



सत्यमेव जयते

**STATE FINANCES AUDIT REPORT
OF THE
COMPTROLLER AND AUDITOR
GENERAL OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2020



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



उत्तराखण्ड शासन

GOVERNMENT OF UTTARAKHAND

Report No. 2 of the year 2021

**STATE FINANCES AUDIT REPORT
OF THE
COMPTROLLER AND AUDITOR
GENERAL OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2020

GOVERNMENT OF UTTARAKHAND
Report No. 2 of the year 2021

TABLE OF CONTENTS			
Sl. No.	Contents	Paragraph	Page No.
1.	Preface		vii
2.	Executive Summary		ix
CHAPTER-1: OVERVIEW			
3.	Profile of the State	1.1	1
4.	Gross State Domestic Product of Uttarakhand	1.1.1	1
5.	Sectoral contribution to GSDP	1.1.2	2
6.	Basis and Approach to State Finances Audit Report	1.2	3
7.	Report Structure	1.3	4
8.	Overview of Government Accounts Structure and Budgetary Processes	1.4	4
9.	Snapshot of Finances	1.4.1	7
10.	Snapshot of Assets and Liabilities of the Government	1.4.2	7
11.	Fiscal Balance: Achievement of Deficit and Total Debt Targets	1.5	8
12.	FRBM Targets on Key Fiscal Parameters and Achievements thereon	1.5.1	9
13.	Medium Term Fiscal Plan	1.5.2	10
14.	Trends of Deficit/Surplus	1.5.3	11
15.	Deficits and Total Debt after Examination in Audit	1.6	12
16.	Post Audit–Deficits	1.6.1	13
17.	Post Audit–Total Public Debt	1.6.2	13
18.	Conclusions	1.7	14
19.	Recommendations	1.8	14
CHAPTER-2: FINANCES OF THE STATE			
20.	Major changes in Key Fiscal Aggregates during 2019-20 <i>vis-à-vis</i> 2018-19	2.1	15
21.	Sources and Application of Funds	2.2	15
22.	Resources of the State	2.3	16
23.	Receipts of the State	2.3.1	17
24.	State’s Revenue Receipts	2.3.2	17
25.	Trends and growth of Revenue Receipts	2.3.2.1	17
26.	State’s Own Resources	2.3.3	19
27.	Own Tax Revenue	2.3.3.1	19
28.	State Goods and Services Tax (SGST)	2.3.3.2	20
29.	Analysis of arrears of revenue and arrears of assessment	2.3.3.3	22
30.	Non-Tax Revenue	2.3.3.4	23
31.	Central Transfers	2.3.4	24
32.	Central Tax Transfer	2.3.4.1	24
33.	Grants-in-Aid from Government of India	2.3.4.2	25
34.	Fourteenth Finance Commission Grants	2.3.4.3	26
35.	Capital Receipts	2.4	26
36.	State’s Performance in Mobilization of Resources	2.5	27
37.	Application of Resources	2.6	28
38.	Revenue Expenditure	2.6.1	30
39.	Major changes in Revenue Expenditure	2.6.1.1	31
40.	Committed Expenditure	2.6.2	32
41.	Salaries and Wages	2.6.2.1	33
42.	Interest Payments	2.6.2.2	33

43.	Pensions	2.6.2.3	34
44.	Subsidies	2.6.2.4	35
45.	Financial assistance by the State Government to Local Bodies and Other Institutions	2.6.2.5	35
46.	Capital Expenditure	2.6.3	36
47.	Major changes in Capital Expenditure	2.6.3.1	37
48.	Quality of Capital Expenditure	2.6.3.2	37
49.	Expenditure Priorities	2.7	43
50.	Public Account	2.8	44
51.	Net Balances in Public Account	2.8.1	44
52.	Reserve Funds	2.8.2	46
53.	Inactive Reserve Funds	2.8.2.1	46
54.	State Disaster Response Fund	2.8.2.2	47
55.	Guarantee Redemption Fund	2.8.2.3	47
56.	State Compensatory Afforestation Funds	2.8.2.4	48
57.	Non Discharge of Interest liabilities against Reserve Funds and Deposits Bearing Interest	2.8.3	49
58.	Debt Management	2.9	49
59.	Trend of overall debt	2.9.1	49
60.	Debt profile: Components	2.9.2	50
61.	Break up of Outstanding Overall Debt at the end of 2019-20	2.9.3	50
62.	Component wise debt trends	2.9.4	50
63.	Internal Debt taken <i>vis-à-vis</i> repaid	2.9.5	51
64.	Debt profile: Maturity and Repayment	2.9.6	53
65.	Debt Sustainability Analysis	2.9.7	54
66.	Trend in Debt Sustainability indicators	2.9.8	55
67.	Utilisation of Borrowed Funds	2.9.9	56
68.	Status of Guarantees–Contingent Liabilities	2.10	57
69.	Management of Cash Balances	2.11	58
70.	Investment of Cash Balances	2.11.1	58
71.	Conclusions	2.12	61
72.	Recommendations	2.13	62
CHAPTER-3: BUDGETARY MANAGEMENT			
73.	Budget Process	3.1	63
74.	Budget Preparation Process	3.2	64
75.	Summary of total provisions, actual disbursements and savings during financial year	3.2.1	65
76.	Charged and voted disbursements	3.2.2	65
77.	Appropriation Accounts	3.3	65
78.	Comments on integrity of budgetary and accounting process	3.3.1	66
79.	Expenditure incurred without authority of law	3.3.1.1	66
80.	Transfers not mandated by the Appropriation Act/Detailed Demands for Grants (into Public Account/Bank Accounts)	3.3.2	66
81.	Misclassification of capital expenditure as revenue expenditure and vice versa	3.3.3	67
82.	Unnecessary or excessive supplementary grants	3.3.4	68

83.	Re-appropriations undertaken which require prior Legislative authorization	3.4	70
84.	Unnecessary/excessive re-appropriation	3.4.1	70
85.	Unspent amount and surrendered appropriations and/or large savings/surrenders	3.5	71
86.	Grants/Appropriations with budget utilisation less than 50 per cent	3.5.1	73
87.	Details of surrenders of funds in excess of ₹ 1 crore	3.5.2	73
88.	Details of distribution of the number of Grants/Appropriations grouped by the percentage of utilisation	3.5.3	73
89.	Details of savings and surrenders before close of financial year 2019-20	3.5.4	74
90.	Budget Allocation and its utilisation	3.5.5	74
91.	Excess expenditure and its regularization	3.6	75
92.	Excess expenditure relating to 2019-20	3.6.1	75
93.	Details of Major Head wise disbursement over the authorisation	3.6.2	76
94.	Persistent excesses in certain Grants	3.6.3	76
95.	Regularisation of excess expenditure of previous financial years	3.6.4	77
96.	Grant-in-aid for creation of capital asset	3.7	77
97.	Budget projection and gap between expectation and actual	3.8	78
98.	Supplementary budget and opportunity cost	3.9	80
99.	Financial Power being flouted- in relation to re-appropriation	3.10	80
100.	Rush of expenditure	3.11	81
101.	Review of selected grants	3.12	82
102.	Outcome of Review of Selected Grants	3.12.1	82
103.	Conclusions	3.13	87
104.	Recommendations	3.14	87
CHAPTER-4: QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES			
105.	Funds outside Consolidated Fund or Public Account of the State	4.1	89
106.	Labour Cess	4.1.1	89
107.	Regulators	4.1.2	90
108.	Loans of State Government not being credited to the Consolidated Fund	4.2	91
109.	Non-inclusion of clear cut liabilities of Departments	4.3	91
110.	Non-discharge of liability in respect of interest towards interest bearing deposits	4.4	91
111.	Funds transferred directly to implementing agencies	4.5	91
112.	Deposit of Local Funds	4.6	93
113.	Delay in submission of Utilisation Certificates	4.7	93
114.	Recording of Grantee Institution as "Others"	4.7.1	94
115.	Abstract Contingent Bills	4.8	95
116.	Personal Deposit Accounts	4.9	96
117.	Inoperative and non-reconciled PD Accounts	4.9.1	97
118.	Indiscriminate use of Minor head 800	4.10	97
119.	Outstanding balance under major Suspense and Remittance heads	4.11	99
120.	Non-reconciliation of Departmental figures	4.12	101
121.	Reconciliation of Cash Balances	4.13	102
122.	Compliance with Accounting Standards	4.14	103

123.	Submission of Accounts/Separate Audit Reports of Autonomous Bodies	4.15	103
124.	Arrears of Accounts of Bodies or Authorities	4.15.1	104
125.	Departmental Commercial Undertakings/Corporations/Companies	4.16	104
126.	Delay in submission of Accounts in respect of Departmental Commercial Undertakings	4.16.1	105
127.	Delay in submission of Accounts in respect of Public Sector Undertakings	4.16.2	105
128.	Non-submission of details of grants/loans given to bodies and authorities	4.17	106
129.	Timeliness and Quality of Accounts	4.18	107
130.	Misappropriations, losses, thefts, etc.	4.19	107
131.	Unauthorised operation of Heads of Accounts	4.20	107
132.	Follow up Action on State Finances Audit Report	4.21	108
133.	Conclusions	4.22	108
134.	Recommendations	4.23	108
CHAPTER-5: STATE PUBLIC SECTOR ENTERPRISES			
135.	Definition of Government Companies	5.1	109
136.	Mandate of Audit	5.2	109
137.	SPSEs and their contribution to the GSDP of the State	5.3	109
138.	Investment in SPSEs and Budgetary support	5.4	110
139.	Equity holding and Loans in SPSEs	5.4.1	110
140.	Market Capitalisation of equity investment in SPSEs	5.4.2	111
141.	Disinvestment, Restructuring and Privatisation	5.4.3	111
142.	Returns from SPSEs	5.5	111
143.	Profit earned by SPSEs	5.5.1	111
144.	Dividend paid by SPSEs	5.5.2	111
145.	Debt Servicing	5.6	112
146.	Interest Coverage Ratio	5.6.1	112
147.	Performance of listed SPSEs <i>vis-à-vis</i> private companies	5.7	112
148.	Return on Capital Employed	5.7.1	112
149.	Return on Equity by SPSEs	5.7.2	113
150.	SPSEs incurring losses	5.8	113
151.	Losses incurred	5.8.1	113
152.	Erosion of Capital in SPSEs	5.8.2	114
153.	Audit of State Public Sector Enterprises	5.9	114
154.	Appointment of statutory auditors of State Public Sector Enterprises by CAG	5.10	114
155.	Submission of accounts by Public Sector Enterprises	5.11	115
156.	Need for timely submission	5.11.1	115
157.	Timeliness in preparation of accounts by SPSEs	5.11.2	115
158.	Timeliness in preparation of accounts by Statutory Corporations	5.11.3	116
159.	CAG's oversight - Audit of accounts and supplementary audit	5.12	116
160.	Financial reporting framework	5.12.1	116
161.	Audit of accounts of Government Companies by Statutory Auditors	5.12.2	116
162.	Supplementary Audit of accounts of Government Companies	5.12.3	117
163.	Result of CAG's oversight role	5.13	117

164.	Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013	5.13.1	117
165.	Amendment of Financial Statements	5.13.2	117
166.	Revision of Auditors Report	5.13.3	117
167.	Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies	5.13.4	117
168.	Statutory Corporations where CAG is the sole auditor	5.13.5	119
169.	Management Letters	5.14	120
170.	Conclusion	5.15	120
171.	Recommendations	5.16	121

APPENDICES		
Appendix-1.1	State Profile	123
Appendix-2.1	Time series data on the State Government Finances	124
Appendix-3.1	Glossary of Important Budget related terms	127
Appendix-5.1	List of State Public Sector Enterprises	129
Appendix-6.1	Glossary of terms	130

PREFACE

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

Chapter-1 of this Report is an Overview on profile of the State and fiscal status of the State, pre and post audit.

Chapters-2 and 3 of this Report contain audit observations on matters arising from the examination of the Finance Accounts and the Appropriation Accounts respectively, of the State Government for the year ended 31 March 2020. Information has also been obtained from the Government of Uttarakhand, wherever necessary.

Chapter-4 on Quality of Accounts and Financial Reporting provides an overview and status of the State Government's compliance with various financial rules, procedures and directives relating to financial reporting during the current year.

Chapter-5 discusses the financial performance of State Public Sector Enterprises and the impact of comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises.

The Report containing the findings of performance audit and audit of transactions in various departments, audit of Statutory Corporations, Boards and Government Companies and observations on Revenue Receipts, is presented separately.

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 2019-20 *vis-à-vis* the Budget, Medium Term Fiscal Policy Statement (MTFPS) 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 2020 and additional data collected from several sources such as the Economic Survey brought out by the State Government, Financial Statements of State Public Sector Undertakings and Census, this report provides an analytical review of the Annual Accounts of the State Government in five Chapters.

Chapter-1 is an overview of the State's financial position.

Chapter-2 is based on the audit of Finance Accounts and makes an assessment of Uttarakhand Government's fiscal position as on 31 March 2020. It provides an insight into trends and profile of key fiscal aggregates, committed expenditure, borrowing pattern, *etc.*

Chapter-3 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-4 details Government's compliance with various reporting requirements and financial rules and non-submission of accounts.

Chapter-5 discusses the financial performance of State Public Sector Enterprises and the impact of comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises.

