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**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

**ON
STATE FINANCES**

FOR THE YEAR ENDED 31 MARCH 2010

REPORT No. 1

GOVERNMENT OF UTTARAKHAND

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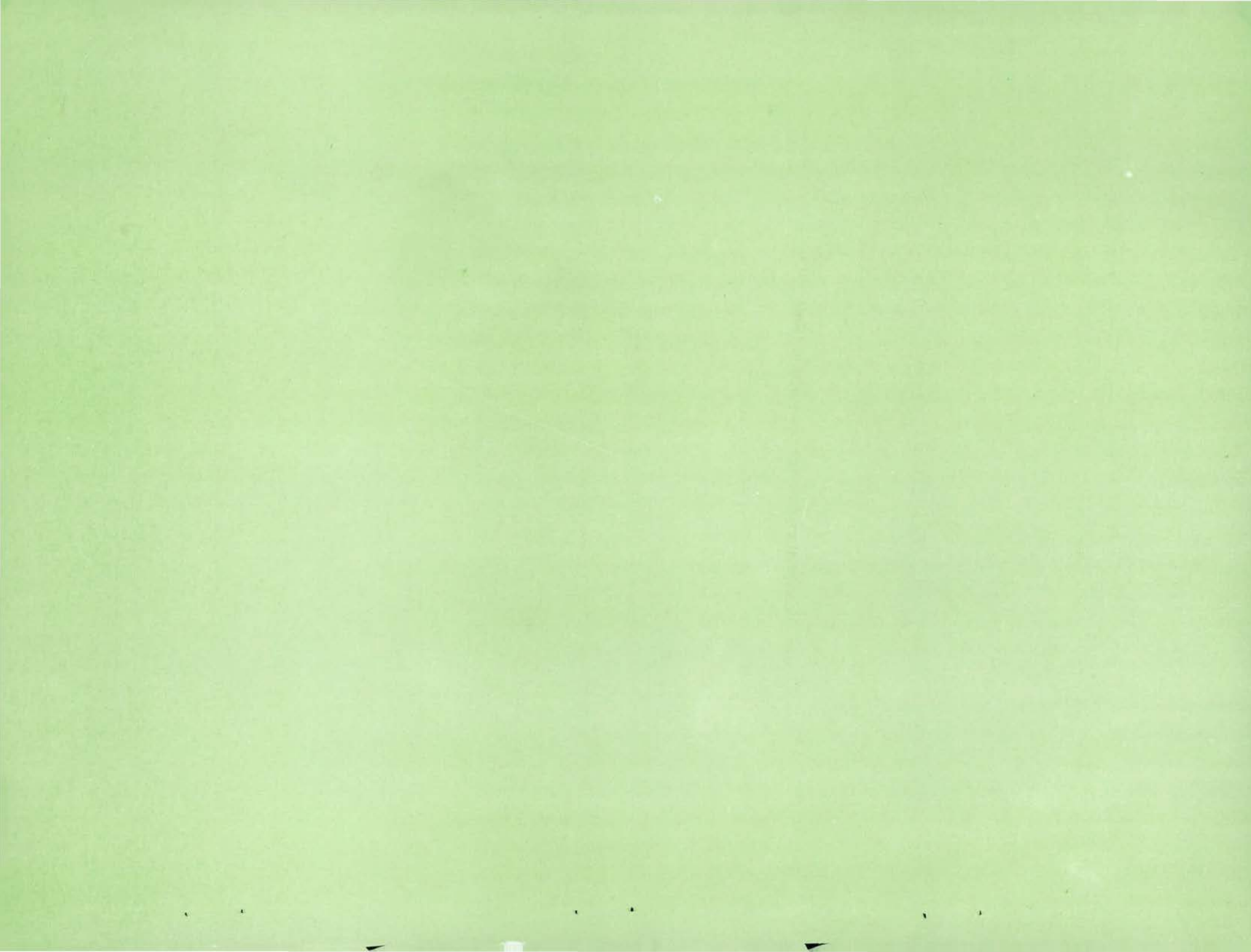
PREFACE

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

1. Chapters I and II of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2010.
2. 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.
3. Audit observations on matters arising from performance audit and audit of transactions in various departments, audit of revenue receipts and Statutory Corporations, Boards and Government Companies for the year ended 31 March 2010 are included in a separate Report.
4. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

Background

This Report on the Finances of the Government of Uttarakhand is being brought out with a view to assess objectively the financial performance of the State during the year 2009-10. The aim of this Report is to provide the State Government with timely input based on actual data so that there is a better insight into both well performing as well as ill performing schemes/programme of the Government. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government in Fiscal Responsibility and Budget Management Act, 2005 as well as in the Budget Estimates of 2009-10. A comparison has been made to see whether the State has given adequate fiscal priority to developmental, social sector and capital expenditure compared to Himachal Pradesh, another special category State, comparable in many ways to Uttarakhand and whether the expenditure has been effectively absorbed by the intended beneficiaries.

The Comptroller and Auditor General of India (C&AG) has been commenting upon the Government's finances for over three years since FRBM legislation and have published three 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, C&AG had decided to bring out a separate volume titled "Report on State Finances." **This Report is the second in this endeavour.**

The Report

Based on the audited accounts of the Government of Uttarakhand 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 I is based on the audit of Finance Accounts and makes an assessment of Uttarakhand 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. Besides, consequent upon the implementation of

State's pay revision, there was substantial increase in revenue expenditure in 2009-10, which had a bearing on the fiscal position of the State.

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

Chapter III is an inventory of Uttarakhand Government's compliance with various reporting requirements and financial rules. The chapter also provides details of non- submission of accounts. Besides, the cases of misappropriation/ loss that indicate inadequacy of controls in the Government departments are also detailed in this Chapter. The Report also has an appendage of additional data collated from several sources in support of the findings.

Audit findings and recommendations

Fiscal correction Path: Uttarakhand is one of the earliest States to have passed the Fiscal Responsibility and Budget Management Act. The State of Uttarakhand achieved the target of attaining revenue surplus from 2006-07 onwards but could not maintain the trend and turned revenue deficit in 2009-10. Fiscal deficit of the State Government at 4.60 *per cent* in 2008-09 continued to be higher than the target of 4 *per cent* (revised) as envisaged in FRBM, Act and was hovering around 6 *per cent* during the year. Therefore, the Government is unlikely to meet the target of bringing down the Revenue deficit to zero *per cent* by the year 2011-12 as has been recommended by the Thirteenth Finance Commission.

There is reasonable prospect of returning back to a fiscal correction path if efforts are made to increase tax compliance and collection of revenue arrears and also to prune unproductive expenditure so that deficits may be reduced. Borrowings should be resorted only to fund creation of assets.

Greater priority to capital expenditure: The capital expenditure of the State decreased by ₹ 369 crore during 2009-10 as compared to the previous year mainly due to decrease of ₹ 172 crore under social sector and ₹ 132 crore in the economic sector. The percentage of social sector capital expenditure was only seven *per cent* of the total capital expenditure. Evidently, less priority was given to social services and may have an adverse impact on the social health of the State, if left unattended. Huge unspent balances remaining unutilized under Capital Head during the year was indicative of the fact that the expenditure could not be incurred as estimated and planned on development of infrastructure by the State Government during the year.

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 utilized so that value for money is channelised in its entirety to the intended beneficiaries. Further, the capacity of the State to utilize funds for developmental and social outcomes should be improved through realistic formulation of schemes and avoiding time and cost overruns during implementation of the schemes/projects.

Review of Government investments: The average return on Uttarakhand Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was almost negligible in the past three years while the Government paid an average interest of 7.64 per cent on this investment.

A performance based system of accountability should be put in place in 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 channelised there.

Prudent cash management: The cost of holding surplus cash balances was high. In 2009-10, the interest received on investment of cash balances in RBI Investment in Treasury Bills and Auction Treasury Bills was only 1.21 per cent while the Government borrowed at an average rate of 7.64 per cent.

Proper debt management through advanced planning could reduce the need for the State government to hold large cash surpluses. Ways and Means facility of RBI can also be judiciously resorted to as long as the State does not avail of overdraft facility.

Debt sustainability: The Government of Uttarakhand should ideally keep the debt-GSDP ratio stable by adhering to the FRBM principle. The debt-GSDP ratio which declined to 40 per cent in 2009-10 from 40.52 per cent in 2008-09 has shown marginal improvement but the State experienced a negative resource gap in the current year indicating the non-sustainability of debt.

Borrowed funds should be used as far as possible only to fund capital expenditure and revenue expenditure should be met from revenue receipts. Efforts should be made to return to the state of primary surplus and to maintain revenue surplus. Maintaining a calendar of borrowings to avoid bunching towards the end of the fiscal year and a clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.

Oversight of funds transferred directly from the GOI to the State implementing agencies: The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies for the implementation of various schemes/programmes in social and economic sectors recognized as critical. However, these funds are not routed through the State budget/State treasury system. During the year 2009-10, a huge amount of ₹ 1098.50 crore was directly transferred to State Implementing Agencies.

A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General (Accounts and Entitlement) to ensure its effective utilization.

Financial management and budgetary control: The overall saving of ₹ 1,283.60 crore in grants and appropriations was due to saving of ₹ 2,291.09 crore offset by excess of ₹ 1,007.49 crore. Revenue and General Administration, Finance Tax Planning, Medical Health and Family Welfare, Water Supply, Housing & Urban Development, Welfare and Rural Development Sectors posted large savings in the last five years. There were also instances of inadequate provision of funds and unnecessary/ excessive re-appropriations. Rush of expenditure at the end of the year was another chronic feature noticed in the overall financial management. In many cases, the anticipated savings were either not surrendered or surrendered on the last two days of the year leaving no scope for utilizing these funds for other development purposes.

Budgetary controls should be strictly observed to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/surrender orders should be avoided for a better financial management.

Advances from Contingency Fund

Expenditure of ₹ 71.42 crore was met from the advances drawn from the Contingency Fund during the year and had not been recouped to the fund at the end of the year. The expenditure pertained to Census of Agriculture, Establishment, Secondary Education, Training, Promotion Publicity, Dairy Development, Crop Husbandry and Horticulture and therefore could not be termed of emergent nature requiring drawals from the contingency fund.

The Government should sanction advances from Contingency Fund only for meeting expenditure of unforeseen and emergent nature and efforts should be made to recoup the funds at the earliest possible during the year itself.

Financial reporting: State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delays in furnishing utilization certificates against the loans and grants from various grantee institutions. Delays were also noted in submission of annual accounts by some of the departmental commercial undertakings. There were instances of loss and misappropriation.

Government departments should take urgent action for finalisation of outstanding annual accounts of departmental commercial undertakings. Departmental enquires in misappropriation cases should be expedited to bring the defaulters to book. Internal controls in all the organizations should be strengthened to prevent such cases in future.

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

CHAPTER- I

FINANCES OF THE STATE GOVERNMENT

Profile of Uttarakhand:

Uttarakhand is a special category State¹ 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 annual growth rate of its Gross State Domestic Product (GSDP) for the period 2001-02 to 2009-10 has been over 17 *per cent*. This is much higher than GSDP growth for **Himachal Pradesh** which also being another special category State is in many ways comparable to Uttarakhand. Compared² to **Himachal Pradesh** however, Uttarakhand has a much higher poverty level, lower literacy level and higher growth of population (**Appendix-1**).

As per Uttar Pradesh Reorganisation Act 2000 (Act No. 29 of 2000), 13 districts of U.P. having a population of 84,79,562 were transferred to the new State of Uttarakhand on and from the appointed date of 9 November 2000. The status of special category State was awarded to Uttarakhand because of inheriting financial burden, poor economic base and difficult geographical features at the time of creation of the State. Like other special category States, Uttarakhand receives revenue deficit grant each year under the recommendation of Finance Commission to improve its economy.

This chapter provides a broad perspective of the finances of the Uttarakhand Government 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. The major changes in the key fiscal aggregates were that the State Government's revenue surplus turned in to revenue deficit due to quantum jump in revenue expenditure during the year of Report which further escalated the fiscal deficit to around 6 *per cent* of the GSDP.

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

¹ The special privileges given to Uttarakhand includes 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 of 70 *per cent* grant and 30 *per cent* loan.

² Throughout this report an effort has been made to compare the fiscal performance of Uttarakhand with Himachal Pradesh in order to provide a relative perspective.

Appendix-1.4 provides details of receipts and disbursements as well as overall fiscal position during the same period.

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					NonPlan	Plan	Total -
8,634.97	Revenue receipts	9,486.13	8,393.70	Revenue expenditure			10,657.47
3,044.91	Tax revenue	3,559.04	3,103.96	General services	3,691.48	2.86	3,694.34
699.44	Non-tax revenue	631.86	3,391.84	Social services	3,282.73	1,697.55	4,980.28
1,506.59	Share of Union Taxes/ Duties	1,550.01	1,623.13	Economic services	1,063.19	594.93	1,658.12
3,384.03	Grants from Government of India	3,745.22	274.77	Grants-in-aid and Contributions	321.03	3.70	3,24.73
Section-B: Capital							
-	Misc. Capital Receipts	-	2,016.34	Capital Outlay			1,646.73
53.63	Recoveries of Loans and Advances	64.83	121.72	Loans and Advances disbursed			30.06
1,543.82	Public Debt receipts*	1,682.57	355.38	Repayment of Public Debt*			472.87
2.42	Contingency Fund	37.05	32.05	Contingency Fund			71.42
13,657.56	Public Account receipts	14,225.75	13,476.62	Public Account disbursements			12,321.83
746.37	Opening Cash Balance	242.96	242.96	Closing Cash Balance			538.91
24,638.77	Total	25,739.29	24,638.77	Total			25,739.29

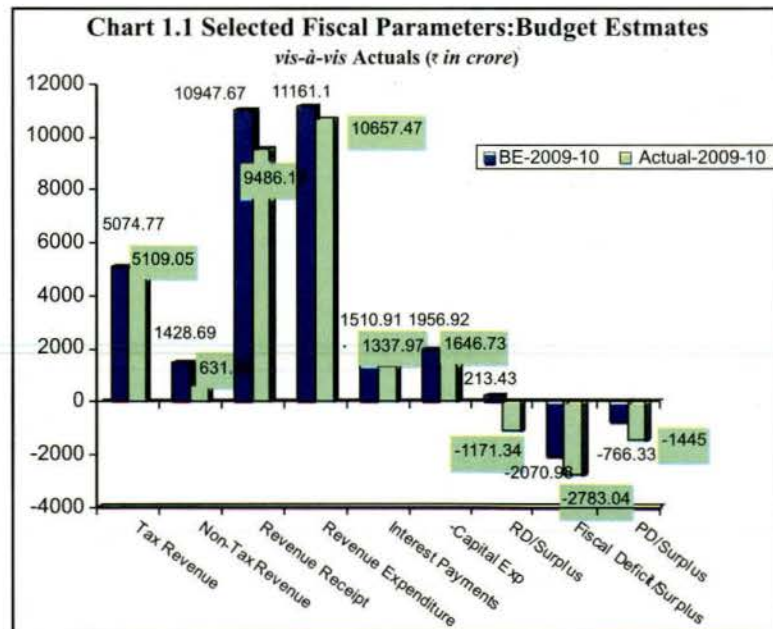
* Excluding net transactions under ways and means advances and overdraft.

It would thus be evident that:

- Revenue receipts grew by ₹ 851 crore (9.86 per cent). The increase was mainly due to the increase in State's own tax revenue (₹ 514 crore); quantum of Central Transfers (₹ 43 crore) and in Grants-in-aid (₹ 361 crore).
- Revenue expenditure increased by ₹ 2,264 crore (27 per cent), of which Non Plan Revenue Expenditure (NPRE) increased by ₹ 2,138 crore and Plan Revenue Expenditure (PRE) increased by ₹ 125 crore.
- Capital expenditure decreased by ₹ 369 crore (18.30 per cent as detailed in succeeding Paragraph 1.4.1

- Recovery of loans and advances increased from ₹ 54 crore to ₹ 65 crore (20.37 per cent). Disbursement of loans and advances decreased from ₹ 122 crore to ₹ 30 crore during the year (75.41 per cent), mainly due to less disbursement under energy sector.
- Public debt receipts registered an increase of ₹ 138 crore mainly because of outstanding balances in ways & means advances to the tune of ₹ 69 crore as on 31 March 2010. The repayment of public debts increased by ₹ 118 crore in 2009-10.
- Public account receipts increased by ₹ 568 crore due to increase under Suspense and Miscellaneous (₹ 1,541 crore), Small Savings, Provident Fund etc. (₹ 553 crore) and Deposits and Advances (₹ 475 crore) offset by decrease under Remittances (₹ 1884 crore) and Reserves Funds (₹ 117 crore). Public Account disbursement decreased to the tune of ₹ 1,210 crore due to less Remittances (₹ 1,994 crore) offset by more disbursement under suspense heads (₹ 439 crore), Small Savings (₹ 19 crore), Reserve Funds (₹ 19 crore) and Deposit and Advances (₹ 307 crore).
- The cash balance of the State at the end of 2009-10 increased by ₹ 295.95 crore.

Several reasons could be attributable for the deviation of the actual realization/expenditure from the budget estimates. It could be because of unanticipated and unforeseen events or under or over estimation of expenditure or revenue at the budget stage etc. Actual realization of revenue and its disbursement, however, depends on a variety of factors, some internal and others external. **Chart 1.1** presents the budget estimates and actuals for some important fiscal parameters.



A comparison of the Actuals against the Budget Estimates in respect of various components showed mixed trend during 2009-10;

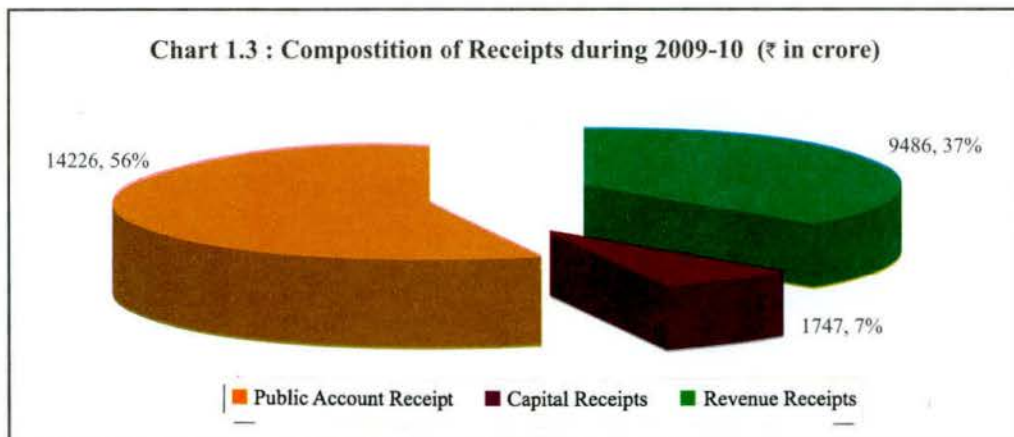
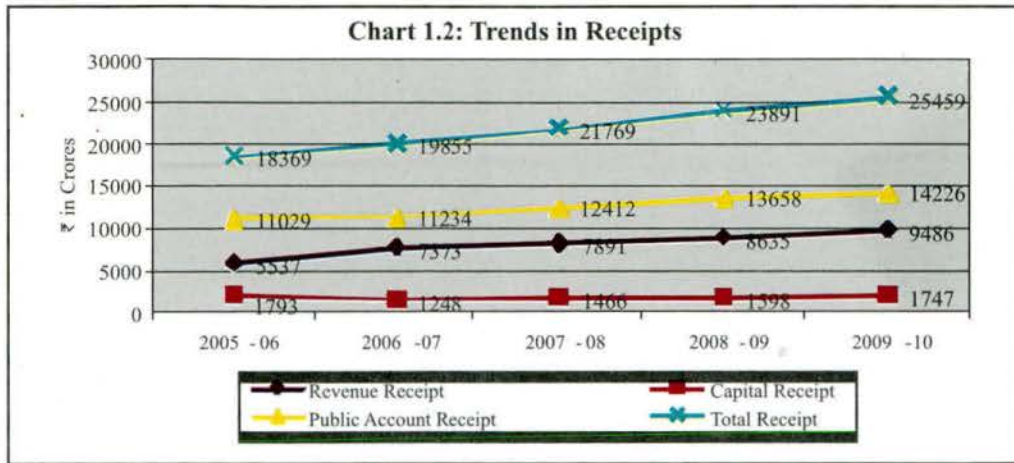
- The Revenue Receipts were short by 13 *per cent* due to less receipt (56 *per cent*) under Non-tax Revenue. There was wide variations between the budget estimates and the actuals of the various components of non tax revenue receipts for e.g. the budget estimates of pension contribution, power and tourism were ₹ 648 crore, ₹ 220.74 crore and ₹ 6.15 crore whereas the actual receipts of the above mentioned components were ₹ 37.43 crore, ₹ 56.13 crore and ₹ 0.42 crore respectively.
- The Revenue Expenditure was five *per cent* less than the Budget Estimates.
- The expenditure under the Capital Head remained unutilized to the extent of 16 *per cent*, due to less disbursement under education, rural development and irrigation sector.
- The budget projections for Revenue Deficit, Fiscal Deficit and Primary Deficit were also not achieved. The State Government, in its Mid Term Fiscal Policy Statement attributed the shortfall in revenue collection to the recession in the economy and financial burden that arose by ₹ 2,500³ crore after the implementation of Sixth Pay Commission recommendations.

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 of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial Institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table-1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts (**Appendix-1.1**) 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.

³ Source: Budget speech 2010-11



The total receipts of the Government grew from ₹ 18,369 crore in 2005-06 to ₹ 25,459 crore in 2009-10 (39 per cent). Of the receipts of ₹ 25,459 crore in 2009-10, receipts of ₹ 14,226 crore came from the Public Account (56 per cent). Revenue receipts were ₹ 9,486 crore (37 per cent) and Capital receipts of ₹ 1,747 crore (seven per cent) came from borrowings.

As far as the current year is concerned, revenue receipts have shown marginal appreciation in overall composition of the State's Receipts mainly on account of increase in State's own Tax Revenue and Grants-in-aid from GOI, which together grew by 14 per cent over the previous year.

The recovery of loans and advances during the year showed an increase of 21 per cent over the previous year under Capital receipts.

Trends in Public Account receipts

- Receipts under Small Savings, Provident Fund etc increased by ₹ 554 crore over the previous year mainly because 70 per cent of arrears of Pay and Allowances drawn in favor of State Government employees as 2nd Installment was credited to the Provident Fund Account.
- Reserve funds declined during the year by 69 per cent. However, deposits increased by 27 per cent. *The State Government investment in sinking fund for amortization of internal debt was less than the normative figure prescribed under FRBM Act, 2005 resulting in reduction of receipts under reserve funds by ₹117 crore.*
- Suspense and miscellaneous receipts increased by 20 per cent mainly due to increase under the suspense head for cheques and bills. This suspense head is credited while issuing the cheques and is cleared on receipt of information from the bank regarding encashment of cheques. The increase was offset by clearance of previous year's balances under this suspense head, leaving a debit balance of ₹ 722 crore.

