount advanced during the year	13.94	89.61	69.67
Amount repaid during the year	26.05	20.97	33.85
Closing Balance	**224.85**	**293.49**	**329.31**
Of which Outstanding balance for which terms and conditions have been settled	--	--	--
Net addition	(-) 12.11	68.64	35.82
Interest Receipts	16	11	11
Interest receipts as *per cent* to outstanding Loans and advances	6.9	4.2	3.5
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government.	9.4	9.8	9.0
Difference between interest payments and interest receipts (*per cent*)	(-) 2.5	(-) 5.6	(-) 5.5

Total amount of outstanding loans and advances as on 31 March 2010 was ₹329.31 crore. Against ₹69.67 crore advanced, only ₹33.85 crore was repaid during 2009-10, recording an increase of ₹12.88 crore in repayment over the previous year. Major recipients of loans during 2009-10 were Power projects (₹62 crore). There was a huge variation in the average rate of interest being paid by the Government on borrowings vis-à-vis the percentage of interest received on outstanding loans and advances. The shortfall ranged between 2.5 *per cent* and 5.6 *per cent* during 2007-10. *During 2009-10, the Government received 3.5 per cent return of interest receipts as percentage to outstanding loans against the targeted receipt of seven per cent fixed by TFC. It, however, paid nine per cent interest on borrowings during this period.*

1.6.4 Cash Balances and Investment of Cash balances

Table 1.13 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table-1.13: Cash Balances and Investment of Cash balances

(₹ in crore)

Particulars	As on 1st April 2009	As on 31st March 2010	Increase (+)/ Decrease(-)
Cash Balances	979.23	281.16	(-)698.07
Investments from Cash Balances			
a. GOI Treasury Bills	1,129.18	582.60	(-)546.58
b. GOI Securities	3,889.21	4285.64	(+)396.43
Funds-wise break-up of Investment from Earmarked balances	--	--	--
Interest realised	60.45	63.70	(+)3.25

Cash balances of the State Government at the end of the current year decreased by ₹698.07 crore from ₹979.23 crore in 2008-09 to ₹281.16 crore in 2009-10. The State Government has invested ₹582.60 crore in GOI Treasury Bills and ₹4285.64 crore in GOI Securities and earned an interest of ₹63.70 crore during 2009-10. The Government was able to maintain daily cash balance fixed by Reserve Bank of India and did not avail ways and means advances *(Appendix-1.3)*.

1.7 Assets and Liabilities

1.7.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix 1.4* gives an abstract of such liabilities and the assets as on 31 March 2010, compared with the corresponding position on 31 March 2009. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances.

1.7.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.3*. However, the composition of fiscal liabilities during the current year vis-à-vis the previous years are presented in Table-1.14.

Table-1.14: Fiscal Liabilities – Basic Parameters

	2005-06	2006-07	2007-08	2008-09	2009-10
Fiscal Liabilities (₹in crore)	17,432	18,071	19,419	21,819	23,713
Rate of Growth (*per cent*)	5.44	3.67	7.46	12.36	8.68
Ratio of Fiscal Liabilities to					
GSDP (*per cent*)	67.87	63.21	60.27	59.09	56.09
Revenue Receipts (*per cent*)	265.77	230.64	212.42	234.41	229.20

Thirteenth Finance Commission's recommendation on debt stabilisation

Thirteenth Finance Commission (ThFC) has recommended a target for reducing the consolidated debt stock of the States to 25 *per cent* of GSDP by 2014-15. The current debt of the State is ₹23,713 crore which is 56 per cent of the GSDP. The State Government has to take initiatives for fiscal correction to achieve the above target in a phased manner by 2014-15. The State Government stated (September 2010) that the target of 25 per cent is not applicable to this State as there is no target given in this component by the ThFC. The reply is not acceptable as the above target is clearly mentioned in Paragraph 9.29, 9.67, 9.69 and table 9.7 of report of the ThFC which states that the medium term combined debt to GDP ratio target for 2014-15 at 68 *per cent, w*ith the target Central Government debt at 45 *per cent* of GDP in 2014-15, therefore, this implies a target debt to GDP ratio of 25 *per cent* for all states in the same year (the state and central ratios do not add up to the combined ratio because central loans to the states have to be netted out).

The overall fiscal liabilities of the State increased from ₹17,432 crore in 2005-06 to ₹23,713 crore in 2009-10. Fiscal liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liability (₹17,113 crore) comprised market loans (₹8,835 crore), loans from GOI (₹984 crore) and other loans (₹7,294 crore which includes ₹4,286 crore on Special Security issued to NSSF of the GOI). The Public Account liabilities (₹6,600 crore) comprise Small Savings and Provident Funds (₹5,214 crore), interest bearing obligations and non-interest bearing obligations like deposits (₹1,248 crore) and reserve funds (₹138 crore). The rate of growth of fiscal liabilities was 8.68 *per cent* during 2009-10. The ratio of fiscal liabilities to GSDP consistently decreased to 56.09 *per cent* in 2009-10 from 67.87 *per cent* in 2005-06. These liabilities stood at 2.29 times the revenue receipts at the end of 2009-10. *The State Government was required to set up a Consolidated Sinking Fund as recommended by the TFC for amortisation of market borrowings as well as other loans and debt obligations. The State Government has not yet set up the sinking fund.*

1.7.3 Status of Guarantee[14] – Contingent liabilities

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years as shown in Statement 9 of the Finance Accounts, is given in Table 1.15.

Table-1.15: Guarantees given by the Government of Himachal Pradesh

(₹ in crore)

Guarantees	2007-08	2008-09	2009-10
Max amount guaranteed	6,450	6,076	4361
Outstanding amount of guarantees	2,632	2,291	1949
Percentage of maximum amount guaranteed to total revenue receipts	70.6	65	42

No law has been passed by the State Legislature under Article 293(1) of the Constitution laying down the limits within which Government may give guarantees on the security of the Consolidated Fund of the State. However, the HPFRBM Act, 2005 provides that the total outstanding guarantees are to be limited to 80 *per cent* of revenue receipts in the year preceding the current year. Since the enactment of the FRBM Act, 2005, the outstanding guarantees given by the State Government were within the limit prescribed by the Act. The outstanding guarantees on the loans raised by various corporations

[14] 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.

and others stood at ₹1,949 crore at the end of 2009-10 which was 20.94 *per cent* of the revenue receipts of the previous year and maximum amount guaranteed (₹4,361 crore) to total revenue receipts was 42 *per cent* which is within the permissible limits. The major recipients of guarantees against which amounts were outstanding as on 31 March 2010 were 5 Statutory Boards/Corporations (₹1,490 crore), seven Government companies (₹171 crore), one Co-operative Bank (₹249 crore) and two Local/Autonomous Bodies (₹39 crore). *The State Government was required to set up the Guarantee Redemption Fund as recommended by the TFC to meet the contingent liabilities arising from the guarantees given. However, the State Government has not set up such a Fund so far.*

1.8 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability[15] of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization[16]; sufficiency of non-debt receipts[17]; net availability of borrowed funds[18]; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. Table 1.16 analyses the debt sustainability of the State according to these indicators for the period of three years beginning from 2007-10.

Table 1.16: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2007-08	2008-09	2009-10
Debt Stabilization (Quantum Spread + Primary Deficit)	1,812	1,054	573
Sufficiency of Non-debt Receipts (Resource Gap)	370	(-) 1,726	(-) 506
Net Availability of Borrowed Funds	(-) 79	507	341
Burden of Interest Payments (IP/RR Ratio)	0.186	0.203	0.189
Maturity Profile of State Debt (In Years)*			
0 – 1	1,793.89	987.20 (6.40)	869.69 (5.08)
1 – 3	3,519.01	3,654.02 (23.26)	2444.40 (14.29)
3 – 5	2,802.05	2,733.06 (17.40)	3238.28 (18.92
5 – 7	2,019.54	2,167.37 (13.80)	2568.84 (15.01)
7 and above	4,830.94	6,766.17 (43.07)	7991.73 (46.70)

Figures in parenthesis indicate percentages.

15 The Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

16 A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

17 Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

18 Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

Table-1.16 reveals that quantum spread together with primary deficit was positive during 2007-10 indicating declining trend of debt-GSDP ratio. These trends indicate that the State is moving towards debt stabilisation, which in turn may improve the debt sustainability position of the State. However, the negative resource gap during 2009-10 indicates a risk of worsening of the fiscal and debt stability of the State provided this trend continues. During 2009-10, net borrowed funds available was positive indicating that ₹341 crore of total debt receipts were utilized for other purposes rather than for discharging past debt obligations. The maturity profile of the State Government indicates that 38 *per cent* (₹6552 crore) of the total Public Debt is repayable within the next five years while the remaining 62 *per cent* (₹10560.57 crore) loans are required to be paid in more than five years time.

1.9 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2009-10.

1.9.1 Trends in Deficits

Charts 1.10 and 1.11 present the trends in deficit indicators over the period 2005-10:

Chart 1.10: Trends in Deficit Indicators (₹in crore)

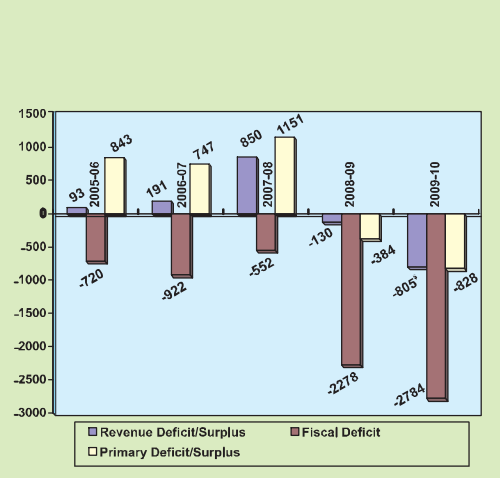
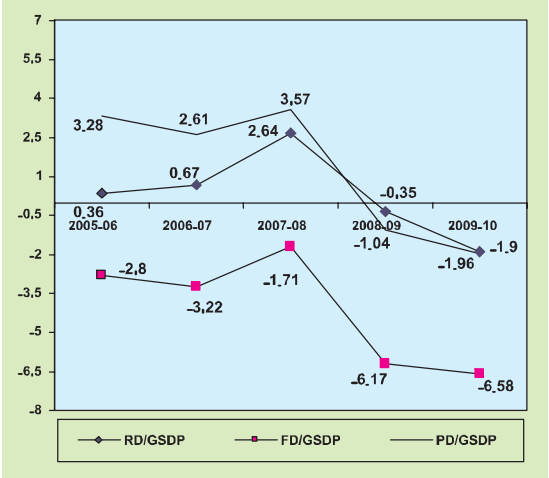


Chart 1.11: Trends in Deficit Indicators relative to GSDP (figures as percentage to GSDP)



Charts 1.10 and 1.11 reveal that all accounts of revenue, fiscal and primary experienced a situation of huge deficit during current year. From a revenue surplus position in 2005-06 to 2007-08 the State had a revenue deficit of ₹130 crore in 2008-09 which further deteriorated and rose to ₹805[$] crore in 2009-10 indicating an increase of 519 *per cent*. The NTR showed marginal increase by ₹28 crore, tax

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

revenue by ₹332 crore, share of union taxes/duties by ₹24 crore and GIA received from GOI increased by ₹654 crore which accounted for ₹1,038 crore increase in revenue receipts during 2009-10. Against receipts, revenue expenditure increased by 1,713 crore (18 per cent) which led to increase in revenue deficit. Further, fiscal deficit sharply increased by ₹506 crore from ₹2278 crore in 2008-09 to ₹2,784 crore during 2009-10. The primary deficit of ₹384 crore in 2008-09 increased to ₹828 crore in 2009-10 indicating an increase of 116 *per cent.* However, it was offset to some extent by the increase in interest payments (₹62 crore). Thus, revenue deficit and fiscal deficit was 1.9 and 6.58 *per cent* of GSDP which were higher than the projections made by TFC i.e. 0 and three *per cent* respectively which is a set back to the State that was heading towards achieving the target set forth in the FRBM Act.

1.9.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the Table 1.17.

Table-1.17: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Decomposition of Fiscal Deficit						
1	Revenue Deficit	(+) 93 (0.36)	(+) 191 (0.67)	(+) 850 (2.64)	(-) 130 (-) (0.35)	(-) 805[$] (-) (1.90)
2	Capital Expenditure	821 (3.20)	1,110 (3.88)	1,414 (4.39)	2,079 (5.63)	1943 (4.60)
3	Net Loans and Advances	8 (0.03)	(-) 3 ((-) 0.01)	(-)12 (0.04)	69 (0.19)	36 (0.09)
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	425	467	1,322	1,752	1177
2	Loans from GOI	(-) 38	(-) 91	(-) 5	(-) 44	13
3	Special Securities Issued to NSSF	813	670	134	60	396
4	Loans from Financial Institutions	(-) 739	(-) 309	(-) 599	(-) 406	78[▲]
5	Small Savings, PF, etc.	310	322	540	515	546
6	Deposits and Advances	103	(-)500	(-) 366	217	265
7	Suspense and Misc.	9	(-) 7	2	53	117
8	Remittances	119	73	50	(-) 2	75
9	Others	(-) 279	297	(-) 526	151	117
10	Overall Surplus/Deficit	(-) 720	(-) 922	(-) 552	(-) 2,278	(-) 2784

Figures in brackets indicate the per cent to GSDP.
*All these figures are net of disbursements/outflows during the year.

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[▲] ₹78 crore is net increase of loans during 2009-10 which has been worked out as under:

Balance as of 1st April 2009	₹2930.11 crore
Additions during 2009-10	₹574.67 crore
Total:	₹3504.78 crore
Repayment of loans during the year	₹496.47 crore

Table 1.17 reveals that fiscal position of the State had plunged to a huge deficit during 2008-09 and 2009-10. During 2009-10, the fiscal deficit of ₹2,784 crore was mainly due to heavy borrowings from market (₹1,177 crore), small savings, PF, etc. (₹546 crore), special securities issued to NSSF (₹396 crore) and deposits and advances (₹265 crore). During 2009-10, the market borrowings and small savings, PF, etc. together contributed 62 *per cent* which will increase the interest burden in future.

1.9.3 Quality of Deficit/Surplus

The ratio of Revenue Deficit to Fiscal Deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (Table 1.18) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.18: Primary deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Total Primary Expenditure	Primary revenue surplus	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2005-06	6,581	4,903	821	14	5,738	1678	843
2006-07	7,858	5,975	1,110	26	7,111	1883	747
2007-08	9,168	6,589	1,414	14	8,017	2579	1,151
2008-09	9,329	7,544	2,079	90	9,713	1785	(-) 384
2009-10	10380	9195	1943	70	11208	1185	(-) 828

- From 2005-06 onwards, non-debt receipts of the State was higher than the PRE which was sufficient to meet this expenditure. From 2007-08, the non-debt receipts as compared to primary revenue expenditure continued to fall from ₹2,579 crore in 2007-08 to ₹1,185 crore in 2009-10.

- Total primary expenditure increased by ₹5470 crore from ₹5738 crore to ₹11208 crore during the period 2005-10 which was due to increase of primary revenue expenditure of ₹4292 crore from ₹4903 crore in 2005-06 to ₹9195 crore in 2009-10 and capital expenditure by ₹1122 crore from ₹821 crore in 2005-06 to ₹1943 crore in 2009-10.

- During the period 2005-08 the State had primary surplus but it plunged into deficit of ₹384 crore in 2008-09 which further increased to ₹828 crore in 2009-10. The primary deficit during 2008-09 was mainly due to decrease of non-tax revenue by ₹67 crore *(four per cent)* and less receipt of grant-in-aid by ₹95 crore *(two per cent)* over the previous

year on the one hand and significant increase in disbursement of loans and advances i.e. by ₹76 crore *(543 per cent)* and increase in capital expenditure by ₹665 crore *(47 per cent)* over the previous year on the other hand. The increase in revenue deficit during 2009-10 was due to payment of dearness allowance and revised pay.

1.10 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters viz. Revenue deficit, fiscal deficit and primary deficit revealed during the year, the revenue receipts (₹10346 crore) of the State grew by only 11 *per cent* while the rate of growth of revenue expenditure (₹11151[$] crore) was 18 *per cent* over the previous year. This resulted in increased revenue deficit of ₹805[$] crore, in comparison to ₹130 crore during 2008-09.