Audit findings

CHAPTER-1

OVERVIEW

- The position of Revenue Deficit during the year 2019-20 deteriorated as compared to the year 2018-19 and was at ₹ 2,136 crore (0.84 *per cent* of GSDP). Revenue Deficit was understated by ₹ 273 crore (12.78 *per cent*), on account of the deferred liability, misclassification between Revenue and Capital Expenditure, non-transfer of interest liability, *etc.*

[Paragraphs 1.5.3 and 1.6.1]

- During the current year, the fiscal deficit at ₹ 7,657 crore (3.02 *per cent* of GSDP) was within the normative target of 3.25 *per cent* of GSDP as fixed by the FFC. The contribution of revenue deficit in the fiscal deficit increased from 13 *per cent* in 2018-19 to 28 *per cent* in 2019-20. Fiscal Deficit was understated by ₹ 446 crore (5.82 *per cent*) on account of deferred liability, investments made in loss making companies, non-transfer of interest liability, etc.

[Paragraphs 1.5.3 and 1.6.1]

CHAPTER-2

FINANCES OF THE STATE

- Revenue Receipts decreased by ₹ 493 crore (1.58 *per cent*) over the previous year. The Own Tax Revenue declined by ₹ 675 crore during the current year over the previous year. The percentage of Own Tax Revenue to total Revenue Receipts has shown a steady decline from 44.16 during 2015-16 to 37.47 during 2019-20.

[Paragraphs 2.3.2.1 and 2.3.3.1]

- Revenue Expenditure formed on an average 83.89 *per cent* (ranging from 82.92 *per cent* in 2017-18 to 85.57 *per cent* in 2019-20) of the total expenditure during the period 2015-20. Rate of growth of Revenue Expenditure has displayed fluctuating trend during the five- year period 2015-20. The committed expenditure ranged between 59 *per cent* and 68 *per cent* of Revenue Expenditure, while it accounted for 63 *per cent* to 73 *per cent* of the Revenue Receipts of the State during the five-year period 2015-20.

[Paragraphs 2.6.1 and 2.6.2]

- Capital expenditure registered a decrease of ₹ 770 crore over the previous year and was also well below the projection set forth by the State Government in its Budget and MTFPS.

[Paragraph 2.6.3]

- The State Government had provided budgetary support and invested in public sector undertakings having accumulated losses and also in Government corporations and companies that had not finalised their accounts. The average return on Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was almost negligible. During the current year, the amount repaid was ₹ 18.92 crore which stood at 0.93 *per cent* of the outstanding loans (₹ 2,033.40 crore) as on 31 March 2020.

[Paragraph 2.6.3.2 (i), (v)]

- As per Finance Accounts for the Year 2019-20, there were 210 incomplete/ ongoing projects worth ₹ 886.43 crore under various divisions of Public Works as on 31 March 2020.

[Paragraph 2.6.3.2 (vi)]

- Against the receivable Guarantee Commission fee of ₹ 8.93 crore, an amount of ₹ 4.45 crore was received resulting in short receipt of ₹ 4.48 crore as Guarantee Commission fees. The received Guarantee fee has to be deposited in Public Account under Guarantee Redemption Fund, while the State Government was treating it as Revenue Receipts. This resulted in understatement of Revenue Deficit to that extent.

[Paragraph 2.8.2.3]

- Repayment liabilities will go up substantially in the future and at the current rates of growth of RR and RE, the State will continue to have substantial Revenue Deficit in future. Hence, the State will have to resort to increased borrowings to service its debt liability.

[Paragraph 2.9.6]

- The total fiscal liabilities to GSDP ratio in 2019-20 increased by 2.41 *per cent* over previous year and stood at 26.01 *per cent*, which was above the FRBM target of 25 *per cent*.

[Paragraph 2.9.2]

CHAPTER-3

BUDGETARY MANAGEMENT

- During 2019-20, there was an overall saving of ₹ 3,224.61 crore against the total grants and appropriations of ₹ 51,197.80 crore.

[Paragraph 3.2]

- Supplementary provision of ₹ 2,481.20 crore obtained in 45 cases proved unnecessary. Re-appropriation of funds in 15 cases was made injudiciously resulting in savings of more than one crore over provisions.

[Paragraphs 3.3.4 and 3.4.1]

- Departments surrendered ₹ 259 crore on the last working day of the financial year leaving no scope for utilising these funds for other development purposes.

[Paragraph 3.5.4]

- Excess expenditure amounting to ₹ 35,659.13 crore pertaining to the years 2005-06 to 2018-19 was yet to be regularised by the State Legislature.

[Paragraph 3.6.4]

- An expenditure of ₹ 330.35 crore had been booked under revenue section. This expenditure should have been booked under the capital section as this expenditure pertained to the major works, which ordinarily ought to have been booked under the capital section. Similarly, an expenditure of ₹ 82.44 crore had been booked under capital section. This expenditure should have been booked under revenue section, as this expenditure pertained to grants-in-aid, minor works and maintenance.

[Paragraph 3.3.3]

CHAPTER-4

QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

- The departmental officers did not submit 52 Utilisation Certificates (due for submission by March 2020) to the Accountant General (Accounts and Entitlement), Uttarakhand in respect of the grants of ₹ 99.44 crore given up to March 2019 for specific purposes. As of March 2020, 37 Abstract Contingent Bills amounting to ₹ 3.01 crore were outstanding. Accounts in respect of five Autonomous Bodies and 25 Public Sector Undertakings were in arrears. Non-submission of Utilisation Certificates and Detailed Countersigned Contingent Bills drawn for specific programmes and non-submission of Accounts by Autonomous Bodies/Public Sector Undertakings were violative of prescribed financial rules and directives. These point to inadequate internal controls and deficient monitoring mechanism of the State Government.

[Paragraphs 4.7, 4.8, 4.15.1, 4.16.1 and 4.16.2]

- During 2019-20, reconciliation of expenditure by the Chief Controlling Officers was 55.27 per cent. Non-reconciliation of receipts and expenditure booked by the controlling officers of the State with the figures of the Accountant General (Accounts and Entitlement) reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.

[Paragraph 4.12]

- Significant amounts of expenditure and receipts were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' under various Major Heads affecting the transparency in financial reporting. Operation of omnibus Minor Head 800-Other Expenditure/Other Receipts affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

[Paragraph 4.10]

- The State Government has yet not fully implemented the notified Indian Government Accounting Standards in the State, thereby, compromising on the quality of financial reporting.

[Paragraph 4.14]

CHAPTER-5

STATE PUBLIC SECTOR ENTERPRISES

- As on 31 March 2020, there were 30 State Public Sector Enterprises (SPSEs) including three Statutory Corporations. Out of 30 SPSEs, there are eight inactive SPSEs. These SPSEs are inactive since last eight to 33 years.

[Paragraph 5.3]

- Out of the total profit of ₹ 258.80 crore earned by SPSEs, 91.28 *per cent* was contributed by only three SPSEs. Out of total loss of ₹ 634.24 crore incurred by 13 SPSEs, loss of ₹ 577.31 crore was contributed by one SPSE.

[Paragraphs 5.5.1 and 5.8.1]

- SPSEs were not adhering with the prescribed timeline regarding submission of their Financial Statements as per the Companies Act, 2013. As a result, 248 accounts of 21 Government Companies were in arrears.

[Paragraph 5.11.2]

- During 2019-20, the impact of CAG's comments on the Financial Statements of the SPSEs amounted to ₹ 163.65 crore on profitability and ₹ 57.22 crore on the financial position.

[Paragraphs 5.13.4 and 5.13.5]

CHAPTER-1
OVERVIEW

CHAPTER-1

OVERVIEW

1.1 Profile of the State

Uttarakhand formerly known as Uttaranchal is a State in the northern part of India. It borders the Tibet Autonomous Region of China on the north; Nepal on the east; the Indian states of Uttar Pradesh on the south and Himachal Pradesh on the west and north-west. The State is divided into two divisions, Garhwal and Kumaun, with a total of 13 districts (10 hilly districts and three plain districts). It is spread over an area of 53,483 sq km out of which 46,035 sq km is hilly and 7,448 sq km is plain. The State has also a forest area of 38,117 sq km (71 *per cent*). According to the 2011 Census of India, Uttarakhand has a population of 1.01 crore, making it the 20th most populous State in India.

Uttarakhand is a Special Category State (SCS) as per the categorisation of the States by the Government of India (GoI). The special privileges given to Uttarakhand include 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 30 *per cent* grant and 70 *per cent* loan.

The State has seen considerable economic growth in the past decade and the Compound Annual Growth Rate (CAGR) of its Gross State Domestic Product (GSDP) and Per Capita GSDP at current prices for the period 2011-12 to 2019-20 has been 10.35 *per cent* and 9.00 *per cent*; it, however, was below the CAGR of SCS of 11.24 *per cent* and 9.93 *per cent* respectively. Further, Per Capita GSDP CAGR of Uttarakhand State during 2019-20 (9.00) was below the All India Per Capita GDP CAGR (9.84 *per cent*).

The social indicators, *viz.* literacy rate and rate of infant mortality at birth, indicate that the State had better literacy rate (78.80 *per cent*) and infant mortality rate (32 per 1,000 live birth) than the All India Average (73 *per cent* and 33 per 1,000 live birth). The percentage of Below Poverty Line (BPL) population in the State was also well below the All India Average (*Appendix-1.1*).

1.1.1. Gross State Domestic Product of Uttarakhand

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time. Changes in sectoral contribution to the GSDP are also important to understand the changing structure of

economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture, Industry and Service sectors.

Trends in annual growth of Uttarakhand's GSDP (nominal) *vis-à-vis* that of the country are given in **Table-1.1**.

Table-1.1: Trends in growth of GDP and GSDP at Current Prices

Year	2015-16	2016-17	2017-18*	2018-19*	2019-20*
National GDP (2011-12 Series)	1,37,71,874	1,53,91,669	1,70,98,304	1,89,71,237	2,03,39,849
Growth rate of GDP over previous year at current prices (<i>per cent</i>)	10.46	11.76	11.09	10.95	7.21
State's GSDP (2011-12 Series)	1,77,163	1,95,125	2,22,836	2,45,895	2,53,666
Growth rate of GSDP over previous year at current prices (<i>per cent</i>)	9.74	10.14	14.20	10.35	3.16

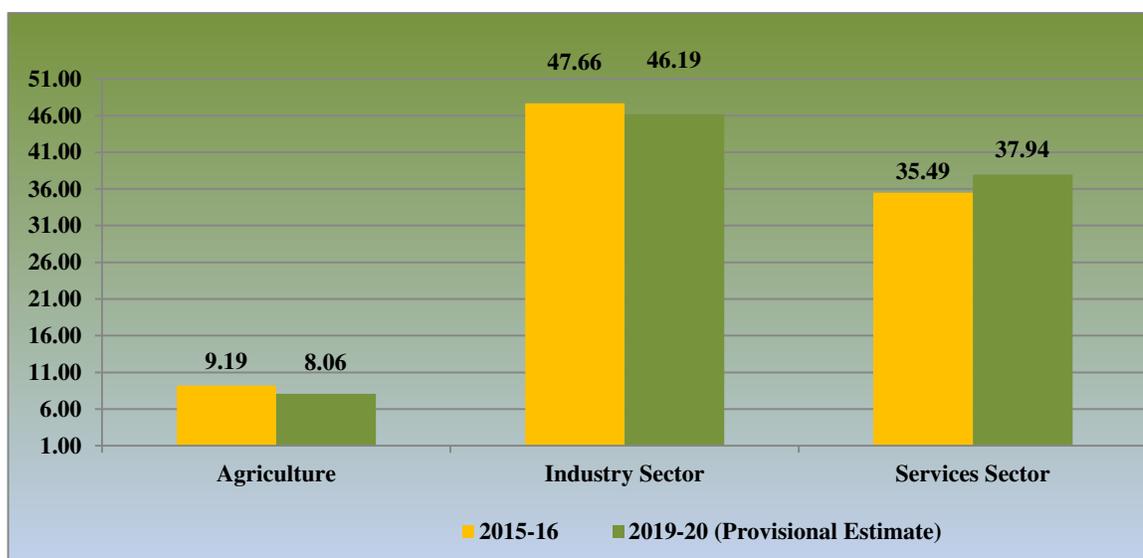
Source of data: Ministry of Statistics and Programme Implementation and Directorate of Economics and Statistics, Uttarakhand.
*Provisional.

As can be seen from the details above, the GSDP growth rate of Uttarakhand during 2017-18 was higher than the national growth rate. However, during the period 2018-19 to 2019-20, it was below the national growth rate.

1.1.2. Sectoral contribution to GSDP

Chart-1.1 reveals that during the five-year period from 2015-16 to 2019-20, there has been a marginal decrease in the relative shares of Agriculture and Industry in GSDP, reducing from 9.19 *per cent* in 2015-16 to 8.06 *per cent* in 2019-20 and from 47.66 *per cent* in 2015-16 to 46.19 *per cent* in 2019-20 respectively. An increase was seen in the relative share of Services sector.

