

# **EXECUTIVE SUMMARY**

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### Background

This Report on the finances of the Government of Haryana is brought out to assess the financial performance of the State during 2014-15 vis-à-vis the Budget Estimates, the targets set under the Fiscal Responsibilities and Budget Management (FRBM) Act, 2005 and analyses the dominant trends and structural profile of Government's receipts and disbursement.

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

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

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

**Chapter III** is an inventory of the Haryana Government's compliance with various reporting requirements and financial rules.

### Audit findings

#### Chapter I

##### Finances of the State Government

Revenue receipts of ₹ 40,799 crore during 2014-15 increased by ₹ 2,787 crore (7.33 *per cent*) over the previous year. Tax revenue (₹ 27,635 crore) for 2014-15 fell short by 9.41 *per cent* and non-tax revenue (₹ 4,613 crore) fell short by 75.50 *per cent* of the targets fixed by Thirteenth Finance Commission. Revenue Receipts of ₹ 1,520.54 crore collected under Haryana Rural Development fund were not credited to Consolidated Fund of the State during 2011-14.

Revenue expenditure (₹ 49,118 crore) was 92 *per cent* of the total expenditure (₹ 53,677 crore) and the Non-Plan component (₹ 36,358 crore) was 74 *per cent* of revenue expenditure which was higher than the normative assessment of the Thirteenth Finance Commission (₹ 24,103 crore) and the projection of Fiscal Correction Path (₹ 35,210 crore). The four components of committed expenditure i.e. salary and wages, interest, pension and subsidies constituted 81 *per cent* of non-plan revenue expenditure.

Interest payments (₹ 6,928 crore) increased by 18.43 *per cent* during the year over 2013-14 and were higher than the projections made in the Fiscal Correction Path (₹ 5,800 crore) and the limit fixed by Thirteenth Finance Commission (₹ 6,113 crore) but was within the projections made in the Medium Term Fiscal Policy Statement (₹ 7,139 crore).

Fourteen projects of two departments which were scheduled to be completed between December 2012 and March 2015 were still incomplete (June 2015). Time overruns of incomplete projects need to be reduced.

The average return on the Government's investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.02 to 0.10 *per cent* in the past five years while the Government paid an average interest of 9.22 to 9.86 *per cent* on its borrowings. During 2014-15, out of total investments of ₹ 140.09 crore, ₹ 66.94 crore were invested in equity shares of power companies.

Overall fiscal liabilities of the State were ₹ 88,446 crore as on 31 March 2015. Out of this, internal debt was ₹ 68,797 crore. Fiscal liabilities were 20.32 *per cent* of GSDP and 2.17 times of the revenue receipts.

The revenue deficit which was required to be brought down to zero during 2011-12 and to be maintained at zero upto 2014-15 increased from ₹ 3,875 crore of 2013-14 to ₹ 8,319 crore in 2014-15. The trends in other fiscal parameters, i.e. fiscal and primary deficits which stood at ₹ 8,314 crore and ₹ 2,464 crore respectively in 2013-14 increased to ₹ 12,586 crore and ₹ 5,658 crore respectively in 2014-15.

## **Chapter II**

### **Financial management and budgetary control:**

During 2014-15, expenditure of ₹ 68,887.58 crore was incurred against total grants and appropriations of ₹ 86,832.00 crore. Overall savings of ₹ 17,944.42 crore were the result of saving of ₹ 18,350.77 crore in various grants and appropriation offset by excess expenditure of ₹ 406.35 crore in one grant which required regularisation under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 1,021.22 crore in grants relating to the period 2011-12 to 2013-14.

In 47 cases, ₹ 17,083.97 crore were surrendered at the end of the financial year. In twenty cases, ₹ 9,963.77 crore was surrendered including an excess surrender of ₹ 243.84 crore than actual savings indicating inadequate budgetary control in these departments. Further, out of savings of ₹ 4,507.64 crore in 18 cases, savings of ₹ 1,374.37 crore were not surrendered. There were both instances of inadequate provision of funds and unnecessary or excessive re-appropriations.

Expenditure of ₹ 1,011.04 crore (56 per cent) in 11 major heads under 11 grants was incurred during the month of March 2015 which shows rush of expenditure at the end of the financial year and was against the provisions of Rule 56 of the General Financial Rules.

The plan expenditure during 2014-15 was only ₹ 17,597 crore (79.59 per cent) against the assessed amount of ₹ 22,110 crore. No expenditure incurred in 16 schemes with approved plan outlay of ₹ 219.54 crore and in 40 schemes expenditure of ₹ 382.28 crore was incurred against the approved outlay of ₹ 1,075.40 crore.

### **Chapter III**

#### **Financial Reporting:**

1,270 Utilization certificates in respect of loans and grants of ₹ 5,085.56 crore provided by various departments were in arrear as on 31 March 2015. 186 annual accounts of 63 autonomous bodies/authorities to which financial assistance was provided by State Government were in arrear as on 31 July 2015. Out of 29 autonomous bodies, whose audit has been entrusted to the CAG by the State, four had delayed in submission of their annual accounts for more than five years.

State Government reported 120 cases of misappropriation, defalcation, etc involving Government money amounting to ₹ 1.50 crore on which final action was pending as of June 2015. Out of these 109 cases were more than five years old.

During 2014-15, 15.70 per cent of total expenditure and 5.75 per cent of total revenue receipts were classified under omnibus Minor Head – 800 instead of depicting distinctly in the Finance Accounts which affects the transparency in financial reporting.