The increase in revenue deficit combined with decrease in capital expenditure and disbursement of net loans and advances resulted in a fiscal deficit of ₹2784 crore in 2009-10. The primary deficit increased by ₹444 crore from ₹384 crore in 2008-09 to ₹828 crore in 2009-10. The fiscal deficit as a percentage of GSDP was 6.58 *per cent* in 2009-10 against FRBM Act target of 3 *per cent*.

The revenue expenditure constituted 85 *per cent* of the total expenditure during 2009-10 while the Non-Plan Revenue Expenditure (NRPE) constituted 89 *per cent* of revenue expenditure. The Plan Revenue Expenditure increased by 41 *per cent* over the previous year whereas the Capital Expenditure decreased by 7 *per cent* (₹136 crore) over the previous year.

The salary expenditure during the current year exceeded the projections made in MTFPS (₹3,748 crore) and the FCP (₹2,811 crore). The salary expenditure is 61 per cent of revenue expenditure net of interest and pension payments, which is much higher than the norm of 35 per cent recommended by the TFC requiring attention of the State Government.

The State Government failed to get the benefit of debt waiver of ₹65.75 crore for the financial year 2008-09 and 2009-10 due to non-reduction of revenue deficits as per stipulated norms.

The fiscal liability increased by nine per cent over the previous year. The fiscal liabilities to GSDP ratio at 56 *per cent* was higher than the norms of 31 *per cent* recommended by the TFC.

As of 31 March 2010, there were 29 incomplete projects in which ₹108.09 crore were blocked. Efforts need be taken to expedite completion of incomplete projects in order to avoid further time and cost overruns.

The TFC recommended setting up of guarantee redemption and consolidated sinking funds with Reserve Bank of India to mitigate the impact of liabilities during its award period of 2005-10. However, the State Government has not yet set up the funds even after completion of the award period.

Return to Fiscal correction: The State had achieved five out of eight targets as set out in FRBM Act/TFC during 2009-10. There is reasonable prospects of returning back to fiscal correction path if efforts are taken to increase tax compliance, reduce tax administration costs, collection of revenue arrears and prune unproductive expenditure so that deficit are curtailed. Efforts should also be made to improve collection of non tax revenue so that recourse to borrowed funds from GOI can be reduced.

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

Funds directly transferred by GOI: The GOI directly transferred ₹923.48 crore to the State Implementing Agencies thus total availability of State resources increased from ₹19,754 crore to ₹20,677 crore. There was no single agency to monitor the receipt/transfer of funds directly by GOI and therefore, utilisation of these funds remains to be verified by Audit to establish accountability of the State Government for these funds.

Greater priority to capital expenditure: The State had an increasing trend in capital expenditure upto 2008-09 which was indicative of improvement in social as well as economic services. But during 2009-10 the capital expenditure decreased by ₹136 crore over previous year. Evidently less priority was given to social and economic services and may have an adverse impact on the social and economic health of the State if left unattended. A monitoring organ should be put in place to ensure effective budgetary system and keep a vigil on how prudently the Government money are being utilized so that value for money is channelized in its entirety to the intended beneficiaries.

Review of Government investments: A performance based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify if high cost borrowings are worth to be channelized there.

Initiative for fiscal correction: The ThFC has recommended a target to achieve debt stock of 25 *per cent* of GSDP by 2014-15. But the State has not even been able to achieve the target of 31 *per cent* as recommended by TFC and its debt stock as of 31 March 2010 stood at 56 *per cent* of GSDP. The State Government, therefore, needs to gear up its activities so that atleast the target set out by the ThFC can be achieved.

CHAPTER-II
FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Accounts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provision and are therefore complementary to Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provision of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2009-2010 against 32 grants/appropriations was as given in Table-2.1:

Table-2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	9,063.10	601.38	9,664.48	10,439.72*	(+) 775.24
	II Capital	1,895.82	319.87	2,215.69	2,030.76*	(-) 184.93
	III Loans and Advances	10.06	1.58	11.64	69.67	(+) 58.03
Total Voted		**10,968.98**	**922.83**	**11,891.81**	**12,540.15**	**(+) 648.34**
Charged	IV Revenue	2,067.04	6.81	2,073.85	1,980.62	(-) 93.23
	V Capital	---	12.31	12.31	12.45	(+) 0.14
	VI Public Debt-Repayment	980.73	--	980.73	866.80	(-) 113.93
Total Charged		**3,047.77**	**19.12**	**3,066.89**	**2,859.87**	**(-) 207.02**
Appropriation to Contingency Fund (if any)		---	---	---	---	---
Grand Total		**14,016.75**	**941.95**	**14,958.70**	**15,400.02**	**(+) 441.32**

*These are gross figures except in respect of Grant Nos. 10, 13 and 31 in which certain suspense heads are operated.

The overall excess of ₹441.32 crore was the result of excess of ₹887.80 crore in 16 grants and one appropriation under Revenue Section, four grants and one appropriation under Capital Section offset by saving of ₹446.48 crore in 16 grants and five appropriations under Revenue Section and 20 grants and two appropriations under Capital Section.

The savings/excesses (Detailed Appropriation Accounts) were intimated (July 2010) to the Controlling Officers requesting them to explain the significant variations. Besides, the Finance Department was also intimated (August 2010). Out of 777 sub-heads, explanations for variation were not received (September 2010) in respect of 563 sub-heads (Saving: 283 sub-heads and Excess: 280 sub-heads). 15 departments have substantial excess of more than ₹one crore in each case and eight departments have savings more than ₹one crore in each case.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 19 cases, savings exceeded ₹one crore in each case and by more than 20 *per cent* of total provision in six cases (*Appendix 2.1*). Against the total savings of ₹446.48 crore, savings of ₹284.20 crore[1] (64 *per cent*) occurred in three cases relating to two appropriations and one grant as indicated in Table-2.2.

Table-2.2: List of Grants with savings of ₹50 crore and above

(₹ in crore)

Sr. No.	Number and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
	Revenue-Charged					
1.	29-Finance	2,048.59	---	2,048.59	1,955.85	92.74
	Capital-Voted					
2.	23-Power Development	242.00	---	242.00	164.46	77.54
	Capital-Charged					
3.	29-Finance	980.73	--	980.73	866.81	113.92
	Total	**3,271.32**	**---**	**3,271.32**	**2,987.12**	**284.20**

Reasons for savings were awaited (September 2010).

2.3.2 Excess Expenditure

In 14 cases, expenditure aggregating ₹8,972.39 crore exceeded the approved provision by ₹884.23 crore and more than ₹one crore in each case and more than 20 *per cent* of the total provision in three cases. Details are given in *Appendix 2.2.* Of these, in the following grants/heads (Table-2.3), excess expenditure has been observed consistently for the last five years:

[1] Exceeding Rs 50 crore in each case.

Table-2.3: List of Grants indicating Persistent Excess expenditure during 2005-10

(₹ in crore)

Sr. No.	Number and Name of the Grant	Amount of Excess Expenditure				
		2005-06	2006-07	2007-08	2008-09	2009-10
	Revenue-Voted					
1.	10-Public Works-Roads, Bridges and Buildings	120.02	161.42	126.38	134.46	215.36
2.	14-Animal Husbandry, Dairy Development and Fisheries	1.89	4.63	7.76	4.08	5.70

Reasons for persistent excess were awaited (September 2010).

2.3.3 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹451.37 crore was incurred in four cases as detailed in Table-2.4 without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table-2.4: Expenditure incurred without provision during 2009-10

(₹ in crore)

Number and Name of Grants/Appropriations	Amount of Expenditure without provision	Remarks
05-Land Revenue and District Administration	19.30	Reasons were awaited.
13-Irrigation, Water Supply and Sanitation	54.33	Reasons were awaited.
29-Finance	377.24	Reasons were awaited.
31-Tribal Development	0.50	Reasons were awaited.
Total	**451.37**	

2.3.4 Drawal of funds to avoid lapse of budget grant

As per provisions of Treasury Rules read with Rule 2.10 of Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. During test-check of the records of various Drawing and Disbursing Officers (DDOs), it was noticed that the amounts drawn were neither fully spent for the specific purposes nor refunded into treasury before closure of financial year 2009-10 as detailed below:

(i) Unutilised funds: ₹32 lakh drawn by the Director of Horticulture, Himachal Pradesh, Shimla during 2008-09 for construction of residential building for the Director and Supervisory Training Centre at Naubahar had remained unutilised as of September 2010 with the executing agency Public Works Department (PWD) since the amount of ₹32 lakh was insufficient to start the work.

(ii) Unspent balances: The Block Medical Officer, Ghumarwin drew (December 2006-January 2007) ₹15 lakh for construction of staff quarters at Primary Health Centre (PHC) Harlog but the amount remained unspent as of September 2010 due to sufficient number of existing quarters for the PHC staff.

(iii) Unutilised funds: ₹68.77 lakh were drawn by the Principal, Indira Gandhi Medical College, Shimla in March 2007 and transferred to the executing agency PWD for renovation of operation theatres (OTs) but the amount had remained unutilised (September 2010) with the executing agency as the OTs had not been handed over by the Institutional authorities to the PWD.

(iv) Drawal of funds to avoid lapse of budget: Scrutiny of records (May 2009-March 2010) of 11 divisions (Public Works (PW): eight divisions[2] and Irrigation and Public Health (I&PH): three divisions[3]) revealed that ₹16.70 crore (PW: ₹12.29 crore and I&PH: ₹4.41 crore) were released through letters of credit by the concerned Superintending Engineers at the fag end of the financial year 2008-09 for the construction of various roads, buildings, tubewells, flood protection works and repair and maintenance of works. The Executive Engineers (EEs) drew the entire amount of ₹16.70 crore in March 2009 and showed it as final expenditure in accounts. Out of this, 10 divisions[4] transferred an amount of ₹15.70 crore (PW: ₹11.29 crore and I&PH: ₹4.41 crore) to the sub-divisions under their control/other divisions and kept under deposits. The remaining amount of ₹one crore transferred (March 2009) to the Additional Deputy Commissioner, Kaza by the EE B&R Division, Kaza was also received back (May 2009) and kept thereafter under deposit head. Thus, depiction of expenditure of ₹16.70 crore to the final head of account of works in the financial year 2008-09 and its utilisation in the subsequent financial year was in contravention of rules.

The concerned EEs confirmed the facts (May 2009-March 2010).

(v) Advance payments made to avoid lapse of budget: Scrutiny of records (June 2009-March 2010) of four divisions[5] revealed that advance payments of ₹10.66 crore were made to the Himachal Pradesh State Civil Supplies Corporation, Shimla (Corporation) on 31 March 2008 (₹2.56 crore) and 31 March 2009 (₹8.10 crore) for procurement of materials. The advance payments were charged (except Nahan Division) to the final heads of account of various works instead of keeping the amounts under the suspense head "Miscellaneous Works Advances" pending receipt of material. It was also noticed that there was nothing on the records of the divisions to show whether any requirement of the material was ever assessed before making the huge advance payments to the Corporation for procurement of materials.

The Corporation supplied cement and Ductile Iron pipes valuing ₹26.23 lakh and ₹80.23 lakh respectively to Nahan and Shimla-I divisions upto March 2009 against advance payment of ₹7.50 crore and refunded the balance amount of ₹6.44 crore between May 2009 and March 2010. In respect of Anni and Sundernagar divisions, no supply of material was received and the Corporation refunded

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2 Bilaspur-II, Chamba, Chopal, Jubbal, Karchham, Kasauli, Kaza and Shimla-II.

3 Hamirpur, Shahpur and Una-II.

4 Bilaspur-II, Chamba, Chopal, Hamirpur, Jubbal, Karchham, Kasauli, Shahpur, Shimla-II and Una-II.

5 Anni, Nahan, Shimla-I and Sundernagar.

the whole amount of advance (₹3.16 crore) in June 2009 and August 2009 respectively. The amounts refunded by the Corporation were credited to 'Public Works Deposits' for utilisation in the subsequent financial years and were thus kept outside the normal budgetary process.

The EEs confirmed (June 2009-March 2010) the facts and stated that funds were received at the fag end of the financial years (2007-08 and 2008-09) and had to be utilised by depositing the same with the Corporation to avoid lapse/surrender. The reply is not acceptable as it is contrary to the financial rules.

The action of the Department resulted in interest loss of ₹63.67 lakh to the Government (worked out at an average rate of interest of 9.19 *per cent* on its borrowings during 2008-09) as the amounts remained with the Corporation outside the Government accounts from 50 to 472 days. Besides, incorrect position of expenditure was depicted in the accounts without it being actually utilised and further the funds were parked under 'Public Works Deposits'.

(vi) Funds under Public Works Deposits remaining unutilised: Funds received by the EEs from various Departments/agencies for the execution of works on their behalf are temporarily kept under the transitory head "Public Works Deposits". Such funds should not be allowed to remain unutilised for an indefinite period as their prolonged retention results in not only keeping the money outside the normal budgetary process but also in blocking of Government funds.

Scrutiny of the records of five divisions[6] revealed (July 2009-March 2010) that ₹3.77 crore received from various Departments between September 2004 and July 2009 for execution of 11 deposit works[7] remained unutilised due to non-commencement of works for reasons like non-handing over /finalisation of sites by the client Departments (nine cases), non-finalisation of estimate (one case) and pending decision of the client Department for execution of work (one case). Non-utilisation of ₹four crore (deposited upto July 2007) in respect of construction of Degree College Building at Nahan due to non-handing over of site was also pointed out in Paragraph 2.20 of Report of the Comptroller and Auditor General of India for the year ended March 2009. Despite this, ₹0.65 crore were further remitted (March 2009) by the Higher Education Department without ensuring availability of site.

The concerned EEs admitted (July 2009-March 2010) the facts. Evidently, funds under deposit head were received by the respective divisions from different Departments without ensuring the pre-requisite formalities and availability of land for the execution of works of the sanctioned infrastructure.

The deposits amounting to ₹3.77 crore remained unutilised for periods ranging between eight and 66 months thereby defeating the purpose for which these were sanctioned.

In sum, the action of the divisions not only violated the prescribed financial system but also resulted in keeping the money outside the normal budgetary process. Moreover, there may be some other needy departments where these funds could have been utilised gainfully.

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[6] Kasauli, Kumarsain, Nahan, Nalagarh and Rampur.

[7] Construction of Degree College/Hospital Buildings: three, Community Bhawan/Sarai: two, Mortuary Water Tank: one, Staff quarter: one and construction of School Building/Science Laboratories in Schools : four.

2.3.5 *Excess over provision relating to previous years requiring regularisation*

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, but the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹1,101.46 crore for the years 2007-2009 was yet to be regularised as detailed in *Appendix 2.3*. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in Table-2.5.

Table-2.5: Excess over provision relating to previous years requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2007-08	18	3	544.94	Audit comments sent to the Finance Department/ H.P. Vidhan Sabha. Not yet discussed by the PAC.
2008-09	11	3	556.52	It was due for discussion from 13.07.2010. *Suo moto* replies from the Finance Department are still awaited.
Total			**1,101.46**	

2.3.6 *Excess over provision during 2009-10 requiring regularisation*

Table 2.6 contains the summary of total excess in 22 grants/appropriations amounting to ₹887.80 crore over authorization from the Consolidated Fund of State (CFS) during 2009-10 and requires regularisation under Article 205 of the Constitution.