Chart-1.1: Change in sec total contribution to GSDP (2015-16 to 2019-20)

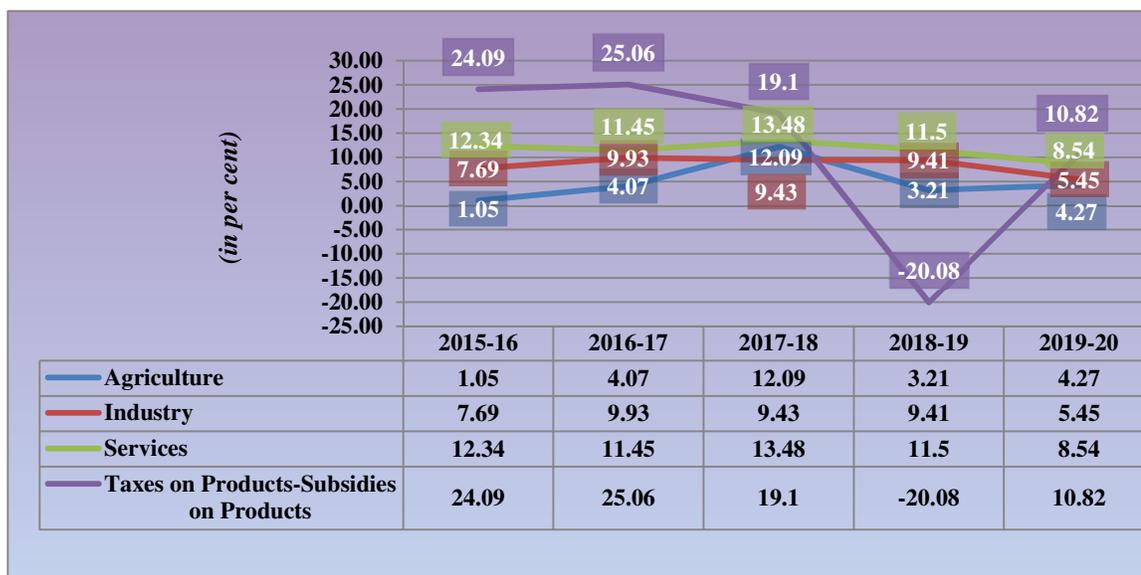


Source of data: Directorate of Economics and Statistics, Uttarakhand.

During 2019-20, the Industry and Services sectors saw decline in the growth rate while the Agriculture sector and Taxes on Products-Subsidies in Products witnessed increase in

growth rate in comparison with the previous year, as can be seen from **Chart-1.2:**

Chart-1.2: Sectoral growth in GSDP



Source of data: Directorate of Economics and Statistics, Uttarakhand.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Uttarakhand for the year ending 31 March 2020 has been prepared by the CAG for submission to the Governor of Uttarakhand under Article 151 (2) of the Constitution of India.

Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2019-20 constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2019-20 forms an important source of data – both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit), Uttarakhand;
- Other data with Departmental Authorities and Treasuries (Accounting as well as Management Information System);

- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India during 2015-20 have also been used to prepare this analysis/ commentary as appropriate.

The analysis has been carried out in the context of recommendations of the Fourteenth Finance Commission (FFC), Uttarakhand Fiscal Responsibility and Budget Management (UFRBM) Act, best practices and guidelines of the Government of India. An entry conference was held in September 2020 with the Secretary to the Government of Uttarakhand, Finance Department wherein the audit approach was explained. The draft Report was forwarded to the State Government in December 2020 for comments and Exit Conference was held in January 2021 wherein the audit findings were discussed. Replies of the Government have been incorporated in this Report at appropriate places. During the Exit Conference all the recommendations made in the Report were accepted by the State Government.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - 1	Overview This Chapter describes the basis and approach to the Report and the underlying data; and provides an overview of the structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter - 2	Finances of the State This chapter provides a broad perspective of the finances of the State; the critical changes in major fiscal aggregates relative to the previous year; overall trends during the period from 2015-16 to 2019-20; debt profile of the State; and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - 3	Budgetary Management This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - 4	Quality of Accounts & Financial Reporting Practices This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
Chapter - 5	State Public Sector Enterprises This chapter discusses financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies as revealed from their accounts.

1.4 Overview of Government Accounts Structure and Budgetary Processes

It is necessary to understand the structure of Government Accounts in order to appreciate the analysis of the finances of the State Government given in **Chapter-2** of this report. The Accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State {Article 266 (1) of the Constitution of India}

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State {Article 267 (2) of the Constitution of India}

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure from the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Accounts of the State {Article 266 (2) of the Constitution}

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consists of tax revenue, non-tax revenue, share of Union Taxes/Duties, and grants from Government of India.

Revenue Expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **Capital Receipts** consist of:

- **Debt Receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, etc.;
- **Non-Debt Receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

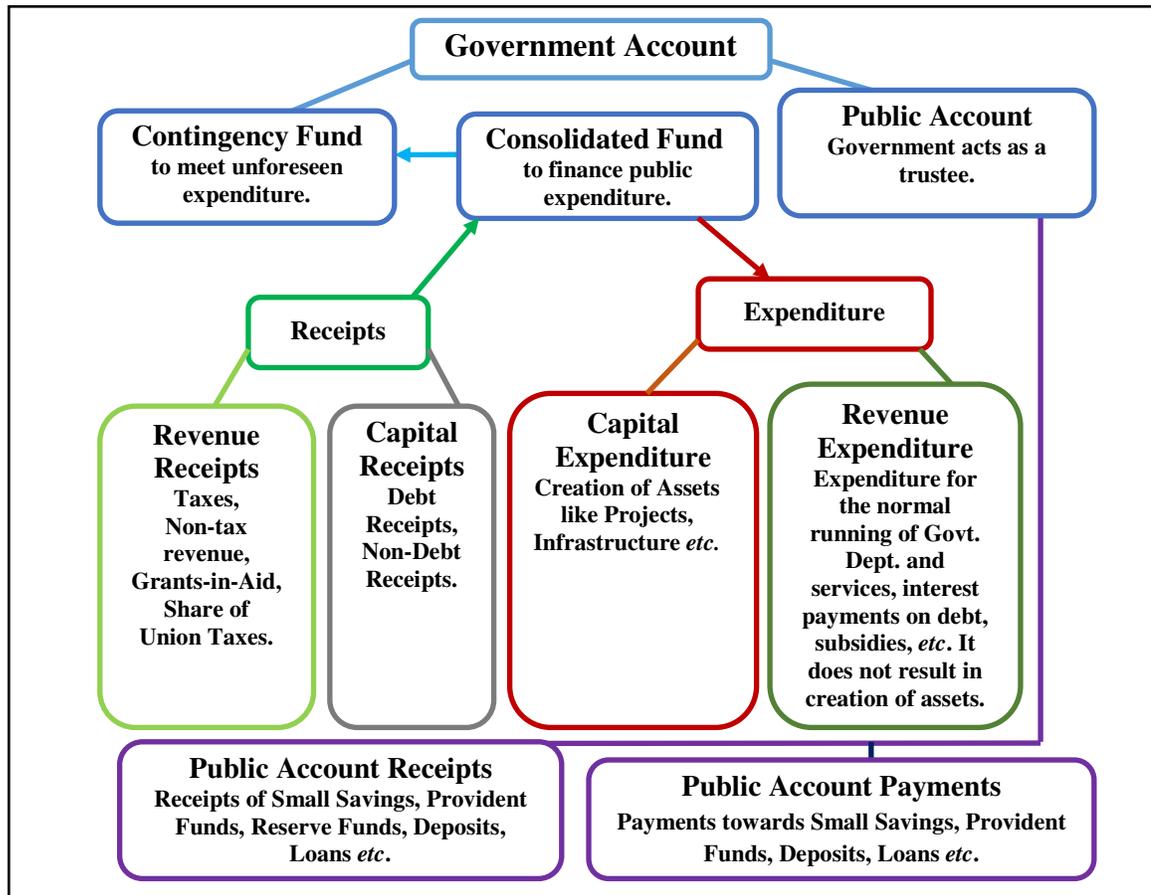
Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to Public Sector Undertakings (PSUs) and other parties.

At present, we have an accounting classification system in government that is both functional and economic.

	Attribute of transaction	Classification
Standardized in List of Major and Minor Head by CGA	Function-Education, Health, <i>etc.</i> /Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Structure of Government Accounts



Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The Uttarakhand State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter-3** of this Report.

1.4.1 Snapshot of Finances

Table-1.2 provides the details of actual financial results *vis-a-vis* Budget Estimates for the year 2019-20 *vis-a-vis* actual of 2018-19.

Table-1.2: Comparison of Budget *vis-a-vis* Actuals

(₹ in crore)

Sl. No.	Components	2018-19 (Actual)	2019-20 (Budget Estimate)	2019-20 (Actuals)	Percentage of Actual to B.E.	Percentage of Actuals to GSDP
1.	Tax Revenue	12,188	14,737	11,513	78.12	4.54
2.	Non-Tax Revenue	3,310	4,255	3,999	93.98	1.58
3.	Share of Union Taxes	8,011	8,885	6,902	77.68	2.72
4.	Grants-in-aid and Contributions	7,707	11,079	8,309	75.00	3.28
5.	Revenue Receipts (1+2+3+4)	31,216	38,956	30,723	78.87	12.11
6.	Recovery of Loans and Advances	27	34	19	55.88	0.01
7.	Other Receipts	0.01	0	0	00	0.00
8.	Borrowings and other Liabilities (a)	7,320	6,798	7,657	112.64	3.02
9.	Capital Receipts (6+7+8)	7,347	6,832	7,676	112.35	3.03
10.	Total Receipts (5+9)	38,563	45,788	38,399	83.86	15.14
11.	Revenue Expenditure	32,196	38,933	32,859	84.40	12.95
12.	Interest payments	4,475	5,332	4,504	84.47	1.78
13.	Capital Expenditure	6,367	6,855	5,540	80.82	2.18
14.	Capital outlay	6,184	6,572	5,414	82.38	2.13
15.	Loan and advances	183	283	126	44.52	0.05
16.		38,563	45,788	38,399	83.86	15.14
17.	Revenue Deficit (-) (5-11)	(-) 980	23	(-) 2,136	(-) 9,286.96	(-) 0.84
18.	Fiscal Deficit {16-(5+6+7)}	7,320	6,798	7,657	112.64	3.02
19.	Primary Deficit (18- 12)	2,845	1,466	3,153	215.08	1.24

Source: Finance Accounts.

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

1.4.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. Summarised position of Assets and Liabilities of the State is given in **Table-1.3** below:

Table-1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
	2018-19	2019-20	Per cent increase		2018-19	2019-20	per cent increase		
Consolidated Fund									
A	Internal Debt	45,442.71	49,436.68	8.79	a	Gross Capital Outlay	52,373.08	57,787.26	10.34
B	Loans and Advances from GoI	789.91	812.87	2.91	b	Loans and Advances	1,926.54	2,033.40	5.55
Contingency Fund		163.52	232.16	41.98					
Public Account									
A	Small Savings, Provident Funds, etc.	7,899.49	8,565.28	8.43		Advances	0.42	0.42	00
B	Deposits	3,333.70	3,835.27	15.05		Cash balance (including investment in Earmarked Fund)	2,583.08	1,922.35	(-) 25.58
C	Reserve Funds	1,762.08	4,670.68	165.07					
D	Suspense and Miscellaneous	1,962.14	797.74	(-) 59.34		Total	56,883.12	61,743.43	8.54
E	Remittances	65.75	65.13	(-) 0.94		Deficit in Revenue Account	4,536.18	6,672.38	47.09
Total		61,419.30	68,415.81	11.39		Total	61,419.30	68,415.81	11.39

Source: Finance Accounts.

1.5 Fiscal Balance: Achievement of Deficit and Total Debt Targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

<p>Revenue Deficit/ Surplus</p> <p>(Revenue Expenditure – Revenue Receipts)</p>	<p><i>Refers to the difference between revenue expenditure and revenue receipts.</i></p> <ul style="list-style-type: none"> • When the government incurs a revenue deficit, it implies that the government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. • Existence of revenue deficit is a cause of concern as revenue receipts were not able to meet even revenue expenditure. Moreover, part of capital receipts was utilized to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets. • This situation means that the government will have to borrow not only to finance its investment but also its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. • If major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.
<p>Fiscal Deficit/ Surplus</p> <p>{Total expenditure – (Revenue receipts + Non-debt capital receipts)}</p>	<p><i>It is the difference between the Revenue Receipts plus Non-debt Capital Receipts and the total expenditure. FD is reflective of the total borrowing requirements of Government.</i></p> <ul style="list-style-type: none"> • Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing. • Non-debt creating capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of PSUs. • The fiscal deficit will have to be financed through borrowing.

	<p>Thus, it indicates the total borrowing requirements of the government from all sources.</p> <p>Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus it is desirable to fully utilize borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.</p>
<p>Primary Deficit/ (Gross fiscal deficit – Net Interest liabilities)</p>	<p><i>Refers to the fiscal deficit minus the interest payments.</i></p> <ul style="list-style-type: none"> • Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending. • The borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing because of current expenditures exceeding revenues, we need to calculate the primary deficit.

Deficits must be financed by borrowing giving rise to government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the government continues to borrow year after year, it leads to the accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both government and industry can borrow more. Also, if the government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. However, the major thrust has been towards reduction in government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

1.5.1 FRBM Targets on Key Fiscal Parameters and Achievements thereon

The State Government had passed Fiscal Responsibility and Budget Management Act

(FRBM) with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

As per the amendment to the FRBM Act in 2011 and 2016, the State Government was to eliminate Revenue Deficit by 31 March 2015 and maintain Revenue Surplus thereafter; reduce Fiscal Deficit to three *per cent* of the estimated GSDP by 2013-14 and maintain the same level thereafter. Further, the Act also envisaged that the State Government would limit the total outstanding debt to 25 *per cent* of GSDP.

The amendment to the FRBM Act in December 2016 incorporated the recommendations of the Fourteenth Finance Commission (FFC) relating to limit of Fiscal Deficit recommended for the States during its award period (2016-17 to 2019-20). The Act provided room for deviation from the annual Fiscal Deficit target under certain conditions, with the Fiscal Deficit anchored to an annual limit of three *per cent* of GSDP in any financial year.