1.2.2 Funds Transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies⁴ (detailed in **Appendix-1.5**) for the implementation of various schemes/programmes in social and economic sectors recognized as critical. These funds are not routed through the State Budget/State Treasury System. Therefore, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them are underestimated. To present a holistic picture on availability of aggregate resources, funds directly transferred to State Implementing Agencies are detailed in **Appendix-1.5**. Significant amounts transferred to the major programmes/schemes are presented in **Table 1.2**.

⁴ State Implementing Agency includes any Organisations/Institutions including Non-Governmental Organisation 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.

Table-1.2: Funds Transferred Directly to State Implementing Agencies

(₹ in crore)

Sl. No.	Name of the Programme of the Scheme	Name of the Implementing Agency	Total Funds released by the Govt. of India during 2009-10
1	Sarva Sikhsa Abhiyan (SSA)	Uttaranchal Sabhi Ke liye Sikhsa Parishad	193.61
2	National Bamboo Mission	Uttarakhand Bamboo & Fiber Development Board, Dehradun	2.00
3	National Rural Health Mission (NRHM)	Uttarakhand Health & Family Welfare Societies	232.20
4	National Rural Employment Guarantee Scheme (NREGA)	DRDA, Projects Director Uttarakhand	151.03
5	Indira Awas Yojana (IAY)	DRDA, Projects Director Uttarakhand	39.74
6	Swaran Jayanti Gram Swarajgar Yojana (SGSY)	DRDA, Projects Director Uttarakhand	18.72
7	Member of Parliament Local Area Development Scheme (MPLADS)	Deputy Commissioner	25.00
8	National Afforestation	FDA, Uttarakhand	0.88
9	Pradhan Mantri Gram Sadak Yojana	SGO, Uttarakhand, Dehradun	101.00
10	Integrated Water Shed Management Programme	CGO and DRDA Projects Director Uttarakhand	30.41
11	Accelerated Rural Water Supply Programme	Uttarakhand Peyjal Sansadhan Evam Nirman Nigam	207.65
12	Package for Special Categories States other than N.E., DIPP	SIDCUL	4.50
13	E-governance	IT Development Agency	3.33
Total			1,010.07

Source: Central Plan Scheme Monitoring System of Controller General of Accounts website.

Table 1.2 shows the funds received by different agencies in Uttarakhand directly from various Ministries of GOI for the implementation of programmes under Social and Economic sectors. The programmes that received major portion of these funds during 2009-10 were (i) National Rural Health Mission ₹ 232.20 crore (22.99 per cent), (ii) Sarva Shiksha Abhiyan ₹ 193.61 crore (19.17 per cent), (iii) National Rural Employment Guarantee scheme ₹ 151.03 crore (14.95 per cent), (iv) Accelerated Rural Water Supply Programme ₹ 207.65 crore (20.56 per cent) and (v) Pradhan Mantri Gram Sadak Yojana ₹ 101.00 crore (10 per cent). Thus, with the transfer of ₹ 1,058.50 crore during 2009-10 directly by GOI to the State Implementing Agencies, the total availability of State resources increased from ₹ 25,496.33 crore to ₹ 26,594.33

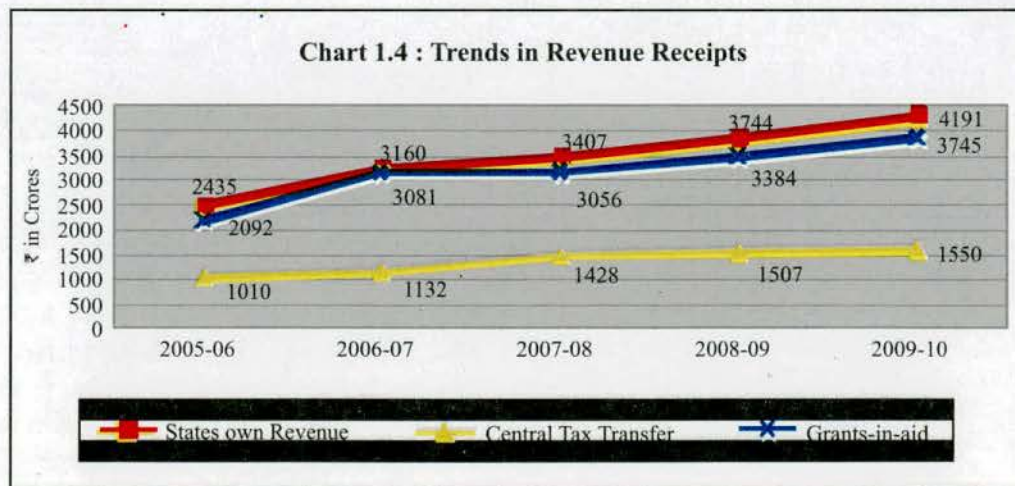
crore. It is evident from the above that there is no single agency monitoring the funds directly transferred by the GOI and there is no readily available data on how much is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by State 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.

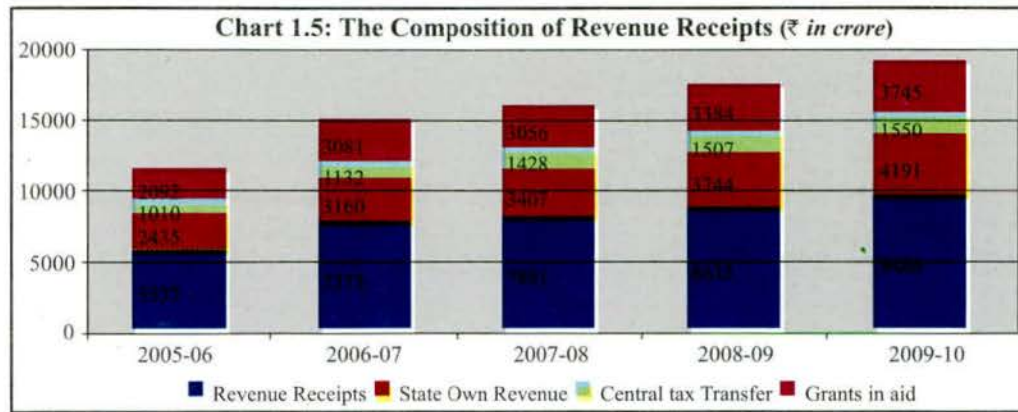
National Rural Health Mission: The GOI released ₹ 232.20 crore under NRHM to the State Implementing Agency (Uttarakhand Health and Family Welfare Society) during 2009-10. But an amount of only ₹ 103.24 crore was found to have been received and accounted for by the Society during the year leading to a difference of ₹ 128.96 crore. This needs reconciliation.

Sarva Shiksha Abhiyan: The GOI released ₹ 193.61 crore under SSA to the State Implementing Agency (SSA, State Project Office) during 2009-10. But an amount of only ₹ 160.06 crore was found to have been received and accounted for by the Society during the year leading to a difference of ₹ 33.55 crore. This needs reconciliation.

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 non-tax revenues, central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2005-06 to 2009-10 are presented in **Appendix-1.3** and are also depicted in **Chart 1.4** and **1.5** respectively.





The revenue receipts have shown a constant increase over the period 2005-06 to 2009-10. It increased from ₹ 5,537 crore in 2005-06 to ₹ 9,486 crore in 2009-10 at an average rate of 19 per cent and the compound annual growth of revenue receipts was higher than that of **Himachal Pradesh** for the period 2001-02 to 2009-10 (**Appendix-1**).

While 44 per cent of the revenue receipts during 2009-10 came from the State's own tax and non-tax revenue, the aggregate of Central Tax transfers and Grants-in-aid contributed 56 per cent of the total revenue.

On an average, States's own tax receipts constituted around 35 per cent of revenue receipts of the State over the period 2005-06 to 2009-10. This showed continued dependency of the State on the Grants-in-aid from Government of India, understandably so because the State being a special category State has not been able to broaden its tax base which in turn has made the State dependent upon the Central funds.

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)	5,537.00	7,373.00	7,891.00	8,635.00	9,486.00
Rate of growth of RR (per cent)	35.51	33.16	7.03	9.43	9.86
R R/GSDP (per cent)	21.15	23.50	22.17	21.50	20.24
Buoyancy Ratios⁵					
Revenue Buoyancy w.r.t. GSDP	3.43	1.67	0.52	0.73	1.05
State's Own Tax Buoyancy w.r.t. GSDP	2.28	2.05	0.67	0.87	1.79

⁵ 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.

The rate of growth of revenue receipts showed a fluctuating trend over the period 2005-06 to 2009-10. The growth rate was high during 2005-06 but stabilised from 2007-08 onwards and stood at 9.86 *per cent* during 2009-10. The buoyancy ratio of State's own taxes with reference to GSDP was very high in 2005-06 and 2006-07 but fell to below 1 in 2007-08 and 2008-09. In the current year however, State's own taxes showed a much higher buoyancy than the previous two years indicating better tax revenue generation in comparison to growth in GSDP. For every one *per cent* increase in GSDP, State's own taxes increased by 1.79 *per cent* in 2009-10.

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 increased by 17 *per cent* from ₹ 3,045 crore in 2008-09 to ₹ 3,559 crore in 2009-10. The revenue from Sales Tax not only contributed to major share of tax revenue (63 *per cent*) but also registered an increase of 18 *per cent* over the previous year.

State's tax revenue (being major contributor to revenue receipts) after introduction of VAT in 2005, contributed significantly in achieving a growth of 33.16 *per cent* during 2006-07 under revenue receipts. The growth rate came down to seven *per cent* during 2007-08 and gradually increased to nine *per cent* and 10 *per cent* in 2008-09 and 2009-10 respectively. Receipts under State Excise grew by ₹ 177 crore over the previous year. Receipts under Stamp and Registration grew by ₹ 42 crore. In comparison with **Himachal Pradesh** (H.P.) the compound annual growth rate of own tax collection was much higher for the period 2001-02 to 2009-10 (**Appendix-1**).

Non-Tax Revenue

Non-tax revenue which had remained more or less stagnant from 2005-08 had shown some appreciation in 2008-09 but again decreased (10 *per cent*) during 2009-10. At ₹ 632 crore, non-tax revenue constituted seven *per cent* of revenue receipts. The major contributors to non tax revenue during 2009-10 include Forest and Wildlife (₹ 236 crore), Power (₹ 56 crore), non ferrous and metallurgical industries (₹ 74 crore) and interest receipts (₹ 54 crore). Average contribution of interest receipts to non-tax revenue was 7.38 *per cent* over the period 2005-06 to 2009-10. As compared to **Himachal Pradesh** the

compound annual growth rate of non tax revenue was much lesser for the period 2001-02 to 2009-10 (**Appendix-1**). The State also got a debt relief of ₹ 3.68 crore from GOI under Debt Consolidation Relief Fund (DCRF) which is treated as non tax receipts of the State Government.

As per the Twelfth Finance Commission Award, Uttarakhand was entitled to get a debt waiver of ₹ 14.40 crore (**Annexure-12.8 of TFC Report**) per year from the year of framing the fiscal reform Legislation (2005). The waiver received so far was:

(₹ in crore)

Sl.No	Year	Waiver
1	2006-07	13.08
2	2007-08	9.40
3	2008-09	13.08
4	2009-10	3.68
Total		39.24

The State could not achieve the fiscal deficit target of 4 per cent (revised) of GSDP as prescribed in the FRBM Act, 2005 for the year 2009-10 which stood at 5.94 per cent. On account of this, the State will stand to lose an amount of ₹ 14.40 crore debt Waiver per year from next year onwards and the total loss already incurred upto the year 2009-10 is ₹ 32.76 crore under the DCRF scheme.

The State's own resources vis-à-vis projections made by the Twelfth Finance Commission (TFC) revealed that Tax Revenue at ₹ 3,559 crore during 2009-10 exceeded the normative assessment of ₹ 2,457 crore made by TFC for the year while Non-Tax Revenue at ₹ 899 crore was lesser by ₹ 267 crore as compared to TFC projections.

The projections made by the State Government in its Fiscal Correction Path (FCP) were achieved in respect of Tax Revenue but was short of the target by ₹ 797 crore under Non-tax Revenue as shown in the **Table 1.4** below:

Table-1.4: Comparison of Projections/Assessments vis-à-vis Actuals

(₹ in crore)

	Assessment made by TFC	Assessment made by State Government in FCP	Actual
	(1)	(2)	(3)
Tax Revenue	2,457	3,529	3,559
Non-Tax Revenue	899	1,429	632

Central Tax Transfers

The receipts in the form of State's share in Union taxes and duties have increased by 3 per cent from ₹ 1,507 crore in 2008-09 to ₹ 1,550 crore in 2009-10. The overall increase in Central transfers (₹ 43 crore) was due to

increase in Corporation Tax (₹ 144 crore), Taxes on income and service (₹ 46 crore) offset by decrease in Custom and Excise (₹ 147 crore).

Grants-in-Aid

The Grants-in-aid from GOI had shown an increase over the period 2005-06 to 2009-10. It increased from ₹ 2,092 crore in 2005-06 to ₹ 3,745 crore in 2009-10. Although it had shown a slight decline in 2007-08, it increased again by ₹ 361 crore (11 *per cent*) during the current year. The increase was mainly on account of additional grants released by GOI under Grants for State Plan Schemes by ₹ 429 crore partly offset by reduction in Non-Plan Grants by ₹ 87 crore.

1.3.2 Loss of Revenue due to Evasion of Taxes, Write off/Waivers and Refunds

The details of cases of evasion of tax detected by the Commercial Tax Department, cases finalized and the demands for additional tax raised in 2009-10, as reported by the Department, showed that the Department had detected 5394 cases during 2009-10. Besides, 457 were pending as on 31 March 2009. It was however, noticed that the Department had raised demand including penalty in 3,543 cases during 2009-10 leaving a balance of 2308 cases of evasion at the end of the financial year 2009-10 on which action is awaited. Action needs to be taken to finalise these cases at the earliest.

1.3.3 Revenue Arrears

Department wise break-up of arrears of revenue is shown in **Table 1.5** below:

Table-1.5: Breakup of arrears of revenue

(₹ in crore)

Name of the Department	Amount in arrears as on 31 March 2010	Amount outstanding for more than 5 years as on 31 March 2010
Commercial Tax VAT	501.43	391.79
Taxes on Vehicles	2.39	1.02
Land Revenue	0.34	0.01
State Excise	0.48	-
Taxes & Duties on electricity	205.13	11.79
Public Works Department	2.16	0.81
Entertainment Tax	0.62	0.45
Stamp duty & Registration Fees	4.53	4.27
Registration Co-operative Societies	8.37	6.39
Taxes on Purchase of Sugarcane	4.59	-
Total	730.04	416.53

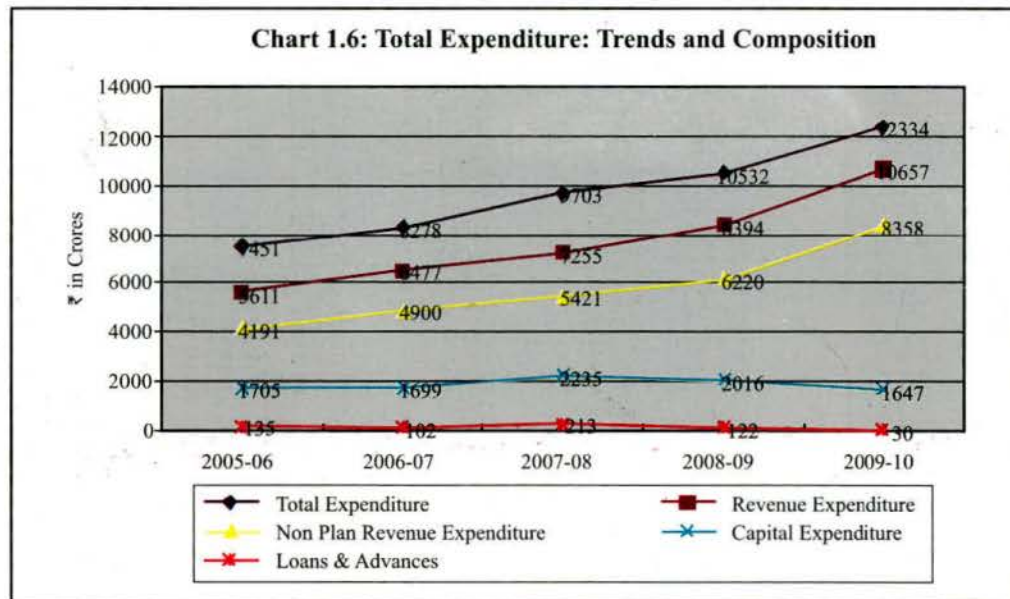
Arrears of revenue (excluding forest revenue) at the end of 2009-10 amounted to ₹ 730.04 crore, of which 57 *per cent* of arrears was more than five years old. Specific action taken to effect recoveries had not been intimated by the State Government.

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 the State Government. 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. An analysis of allocation of expenditure is discussed below:

1.4.1 Growth and Composition of Expenditure

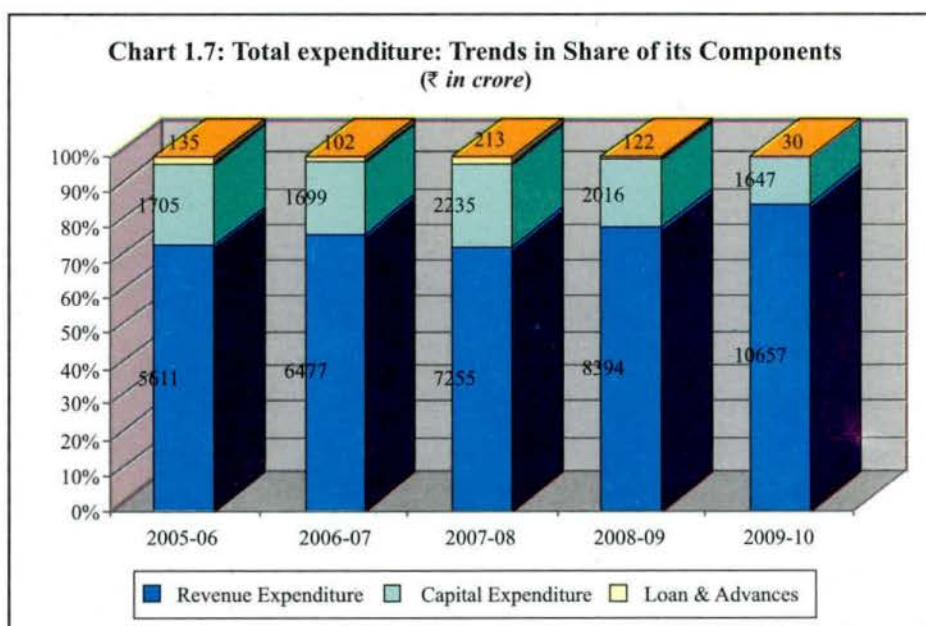
Chart 1.6 presents the trends in total expenditure over a period of five years (2005-06 to 2009-10) and its composition both in terms of 'economic classification' and 'expenditure by activities' are depicted in **Charts 1.7 and 1.8**, respectively.

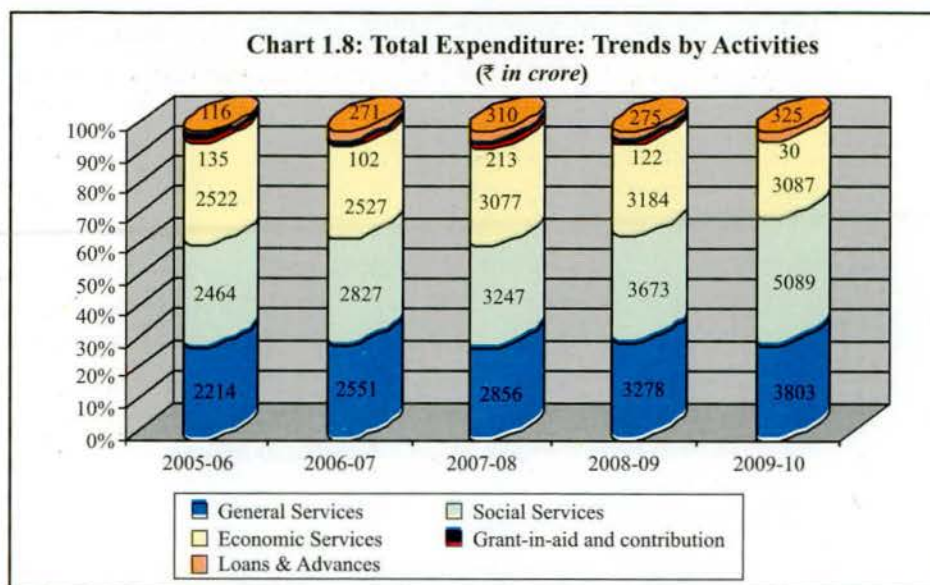


Total expenditure of the State increased at an average rate of 16 per cent per annum during 2005-10. An increase of ₹ 1,802 crore (17 per cent) in total expenditure during 2009-10 over the previous year was mainly due to an increase in revenue expenditure (₹ 2,264 crore) mainly under (i) General Services (₹ 590 crore) (ii) Social Services (₹ 1,588 crore), (iii) Economic Services (₹ 35 crore) and decrease in capital expenditure (₹ 461 crore) mainly under (i) General services (₹ 65 crore), (ii) Social Services (₹ 172 crore), (iii) Economic Services (₹ 132 crore), disbursement of loans and advances (₹ 92 crore) and Grants-in-aid and Contribution (₹ 50 crore).

Capital expenditure as per cent of total expenditure had shown fluctuating trend over the period 2005-06 to 2009-10. It was 22.88 *per cent* in 2005-06 and 13.35 *per cent* in 2009-10. The trend was generally decreasing except in the year 2007-08 registering an increase and recording 23.03 *per cent of total expenditure*. Capital Expenditure decreased 18 *per cent* in 2009-10 over the previous year due to less disbursement under education, rural development and irrigation sectors and was 43 *per cent* lower than what was projected in Mid Term Fiscal Policy Statement (MTFPS).

The share of expenditure on Social Services had increased from 35 *per cent* in 2008-09 to 41 *per cent* in 2009-10. General Services had increased in absolute terms but the share in total expenditure had remained almost stagnant over the period 2005-06 to 2009-10 and in the case of Economic Services, the expenditure showed a fluctuating trend during the period 2005-06 to 2009-10.





The **revenue expenditure** of the State increased by 90 per cent from ₹ 5,611 crore to ₹ 10,657 crore during the period 2005-06 to 2009-10 at an average annual rate of 18 per cent. Non-Plan Revenue Expenditure (NPRE) of the State increased by 99 per cent during the same period. During the current year, the increase in NPRE (₹ 2,138 crore) was mainly due to increase in salaries (₹ 1,385 crore), Pension (₹ 219 crore), Interest Payments, (₹ 150 crore), Grants-in-aid to local bodies (₹ 50 crore), Miscellaneous General Services (₹ 4 crore) offset by less amount transferred to Reserve funds (₹ 5 crore).