Table-2.6: Excess over provision requiring regularisation during 2009-10

(In ₹)

Sr. No.	Number and title of Grant/ Appropriation (Revenue and Capital)	Total grant	Expenditure	Excess
1.	01-Vidhan Sabha	11,25,49,000	11,35,68,028	10,19,028
2.	04-General Administration	83,75,73,000	84,70,74,862	95,01,862
3.	05-Land Revenue and District Administration	292,91,22,761	327,44,39,442	34,53,16,681
4.	06- Excise and Taxation	26,47,28,000	27,35,78,632	88,50,632
5.	07-Police and Allied Organisations	387,79,11,045	400,22,60,814	12,43,49,769
6.	08-Education	1903,31,63,000	1906,37,72,580	3,06,09,580
7.	10-Public Works-Roads, Bridges and Buildings	1360,78,94,000	1576,14,50,582	215,35,56,582
8.	13-Irrigation, Water Supply and Sanitation	985,60,79,600	1222,15,70,031	236,54,90,431

9.	14-Animal Husbandry, Dairy Development and Fisheries	131,31,67,103	137,02,11,131	5,70,44,028
10.	16-Forest and Wild Life	300,17,50,000	553, 31,90,706	253,14,40,706
11.	19-Social Justice and Empowerment	275,42,21,000	281,53,64,371	6,11,43,371
12.	23-Power Development	172,21,10,000	187,19,33,685	14,98,23,685
13.	26-Tourism and Civil Aviation	9,25,73,000	9,36,84,990	11,11,990
14.	27-Labour, Employment and Training	49,29,79,000	49,79,24,613	49,45,613
15.	28-Urban Development, Town and Country Planning and Housing	101,57,75,000	115,67,26,647	14,09,51,647
16.	29-Finance	1328,80,63,000	1377,68,32,099	48,87,69,099
17.	02-Governor and Council of Ministers	2,67,27,000	2,85,18,187	17,91,187
18.	10-Public Works-Roads, Bridges and Buildings	325,83,00,000	326,50,33,076	67,33,076
19.	13-Irrigation, Water Supply and Sanitation	420,78,46,000	440,25,68,902	19,47,22,902
20.	25-Road and Water Transport	45,32,00,000	63,32,00,000	18,00,00,000
21.	32-Scheduled Caste Sub-Plan	382,12,09,000	384,04,31,066	1,92,22,066
22.	10-Public Works-Roads, Bridges and Buildings	12,02,94,000	12,19,08,087	16,14,087
	Total	**8608,72,34,509**	**9496,52,42,531**	**887,80,08,022 or 887.80 crore**

Reasons for the excesses had not been furnished by the Government as of September 2010.

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹13.55 crore obtained in five cases, ₹25 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in *Appendix 2.4.* In 11 cases, supplementary provision of ₹486.66 crore proved insufficient by more than ₹one crore in each leaving an aggregate uncovered excess expenditure of ₹814.32 crore (*Appendix 2.5*). Of the uncovered excess of ₹814.32 crore, ₹253.15 crore (31 *per cent*) were incurred by the Forest Department.

2.3.8 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹10 lakh in 140 sub-heads. The excess/ saving was more than ₹two crore in 35 sub-heads as detailed in *Appendix 2.6*. Of these, in three[8]

[8] Grant Nos. 10, 23 and 29: one Sub-head each.

sub-heads the savings/expenditure exceeded ₹25 crore for which no reasons had been furnished by the Government as of September 2010.

2.3.9 Unexplained re-appropriations

According to Paragraph 13.3 (b) of Himachal Pradesh Budget Manual, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and vaguely worded phrases such as "due to over estimating" "re-appropriation proved unnecessary or inadequate", etc., should be avoided. Further, if an excess occurs under "travelling allowances" it should be explained why additional travelling allowance could not have been foreseen and provision made to cover its cost and why it was necessary. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 569 items out of 2,996 (19 *per cent*), reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature like "more/less touring by staff", "more/less purchase of machinery/equipment", "more/less receipt of rent, rates and taxes bills" and "more expenditure under other schemes".

2.3.10 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 23 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹535.78 crore in these 23 schemes, ₹478.21 crore (89 *per cent*) were surrendered, which included cent *per cent* surrender in 6 schemes (₹52.70 crore) (*Appendix 2.7).*

Similarly, out of total savings of ₹29.76 crore under five other grants (savings of ₹one crore and above were indicated in each grant) amount aggregating to ₹9.98 crore (34 *per cent* of total savings) were not surrendered, details of which are given in *Appendix 2.8.* Besides, in seven cases (surrender of funds in excess of ₹10 crore) ₹340.58 crore were surrendered (*Appendix 2.9*) on the last working day of March 2010 indicating inadequate financial control. Also, the fact that these funds could not be utilised for other development purposes.

2.3.11 Surrender in excess of actual saving

In nine cases, the amount surrendered (₹50 lakh or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹131.13 crore, the amount surrendered was ₹158.66 crore resulting in excess surrender of ₹27.53 crore. Details are given in *Appendix 2.10.* Reasons for surrender in excess of savings were awaited (September 2010).

2.3.12 Rush of expenditure

According to the Himachal Pradesh Financial Rules, the expenditure should be regulated in a phased manner and rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 28 sub-heads listed in *Appendix 2.11*, expenditure exceeding ₹10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2010. Table-2.7

presents the major heads where more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year.

Table-2.7: Cases of Rush of Expenditure towards the end of the financial year 2009-10

(₹ in crore)

Sr. No.	Major Head (Charged/Voted)	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2010	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2236(V)	68.48	37.68	55	28.67	42
2.	2402(V)	45.73	23.27	51	16.11	35
3.	2406(V)	578.21	380.95	66	65.28	11
4.	2801(V)	185.33	169.50	91	169.00	91
5.	2851(V)	38.69	23.22	60	17.90	46
6.	4059(V)	47.44	30.65	65	23.19	49
7.	4202(V)	214.69	174.05	81	134.73	63
8.	4210(V)	69.48	65.08	94	39.39	57
9.	4402(V)	48.64	46.56	96	39.58	81
10.	4701(V)	57.79	38.23	66	28.90	50
11	4702(V)	187.34	116.87	62	94.34	50
12	4711(V)	70.97	43.62	61	38.06	54
13	4801 (V)	210.61	156.01	74	156.01	74
14.	5054 (C)	12.19	11.86	97	11.86	97
	Total	**1,835.59**	**1,317.55**	**72**	**863.02**	**47**

Source: Accountant General (Accounts & Entitlement) office

2.3.13 Budgetary process in the Ayurveda Department

A performance audit on the working of the Ayurveda Department was undertaken during the year and the following deficiencies in the budgeting process were noticed:

During the period 2005-10, the Department of Ayurveda had been allocated ₹404.50 crore for development of AYUSH against which an expenditure of ₹449.04 crore was incurred resulting in

an excess of ₹44.54 crore (11 *per cent*). The financial and operational management were deficient as the resources provided for medicines and contingencies were decreasing while expenditure on salary and wages of staff had been increasing abnormally. Unutilised central grants of ₹1.17 crore was unauthorisedly deposited into the treasury as State receipt.

The AYUSH Society received ₹37.23 crore from GOI for the development of AYUSH institutions during 2005-10 out of which ₹30.19 crore remained unutilised as of March 2010 which is indicative of the fact that the budgeting and financial management in the Department was deficient.

2.4 Non-reconciliation of Departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per rule, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General (Accounts & Entitlement).

Scrutiny of the records of 42 departments at Directorate level revealed that in respect of nine DDOs[9] an amount of ₹136.70 crore was paid on AC bills during the period 2005-10 against which DCC bills for only ₹43 crore were submitted leading to an outstanding balance of ₹93.70 crore as on 31 March 2010.

Year-wise and Department-wise pending DCC bills for the years 2005-10 is detailed in *Appendix 2.12.* It was further noticed that majority of the AC bills were being drawn for Mid Day Meal scheme, purchase of medicines/raw herbs, purchase of Special Nutrition Programme items, POL expenditure and training. No cogent reasons for non-submission of DCC bills were furnished by the concerned DDOs.

Non-submission of DCC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and therefore needs to be monitored closely.

2.4.2 Non-adjustment of Temporary Advances

Drawing and Disbursing Officers draw temporary advances for the purpose of meeting contingent expenditure either on the authority of standing orders or specific sanction of the State Government. As per Rule 2.10 of Himachal Pradesh Financial Rules, the Treasury Officer may authorise advance drawal to the extent of ₹10,000 only for each head of office and no subsequent drawal of advance shall be permitted by him unless first advance is duly accounted for.

[9] Animal Husbandry, Education, Finance (Treasury &Accounts), Health and Family Welfare, Indian Systems of Medicines and Homeopathy, Labour and Employment, *Panchayati Raj,* Youth Services and Sports and Social Justice and Empowerment.

Test-check of records of eight DDOs[10] in the State revealed that ₹7.35 crore were pending adjustment as of March 2010. Age wise analysis of advances pending is given in Table-2.8.

Table-2.8

Sr. No.	Pendency	No. of Advances	Amount (₹ in crore)
1.	More than five years up to 10 years	33	0.05 (0.68)
2.	More than one year but less than five years	465	7.30 (99.32)
Total		**498**	**7.35 (100)**

Figures in parenthesis indicate percentage to total amount.
Source: Departmental figures

No reasons for non-adjustment of temporary advances were furnished by the concerned DDOs. Non-adjustment of temporary advances for long periods is fraught with the risk of misappropriation and fraud. The Controlling Officers of the concerned departments need to exercise the prescribed financial control over authorization and timely adjustment of temporary advances, scrupulously.

2.5 Operation of Personal Deposit Accounts

Personal Deposit Accounts (PDAs) are created by debit to the Consolidated Fund and the same should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund.

Information collected from the Accountant General (Accounts & Entitlement) office revealed that 137 PDAs were in operation in 14 District Treasuries at the beginning of the year 2009-10, out of which three PDAs involving an amount of ₹92,821 (two PDAs having (-) balances of ₹73,612 and ₹19,210 and a PDA with plus balance of ₹one) were closed during the year. No new PDA was created during 2009-10. The position of remaining 134 PDAs having balance of ₹138.68 crore as on 31 March, 2010 was as under:

- 48 PDAs having balance of ₹132.69 crore had been in operation during the year.
- 86 PDAs involving an amount of ₹5.99 crore remained inoperative during the current year.
- All the 86 PDAs remained inoperative continuously for periods upto 20 years. Of these, 15 PDAs having balance of ₹13.50 lakh remained inoperative for more than five years but below 20 years.
- PDAs should normally close with credit balance, as the payment against deposit should not exceed deposits received. Scrutiny of PDAs revealed that there were adverse balances of

[10] (i) Controller Dr. Y.S. Parmar University, Solan (₹323.15 lakh) (ii) DHS-cum-Nodal Officer (SSRC), Shimla (₹271.05 lakh) (iii) Director, Urban Development, Shimla (₹0.26 lakh) (iv) Deputy Director, Agriculture, Kullu (₹23.88 lakh) (v) Executive Engineer (Design), Dr. Y.S. Parmar University, Solan (₹5.38 lakh) (vi) Managing Director, Himachal Pradesh Milk Federation, Totu, Shimla (₹109.44 lakh) (vii) Project Director, Desert Development Project, Pooh (₹1.13 lakh) and (viii) Scientist-C, Research Extension Centre, Palampur, Kangra (₹0.35 lakh).

₹2.34 lakh in six cases *(Appendix-2.13)* which could be due to misclassification, excess payments, non-reconciliation of the accounts or some other reasons which required investigation and rectification.

The funds meant for various development works were, thus, parked in the PDAs without undertaking the work for which these were sanctioned and released. The practice of retaining funds in the PD Account after the close of the financial year is fraught with the risk of misuse of funds and therefore, needs to be avoided.

2.6 Outcome of Review of Selected Grant

Review of one grant (Grant No.10- Public Works, Roads, Bridges and Buildings) revealed the following:

(i) Excess over the budget provision due to unrealistic estimation awaiting regularisation

During 2009-10 there was a total excess of ₹216.19 crore (Revenue section: ₹215.36 crore and Capital section: ₹0.83 crore) under the grant. The details of the major head of the Grant contributing to the such excess is given below:

Table-2.9

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expen-diture	Excess	Per-centage
	Revenue (Voted)	Original	Supplem-entary	Re-appro-priation	Total			
1.	2059-Public Works	356.21	4.71	(-) 25.91	335.01	524.83	(+) 189.82	56.66

Source: Accountant General (Accounts &Entitlement) office

It is seen from the above that under the major head 2059 though there was huge excess under the head, an amount of ₹25.91 crore was re-appropriated out of the head during the year. It was noticed in audit that the major reason for such huge excess was contributed by ₹87.24 crore under 'Stock Suspense'. The reasons for such huge variation between the budget provision and actual expenditure under the major head could not be furnished though called for. This indicates that preparation of budget estimates was un-realistic.

The overall excess expenditure of ₹216.19 crore under the grant had not been regularised (September 2010).

(ii) Inadequate supplementary provision

Against the additional requirement of ₹328.32 crore under three major heads, supplementary provision of only ₹111.65 crore had been obtained as per details given in table- 2.10.

Table- 2.10

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess	Difference in original provision and expenditure
	Revenue (Voted)	Original	Supple-mentary	Re-appropriation	Total			
1.	2059-Public Works	356.21	4.71	(-) 25.91	335.01	524.83	(+) 189.82	168.62
2.	3054-Road and Bridges	981.19	17.24	25.86	1,024.29	1,049.79	(+) 25.50	68.60
	Total	**1,337.40**	**21.95**	**(-) 0.05**	**1,359.30**	**1,574.62**	**215.32**	**237.22**
	Capital (Voted)							
3.	5054-Capital Outlay on Roads and Bridges	222.61	77.67	(-) 0.22	300.06	301.52	(+) 1.46	78.91
	Total	**222.61**	**77.67**	**(-) 0.22**	**300.06**	**301.52**	**(+) 1.46**	**78.91**
	Capital (Charged)							
4.	5054-Capital Outlay on Roads and Bridges	0.00	12.03	0.00	12.03	12.19	(+) 0.16	12.19
	Total	**0.00**	**12.03**	**0.00**	**12.03**	**12.19**	**0.16**	**12.19**
	Grand Total	**1,560.01**	**111.65**	**(-) 0.27**	**1,671.39**	**1,888.33**	**216.94**	**328.32**

Source: Appropriation Accounts

Thus, the meagre supplementary provision in above cases proved inadequate leaving an uncovered excess expenditure of ₹216.94 crore. This is also indicative of unrealistic estimation.

(iii) Surrender of funds

A review of the overall budget provision and expenditure under Grant No. 10 revealed that there was a total excess of ₹216.19 crore during the year 2009-10. However, the Department instead of requesting for more provision surrendered an amount of ₹0.22 crore during the year.

Thus, it is evident that the foresight and planning in the Department relating to management of finances was lacking which resulted in injudicious surrender of ₹0.22 crore.

(iv) Injudicious re-appropriation

Under two major heads of the Grant against original appropriation of ₹578.82 crore, an expenditure of ₹826.35 crore was incurred. An amount of ₹247.53 crore should have been obtained in the supplementary provision, but in these cases supplementary provision of only ₹82.38 crore had been obtained out of which ₹26.13 crore were re-appropriated resulting in an overall excess of ₹191.28 crore against aforesaid major heads as detailed below:

Table-2.11

(₹ in crore)

Sr. No.	Major Head	Total budget provision				Expenditure	Excess over provision
	Revenue (Voted)	Original	Supple-mentary	Re-appro-riation	Total		
1.	2059-Public Works	356.21	4.71	(-) 25.91	335.01	524.83	189.82
	Total	**356.21**	**4.71**	**(-) 25.91**	**335.01**	**524.83**	**189.82**
	Capital (Voted)						
2.	5054-Capital Outlay on Roads and Bridges	222.61	77.67	(-) 0.22	300.06	301.52	1.46
	Total	**222.61**	**77.67**	**(-) 0.22**	**300.06**	**301.52**	**1.46**
	Grand Total	**578.82**	**82.38**	**(-) 26.13**	**635.07**	**826.35**	**191.28**

Source: Accountant General (Accounts & Entitlement) office

Thus, it is evident that the re-appropriation in the above cases was unnecessary and injudicious.

(v) Unnecessary supplementary provision

Against the original provision of ₹18.80 crore and supplementary provision of ₹0.15 crore under major head-4059, an expenditure of ₹18.40 crore was incurred. Thus, the supplementary provision was unnecessary, as the expenditure was less than the original provision. The saving under this head was therefore, more than the supplementary provision.

(vi) Rush of expenditure

Government has prescribed (September 1995) quarter-wise percentages for incurring expenditure. In the case of Grant No. 10, the quarter-wise flow of expenditure was not maintained during 2009-10 according to prescribed norms as per details tabulated in table- 2.12.

Table- 2.12

(₹ in crore)

Month	Expenditure	Quarter	Quarterly expenditure	Percentage of actual expenditure	Percentage as per prescribed norms
April 2009	42.96	1st quarter	277.73	14.50	20
May 2009	106.76				
June 2009	128.01				
July 2009	127.69	2nd quarter	343.02	17.92	25
August 2009	107.44				
September 2009	107.89				
October 2009	175.25	3rd quarter	419.16	21.89	30
November 2009	109.07				
December 2009	134.84				
January 2010	225.06	4th quarter	874.93	45.69	25
February 2010	145.69				
March 2010	504.18				
Total	**1,914.84**		**1,914.84**	**100.00**	**100**

Source: Accountant General (Accounts & Entitlement) office

The rush of expenditure in the last quarter of the financial year was more than 45 *per cent* of the total expenditure. This indicates lack of planning and absence of financial control.

Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill planned expenditure. The Department should ensure that the funds are expended uniformly as prescribed throughout the year as far as practicable to avoid rush of expenditure at the end of the financial year.

(vii) Non-submission of liability statements to the Finance Department

Liability statements to exercise effective control over expenditure and preparation of correct budget estimates were not sent by the Engineer-in-Chief (E-in-C) to the Finance Department during 2009-10 as required under budget manual.

Liability register to keep track of undisclosed/undischarged liabilities, required to be maintained as per budget manual, was not maintained by the E-in-C.

2.7 Conclusion and Recommendations

The State had an overall excess of ₹441.32 crore as a result of excess of ₹887.80 crore offset by saving of ₹446.48 crore. The excess expenditure of ₹887.80 crore requires regularisation under Article 205 of the Constitution of India.

'Public Works' and 'Animal Husbandry, Dairy Development and Fisheries' persistently incurred excess expenditure for the last five years. Supplementary provision aggregating ₹13.55 crore obtained in five cases (₹25 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision. In nine cases, the amount surrendered (₹50 lakh or

more in each case) was in excess of actual savings. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations besides rush of expenditure in the last quarter of the financial year indicating lack of or inadequate budgetary control in the departments.

Funds amounting to ₹31.13 crore were drawn to avoid lapse of budget grant and either kept under Civil Deposit or paid to Corporations which resulted in avoidance of legislative control. Besides, funds amounting to ₹138.68 crore meant for developmental works were parked in Personal Deposit Accounts without undertaking the work for which these were sanctioned and released. These are chronic features noticed in the overall financial management in the departments and these practices are fraught with the risk of misuse of funds. Further, in many cases, the savings were either not surrendered or surrendered on the last day of the year leaving no scope for utilising these funds for other development purposes.

Financial Management and budgetary control: Excess expenditure of ₹887.80 crore requires regularisation under Article 205 of the Constitution of India. Parking of funds in Deposit Accounts and Personal Deposit Accounts, to avoid lapse of budget, is fraught with the risk of misuse of funds and therefore, needs to be avoided. Expenditure should be planned in advance and incurred uniformly throughout the year. Budgetary controls should be strictly observed to avoid such deficiencies in financial management.

Monitoring mechanism needs to be strengthened: The Abstract Contingent Bills amounting to ₹93.70 crore had not been adjusted for long periods of time which is fraught with the risk of misappropriation and therefore needs to be monitored closely.

CHAPTER-III
FINANCIAL REPORTING

A sound internal financial reporting 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 compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilisation Certificates

Financial Rules provide that Utilisation Certificates (UCs) should be obtained for specific purpose grants by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts & Entitlement) within one year from the date of their sanction unless specified otherwise. However, of the 43,238 utilisation certificates (UC) due in respect of grants and loans aggregating ₹1257.75 crore up to 2009-10; 26,057 UCs (60 *per cent*) for an aggregate amount of ₹829.48 crore were pending as of March 2010 out of which 199 UCs involving ₹23.95 crore were pending for more than five years. The department-wise break-up of outstanding UCs is given in *Appendix 3.1* and age-wise delays in submission of UCs are summarised in Table 3.1.

Table3.1: Age-wise arrears of Utilisation Certificates

(₹ in crore)

Sl. No.	Range of delay (In number of years)	Total grants paid		Utilisation Certificates outstanding	
		Number of Cases	Amount	Number	Amount
1.	0 – 1	21,543	582.25	18,823	462.71
2.	1 – 3	20,567	566.57	6,465	304.28
3.	3 – 5	822	77.63	570	38.54
4.	5 – 7	281	23.20	196	18.42
5.	7 – 9	22	6.44	2	4.16
6.	9 & above	3	1.66	1	1.37
	Total	**43,238**	**1257.75**	**26,057**	**829.48**

Source: Accountant General (Accounts & Entitlement) office

Pendency of UCs mainly pertained to Education Department (18,891 UCs: ₹161.86 crore), Rural Development Department (4,108 UCs: ₹470.16 crore), Industries Department (704 UCs: ₹2.47 crore), Art and Culture (859 UCs: ₹2.13 crore), Social Justice and Empowerment Department (1042 UCs: ₹54.27 crore), Urban Development Department (51 UCs: ₹62.52 crore), Sports and Youth (49 UCs: ₹6.35 crore), Tourism Department (3 UCs: ₹1.86 crore), Forest (9 UCs: ₹3.61 crore) and Secretariat and Social Service (10 UCs: ₹3.70 crore).

In the absence of the UCs, it could not be ascertained whether the recipients had utilized the grants for the purpose for which these were given.

3.2 Delay in submission of Accounts/Audit Reports of Autonomous Bodies

Several autonomous bodies have been set up by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedures, etc. The audit of accounts of 13 bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature are indicated in *Appendix-3.2.* The frequency distribution of autonomous bodies on the delays in submission of accounts to Audit and placement of Separate Audit Reports in the legislature after the entrustment of Audit to Comptroller and Auditor General of India is summarized in Table 3.2.

Table 3.2: Delays in Submission of Accounts and tabling of Separate Audit Reports

Delays in submission of Accounts (In Months)	Number of Autonomous Bodies	Reasons for the Delay	Delays in submission of SARs in Legislature (in Years)	Number of Autonomous Bodies	Reasons for the Delay
0 – 1	--	--	0 – 1	12	Not furnished
1 – 6	1	Not furnished	1 – 2	--	--
6 – 12	--	--	More than three years	--	--
Total	**1**	--	--	**12**	--

The accounts of Himachal Pradesh State Veterinary Council, Shimla was outstanding for two months as of August 2010. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and therefore, the accounts need be finalized and submitted to audit at the earliest.

12 SARs of the 12 Autonomous Bodies are yet to be placed before the legislature. These need to be placed at the earliest as non-placement violates the statutory responsibility of keeping the State legislature informed about the financial status of the bodies.

3.3 Misappropriation, loss, defalcation, etc.

As per the provisions of Himachal Pradesh financial rules, State Government reported 50 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹76.92 lakh up to the period June 2010 on which final action was pending. The department-wise break up of pending cases and age wise analysis is given in *Appendix-3.3* and nature of these cases is given in *Appendix-3.4*. The age-profile of the pending cases and the number of cases pending in each category – theft and misappropriation/loss as emerged from these appendices are summarized in Table 3.3.

Table 3.3: Profile of Misappropriations, losses, defalcations, etc.

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	**Number of Cases**	**Amount Involved (₹ in lakh)**	**Nature/Characteristics of the Cases**	**Number of Cases**	**Amount Involved (₹ in lakh)**
0 – 5	5	12.54	Theft	8	6.65
5 – 10	11	11.97			
10 – 15	13	44.06	Misappropriation/Loss of material	42	70.27
15 – 20	2	2.35			
20 – 25	8	1.93	**Total**	**50**	**76.92**
25 & above	11	4.07	Cases of Losses Written off during the Year	Nil	Nil
Total	**50**	**76.92**	**Total Pending cases**	**50**	**76.92**

A further analysis indicates that the reasons for which the cases were outstanding could be classified in the categories listed in Table-3.4.

Table 3.4: Reasons for Outstanding cases of Misappropriations, losses, defalcations, etc.

Reasons for the Delay/Outstanding Pending Cases		Number of Cases	Amount (₹ in lakh)
i)	Awaiting departmental and criminal investigation	23	49.20
ii)	Departmental action initiated but not finalized	1	2.57
iii)	Awaiting orders for recovery or write off	23	23.62
iv)	Pending in the courts of law	2	1.51
v)	Orders issued but recovery pending	1	0.02
	Total	**50**	**76.92**

An effective mechanism needs to be put in place to ensure speedy settlement of cases relating to misappropriations and losses as also to place systems in order.

3.4 Audit Effectiveness-Erosion of accountability

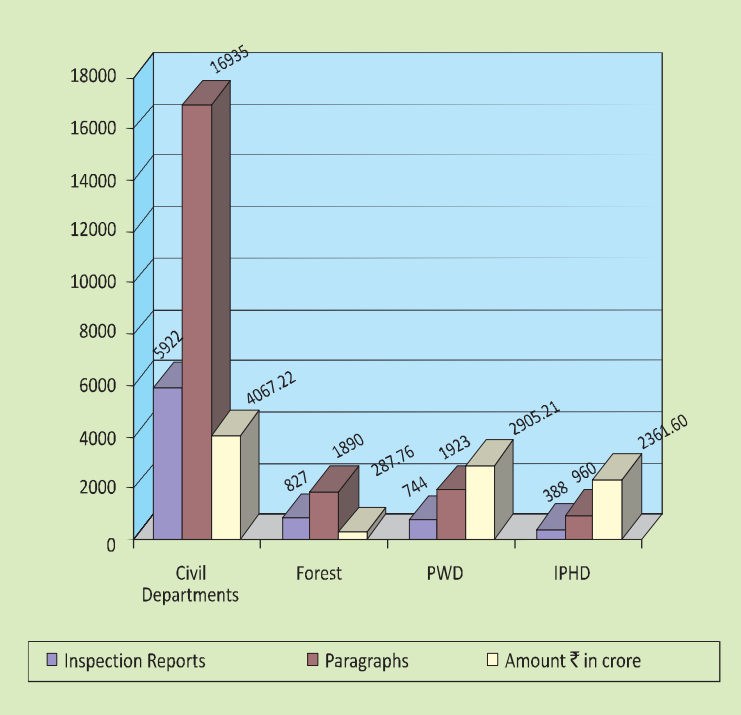
Inadequate response to Audit findings and observations resulted in erosion of accountability

Principal Accountant General (Audit) arranges to conduct periodical inspection of Government Departments to test-check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions within four weeks and report their compliance to the Principal Accountant General. Serious irregularities are also brought to the notice of the heads of Departments by the office of the Principal Accountant General through a half yearly report of pending IRs sent to the State Principal Secretary (Finance).

Based on the result of test audit, 21,708 audit observations amounting to ₹9621.79 crore, contained in 7,881 IRs outstanding as on 31st March 2010[1] are indicated in the chart below:

Chart 3.1



During 2009-10, 43 Adhoc Committee (Audit Committee) meetings were held in which 219 IRs and 1528 paragraphs were settled.

It is recommended that the Government look into the matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/paragraphs as per the prescribed time schedule, (b) action to recover losses/outstanding advances/overpayments is taken in a time bound manner and (c) the system is streamlined to ensure proper response to audit observations.

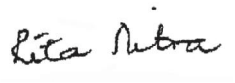
3.5 Conclusion and Recommendations

Utilisation Certificates (60 *per cent*) for an aggregate amount of ₹829.48 crore in 26,057 cases were not furnished to the Accountant General (Accounts & Entitlement) as per provision of financial rules which has increased year after year and needs urgent attention of the Government. Out of 50 outstanding cases of misappropriation, loss, defalcation, etc., involving ₹76.92 lakh

[1] Including IRs and paragraphs issued upto 30 September 2009 and outstanding as on 31 March 2010.

during last more than 25 years, departmental proceedings and criminal investigation were not initiated in 23 cases involving ₹49.20 lakh (64 *per cent*), indicating lack of initiative on the part of the Government to fix acountability. 21,708 number of audit observations amounting to ₹9621.79 crore contained in 7,881 Inspection Reports were outstanding as on 31 March 2010 resulting in erosion of accountability.

Departmental enquiries in fraud and misappropriation cases should be expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent such cases.



(Rita Mitra)
Principal Accountant General (Audit)
Himachal Pradesh

Shimla
The

Countersigned



(Vinod Rai)
Comptroller and Auditor General of India

New Delhi
The

Appendix-1

STATE PROFILE

A General Data

S.No.	Particulars		Figures
1.	Area		55673/sq km
2.	Population		
	a	As per Census (2001)	0.61 crore
	b	2009	0.67✧ crore
3	Density of Population (2001) (All India Density= 325 persons/sq k m)		109 /sq km
4	Population below poverty line (All India average= 27.5%)		10%
5	Literacy (2001) (All India average= 64.8%)		76.50%
6	Gini Coefficient ++++		
	a	Rural (All India= 0.30)	0.3
	b	Urban (All India= 0.37)	0.32
7	Gross State Domestic Product (GSDP) 2009-10		42278 crore
8	GSDP CAGR* (2000-01 to 2009-10)		11.66%

B Financial Data

1	CAGR* (2000-01 to 2009-10)		
	a	of Revenue Receipts	14.55%
	b	of Own Tax Revenue	15.05%
	c	of Non-Tax Revenue	29.26%
	d	of Total Expenditure	11.56%
	e	of Capital Expenditure	15.08%
	f	of Revenue Expenditure on Education	9.98%
	g	of Revenue Expenditure on Health	9.79%
	h	of Salary and wages	10.81%
	i	of Pension	14.74%

✧ Office of the Registrar General of India.

++++ Source: Finance Accounts and Audit Reports,. BPL (Planning Commission and NSSO data, 61st round), Gini Coefficient (unofficial estimates of Planning Commission and NSSO data, 61st round 2004-05 MRP), Density of Population (Office of the Registrar General and census commissioner of India; Ministry of Home Affairs) and Literacy (Office of the Registrar General of India; Ministry of Home Affairs).

* CAGR: Compound Annual Growth Rate.

Appendix-1.1

Part-A

Structure and Form of Government Accounts

Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund : All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund: Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: 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.

Appendix-1.1

Part-B

Layout of Finance Accounts

The new format of Finance Accounts introduced from the year 2009-10, has been divided into two Volumes – Volume I and II. Volume I represents the financial statements of the Government in summarized form while Volume II represents detailed financial statement. The layout of the Finance Accounts is chalked out in the following manner:

	Layout
VOLUME 1	
Statement 1	Statement of Financial Position
Statement 2	Statement of Receipts and Disbursements
Statement 3	Statement of Receipts (Consolidated Fund)
Statement 4	Statement of Expenditure (Consolidated Fund) By Function and Nature Notes to Accounts Appendix I: Cash Flow Statement
VOLUME 2 PART I	
Statement 5	Statement of Progressive Capital expenditure
Statement 6	Statement of Borrowings and other Liabilities
Statement 7	Statement of Loans and Advances given by the Government
Statement 8	Statement of Grants-in-aid given by the Government
Statement 9	Statement of Guarantees given by the Government
Statement 10	Statement of Voted and Charged Expenditure
PART II	
Statement 11	Detailed Statement of Revenue and Capital Receipts by minor heads
Statement 12	Detailed Statement of Revenue Expenditure by minor heads
Statement 13	Detailed Statement of Capital Expenditure by minor heads
Statement 14	Detailed Statement of Investments of the Government
Statement 15	Detailed Statement of Borrowings and other Liabilities
Statement 16	Detailed Statement on Loans and Advances given by the Government
Statement 17	Detailed Statement on Sources and Application of funds for expenditure (other than revenue account to end of 2009-10)
Statement 18	Detailed Statement on Contingency Fund and other Public Account transactions
Statement 19	Detailed Statement on Investments of earmarked funds

Part III: Appendices	
II	Comparative Expenditure on Salary
III	Comparative Expenditure on Subsidy
IV	Grants-in-aid (Scheme wise and Institution wise)
V	Externally Aided Projects
VI	Plan Scheme expenditure (Central and State Plan Schemes)
VII	Direct transfer of funds to implementing agencies
VIII	Summary of Balances
IX	Financial results of Irrigation Schemes
X	Incomplete Works
XIII	Maintenance expenditure with segregation of salary and non-salary portion

Appendix-1.2
(Reference: Paragraph 1.3.1; Page 9)

Part-A: Methodology adopted for the Assessment of Fiscal Position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analyzed wherever necessary over the period 2004-09 and observations have been made on their behaviour. In its Restructuring Plan of State finances, the TFC recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States enact the Fiscal Responsibility Acts and draw their fiscal correction path accordingly for the five-year period (2005-10) so that the fiscal position of State could be improved as committed in their respective FR Acts/Rules covering medium to long term. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Governments in their FR Acts and in other Statements required to be laid in the legislature under the Act, have been used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that GSDP is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and NTR, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP[1] at current market prices. The buoyancy coefficients for tax revenues, NTRs, revenue expenditure etc., with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilization of resources, pattern of expenditure etc., are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP. The New GSDP series with 1999-2000 as base as published by the Director of Economics and Statistics of the State Government in Economic Survey 2008-09 have been used in estimating these percentages and buoyancy ratios.