The targets relating to key fiscal parameters envisaged in the FRBM Act and their achievement during the five-year period from 2015-16 to 2019-20 are given in **Table-1.4**.

Table-1.4: Compliance with provisions of FRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	(-) 1,852	(-) 383	(-) 1,978	(-) 980	(-) 2,136
		X	X	X	X	X
Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP)	Three <i>per cent</i>	(-) 6,125 (-3.46)	(-) 5,467 (-2.80)	(-) 7,935 (-3.56)	(-) 7,320 (-2.98)	(-) 7,657 (-3.02)
		X	✓	X	✓	X
		22.05	22.85	23.26	23.60	26.01
Ratio of total outstanding debt to GSDP (in <i>per cent</i>)	25 <i>per cent</i>	✓	✓	✓	✓	X

Source: Finance Accounts and FRBM Act.

The State did not achieve Revenue Surplus during the entire five-year period from 2015-16 to 2019-20.

The State was successful in containing the Fiscal Deficit below three *per cent* of GSDP in 2016-17 and 2018-19 only out of the last five years.

During the four-year period from 2015-16 to 2018-19, outstanding debt of the State remained consistently below 25 *per cent* of GSDP, *i.e.*, within the norms prescribed in the FRBM Act. However, it was above the FRBM target of 25 *per cent* by 1.01 *per cent* during the current year *i.e.* 2019-20.

1.5.2 Medium Term Fiscal Plan

As per the FRBM Act, the State Government has to lay before the State Legislature, a Five-Year Fiscal Plan along with the Annual Budget. The Medium Term Fiscal Policy Statement (MTFPS) has to set forth a five-year rolling target for the prescribed fiscal indicators.

Table-1.5 indicates the variation between the projections made for 2019-20 in MTFPS presented to the State Legislature along with the Annual Budget for 2019-20 (Presented on 19 February 2019) and Actuals of the year.

Table-1.5: Actuals vis-à-vis projection in MTFP for 2019-20

(₹ in crore)				
Sl. No.	Fiscal Variables	Projection as per MTFPS	Actuals (2019-20)	Variation (in per cent)
1.	Own Tax Revenue	12,449	11,513	(-) 7.52
2.	Non-Tax Revenue	4,942	3,999	(-) 19.08
3.	Share of Central Taxes	7,521	6,902	(-) 8.23
4.	Grants-in-Aid from GoI	10,591	8,309	(-) 21.55
5.	Revenue Receipts (1+2+3+4)	35,503	30,723	(-) 13.46
6.	Revenue Expenditure	35,482	32,859	(-) 7.39
7.	Revenue Deficit (-)/ Surplus (+) (5-6)	21	(-) 2,136	(-) 10,271.43
8.	Fiscal Deficit (-)/ Surplus (+)	(-) 6,673	(-) 7,657	(-) 14.75
9.	Debt-GSDP ratio (per cent)	24.12	26.01	(+) 7.84
10.	GSDP growth rate at current prices (per cent)	9.00	3.16	(-) 64.89

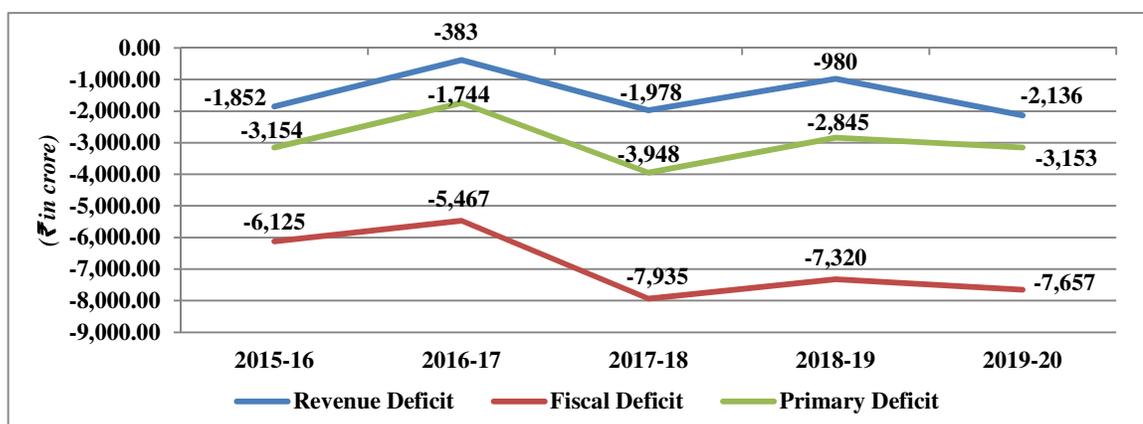
Source: Finance Accounts and Budget document of Uttarakhand 2020-21.

As can be seen from the above table, the State had projected Revenue Surplus in MTFPS during 2019-20, against which the State experienced a huge deficit of ₹ 2,136 crore varying the anticipation by 10,271.43 per cent. Similarly, the target of Fiscal Deficit projected in MTFPS was also not achieved and was more by 14.75 per cent. Projections relating to Debt-GSDP ratio and growth rate of GSDP were also not met, with the year ending at a higher Debt to GSDP ratio, and with lower growth in GSDP than was projected in the MTFPS.

1.5.3 Trends of Deficit/Surplus

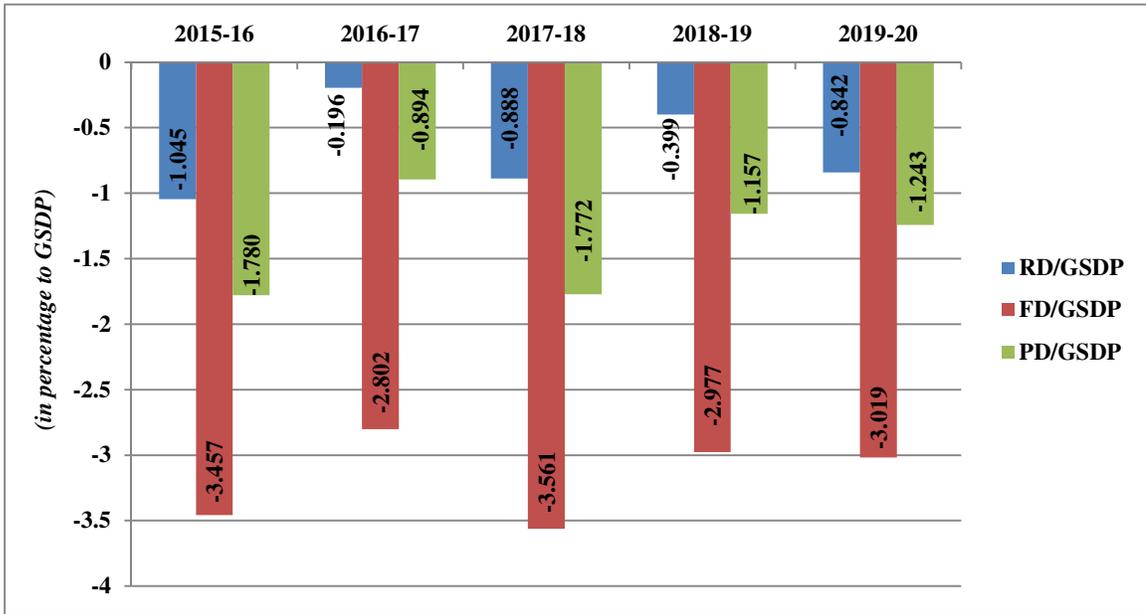
The State was not able to achieve the targets specified by the XIV FC during 2019-20 with regard to the key fiscal parameters. It had a fiscal deficit of ₹ 7,657 crore during the year 2019-20, representing 3.02 per cent of the GSDP. The Primary Deficit of ₹ 2,845 crore during 2018-19 increased to ₹ 3,153 crore during the current year and the Revenue Deficit of ₹ 980 crore in 2018-19 increased to ₹ 2,136 crore during 2019-20. The trend of these deficits over the five-year period from 2015-16 to 2019-20 is depicted in **Chart-1.3** and trend in deficit relative to GSDP is given in **Chart-1.4**. Component and trend of Fiscal Liabilities and its percentage to GSDP is also given the **Chart-1.5**.

Chart-1.3: Trends in Deficit Parameters



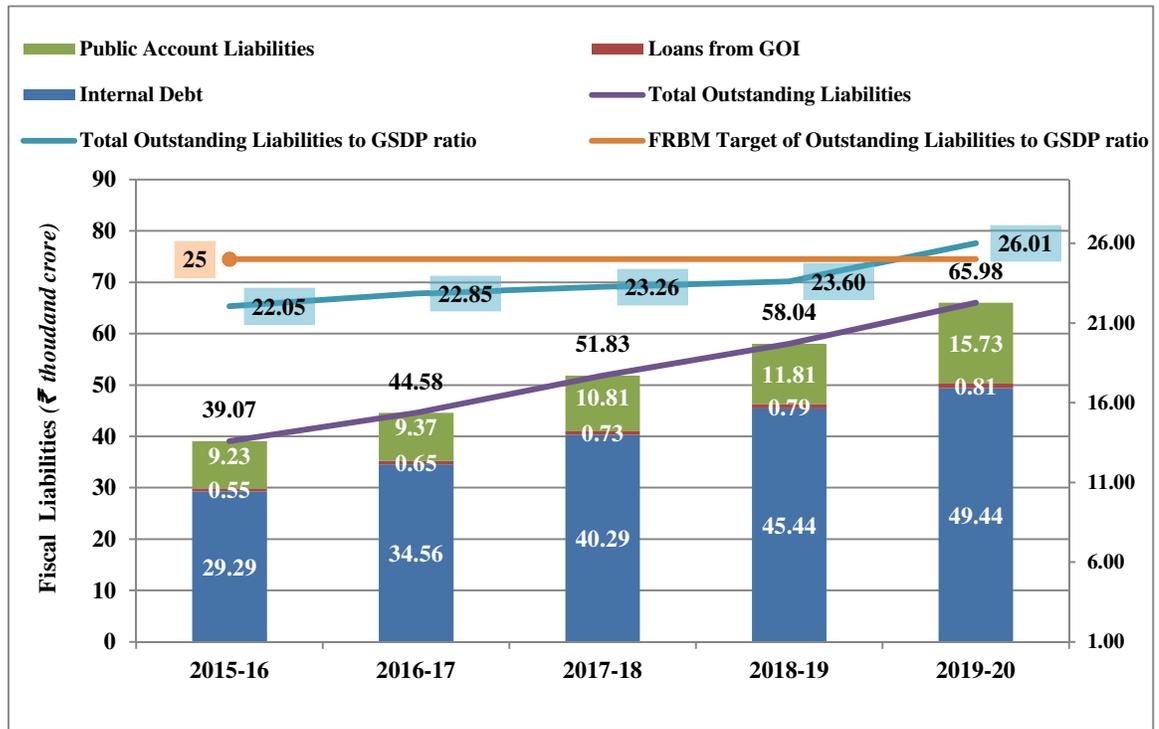
Source: Finance Accounts.

Chart-1.4: Trends in Deficit relative to GSDP



Source: Finance Accounts.

Chart-1.5: Trends in Fiscal Liabilities and GSDP



Source: Finance Accounts.

As can be seen from the graph above, total Outstanding Liabilities grew by 69 per cent during past five years and was above FRBM target during the current year.

1.6 Deficits and Total Debt after Examination in Audit

In order to present better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off budget fiscal operations.

1.6.1 Post Audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations impacts deficit figures. Besides, deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, redemption funds, *etc.* also impact the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities was analysed and depicted in the **Table-1.6** below:

Table-1.6: Revenue and Fiscal Deficit, post examination by Audit

Particulars	Impact on Revenue Deficit (Understated (+)/ overstated (-)) (₹ in crore)	Impact on Fiscal Deficit (Understated) (₹ in crore)	Para Reference
Deferment of clear cut liabilities to next financial year	313.71	313.71	Para 4.3 ¹
Short contribution to New Pension Scheme	84.54	84.54	Para 2.6.2.3
Non Transfer of Guarantee Commission fee to Public Account	4.45	4.45	Para 2.8.2.3
Major works booked under Revenue section instead of Capital	(-) 229.65	00	Para 2.6.3.2 (iv)
Minor works and Maintenance Work budgeted/ booked under Capital Section instead of Revenue	10.31	00	Para 2.6.3.2 (iv)
Grants-in-Aid booked under Capital section instead of Revenue	46.38	00	Para 2.6.3.2 (iv)
Non discharge of Interest liabilities against Reserve Funds and Deposit and Advances	43.26	43.26	Para 2.8.3
Total	273.00	445.96	

Source: Finance Accounts and audit analysis.

After taking into account all the factors mentioned above, the Revenue Deficit and Fiscal Deficit would increase to 0.95 per cent and 3.19 per cent of GSDP respectively.

1.6.2 Post Audit – Total Public Debt

Public sector debt in its broadest definition comprises debt from:

- the government (including the central, the state, and local governments, social security funds, and extra-budgetary funds);
- the non-financial public enterprises; and financial public enterprises (including the central bank);
- long term obligations of government, such as unfunded liabilities of social security funds (when they are not explicitly recognized as part of general government debt);
- known and anticipated recognition of contingent liabilities (such as, from ongoing restructurings of financial institutions or from public-private partnerships where demand or other guarantees have been or are poised to be triggered).

For assessing debt sustainability, ideally, a broad public debt coverage is important. Moreover, gross debt is the appropriate concept as it measures the burden of financing of debt service obligations for which the government is responsible. The availability of liquid financial assets mitigates, but may not eliminate, risks to debt sustainability (such as currency or maturity mismatches, and as some minimum level of assets are required for normal government operations).