The share of **Plan Revenue Expenditure (PRE)** in revenue expenditure of the State exhibited an increasing trend and its growth rate also showed an upward trend during the period 2005-10. The PRE during the current year increased by ₹ 125 crore over the previous year, mainly on account of increase in expenditure under Water Supply and Sanitation (₹ 211.29 crore), Welfare of Scheduled Castes/Tribes & other backward classes (₹ 23.79 crore), Social Welfare & Nutrition (₹ 50.69 crore), Irrigation & Flood control (₹ 9.37 crore) offset by Education and Sports (₹ 34.40 crore), Agriculture (₹ 83.75 crore), Energy (₹ 15.56 crore), Transport (₹ 14.32 crore) and General Economic Service (₹ 26.02 crore).

Further, **Table 1.6** below depicts the details of actual NPRE with reference to projections made by State Government at different stages during the year 2009-10.

Table-1.6 Actual NPRE vis-à-vis projections

Non-Plan Expenditure	Assessment made by TFC	Assessment made by State Government in		
		Fiscal Correction Path (FCP)	MTFPS	Actual
		5682	8874	11224	8358

During the current year the NPRE exceeded the normative assessment made by the TFC by ₹ 2,676 crore (47 per cent) but was lesser than the projections made by State Government in its Fiscal Correction Path (FCP) and Mid Term Fiscal Policy Statement (MTFPS).

Despite incurring expenditure at a higher CAGR of 20.06 per cent on education during the period from 2001-02 to 2009-10, the literacy rate was lesser at 71.60 per cent in Uttarakhand as compared to the expenditure incurred on education (11.33 per cent) by Himachal Pradesh with higher literacy rate (76.50 per cent). So far as medical health is concerned, the revenue expenditure of Uttarakhand was 16.61 per cent which was higher than the expenditure of Himachal Pradesh (11.29 per cent) during the period from 2001-02 to 2009-10 vide CAGR (Appendix-1).

1.4.2 Committed Expenditure

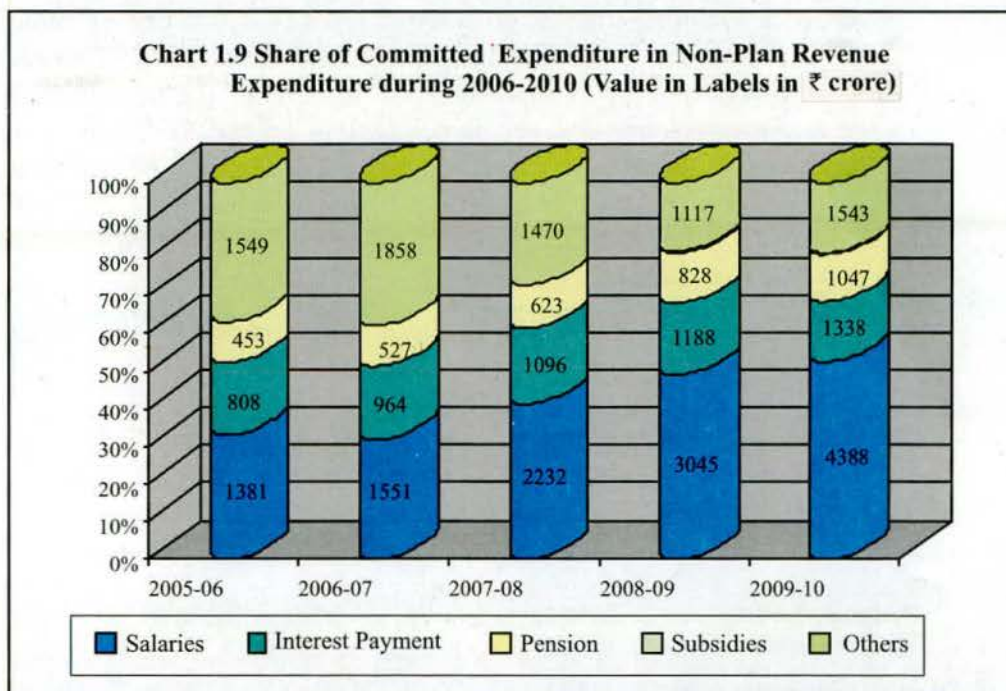
The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. Table 1.7 and Chart 1.9 present the trends in the expenditure on these components during 2005-10.

Table-1.7: Components of Committed Expenditure

Components of Committed Expenditure	2005-06	2006-07	2007-08	2008-09	(₹ in crore)	
					BE	Actuals
Salaries & Wages, of which	1,381	1,551	2,232	3,045 (35)	4,056	4,388(46)
Non-Plan Head	1,278	1,397	2,020	2,728	3,807	4,114
Plan Head*	103	154	212	317	249	274
Interest Payments	808	964	1,096	1,188 (14)	1,511	1,338(14)
Expenditure on Pensions	453	527	623	828 (10)	1,296	1,047(11)
Subsidies	...	...	...	42 (0.50)	42	42(0.44)
Other Components	1,549	1,858	1,470	1,117	1,969	1,543
Total	4,191	4,900	5,421	6,220	8,874	8,358

Figures in the parentheses indicate percentage to Revenue Receipts.

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



An amount of ₹ 2,500 crore was an extra financial burden due to payment of arrears and implementation of revised salary and pension. The expenditure on salaries increased by 44 per cent (₹ 1,343 crore) from ₹ 3,045 crore in 2008-09 to ₹ 4,388 crore in 2009-10, due to implementation of the recommendation of the Sixth Pay Commission. Therefore, the projection made by the State Government in its FCP in respect of salaries was not accurate.

TFC norms prescribed that expenditure under the head salaries should be 35 per cent of revenue expenditure while the actual expenditure on salaries accounted for 53 per cent net of interest payments and pensions in the current year.

The State Government estimated the pension liabilities on the historical growth rate of pension and not on actuarial basis. Expenditure on pension payments was ₹ 1,047 crore in 2009-10, which constituted 11.04 per cent of the revenue receipts. Pension payments during 2009-10 grew by 26 per cent over the previous year, mainly on account of implementation of Sixth Pay Commission report. It was not only higher than the rate of 10 per cent projected by the TFC, but also higher than the assessment set forth by TFC for the current year (*Annexure 6.12 of TFC report*). The State Government also introduced a contributory pension scheme for employees recruited on or after 1 October 2005 to mitigate the impact of rising pension liabilities in future.

As shown in **Table 1.7**, interest payments increased by 66 per cent during 2005-10 primarily due to earlier borrowings. Interest payments during

2009-10 included interest on Internal Debt (₹ 1,040 crore)⁶, other obligations (₹ 75 crore) and Small Savings, Provident Fund etc. (₹ 187 crore). *The ratio of interest payments to revenue receipts determines the sustainability of the debt of a State. As per the recommendations of the TFC, the level of interest payments relative to revenue receipts should fall to 14 per cent by the year 2009-10. Interest payments were not only 14 per cent during 2009-10 but also marginally above the target of 13.80 per cent of revenue receipts set by the State Government in its FCP.*

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

The quantum of assistance provided by way of grants to local bodies and others during the current year relative to the previous years is presented in **Table 1.8.**

Table-1.8: Financial Assistance to Local Bodies etc

(₹ in crore)

Financial Assistance to Institutions	2005-06	2006-07	2007-08	2008-09	2009-10	
					BE	Actual
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	198.31	232.81	301.42	198.99	267.81	267.99
Municipal Corporations and Municipalities	80.55	96.63	110.93	106.20	144.00	122.47
Zila Parishads and Other Panchayati Raj Institutions	36.09	174.65	198.85	168.57	244.76	202.25
Development Agencies	305.04	408.25	514.53	588.44	458.77	571.47
Hospitals and Other Charitable Institutions	26.21	40.69	28.69	38.89	49.88	44.52
Energy (UPC and UPC for Rural Electrification)	60.83	100.61	134.52	69.79	301.97	24.39
Agriculture Research and education institution Land Reforms for updating land records and Wild life Preservation	103.96	146.39	153.67	217.73	97.07	98.62
General Labour Welfare	18.28	20.04	16.31	0.10	—	—
Co-operatives	7.64	14.24	17.16	3.49	10.92	13.22
Animal Husbandry, Dairy Development and Fisheries	8.55	10.74	14.53	31.51	14.79	14.79
Secretariat Economics Services & Tourism	43.38	64.39	59.21	27.51	11.39	11.43
Social Security & Welfare of Scheduled Cast, Scheduled Tribe & Other Backward	8.42	84.94	108.73	122.77	174.41	133.65

⁶ Comprising mainly Market Loans (₹ 459 crore) and Special Securities (₹ 484 crore) issued to the National Small Savings Fund (NSS) by the State Government.

Classes						
Government Companies/Statutory Co-operation	-	-	-	-	12.32	13.41
Other Institutions	33.71	18.13	23.03	85.36	448.85	357.83
Total	1,005.97	1,412.51	1,681.58	1,659.35	2,236.94	1,876.04
Assistance as per percentage of RE	17.93	21.82	23.18	19.77	20.04	17.60

The total assistance to local bodies and other institutions in 2009-10 had grown by 87 per cent over that of 2005-06. Universities and Educational institutions, Development agencies together accounted for 45 per cent of the total financial assistance. The increase during the year was mainly under Other Institutions (₹ 272.47 crore) and Educational Institutions (₹ 69 crore) which was mainly counter balanced by decrease in assistance to Agriculture (₹ 119.11 crore), Energy (₹ 45.40 crore) and Development Agencies (₹ 16.97 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 1.9 analyses the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year, which was the terminal year of the TFC and 2005-06 which was the first year of the award period.

Table-1.9: Fiscal Priority of the State during 2005-06 and 2009-10

Fiscal Priority by the State	AE/GSDP	DE#/AE	SSE/AE	CE/AE
Uttarakhand's Average (Ratio) 2005-06	28.46	68.49	33.07	22.88
Uttarakhand Average (Ratio) 2009-10	26.31	66.52	41.26	13.35

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure
 # Development expenditure includes Development Revenue Expenditure, Development Capital expenditure and Loans and Advances disbursed.
 Source: (1) For GSDP, the information was collected from the State's Directorate of Economics and Statistics (Appendix-1.2 Part A).

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

- The Government has spent less aggregate expenditure as a proportion of GSDP in 2009-10 as compared to 2005-06.
- Development Expenditure (DE) as a proportion of AE decreased by almost two percent. The decrease in expenditure was mainly on Economic Services, since the proportion of SSE actually increased by eight *per cent*.
- The proportion of Capital Expenditure (CE) in Aggregate Expenditure (AE) decreased by almost ten *per cent*. It was observed that the proportion of CE⁷ in AE of **Himachal Pradesh** increased during this period. Hence adequate priority is not being given to Capital Expenditure.

1.5.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods⁸. Apart from improving the allocation towards development expenditure⁹, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.10** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and also of the previous years, **Table 1.11** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

⁷ Himachal Pradesh; CE as a *per cent* of AE in 2005-06; 11.25 and 14.76 in 2009-10.

⁸ *Core public goods* are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

⁹ The analysis of expenditure data is disaggregated into development and non development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

Table-1.10: Development Expenditure

(*₹ in crore*)

Components of Development Expenditure	2005-06	2006-07	2007-08	2008-09	2009-10	
					BE	Actuals
Development Expenditure (a to c)	5,103(68)	5,441(66)	6,521(67)	6,973(66)	8,709	8,205 (66)
a. Development Revenue Expenditure	3,468(47)	3,828(46)	4,290 (44)	5,015 (48)	6,646	6,638 (54)
b. Development Capital Expenditure	1,518(20)	1,526 (18)	2,034 (21)	1,842 (17)	1,755	1,538 (12)
c. Development Loans and Advances	117(1)	87(1)	197 (2)	116 (1)	308	29(0.23)

Figures in parentheses indicate percentage to aggregate expenditure

The share of developmental revenue expenditure in the total expenditure showed an inter-year variation during the period 2005-10 at an average rate of 48 *per cent*. The share of developmental capital expenditure also showed inter-year variations and dipped by five *per cent* during the year 2009-10 as compared to 2008-09. However, the overall development expenditure increased by 61 *per cent* over the period 2005-06 to 2009-10.

Table-1.11: Efficiency of Expenditure Use in Selected Social and Economic Services

(*In per cent*)

Social/Economic Infrastructure	2008-09			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	1.44	15.87	0.01	0.43	20.97	.005
Health and Family Welfare	0.74	3.20	0.03	0.34	3.43	.021
WS, Sanitation, & HUD	0.20	0.03	0.01	0.04	0.064	.012
Total (SS)	2.66	20.38	0.07	.88	25.57	0.0005
Economic Services (ES)						
Agriculture & Allied Activities	0.55	3.20	0.24	0.59	3.40	0.15
Irrigation and Flood Control	4.79	1.55	0.36	2.16	1.53	0.29
Power & Energy	1.57	-	-	5.36	-	-
Transport	7.11	0.08	0.97	6.57	0.09	0.76
Total (ES)	14.82	6.58	1.56	11.58	6.52	0.30
Total (SS+ES)	17.48	26.96	1.63	12.46	32.09	0.30

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance.

Though no specific norms regarding prioritization of capital expenditure have been laid in FRBM Act, the Government had made a budget provision of ₹ 1,957 crore under the Capital Head during 2009-10. This shows the Government's commitment to provide the basic infrastructure in the State. Capital expenditure in Social and Economic sectors taken together decreased by five *per cent* from 17.48 *per cent* in 2008-09 to 12.46 *per cent* in 2009-10.

During 2009-10, salaries and wages as a percentage of revenue expenditure on Social Services increased by 5.19 *per cent* and Economic Services decreased by 0.06 *per cent* respectively. The expenditure under Operation and Maintenance as a percentage of revenue expenditure, remained almost stagnant in Social services but reduced in Economic Services.

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

Results of performance reviews indicating the outlay-outcome relationship are *inter-alia* included in State Civil and Commercial Audit Report. The effectiveness of expenditure as brought out in two departments *viz*, (i) **Industrial Development Department**; and (ii) **Department of Disaster Management** taken up in 2009-10 covering the period 2005-10 is summarized below:

(i) Industrial Development Department

The Industrial Development Department (IDD) of the Government is responsible for overall sustainable growth of the State industrial sector and implementation of laid-down Industrial Policies as well as various departmental schemes. A department centric performance audit of the IDD revealed that the number of industries, investment and employment in the State had grown significantly with an average of 26.22 *per cent*, 46.13 *per cent* and 24.36 *per cent* respectively over the period 2001-02 to 2009-10, but there were a number of deficiencies noticed in infrastructural development, management of industrial estates and operational activities of the Department.

Although IDD succeeded in attracting huge investment and large number of industries in the State as well as providing infrastructural facilities to entrepreneurs, but these industrial developments were confined only to three districts of plain area and remaining parts of the State remained deprived despite specific policy of the Government. Inadequate financial management of different wings of the IDD resulted in long pending recoveries of loans, unauthorized retention/blockage of funds and improper management of Government revenues. The implementation of various departmental schemes

was not in consonance with their guidelines as there were instances of irregular disbursement of subsidies and non-recovery of scheme funds from the defaulters. Poor management of contracts in State Industrial Development Corporation Uttarakhand Ltd., inaccurate maintenance of cash accounts in Uttarakhand Khadi Evam Gramodyog Board, inadequate management of leases/revenue in Mining Unit and sanctioning of scheme funds to ineligible entrepreneurs were the areas of concern and requires immediate attention by the Government.

(ii) Disaster Management

A scheme, 'Calamity Relief Fund (CRF)', was conceived on the recommendations of the Ninth Finance Commission (January 1991) to build a safe and disaster resilient India by developing a holistic, proactive, multi-disaster oriented and technology driven strategy through a culture of prevention, mitigation, preparedness and response. The State received ₹ 499.43 crore (Central share: ₹ 376.34 crore and State share: ₹ 123.09 crore) in the CRF, against which ₹ 472.21 crore was spent during the period 2005-10. Performance audit of Disaster Management revealed State Government's lackadaisical approach towards implementation of important aspects of disaster prevention, mitigation and preparedness. The State Government has yet to frame the guidelines, policies and rules as envisaged in the Disaster Management Act, 2005. Further, the State Disaster Management Authority was virtually non-functional since its inception in October 2007. The State Government also failed to ensure incorporation of disaster prevention into the development process as envisaged in the act.

1.6 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 Financial Results of Irrigation Works

The financial results of ten major irrigation projects with a capital outlay of ₹ 789.72 crore at the end of March 2010 as per the **Appendix-IX** of the Finance Accounts showed that revenue realized from these projects during 2009-10 (₹ 5.18 crore) was very low (0.66 *per cent*) compared to the capital outlay. It was barely sufficient to cover even the direct working expenses (₹ 36.83 crore) during 2009-10 and the Government had to bear the remaining expenses of ₹ 31.65 crore through budgetary support this year.

1.6.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2010 is given in **Table 1.12**.

Table-1.12: Department-wise Profile of Incomplete Projects

(₹ in crore)

Department	No. of incomplete projects	Initial Budgeted cost	*Revised Total cost of Projects	Cost Over Runs in Revised Estimates	Cum. actual exp as on 31.3.2010
Public Works Department	96	4,680	4,690.50	0.65	1,130.69
Irrigation	44	2,512	—	—	950.55
Total	140	7,192	4,690.50	0.65	2,081.24

** Indicates the Revised total cost of the projects as per the last revision by the State Government as on 31.03.2010*

Information provided by the State Government showed that there were 140 projects which were due for completion as on 31 March 2010, but remained incomplete. Out of a total of 140 projects, there was delay of upto 1 year in 34 projects, delays ranging from one to three years in 26 projects and delay of over three years in four projects. The delays in respect of 76 projects could not be furnished to audit. These incomplete projects included two projects (PWD) with initial budgeted cost of ₹ 9.85 crore but their estimates were revised to ₹ 10.50 crore. There was a time over run ranging from one month to two years in these two incomplete works. Though there was a time over run ranging from two months to four years nine months in 64 projects for which information was furnished, the cost overrun which was imminent in these projects were not furnished to audit and therefore could not be ascertained in audit.

1.6.3 Investment and returns

As on 31 March 2010, the average return on Uttarakhand Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.13**) was 0.03 *per cent* in the last three years while the Government paid an average interest rate of 7.79 *per cent* on its borrowings during 2007-08 to 2009-10.

Table-1.13: Return on Investment

Investment/Return/Cost of Borrowings	2005-06	2006-07	2007-08	2008-09	2009-10	
					BE	Actual
Investment at the end of the year (₹ in crore)	669	762	1,005	1,071	540	1,240
Return (₹ in crore)	0.07	0.16	0.53	0.23		0.07
Return (per cent)	0.01	0.02	0.05	0.02		0.01
Average rate of interest on Government borrowing (per cent)	7.47	7.79	7.99	7.75		7.64
Difference between interest rate and return (per cent)	7.46	7.77	7.94	7.73		7.64

In this context, no norms on investment and returns have been prescribed by the State Government. Thus, there is a need to formulate norms and identify the projects with low financial but high socio-economic returns.

In the light of Uttarakhand Government investment, out of 12 Government Companies/ Corporations, two companies i.e., Uttaranchal Hydro Electric Corporation and Power Corporation Fund had received major share of investment till the end of 31 March 2010 totaling to ₹ 540 crore and ₹ 616 crore respectively. The accumulated loss of the Govt. Companies amounting to ₹ 627 crore was mainly incurred by three Companies viz. Uttarakhand Power Corporation Limited (₹ 407 crore), Doiwala Sugar Company Limited (₹ 73 crore) and Kichcha Sugar Company Limited (₹ 50 crore). State Industrial Development Corporation of Uttaranchal Limited and Uttarakhand Jal Vidyut Nigam Limited, however, were the two major contributors to the accumulated profit of ₹ 209 crore.

1.6.4 Departmental Commercial Undertakings

Activities of quasi-commercial nature are also performed by the departmental undertakings of certain Government departments. The department-wise position of the investment made by the Government up to the year for which proforma accounts are finalized, net profit/loss as well as return on capital invested in these undertakings are given in **Appendix-1.6**. It was observed from the finalized accounts of three companies that:

- An amount of ₹ 1.84 crore had been invested by the State Government in Government Irrigation Workshop, Roorkee till the end of financial year up to which their accounts were finalized (i.e. 2008-09).
- Out of a total of, three undertakings viz. Irrigation Workshop, Roorkee; RFC, Haldwani and RFC Dehradun, only Irrigation Workshop had finalised their accounts up to 2008-09. It was a profit earning entity up to 2007-08 but posted a net loss of ₹ 0.85 crore during the year. The remaining two Undertakings had finalized their

accounts only up to 2002-03 and therefore, their working results could not be ascertained in audit.

- The accumulated losses of the three departmental undertakings stood at ₹ 46 crore.

1.6.5 Loans and Advances by State Government

In addition to investments in co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organizations. **Table 1.14** presents the outstanding loans and advances as on 31 March 2010, interest receipts *vis-à-vis* interest payments during the last three years.

Table-1.14: 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	
			BE	Actual
Opening Balance	565.68	709.79		777.87
Amount advanced during the year	212.54	121.71	309.19	30.06
Amount repaid during the year	68.43	53.63	407.14	64.83
Closing Balance	709.79	777.87		743.10
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	Information not made available by the State Government			
Net addition	144.11	68.08		(-) 34.78
Interest Receipts	1.01	0.83		0.82
Interest receipts as <i>per cent</i> to outstanding Loans and advances	0.14	0.11		0.11
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	7.61	7.30		7.14
Difference between interest payments and interest receipts (<i>per cent</i>)	7.47	7.19		7.03

During 2009-10 Government advanced loans to the tune of ₹ 30 crore against ₹ 122 crore in 2008-09, a reduction of ₹ 92 crore over the previous year.

Interest receipts as a percentage of outstanding loans and advances have shown almost constant trend over the years 2007-10. Average rate of interest on which the State Government raised market loans was 7.64 *per cent* during 2009-10 while the interest received on Loans and Advances given by the State was 0.11 *per cent*. *TFC recommended that at least seven per cent return on outstanding loans and advances should be achieved in graded manner by the terminal year of the forecast period, a target that the State did not achieve.* The total loans advanced by the Government as on 31 March 2010 stood at ₹ 743 crore. The major beneficiaries were energy (₹ 389 crore) and agriculture (₹ 281 crore) sectors. Uttarakhand Power Corporation and Uttarakhand Power Corporation for Rural Electrification together accounted for ₹ 341 crore under energy sector. The Uttarakhand cooperative Sugar Mills was paid ₹ 239 crore for payment of price for sugarcane under agriculture sector.

The Recovery of Loans and Advances was not up to the mark; the recoveries other than from Government Companies and Government servants were nil. The total amount advanced was ₹ 743 crore as on 31 March 2010.