Trends in Gross State Domestic Product (GSDP)

The trends in GSDP for the last five years are indicated below:

	2005-06	2006-07	2007-08	2008-09	2009-10
Gross State Domestic Product (Rs in crore)	25685	28591	32221(P)	36924(Q)	42278(Ad)
Growth rate of GSDP	11.35	11.33	12.75	14.6	14.5

Source: Department of Economics and Statistics, Government of Himachal Pradesh.

The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given below:

Terms	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	[(Current year Amount /Previous year Amount)-1]* 100

[1] GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production.

Development Expenditure	Social Services + Economic Services
Average interest paid by the State	Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)2]*100
Interest spread	GSDP growth – Average Interest Rate
Quantum spread	Debt stock *Interest spread
Interest received as *per cent* to Loans Outstanding	Interest Received [(Opening balance + Closing balance of Loans and Advances)2]*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts **minus** all Plan grants and Non-plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of Avoidance of debt

Part-B: Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005

The Government of Himachal Pradesh enacted the Fiscal Responsibility and Budget Management (HPFRBM) Act, 2005 in April 2005 to ensure prudence in fiscal management and fiscal stability, by progressive reduction in revenue deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework. To give effect to the fiscal management principles as laid down in the Act and the rules framed thereunder, the Act prescribed the following fiscal targets for the State Government:

- reduce revenue deficit as a percentage of total revenue receipts by at least two percentage points each financial year, compared to previous year, to eliminate revenue deficit by 31st March 2009;
- progressively reduce fiscal deficit to bring it to three *per cent* of Gross State Domestic Product (GSDP) by 31st March 2009; and
- progressively reduce its outstanding guarantees on long term debt, until it can cap outstanding risk weighted guarantees at 80 *per cent* of the total revenue receipts in the preceding financial year.

Part-C: Outcome indicators of the State's Own Fiscal Correction Path

(₹ in crore)

	Base year estimates 2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
A. STATE REVENUE ACCOUNT :							
1. Own Tax Revenue	984.32	1251.89	1416.76	1505.62	1637.56	1782.78	1942.75
2. Own Non-Tax Revenue	275.00	600.00	623.10	683.44	712.61	732.49	828.12
3. Own Tax +Non-Tax Revenue (1+2)	**1259.32**	**1851.89**	**2039.86**	**2189.06**	**2350.17**	**2515.27**	**2770.87**
4. Share in Central Taxes and Duties	449.55	537.32	496.00	496.00	496.00	496.00	496.00
5. Plan-Grants	1320.64	1215.16	1264.80	1393.20	1530.62	1681.78	1848.06
6. Non-Plan Grants	765.31	816.12	2270.69	2318.15	2334.26	2207.35	2036.74
6.a. Centrally Sponsored Schemes	186.10	214.02	261.94	124.82	124.82	124.82	124.82
7. Total Central Transfer (4 to 6a)	**2721.60**	**2782.62**	**4293.43**	**4332.17**	**4485.70**	**4509.95**	**4505.62**
8. Total Revenue Receipts (3+7)	**3980.92**	**4634.51**	**6333.29**	**6521.23**	**6835.87**	**7025.22**	**7276.49**
9. Plan Expenditure	718.68	818.32	935.53	1011.26	1112.39	1223.62	1345.99
10. Non-Plan Expenditure	4744.85	4807.05	5339.24	5615.52	5787.67	6088.38	6436.59
11. Salary Expenditure	2073.50	2177.18	2272.64	2294.45	2455.06	2626.92	2810.80
12. Pension	532.78	626.00	727.93	698.25	754.11	814.44	879.59
13. Interest Payments	1472.78	1641.00	1670.13	1754.56	1736.18	1837.76	1977.98
14. Subsidies-General	91.06	91.06	53.53	79.20	82.37	85.66	89.09
15. Subsidies-Power	81.00	81.00	91.00	86.45	89.91	93.50	97.24
15.a.Centrally Sponsored Schemes	124.55	167.56	151.97	148.54	148.54	148.54	148.54
16. Total Revenue Expenditure (9+10 +15a))	**5588.08**	**5792.93**	**6426.74**	**6775.32**	**7048.60**	**7460.54**	**7931.12**
17. Salary+Interest+ Pensions (11+12+13)	4079.06	4444.18	4670.70	4747.26	4945.35	5279.11	5668.37
18. as % of Revenue Receipt (17/8)	1.02	0.96	0.74	0.73	0.72	0.75	0.78
19. Revenue surplus/deficit (8-16)	**-1607.16**	**-1158.42**	**-93.45**	**-254.09**	**-212.73**	**-435.32**	**-654.63**
B. CONSOLIDATED REVENUE ACCOUNT:							
1. Power Sector loss/profit net of actual subsidy transfer	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Increase in debtors during the year in power utility account (increase (-))	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Interest payment on Off Budget Borrowings and SPV borrowings made by PSUs/SPUs outside budget	----	----	----	----	-----	----	----
4. Total (1 to 3)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Consolidated Revenue Deficit (A.19+B4)	**-1607.16**	**-1158.42**	**-93.45**	**-254.09**	**-212.73**	**-435.32**	**-654.63**

C. CONSOLIDATED DEBT:							
1. Outstanding Debt and liability	14437.32	16532.89	17504.74	18493.00	19527.86	20867.48	22516.89
2. Total Outstanding Guarantee of which (a) guarantee on account of off budget borrowing and (b) SPV borrowings	4682.43	4751.05	4751.05	4751.05	4751.05	4751.05	4751.05
D. CAPITAL ACCOUNT:							
1. Capital Outlay	784.84	653.99	716.17	756.06	831.67	914.83	1006.32
2. Centrally Sponsored Schemes	60.98	46.46	119.37	3.95	3.95	3.95	3.95
3. Disbursement of Loans and Advances	19.91	23.78	37.79	11.52	11.52	11.52	11.52
4. Recovery of Loans and Advances	28.29	25.79	28.53	23.67	25.00	26.00	27.00
5. Other capital receipts						-	
E. GROSS FISCAL DEFICIT (GFD) :	-2444.60	-1856.86	-938.25	-1001.95	-1034.87	- 1339.62	-1649.42
GSDP (Rs in crores) at Current Prices	18062.00	20234.06	22824.02	25745.49	29040.92	32758.15	36951.20
F. FISCAL DEFICIT :							
Actual/Assumed Nominal Growth Rate (*per cent*)	----	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%
Fiscal Deficit/GSDP (*per cent*) as per the para 19 of the guidelines	----	9.18%	4.11%	3.89%	3.56%	4.09%	4.46%

Appendix-1.3

(Reference: Paragraph 1.3 and 1.7.2; Pages 7 and 21)

Time Series Data on the State Government Finances

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Part-A: Receipts					
1. Revenue Receipts	**6,559**	**7,835**	**9,142**	**9,308**	**10346**
(i) Tax Revenue	***1,497 (23)***	***1,656 (21)***	***1,958 (21)***	***2,242 (24)***	***2574(25)***
Taxes on Agricultural Income	--	--	--	--	
Taxes on Sales, Trade, etc.	727 (49)	914 (55)	1,092 (56)	1,246 (56)	1487***(58)***
State Excise	329 (22)	342 (21)	389 (20)	432 (19)	500***(19)***
Taxes on Vehicles	102 (7)	106 (6)	114 (6)	136 (6)	134***(5)***
Stamps and Registration fees	82 (5)	93 (6)	87 (4)	98 (4)	113***(4)***
Taxes and Duties on electricity	89 (6)	30 (2)	82 (4)	79 (4)	39***(2)***
Land Revenue	1 (--)	2 (--)	2 (--)	20 (1)	15***(1)***
Taxes on Goods and Passengers	43 (3)	50 (3)	55 (3)	62 (3)	89***(3)***
Other Taxes	124 (8)	119 (7)	137 (7)	169 (7)	197***(8)***
(ii) Non Tax Revenue	***690 (11)***	***1,337 (17)***	***1,823 (20)***	***1,756(19)***	***1784(17)***
(iii) State's share of Union taxes and duties	***493 (7)***	***629 (8)***	***794 (9)***	***838 (9)***	***862 (8)***
(iv) Grants in aid from Government of India	***3,879 (59)***	***4,213 (54)***	***4,567(50)***	***4,472(48)***	***5126(50)***
2. Miscellaneous Capital Receipts	**--**	**--**	**--**	**----**	**--**
3. Recoveries of Loans and Advances	**22**	**23**	**26**	**21**	**34**
4. Total Revenue and Non debt capital receipts (1+2+3)	**6581**	**7858**	**9168**	**9,329**	**10380**
5. Public Debt Receipts	**1,781**	**2,080**	**1,849**	**2,249**	**2553[$]**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,753 (98)	2,042 (98)	1,798 (97)	***2,237 (99)***	***2484[$](97)***
Net transactions under Ways and Means Advances and Overdrafts	--	--	--	--	--
Loans and Advances from Government of India	28 (2)	38 (2)	51 (3)	***12 (1)***	***69(3)***
6. Total Receipts in the Consolidated Fund (4+5)	**8,362**	**9,938**	**11,017**	**11,578**	**12933[$]**
7. Contingency Fund Receipts	**--**	**--**	**--**	**--**	**--**
8. Public Account Receipts	**4,933**	**5,265**	**6,223**	**6,760**	**6821**
9. Total Receipts of the State (6+7+8)	**13,295**	**15,203**	**17,240**	**18,338**	**19754**

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**6,466**	**7,644**	**8,292**	**9,438**	**11151[$]**
Plan	1,182 (18)	1,325 (17)	1,202 (14)	877 (9)	1238***(11)***
Non Plan	5,284 (82)	6,319 (83)	7,090 (86)	8,561 (91)	9913[$]***(89)***
General Services (including interest payments)	2,818 (43)	3,300 (43)	3,429 (41)	3,918 (42)	4377***(39)***
Social Services	2,309 (36)	2,586 (34)	2,876 (35)	3,332 (35)	3902***(35)***
Economic Services	1,333 (21)	1,755 (23)	1,984 (24)	2,184 (23)	2868[$]***(26)***
Grants-in-aid and contributions	6 (--)	3 (--)	3 (--)	4 (--)	4 (--)
11. Capital Expenditure	**821**	**1,110**	**1414**	**2079**	**1943**
Plan	820 (100)	1,043 (94)	1,313 (93)	1,992 (96)	1895***(98)***
Non Plan	1 (-)	67 (6)	101 (7)	87 (4)	48***(2)***
General Services	52 (6)	61 (5)	59 (4)	64 (3)	63***(3)***
Social Services	369 (45)	575 (52)	586 (42)	833 (40)	610***(31)***
Economic Services	400 (49)	474 (43)	769 (54)	1,182 (57)	1270***(65)***
12. Disbursement of Loans and Advances	**14**	**26**	**14**	**90**	**70**
13. Total (10+11+12)	**7,301**	**8,780**	**9,720**	**11,607**	**13164**
14. Repayments of Public Debt	**1,308**	**1,311**	**937**	**885**	**867**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1219 (93)	1,182 (90)	839	829	811
Net transactions under Ways and Means Advances and Overdraft	23 (2)	--	42	--	--
Loans and Advances from Government of India	66 (5)	129 (10)	56	56	56
15. Appropriation to Contingency Fund	**--**	**--**	**--**	**--**	**--**
16. Total disbursement out of Consolidated Fund (13+14+15)	**8,609**	**10,091**	**10,657**	**12,492**	**14031**
17. Contingency Fund disbursements	**--**	**--**	**--**	**--**	**--**
18. Public Account disbursements	**4,387**	**5,370**	**5,737**	**5,690**	**6421**
19. Total disbursement by the State (16+17+18)	**12,996**	**15,461**	**16,394**	**18,182**	**20452**
Part C. Deficits					
20. Revenue Deficit(-)/ Revenue Surplus (+) (1-10)	**(+) 93**	**(+) 191**	**(+) 850**	**(-) 130**	**(-) 805[$]**
21. Fiscal Deficit (-)/Fiscal Surplus (+) (4-13)	**(-) 720**	**(-) 922**	**(-) 552**	**(-) 2,278**	**(-) 2784**
22. Primary Deficit (-)/Surplus (+) (21+23)	**(+) 843**	**(+) 747**	**(+) 1,151**	**(-) 384**	**(-) 828**

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

	2005-2006	2006-2007	2007-2008	2008-09	2009-10
Part D: Other data					
23. Interest Payments (included in revenue expenditure)	**1,563**	**1,669**	**1,703**	**1,894**	**1956**
24. Financial Assistance to local bodies etc.,	**380**	**399**	**467**	**582**	**718**
25. Ways and Means Advances/Overdraft availed (days)	**13**	**01**	**--**	**--**	**--**
Ways and Means Advances availed (days)	13	01	--	--	--
Overdraft availed (days)	--	--	--	--	--
26. Interest on Ways and Means Advances/ Overdraft	**0.32**	**0.89**	**--**	**--**	**--**
27 Gross State Domestic Product (GSDP)@	**25,685 (11.35)**	**28,591(11.31)**	**32,221(12.70)**	**36,924 (14.60)**	**42,278 (14.50)**
28 Outstanding Fiscal liabilities (year end)	**17,432**	**18,071**	**19,419**	**21,819**	**23713**
29. Outstanding guarantees (year end) (including interest)	**3,587**	**2,976**	**2,632**	**2,291**	**1949**
30. Maximum amount guaranteed (year end)	**5,526**	**6,347**	**6,450**	**6,076**	**4361**
31. Number of incomplete projects	**15**	**30**	**20**	**17**	**29**
32. Capital blocked in incomplete projects	**25**	**160**	**121**	**96**	**108**
Part E: Fiscal Health Indicators					
I Resource Mobilization					
Own Tax revenue/GSDP	0.06	0.06	0.06	0.06	0.06
Own Non-Tax Revenue/GSDP	0.03	0.05	0.06	0.05	0.04
Central Transfers/GSDP	0.02	0.02	0.03	0.02	0.02
II Expenditure Management					
Total Expenditure/GSDP	0.28	0.31	0.30	0.31	0.31
Total Expenditure/Revenue Receipts	1.11	1.12	1.06	1.25	1.27
Revenue Expenditure/Total Expenditure	0.89	0.87	0.85	0.81	0.85
Expenditure on Social Services/Total Expenditure	0.37	0.36	0.36	0.36	0.34
Expenditure on Economic Services/Total Expenditure	0.24	0.25	0.28	0.29	0.31
Capital Expenditure/Total Expenditure	0.11	0.13	0.15	0.18	0.15
Capital Expenditure on Social and Economic Services/Total Expenditure.	0.11	0.12	0.14	0.17	0.14

	2005-2006	2006-2007	2007-2008	2008-09	2009-10
III Management of Fiscal Imbalances (In *per cent*)					
Revenue deficit (surplus)/GSDP	0.36	0.67	2.64	(-) 0.35	(-) 1.90
Fiscal deficit/GSDP	(-) 2.80	(-) 3.22	(-) 1.71	(-) 6.17	(-) 6.58
Primary Deficit (surplus) /GSDP	3.28	2.61	3.57	(-) 1.04	(-) 1.96
Revenue Deficit/Fiscal Deficit	NA	NA	NA	(-) 5.71	(-) 28.92
Primary Revenue Balance/GSDP (ratio)	--	--	0.284	0.247	0.241
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	0.68	0.63	0.60	0.59	0.56
Fiscal Liabilities/RR	2.66	2.31	2.12	2.34	2.29
Primary deficit vis-à-vis quantum spread	4.153	2.223	1.741	(-) 0.364	(-) 0.591
Debt Redemption (Principal +Interest)/ Total Debt Receipts	1.18	1.27	1.02	0.92	0.94
V Other Fiscal Health Indicators					
Return on Investment	28.61	1.80	0.52	89.58	73.49
Balance from Current Revenue (Rs in crore)	(-) 191	(-) 281	(+) 113	(-) 1,423	(-) 2,642
Financial Assets/Liabilities	0.54	0.57	0.60	0.68	0.67
Revenue Expenditure: Basic Parameters					
Revenue Expenditure (RE) (₹ in crore)	6,466	7,644	8,292	9,438	11,151[$]
Rate of Growth (*per cent*) RE	11.62	18.22	8.48	13.82	18.15
Non-Plan Revenue Expenditure (NPRE) (₹ in crore)	5,284	6,319	7,090	8,561	9,913[$]
Rate of Growth (*per cent*) NPRE	9.74	19.59	12.20	20.75	15.79
Plan Revenue Expenditure (₹ in crore)	1,182	1,325	1,202	877	1,238
Rate of Growth (*per cent*) PRE	20.86	12.10	(-) 9.28	(-) 27.04	41.16
NPRE/GSDP (*per cent*)	20.57	22.10	22.00	23.18	23.45
RE/TE[2] (*per cent*)	88.73	87.32	85.43	81.95	85.16
NPRE as *per cent* of TE	72.37	71.97	72.94	73.76	75.30
NPRE as *per cent* of RR	80.56	80.65	77.55	91.97	95.81
Percentage of NPRE to RE	81.72	82.67	85.50	90.70	88.90
PRE to RE	18.28	17.33	14.50	9.30	11.10
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.02	1.61	0.67	0.95	1.25
RRs (ratio)	0.28	0.94	0.51	7.59	1.63
NPRE (ratio)	1.19	0.93	0.70	0.67	1.15
PRE (ratio)	0.56	1.51	(-) 0.91	(-) 0.51	0.44

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[2] Total expenditure excludes loan and advances.