¹ Liabilities pertaining to Government Departments (Irrigation Department ₹ 214.82 crore, Public Works Department ₹ 2.78 crore and Health Department ₹ 96.11 crore).

Recently the Union Government expanded its definition of Debt. Debt as per amendments in 2018 in the FRBM Act now includes public debt (internal and external debt), total outstanding liabilities on public account and ‘such financial liabilities of anybody corporate or other entity owned or controlled by the Central Government², which the Government has to repay or service from the AFS, reduced by cash balance at the end of that date’.

There were no cases of off-budget fiscal operations such as borrowings by State PSUs, Special Purpose Vehicles (SPVs), *etc.* on behalf of the State Government where principal and / or interest are to be serviced out of the State budgets; deployment of own funds by the State PSUs, SPVs, *etc.* for execution of the deposit work of the State Government which was to be financed by the State Government through borrowings; and non-reimbursement of the Principal/Interest component by the State Government to State PSUs, SVPs, *etc.* of the loan taken by them on behalf of the State Government. As such, there was no impact of these on overall debt of the State Government.

1.7 Conclusions

- The State had revenue deficit of ₹ 1,852 crore in 2015-16 which declined to ₹ 383 crore during 2016-17. The State could not maintain the same trend and the revenue deficit again deteriorated to ₹ 1,978 crore in 2017-18. The position improved during the year 2018-19 and was at ₹ 980 crore. The revenue deficit during the current year deteriorated further and the State experienced a revenue deficit of ₹ 2,136 crore (0.84 *per cent* of GSDP). Revenue Deficit was understated by ₹ 273 crore (12.78 *per cent*), on account of the deferred liability, misclassification between Revenue and Capital Expenditure, non-transfer of interest liability, *etc.*
- During the current year, the fiscal deficit at ₹ 7,657 crore (3.02 *per cent* of GSDP) was within the normative target of 3.25 *per cent* of GSDP as fixed by the Fourteenth Finance Commission. During the year, the quality of Fiscal Deficit deteriorated on account of higher Revenue Deficit. The contribution of revenue deficit in the fiscal deficit increased from 13 *per cent* in 2018-19 to 28 *per cent* in 2019-20. The percentage of the Net Capital Expenditure to Fiscal Deficit decreased from 84 *per cent* in 2018-19 to 71 *per cent* in 2019-20. Fiscal Deficit was understated by ₹ 446 crore (5.82 *per cent*), on account of deferred liability, investments made in loss making companies, non-transfer of interest liability, *etc.*

1.8 Recommendations

- ***The State Government may augment its resources to become a Revenue Surplus State. It may take appropriate steps in discharging its liabilities and not defer these so that correct financial position is depicted. Provision of interest on Reserves bearing interest and Deposits should be made by the State Government.***

² As per UKFRBM, Act “total outstanding debt/liabilities” to include only liabilities upon the Consolidated Fund and Public Account of the State.

CHAPTER-2
FINANCES OF THE STATE

CHAPTER-2

FINANCES OF THE STATE

This chapter provides a broad perspective of the finances of the State and analyses the critical changes in major fiscal aggregates relative to the previous year. It discusses the overall trends during the five-year period from 2015-16 to 2019-20, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government, where necessary.

2.1 Major changes in Key Fiscal Aggregates during 2019-20 vis-à-vis 2018-19

Table-2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during the Financial Year 2019-20, compared to the previous year. Each of these indicators has been analysed in the succeeding paragraphs.

Table-2.1: Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none">➤ Revenue Receipts of the State decreased by 1.58 <i>per cent</i>➤ Own Tax Receipts of the State decreased by 5.54 <i>per cent</i>➤ Own Non-Tax Receipts increased by 20.82 <i>per cent</i>➤ State's Share of Union Taxes and Duties decreased by 13.84 <i>per cent</i>➤ Grants-in-Aid from Government of India increased by 7.81 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none">➤ Revenue Expenditure increased by 2.06 <i>per cent</i>➤ Revenue Expenditure on General Services increased by 2.36 <i>per cent</i>➤ Revenue Expenditure on Social Services increased by 3.15 <i>per cent</i>➤ Revenue Expenditure on Economic Services decreased by 5.98 <i>per cent</i>➤ Expenditure on Grants-in-Aid increased by 17.68 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none">➤ Capital Expenditure decreased by 12.45 <i>per cent</i>➤ Capital Expenditure on General Services decreased by 20.26 <i>per cent</i>➤ Capital Expenditure on Social Services increased by 46.50 <i>per cent</i>➤ Capital Expenditure on Economic Services decreased by 25.67 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none">➤ Disbursements of Loans and Advances decreased by 31.15 <i>per cent</i>➤ Recoveries of Loans and Advances decreased by 29.63 <i>per cent</i>
Public Debt	<ul style="list-style-type: none">➤ Public Debt Receipts decreased by 15.49 <i>per cent</i>➤ Repayment of Public Debt increased by 3.60 <i>per cent</i>
Public Account	<ul style="list-style-type: none">➤ Public Account Receipts increased by 8.47 <i>per cent</i>➤ Public Account Disbursements increased by 6.56 <i>per cent</i>

2.2 Sources and Application of Funds

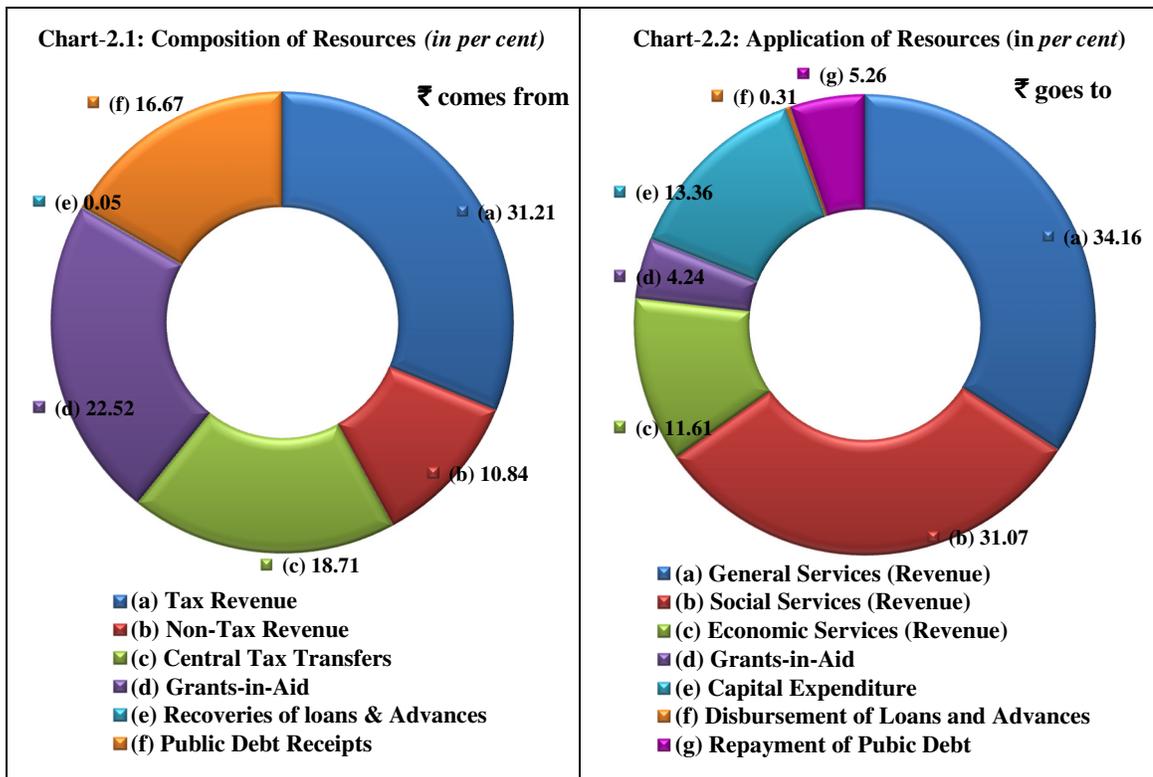
Table-2.2 compares the component of the sources and application of funds of the State during the Financial Year 2019-20 with 2018-19 in figures, while **Charts-2.1** and **2.2** give the details of where the "Receipts comes from" and "Expenditure goes to" during 2019-20 in terms of percentages.

Table-2.2: Details of Sources and Application of funds during 2018-19 and 2019-20

(₹ in crore)

	Particulars	2018-19	2019-20	Increase/Decrease
Sources	Opening Cash Balance with RBI	2,733.60	2,583.08	(-) 5.51
	Revenue Receipts	31,216.44	30,722.57	(-) 1.58
	Misc. Capital Receipt	0.01	00	(-) 100.00
	Recoveries of Loans & Advances	26.91	18.92	(-) 29.69
	Public Debt Receipts (Net)	5,217.67	4,016.93	(-) 23.01
	Public Account Receipts (Net)	1,842.56	2,910.96	57.98
	Contingency Fund (Net)	109.81	68.64	(-) 37.49
	Total	41,147.00	40,321.10	(-) 2.01
Application	Revenue Expenditure	32,196.02	32,858.80	2.06
	Capital Expenditure	6,184.42	5,414.18	(-) 12.45
	Disbursements of Loans & Advances	183.48	125.77	(-) 31.45
	Closing Cash Balance with RBI	2,583.08	1,922.35	(-) 25.58
	Total	41,147.00	40,321.10	(-) 2.01

Source: Finance Accounts.



Source: Finance Accounts.

2.3 Resources of the State

Resources of the State are described below:

1. **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).

2. **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.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

3. Net Public Accounts receipts: There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

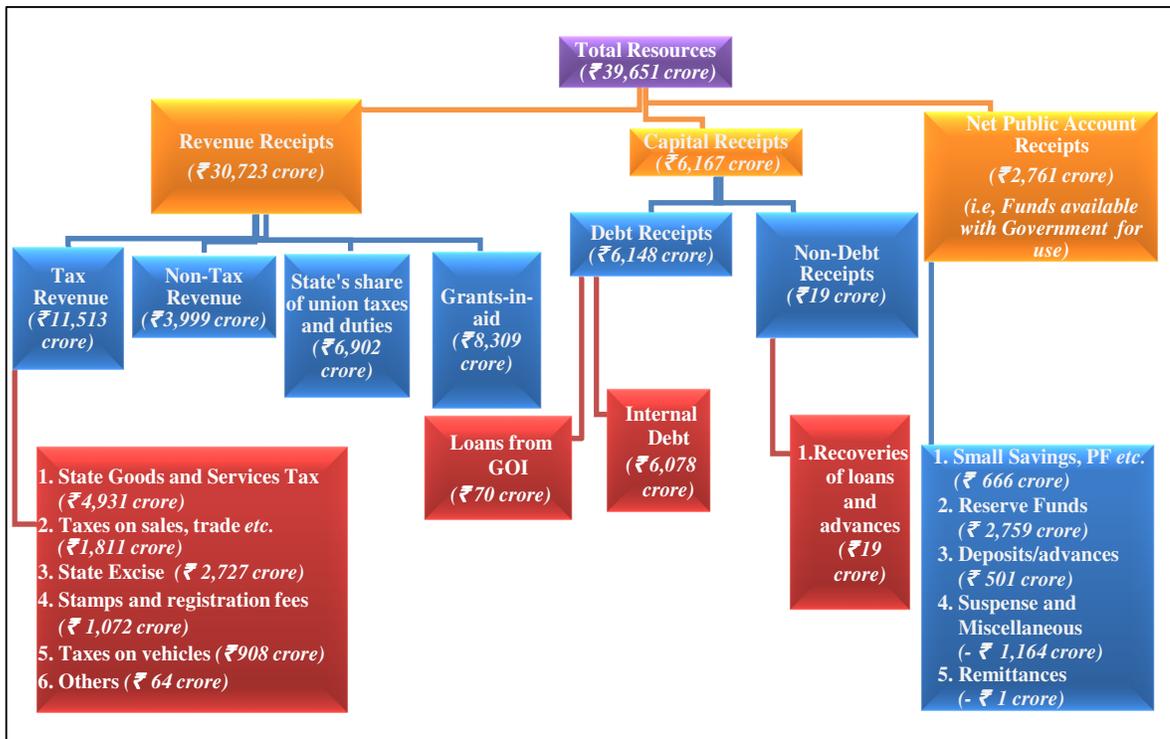
These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

This paragraph provides composition of the overall receipts. Besides, the Capital and Revenue Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit.

Composition of receipts of the State during 2019-20 is given in **Chart-2.3**.

Chart-2.3: Composition of receipts of the State during 2019-20



2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

2.3.2.1 Trends and Growth of Revenue Receipts

Table-2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-20. Further, trends in

Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Charts-2.4** and **2.5** respectively.

Table-2.3: Trend in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	21,234	24,889	27,105	31,216	30,723
Rate of growth of RR (per cent)	4.87	17.21	8.90	15.17	(-) 1.58
Own Tax Revenue (₹ in crore)	9,377	10,897	10,165	12,188	11,513
Non-Tax Revenue (₹ in crore)	1,220	1,346	1,770	3,310	3,999
Rate of growth of Own Revenue (per cent)	12.14	15.53	(-) 2.52	29.85	0.09
Gross State Domestic Product (₹ in crore)	1,77,163	1,95,125	2,22,836*	2,45,895*	2,53,666*
Rate of growth of GSDP (per cent)	9.74	10.14	14.20	10.35	3.16
RR/GSDP (per cent)	11.99	12.76	12.16	12.69	12.11
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	0.50	1.70	0.63	1.47	(-) 0.50
State's Own Revenue Buoyancy w.r.t GSDP	1.25	1.53	(-) 0.18	2.88	0.03

State Finances Audit Report for the year ended 31 March 2020. * Provisional Estimates.