1.6.6 Cash Balances and Investment of Cash balances

Table 1.15 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table-1.15: Cash Balances and Investments out of Cash balances

Particulars	As on 1 April 2009	As on 31 March 2010	Increase/ Decrease
Cash Balances			
Investments from Cash Balances (a to d)			
a. GOI Treasury Bills	...	...	...
b. GOI Securities	730.03	778.65	(+) 49
c. Other Securities, if any specify	...	...	...
d. Other Investments	...	...	...
Funds-wise Break-up of Investment from Earmarked balances (a to c)			
a. ----	----	---	----
b. i. Sinking Fund Investment Account	705.03	753.65	(+) 48.61
ii. Guarantee Redemption Fund	25.00	25.00	-
c. ----	----	----	----
Interest Realized	16.08	9.44	(-) 6.64

The State Government had invested ₹ 778.65 crore in GOI Securities and earned an interest of ₹ 9.44 crore during 2009-10. The interest realized on cash balance was 1.21 *per cent* during 2009-10 while Government paid interest at the average rate of 7.64 *per cent* on its borrowings during the year. The State was able to maintain a minimum balance of ₹ 0.16 crore for maximum number of days during 2009-10 barring nine days on which the Government had to resort to overdraft facility. However, temporary balances in cash flow forced the Government to obtain Ways and Means Advances (WMA) on 107 occasions during the year. The State had to pay ₹ 1.70 crore as interest on WMA during the year.

1.7 Assets and Liabilities

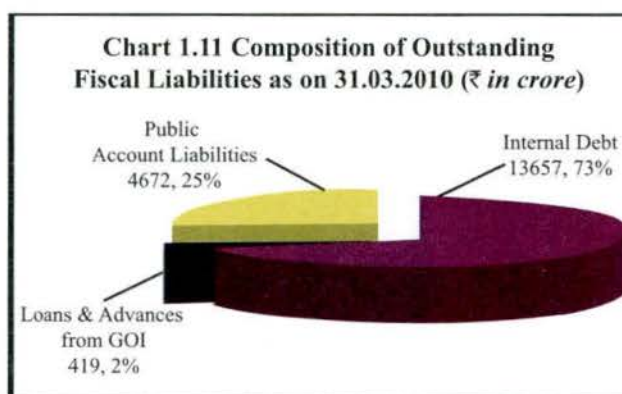
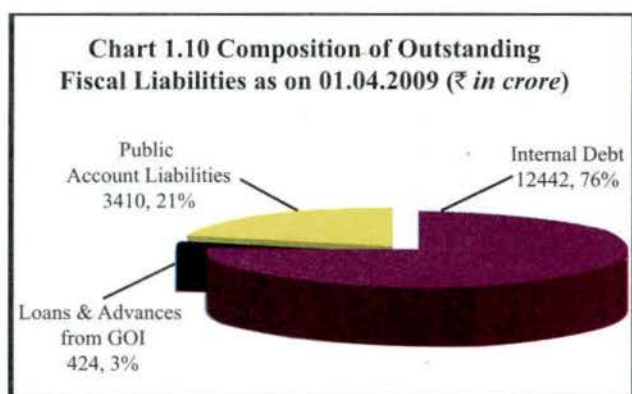
1.7.1 Growth and composition of Assets and Liabilities

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 as 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 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 & Appendix-1.4**. However, the composition of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Charts 1.10 and 1.11**.



The debt-GSDP ratio which declined to 40 *per cent* in 2009-10 from 40.52 *per cent* in 2008-09 has shown marginal appreciation. The overall fiscal liabilities increased by 60 *per cent* from ₹ 11,714 crore in 2005-06 (**Appendix-1.3**) to ₹ 18,748 crore in 2009-10. The State liabilities which stood at ₹ 18,748 crore in 2009-10 was mainly composed of Public debt (₹ 14,076 crore), Small savings and Provident Fund etc. (₹ 2,953 crore), and other obligations (₹ 1,794 crore). The increase in the fiscal liabilities during the current year as compared to the previous year 2008-09 was mainly on account of internal debt and Small Savings Provident Fund etc. which rose by ₹ 1,215 crore and ₹ 1,066 crore respectively. The growth of fiscal liabilities is being tightened over the years; it was 15 *per cent* in 2009-10 over the previous year. The buoyancy of these liabilities with respect to GSDP during the year was 1.61 indicating that for each percentage point increase in GSDP; fiscal liabilities grew by 1.61 *per cent*. These liabilities stood at 2 times State's revenue receipts and 4 times of its own resources. The sinking fund is in operation since the inception of the State for amortization of open market loans and the State has to contribute @ three *per cent* of outstanding balance of market loans of the previous year. However, the State Government provided only ₹ 50 crore during the year as against ₹ 177 crore due for the purpose.

1.7.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

No law under Article 293 of the Constitution had been passed by the State Legislature fixing the maximum limit within which, the Government could give guarantees on the security of the Consolidated Fund of the State. The FRBM Act, 2005 prescribed that the State Government shall not give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government existing at the time of the coming into force of this Act or any rule or to be made by the State Government subsequent to coming into force of this Act. However, State Government has not enacted any law to cap the guarantees.

As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table 1.16**.

Table-1.16: Guarantees given by the Government of Uttarakhand

Guarantees	2007-08	2008-09	2009-10	
			BE	Actual
Maximum amount guaranteed	-	125	.....	125
Outstanding amount of guarantees	1,677	1,802	.....	1,511
Percentage of maximum amount guaranteed to total revenue receipts	21.25	20.87		15.93
Criteria as per FRBM Act/any other Act or Order of the State	No rules in pursuance to FRBM Act, 2005 have been framed by the GOU			

The quantum of actual government guarantees at ₹ 1,511 crore was less than the amount of ₹ 1,802 crore as set in the MTFP of the State Government for the year 2009-10. Outstanding guarantees are in the nature of contingent liabilities, which stood at 16 per cent of revenue receipts (2009-10) of the State. The major beneficiaries of guarantees were Energy Department (₹ 1,309 crore), Uttarakhand State Cooperative Bank Limited (₹ 125 crore), Urban Development Department (₹ 16 crore) and Social Welfare Department (₹ five crore).

1.8 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability¹⁰ of the State.

¹⁰ 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.

This section assesses the sustainability of debt of the State Government in terms of debt stabilization¹¹; sufficiency of non-debt receipts¹²; net availability of borrowed funds;¹³ burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.17** analyzes the debt sustainability of the State according to these indicators for the period of three years beginning from 2007-08.

Table-1.17: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2007-08	2008-9	2009-10
Debt Stabilization (Quantum Spread + Primary Deficit)	(+) 347	(+) 172	(-) 1,113
Sufficiency of Non-debt Receipts (Resource Gap)	(-) 859	(-) 99	(-)940
Net Availability of Borrowed Funds	212	164	261
Burden of Interest Payments (IP/RR Ratio)	13.89	13.76	14.10
Maturity Profile of State debt (in Years)			
0-1	459	636	706
1-3	1,201	2,132	2,889
3-5	2,358	1,739	2,197
5-7	2,134	2,158	1,842
7 and above	4,775	5,319	5,489

Source: Finance Accounts

The trends in **Table 1.17** indicate that during 2007-08 to 2008-09 the quantum spread together with primary deficit remained positive but this turned negative in the current year. However, the debt-GSDP ratio which declined to 40 per cent in 2009-10 from 40.52 per cent in 2008-09 has shown marginal

¹¹ 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.

¹² 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.

¹³ 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.

appreciation but continues to be higher than Thirteenth Finance Commission (ThFC) recommendation of 30 per cent.

Another indicator for debt stability and its sustainability is the 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. A positive resource gap strengthens the capacity of State to sustain the debt. **Table 1.17** indicates resource gap as defined for the period 2007-10.

The State experienced a negative resource gap in 2007-08 and it continued to be so till 2009-10. These trends indicate that State needs to make sustainable efforts to mobilize more resources to meet the incremental liabilities arising on account of additional primary expenditure and interest payments during the year.

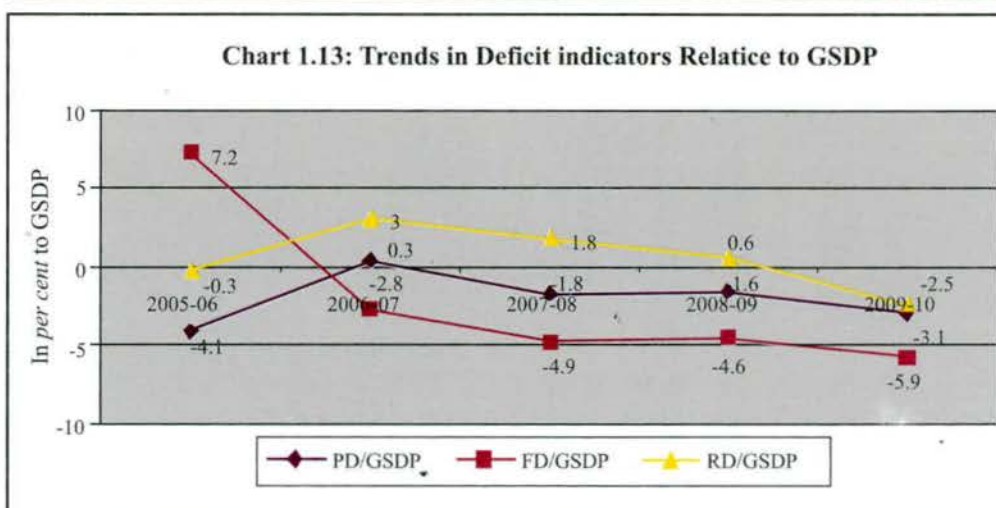
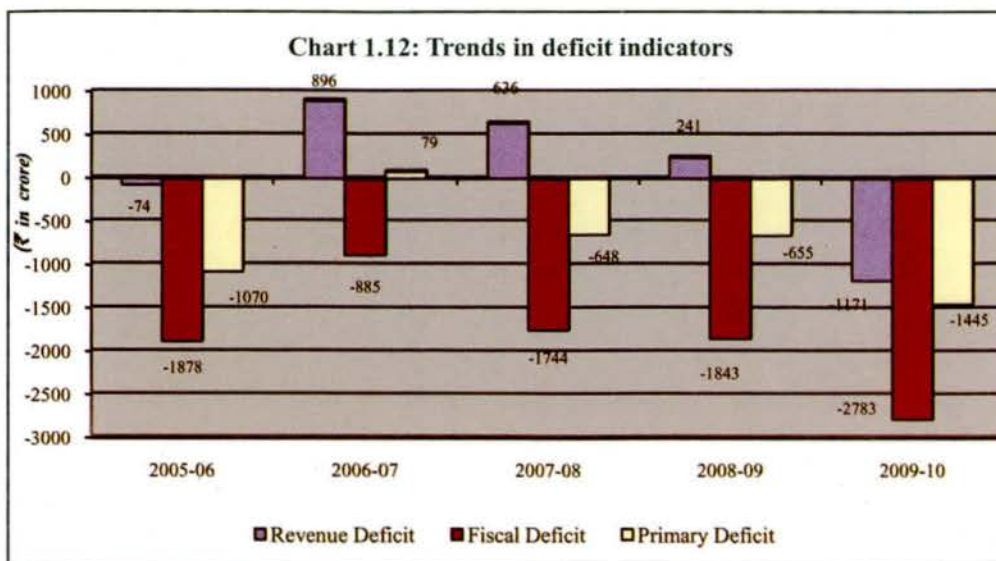
Debt redemption ratio steadily increased during the period 2005-10 indicating the fact that the borrowed funds are being increasingly used for the repayments towards the discharge of past debt obligations during the period (**Appendix-1.3**). During the current year, internal debt redemption was 93 per cent of fresh debt receipts, redemption of GOI loans was 228.61 per cent while in case of other obligations repayments were 66.95 per cent of fresh receipts. These trends indicate towards the fact that the focus of the Government seems to be on discharging the past debt obligations.

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

Chart 1.12 and **1.13** present the trends in deficit indicators over the period 2005-06 to 2009-10.



Uttarakhand experienced a revenue surplus from 2006-07 to 2008-09. The current year showed a considerable revenue deficit. The fiscal deficit has been on the higher side during 2009-10 and was (5.94 per cent of GSDP) above the four per cent as had been set forth in FRBM, Act 2005. The primary deficit which had remained under some control upto 2008-09 has taken a quantum jump and is presently at ₹ 1,445 crore. Although the Government had been curtailing the capital expenditure over the years, they had not been able to control the revenue deficit which had to become zero by the end of the 2009-10 but is still hovering around six per cent of the GSDP. Therefore, in order to keep the fiscal deficit under control, the Government needs to improve its revenue collection as arrears of revenue at the end of 2009-10 amounted to ₹ 730.04 crore of which ₹ 417 crore were more than five years old.

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 1.18**.

Table-1.18: 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/Surplus(+)	74	(+) 896	(+) 636	(+) 241	1,171
2	Capital Expenditure	1,705	1,699	2,235	2,016	1,647
3	Net Loans and Advances	99	82	145	68	35
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	404	319	733	884	460
2	Loans from GOI	(-) 23	(-) 9	(-) 16	(-) 19	(-) 5
3	Special Securities Issued to NSSF	1,018	580	195	120	672
4	Loans from Financial Institutions	111	101	213	204	70
5	Small Savings, PF etc	100	88	155	531	1,066
6	Deposits and Advances	196	175	142	61	229
7	Suspense and Misc	558	(-) 491	138	(-) 331	722
8	Remittances	(-) 217	35	85	(-) 238	(-) 129
9	Others	(-) 269	87	99	631	(-) 302
10	Overall Surplus/Deficit	1,878	885	1,744	1,843	2,783

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

The revenue deficit, which turned surplus in 2006-07, did not keep increasing but showed a declining trend and ultimately turned into revenue deficit in 2009-10 due to quantum jump in revenue expenditure and further escalated the fiscal deficit. The fiscal deficit was largely managed by internal debt, market borrowings and loans from financial institutions which constituted 43 per cent of the fiscal deficit during the year. Although, there was a decrease (18 per cent) in capital expenditure during the year, the fiscal deficit could not be contained.

1.9.3 Quality of Deficit/Surplus

The ratio of RD to FD and the 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 1.19**) 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-1.19: 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 deficit (-)/surplus (+)	Primary deficit (-)/surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2005-06	5,573	4,803	1,705	135	6,643	(+) 770	(-) 1,070
2006-07	7,393	5,513	1,699	102	7,314	(+) 1,880	(+) 79
2007-08	7,959	6,159	2,235	213	8,607	(+) 1,800	(-) 648
2008-09	8,689	7,206	2,016	122	9,344	(+) 1,483	(-) 655
2009-10	9,551	9,319	1,647	30	10,996	(+)232	(-) 1,445

* Receipts other than Public Debt receipts i.e. such receipts which are not to be paid back

- Non debt receipts increased by 71.38 per cent from 2005-06 to 2009-10 and were sufficient to meet the primary revenue expenditure. However the gap reduced considerably in the current year.
- Total primary expenditure increased by ₹ 4353 crore during 2009-10 as compared to 2005-06 which was due to increase of primary revenue expenditure to the extent of ₹ 4516 crore during the same period.
- The primary revenue surplus in 2009-10 had declined by 84.36 per cent from the previous year only because the capital expenditure had also decreased indicating that the Government's commitment towards infrastructure development and creation of productive assets would consequently receive a set-back.

1.10 Conclusion and Recommendations

Revenue Receipts

Revenue receipts grew by ₹ 851 crore (9.86 per cent) during the year 2009-10. The increase was mainly due to the increase in State's own tax revenue (₹ 514 crore); State's share of Union taxes and duties (₹ 43 crore) and in Grants-in-aid (₹ 361 crore) but Non Tax revenue receipts were lesser than the previous year.

The Government needs to improve its revenue collection as arrears of revenue (excluding forest revenue) at the end of 2009-10 amounted to ₹ 730 crore, of which ₹ 417 crore (57.12 per cent) were more than five years old. The Government should explore ways of increasing non-tax revenue.

Revenue Expenditure

The expenditure pattern of the State reveals that the revenue expenditure as a percentage of total expenditure increased during the current year and remained around 86 per cent leaving inadequate resources for creation of assets. The non-plan revenue expenditure (NPRE) increased by 34 per cent over the previous year.

The expenditure on salaries accounted for 53 *per cent* and continued to consume a major share of NPRES during 2009-10. Expenditure on pension in 2009-10 constituted over 11 *per cent* of the revenue receipts and grew by 26 *per cent* over the previous year. It was higher than the rate of 10 *per cent* projected by the TFC for the current year (**Annexure 6.12 of TFC report**).

The State should adopt measures to restrict the components of non-plan revenue expenditure and resort to need based borrowing to cut down interest and mechanism pertaining to pension liabilities should be formulated in such a manner so that total salary bill relative to revenue expenditure net of interest payment and pensions do not exceed 35 per cent as recommended by 12th Finance Commission.

Capital Expenditure

The capital expenditure of the State decreased by ₹ 369 crore during 2009-10 as compared to the previous year mainly due to decrease of ₹ 172 crore under social sector and ₹ 132 crore in the economic sector. The percentage of social sector capital expenditure was only seven *per cent* of the total capital expenditure. Evidently, less priority was given to social services and may have an adverse impact on the social health of the State, if left un-attended.

Development expenditure as proportion of Aggregate expenditure decreased by almost two *per cent* in 2009-10 as compared to 2005-06. Huge unspent balances remaining unutilized under Capital Head during the year was indicative of the fact that the expenditure could not be incurred as estimated and planned on development of infrastructure by the State Government during the year.

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 utilized so that value for money is channelised in its entirety to the intended beneficiaries.

Investment and Returns

The average return on Uttarakhand Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was almost negligible in the past three years while the Government paid an average interest of 7.64 *per cent* on its borrowings. In this context, no norms have been prescribed by the State Government on investment and returns.

It would be advisable for the State Government to ensure better value for money in investments, otherwise high cost borrowed funds will continue to be invested in projects either with nil or low financial return. Projects which are justified on account of low financial but high socio-economic return may be identified and prioritized with full justification mentioning the fact as to why high cost borrowings should be channelised there.

Return to fiscal correction

The State experienced revenue deficit of ₹ 1,171 crore during the current year which was marginally above the target set forth by the State Government in its

MTFPS. This was mainly due to increase in revenue expenditure. The State could not achieve the fiscal deficit target of 4 per cent (revised) of GSDP as prescribed in the FRBM Act, 2005 (**Appendix-1.2 Part B**) for the year 2009-10 which stood at 5.94 per cent. On account of this, the State will lose debt waiver for 2009-10 under DCRF scheme.

There is reasonable prospect of returning back to a fiscal correction path if efforts are made to increase tax compliance, collection of revenue arrears and prune unproductive expenditure so that deficits may be reduced. Borrowings should be resorted to only to fund assets creation.

Prudent cash management

Cash balance of the State at the end of 2009-10 increased by ₹ 295.95 crore and the interest received on investment of cash balances in RBI, Investment in Treasury Bills and Auction Treasury Bills was only 1.21 per cent while the Government borrowed on an average interest rate of 7.64 per cent. The State had to resort to over draft facility on nine occasions during the year.

Proper debt management through advance planning could reduce the need for the State government to hold large cash surplus. Ways and Means facility of RBI can be judiciously resorted to as long as the State does not avail of overdraft facility.

Debt sustainability

The Government of Uttarakhand should ideally keep the debt-GSDP ratio stable by adhering to the FRBM principle. The debt-GSDP ratio which declined to 40 per cent in 2009-10 from 40.52 per cent in 2008-09 had shown marginal improvement but the State experienced a negative resource gap in the current year indicating the non sustainability of debt.

Efforts should be made to return to the state of primary surplus. Maintaining a calendar of borrowings to avoid bunching towards the end of the financial year and a clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.

Oversight of funds transferred directly from the GOI to the State Implementing Agencies

During the year 2009-10, a huge amount of ₹ 1,098.50 crore was directly transferred to State Implementing Agencies. These funds were however, not routed through the State budget/State treasury system. As long as these funds remain outside the State budget, there is no single agency monitoring its use 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 but are funded directly by the GOI.

A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General (Accounts and Entitlement).

CHAPTER-II

**FINANCIAL MANAGEMENT AND BUDGETARY
CONTROL**

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 Acts. 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 provisions 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 summarized position of actual expenditure during 2009-2010 against 31 grants/appropriations is given in **Table 2.1**:

Table-2.1: Summarized 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	9,586.78	903.85	10,490.63	9,256.30	(-)1,234.33
	II Capital	1,956.57	909.60	2,866.17	3,196.10	(+)329.93
	III Loans and Advances	307.77	1.42	309.19	30.06	(-)279.13
Total Voted		11,851.12	1,814.87	13,665.99	12,482.46	(-)1,183.53
Charged	IV Revenue	1,574.32	0.80	1,575.12	1,413.95	(-)161.17
	V Capital	0.35	-	0.35	0.35	
	VI Public Debt-Repayment	1,311.58	-	1,311.58	1,372.68	(+)61.10
Total Charged		2,886.25	0.80	2,887.05	2,786.98	(-)100.07
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		14,737.37	1,815.67	16,553.04	15,269.44	(-)1,283.60

The overall saving of ₹ 1,283.60 crore was the result of saving of ₹ 2,291.09 crore in grants and appropriations under Revenue Section (36 cases), and Capital Section (22 cases), offset by excess of ₹ 1,007.49 crore in six grants/appropriations under Capital section and one grant under revenue section.

Departments against which significant savings were noticed during the year were Finance (₹ 615.26 crore), Energy (₹ 377.88 crore), Welfare of Scheduled Castes (₹ 204.25 crore), Education, Sports, Youth Welfare and Culture (₹ 202.63 crore), Irrigation and flood (₹ 172.48 crore) Medical Health and Family Welfare (₹ 110.78 crore). The savings/excess (Detailed Appropriation Accounts) were intimated (13 May 2010) to the Controlling Officers requesting them to explain the significant variations. Their replies were awaited as of November 2010.

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 44 cases, savings exceeded ₹ one crore in each case, out of which by more than 20 per cent of total provision in 23 cases (Appendix-2.1). Against the total savings of ₹ 2,291.09 crore, savings of ₹ 1,863.01 crore (81.32 per cent)¹ occurred in 12 cases relating to 9 grants and one appropriation as indicated in Table 2.2.

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

(₹ in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
Revenue-Voted						
1	06-Revenue & General Administration	349.26	37.04	386.30	329.56	56.74
2	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	1,964.98	2.16	1,967.14	1,548.17	418.97
3	11-Education, Sports, Youth Welfare & Culture	2,863.80	235.02	3,098.82	2,903.98	194.84
4	12-Medical, Health & Family Welfare	521.44	39.98	561.42	469.54	91.88
5	15-Welfare	308.62	33.00	341.62	261.19	80.43
6	19-Rural Development	342.05	27.63	369.68	299.47	70.21
7	30-Welfare of Scheduled Castes	381.79	29.67	411.46	330.35	81.11

¹ Exceeding ₹ 50 crore in each case.

Capital-Voted						
1	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	149.35	1.15	150.50	99.27	51.23
2	20-Irrigation & Flood	474.46	46.67	521.13	349.61	171.52
3	21-Energy	484.61	572.00	1,056.61	678.73	377.88
4	30-Welfare of Scheduled Castes	203.53	22.22	225.75	102.61	123.14
Revenue-Charged						
	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	1,534.91	-	1,534.91	1,389.85	145.06
Total		9,578.80	1,046.54	10,625.34	8,762.33	1,863.01

The reasons for savings were awaited as of November 2010.