Figures in brackets represent percentages (rounded) to total of each sub-heading.

@ GSDP figures communicated by the Government adopted.

Appendix-1.4

(Reference: paragraph 1.1 and 1.7.1; pages 1 and 21)

Part A: Abstract of Receipts and Disbursements for the year 2009-10

Receipts				(₹ in crore)	Disbursements					(₹ in crore)
2008-09			2009-10		2008-09				2009-10	
							Non-Plan	Plan	Total	
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
Section – A Revenue										
	9,307.99	I-Revenue Receipts		10346.36	9,438.13	I-Revenue Expenditure				11151.00[$]
2242.49		(i) Tax revenue	2574.52			**General Services**	**4335.21**	**41.57**	**4376.78**	**4376.78**
1756.24		(ii) Non-tax revenue	1783.66			**Social Services**	**3306.99**	**594.72**	**3901.71**	**3901.71**
837.49		(iii) State's share of Union Taxes and Duties	861.63			Education, Sports, Art and Culture	1899.85	172.04	2071.89	
2310.43		(iv) Non-Plan Grants	2052.08			Health and Family Welfare	562.07	47.61	609.68	
1700.38		(v) Grants for State Plan Schemes	2730.95			Water Supply, Sanitation, Housing and Urban Development	557.67	75.62	633.29	
460.96		(vi) Grants for Central Plan and Centrally Sponsored Plan Schemes	343.52			Information and Broadcasting	17.89	0.13	18.02	
						Welfare of Scheduled Castes, Scheduled Tribes and Other backward Classes	8.18	46.57	54.75	
						Labour and Labour Welfare	28.83	5.81	34.64	
						Social Welfare and Nutrition	225.47	241.11	466.58	
						Others	7.03	5.83	12.86	
						Economic Services	**2266.96**	**601.26**	**2868.22**	**2868.22**
						Agriculture and Allied Activities	861.61	316.08	1177.69[#]	
						Rural Development	160.59	117.36	277.95	
						Special Area Programme	--	--	--	
						Irrigation and Flood Control	213.54	5.61	219.15	
						Energy	187.38	1.40	188.78[*]	
						Industry and Minerals	25.37	21.59	46.96	
						Transport	783.37	133.49	916.86	
						Science, Technology and Environment	2.14	0.21	2.35	
						General Economic Services	32.96	5.52	38.48	
						Grants-in-aid and Contributions	**4.29**	**--**	**4.29**	**4.29**
		Total				**Total**	**9913.45**	**1237.55**	**11151.00**	**11151.00[$]**
130.14		**II-Revenue Deficit carried over to Section-B**		**804.64[$]**		**II-Revenue surplus carried over to Section-B**				
9,438.13		**Total**		**11151.00**	**9438.13**	**Total**				**11151.00[$]**

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

[#] Includes an amount of ₹259.55 crore now correctly classified to Major Head 6003-Internal Debt of the State Government to rectify the misclassification of loans raised through Himachal Pradesh Forest Corporation during the period January 1997 to February 2002.

[*] Includes an amount of ₹21.07 crore now correctly classified to Major Head 6003- Internal Debt of the State Government to rectify the misclassification of loans of previous years.

2008-09				2009-10	2008-09				2009-10	
							Non-Plan	Plan	Total	
1.	2.	3.	4.	5.	6.	7.	8	9.	10.	11.
Section-B-Capital										
822.99		III-Opening cash balance including Permanent Advances and Cash Balance Investment		979.24		III- Opening overdraft from Reserve Bank of India	--	--	--	--
		IV- Misc. Capital Receipts			2079.07	IV- Capital Outlay				
						General Services	**0.05**	**63.51**	**63.56**	**63.56**
						Social Services	**--**	**609.54**	**609.54**	**609.54**
						Education, Sports, Art and Culture	--	214.69	214.69	
						Health and Family Welfare	---	69.48	69.48	
						Water Supply, Sanitation, Housing and Urban Development		308.90	308.90	
						Information and Broadcasting	--	0.10	0.10	
						Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	--	9.08	9.08	
						Social Welfare and Nutrition	--	7.19	7.19	
						Others	--	0.10	0.10	
						Economics Services	**48.60**	**1221.74**	**1270.34**	**1270.34**
						Agriculture and Allied Activities	4.76	74.97	79.73	
						Rural Development	--	0.10	0.10	
						Special Areas Programmes	--	--	-	
						Irrigation and Flood Control	--	287.77	287.77	
						Energy	--	210.61	210.61	
						Industry and Minerals	--	15.68	15.68	
						Transport	43.84	545.14	588.98	
						General Economic Services	--	87.47	87.47	
						Total	**48.65**	**1894.79**	**1943.44**	**1943.44**
	20.98	**V-Recoveries of Loans and Advances**		**33.84**	**89.61**	**V- Loans and Advances disbursed**	**2.56**	**67.11**	**69.67**	**69.67**
0.76		From Power Projects	15.16			For Power Projects	-	62.34	62.34	
14.97		From Government Servants	13.77			To Government Servants	1.59	4.37	5.96	
5.25		From Others	4.91			To others	0.97	0.40	1.37	
	--	**VI-Revenue surplus brought down**			**130.14**	**VI-Revenue deficit brought down**			**--**	**804.64[$]**

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

2008-09				2009-10	2008-09				2009-10	
							Non-Plan	Plan	Total	
1.	2.	3.	4.	5.	6.	7.	8	9.	10.	11.
	2,248.74	**VII-Public Debt Receipts**		2552.51[$]	1885.54	**VII-Repayment of Public Debt**				866.81
2236.75		Internal Debt other than Ways and Means Advances and Overdraft	2483.49[$]			Internal debt other than Ways and Means Advances and Overdraft		810.77		
		Net transactions under Ways and Means Advances including Overdraft	--			Net transactions under Ways and Means Advances and Overdraft		--		
11.99		Loans and Advances from the Central Government	69.02			Repayment of Loans and Advances to Central Government		56.04		
--		**VIII-Appropriation to Contingent Fund**			--	**VIII-Appropriation to Contingent Fund**				-----
--		**IX- Amount transferred to Contingent Fund**			--	**IX-Expenditure from Contingent Fund**				-----
	6,760.47	**X- Public Account Receipts**		6821.13	5,689.58	**X- Public Account disbursements**				6421.00
1571.83		Small Savings and Provident Funds	1659.48			Small Savings and Provident Funds		1113.80		
464.13		Reserve Funds	294.82			Reserve Funds		897.17		
1111.32		Deposits and Advances	1223.55			Deposits and Advances		958.49		
257.28		Suspense and Miscellaneous	346.68			Suspense and Miscellaneous		230.01		
3355.91		Remittances	3296.60			Remittances		3221.53		
--		**XI- Closing overdraft from Reserve Bank of India**			979.24	**XI-Cash Balance at end**				281.16
						Cash in Treasuries and Local Remittances		3.46		
						Departmental Cash Balance including Permanent Advances		0.19		
						Deposits with Reserve Bank		(-) 305.09		
						Cash Balance investment		582.60		
9,853.18		**Total**		10386.72	9,853.18	**Total**				10386.72

[$] Includes an amount of ₹280.62 crore by way of book adjustment (₹259.55 crore + ₹21.07 crore) for rectification of the misclassification of previous years.

Appendix-1.4 (Continued)

(Reference: Paragraphs 1.1 and 1.7.1; Pages 1 and 21)

(₹ in crore)

Part B Summarised financial position of the Government of Himachal Pradesh as on 31 March, 2010			
As on 31.03.2009	Assets		As on 31.03.2010
13,714.41	**Gross Capital Outlay on Fixed Assets -**		**15657.85**
2,369.24	Investments in shares of Companies, Corporations, etc.	2662.52	
11,345.17	Other Capital Outlay	12995.33	
293.49	**Loans and Advances -**		**329.31**
153.28	Loans for Power Projects	200.47	
79.37	Other Development Loans	76.84	
60.84	Loans to Government servants and Miscellaneous loans	52.00	
--	**Reserve Fund Investments**		-
979.23	**Cash -**		**281.16**
3.74	Cash in Treasuries and Local Remittances	3.46	
(-) 153.88	Deposits with Reserve Bank of India	(-) 305.09	
0.16	Departmental Cash Balance	0.16	
0.03	Permanent Advances	0.03	
1,129.18	Cash Balance Investments	582.60	
7295.01*	**Cumulative excess of expenditure over receipts -**		**8099.67**
22282.14			**24367.99**

* The Cumulative excess of expenditure over receipts is different from, and not the fiscal/revenue deficit for the current year.

As on 31.03.2009	Liabilities		As on 31.03.2010
14,456.26	**Internal Debt -**		**16129.00**
7,657.85	Market Loans bearing interest	8834.90	
0.17	Market Loans not bearing interest	0.14	
428.50	Loans from Life and General Insurance Corporation of India	379.86	
764.18	Loans from the NABARD	964.32	
19.29	Loans from National Co-operative Development Corporation	13.16	
3,889.21	Special securities issued to NSSF of the Central Government	4285.64	
(-) 21.07	Compensation and other bonds	--	
1,718.13	Loans from other Institutions	1650.98	
970.97	**Loans and Advances from Central Government -**		**983.95**
13.72	Non-Plan Loans	14.18	
914.26	Loans for State Plan Schemes	930.89	
0.16	Loans for Central Plan Schemes	0.14	
42.70	Loans for Centrally Sponsored Plan Schemes	38.61	
0.13	Pre 1984-85 Loans	0.13	
5.00	**Contingency Fund**	--	**5.00**
4,668.44	**Small Savings, Provident Funds, etc.**		**5214.11**
982.12	**Deposits and Advances**		**1247.18**
740.65	**Reserve Funds**		**138.30**
54.05	**Suspense and Miscellaneous Balances***		**170.73**
404.65	**Remittance Balances**		**479.72**
22282.14			**24367.99**

* This does not include figures relating to Cash Balance Investment Accounts.

Appendix-1.5
(Reference: Paragraph 1.2.2; Page 6)

Statement showing the funds transferred to the State Implementing Agencies under Programme / Schemes outside the state budget during 2009-10

Govt. of India Scheme	Implementing Agency	Government of India release	
		(₹ in lakh)	
		2009-10	2008-09
National Rural Employment Guarantee Act	Project Director, DRDAs	3,95,42.50	4,11,14.83
	Scheme Total:	**3,95,42.50**	**4,11,14.83**
Sarva Shiksha Abhiyan	H.P. Primary Education Society	86,08.00	85,53.00
	Scheme Total:	**86,08.00**	**85,53.00**
National Institute of Technology NIT DHE	NIIT Hamirpur	57,93.00	25,55.00
	Scheme Total:	**57,93.00**	**25,55.00**
Pradhanmantri Gram Sadak Yojna	RIDF	53,95.50	33,57.50
	Scheme Total:	**53,95.50**	**33,57.50**
Integrated Watershed Management Programme (IWMP)	DRDA Project Directors	35,60.62	38,51.50
	Scheme Total:	**35,60.62**	**38,51.50**
Package for Special Category State	H.P. State Industrial Development Corporation	19,00.00	25,00.00
	Scheme Total:	**19,00.00**	**25,00.00**
Development for Tourist Destinations	H.P. Tourism	18,86.00	26,26.12
	Scheme Total:	**18,86.00**	**26,26.12**
Product/ Infrastructure	Government of H.P.	18,86.00	26,26.12
	Scheme Total:	18,86.00	26,26.12
Rural Housing IAY	Project Director DRDAs	18,63.81	21,91.86
	Scheme Total:	**18,63.81**	**21,91.86**
MPs Local Area Development	Deputy Commissioners	12,00.00	14,00.00
	Scheme Total:	**12,00.00**	**14,00.00**
Hospitals and Dispensaries (Under NRHM)	Society for the Development of Ayush Institutions in H.P.	11,18.87	21,72.50
	Scheme Total:	**11,18.87**	**21,72.50**
Central Rural Sanitation Scheme	State Water and Sanitation Mission	7,08.40	3,43.00

Central Rural Sanitation Scheme	DWSM Deputy Commissioner-cum-Chief Executive Officer Shimla	--	7,96.17
Central Rural Sanitation Scheme	DRDA Project Directors	4,08.40	--
	Scheme Total:	**11,16.80**	**11,39.17**
Swaran Jayanti Gram Swarojgar Yojna	Project Director DRDAs	9,92.78	13,67.22
	Scheme Total:	**9,92.78**	**13,67.22**
DRDA Administration	Project Director DRDAs	8,17.74	5,71.51
	Scheme Total:	**8,17.74**	**5,71.51**
E-Governance	SITEG	7,84.00	14,00.00
	Scheme Total:	**7,84.00**	**14,00.00**
National Aids Control Programme Including STD Control	HP State Aids Control Society	7,51.89	6,53.13
	Scheme Total:	**7,51.89**	**653.13**
Support to State for Extension Reforms	State Agricultural Management & Extension Training Institute H.P.	5,14.83	1,12.00
	Scheme Total:	5,14.83	1,12.00
Rashtriya Gram Swaraj Yojna	Principal Panchayati Raj Training Institute Shimla	4,89.26	6,79.40
	Scheme Total:	4,89.26	6,79.40
National Afforestation Programme	Forest Development Agency	3,59.04	7,83.00
	Scheme Total:	**3,59.04**	**7,83.00**
Panchayat Yuva Krida and Khel Abhiyan (PYKKA)	H.P. Sports Council	3,27.60	1,63.80
	Scheme Total:	3,27.60	1,63.80
Studies in Agricultural Economic Policy and Development	H.P. University Shimla	2,68.09	1,95.00
	Scheme Total:	**2,68.09**	**1,95.00**
Development of Marketing Board	HPSA Marketing Board Shimla	2,19.98	2,16.77
	Scheme Total:	**2,19.98**	**2,16.77**

Health Insurance for Unorganised Sector Workers (Rashtriya Swasthya Bima Yojna)	National Rural Health Mission	--	1,75.31
Health Insurance for Unorganised Sector Workers (Rashtriya Swasthya Bima Yojna)	State Health & Family Welfare Society	1,02.65	--
Health Insurance for Unorganised Sector Workers (Rashtriya Swasthya Bima Yojna)	Himachal Pradesh Swasthaya Yojna	61.59	--
	Scheme Total	**1,64.24**	**1,75.31**
Accelerated Rural Water Supply Scheme	State Water Sanitation Mission	1,27,81.60	2,13.00
Accelerated Rural Water Supply Scheme	DWSM Deputy Commissioner-cum-Chief Executive Officer	--	1,30.35
	Scheme Total	**1,27,81.60**	**3,43.35**
Research and Designing in New and Renewable Energy Technologies	CEO Himurja	--	1,95.15
Research and Designing in New and Renewable Energy Technologies	CSK HP Krishi Vishawavidhalaya	5.87	4.00
	Scheme Total	**5.87**	**1,99.15**
	Grand Total	**92348.02**	**80947.24**

Appendix-2.1

(Reference: Paragraph 2.3.1; Page 30)