Chart-2.4: Trend of Revenue Receipts as percentage of GSDP

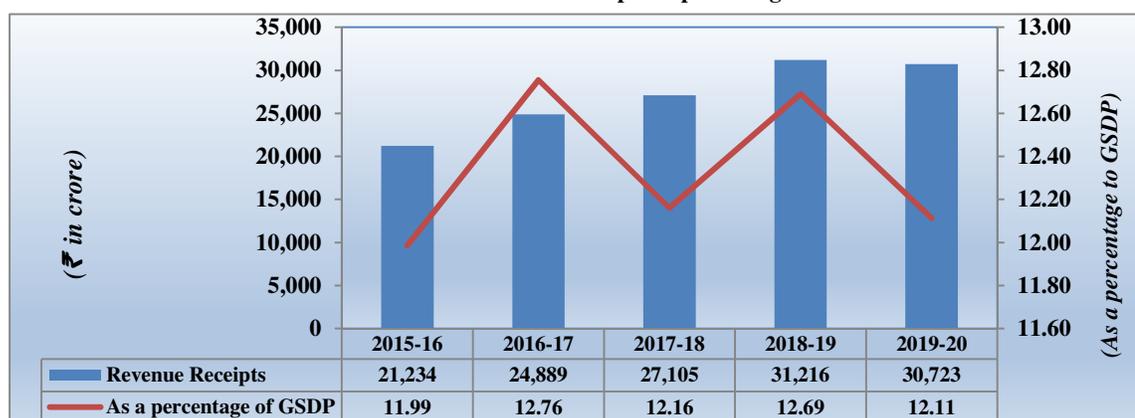
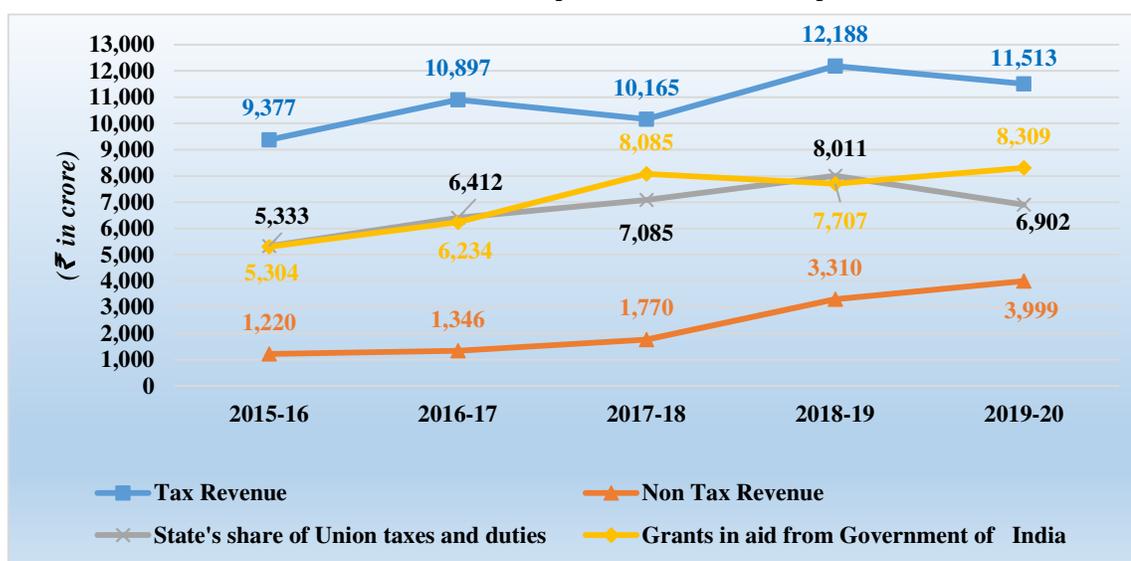


Chart-2.5: Trend of components of Revenue Receipts



¹ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

- Revenue Receipts increased by 44.69 *per cent* from ₹ 21,234 crore in 2015-16 to ₹ 30,723 crore in 2019-20 at an annual average growth rate of 8.91 *per cent*. During 2019-20, Revenue Receipts decreased by ₹ 493 crore (1.58 *per cent*) over the previous year, mainly on account of decrease in Own Tax Revenue (₹ 675 crore) and decrease in State's Share in Union Taxes and Duties (₹ 1,109 crore). The decrease was partly counterbalanced by increase in Non-Tax Revenue (₹ 689 crore) and Grants-in-Aid (₹ 602 crore).
- About 50.49 *per cent* of the Revenue Receipts during 2019-20 came from the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 49.51 *per cent*. This is indicative of the fact that Uttarakhand's fiscal position is equally influenced by both Own resources and Central transfers.
- During the current year, there was a decrease of 1.58 *per cent* (₹ 493 crore) in Revenue Receipts and marginal increase of 2.06 *per cent* (₹ 663 crore) in Revenue Expenditure, leading to higher Revenue Deficit in current year than that of the previous year.
- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission Award (XIV FC impact in 2016-17) and implementation of GST (in 2017-18), impacted the actual receipts in different components of revenue. During 2019-20, the revenue buoyancy with respect to GSDP turned negative largely due to decrease of Own Tax Revenue (₹ 675 crore) and decrease in State's share in Union Taxes and Duties (₹ 1,109 crore).

2.3.3 State's Own Resources

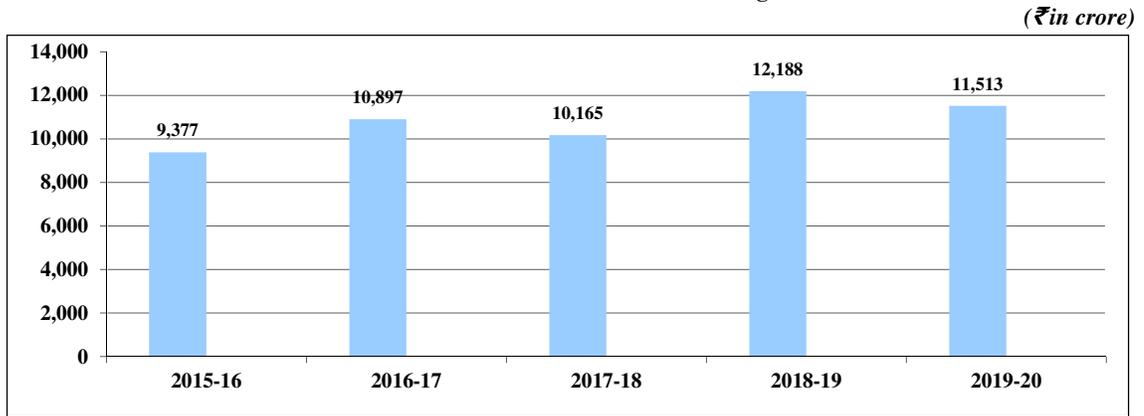
State's share in Central taxes is determined on the basis of recommendations of the Finance Commission; share of Grants-in-Aid are determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes, *etc.* State's performance in mobilisation of additional resources is assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collections in respect of Tax Revenue and Non-Tax Revenue and their relative share in GSDP during 2015-20 are given in **Appendix-2.1**.

2.3.3.1 Own Tax Revenue

Own tax revenues of the State consist of State GST, State excise, taxes on vehicles, Stamp duty and Registration fees, Land revenue, taxes on goods and passengers, *etc.* The details of Own Tax Revenue of the State during the five-year period 2015-20 are given in the **Chart-2.6** below.

Chart-2.6: Growth of Own Tax Revenue during 2015-20



The component-wise details of Own Tax Revenue collected during the years 2015-20 are provided in the **Table-2.4** below.

Table-2.4: Component-wise Own Tax Revenue during 2015-20

(₹ in crore)

Heads	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Taxes on Sales, Trades, etc .	6,105	7,154	3,703	1,883	1,811	
State Goods and Services Tax	0	0	1,972	4,802	4,931	
State Excise	1,735	1,906	2,262	2,871	2,727	
Taxes on Vehicle	471	556	816	909	908	
Stamps and Registration Fees	871	778	882	1,015	1,072	
Land Revenue	28	160	24	34	24	
Other Taxes	167	343	506	674	40	
Total	9,377	10,897	10,165	12,188	11,513	
Percentage of Own Tax Revenue to State's Own Revenue	88.49	89.01	85.17	78.64	74.22	
Percentage of Own Tax Revenue to Total Revenue Receipts	44.16	43.78	37.5	39.04	37.47	

Source: Finance Accounts.

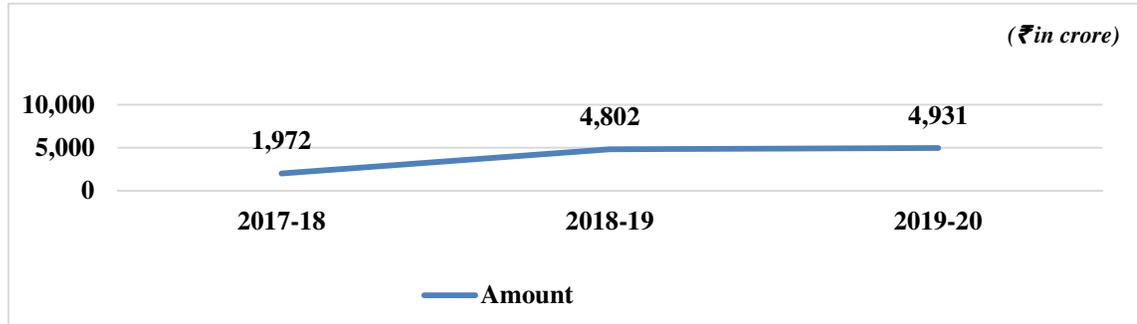
Own Tax Revenue of the State increased by ₹ 2,136 crore from ₹ 9,377 crore in 2015-16 to ₹ 11,513 crore in 2019-20 at an annual average rate of 7.26 per cent. During the current year, major contributors of Tax Revenue were Goods and Services Tax (42.83 per cent), State Excise (23.69 per cent), Taxes on Sales, Trades etc. (15.73 per cent) and Stamp and Registration Fee (9.31 per cent). The Own Tax Revenue declined by ₹ 675 crore during the current year over the previous year. This decrease was mainly on account of decrease in Other Taxes (₹ 634 crore), State Excise (₹ 144 crore) and Taxes on Sales, Trade etc. (₹ 72 crore). However, the decrease was partly counterbalanced by increase in State Goods and Services Tax (₹ 129 crore) and Stamps and Registration Fees (₹ 57 crore). The percentage of Own Tax Revenue to Total Revenue Receipts has shown steady decline from 44.16 during 2015-16 to 37.47 during 2019-20.

2.3.3.2 State Goods and Services Tax (SGST)

Twelve years after the implementation of Value Added Tax (VAT) in 2005, the Central

Government rolled out the Goods and Services Tax (GST) on July 01, 2017. The Uttarakhand Goods and Services Tax (GST) Act, 2017 was passed by the State Legislature in May 2017 and came into effect from 01 July 2017.

Chart-2.7: Comparative receipts under SGST during 2017-18 to 2019-20



Actual collection of revenue under State Goods and Services Tax (SGST) during 2019-20 is given in **Table-2.5**.

Table-2.5: Pre-GST and SGST collected, provisional apportionment of IGST and compensation of IGST received from Government of India against the projected revenue of the State for the period from April 2019 to March 2020

Month	Monthly revenue to be protected	Pre-GST taxes collected	SGST collected	Provisional apportionment of IGST	Total amount received	Compensation received	Deficit (+)/ Surplus (-)	Remarks
	1	2	3	4	5=(2+3+4)	6	7={1-(5+6)}	
April 2019	698.275	90.53	436.94	74.44	601.91	00	96.365	The State has received less revenue, after taking into account the compensation component, than the protected revenue.
May 2019	698.275	98.41	435.51	0	533.92	554.00	(-) 389.645	
June 2019	698.275	202.27	399.85	0	602.12	00	96.155	
July 2019	698.275	149.68	329.23	92.96	571.87	361.00	(-) 234.595	
August 2019	698.275	154.41	508.25	(-) 31.60	631.06	00	67.215	
September 2019	698.275	147.54	395.78	(-) 10.27	533.05	511.00	(-) 345.775	
October 2019	698.275	159.81	276.31	0	436.12	00	262.155	
November 2019	698.275	168.62	431.92	0	600.54	00	97.735	
December 2019	698.275	164.31	369.42	(-) 3.75	529.98	672.00	(-) 503.705	
January 2020	698.275	160.77	435.01	0	595.78	00	102.495	
February 2020	698.275	155.90	405.17	0	561.07	379.38	(-) 242.175	
March 2020	698.275	(-) 1,645.51 ²	348.75	37.12	(-) 1,259.64	00	1,957.915	
Total	8,379.30	6.74	4,772.14	158.90	4,937.78	2,477.38	964.14	

Source: Data provided by Office of the Accountant General (A&E).

As per the GST Act, any shortfall in revenue of State is required to be compensated by the Central Government. Against the protected revenue of ₹ 8,379 crore during 2019-20, the total collections under GST including compensation were short by ₹ 964 crore. However, the collections under SGST appreciated marginally during the current year as compared to previous year (₹ 4,865.54 crore). Further, the State did not receive its share of net proceeds under Integrated Goods and Services Tax (IGST) during the year.

