

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 2018-19 *vis-à-vis* the Budget Estimates, the targets set under the Fiscal Responsibilities and Budget Management (FRBM) Act, 2005 and to analyse the significant 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 2019 and additional data collated from several sources such as the Economic Survey brought out by the Department of Economic and Statistical Analysis, 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 2019. 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 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 details Haryana Government's compliance with various reporting requirements and financial rules.

Audit findings

Chapter I

Finances of the State Government

The State passed FRBM Act, 2005 to ensure prudence in fiscal management and fiscal stability by progressive elimination of Revenue Deficit. However, the FRBM Act has not been amended as per the recommendations of 14th Finance Commission.

[Paragraphs 1.1.2]

Government departments transferred the cess collected under the Building and Other Construction Workers' Welfare Cess Act, 1996 and Haryana Rural Development Act, 1986 to the Haryana Building and Other Construction Workers Welfare Board/ Haryana Rural Development Fund Administration Board without routing these through the Consolidated Fund of the State. In the case of Building and Other Construction Workers Welfare Fund, the Act provides for audit by

CAG and the Fund is being audited. However, the Haryana Rural Development Act does not provide for audit by CAG. Furthermore, in case of Building and Other Construction Workers Cess, proper accounting procedure is lacking as distinct sub head for classifying these receipts is not operated.

[Paragraph 1.3.5]

Recovery of loans and advances during the year was only 1.13 *per cent* of outstanding loans. Cooperative sugar mills were extended loans with the condition that the loan would be repaid in five years in equal installments after twelve months of sanction with nine *per cent* per annum interest and no loan would be disbursed in case of failure in repayment of earlier loans. However, loans were sanctioned/dispensed to sugar mills without ensuring the fulfillment of conditions of earlier loans as a result of which outstanding loans increased from ₹ 618.40 crore on 1st April 2009 to ₹ 2,647.86 crore as on 31 March 2019. Since recovery of loans has been poor, State Government may consider treating these loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position.

[Paragraph 1.4.2]

Revenue expenditure during the year constituted 83 *per cent* of the total expenditure. Total expenditure on four components i.e. salary and wages, pension liabilities, interest payments and subsidies constituted 65 *per cent* of the revenue expenditure during 2018-19. Moreover, 87 *per cent* (₹ 7,415 crore) of total subsidies (₹ 8,549 crore) were only for the Energy Sector.

[Paragraphs 1.6.1 & 1.6.3]

Capital expenditure of ₹ 15,307 crore (16.42 *per cent* of total expenditure) during 2018-19 included conversion of power sector loans amounting to ₹ 5,190 crore under UDAY scheme into equity. The accumulated losses upto 2017-18 of three DISCOMs were ₹ 29,453 crore.

[Paragraphs 1.6.1 & 1.8.3]

Cash balance of ₹ 2,985.55 crore at the close of 2018-19 was lesser than the earmarked reserve funds of ₹ 6,315.60 crore which indicates that reserve funds were used for other than intended purposes.

[Paragraph 1.8.7]

Overall fiscal liabilities of the State were ₹ 1,84,216 crore as on 31 March 2019. The ratio of fiscal liabilities to GSDP showed increasing trend and increased from 20.23 *per cent* in 2014-15 to 26.05 *per cent* in 2018-19. These liabilities were 2.80 times the revenue receipts and 3.64 times the State's own resources as at the end of 2018-19.

[Paragraph 1.9.2]

Internal debt of the State Government increased by ₹ 96,825 crore (167 *per cent*) from ₹ 58,143 crore in 2014-15 to ₹ 1,54,968 crore in 2018-19. An interest of ₹ 11,988 crore was paid on internal debt during 2018-19.

[Paragraph 1.10]

The State continued to be a revenue deficit State. The revenue deficit of ₹ 11,270 crore was 17 *per cent* of revenue receipts during 2018-19 indicating that revenue receipts of the State Government were not sufficient for meeting the revenue expenditure and borrowed funds were used for meeting current consumption instead of capital creation.

[Paragraph 1.11.1]

Fiscal Deficit which were ₹ 19,114 crore in 2017-18 increased to ₹ 21,912 crore during 2018-19. Fiscal deficit was 3.10 *per cent* of GSDP against the target of 2.82 *per cent* set out in MTFPS.

[Paragraph 1.11.1]

Primary Deficit which was ₹ 5,658 crore in 2014-15 increased upto ₹ 23,195 crore in 2015-16 and declined to ₹ 15,743 crore in 2016-17, decreased to ₹ 7,153 crore during 2017-18 but increased to ₹ 8,361 crore in 2018-19. Existence of primary deficit indicates that the State would need to borrow money even for making interest payments on its borrowed funds.

[Paragraph 1.11.1]

Chapter II

Financial management and budgetary control

During 2018-19, expenditure of ₹ 1,21,362.76 crore was incurred against the total grants and appropriations of ₹ 1,41,732.90 crore. Overall savings of ₹ 20,370.14 crore were the result of saving of ₹ 20,411.68 crore in various grants and an appropriation, offset by excess expenditure of ₹ 41.54 crore under three grants, which required regularisation under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 540.60 crore for the period 2017-18.

[Paragraphs 2.2 & 2.3.2]

There were persistent savings in 18 grants and an appropriation during 2014-19. In 37 cases, supplementary provision proved to be unwarranted as the expenditure remained less than the original provision. In 17 major heads, under 13 grants, 52 *per cent* of the expenditure was incurred in the month of March 2019 indicating rush of expenditure in the closing month of the year which was contrary to the provisions of Rule 56 of the General Financial Rules. Seventy one development schemes with an approved outlay of ₹ 2,045.91 crore were not implemented during 2018-19.

[Paragraphs 2.3.4, 2.3.5, 2.3.6 & 2.5.3]

Chapter III

Financial Reporting

The State has not complied with the Indian Government Accounting Standards (IGAS)-3: Loans and Advances made by Government as detailed information of overdue principal and interest was not furnished and confirmation of balances of individual loanee was not furnished.

[Paragraph 3.1]

1,732 utilization certificates in respect of loans and grants of ₹ 8,469.49 crore provided by various departments were outstanding as on 31 March 2019. 166 annual accounts of 87 autonomous bodies/authorities to which financial assistance was provided by State Government were in arrear as on 31 July 2019.

[Paragraphs 3.2 & 3.3]

State Government reported 75 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.28 crore on which final action was pending as of June 2019. Out of these, 40 cases were more than five years old.

[Paragraph 3.6]

During 2018-19, expenditure of ₹ 8,581.76 crore (9.28 *per cent* of total expenditure) was classified under omnibus Minor Head – 800 instead of depicting distinctly in the Finance Accounts which affects the transparency in financial reporting.

[Paragraph 3.7]