Statement of various grants/appropriations 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/Appropriation	Total Grant/ Appropriation	Savings	Percentage
1.	03	Administration of Justice (Revenue-Voted)	59.92	2.84	---
2.	09	Health and Family Welfare (Revenue-Voted)	563.67	14.22	---
3.	12	Horticulture (Revenue-Voted)	101.13	1.65	---
4.	15	Planning and Backward Area Sub-Plan (Revenue-Voted)	46.47	9.99	21
5.	18	Industries, Minerals, Supplies and Information Technology (Revenue-Voted)	46.87	4.46	---
6.	20	Rural Development (Revenue-Voted)	242.62	2.06	---
7.	25	Road and Water Transport (Revenue-Voted)	79.92	19.29	24
8.	30	Miscellaneous General Services (Revenue-Voted)	39.81	1.21	---
9.	31	Tribal Development (Revenue-Voted)	441.87	2.19	---
10.	32	Scheduled Caste Sub-Plan (Revenue-Voted)	299.23	11.60	---
11.	29	Finance (Revenue-Charged)	2,048.59	92.74	--
12.	08	Education (Capital-Voted)	140.00	37.56	27
13.	9	Health and Family Welfare (Capital-Voted)	55.85	1.25	---
14.	12	Horticulture (Capital-Voted)	20.29	2.00	---
15.	15	Planning and Backward Area Sub-Plan (Capital-Voted)	167.48	13.85	---
16.	23	Power Development (Capital-Voted)	242.00	77.54	32
17.	28	Urban Development, Town and Country Planning and Housing (Capital-Voted)	53.13	28.50	54
18.	29	Finance (Capital-Voted)	8.96	4.19	47
19.	29	Finance (Capital-Charged)	980.73	113.92	---

Appendix-2.2
(Reference: Paragraph 2.3.2; Page 30)

Statement of various grants/appropriations where expenditure 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/ Appropriation	Total Grant/ Appropriation	Expenditure	Percentage of Excess Expenditure
		Revenue-Voted			
1.	05	Land Revenue and District Administration	292.91	327.44	---
2.	07	Police and Allied Organisations	387.79	400.23	---
3.	08	Education	1,903.32	1,906.37	---
4.	10	Public Works-Roads, Bridges and Buildings	1,360.79	1,576.15	---
5.	13	Irrigation, Water Supply and Sanitation	985.61	1,222.16	24
6.	14	Animal Husbandry, Dairy Development and Fisheries	131.32	137.02	---
7.	16	Forest and Wild Life	300.18	553.32	84
8.	19	Social Justice and Empowerment	275.42	281.54	---
9.	23	Power Development	172.21	187.19	---
10.	28	Urban Development, Town and Country Planning and Housing	101.58	115.67	---
11.	29	Finance	1,328.81	1,377.68	---
		Capital-Voted			
12.	13	Irrigation, Water Supply and Sanitation	420.78	440.26	---
13.	25	Road and Water Transport	45.32	63.32	40
14.	32	Scheduled Caste Sub-Plan	382.12	384.04	---
		Total	**8,088.16**	**8,972.39**	

Appendix-2.3
(Reference: Paragraph 2.3.5; Page 34)

Excess over provision of previous years requiring regularisation

(₹ in crore)

Year	Number of grants/ appropriations	Grant/ appropriation numbers	Amount of excess	Stage of consideration by Public Accounts Committee (PAC)
2007-08	18 Grants 3 Appropriations	1,4,5,6,7,8,9,10,12,13,14,15,16, 18, 22,25,27 and 31 2,3 and 31	544.94	Audit comments sent to the Finance Department/H.P. Vidhan Sabha. Not yet discussed by the PAC.
2008-09	11 Grants 3 Appropriations	7,10,12,13,14,16,20,28,30,31 and 32 2,3 and 29	556.52	It was due for discussion from 13.07.2010. *Suo moto* replies from the Finance Department are still awaited.
		Total	**1,101.46**	

Appendix-2.4
(Reference: Paragraph 2.3.7; Page 35)

Cases where supplementary provision (₹ 10 lakh or more in each case) proved unnecessary

(In thousands of ₹)

Sr. No.	Number and Name of the Grant	Original Provision	Actual expenditure	Savings out of Original provision	Supplementary provision
	Revenue (Voted)				
1.	03-Administration of Justice	58,71,01	57,08,37	1,62,64	1,21,48
2.	20-Rural Development	2,41,56,51	2,40,55,64	1,00,87	1,05,41
3.	25-Road and Water Transport	70,22,21	60,62,97	9,59,24	9,69,93
	Capital (Voted)				
4.	15-Planning and Backward Area Sub-Plan	1,66,52,00	1,53,62,84	12,89,16	95,62
5.	28-Urban Development, Town and Country Planning and Housing	52,50,00	24,62,77	27,87,23	63,00
Total		**5,89,51,73**	**5,36,52,59**	**52,99,14**	**13,55,44 or 13.55 crore**

Appendix-2.5
(Reference: Paragraph 2.3.7; Page 35)

Statement of various grants/appropriation where supplementary provision proved insufficient by more than ₹one crore each

(₹ in crore)

Sr. No.	Grant Number	Name of the Grants and Appropriation	Original Provision	Supplementary provision	Total	Expenditure	Excess
1.	05	Land Revenue and District Administration	264.60	28.31	292.91	327.44	34.53
2.	07	Police and Allied Organisations	349.29	38.50	387.79	400.23	12.44
3.	10	Public Works-Roads, Bridges and Buildings	1,338.83	21.96	1,360.79	1,576.15	215.36
4.	13	Irrigation, Water Supply and Sanitation	890.75	94.86	985.61	1,222.16	236.55
5.	14	Animal Husbandry, Dairy Development and Fisheries	111.52	19.80	131.32	137.02	5.70
6.	16	Forest and Wild Life	259.19	40.98	300.17	553.32	253.15
7.	19	Social Justice and Empowerment	228.97	46.45	275.42	281.54	6.12
8.	23	Power Development	143.03	29.18	172.21	187.19	14.98
9.	28	Urban Development, Town and Country Planning and Housing	67.54	34.04	101.58	115.67	14.09
10.	13	Irrigation, Water Supply and Sanitation	293.55	127.23	420.78	440.26	19.48
11.	32	Scheduled Caste Sub-Plan	376.77	5.35	382.12	384.04	1.92
		Total	**4,324.04**	**486.66**	**4,810.70**	**5,625.02**	**814.32**

Appendix-2.6
(Reference: Paragraph 2.3.8; Page 35)

Excess/Unnecessary/Insufficient re-appropriation of funds

(₹ in lakh)

Sr. No.	Grant No.	Description	Head of Account	Re-appropriation	Final Excess(+)/ Saving (-)
1.	07	Police and Allied Organisations	2055-109-01	344.43	1,082.54
2.	08	Education	2202-01-111-01	3,299.99	738.67
3.	09	Health and Family Welfare	2210-01-110-03	(-) 151.07	(-) 260.38
4.			2210-03-110-01	311.59	(-) 511.69
5.			2210-05-105-06	(-) 1,065.63	886.47
6.	10	Public Works-Roads, Bridges and Buildings	3054-03-103-13	396.09	1,154.43
7.			3054-03-103-14	818.45	1,292.85
8.			3054-04-105-02	(-) 8.40	5,655.17
9.	13	Irrigation, Water Supply and Sanitation	2702-80-001-06	174.08	758.82
10.			2702-80-001-07	(-) 170.00	267.58
11.			2702-80-001-01	15.93	(-) 1,677.50
12.			4215-01-102-16	(-) 900.00	(-) 621.43
13.			4702-101-03	(-) 50.00	(-) 308.29
14.	14	Animal Husbandry, Dairy Development and Fisheries	2403-101-01	(-) 48.23	570.67
15.	15	Planning and Backward Area Sub-Plan	4202-01-201-03	162.14	215.33
16.	19	Social Justice and Empowerment	2235-60-200-11	419.00	305.89
17.			2236-02-101-05	469.43	243.15
18.	23	Power Development	4801-01-190-06	(-) 3,988.93	(-) 10,000.00
19.			6801-190-01	3,988.93	2,245.51
20.	28	Urban Development, Town and Country Planning and Housing	2217-80-191-41	0.03	1,373.15
21.	29	Finance	2049-01-101-27	(-) 580.39	(-) 576.89

22.			2049-200-21	(-) 1,282.76	(-) 37,717.24
23.			2049-01-101-91	2,127.00	(-) 963.53
24.			2049-01-101-92	724.00	1,256.62
25.			2049-01-101-93	740.00	1,367.50
26.			2049-01-101-94	1,680.00	(-) 1,576.67
27.			2049-01-101-95	4,215.00	(-) 2,107.50
28.	31	Tribal Development	2251-796-03	(-) 40.03	(-) 323.17
29.			4702-796-02	303.18	(-) 623.76
30.			4702-796-01	(-) 6.00	363.57
31.			4702-796-02	12.00	266.70
32.	32	Scheduled Caste Sub-Plan	2210-03-789-01	99.43	(-) 317.78
33.			2225-01-789-01	16.59	(-) 235.00
34.			4215-01-789-02	159.93	613.30
35.			4215-01-789-04	(-) 2,400.00	327.00

Appendix-2.7
(Reference: Paragraph 2.3.10; Page 36)

Substantial surrenders made during the year

Sr. No.	Number and title of Grant	Name of the scheme (Head of Account)	Amount of Surrender (₹ in lakh)	Percentage of Surrender
1.	09-Health and Family Welfare	Rural Health (2210-03-110-03)	180.00	100
The entire provision was surrendered due to non-completion of codal formalities.				
2.	13- Irrigation, Water Supply and Sanitation	Hand Pumps (4215-01-102-08)	15,00.00	100
The entire provision was surrendered due to non-execution of works.				
3.	15-Planning and Backward Area Sub-Plan	Construction of Government Accommodation to District Planning Officers/Staff (5475-800-03)	200.00	100
The entire provision was surrendered due to cut in plan ceiling.				
4.	22-Food and Civil Supplies	Annapurna Scheme (2236-02-101-06)	40.00	100
The entire provision was surrendered due to non-purchase of nutrition under the scheme.				
5.	28-Urban Development, Town and Country Planning and Housing	Repayment of HUDCO Loan (4216-01-106-03)	28,50.00	100
The entire provision was surrendered due to shifting of repayment of Hudco Loan to Major Head 6003.				
6.	29-Finance	Interest on Ways and Means Advances and Over Drafts by Reserve Bank of India (2049-200-08)	500.00	100

The entire provision was surrendered due to non-availing of Ways and Means Advances.

Appendix-2.8
(Reference: Paragraph 2.3.10; Page 36)

Details of saving of ₹ one crore and above not surrendered

(₹ in crore)

Sr. No.	Number and Name of Grants	Saving	Surrender	Saving which remained to be surrendered
1.	12-Horticulture	1.65	1.46	0.19
2.	15-Planning and Backward Area Sub-Plan	9.99	8.90	1.09
3.	18-Industries, Minerals, Supplies and Information Technology	4.46	4.35	0.11
4.	20-Rural Development	2.06	1.99	0.07
5.	32-Scheduled Caste Sub-Plan	11.60	3.08	8.52
	Total	**29.76**	**19.78**	**9.98**

Appendix-2.9
(Reference: Paragraph 2.3.10; Page 36)

Cases of surrender of funds in excess of ₹ 10 crore on 31 March, 2010

(₹ in crore)

Sr. No.	Grant No.	Major Head	Amount of Surrender	Percentage of Total Provision
1.	08	4202-Capital Outlay on Education, Sports, Art and Culture	37.56	27
2.	09	2210-Medical and Public Health	16.13	3
3.	13	4215-Capital Outlay on Water Supply and Sanitation	24.00	7
4.	25	3055-Road Transport	19.27	24
5.	28	4216-Capital Outlay on Housing	28.50	54
6.	29	2049-Interst Payments	102.22	5
7.	29	6003-Internal Debt of State Government	112.90	12
		Total	**340.58**	

Appendix-2.10
(Reference: Paragraph 2.3.11; Page 36)

Surrenders in excess of actual savings (₹ 50 lakh or more)

(₹ in crore)

Sr. No.	Number and name of the grant/ appropriation	Total grant/ appropriation	Saving	Amount surrendered	Amount surrendered in excess
	Revenue-Voted				
1.	03-Administration of Justice	59.92	2.84	2.90	0.06
2.	09-Health and Family Welfare	563.67	14.22	17.93	3.71
3.	22-Food and Civil Supplies	127.51	0.83	1.15	0.32
4.	30-Miscellaneous General Services	39.81	1.21	1.46	0.25
5.	31-Tribal Development	441.87	2.20	11.81	9.61
	Revenue-Charged				
6.	29-Finance	2,048.59	92.74	102.22	9.48
	Capital-Voted				
7.	09-Health and Family Welfare	55.85	1.24	1.99	0.75
8.	12-Horticulture	20.29	2.00	3.01	1.01
9.	15-Planning and Backward Area Sub-Plan	167.48	13.85	16.19	2.34
	Total	**3,524.99**	**131.13**	**158.66**	**27.53**

Appendix-2.11
(Reference: Paragraph 2.3.12; Page 36)

Rush of Expenditure

(₹ in crore)

Sr. No.	Grant Number and Name	Head of account Scheme/Service	Expenditure incurred during Jan-March 2010	Expenditure incurred in March 2010	Total expenditure	Percentage of total expenditure incurred during	
						Jan-March 2010	March 2010
1.	08-Education	2202-01-111-01	25.93	25.93	40.39	64	64
2.	08-Education	2202-01-800-01 (COON)	31.95	28.74	34.84	92	82
3.	08-Education	4202-01-201-01	60.34	60.34	61.85	98	98
4.	08-Education	4202-01-202-01	21.02	19.48	24.29	87	80
5.	09-Health and Family Welfare	4210-02-110-01	18.51	10.06	18.64	99	54
6.	10-Puplic Works-Roads, Bridges and Buildings	3054-03-103-06	14.26	13.13	15.23	94	86
7.	10-Puplic Works-Roads, Bridges and Buildings	3054-03-103-11	37.29	33.30	58.09	64	57
8.	10-Puplic Works-Roads, Bridges and Buildings	3054-04-105-02	45.43	36.40	61.61	74	59
9.	10-Puplic Works-Roads, Bridges and Buildings	5054-04-337-02	11.86	11.86	12.19	97	97
10.	11-Agriculture	2401-800-13 (SONA)	17.59	13.69	17.64	100	78
11.	11-Agriculture	4402-102-02 (SONA)	40.42	34.05	42.00	96	81
12.	13-Irrigation, Water Supply and Sanitation	4215-01-102-19 (COON)	13.39	12.75	14.29	94	89
13.	13-Irrigation, Water Supply and Sanitation	4215-01-102-19	17.13	14.56	17.20	100	85
14.	13-Irrigation, Water Supply and Sanitation	4702-101-06	29.29	26.80	34.61	85	77

(₹ in crore)

Sr. No.	Grant Number and Name	Head of account Scheme/Service	Expenditure incurred during Jan-March 2010	Expenditure incurred in March 2010	Total expenditure	Percentage of total expenditure incurred during	
						Jan-March 2010	March 2010
15.	15-Planning and Backward Area Sub-Plan	5054-04-800-06 (SOOB)	13.21	11.43	21.61	61	53
16.	19-Social Justice and Empowerment	2236-02-101-05 (COON)	21.14	21.14	38.46	55	55
17.	23-Power Development	2801-80-101-02	28.10	28.10	28.10	100	100
18.	23-Power Development	2801-80-101-07	140.00	140.00	140.00	100	100
19.	23-Power Development	4801-01-190-06	68.11	68.11	68.11	100	100
20.	23-Power Development	4801-01-190-07	24.00	24.00	34.00	71	71
21.	29-Finance	2049-01-101-16	12.24	12.24	12.24	100	100
22.	29-Finance	2049-01-101-95	21.08	21.08	21.08	100	100
23.	31-Tribal Development	3054-04-796-05	15.87	14.88	19.08	83	78
24.	31-Tribal Development	5054-03-796-01	30.07	27.01	36.16	83	75
25.	32-Scheduled Caste Sub-Plan	4202-01-789-05	15.00	15.00	15.00	100	100
26.	32-Scheduled Caste Sub-Plan	4701-01-789-01	26.29	25.87	27.23	97	95
27.	32-Scheduled Caste Sub-Plan	4801-01-789-01	49.60	49.60	82.00	60	60
28.	32-Scheduled Caste Sub-Plan	4801-01-789-02	14.30	14.30	26.00	55	55

Appendix-2.12
(Reference: Paragraph 2.4.1; Page 38)

(i) Year-wise details of AC Bills/DCC Bills

(₹ in crore)