2.3.2 Persistent Savings

In 19 cases, during the last five years there were persistent savings of more than ₹ one crore in each case (Table 2.3).

Table-2.3: List of Grants indicating persistent savings during last five years

(₹ in crore)

Sl.No.	No and Name of grant	Amount of Saving				
		2005-06	2006-07	2007-08	2008-09	2009-10
Revenue-Voted						
1	04-Judicial Administration	5.99	15.59	18.69	16.29	28.57
2	05-Election	1.78	1.37	3.82	3.68	3.65
3	06-Revenue & General Administration	69.05	90.37	30.52	67.57	56.74
4	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	307.56	114.41	106.16	394.33	418.97
5	12-Medical Health & Family Welfare	81.31	172.06	86.33	122.06	91.88
6	13-Water Supply, Housing & Urban Development	205.55	423.35	68.45	88.69	47.75
7	15-Welfare	23.91	23.84	36.41	93.53	80.43
8	16-Labour & Employment	6.22	42.48	38.41	35.29	5.61
9	18-Co-operative	14.71	7.96	1.39	7.72	1.83
10	19-Rural Development	52.16	71.45	49.63	45.13	70.21
11	22-Public Works	42.15	68.41	29.78	51.18	28.64
12	23-Industries	14.19	43.21	14.96	13.08	1.34

13	24-Transport	4.11	21.57	10.10	11.56	5.62
14	26-Tourism	3.95	1.20	0.71	2.31	2.85
15	28-Animal Husbandry	7.53	19.64	12.18	7.38	8.49
Capital-Voted						
1	07- Finance, Tax, Planning, Secretariat & Miscellaneous Services	28.93	126.95	24.06	45.12	51.24
2	11-Education, Sports, Youth Welfare & Culture	7.02	71.17	16.97	14.57	7.80
3	15-Welfare	3.15	16.25	2.15	6.39	5.09
4	23-Industries	78.97	122.69	40.58	5.41	9.55

Despite mention in the Comptroller and Auditor General of India's State Finances Report for the year 2008-2009 a substantial number of cases were noticed where savings persisted during the year which is indicative of over assessment of requirement of funds. However, no efforts were made by the concerned department to overcome this situation. This needs to be reviewed.

2.3.3 Excess Expenditure

In six cases, expenditure aggregating ₹ 3,099.21 crore exceeded the approved provision by ₹ 1,007.23 crore which was more than ₹ one crore in each case or by more than 20 per cent of the total provision. Details are given in **Appendix-2.2**. Of these, in the following grants/heads (**Table 2.4**), excess expenditure has been observed consistently during the last five years:

Table-2.4: List of Grants indicating persistent excess expenditure during 2005-10

Sl.No.	No and Name of grant	Amount of excess expenditure				
		2005-06	2006-07	2007-08	2008-09	2009-10
Capital-Voted						
1	17-Agriculture works & Research(voted)	3.15	4.15	14.81	11.72	11.73
2	25-Food	485.97	404.16	367.77	564.40	916.31
Total		489.12	408.31	382.58	576.12	928.04

Thus, persistent excess under the grants/heads was indicative of un-realistic budgetary assumptions.

Reasons for persistent excesses were awaited (November 2010).

2.3.4 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 ₹ 2.99 crore was incurred in one case as detailed in **Table 2.5** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table-2.5: Expenditure incurred without provision during 2009-10
(₹ in crore)

No. and Name of Grants	Amount of Expenditure without provision	Reasons/Remarks
29-Horticulture Development Capital(voted)	2.99	Reasons were awaited

Thus, expenditure incurred by the Department without any provision of funds was irregular and unauthorized and needs regularization.

2.3.5 Excess over provision relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization 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 ₹ 3,479.62 crore for the years 2005-09 was yet to be regularized as detailed in **Appendix-2.3**. The year-wise amount of excess expenditure pending regularization of grants/appropriations is summarized in **Table 2.6**.

Table-2.6: Excess over provision relating to previous years requiring regularization
(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularization
	Grant	Appropriations		
2005-06	7	7,8,17,20,22,25&29	663.50	Status not intimated by the State Government
2006-07	6	7,17,20,22,25& 29	935.92	
2007-08	6	7,17,20, 22,25 & 29	733.79	
2008-09	6	7,17, ,20,22,25&29	1,146.41	
Total			3,479.62	

Action needs to be initiated at the earliest to get the excess expenditure incurred over grants/appropriations regularized by the state legislature.

2.3.6 Excess over provisions during 2009-10 requiring regularization

Table 2.7 contains the summary of total excess in seven grants/appropriations amounting to ₹ 1,007.49 crore over authorization from the Consolidated Fund of State (CFS) during the year 2009-10.

Table-2.11: Expenditure met from contingency fund

(₹ in crore)

S. No	Grant No	Major Head	Budget Estimate	Re. App	Total	Actual Exp	Adv From Contingency fund	Sanction date	Purpose of Advance
1	06	2029-Land Revenue	112.15	-	112.15	92.47	0.05	22-6-09, 30-6-09.	Census of Agriculture
2	09	2051-Public Service. Commission	5.64	-0.41	5.23	5.08	0.28	5-1-10, 9-1-10.	For establishment expenditure reg. Public Service commission
3	11	2202-General Education	3,011.55	-76.55	2,935.00	2,821.05	0.25	21-12-09,	Secondary Education Central Plan
4	12	2210-Medical & Public Health	502.96	-5.26	497.70	423.42	2.78	8-7-09, 22-6-09, 8-4-09, 25-8-09, 29-8-09, 26-6-09.	For Rural Health Service
5	14	2220-Information & Publicity	22.13	-1.68	20.45	20.90	8.11	-	For establishment expenditure
6	15	2235-Social Security & Welfare	156.61	-0.38	156.23	105.34	0.02	-	For soldier's Welfare
7	16	2216-Capital Outlay on Housing	2.65	-	2.65	2.19	0.78	-	For Training Purpose (Central Plan)
8	17	2401-Crop Husbandry	205.60	-0.91	204.68	199.28	17.24	-	Crop Husbandry, other expenditure (Central Plan)
9	20	2702-Minor Irrigation	62.31	-1.84	60.47	60.23	11.23	-	Other expenditure Central plan
10	26	5452-Capital Outlay on Tourism	63.20	-35.46	27.74	7.74	21.00	-	Promotion & Publicity
11	28	2403-Animal Husbandry	72.47	-7.42	65.05	65.29	1.63	-	For livestock development
12	28	2404-Dairy Development	1.71	-0.03	1.68	1.40	3.18	-	For Dairy Development Scheme
13	28	2405-Fisheris	3.84	-0.34	3.50	3.52	0.43	-	For Establishment Expenditure
14	29	2401-Crop Husbandry	88.11	-2.45	85.66	85.38	4.44	-	For Horticulture & Vegetable Crops(Central Plan)
Total			4,310.93	-132.73	4,178.20	3,913.29	71.42		

It would be evident from the above that the expenditure to the tune of ₹ 71.42 crore was met from the advances from Contingency fund during the year and had not been recouped to the fund at the end of the year defeating the purpose

of the creation of fund. This expenditure pertains to Census of Agriculture, Establishment, Secondary Education Training, Promotion Publicity, Dairy Development, Crop Husbandry and Horticulture and therefore could not be termed of emergent nature requiring drawal from Contingency Fund.

The Government should sanction advances from Contingency Fund only for meeting of expenditure of an unforeseen and emergent character. Moreover, Government resorted to advances from the Contingency Fund despite savings of over ₹ 265 crore under nine Major Heads and therefore drawal of funds from the contingency fund was not warranted. The process of drawal and recoupment of funds from the contingency fund needs to be streamlined.

2.6 Errors in Budgeting Process

Lapses or errors observed in the process of budgeting by the State Government for the financial year 2009-10 were as under:

- Minor Head 900-Recoveries has been shown below Sector-A Tax-Revenue, while the list of Major & Minor Head of Accounts (volume-I) provides that the Minor Head-900 recoveries shall be shown below every Major Head coming under the Sector-A Tax-Revenue.
- As a result of audit observations on estimates regarding receipts & disbursement shown in Public Account under Budget Manual Vol.2, it is found that no provision is made related to receipts & disbursement in Major Head 8235-General and Other Reserve Funds.
- Bifurcation of central share and state share under centrally sponsored schemes has not been shown under various Major Heads i-e, 2014-800-01 and 4711-01-103-01.
- In the Major Head 2015, expenditure on photo identification card has been shown in 101-01 (01) under Minor Head-101 while as per list of Major Head & Minor Head, it should be shown under Minor Head-108.
- Minor Head 800-others has not been shown below the Sub Major Head 05-calamity relief under the Major Head 2245-Relief on account of National Calamities as it is provided in the list of Major and Minor Head.
- In the Major Head-7610 advance on purchase of Computer has been shown in Sub Head-03 under Minor Head-800 while as per list of Major-Minor Head it should be shown under Minor Head-204.
- In Major Head-4059 'Sub Head-60 other' has been shown while as per list of Major-Minor Head 'sub-head-60 building' should be shown.
- In Grant No. 30 under Sub Head-01 & 05 in Major Head-4801, 'Minor Head-097 externally aided' has been shown while as per list of Major-Minor Head, there is no provision of Minor Head-097.

2.7 Outcome of Review of selected Grant

Grant number 07- Finance, Tax, Planning, Secretariat and Miscellaneous Services was selected for review which revealed the following.

Rush of Expenditure

General Financial rules provide that the expenditure shall uniformly be incurred during the year taking month wise/quarter wise flow into consideration. In the case of Grant Number 07, the quarter wise flow of expenditure was not maintained during 2009-10 as per prescribed norms. The details are shown below:

Table-2.12: Rush of expenditure

(₹ in crore)

Sl.No.	Major Head	Expenditure in last Quarter	Expenditure in March	Total Expenditure	Percentage of expenditure in last quarter	Percentage of expenditure in March
1	2030	10.25	8.73	14.85	69	59
2	2048	40.00	0.00	50.00	80	0
3	2054	8.00	3.27	34.15	23	10
4	3451	0.86	0.48	1.96	44	24
5	3604	122.40	30.60	324.73	38	9
6	4059	35.85	24.59	97.67	37	25
7	4216	1.53	1.41	5.01	31	28
8	4515	24.34	21.86	70.61	34	31
Total		243.23	90.94	598.98	41	16

The rush of expenditure in eight major heads under the grant in the last quarter of 2009-10 was 41 *per cent* of the total expenditure of these respective major heads. This indicates lack of planning in regulating the expenditure.

Rush of expenditure at the close of the year could lead to infructuous, nugatory or ill planned expenditure. The departments should ensure maintaining uniform pace of expenditure throughout the year as far as practicable to avoid rush of expenditure at the end of the financial year.

Unnecessary Supplementary Grants

Supplementary Grants are obtained to cover the excesses that may be anticipated after mid-term review of the Grants/Appropriations during a financial year. However, it was noticed that supplementary Grants were obtained under Grant Number 07, without any proper planning as tabulated below:

Table-2.13: Details of supplementary provision obtained under the Grant

(₹ in crore)

Sl. No.	Major Head	Total Budget Provision				Actual Expenditure	Saving
		Original	Supplementary	Re-appropriation	Total		
1	2040	61.60	0.02	(-)17.74	43.88	32.33	11.55
2	2045	2.53	0.09	-	2.62	1.79	0.83
3	2052	84.03	1.45	(-)9.79	75.69	57.63	18.06
4	2054	39.81	0.0003	-	39.81	34.16	5.65
5	3451	4.78	0.21	(-)2.55	2.44	1.96	0.48
6	3454	10.07	0.39	(-)2.07	8.39	8.39	0.07
7	4059	127.82	0.74	(-)7.56	120.99	77.15	43.84
8	4216	1.00	0.41	1.41	2.82	2.82	-
		331.64	3.31	(-) 38.20	296.64	216.23	80.48

Supplementary grants amounting to ₹ 3.31 crore obtained under eight major heads in respect of Grant Number 07, proved unnecessary since the Savings/overall Savings under six major heads/ grants itself was more than supplementary grant obtained by the Department.

The Government should therefore, put a proper mechanism in place to ensure better management for utilization of funds.

Unutilised provision

It was noticed that entire budgetary provision under various major heads in Grant Number 07 remained unutilised at the end of financial year 2009-10 as detailed below:

Table-2.14: Details of Heads of accounts where the allocation were not used at all

(₹ in crore)

Sl No.	Major Head	Budget Provision	Saving
1	2040	12.73	12.73
2	2048	2.00	2.00
3	2049	59.60	59.60
4	2052	14.97	14.97
5	2071	40.00	40.00
6	3451	0.50	0.50
7	3454	0.07	0.07
8	3604	7.53	7.53
9	4059	8.57	8.57
10	6003	1.10	1.10
11	6004	5.72	5.72
12	7610	0.05	0.05
13	7615	0.10	0.10
Total		152.94	152.94

Entire Budget allocation of ₹ 153 crore under various major heads of Grant Number 07 remained unutilised during 2009-10. This indicates the expenditure could not be incurred as estimated and planned. This needs to be looked into to ensure optimum utilization of funds.

2.8 Conclusion and Recommendation

There was an overall saving of ₹ 1,283.60 crore offset by excess of ₹ 1,007.49 crore, which requires regularization under Article 205 of the constitution of India. Revenue and General Administration, Finance Tax Planning, Medical Health and Family Welfare, Water Supply Housing and Urban Development, Welfare and Rural Development Sectors posted large savings persistently during the last five years. There were also instances of inadequate provision of funds and unnecessary/ excessive re-appropriations. Rush of expenditure at the end of the year was another chronic feature noticed in the overall financial management. In many cases, the anticipated savings were either not surrendered or surrendered at the fag end of the year in the month of March leaving no scope for utilizing these funds for other development purposes. Advances were sanctioned from the Contingency Fund though they were not of emergent nature requiring drawal from Contingency Fund and the same were also not recouped at the end of the year defeating the purpose of creation of the Fund.

Budgetary controls should be strictly observed to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/surrender orders should be avoided. The Government should sanction advances from the contingency fund only for meeting expenditure of an unforeseen and emergent nature and the mechanism to recoup the fund timely should be streamlined to maintain the purpose of its creation.

CHAPTER-III

FINANCIAL REPORTING

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 compliance 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 Utilization Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilization Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts and Entitlement) within 18 months from the date of their sanction unless specified otherwise. However, of the 787 UCs due in respect of grants and loans aggregating ₹ 430 crore as of March 2010, 586 UCs amounting to ₹ 337.56 crore were pending as of August 2010. Of these 306 UCs (52.22 per cent) involving ₹ 209.70 crore were pending for periods up to three years and 280 UCs involving ₹ 127.86 crore were pending for over three years. The age-wise delays in submission of UCs have been summarized in **Table 3.1**.

Table-3.1: Age-wise arrears of Utilization Certificates as on August 2010

(₹ in crore)

Sl. No.	Range of delay in number of years	Utilizaition Certificates Outstanding	
		Number	Amount
1	0-1	23	15.93
2	1-3	283	193.77
3	3-5	280	127.86
4	5-7	-	-
5	7-9	-	-
6	9 & above	-	-
Total		586	337.56

In the absence of UCs, it could not be ascertained whether the recipients had utilized the grants for the intended purpose for which it was sanctioned.

3.2 Delay in submission of Accounts in respect of Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess their working. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalization of accounts, the investment of the Government remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures, if required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay in all likelihood may also open the system to risk of fraud and leakage of public money.

The Heads of Department in the Government are to ensure that the undertakings prepare such accounts and submit the same to Accountant General for audit within a specified time frame. As of September 2010, out of three such undertakings two had not prepared accounts and their accounts were in arrears from the year 2003-2004 onwards. The department-wise position of arrears in preparation of proforma accounts and investment made by the Government are given in **Appendix-3.1**.

Delay in finalization of accounts carries the risk of financial irregularities going undetected and therefore, the accounts need be finalized and submitted to audit at the earliest.

3.3 Misappropriations, losses, defalcations, etc.

Audit observed 15 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 3.18 crore upto the period March 2010 on which final action was pending. The department-wise break-up of pending cases showing age wise analysis and nature of these cases is given in **Appendix-3.2** and **Appendix-3.3** respectively. The age-profile of the pending cases and the number of cases pending in each category; theft and misappropriation/loss are summarized in **Table 3.2**.

Table-3.2: Profile of cases of misappropriations, losses, defalcations etc. as on 31March 2010

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	15	318.30	Theft	01	2.33
5 - 10	---	---			

10 - 15	---	---	Misappropriation/Loss of material	14	315.97
15 - 20	---	---			
20 - 25	---	---		Total	15	318.30
25 & above	---	---	Cases of Loss Written off during the Year	---	---
Total	15	318.30	Total Pending cases	15	318.30

An effective mechanism needs to be put in place to ensure speedy settlement of cases relating to misappropriation and loss and ensure that such cases are avoided in future.

3.4 Conclusion and Recommendation

State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delays in furnishing utilization certificates to the Accountant General (Accounts & Entitlement) against the loans and grants given to various grantee institutions. 586 UCs involving an amount of ₹ 337.56 crore were not furnished to the Accountant General (Accounts and Entitlement) and needs urgent attention by the Government.

Departmental enquiries in the cases of loss/misappropriation should be expedited to bring the defaulters to book. Internal Controls in all the organizations should be strengthened to prevent occurrence of such cases in future.



(ASHWINI ATTRI)

Dehradun

The Principal Accountant General (Audit), Uttarakhand

3 मार्च 2011
MAR 2011

Countersigned



(VINOD RAI)

New Delhi

The Comptroller and Auditor General of India

8 मार्च 2011
MAR 2011

APPENDICES

Appendix-1

(Reference: Profile of Uttarakhand, Paragraph 1.3, 1.3.1 and 1.4.1; Pages 1, 8, 10 and 16)

STATE PROFILE (Uttarakhand)				
A. General Data				
Sl.No.	Particulars			Figures
1	Area			53,483 sq km
2	Population			
	a.	As per 2001 Census.		0.85 crore
	b.	2009-2010		0.97 crore
3	Density of Population (2001). (All India Density = 325 persons per Sq.Km)			159 sq. km.
4	Population below poverty line. (All India Average = 27.5 %)			39.6 per cent
5	Literacy (2001). (All India Average = 64.8%)			71.60 per cent
6	Infant mortality (per 1000 live births). (All India Average = 53 per 1000 live births)			44
7	Gini Coefficient ¹			
	a.	Rural. (All India = 0.30)		0.28
	b.	Urban. (All India = 0.37)		0.32
8	Gross State Domestic Product (GSDP) 2009-2010 at current prices			46,872 crore
9	GSDP CAGR ² (2001-02 to 2009-10)			17.18 per cent
10	Per capita GSDP CAGR (2001-02 to 2009-10)			15.22 per cent
11	GSDP CAGR (2001-02 to 2008-2009)			17.29 per cent
12	Population Growth (2001- 2002 to 2009-2010)			14.45 per cent
B. Financial Data				
Sl.No.	Particulars	Figures (in per cent)		
1	CAGR	2001-02 to 2009-10		2001-02 to 2009-10
		Himachal Pradesh		Uttarakhand
	a.	of Revenue Receipts.		17.52
	b.	of Own Tax Revenue.		20.06
	c.	of Non Tax Revenue.		18.55
	d.	of Total Expenditure.		18.26
	e.	of Capital Expenditure.		29.52
	f.	of Revenue Expenditure on Education.		20.06
	g.	of Revenue Expenditure on Health.		16.61
	h.	of Salary and Wages.		21.27
	i.	of Pension#		34.00

¹ It is a measure of inequality of income distribution where zero refers to perfect equality and one refers to perfect inequality.

² GSDP= Gross State Domestic Product.

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Source: Financial data is based on figures in Finance Accounts. BPL (Planning Commission & NSSO data, 61st Round-http://planning_commission.nic.in/data/database/Data0910/tab%2021.pdf), Gini Coefficient (Unofficial estimates of Planning Commission & NSSO data, 61st Round 2004-05 MRP), Life Expectancy at birth (Office of the Registrar General of India; Ministry of Home Affairs; Economic Survey, 2009-10, Infant mortality rate (SRS Bulletin October,2009), 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). #For the period 2002-03 to 2008-09 or 2009-2010 as the case may be.

Appendix - 1.1

(Reference: Paragraph 1.2.1; page 4)

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.	
PART B: Layout of Finance Accounts	
Statement	Layout
Statement No.1	Statement of Financial Position.
Statement No.2	Statement of Receipts and Disbursement.
Statement No.3	Statement of Receipts in Consolidated Fund.
Statement No.4	Statement of Expenditure in Consolidated Fund.
Statement No. 5	Statement of Progressive Capital Expenditure.
Statement No.6	Statement of Borrowings and other Liabilities.
Statement No.7	Statement of Loans & Advances given by the Government.
Statement No.8	Statement of Grants-in-Aid given by the Government.
Statement No.9	Statement of Guarantees given by the Government.
Statement No.10	Statement of Voted & Charged Expenditure.
Statement No.11	Detailed Statement of Revenue & Capital Receipts by Minor Heads.
Statement No.12	Detailed Statement of Revenue Expenditure by Minor Heads.
Statement No.13	Detailed Statement of Capital Expenditure by Minor Heads.
Statement No.14	Detailed Statement of Investments of the Government.
Statement No.15	Detailed Statement of Borrowings & other Liabilities.
Statement No.16	Detailed Statement on Loans & Advances given by the Government.
Statement No.17	Detailed Statement on Sources & Applications of Fund for Expenditure other than Revenue Account.
Statement No.18	Detailed Statement in Contingency Fund & other Public Account Transactions. .
Statement No.19	Detailed Statement on Investments of Earmarked Funds.

Appendix - 1.2

Part A

(Reference: Paragraph 1.5.1; page 19)

Methodology adopted for the Assessment of Fiscal Position

The norms/Ceilings prescribed by the Twelfth Finance Commission (TFC) for selected fiscal variable along with its projections for a set of fiscal aggregates and the commitments/projections made by the State Governments in their Fiscal Responsibility Acts and in other Statements required to be laid in the legislature under the Act (Part B of Appendix 1.2) are used to make qualitative assessment of the trends and pattern of major fiscal aggregates. Assuming that Gross State Domestic Product (GSDP) is the good indicator of the performance of the State's economy major fiscal aggregates like tax and non-tax revenue and capital expenditure internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The buoyancy coefficients for relevant fiscal variables 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 trends in GSDP for the last five years are indicated below:

Trends in Gross State Domestic Product (GSDP)

	2005-06	2006-07	2007-08*	2008-09*	2009-10^
Gross State Domestic Product (₹ in crore)	26,179	31,380	35,592	40,159	46,872
Growth rate of GSDP	10.36	19.86	13.42	12.83	9.41

Source: Director Economics and Statistics Uttarakhand

Methodology for Estimating the Fiscal Capacity

For working out the fiscal capacity of the State Governments the following methodology given in Twelfth Finance Commission report has been adopted.

Step 1: Calculate the national average of AE-GSDP and CO/DE/ SSE-AE.