With automation of the collection of GST having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the

² Adverse entry is on account of correction of accounts.

CAG's constitutional mandate of certifying the Accounts. The Government of India's decision to provide access to Pan-India data at GSTN premises was conveyed on 22 June 2020. The Government of Uttarakhand conveyed its decision to provide access to GST back-end system only in December 2020.

2.3.3.3 Analysis of arrears of revenue and arrears of assessment

The arrears of revenue indicate delayed realization of revenue due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit.

Arrears of Revenue

The arrears of revenue as on 31 March 2020 in some principal heads of revenue amounted to ₹ 10,343.81 crore, of which ₹ 3,363.61 crore (32.52 per cent) were outstanding for more than five years as detailed in **Table-2.6** below.

Table-2.6: Arrears of Revenue

Head of Revenue	Total amount outstanding as on 31 March 2020 (₹ in crore)	Amount outstanding for more than five years as on 31 March 2020 (₹ in crore)
Commercial Taxes/VAT	10,205.69	3,227.82
State Excise	67.51	67.29
Forestry and Wild Life	70.61	68.50
Total	10,343.81	3,363.61

Source: State Department.

Arrears in assessment

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and the number of cases pending for finalisation at the end of the year as furnished by the State Tax Department are given below in **Table-2.7** below.

Table-2.7: Arrears in Assessment

Head of revenue	Opening balance	New cases due for assessment during 2019-20	Total assessment due	Cases disposed of during 2019-20	Balance at the end of the year	Percentage of disposal
Commercial Tax/VAT	60,504	1,28,105	1,88,609	73,885	1,14,724	39.17

Source: State Department.

Evasion of tax detected by Department, refund cases etc.

The cases of evasion of tax detected by the Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is an important indicator of performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money, etc. The details of evasion of tax detected by the State Tax Department are given in the **Table-2.8** below.

Table-2.8: Evasion of Tax Detected

Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment/ investigation completed and additional demand with penalty etc.		No. of cases pending for finalisation as on 31 March 2020
				No. of cases	Amount of demand (₹ in crore)	
Commercial Tax/VAT	30	05	35	20	2.98	15

Source: State Department.

Refund Cases

The details of refund cases in some principal heads of Revenue are given in the **Table-2.9** below.

Table-2.9: Details of Refund cases

(₹ in crore)

Sl. No	Particular	GST		State Tax/Vat		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	--	--	1,488	50.69	--	--
2.	Claims received during the year	1,193	*	2,373	49.34	08	1.09
3.	Refunds made during the year	948	69.04	2,661	64.00	08	1.09
4.	Refunds rejected during the year	--	--	--	--	--	--
5.	Balance outstanding at the end of year	245	*	1,200	36.03	--	--

Source: State Department.

*Data not made available by the Department.

As is evident from the table above, under GST 1,193 claims were received during 2019-20 and 948 refund cases were settled after paying ₹ 69.04 crore as refund. Similarly, under Sales Tax/VAT, against 3,861 cases, 2,661 cases were settled after paying an amount of ₹ 64 crore as refund.

2.3.3.4 Non-Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc The component-wise details of Non-Tax Revenue collected during the years 2015-20 are given in the **Table-2.10** below.

Table-2.10: Component-wise Non-Tax Revenue during 2015-20

(₹ in crore)

Heads	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Interest receipts	89.22	71.77	85.39	55.7	47.81	
Dividend and Profit	5.10	15.21	22.69	18.69	14.08	
Non-Ferrous Mining and Metallurgical Industries	272.65	335.17	439.81	480.86	396.75	
Forestry and Wild Life	357.47	318.21	312.2	368.73	410.16	
Contribution and Recoveries towards Pension and Other Retirement Benefits	48.54	55.13	47.97	1,714.70	2,492.90	
Power	168.57	130.08	286.21	186.67	0.3	
Others	278.11	420.25	575.26	484.53	636.81	
Total	1,219.66	1,345.82	1,769.53	3,309.88	3,998.81	
Percentage of Non-Tax Revenue to State's Own Revenue	11.51	10.99	14.84	21.36	25.78	
Percentage of Non-Tax Revenue to Total Revenue Receipts	5.75	5.41	6.53	10.6	13.02	

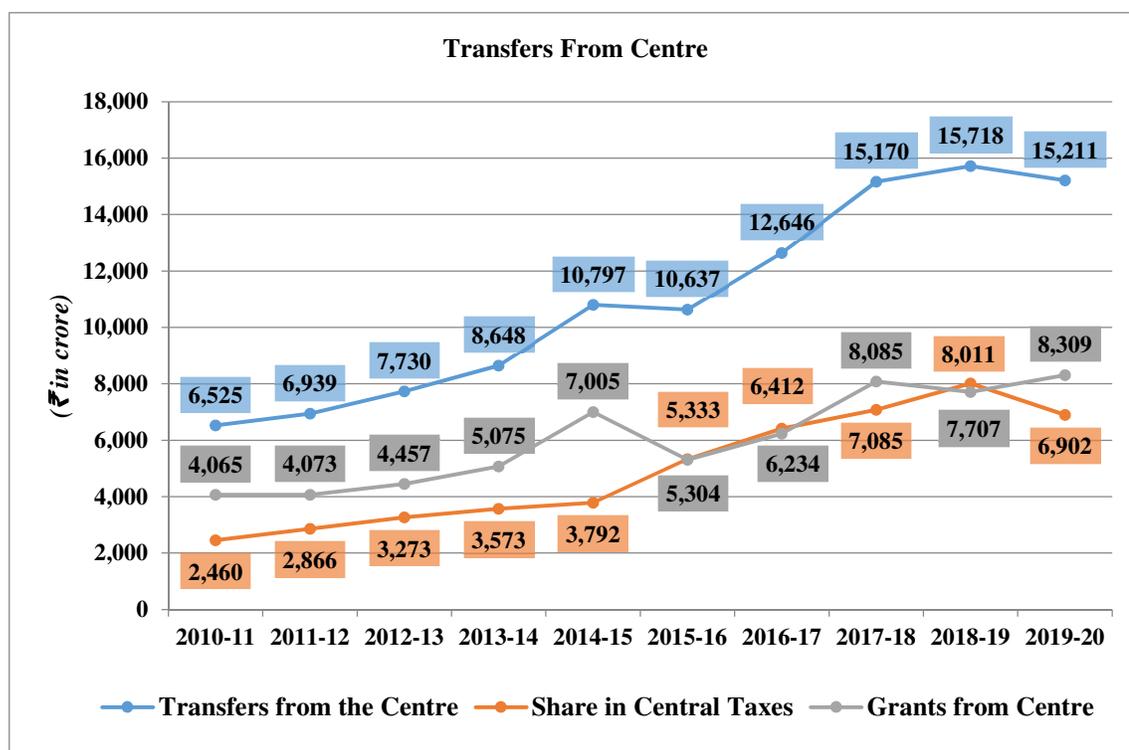
Source: Finance Accounts of respective years.

Non-Tax Revenue, which ranged between five and 13 per cent of Total Revenue Receipts of the State during the five-year period from 2015-16 to 2019-20, increased significantly by ₹ 1,540 crore (87 per cent) during 2018-19 and by ₹ 689 crore (21 per cent) during 2019-20 over the previous years due to receipt of pension apportionment from Uttar Pradesh (₹ 2,400 crore). During 2019-20, the receipts under Forestry and Wild Life increased by ₹ 41 crore (11 per cent), while the receipts under Non-Ferrous Mining and Metallurgical Industries declined by ₹ 84 crore (17 per cent).

2.3.4 Central Transfers

The transfers from Centre are heavily dependent on Finance Commission recommendation. The trends in Central transfers for the last 10 years are shown in the **Chart-2.8** given below.

Chart-2.8: Trends in Central Transfers for the last 10 years



2.3.4.1 Central Tax Transfer

The FFC had recommended that the States' share of central taxes be increased to 42 per cent from 2015-16 onwards. Consequently, the share of Uttarakhand in the net proceeds of Central Taxes (excluding Service Tax) has been fixed at 1.05 per cent. The actual devolution vis-à-vis Finance Commission projections is given in **Table-2.11** below.

Table-2.11: State's share in Union taxes and duties: Actual devolution vis-à-vis Finance Commission projections

(₹ in crore)				
Year	Finance Commission projections	Projections in Finance Commission Report	Actual tax devolution	Difference
1.	2.	3.	4.	5. (4-3)
2010-11	1.120 per cent of net proceeds of all shareable taxes excluding service tax and	2,284.00	2,460.07	176.07
2011-12	1.138 per cent of net proceeds of sharable service tax (As per recommendations of ThFC)	2,679.00	2,866.05	187.05
2012-13		3,160.00	3,272.88	112.88
2013-14		3,727.00	3,573.38	(-) 153.62
2014-15		4,396.00	3,792.30	(-) 603.70
2015-16	1.052 per cent of net proceeds of all shareable taxes excluding service tax and	6,112.00	5,333.19	(-) 778.81
2016-17	1.068 per cent of net proceeds of sharable service tax (As per recommendations of FFC)	7,053.00	6,411.55	(-) 641.45
2017-18		8,150.00	7,084.91	(-) 1,065.09
2018-19		9,429.00	8,011.59	(-) 1,417.41
2019-20		10,921.00	6,901.54	(-) 4,019.46

Source: State Government and Finance Accounts.

The details of Central tax transfers to the State during 2015-20 are given in **Table-2.12**.

Table-2.12: Central Tax Transfers

(₹ in crore)					
Head	2015-16	2016-17	2017-18	2018-19	2019-20
Corporation Tax	1,677.14	2,056.02	2,169.91	2,786.13	2,353.14
Customs	854.57	884.42	715.10	567.89	437.46
Income Tax	1,162.76	1,428.94	1,832.34	2,051.86	1,843.85
Other Taxes and Duties on commodities and services	4.15	0.02	00	4.14	4.37
Service Tax	919.96	1,027.52	804.25	73.45	00
Wealth Tax	0.43	4.71	(-) 0.07	1.02	0.10
Union Excise Duties	714.15	1,009.94	747.50	377.39	304.15
Other Taxes on income and Expenditure	0.03	00	00	14.51	00
CGST	NA	NA	100.52	1,977.40	1,958.47
IGST	NA	NA	715.36	157.80	00
Total Central Tax Transfer	5,333.19	6,411.57	7,084.91	8,011.59	6,901.54
Percentage of (+) increase/ (-) decrease over previous year	40.64	20.23	10.50	13.07	(-) 13.86
Percentage of Central tax transfers to Revenue Receipts	25.12	25.76	26.14	25.67	22.46

Source : Finance Accounts of respective years.

Over the five-year period 2015-20, Central tax transfers increased by 29.42 per cent from ₹ 5,333 crore in 2015-16 to ₹ 6,902 crore in 2019-20. During the current year, it decreased by ₹ 1,109 crore (13.86 per cent) mainly due to non-receipt of apportionment of IGST and less receipts in Corporation Tax (₹ 433 crore) and Income Tax (₹ 208 crore). During the year Central Tax transfer constituted 22.46 per cent of the Revenue Receipts. Further, as has been tabulated above, the State did not receive its share of Union Taxes and Duties as per the recommendations of the Finance Commissions (XIII & XIV) from the period 2013-14 to 2019-20. During the current year, the share was short by ₹ 4,019.46 crore.

2.3.4.2 Grants-in-Aid from Government of India

Grants-in-Aid (GIA) received by the State Government from GoI during 2015-20 are detailed in **Table-2.13**.

Table-2.13: Grants-in-Aid from GoI

(₹ in crore)					
Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	1,043	824	714	*	*
Grants for State Plan Schemes	1,173	1,532	1,621	*	*
Grants for Central Plan Schemes	609	843	76	*	*
Grants for Centrally Sponsored Plan Schemes	2,479	3,035	4,391	*	*
Grants for Centrally Sponsored Schemes	-	-	-	4,966	4,477
Finance Commission Grants	-	-	-	485	975
Other transfers/Grants to States	--	--	1,283	2,256	2,857
Total	5,304	6,234	8,085	7,707	8,309
Percentage of increase over the previous year	(-) 24	18	30	(-) 5	8
Percentage of GIA to Revenue Receipts	25	25	30	25	27

Source: Finance Accounts of respective years.

*There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2018-19 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

Grants-in-Aid from GoI increased by ₹ 602 crore (eight per cent) during the year compared to the previous year. GIA constituted 27 per cent of Revenue Receipts during the year 2019-20. Grants for Centrally Sponsored Schemes (₹ 4,477 crore) to

the State constituted 54 per cent of the total grants during the year. Finance Commission Grants (₹ 975 crore) to the State were provided for Local Bodies and State Disaster Response Fund (SDRF) and constituted 12 per cent of total grants during the year.

Other grants received by the State during the year were in respect of (i) compensation for loss of revenue arising out of implementation of GST (₹ 2,477 crore), (ii) Special Central Assistance (₹ 375 crore), and (iii) Grants for relief during Natural Calamity (₹ five crore).

The State had to resort to borrowings to meet its monthly cash flows during the year 2019-20. However, monthly flow of Grants-in-aid helped the State to overcome the cash flow to a large extent.

2.3.4.3 Fourteenth Finance Commission Grants

As mentioned in the previous paragraph, XIV FC Grants were provided to the States for local bodies and State Disaster Response Fund. Details of grants provided by the GoI to the State in this regard during the years 2018-19 and 2019-20 are given in **Table-2.14**.

