
EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Background

This Report on the finances of the Government of Uttarakhand is being brought out to assess the financial performance of the State during the year 2017-18 *vis-à-vis* the Budget and recommendations of *Fourteenth Finance Commission (FFC)* and analyses the dominant trends and structural profile of Government's receipts and disbursements.

Based on the audited accounts of the Government of Uttarakhand for the year ending 31 March 2018 and additional data collected 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-1 is based on the audit of Finance Accounts and makes an assessment of Uttarakhand Government's fiscal position as on 31 March 2018. It provides an insight into trends and profile of key fiscal aggregates, committed expenditure, borrowing pattern, *etc.*

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

Chapter-3 details Government's compliance with various reporting requirements and financial rules and non-submission of accounts.

Audit findings

Chapter-1

Finances of the State Government

Uttarakhand was a revenue surplus State in 2013-14. However, the State had revenue deficit of ₹ 917 crore (0.57 *per cent* of GSDP) in 2014-15, ₹ 1,852 crore (1.05 *per cent* of GSDP) in 2015-16, ₹ 383 crore (0.20 *per cent* of GSDP) in 2016-17. During 2016-17, the revenue deficit decreased to ₹ 383 crore. The position

deteriorated during the current year and the State had revenue deficit of ₹ 1,978 crore (0.91 *per cent* of GSDP).

The fiscal deficit during 2013-14 at ₹ 2,650 crore (1.78 *per cent* of GSDP) increased in 2014-15 to ₹ 5,826 crore (3.61 *per cent* of GSDP), ₹ 6,125 crore (3.48 *per cent* of GSDP) during 2015-16 and ₹ 5,467 crore (2.79 *per cent* of GSDP) in 2016-17. During the current year, the fiscal deficit at ₹ 7,935 crore (3.65 *per cent* of GSDP) was above the normative target of 3.25 *per cent* of GSDP as fixed by the *FFC*.

The State had primary deficit in each year during the period 2013-14 to 2017-18. The primary deficit which had reduced from ₹ 3,154 crore (2015-16) to ₹ 1,744 crore in 2016-17 increased to ₹ 3,948 crore during the current year. Existence of Primary Deficit indicates that the State would need to borrow money even for making interest payments on its borrowed funds. The State Government was, therefore, compelled to borrow ₹ 3,987 crore out of ₹ 7,526 crore total borrowed fund in the year 2017-18 to meet its interest commitments.

As on 31 March 2018, the average return on Uttarakhand Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was negligible and ranged from 0.004 to 0.71 *per cent* in the last five years while the Government paid an average interest rate of 8.13 *per cent* on its borrowings during 2013-14 to 2017-18.

The Fiscal Liabilities to GSDP ratio for the year of 2017-18 (23.82 *per cent*) increased by 0.98 percentage points as compared to previous year (22.84 *per cent*). This was higher than the normative assessment of 22.60 *per cent* fixed by the *FFC* for the year.

Chapter-2

Financial management and budgetary control

During 2017-18, there was excess expenditure of ₹ 6,413.38 crore in six grants under Capital Voted and one appropriation under Capital Charged Section which requires regularisation under Article 205 of the Constitution of India.

An amount of ₹ 231.50 crore drawn from Contingency Fund during 2016-17 (₹ 156.34 crore) and 2017-18 (₹ 75.16 crore) has remained un-recouped as of August 2018.

Excess expenditure amounting to ₹ 20,780.77 crore pertaining to the years 2005-06 to 2016-17 is yet to be regularised by the State Legislature.

Chapter-3

Financial reporting

The departmental officers did not submit 102 Utilisation Certificates, in respect of grants of ₹ 164.92 crore given for specific purposes, to the Accountant General (Accounts & Entitlement), Uttarakhand till March 2018. In the absence of these certificates, it could not be ascertained whether the recipients had utilised the grants for the intended purposes. The departmental heads were not submitting statements of such bodies and authorities showing (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned, and (c) the total expenditure of the body or authority to Principal Accountant General (Audit) Uttarakhand to which grants or loan aggregating ₹ 10 lakh or more were paid during preceding year. As such, the institutions which attract audit by the Comptroller & Auditor General of India could not be identified properly.

Significant amounts of expenditure and receipts were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' instead of being booked under distinct heads of account. This adversely affected transparency in financial reporting.