Year	No. of AC Bills	Amount of AC Bills	No. of DCC Bills	Amount of DCC Bills	Outstanding AC Bills	Amount of outstanding AC Bills
2005-06	12	6.36	10	6.16	2	0.20
2006-07	54	8.83	48	3.83	6	5.00
2007-08	21	5.36	12	1.56	9	3.80
2008-09	107	32.89	83	3.52	24	29.37
2009-10	88	83.26	56	27.93	32	55.33
Total	**282**	**136.70**	**209**	**43.00**	**73**	**93.70**

(ii) Pending DCC bills for the years 2005-10

Sr. No.	Department	Number of AC bills	Amount (₹ in crore)
1.	Animal Husbandry	1	0.0006
2.	Education	26	48.64
3.	Finance (Treasury and Accounts)	2	0.08
4.	Health and Family Welfare	5	2.92
5.	Indian Systems of Medicines and Homeopathy	28	8.25
6.	Labour and Employment	3	0.0011
7.	*Panchayati Raj*	1	0.0008
8.	Youth Services and Sports	1	0.0031
9.	Social Justice and Empowerment	6	33.81
	Total	**73**	**93.70**

Appendix-2.13
(Reference: Paragraph 2.5; Page 40)

Statement showing adverse/negative balances as on 31 March, 2010

(In ₹)

Major Head/Minor Head	Treasury/DDO	Opening Balance	Credit	Debit	Closing Balance
8448- Deposit of Local Fund					
102-Municipal Fund	NAC Chopal	(-) 49,99,894	49,83,456	0	(-) 16,438
	MC Una	(-) 77,387	0	0	(-) 77,387
	MC Hamirpur	5,40,915	5,80,346	11,86,042	(-) 64,781
8448-Deposit of Local Fund					
109-*Panchayat* Body Fund	PS Nalagarh	64,509	0	93,720	(-) 29,211
	PS Banjar	1,48,964	25,612	1,99,612	(-) 25,036
	PS Karsog	28,031	42,688	91,398	(-) 20,679
	Total	**(-) 42,94,862**	**56,32,102**	**15,70,772**	**(-) 2,33,532**

APPENDIX-3.1
(Reference: Paragraph 3.1; Page 45)

Utilisation certificates outstanding as on 31 March 2010

(₹ in lakh)

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
			Number	Amount	Number	Amount
1.	Rural Development					
	2505	2001-02	29	219.45	-	-
		2002-03	11	231.22	-	-
		2003-04	59	519.13	10	67.01
		2004-05	29	413.39	5	83.97
		2005-06	31	486.13	-	-
		2006-07	48	959.55	11	328.81
		2007-08	49	1,759.93	39	1,270.54
		2008-09	76	3,561.89	73	3,503.35
			332	**8,150.69**	**138**	**5,253.68**
	2515	2000-01	19	227.34	-	-
		2001-02	171	631.43	151	627.40
		2002-03	50	1,220.43	45	1,214.18
		2003-04	184	1,182.58	162	1,039.48
		2004-05	348	2,025.82	325	1,789.40
		2005-06	570	3,131.62	415	1,742.24
		2006-07	580	4,904.54	566	4,774.20
		2007-08	685	8,182.26	685	8,182.26
		2008-09	890	13,399.98	890	13,399.98
			3,497	**34,905.99**	**3,239**	**32,769.14**
	2216	2003-04	6	110.13	6	110.13
		2004-05	23	103.43	23	103.43
		2005-06	20	275.93	20	275.93
		2006-07	31	420.54	31	420.54
		2007-08	83	1,158.62	83	1,158.62
		2008-09	120	1,883.38	111	1,731.62
			283	**3,952.03**	**274**	**3,800.28**

Continued..

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
	2501	2000-01	2	415.78	2	415.78
		2004-05	38	656.09	38	656.09
		2005-06	50	443.08	50	443.08
		2006-07	66	1,099.22	66	1,099.22
		2007-08	111	1,109.62	111	1,109.62
		2008-09	190	1,469.28	190	1,469.28
			457	**5,193.07**	**457**	**5,193.07**
2.	**Education**					
	2202	2004-05	34	2,605.16	-	-
		2005-06	50	3,748.82	-	-
		2006-07	3,063	3,949.57	23	1,242.01
		2007-08	12,349	9,016.64	2,887	1,857.13
		2008-09	16,072	13,096.97	15,981	13,086.81
			31,568	**32,417.16**	**18,891**	**16,185.95**
3.	**Urban Development**					
	2217	2007-08	16	2,317.54	15	2,277.89
		2008-09	40	7,249.65	34	3,373.65
			56	**9,567.19**	**49**	**5,651.54**
	3054	2006-07	1	500.00	-	-
		2007-08	1	500.00	-	-
		2008-09	2	600.00	2	600.00
			4	**1,600.00**	**2**	**600.00**
4.	**Animal Husbandry**					
	2403	1995-96	1	20.00	-	-
		2007-08	9	507.89	1	50.00
		2008-09	98	493.20	14	387.10
			108	**1,021.09**	**15**	**437.10**
	2404	2007-08	1	30.00	-	-
		2008-09	8	952.40	-	-
			9	**982.40**	**-**	-

Continued..

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
5.	**Co-operation**					
	2408	2004-05	8	2.36	-	-
		2005-06	37	11.38	-	-
		2006-07	23	25.11	-	-
		2007-08	11	21.32	-	-
		2008-09	27	41.84	1	5.00
			106	**102.00**	**1**	**5.00**
	2425	2006-07	7	0.71	-	-
		2007-08	85	14.04	3	0.62
		2008-09	244	101.11	80	12.57
			336	**115.87**	**83**	**13.19**
6.	**Sports & Youth**					
	2204	2005-06	4	116.43	3	110.43
		2006-07	15	110.06	13	87.43
		2007-08	25	196.80	10	52.84
		2008-09	23	383.88	23	383.88
			67	**807.17**	**49**	**634.58**
7.	**Tourism**					
	3452	1998-99	1	137.00	1	137.00
		2004-05	1	5.15	1	4.40
		2005-06	1	3.55	-	-
		2006-07	-	-	-	-
		2007-08	-	-	-	-
		2008-09	1	45.00	1	45.00
			4	**190.70**	**3**	**186.40**
8.	**Industries**					
	2851	1998-99	1	8.66	-	-
		2000-01	1	0.70	-	-
		2001-02	14	9.02	-	-
		2002-03	6	8.89	-	-
		2003-04	24	9.74	-	-
		2004-05	37	60.50	-	-
		2005-06	46	92.65	4	0.21
		2006-07	971	128.55	514	73.54

Continued..

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
		2007-08	170	298.56	93	87.56
		2008-09	2,255	1,369.24	93	86.15
			3,525	**1,986.52**	**704**	**247.47**
9.	**Agriculture**					
	2415	2007-08	79	5,088.53	9	191.00
		2008-09	38	6,868.00	22	3,798.00
			117	**11,956.53**	**31**	**3,989.00**
	2401	2007-08	-	-	-	-
		2008-09	11	156.50	1	50.00
			11	**156.50**	**1**	**50.00**
10.	**Forest**					
	2406	2006-07	1	5.05	-	-
		2007-08	10	537.80	1	21.69
		2008-09	13	1,368.53	8	339.75
			24	**1,911.39**	**9**	**361.44**
11.	**Art & Culture**					
	2205	2004-05	21	57.25	-	-
		2005-06	101	129.67	66	50.66
		2006-07	291	213.40	220	68.93
		2007-08	257	89.99	229	46.55
		2008-09	390	209.58	344	46.56
			1,060	**699.90**	**859**	**212.70**
12.	**Medical & Public Health**					
	2210	2003-04	5	6.45	-	-
		2004-05	5	5.56	-	-
		2005-06	4	4.50	-	-
		2006-07	7	11.50	5	8.50
		2007-08	6	10.50	3	3.00
		2008-09	123	484.98	123	484.98
			150	**523.49**	**131**	**496.48**

Continued...

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
13.	**Other Administrative Services**					
	2070	2007-08	14	200.00	-	-
		2008-09	14	230.00	-	-
			28	**430.00**	**-**	**-**
14.	**Vidhan Sabha**					
	2011	2007-08	4	7.2	-	-
		2008-09	4	9.2	-	-
			8	**16.4**	**-**	**-**
15.	**General Administrative Services**					
	2075	2006-07	9	128.25	9	128.25
		2007-08	18	211.55	18	211.55
		2008-09	17	181.92	17	181.92
			44	**521.71**	**44**	**521.71**
16.	**Social Justice & Empowerment**					
	2225	2006-07	29	851.47	15	653.67
		2007-08	38	1,159.91	37	1,114.91
		2008-09	49	1,589.54	46	1,355.54
			116	**3,600.92**	**98**	**3,124.12**
	2235	2006-07	163	688.33	40	72.49
		2007-08	258	1,282.57	158	995.50
		2008-09	743	1,233.28	743	1,233.28
			1,164	**3,204.18**	**941**	**2,301.27**
	2250	2006-07	1	0.89	1	0.89
		2007-08	1	0.26	1	0.26
		2008-09	1	0.27	1	0.27
			3	**1.42**	**3**	**1.42**
17.	**Fisheries**					
	2405	2007-08	-	-	-	-
		2008-09	15	42.30	-	-
			15	**42.30**	**-**	**-**
18.	**Planning**					
	3451	2006-07	3	36.22	-	-
		2007-08	3	40.00	-	-
		2008-09	3	90.00	-	-
			9	**166.22**	**-**	**-**

Continued...

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
19.	**Excise & Taxation Department**					
	3604	2007-08	-	-	-	-
		2008-09	16	396.58	16	396.58
			16	**396.58**	**16**	**396.58**
20.	**Power**					
	2801	2007-08	2	51.00	-	-
		2008-09	4	90.00	-	-
			6	**141.00**	**-**	-
	2810	2008-09	**2**	**136.00**	**-**	-
21.	**Science & Technology**					
	3425	2005-06	1	80.00	-	-
		2006-07	4	90.66	2	60.83
		2007-08	6	60.52	6	60.52
		2008-09	4	69.57	-	-
			15	**300.75**	**8**	**121.35**
22.	**Civil Supplies**					
	3456	2007-08	-	-	-	-
		2008-09	-	-	-	-
23.	**Ecology Environment**					
	3435	2006-07	8	6.00	-	-
		2007-08	8	50.61	-	-
		2008-09	4	47.70	-	-
			20	**104.31**	**-**	-
24.	**Labour & Employment**					
	2230	2007-08	-	-	-	-
		2008-09	1	5.00	-	-
			1	**5.00**	**-**	-
25.	**Secretariat Social Services**					
	2052	2007-08	-	-	-	-
		2008-09	8	58.50	-	-
			8	**58.50**	**-**	-

Continued..

Sl. No.	Department	Year of Payment of grant	Total Grants Paid		Utilisation Certificates Outstanding	
	2251	2007-08	2	94.26	2	94.26
		2008-09	8	275.43	8	275.43
			10	**369.69**	**10**	**369.69**
26.	**Census, Surveys & Statistics**					
	3454	2007-08	30	5.46	-	-
		2008-09	28	9.68	-	-
			58	**15.14**	**-**	-
27.	**Police**					
	2055	2008-09	1	25.00	1	25.00
			1	**25.00**	**1**	**25.00**
GRAND TOTAL			**43,238**	**125,774.79**	**26,057**	**82,948.14**

APPENDIX-3.2
(Reference: Paragraph 3.2; Page 46)

Statement showing performance of the autonomous bodies

Sl. No.	Name of body	Period of entrustment	Year up to which accounts were rendered	Delay in submission of accounts (In months)	Period up to which Separate Audit Report is issued	Placement of SAR in the Legislature	Delay in submission of SARs (In years)
1	Himachal Pradesh State Veterinary Council, Shimla	2005-06 onwards	2008-09	2	2008-09	2007-08	1
2.	Himachal Pradesh State Legal Services Authority, Shimla	Audit is being conducted in accordance with section 18 (2) of Legal Services Authorities Act, 1987.	2009-10	No delay	2008-09	2008-09	-
3.	District Legal Services Authority, Shimla		2009-10	No delay	2008-09	Not yet placed.	1
4.	District Legal Services Authority, Solan		2009-10	No delay	2008-09	Not yet placed.	1
5.	District Legal Services Authority, Hamirpur		2009-10	No delay	2008-09	Not yet placed.	1
6.	District Legal Services Authority, Dharamshala		2009-10	No delay	2008-09	Not yet placed.	1
7.	District Legal Services Authority, Una		2009-10	No delay	2008-09	Not yet placed.	1
8.	District Legal Services Authority, Mandi		2009-10	No delay	2008-09	Not yet placed.	1
9.	District Legal Services Authority, Nahan		2009-10	No delay	2008-09	Not yet placed.	1
10.	District Legal Services Authority, Bilaspur		2009-10	No delay	2008-09	Not yet placed.	1
11.	District Legal Services Authority, Chamba		2009-10	No delay	2008-09	Not yet placed.	1
12.	District Legal Services Authority, Reckong Peo		2009-10	No delay	2008-09	Not yet placed.	1
13.	District Legal Services Authority, Kullu and Lahaul Spiti at Kullu		2009-10	No delay	2008-09	Not yet placed.	1

APPENDIX-3.3

(Reference: Paragraph 3.3; Page 46)

Department wise/duration wise break-up of the cases of misappropriation, defalcation, etc.

Sl. No.	Name of the Department	Up to 5 years		5 to 10 years		10 to 15 years		15 to 20 years		20 to 25 years		25 years to More		Total No. of Cases.	
		C	A	C	A	C	A	C	A	C	A	C	A	C	A
1	Education	2	2.19	1	0.71	3	1.00	--	--	1	0.59	1	0.14	8	4.63
2	Rural Development	--	--	1	Nil	--	--	--	--	--	--	--	--	1	Nil
3	Agriculture	2	9.46	--	--	--	--	--	--	--	--	--	--	2	9.46
4	Land Revenue	--	--	--	--	1	2.57	--	--	--	--	--	--	1	2.57
5	Police	--	--	2	1.51	--	--	--	--	--	--	--	--	2	1.51
6	Revenue	--	--	1	0.30	--	--	--	--	--	--	1	0.02	2	0.32
7	Home Guard	--	--	--	--	2	25.37	--	--	--	--	1	0.05	3	25.42
8	Animal Husbandry	--	--	1	0.17	--	--	--	--	--	--	2	0.94	3	1.11
9	Director Planning	--	--	1	2.97	--	--	--	--	--	--	--	--	1	2.97
10	Himachal Pradesh Public Service Commission	--	--	1	2.96	--	--	--	--	--	--	--	--	1	2.96
11.	Health	--	--	1	0.95	--	--	--	--	--	--	--	--	1	0.95
12	Forest	--	--	1	2.38	--	--	--	--	1	0.20	1	0.20	3	2.78
13	Public Works	--	--	--	--	6	7.43	2	2.35	4	0.83	5	2.72	17	13.33
14	Irrigation and Public Health	1	0.89	1	0.02	1	7.69	--	--	2	0.31	--	--	5	8.91
	Total	**5**	**12.54**	**11**	**11.97**	**13**	**44.06**	**2**	**2.35**	**8**	**1.93**	**11**	**4.07**	**50**	**76.92**

C: Number of cases.

A: Amount (₹ in lakh)

Appendix-3.4
(Reference: Paragraph 3.3; Page 46)

Department/category-wise details in respect of cases of loss to Government due to theft, misappropriation/loss of Government material

(₹ in lakh)

Name of Department	Theft Cases		Misappropriation/ Loss of Government Material		Total	
	Number of Cases	Amount (₹ in lakh)	Number of Cases	Amount (₹ in lakh)	Number of Cases	Amount (₹ in lakh)
Education	2	2.19	6	2.44	8	4.63
Rural Development	--	--	1	Nil	1	Nil
Agriculture	--	--	2	9.46	2	9.46
Land Revenue	--	--	1	2.57	1	2.57
Police	--	--	2	1.51	2	1.51
Revenue	1	0.30	1	0.02	2	0.32
Home Guard	--	--	3	25.42	3	25.42
Animal Husbandry	1	0.17	2	0.94	3	1.11
Director Planning	1	2.97	--	--	1	2.97
Himachal Pradesh Public Service Commission	--	--	1	2.96	1	2.96
Health	--	--	1	0.95	1	0.95
Forests	--	--	3	2.78	3	2.78
Public Works	2	0.77	15	12.56	17	13.33
Irrigation and Public Health	1	0.25	4	8.66	5	8.91
Total	**8**	**6.65**	**42**	**70.27**	**50**	**76.92**