EXECUTIVE SUMMARY

Background

This Report on the finances of the Government of Haryana is brought out to assess the financial performance of the State during 2013-14 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 2014 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 2014. 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

The revenue deficit which was required to be brought down to zero during 2011-12 and to maintain zero upto 2014-15 slightly decreased during the year as compared to previous year. The trends in fiscal parameters, i.e. revenue, fiscal and primary deficit which stood at ₹ 4,438 crore, ₹ 10,362 crore and 5,618 crore respectively in 2012-13 decreased to ₹ 3,875 crore, ₹ 8,314 crore and 2,464 crore respectively in 2013-14.

Interest payments (₹ 5,850 crore), increased by 23 *per cent* during the year over 2012-13 and were higher than the projections made in the Fiscal Correction Path (₹ 5,180 crore) and the limit fixed by Thirteenth Finance Commission (₹ 5,314 crore) but was within the projections made in the Medium Term Fiscal Policy Statement (₹ 6,302 crore).

Revenue expenditure (₹ 41,887 crore) was 90 *per cent* of the total expenditure (₹ 46,598 crore) and the Non-Plan component (₹ 31,735 crore) was 76 *per cent* of revenue expenditure which was higher than the normative assessment of the Thirteenth Finance Commission (₹ 22,138 crore) and the projection of Fiscal Correction Path (₹ 31,135 crore).

Forty projects of two departments which were scheduled to be completed between May 2013 and March 2014 were still lying incomplete (June 2014). 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 0.17 *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 2013-14 a major portion of investments (72 *per cent*) was made in form of investment in equity shares of various Power Corporations.

GOI directly transferred ₹ 2,308.06 crore to State implementing agencies during the year, registering increase of ₹ 290.22 crore (14 *per cent*) in comparison to the previous year. Since these funds do not pass through the State Budget, the Finance Accounts do not present a complete picture of fund flow of Central Government resources into the State.

Chapter II

Financial management and budgetary control:

During 2013-14, expenditure of ₹ 61,250.73 crore was incurred against total grants and appropriations of ₹ 78,118.14 crore. Overall savings of ₹ 16,867.41 crore were the result of saving of ₹ 17,197.08 crore in various grants and appropriation offset by excess expenditure of ₹ 329.67 crore in two grants which required regularisation under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 428.10 crore in grants relating to 2012-13.

In 46 cases, ₹ 14,332.63 crore were surrendered at the end of the financial year. In five cases, ₹ 1,654.68 crore was surrendered including an excess surrender of ₹ 32.05 crore than actual savings indicating inadequate budgetary control in these departments. Further, out of savings of ₹ 13,599.30 crore in 15 cases, savings of ₹ 2,967.99 crore were not surrendered. There were both instances of inadequate provision of funds and unnecessary or excessive re-appropriations.

Expenditure of ₹ 3,288.63 crore (37 *per cent*) in 17 major heads under 12 grants was incurred during the month of March 2014 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 2013-14 was only ₹ 15,712.16 crore (87 *per cent*) against the assessed amont of ₹ 18,000 crore. No expenditure incurred in 143 schemes with approved plan outlay of ₹ 1,498.43 crore and in 299 schemes expenditure of ₹ 3,984.63 crore was incurred against the approved outlay of ₹ 7,348.08 crore.

Chapter III

Financial Reporting:

1,391 Utilization certificates in respect of loans and grants of ₹ 3,691.25 crore provided by various departments were in arrear as on 31 March 2014. 269 annual accounts of 114 autonomous bodies/authorities to which financial assistance was provided by State Government were in arrear as on 31 July 2014. Six out of 28 autonomous bodies, whose audit has been entrusted to the CAG by the State, had not submitted their annual accounts for the last 17 years.

State Government reported 137 cases of misappropriation, defalcation, etc involving Government money amounting to ₹ 1.58 crore on which final action was pending as of June 2014. Out of these 120 cases were more than five years old.

During 2013-14, 13.96 *per cent* of total expenditure and 4.10 *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.