Step 2: Based on the national average of AE-GSDP ratio derive the aggregate expenditure so that no State is having a ratio AEGSDP less than the national average i.e. if

$$\begin{aligned} \text{AE/GSDP} &= x \\ \text{AE} &= x * \text{GSDP} \dots\dots\dots(1) \end{aligned}$$

where x is the national average of AE-GSDP ratio.

Wherever the States are having AE-GSDP ratio higher than national average no adjustments were made. Wherever this ratio was less than average it was made equal to the national average.

Step 3: Based on the national average of DE-AE SSE-AE and COAE derive the respective DE SSE and CO so that no State is having these ratios less than national average i.e. if

$$\begin{aligned} \text{DE/AE} &= y \\ \text{DE} &= y * \text{AE} \dots\dots\dots(2) \end{aligned}$$

where y is the national average of DE-AE ratio

*Provisional
 * Quick Estimates
 ^ Advance Estimates

Substituting (1) in (2) we get

$$DE = y * x * GSDP \dots\dots\dots(3)$$

Wherever the States are having DE-AE SSE-AE and CO-AE ratio higher than national average no adjustments have been made. Wherever these ratios were less than average it was made equal to the national average.

Step 4: Based on the derived DE SSE and CO as per equation (3) respective per capita expenditure was calculated *i.e.*

$$PCDE = DE/P \dots\dots\dots(4)$$

where PCDE is the per capita development expenditure and P is the population.

Substituting (3) in (4) we get

$$PDE = (y * x * GSDP)/P \dots\dots\dots(5)$$

Equation (5) provides the adjusted per capita expenditure. If the adjusted per capita expenditure is less than the national average of per capita expenditure then the States' low level of spending is due to the low fiscal capacity. This gives a picture of actual level of expenditure when all the State Governments are attaching fiscal priority to these sectors equivalent to the national average.

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
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 <i>per cent</i> 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

Appendix-1.2

Part B

(Reference: Paragraph 1.10; page 36)

Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005

To provide for the responsibility of the State Government to ensure fiscal stability and sustainability and to enhance the scope for improving social and physical infrastructure and human development by achieving sufficient revenue surplus reducing fiscal deficit and removing impediments to the effective conduct to fiscal policy and prudent debt management through limits on State Government borrowings Government guarantees debt and deficits greater transparency in fiscal operations of the State Government and use of a medium term fiscal framework and for matters connected therewith or incidental thereto.

In particular the State Government shall--

- (a) reduce revenue deficit to nil within a period of four financial years beginning from the 1st day of April 2005 and ending on the 31st day of March 2009;
- (b) reduce revenue deficit as percentage of Gross State Domestic Product in each of the financial years referred to a clause (a) in a manner consistent with the goal set out in clause (a);
- (c) reduce fiscal deficit to not more than three per cent of the estimated Gross State Domestic Product within the period of 31st March 2010.
- (d) reduce fiscal deficit as percentage of Gross State Domestic product in each of the financial years referred to in clause (a) in a manner consistent with the goal set out in clause (c);
- (e) not to give guarantee for any amount exceeding the limit stipulated under any rule or law of the State Government existing at the time of the coming into force of this Act or any rule or law to be made by the State Government subsequent to coming into force of this Act;
- (f) ensure within a period of ten financial years; beginning from the initial financial year on the 1st day of April 2005 and ending on the 31st day of March 2015 that the total liabilities at the end of the last financial year do not exceed twenty five *per cent* of the estimated gross State domestic product for that year.

Continued

**Outcome indicators of the State's Own Fiscal Correction Path through
Mid Term Fiscal Policy**

(₹ in crore)

	Base year estimates 2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
A. STATE REVENUE ACCOUNT :							
1. Own Tax Revenue	2,513.78	2,738.77	3,053.63	3,528.89	4,040.58	4,626.46	5,297.30
2. Own Non-Tax Revenue	646.82	668.38	656.88	1,428.69	1,511.56	1,602.71	1,702.99
3. Own Tax +Non-Tax Revenue (1+2)	3,160.60	3,407.15	3,710.51	4,957.58	5,552.14	6,229.18	7,000.29
4. Share in Central Taxes and Duties	1,131.83	1,427.68	1,506.03	1,545.88	1,762.30	2,009.03	2,290.29
5. Plan-Grants	1,630.14	1,721.07	2,333.08	3,247.79	3,572.57	3,929.83	4,322.81
6. Non-Plan Grants	1,450.65	1,335.20	1,204.16	1,196.42	1,555.35	1,555.35	1,555.35
7. Total Central Transfer (4 to 6)	4,212.62	4,483.94	5,043.27	5,990.09	6,890.22	7,494.20	8,168.44
8. Total Revenue Receipts (3+7)	7,373.22	7,891.09	8,753.78	10,947.67	12,442.36	13,723.38	15,168.73
9. Plan Expenditure	1,582.53	1,833.86	2,110.06	2,287.53	2,516.28	2,767.91	3,044.70
10. Non-Plan Expenditure	4,894.31	5,420.70	6,043.86	8,873.58	9,760.94	10,737.03	11,810.73
11. Salary Expenditure	1,787.55	2,472.33	2,854.76	4,811.21	5,292.33	5,821.56	6,403.72
12. Pension	527.02	622.87	856.83	1,304.65	1,435.12	1,578.63	1,736.49
13. Interest Payments	964.23	1,095.93	1,290.38	1,510.91	1,662.00	1,828.20	2,011.02
14. Subsidies-General	-	-	-	-	-	-	-
15. Subsidies-Power	-	-	-	-	-	-	-
16. Total Revenue Expenditure (9+10)	6,476.84	7,254.56	8,153.92	11,161.10	12,277.22	13,504.94	14,855.44
17. Salary+Interest+ Pensions (11+12+13)	3,278.80	4,191.13	5,001.97	7,626.77	8,389.45	9,228.39	10,151.23
18. as % of Revenue Receipt (17/8)	44.47%	53.11%	57.14%	69.67%	67.43%	67.25%	67%
19. Revenue surplus/deficit (8-16)	-896.38	-636.53	-599.86	213.43	-165.14	-218.43	-313.29
B. CONSOLIDATED REVENUE ACCOUNT:							
1. Power Sector loss/profit net of actual subsidy transfer	-	-	-	-	-	-	-
2. Increase in debtors during the year in power utility account (increase (-))	-	-	-	-	-	-	-
3. Interest payment on Off Budget Borrowings and SPV borrowings made by PSUs/SPUs outside budget	-	-	-	-	-	-	-
4. Total (1 to 3)	-	-	-	-	-	-	-

Consolidated Revenue Surplus/Deficit	-896.38	-636.53	-599.86	-213.43	-165.14	-218.43	-313.29
C. CONSOLIDATED DEBT:							
1. Outstanding Debt and liability	12,145.63	13,037.46	14,621.67	16,836.64	18,663.32	20,448.26	22,483.08
2. Total Outstanding Guarantee	1,712.44	1,676.60	1,801.60	1,801.60	1,801.60	1,801.60	1,801.60
a) Guarantee of Budgeted & SPV borrowings	-	-	-	-	-	-	-
D. CAPITAL ACCOUNT:							
1. Capital Outlay	1,699.26	2,234.82	2,233.00	1,956.92	2,152.61	2,367.87	2,604.66
2. Disbursement of Loans and Advances	102.38	212.54	85.24	307.77	338.55	372.40	409.64
3. Recovery of Loans and Advances	19.50	68.40	161.60	407.16	407.16	407.16	407.16
4. Other capital receipts	1,904.36	1,225.68	1,435.63	1,854.35	1,826.68	1,784.93	2,034.82
E. GROSS FISCAL DEFICIT (GFD) :	-885.77	-1,742.40	-1,556.78	-2,070.98	-1,918.88	-2,114.70	-2,293.87
GSDP (₹ in crore) at Current Prices	29,881.13	35,591.75	40,159.26	45,781.56	52,190.97	59,497.71	67,827.39
F. FISCAL DEFICIT :							
Actual/Assumed Nominal Growth Rate (<i>per cent</i>)	15.92%	13.42%	12.83%	14.00%	14.00%	14.00%	14.00%

Appendix 1.3
(Reference: Paragraphs 1.3, 1.7.2 and 1.8; pages 8, 28 and 31)
Time series data on the State Government Finances

(₹ in crore)

	2005-2006	2006-2007	2007-2008	2008-09	2009-10
Part A. Receipts					
1. Revenue Receipts	5,537	7,373	7,891	8,635	9,486
(i) Tax Revenue	1,785(32)	2,513(35)	2,739(35)	3,045(35)	3,559(38)
Taxes on Agricultural Income	...	...	...	...	-
Taxes on Sales Trade etc	1,014(57)	1,361(54)	1,628(59)	1,911(63)	2,247(63)
State Excise	293(16)	373(15)	442(16)	528(17)	705(20)
Taxes on Vehicles	115(6)	141(6)	155(6)	167(5)	184(5)
Stamps and Registration fees	333(19)	546(21)	424 (15)	357(12)	399(11)
Land Revenue	9(1)	15(1)	23(1)	18(1)	9(0.25)
Taxes on Goods and Passengers				6(-)	-
Other Taxes	21(1)	77(3)		58(2)	15(0.42)
(ii) Non Tax Revenue	650(12)	647(9)	668(8)	699(8)	632(7)
(iii) State's share of Union taxes and duties	1,010(18)	1,132(15)	1,428(18)	1,507(18)	1,550(16)
(iv) Grants in aid from Government of India	2,092(38)	3,081(42)	3,056(38)	3,384(39)	3,745(39)
2. Miscellaneous Capital Receipts				.....	-
3. Recoveries of Loans and Advances	36	20	68	54	65
4. Total Revenue and Non debt capital receipts (1+2+3)	5,573	7,393	7,959	8,689	9,551
5. Public Debt Receipts	1,757	1,228	1,398	1,544	1,682
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,749(99)	1,208(98)	1,210(87)	1,399	1,582
Net transactions under Ways and Means Advances and Overdrafts	--	--	172(12)	127	69
Loans and Advances from Government of India	8(1)	20(2)	16(1)	18	31
6. Total Receipts in the Consolidated Fund (4+5)	7,330	8,621	9,357	10,233	11,233
7. Contingency Fund Receipts	16	34	27	2	37
8. Public Account Receipts	11,029	11,234	12,412	13,658	14,226
9. Total Receipts of the State (6+8)	18,369	19,855	21,769	23,891	25,459
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	5,611	6,477	7,255	8,394	10,657
Plan	1,420(25)	1,577(24)	1,834(25)	2,174(26)	2,299(22)
Non Plan	4,191(75)	4,900(76)	5,421(75)	6,220(74)	8,358(78)
General Services (including interest payments)	2,027(36)	2,378(37)	2,655(37)	3,104(37)	3,694(35)
Social Services	2,256(40)	2,455(38)	2,829(39)	3,392(41)	4,980(47)

Economic Services	1,212(22)	1,373(21)	1,461(20)	1,623(19)	1,658(16)
Grants-in-aid and contributions	116(2)	271(4)	310(4)	275(3)	325(3)
11. Capital Expenditure	1705	1699	2235	2016	1647
Plan	1,657(97)	1,602(94)	2,157(97)	1,902(94)	995(60)
Non Plan	48(3)	97(6)	78(3)	114(6)	651(40)
General Services	187(11)	173(10)	201(9)	174(9)	109(7)
Social Services	208(12)	372(22)	418(19)	281(14)	109(7)
Economic Services	1,310(77)	1,154(68)	1,616(72)	1,561(77)	1,429(87)
12. Disbursement of Loans and Advances	135	102	213	122	30
13. Total (10+11+12)	7,451	8,278	9,703	10,532	12,334
14. Repayments of Public Debt	247	237	273	355	473
Internal Debt (excluding Ways and Means Advances and Overdrafts)	181(73)	208(88)	240(88)	318	437
Net transactions under Ways and Means Advances and Overdraft	35(14)	...	--		
Loans and Advances from Govt. of India	31(13)	29(12)	33(12)	37	36
15. Appropriation to Contingency Fund		-	--		-
16. Total disbursement out of Consolidated Fund (13+14+15)	7,698	8,515	9,976	10,887	12,807
17. Contingency Fund disbursements	45	25	1	32	71
18. Public Account disbursements	18,917	11,227	11,864	13,477	12,322
19. Total disbursement by the State (16+17+18)	26,660	19,767	21,841	24,396	25,200
<i>Part C. Deficits</i>					
20. Revenue Deficit(-)/Revenue Surplus (+) (1-10)	74	(+) 896	(+) 636	(+)241	(-)1.171
21. Fiscal Deficit (3+4-13)	1,878	885	1,744	1,843	2,783
22. Primary Deficit (21+23)	(-)1,070	(+) 79	(-) 648	(-) 655	(-)1,445
<i>Part D. Other data</i>					
23. Interest Payments (included in revenue expenditure)	808	964	1,096	1,188	1,338
24. Arrears of revenue (percentage of tax & Non-tax Revenue Receipt)	313(9)	284(9)	610(18)	759(20)	730(17)
25. Financial Assistance to local bodies etc.	117	271	310	275	324
26. Ways and Means Advances/Overdraft availed (days)	54	114	52	83	107/09
27. Interest on Ways and Means Advances/ Overdraft	0.62	1.24	0.66	3	2
28. Gross State Domestic Product (GSDP)[@]	26,179	31,380	35,592	40,159	46,872
29. Outstanding Fiscal liabilities (year end)	11,714	13,034	14,392	16,276	18,748
30. Outstanding guarantees (year end) (including interest)	1,345	1,716	1,677	1,802	1,511

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31. Maximum amount guaranteed (year end)	1,345	1,723	1,738	1,677	1,386
32. Number of incomplete projects	848	169	367	382	140
33. Capital blocked in incomplete projects	1749	271	487	539	2,081
Part E. Fiscal Health Indicators					
I Resource Mobilization					
Own Tax revenue/GSDP	0.07	0.08	0.08	0.08	0.08
Own Non-Tax Revenue/GSDP	0.02	0.02	0.02	0.02	0.01
Central Transfers/GSDP	0.39	0.04	0.04	0.38	0.03
II Expenditure Management					
Total Expenditure/GSDP	0.28	0.26	0.27	0.26	0.26
Total Expenditure/Revenue Receipts	1.35	1.12	1.23	1.22	1.30
Revenue Expenditure/Total Expenditure	0.75	0.78	0.75	0.80	0.86
Expenditure on Social Services/Total Expenditure	0.33	0.34	0.33	0.35	0.41
Expenditure on Economic Services/Total Expenditure	0.34	0.31	0.32	0.30	0.25
Capital Expenditure/Total Expenditure	0.23	0.21	0.23	0.19	0.13
Capital Expenditure on Social and Economic Services/Total Expenditure.	0.20	0.18	0.21	0.17	0.12
III Management of Fiscal Imbalances					
Revenue deficit (surplus)/GSDP	0.003	(+)0.029	(+)0.018	(+)0.006	(-)0.025
Fiscal deficit/GSDP	0.072	0.028	0.049	0.046	0.059
Primary Deficit (surplus) /GSDP	0.041	(+) 0.003	0.018	0.016	0.031
Revenue Deficit/Fiscal Deficit	0.039	(+)1.012	(+)0.365	(+)0.131	0.420
Primary Revenue Balance/GSDP	0.183	0.176	0.173	0.179	0.199
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	0.448	0.415	0.404	0.405	0.399
Fiscal Liabilities/RR	2.12	1.78	1.82	1.88	1.98
Primary deficit vis-à-vis quantum spread	(-) 499	(+) 1,033	(+) 347	(+) 172	(-) 1,113
Debt Redemption (Principal +Interest)/ Total Debt Receipts	0.75	0.90	0.94	0.95	1.03
V Other Fiscal Health Indicators					
Return on Investment	0.07	0.16	0.53	0.23	0.07
Balance from Current Revenue (Rs in crore)	(+) 518	(+) 978	(+) 842	(+) 357	(-)1,384
Financial Assets/Liabilities	0.52	0.64	0.71	0.76	0.82

Figures in brackets represent percentages (rounded) to total of each sub-heading.
@ GSDP figures communicated by the Government adopted.

Appendix-1.4
(Reference: Paragraphs 1.1, 1.7.1 and 1.7.2; pages 2 and 28)
Part A

Abstract of Receipts and Disbursements for the year 2009-10

(₹ in crore)					(₹ in crore)					
Receipts					Disbursements					
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										
	8,634.97	I-Revenue Receipts		9,486.13	8,393.70	I-Revenue Expenditure				10,657.47
3,044.91		(i) Tax revenue	3,559.04		3,103.96	General Services	3,691.48	2.86	3,694.34	
699.44		(ii) Non-tax revenue	631.86		3,391.83	Social Services	3,282.73	1,697.55	4,980.28	
1,506.59		(iii) State's share of Union Taxes and Duties	1,550.01		1,831.25	Education Sports Art and Culture	2,535.16	416.06	2,951.20	
1,269.67		(iv) Non-Plan Grants	1,182.95		413.92	Health and Family Welfare	348.10	131.92	480.02	
1,905.93		(v) Grants for State Plan Schemes	2,334.66		637.08	Water Supply Sanitation Housing and Urban Development	58.35	832.24	890.59	
208.43		(vi) Grants for Central Plan and Centrally Sponsored Plan Schemes	227.61		14.65	Information and Broadcasting	19.20	1.80	21.0	
					111.70	Welfare of Scheduled Castes Scheduled Tribes and Other backward Classes	51.76	84.45	136.21	
					31.75	Labour and Labour Welfare	34.68	8.29	42.97	
					333.76	Social Welfare and Nutrition	222.41	217.40	439.81	
					17.72	Others	13.08	5.39	18.48	
					1623.13	Economic Services	1,063.19	594.93	1,658.12	
					780.83	Agriculture and Allied Activities	475.69	294.16	769.85	
					347.73	Rural Development	138.50	240.02	378.52	
					-	Special Area Programme	-	-	-	
					207.62	Irrigation and Flood Control	239.76	15.39	255.15	
					27.68	Energy	6.12	10.23	16.35	
					30.45	Industry and Minerals	19.30	13.26	32.56	
					171.72	Transport	165.35	6.50	171.84	

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				4.00	Science Technology and Environment	.013	3.16	3.30	
				53.10	General Economic Services	18.33	12.21	30.54	
				274.77	Grants-in-aid and Contributions	321.03	3.70	324.73	
	8634.97	Total		9,486.13	8,393.70	Total	8,358.42	2,299.05	10,657.47
		II-Revenue Deficit carried over to Section-B		1,171.34	241.27	II-Revenue Surplus carried over to Section-B			-
	8,634.97	Total		10,657.47	8,634.97	Total			10,657.47
Section-B-Capital									
	746.37	III-Opening cash balance including Permanent Advances and Cash Balance Investment		242.97		III- Opening overdraft from Reserve Bank of India			
		IV- Misc. Capital Receipts		-	2,016.34	IV- Capital Outlay			1,646.74
					174.46	General Services	14.6	95.28	109.44
					280.52	Social Services	-	108.60	108.60
					151.99	Education Sports Art and Culture	-	53.05	53.05
					77.87	Health and Family Welfare	-	41.86	41.86
					21.46	Water Supply Sanitation Housing and Urban Development	-	5.01	5.01
					-	Information and Broadcasting	-	-	-
					21.04	Welfare of Scheduled Castes Scheduled Tribes and Other Backward Classes	-	6.17	6.17
					4.16	Social Welfare and Nutrition	-	2.51	2.51
					4.00	Others	-	.0028	.0028
					1,561.35	Economics Services	640.11	788.59	1,428.70
					54.82	Agriculture and Allied Activities	68.11	4.42	72.54
					114.05	Rural Development	-	70.61	70.61
					--	Special Areas Programmes	-	-	-
					504.93	Irrigation and Flood Control	-	267.11	267.11
					164.81	Energy	572	89.95	661.95
					(-)73.97	Industry and Minerals	-	(-)482.88	(-)482.88
					749.38	Transport	-	810.26	810.26
					47.33	General Economic Services	-	29.11	29.11
					2,016.34	Total	654.27	992.46	1,646.74

53.63	V-Recoveries of Loans and Advances		64.83	121.71	V- Loans and Advances disbursed		30.06
45.01	From Power Projects	57.05		56.29	For Power Projects	24.32	24.32
7.79	From Government Servants	7.42		2.67	To Government Servants	1.3	1.3
0.83	From Others	.36		62.75	To others	4.44	-
241.27	VI-Revenue surplus brought down	--	--	--	VI-Revenue deficit brought down		1,171.34
1,543.82	VII-Public Debt Receipts		1,682.57	355.38	VII-Repayment of Public Debt		472.87
1,399.07	Internal Debt other than Ways and Means Advances and Overdraft	1,581.77		318.12	Internal debt other than Ways and Means Advances and Overdraft		436.48
126.63	Net transactions under Ways and Means Advances including Overdraft	69.46		-	Net transactions under Ways and Means Advances and Overdraft		-
18.12	Loans and Advances from the Central Government	31.34		37.26	Repayment of Loans and Advances to Central Government		36.39
	VIII-Appropriation to Contingent Fund	-		-	VIII-Appropriation to Contingency Fund		71.42
2.42	IX- Amount transferred to Contingent Fund		37.05	32.05	IX-Expenditure from Contingency Fund		
13,657.56	X- Public Account Receipts		14,225.75	13,476.62	X- Public Account disbursements		12,321.83
868.09	Small Savings and Provident Funds	1,421.80		336.77	Small Savings and Provident Funds	355.78	
168.83	Reserve Funds	51.71		10.26	Reserve Funds	84.57	
1,747.53	Deposits and Advances	2,222.82		1,686.44	Deposits and Advances	1,993.39	
7,846.51	Suspense and Miscellaneous	9,387.08		8,178.23	Suspense and Miscellaneous	8,616.86	
3,026.60	Remittances	1,142.34		3,264.92	Remittances	1,271.23	
	XI- Closing overdraft from Reserve Bank of India			242.97	XI-Cash Balance at end		538.91
				(-)13.25	Cash in Treasuries and Local Remittances	(-)8.92	
				(-)2.98	Departmental Cash Balance including Permanent Advances	(-)2.98	
				(-)470.83	Deposits with Reserve Bank	(-)227.84	
				730.03	Cash Balance investment	778.65	
16245.06	Total		16,253.17	16,245.06	Total		16,253.17

Appendix-1.4 (Continued)

Part B

(Reference: Paragraphs 1.1, 1.7.1 and 1.7.2; pages 2 and 28)

Summarized financial position of the Government of Uttarakhand as on 31 March 2010

(₹ in crore)

As on 31.03.2009	Liabilities	As on 31.03.2010
12,442.26	Internal Debt -	13,657.01
5,884.95	Market Loans bearing interest	6,345.38
0.15	Market Loans not bearing interest	0.14
1.50	Loans from Life Insurance Corporation of India	1.50
6,226.63	Loans from other Institutions	6,911.50
329.03	Ways and Means Advances	398.49
-	Overdrafts from Reserve Bank of India	
424.04	Loans and Advances from Central Government -	418.99
0.53	Pre 1984-85 Loans	0.53
27.80	Non-Plan Loans	10.54
364.20	Loans for State Plan Schemes	378.03
0.05	Loans for Central Plan Schemes	0.05
31.46	Loans for Centrally Sponsored Plan Schemes	29.84
35.12	Contingency Fund	0.75
1,887.43	Small Savings Provident Funds etc.	2,953.45
1,344.78	Deposits	1,574.21
907.67	Reserve Funds	923.42
	Remittance Balances	-
17,041.30	Total	19,527.83

Appendix-1.4 (Continued)

As on 31.03.2009	Assets	As on 31.03.2010
10,021.36	Gross Capital Outlay on Fixed Assets -	11,668.10
1,071.02	Investments in shares of Companies Corporations etc.	1,240.39
8,950.34	Other Capital Outlay	10,427.71
777.87	Loans and Advances	743.09
421.33	Loans for Power Projects	388.60
344.07	Other Development Loans	348.04
12.47	Loans to Government servants and Miscellaneous loans	6.45
442.54	Remittance	571.43
1,478.09	Suspense and Miscellaneous Balances	756.49
2,42.97	Cash -	538.91
(-)13.25	Cash in Treasuries and Local Remittances	(-) 8.92
(-)470.83	Deposits with Reserve Bank	(-)227.84
(-) 2.11	Departmental Cash Balance including	(-) 2.11
(-) 0.87	Permanent Advances	(-)0.87
730.03	Cash Balance Investments	778.65
4,078.47	Deficit on Government Account -	5,249.81
241.27	(i) Less Revenue Surplus of the current year	(-)1171.34
-	(ii) Miscellaneous Deficit	
4,319.74	Accumulated deficit at the beginning of the year	4,078.47
	Total	19,527.83

Explanatory Notes for Appendices 1.3 and 1.4

The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts. Government accounts being mainly on cash basis the deficit on Government account as shown in **Appendix 1.4** indicates the position on cash basis as opposed to accrual basis in commercial accounting. Consequently items payable or receivable or items like depreciation or variation in stock figures etc. do not figure in the accounts. Suspense and Miscellaneous balances include cheques issued but not paid payments made on behalf of the State and other pending settlements etc. There was a difference of ₹ 76.74 crore (Net credit) between the figures reflected in the Accounts and that intimated by the Reserve Bank of India under "Deposits with Reserve Bank". A net difference to the extent of ₹ 49.74 crore (Net debit) had been reconciled leaving a balance of net credit of ₹ 27 crore which was under reconciliation.

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

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

(₹ in crore)

Sl. No.	Programmes/Scheme	Implementing Agencies in the State	Amount
1	Accelerated rural water supply scheme	Uttarakhand Peyjal Sansthan Vikas Nigam	207.65
2	Bioinformatic	G.B. Pant University of Agriculture & Technology IIT Roorkee Kumaun University Nainital	46.57
3	Central rural sanitation scheme	DWSM District Project Management Unit Pauri Garhwal	8.10
4	Deafness	State Health Society	0.61
5	Deen Dayal disabled rehabilitation	Bajaj Institute of Learning Sh. Bharat Mandir School Society RAPHAEL	2.38
6	Grid interactive renewable power mnre	Uttarakhand renewable energy Development Agency IIT Roorkee	5.58
7	Handicrafts	Manav Shiksha Sansthan Samiti Dehradun	1.17
8	Handlooms	Textile Committee Mumbai Director of Industries Govt. of Uttarakhand	2.66
9	Hospitals and dispensaries (under NRHM)	Uttarakhand Health & Family Welfare Society	1.14
10	Integrated watershed management programme (IWDP)	CGO The Director Dehradun DRDA Project Director in Uttarakhand	30.41
11	International cooperation biotechnology	G.B. Pant University of Agriculture & Technology	0.30
12	International cooperation S&T	G.B. Pant University of Agriculture & Technology	1.47
13	Medicinal plants	FRI Dehradun UK Forest Development Corporation Dehradun Regional Seri Cultural Research Institution Sahaspur Dehradun Central Soil & Water Conservation Research	1.78
14	Research and development department of biotechnology	G.B. Pant University of Agriculture & Technology Uttaranchal Bamboo & Fiber Development Board Dehradun	2.40
15	National rural health mission (NHRM)	Uttarakhand Health & Family Welfare Societies	232.20
16	National afforestation and eco development board	FDA UK Parvatiya Forest Development Agency SSF Development Agency VNF Dev. Agency Roha Forest Dev. Agency	0.88

17	Science and technology programme for socio economic development	Parivartan Vikas Sansthan US Nagar	2.93
18	Mps local area development scheme mplads	Deputy Commissioner	25.00
19	Pradhan Mantri Gram Sadak Yojana (PMGSY)	SGO Uttarakhand Dehradun	101.00
20	Research and development for conservation and development	G.B. Pant University of Agriculture & Technology FRI Dehradun Uttarakhand Bamboo and Fiber Development Board	4.63
21	Off grid drps	Uttarakhand Renewable Energy Development Agency IIT Roorkee	2.58
22	National Rural Employment Guarantee Scheme	DRDA Project Director in U.K.	151.03
23	Director General of foreign trade (DGFT)	Dr. Chip Dehradun Deep Brother Trade Dehradun	0.40
24	Sarva shiksha abhiyan (SSA)	Uttarakhand Sabhi Ke liye Siksha Parishad	193.61
25	Rural housing-IAY	Project Officer DRDA	39.74
26	Swaranjayanti gram swarozgar yojana (sgsy)	Project Officer DRDA	18.72
27	Action research and research studies	Rural Litigation and Entitlement Kendra Dehradun	2.99
28	Package for (other than north east) special category states	State Industrial Development Corporation of U.K.	4.50
29	Promotion and dissemination of art and culture	NGOs	0.08
30	National bamboo mission	Uttarakhand Bamboo Fiber Development Board Dehradun	2.00
31	Support to NGOs institutions SRCs for adult education and skill development	Jan Shiksha Sansthan in UK	0.66
32	Electronic governance	IT Development	3.33
Total			1,098.50

Appendix-1.6

(Reference: Paragraph 1.6.4; page 25)

Summarized Financial Statement of Departmentally Managed Commercial/Quasi-commercial Undertakings

(₹ in lakh)

Sl. No.	Name of the Undertaking	Period of accounts	Mean Govt capital	Block assets at depreciated cost	Depreciation provided during the Year	Turnover	Net profit/ Loss	Interest on Capital	Total return (9+10)	Percentage of Return on capital
1	2	4	5	6	7	8	9	10	11	12
1	Irrigation workshop Division Roorkee	2008-09	180.85	92.20	7.15	92.80	(-)85.36	79.48	(-)5.88	
2(a)	RFC Haldwani	2002-03	-	58.25	6.64	7,112.35	(-)3,164.61	-	(-)3,164.61	-
2(b)	RFC Dehradun	2002-03	-	9.97	1.00	8,357.23	(-)1,350.21	-	(-)1,350.21	
3	State Live stock Kalsi Dehradun Agriculture Farm									Audit not entrusted
4	Rishikul Ayurvedic Pharmacy Haridwar									
5	State Vaccine Institute Haridwar									

Appendix-2.1
(Reference: paragraph 2.3.1; page 38)

Statement of various grants/appropriation where saving was more than ₹ 1 crore or more than 20 per cent of the total provision

(₹ in crore)

Sl. No.	Grant No	Name of the Grant/Appropriation	Total Grant/Appropriation	Savings	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
		Revenue Voted			
1	01	Legislature	13.97	1.64	11.74
2	03	Council of Ministers	34.79	1.90	5.46
3	04	Judicial Administration	77.40	28.57	36.91
4	05	Election	27.87	3.65	13.10
5	06	Revenue & General Administration	386.30	56.74	14.69
6	07	Finance Tax Planning Secretariat & Miscellaneous Services	1,967.14	418.97	21.30
7	10	Police & Jail	578.23	24.16	4.18
8	11	Education Sports Youth Welfare & Culture	3,098.82	194.83	6.29
9	12	Medical Health & Family Welfare	561.42	91.88	16.37
10	13	Water Supply Housing & Urban Development	881.86	47.75	5.41
11	14	Information	22.13	1.23	5.56
12	15	Welfare	341.62	80.43	23.54
13	16	Labour & Employment	51.61	5.61	10.87
14	17	Agriculture Works & Research	280.57	14.32	5.10
15	18	Co-operative	27.72	1.83	6.60
16	19	Rural Development	369.68	70.21	18.99
17	22	Public Works	385.24	28.64	7.43
18	23	Industries	44.19	1.34	3.03
19	24	Transport	21.50	5.62	26.14
20	25	Food	26.90	4.61	17.14
21	26	Tourism	19.71	2.85	14.46
22	27	Forest	314.83	42.52	13.51
23	28	Animal Husbandry	90.36	8.49	9.40
24	29	Horticulture Development	88.11	2.73	3.10
25	30	Welfare of Scheduled Castes	411.46	81.11	19.71
26	31	Welfare of Scheduled Tribes	81.51	15.45	18.95
Total			10,204.94	1,237.08	12.12

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		Revenue Charged			
1	01	Legislature	0.80	0.20	25.00
2	02	Governor	4.37	0.90	20.59
3	04	Judicial Administration	23.79	12.29	51.66
4	07	Finance Tax Planning Secretariat & Miscellaneous Services	1,534.91	145.05	9.45
5	22	Public Works	4.02	2.16	53.73
Total			1,567.89	160.60	10.24
		Capital Voted			
1	06	Revenue & General Administration	36.22	26.15	72.20
2	07	Finance Tax Planning Secretariat & Miscellaneous Services	150.50	51.24	34.05
3	08	Excise	0.10	0.10	100
4	10	Police & Jail	31.00	19.45	62.74
5	11	Education Sports Youth Welfare & Culture	57.48	7.80	13.57
6	12	Medical Health & Family Welfare	57.94	18.90	32.62
7	13	Water Supply Housing & Urban Development	1.00	1.00	100
8	14	Information	0.50	0.40	80
9	15	Welfare	7.60	5.09	66.97
10	19	Rural Development	47.70	9.33	19.56
11	20	Irrigation & Flood	521.13	171.52	32.91
12	21	Energy	1,056.62	377.88	35.76
13	23	Industries	16.90	9.55	56.51
14	24	Transport	35.51	10.30	29.01
15	26	Tourism	63.20	35.46	56.11
16	30	Welfare of Scheduled Castes	225.75	123.14	54.55
17	31	Welfare of Scheduled Tribes	59.77	23.13	38.70
Total			2,368.92	890.44	37.59
Grand Total			14,141.75	2,288.12	16.18

Appendix-2.2
(Reference: Paragraph 2.3.3; page 40)

Statement of various grants/appropriations where excess expenditure was more than
₹ 1 crore each or more than 20 per cent of the total provision

(₹ in crore)

Sl. No.	Grant No.	Name of the Grant/Appropriation	Total Grant/ Appropriation	Excess Expenditure	Percentage of Excess Exp.
(1)	(2)	(3)	(4)	(5)	(6)
		Revenue Voted			
1	21	Energy	9.03	3.98	44.07
		Capital Charged			
2	07	Finance. Tax Planning Secretariat & Miscellaneous Services	1,311.58	61.10	4.66
		Capital Voted			
3	17	Agriculture Works & Research	1.37	11.73	856.20
4	22	Public Works	769.50	11.12	1.45
5	25	Food	0.50	916.31	1,832.62
6	29	Horticulture Development	-	2.99	100
Total			2,091.98	1,007.23	48.15

Appendix-2.3

(Reference: Paragraph 2.3.5; page 41)

Excess over provision of previous years requiring regularization

(₹ in crore)

Year	Number of grants/appropriations	Grant/appropriation numbers	Amount of excess	Stage of consideration by Public Accounts Committee (PAC)
2005-06	07	7,8,17,20,22,25&29	663.50	Not yet discussed by PAC
2006-07	06	7,17,20,22,25&29	935.92	
2007-08	06	7,17,20,22,25&29	733.79	
2008-09	06	7,17,20,22,25&29	1,146.41	
Total			3,479.62	

Appendix-2.4

(Reference: Paragraph 2.3.7; page 42)

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

(In thousands of ₹)

Sl. No.	Number and Name of the Grant	Original Provision	Actual expenditure	Savings out of Original provision	Supplementary provision
A Revenue (Voted)					
1	06 Revenue & General Administration	34,92,581	32,95,614	1,96,967	3,70,464
2	07 Finance Tax Planning Secretariat & Miscellaneous Services	1,96,49,776	1,54,81,685	41,68,091	21,597
3	12 Medical Health & Family Welfare	52,14,459	46,95,421	5,19,038	3,99,773
4	14 Information	2,19,066	2,09,007	10,059	2,228
5	15 Welfare	30,86,219	26,11,871	4,74,348	3,29,960
6	16 Labour & Employment	4,61,324	4,59,993	1,331	54,810
7	19 Rural Development	34,20,523	29,94,707	4,25,816	2,76,316
8	22 Public Works	36,70,894	35,66,019	1,04,875	1,81,500
9	24 Transport	1,94,619	1,58,813	35,806	20,380
10	25 Food	2,31,966	2,22,829	9,137	37,000
11	26 Tourism	1,86,475	1,68,535	17,940	10,600
12	27 Forest	29,96,893	27,23,047	2,73,846	1,51,400
13	30 Welfare of Scheduled Castes	38,17,915	33,03,540	5,14,375	2,96,696
14	31 Welfare of scheduled Tribes	7,83,244	6,60,617	1,22,627	31,896
Total		4,74,25,954	4,05,51,698	68,74,256	21,84,620
B Capital					
1	07 Finance Tax Planning Secretariat & Miscellaneous Services	14,93,517	9,92,668	5,00,849	11,504
2	10 Police & Jail	2,60,002	1,15,454	1,44,548	50,000
3	12 Medical Health & Family Welfare	4,26,265	3,90,369	35,896	1,53,113
4	19 Rural Development	4,27,001	3,83,679	43,322	50,000
5	20 Irrigation & Flood	47,44,609	34,96,132	12,48,477	4,66,728
6	26 Tourism	5,42,167	2,77,395	2,64,772	89,800
7	30 Welfare of Scheduled Casts	20,35,333	10,26,122	10,09,211	2,22,181
8	31 Welfare of scheduled Tribes	5,47,703	3,66,431	1,81,272	50,000
Total for Capital		1,04,76,597	70,48,250	3,428,347	10,93,326
Grand Total		5,79,02,551	4,75,99,948	1,03,02,603	32,77,946

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Sl. No.	Gr. Num
1	
2	
Total	

40			2202-02-109-07	(-)39.29	(-)21.19
41			2202-02-109-08	(-)192.48	(-)138.18
42			2202-02-109-09	(+)629.43	(-)962.98
43			2202-02-109-10	(-)36.78	(-)129.93
44			2202-02-109-11	(-)35.52	(-)46.34
45			2202-02-800-01	(-)1,389.48	(-)235.94
46			2202-03-103-03	(-)177.86	(+)40.35
47			2202-03-104-03	(-)119.71	(+)14.05
48			2202-03-800-01	(-)5.01	(-)66.77
49			2202-80-003-01	(-)107.15	(-)72.69
50			2202-80-003-03	(-)33.21	(-)10.37
51	12	Medical Health & Family Welfare	2210-02-101-08	(-)79.55	(-)903.03
52			2210-05-101-06	(+)18.84	(-)52.64
53			4210-02-110-10	(-)39.99	(-)60.01
54	14	Information	2220-60-001-03	(-)51.40	(+)34.22
55			2220-60-101-05	(-)30.09	(+)12.47
56			2220-91-103-03	(-)28.57	(-)10.00
57	15	Welfare	2225-01-001-05	(-)31.63	(+)13.44
58			2225-03-277-05	(-)59.14	(-)25.80
59			2235-02-101-11	(-)22.61	(-)43.14
60			2235-02-102-07	(-)34.46	(+)13.18
61			2235-02-103-12	(+)467.50	(+)176.50
62			2235-60-102-03	(-)23.06	(+)153.26
63			2235-60-800-06	(-)389.00	(-)23.00
64			2250-00-800-01	(-)48.50	(-)2,381.88
65	16	Labour & Employment	2230-01-101-03	(+)24.88	(-)10.98
66	17	Agriculture Works & Research	2401-00-102-01	(+)109.60	(-)59.78
67			2401-00-103-01	(-)10.00	(-)22.50
68			2401-00-108-03	(-)85.66	(+)22.64
69			2401-00-109-03	(-)26.41	(-)13.25
70			2401-00-800-01	(+)33.80	(-)151.35
71	19	Rural Development	2515-00-101-01	(+)20.00	(-)4,574.76
72			2515-00-800-03	(-)63.75	(+)29.13
73	20	Irrigation & Flood	2700-00-001-03	(-)94.63	(-)11.37
74			2700-00-001-04	(-)305.21	(+)193.97
75			2700-00-001-05	(-)125.00	(-)202.62
76			2702-02-005-03	(-)165.03	(+)12.13
77			4700-04-800-02	(-)174.54	(-)15.35
78			4700-05-800-01	(-)4588.17	(+)36.02
79			4700-06-800-02	(-)519.72	(+)151.60
80			4702-00-800-01	(-)20,288.19	(+)1,242.50
81	22	Public Works	2059-80-001-03	(+)128.50	(-)13.43
82			2059-80-051-03	(-)128.50	(-)275.07
83			4059-80-800-10	(+)50.00	(-)132.74
84			5054-03-101-03	(+)900.00	(+)32.34

85			5054-04-800-03	(-)1,700.00	(-)256.30
86			5054-04-800-97	(-)1,700.00	(-)6,211.26
87	28	Animal Husbandry	2403-00-001-03	(-)376.08	(+)17.46
88	29	Horticulture	2401-00-119-01	(-)15.00	(+)475.00
89			2401-00-119-03	(-)140.52	(-)84.03
90	30	Welfare of Scheduled Caste	2202-02-109-02	(-)16.53	(-)78.74
91			2225-01-277-06	(-)51.39	(-)41.78
92			2225-01-277-13	(-)325.00	(-)226.50
93			2225-01-800-15	(+)325.00	(-)31.20
94	31	Welfare of Scheduled Tribes	2225-02-277-01	(+)258.89	(+)64.64
95			4225-02-277-01	(-)780.16	(-)70.52
96			4225-02-800-03	(-)48.16	(+)70.52

Appendix-2.7
(Reference: Paragraph 2.3.9; page 43)
Substantial surrenders made during the year 2009-10

Sl.No.	Number and title of Grant/Appropriation	Name of the scheme (Head of Account)	Total Grant/Appropriation (₹ in lakh)	Amount of Surrender (₹ in lakh)	Percege of Surrender
1	2-Governor	2012-03-800-06	1.00	1.00	100
2	3-Council of Ministers	2013-00-101-04	8.00	5.00	62
3		2013-00-105-04	50.00	50.00	100
4	4- Judicial Administration	2014-00-105-05	100.00	100.00	100
5		2014-00-105-06	26.78	15.23	57
6		2014-00-800-10	35.12	35.12	100
7		2014-00-800-12	1.00	1.00	100
8	6-Revenue and General administration	2070-00-105-03	54.42	31.87	59
9		2245-05-800-05	18.02	18.02	100
10		2245-05-800-06	100.00	100.00	100
11		2245-05-800-09	50.00	50.00	100
12	7- Finance Tax Planning Secretariat and Miscellaneous Services	2040-00-001-05	2.25	1.37	61
13		2040-00-800-05	1,000.00	745.99	75
14		2052-00-090-04	5.00	3.86	77
15		2052-00-090-13	7.00	3.59	51
16		3451-00-092-04	250.00	233.34	93
17		3454-02-001-04	61.38	36.27	59
18		4059-80-800-09	600.00	491.00	82
19	10-Police	2055-00-109-09	6.25	3.50	56
20		2055-00-800-15	5.00	5.00	100
21		2055-00-800-16	100.15	52.78	53
22		2055-00-800-17	48.63	30.49	63
23		4055-00-800-05	300.00	244.68	82
24		4059-80-800-03	500.00	500.00	100
25		4059-80-800-04	500.00	500.00	100
26	11 Education Sports Youth Welfare and Culture	2202-01-102-21	10.20	10.20	100
27		2202-02-107-01	3.45	2.40	70
28		2202-02-107-07	1.80	1.69	94
29		2202-02-800-01	2,136.26	1,389.48	65
30		2202-03-102-08	5.00	5.00	100
31		2202-03-103-05	25.00	25.00	100
32		2202-03-104-07	20.0	20.00	100

33		2202-03-800-04	6.00	6.00	100	
34		2204-00-104-24	5.00	4.14	83	
35		4202-01-202-17	10.00	10.00	100	
36		4202-01-202-18	10.00	10.00	100	
37		4202-01-202-19	40.00	40.0	100	
38		4202-01-202-20	100.00	100.0	100	
39		4202-01-203-05	50.00	50.0	100	
40		4202-01-203-12	50.00	50.00	100	
41		4202-02-104-05	50.00	50.00	100	
42		4202-02-104-07	16.67	16.67	100	
43		4202-02-104-10	16.67	16.67	100	
44		4202-02-104-11	16.67	16.67	100	
45		4202-02-104-13	33.33	33.33	100	
46	12- Medical, Health and Family Welfare	2210-02-102-01	25.00	25.00	100	
47		2210-02-102-91	1.5	1.5	100	
48		2210-04-102-01	58.00	58.00	100	
49		2210-05-101-01	10.07	10.04	99	
50		4210-02-800-01	24.67	19.37	79	
51	14-Information	2220-01-105-06	10.00	9.48	95	
52		2220-60-101-07	2.60	1.64	63	
53		2220-60-800-07	15.0	9.00	60	
54	15-Welfare	2235-02-107-03	5.00	5.00	100	
55		2235-02-107-91	2.00	2.00	100	
56		2235-00-102-03	2.00	1.33	67	
57	17-Agriculture, Works and Research	4401-00-108-03	51.99	50.00	96	
58		6401-00-109-03	10.00	7.62	76	
59	18- Co-operative	2425-00-800-19	100.00	100.00	100	
60	20- Irrigation & Flood	2700-00-800-08	5.00	5.00	100	
61		2701-14-101-02	33.00	33.00	100	
62		2705-00-800-01	1006.43	587.41	58	
63		4700-03-800-02	25.00	22.12	88	
64		4701-80-800-03	100.00	100.00	100	
65		4702-00-800-01	25,575.02	20,288.19	79	
66		4711-01-103-01	1550.00	1334.87	86	
67		23-Industries	2851-00-102-20	10.00	10.00	100
68			3425-60-004-05	100.00	75.0	75
69	4851-100-102-07		10.00	10.00	100	

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70	24-Transport	3053-02-102-03	2.00	1.34	67
71		3053-02-102-06	100.00	100.00	100
72		3053-02-102-07	100.00	100.00	100
73		3053-02-102-08	50.00	50.00	100
74		3055-00-001-05	2.00	2.00	100
75		3055-00-001-07	5.89	4.05	69
76		3055-00-190-04	10.00	10.00	100
77		3053-02-800-11	100.00	100.00	100
78		3053-02-800-99	500.00	400.0	80
79		5055-00-050-07	201.00	201.00	100
80		7053-00-190-03	100.00	100.00	100
81		26-Tourism	3452-80-001-07	50.00	50.00	100
82	5452-80-104-97		3,500.00	3,500.00	100
83	28- Animal Husbandry	2403-00-102-04	4.10	4.10	100
84		2403-00-102-05	64.00	64.00	100
85		2403-00-106-08	100.00	100.00	100
86		2404-00-102-08	79.89	79.89	100
87		2405-00-190-01	12.00	12.00	100
88		4405-00-101-01	55.50	40.50	72
89	29-Horticulture Development	2401-00-119-08	70.00	70.00	100
90	30-Welfare of Scheduled Castes	2225-01-001-06	20.00	13.33	67
91		2225-01-277-08	8.01	4.52	56
92		4210-02-800-02	25.00	25.00	100
93		4702-00-800-01	4,050.00	4,050.00	100
94		4702-00-800-02	250.00	149.00	60
95		4711-01-103-02	50.00	50.00	100
96		5452-80-104-01	133.10	133.10	100
97		31- Welfare of Scheduled Tribes	2225-02-794-01	194.58	186.88	96
98	2225-02-796-01		150.00	115.06	77
99	2225-02-800-13		10.00	5.92	59
100	4225-02-190-03		51.00	51.00	100
101	4225-02-277-01		850.68	780.16	92
102	4702-00-796-01		100.00	100.00	100
103	4702-00-796-02		40.00	40.00	100
104	4702-00-796-03		40.00	40.00	100
105	4711-01-796-03		25.00	25.00	100
Total			46,272.08	38,639.78	83.51

Appendix-2.8

(Reference: Paragraph 2.3.10; page 43)

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

(₹ in crore)

Sl. No.	Number and name of the grant/ appropriation	Total grant/ appropriation	Saving	Amount surrendered	Amount surrendered in excess
Revenue – Voted					
1	01-Legislature	13.97	1.64	1.65	0.01
2	03-Council of Ministers	34.79	1.90	2.05	0.15
3	04-Judicial Administration	77.40	28.57	29.19	0.62
4	10-Police & Jail	578.23	24.16	27.18	3.02
5	14-Information	22.13	1.23	1.68	0.45
6	18-Co-operative	27.72	1.83	1.89	0.06
7	20-Irrigation	268.90	0.96	13.41	12.45
8	23-Industries	44.19	1.34	1.63	0.29
9	24-Transports	21.50	5.62	6.42	0.80
10	26-Tourism	19.71	2.85	2.96	0.11
11	28-Animal Husbandry	90.36	8.49	8.83	0.34
Capital Voted					
1	18-Co-operative	8.24	(-) 0.26 (excess)	0.65	0.91
2	20-Irrigation & Flood	521.13	171.52	271.94	100.42
Total		1,728.27	249.85	369.48	119.63

Appendix-2.11

(Reference: Paragraph 2.3.11; page 43)

Cases of surrender of funds in excess of ₹ 10 crore on 30/31 March 2010

(₹ in crore)

Sl. No.	Grant No.	Major Head	Amount of Surrender	Percentage of Total Provision
1	2	3	4	
1	04	2014-Administration of Justice (Revenue Charged)	11.63	48.89
2	07	2040-Taxes on Sales Trades etc.	17.74	28.79
3	07	2071-Pension & Other Retirement benefits	73.36	5.62
4	10	2055-Police	14.63	2.61
5	11	2202-General Education	71.76	2.38
6	20	4700-Capital Outlay on Major Irrigation	53.34	22
7	20	4702-Capital Outlay on Minor Irrigation	202.88	79.32
8	20	4711-Capital Outlay on Flood Control Project	13.35	72.16
9	26	5452-Capital Outlay on Tourism	35.46	56.11
Total			494.15	8.92

Appendix-2.12
(Reference: Paragraph 2.3.12; page 44)
Rush of Expenditure

(₹ in crore)

Sl. No.	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	2029	24.18	12.55	92.47	26%	14%
2	2030	10.25	8.73	14.85	69%	59%
3	2049	369.31	249.29	1,337.97	28%	19%
4	2053	17.62	10.41	57.69	31%	18%
5	2055	154.00	65.04	536.07	29%	12%
6	2058	1.57	0.43	7.88	20%	54%
7	2071	266.74	45.42	1,047.30	25%	4%
8	2202	856.14	548.43	2,861.51	30%	19%
9	2203	24.84	12.89	55.01	45%	23%
10	2210	142.39	79.19	430.19	33%	18%
11	2215	184.38	158.21	334.22	55%	47%
12	2217	296.69	254.92	554.77	53%	46%
13	2225	37.92	27.12	136.21	28%	20%
14	2245	83.82	77.40	148.77	56%	52%
15	2251	0.09	0.09	0.14	64%	64%
16	2401	121.49	79.42	293.80	41%	27%
17	2402	1.68	1.68	1.68	100%	100%
18	2406	104.25	69.00	273.73	38%	25%
19	2415	12.25	10.40	65.97	19%	16%
20	2425	12.95	10.66	28.70	45%	37%
21	2501	24.51	21.81	49.27	50%	44%
22	2515	101.26	61.09	329.26	31%	19%
23	2700	38.62	18.01	175.21	22%	10%
24	2702	27.93	22.24	60.22	46%	37%
25	2705	3.69	3.69	4.19	88%	88%
26	3054	69.75	54.51	156.13	45%	35%
27	3452	12.61	9.95	16.85	75%	59%
28	3604	122.40	30.60	324.73	38%	9%
29	4059	35.85	24.59	97.67	37%	25%
30	4202	37.05	34.86	53.04	70%	66%

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31	4210	21.62	19.03	38.03	57%	50%
32	4211	2.19	2.04	3.83	57%	53%
33	4225	6.01	3.49	6.17	98%	57%
34	4235	1.88	1.42	2.51	75%	57%
35	4406	8.33	7.75	13.39	62%	58%
36	4515	24.34	21.86	70.61	34%	31%
37	4700	132.02	81.56	203.43	65%	40%
38	4702	36.33	22.38	56.59	64%	40%
39	4801	73.07	73.07	661.95	11%	11%
40	5053	1.73	1.59	2.63	66%	60%
41	5054	367.95	230.35	785.04	47%	29%
42	5452	23.14	20.43	29.11	79%	70%
43	6003	215.86	177.07	1,336.29	16%	13%
44	6425	3.32	3.14	4.30	77%	73%
Total		4,114.02	2,667.71	12,759.38	32.24	20.91

Appendix-2.13
(Reference: Paragraph 2.4.1; page 46)
Pending D C bills for the years up to 2009-10
(Position as on 30 September 2010)

Department	Number of AC bills	Amount
		(₹ in lakh)
Additional Director NCERT U.K Narendra Nagar Tehri	3	1.10
Chief Agriculture Officer Narendra Nagar Tehri	1	0.10
Secretary Education & Youth Welfare	26	49.60
Secretary Revenue & General Administration	11	483.02
Secretary Village Development	1	0.20
Election Commissioner	4	17.52
Secretary Health & Family Welfare	2	0.30
Secretary Animal Husbandry	13	7.64
District Home guard Pauri	4	3.85
District Horticulture Officer Pauri	1	0.15
D.S.W.O Bageshwar	3	1.70
Total		565.18

Appendix-3.1

(Reference: Paragraph 3.2; page 54)

**Statement of Finalization of Accounts and the Government Investment in
Departmentally managed Commercial and Quasi-Commercial Undertakings**

Sl. No.	Name of the Undertaking	Accounts finalized up to	Investment as per the last accounts finalized (<i>₹ in crore</i>)	Remarks/Reasons for Delay in Preparation of accounts
Department:				
1	Department of Irrigation (Government Irrigation Workshop) Roorkee	2008-09	1.84	-
2	Food and Civil Supplies (a) Regional Food Controller Haldwani (b) Regional Food Controller Dehradun	2002-03	-	-

Appendix-3.2

(Reference: Paragraph 3.3; page 54)

Department wise/duration wise break-up of the cases of misappropriation defalcation etc
(cases where final action was pending at the end of March 2010)

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.
1	Education	3	-	-	-	-	-	3
2	I.C.D.S	1	-	-	-	-	-	1
3	Tourism	1	-	-	-	-	-	1
4	Medical	1	-	-	-	-	-	1
5	Social Welfare	3	-	-	-	-	-	3
6	DRDA Gopeshwar (Chamoli)	1	-	-	-	-	-	1
7	DRDA Roshnabad Haridwar	1						1
8	Animal Husbandry	2						2
9	Agriculture	1						1
TOTAL		14	-	-	-	-	-	14

Appendix-3.3
(Reference: Paragraph 3.3; page 54)

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

Name of Department	Theft Cases		Misappropriation/ Loss of Government Material		Total	
	Number of Cases	Amount	Number of Cases	Amount	Number of Cases	Amount
		(₹ in lakh)		(₹ in lakh)		(₹ in lakh)
Education	01	2.33	03	48.22	04	50.55
I.C.D.S	-	-	01	0.52	01	0.52
Tourism	-	-	01	1.78	01	1.78
Medical	-	-	01	11.96	01	11.96
Social Welfare	-	-	03	84.31	03	34.31
DRDA Gopeshwar (Chamoli)	-	-	01	7.50	01	7.50
DRDA Roshnabad Haridwar	-	-	01	3.08	01	3.01
Animal Husbandry	-	-	02	144.49	02	144.49
Agriculture	-	-	01	14.11	01	14.11
Total	01	2.33	14	315.97	15	318.30



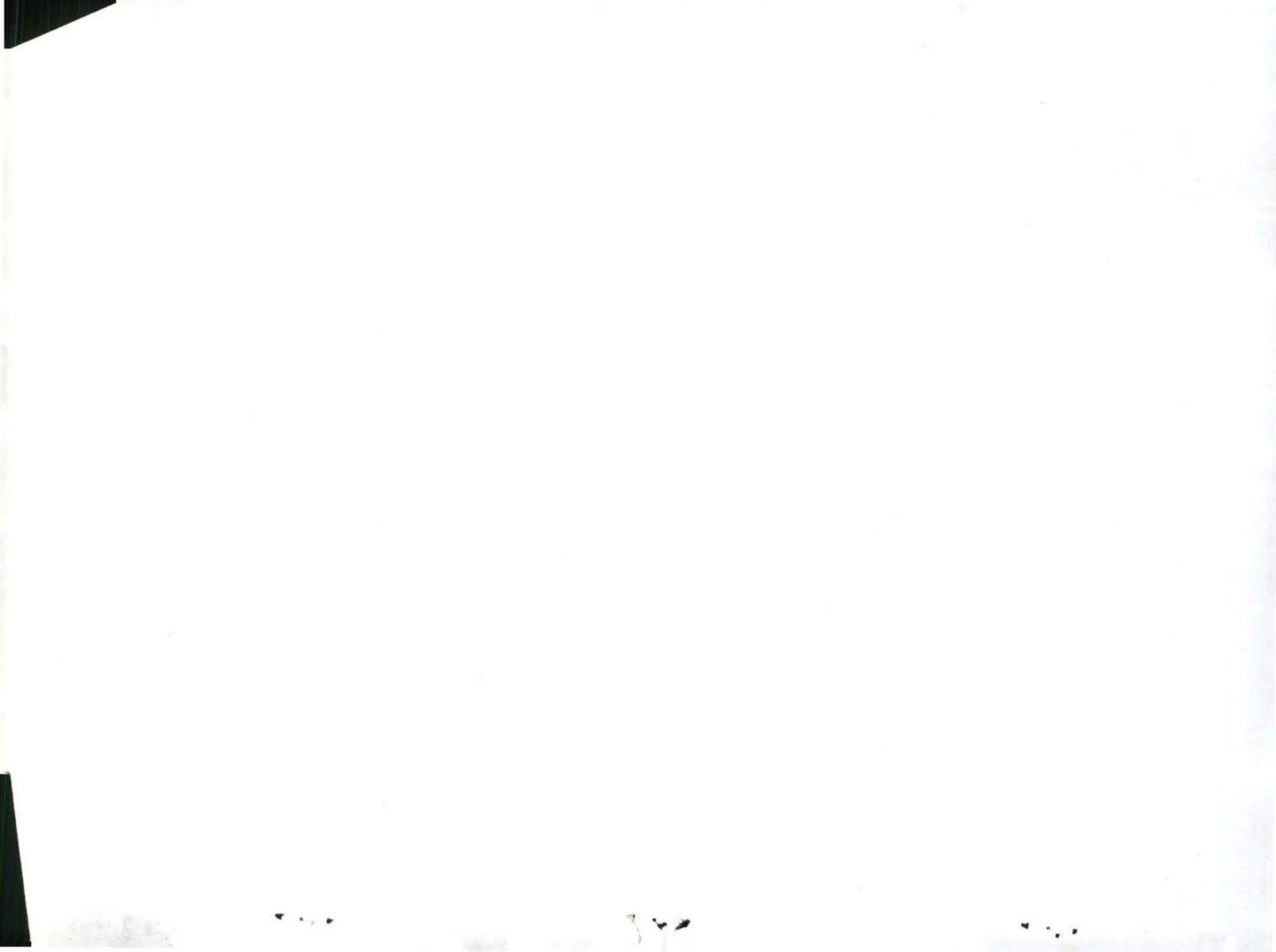


Parliamentary executive the Congress of the United States cannot dismiss the executive. A Parliamentary Government must resign the moment it loses the confidence of a majority of the members of Parliament.

Looking at it from the point of view of responsibility, a non-Parliamentary executive, being independent of Parliament, tends to be less responsible to the legislature, while a Parliamentary executive, being more dependent upon a majority in Parliament, becomes more responsible. The Parliamentary system differs from a non-Parliamentary system inasmuch as the former is more responsible than the latter but they also differ as to the time and agency for assessment of their responsibility. Under the non-Parliamentary system, such as the one that exists in the United States of America, the assessment of the responsibility of the executive is periodic. It takes place once in two years. It is done by the electorate. In England, where the Parliamentary system prevails, the assessment of responsibility of the executive is both daily and periodic. The daily assessment is done by Members of Parliament,

through questions, resolutions no-confidence motions, adjournment motions and debates on Addresses. Periodic assessment is done by the electorate at the time of the election which may take place every five years or earlier. The daily assessment of responsibility which is not available under the American system is, it is felt, far more effective than the periodic assessment and far more necessary in a country like India. The Draft Constitution in recommending the Parliamentary system of Government has preferred more responsibility to more stability.

Looking in retrospect one may say that whatever might have been the experience of the United States about the Presidential system, the experience of that system in Asian and African countries has been that hardly any President has gone out of office as a result of election. Only natural death or coup has resulted in the displacement of the President. As against that only in a Parliamentary system could Mrs. Gandhi be forced to step down from the office of the Prime Minister as a result of elections in 1977 and again only in a Parliamentary system could she return to that office in



1980 as a result of elections. One looks in vain for such a precedent in Asian and African countries having Presidential system.

Opposing the suggestion of K. T. Shah, referred to earlier, that the President before entering office should declare and divest himself of interest in property and business, Ambedkar said that the President of the Indian Union was to be merely a nominal head who would have no discretion or powers and he added :

If at all it is necessary it should be with regard to the Prime Ministers and the other Ministers of State, because it is they who are in complete control of the administration of the State. If any person under the Government of India has any opportunity of aggrandizing himself, it is either the Prime Minister or the Ministers of State and such a provision ought to have been imposed upon them during their tenure, and not on the President.

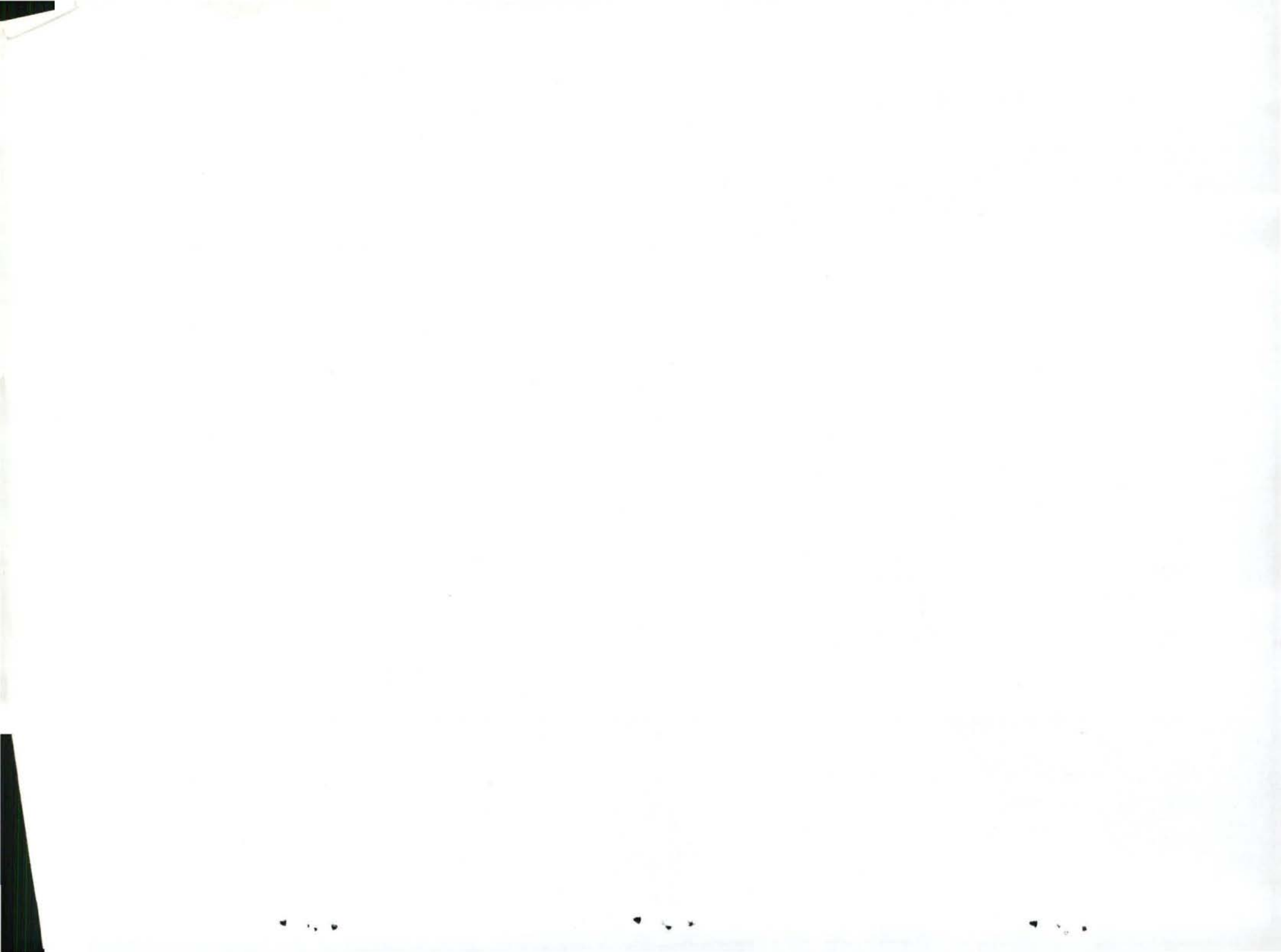
Another question which attracted interest was whether the appointment of the Prime Minister rested

on the discretion of the President. Dr. Ambedkar in this context observed :

With regard to the Prime Minister it is not possible to avoid vesting the discretion in the President. The only other way by which we could provide for the appointment of the Prime Minister without vesting the authority or the discretion in the President, is to require that it is the House which shall in the first instance choose its leader, and then on the choice being made by a motion or a resolution, the President should proceed to appoint the Prime Minister.

* * *

It seems that that is quite unnecessary. Supposing the President made the choice of a wrong person either because he had not what is required, namely, a stable majority in the House, or because he was persona non grata with the House : the remedy lies with the House itself, because the moment the Prime Minister is appointed by the President, it would be possible for the House or any member of the House,



or a party which is opposed to the appointment of that particular individual, to table a motion of no-confidence in him and get rid of him altogether if that is the wish of the House. Therefore, one way is as good as the other and it is therefore felt desirable to leave this matter in the discretion of the President.

One interesting suggestion which was canvassed before the Assembly was whether the President should have a Committee of Advisers like the Privy Council separate from the Cabinet Ministers. Rau in this connection made a suggestion that the Constitution should provide for a Council of State which would be a sort of Privy Council and whose advice would be available to the President whenever he chose to obtain it in all matters of national importance in which he is required to act in his discretion. This Council, according to Rau, was to consist of the Prime Minister and his deputy, the Chief Justice, the Presiding Officers of the two Houses of Parliament, the Attorney-General, besides all former Presidents, Prime Ministers, Chief Justices and others appointed by the President. The Council was to have a dual role. It could advise the President on the appointment of judges and in the exercise of other such functions. The Council

was also to advise the President in the use of discretionary powers. Rau contemplated that the President would have special responsibilities like the Governor General under the Government of India Act of 1935. Inspiration for the above proposal of Rau was sought in the Irish Constitution. Munshi suggested for a council of elders to advise the President. According to Munshi the President should be directly elected and the council of elders should comprise ten Vice-Presidents who were to be representatives of different communities and princely States and certain Cabinet ministers. It was only on the advice of this Council that the President could, according to Munshi, dissolve the Parliament, assent or refuse assent to bills and promulgate ordinances. The President could also with the concurrence of six members of the Council take action against the will of the Parliament. Munshi's idea was criticised as it would split the executive into two sections. The members of the Union Constitution Committee rejected the suggestion of Munshi as well as the proposal of Rau.

Proposal was then mooted for an Instrument of Instruction for the President. The proposal though



feelings weighed with the members of the Constituent Assembly as had weighed with those attending the Constitutional Convention in Philadelphia in 1787. Speaking of those feelings one writer has observed:

Over the whole convention still hung the dread of future tyranny as well as of immediate anarchy. The delegates were sure that unless anarchy could be avoided, an early despot was certain to appear, as in the classic pattern of republican failure. They believed that anarchy could be at least postponed by the establishment of an adequate Central Government, but they could only guess what powers would make it neither too weak for security nor too strong for liberty.

Ambedkar in the course of his speech delivered on November 4, 1948 while introducing the Draft Constitution made an exhaustive and authoritative statement on the power and position of the President vis-avis the Council of Ministers as also about the general character of the executive. While doing so he highlighted the difference between the powers of the President under

the U. S. Constitution and the Indian Constitution. He observed in this context:

In the Draft Constitution there is placed at the head of the Indian Union a functionary who is called the President of the Union. The title of this functionary reminds one of the President of the United States. But beyond identity of names there is nothing in common between the form of government prevalent in America and the form of government proposed under the Draft Constitution. The American form of government is called the Presidential system of government. What the Draft Constitution proposes is the Parliamentary system. The two are fundamentally different. Under the Presidential system of America, the President is the chief head of the executive. The administration is vested in him. Under the Draft Constitution the President occupies the same position as the King under the English Constitution. He is the head of the State but not of the executive. He represents the nation but does not rule the nation. He is the symbol of the nation. His place in the administration is that of a ceremonial device on a seal by which the nation's

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