Table-2.14: Grants-in-Aid released by GoI as per recommendation of XIVFC

(₹ in crore)

Transfers	Recommendations of the FFC		Actual Release from GoI during		Transfers made by the State during	
	2015-16 to 2019-20	2019-20	2015-16 to 2019-20	2019-20	2015-16 to 2019-20	2019-20
1. Local Bodies						
(A) Grants to PRIs	1,882.69	570.44	1,752.91	508.31	1,752.91	508.31
(i) Basic Grant	1,694.42	508.31	1,694.41	508.31	1,694.41	508.31
(ii) Performance Grant	188.27	62.13	58.50	0	58.50	0
(B) Grants to ULBs	815.83	249.63	625.49	188.18	625.49	188.18
(i) Basic Grant	652.66	195.79	573.80	188.18	573.80	188.18
(ii) Performance Grant	163.17	53.84	51.69	0	51.69	0
Total (1)	2,698.52	820.07	2,378.40	696.49	2,378.40	696.49
2. Disaster Response Fund	1,158.00	254.00	1,043.10	229.50	1,068.48	227.61
(i) Central Share	1,042.00	229.00	1,043.10	229.50	1,068.48	227.61
(ii) State Share	116.00	25.00	00	00	00	00
Grand Total	3,856.52	1,074.07	3,421.50	925.99	3,446.88	924.10

Source: Finance department, Uttarakhand.

It is clear from the above table that the State could not get its complete share of FFC grant basically due to non-achievement of criteria for getting performance grant in both PRIs and ULBs. Further, the release from GoI during 2019-20, as per the information provided by the State Government, was ₹ 926 crore while as per Finance Accounts 2019-20, the total release was ₹ 975 crore. On being pointed out in the Exit Conference, the State Government stated that the reasons would be intimated later.

2.4 Capital Receipts

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. **Table-2.15** shows the trends in growth and composition of net Capital Receipts.

Table-2.15: Trends in growth and composition of net Capital Receipts

Sources of State's Capital Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	6,825	6,536	7,560	7,302	6,167
Miscellaneous Capital Receipts	--	--	--	--	--
Recovery of Loans and Advance	27	35	34	27	19
Net Public Debt Receipts	4,801	5,373	5,805	5,218	4,017
Internal Debt	4,735	5,262	5,731	5,157	3,994
Growth Rate	29.87	11.13	8.91	(-) 10.02	(-) 22.55
Loans and Advance from GoI (Net)	66	111	74	61	23
Growth Rate	100.00	68.18	(-) 33.33	(-) 17.57	(-) 62.30
Rate of growth of debt Capital Receipts	48.66	(-) 4.37	15.77	(-) 3.34	(-) 15.49
Rate of growth of non-debt capital receipts	(-) 85.08	29.63	(-) 2.86	(-) 20.59	(-) 29.63
Rate of growth of GSDP	9.74	10.14	14.20	10.35	3.16
Rate of growth of Capital Receipts (per cent)	43.56	(-) 4.23	15.67	(-) 3.41	(-) 15.54
Percentage of CR to Total Receipts	24.32	20.80	21.81	18.96	16.72

Source: Finance Accounts of respective years.

Capital Receipts decreased by four per cent from ₹ 6,825 crore in 2015-16 to ₹ 6,536 crore in 2016-17, but increased to ₹ 7,560 crore during 2017-18. However, it again decreased during 2018-19 and 2019-20 by ₹ 258 crore and ₹ 1,135 crore respectively. The decrease in Capital Receipts during 2019-20 as compared to 2018-19 was mainly due to decrease in Internal Debt (₹ 1,163 crore).

Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During the five-year period 2015-20, 26.38 per cent of Public debt receipts were utilised for repayment of Public Debt taken during the period and the remaining 73.62 per cent was utilised for other purposes.

2.5 State's Performance in Mobilization of Resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The FFC projections, the BEs and the Medium Term Fiscal Policy Statement (MTFPS) projections *vis-à-vis* actual in respect of State's own resources during 2019-20 are given in Table-2.16.

Table-2.16: States Own resources: Projection *vis-à-vis* actual

States Own resources	FFC projections	Budget Estimates	MTFPS projections	Actual	Percentage variation of actual over		
					FFC projections	Budget Estimates	MTFPS projections
Own Tax Revenue	26,268	14,737	12,449	11,513	(-) 56.17	(-) 21.88	(-) 7.52
Non-Tax Revenue	3,869	4,255	4,942	3,999	3.36	(-) 6.02	(-) 19.08

Source: FFC Report, Budget Document and Finance Accounts.

As shown in table above, the State's own tax revenues during 2019-20 were less by ₹ 14,755 crore, ₹ 3,224 crore and ₹ 936 crore respectively against the FFC projections, the BEs and the MTFPS.

The Non-tax revenue (NTR) was higher by ₹ 130 crore as compared to the FFC projections. However, it was less by ₹ 256 crore and ₹ 943 crore respectively as compared to the BEs and the MTFPS.

In sum, the State could not even achieve its own targets projected in the budget and in the MTFPS.

2.6 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector.

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance of the work not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital expenditure.

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as revenue expenditure

The Total Expenditure, its composition and relative share in GSDP during the years 2015-16 to 2019-20 is presented in **Table-2.17**.

Table-2.17: Total Expenditure and its composition

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	27,386	30,391	35,074	38,563	38,399
Revenue Expenditure (RE)	23,086	25,272	29,083	32,196	32,859
Capital Expenditure (CE)	4,217	4,954	5,914	6,184	5,414
Loans and Advances	83	165	77	183	126
As a percentage of GSDP					
TE/GSDP	15.46	15.58	15.74	15.68	15.14
RE/GSDP	13.03	12.95	13.05	13.09	12.95
CE/GSDP	2.38	2.54	2.65	2.51	2.13
Loans and Advances/GSDP	0.05	0.08	0.03	0.07	0.05

Source: Finance Accounts.

The above table shows that Total Expenditure of the State increased by 40 per cent from ₹ 27,386 crore in 2015-16 to ₹ 38,399 crore in 2019-20. During the year, it decreased by 0.43 per cent over the previous year. As a percentage of GSDP, the Total Expenditure remained in the range of 15.14 per cent to 15.74 per cent during 2015-20.

Charts-2.9 depicts the trend of the share of components in Total Expenditure whereas **Chart-2.10** shows composition of total expenditure for the year 2019-20.

Chart-2.9: Total Expenditure: Trends in share of its components (in per cent)

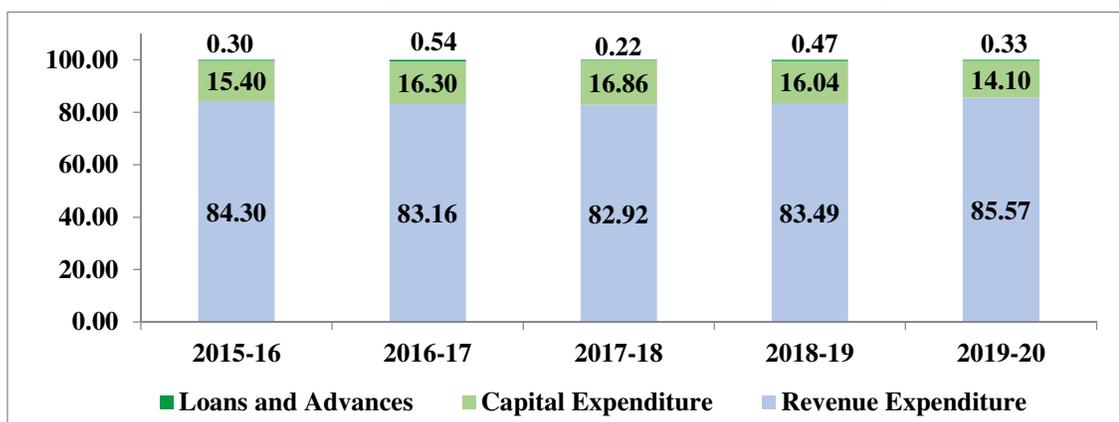
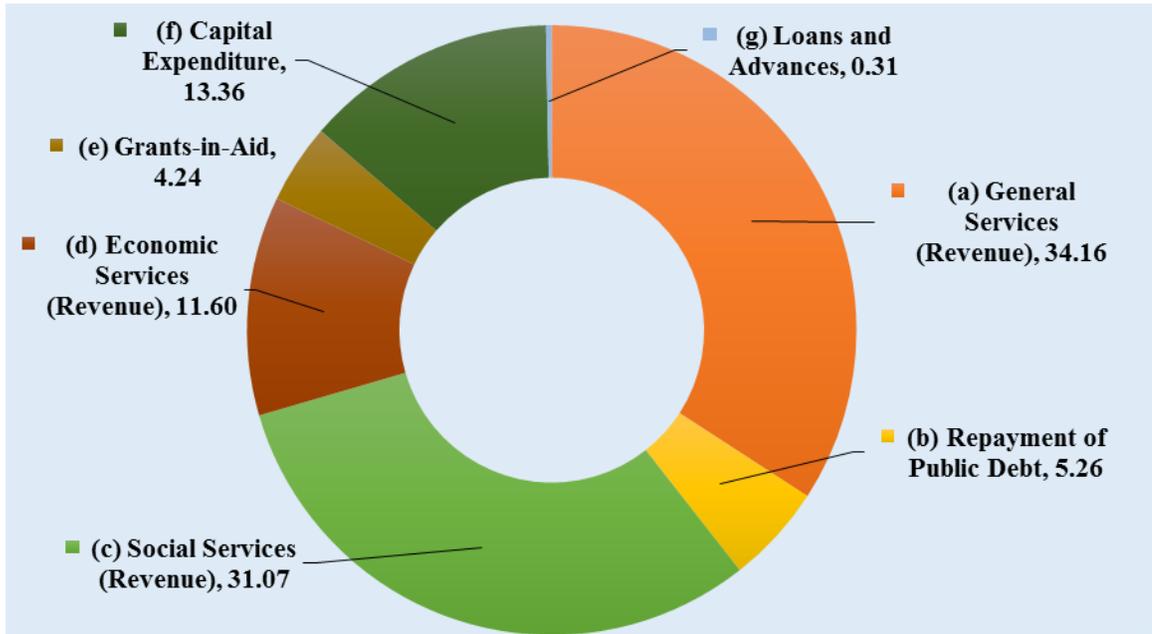


Chart-2.10: Composition of Expenditure during 2019-20 (in per cent)



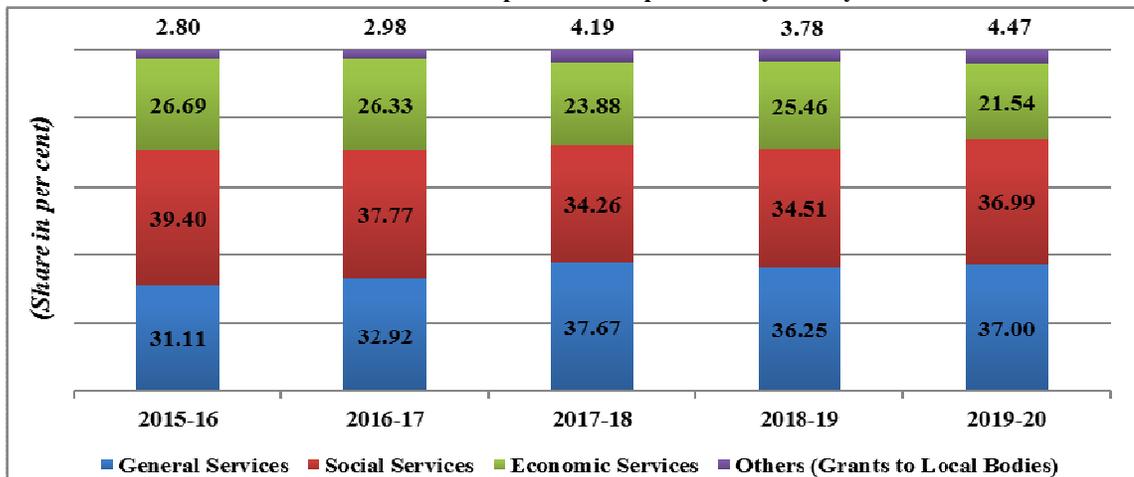
In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹ 38,399 crore (refer *Appendix-2.1*) during 2019-20 is given in **Table-2.18**.

Table-2.18: Relative share of various sectors of expenditure

(In per cent) Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	31.11	32.92	37.67	36.25	37.00
Social Services	39.40	37.77	34.26	34.51	36.99
Economic Services	26.69	26.33	23.88	25.46	21.54
Others (Grants to Local Bodies and Loans and Advances to Government Servants)	2.80	2.98	4.19	3.78	4.47

Chart-2.11 depicts trends of sectoral component in Total Expenditure for the period 2015-16 to 2019-20.

Chart-2.11: Total Expenditure: Expenditure by activity



The relative share of the above components of expenditure indicates that the share of General Services, Social Services, and others in the Total Expenditure increased during 2019-20 over the previous year. However, the respective share of Economic Services decreased during the current year.

2.6.1 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payment for past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure formed on an average 83.89 per cent (ranging from 82.92 per cent in 2017-18 to 85.57 per cent in 2019-20) of the total expenditure during the period 2015-20. Rate of growth of Revenue Expenditure has displayed fluctuating trend during the five- year period 2015-20. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis GSDP and Revenue Receipts are indicated in **Table-2.19**. Trend of Revenue Expenditure and its percentage to GSDP is shown in **Chart-2.12** whereas the sectoral distribution of Revenue Expenditure pertaining to 2019-20 is given in **Chart-2.13**.

Table-2.19: Revenue Expenditure – basic parameters

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	27,386	30,391	35,074	38,563	38,399
Revenue Expenditure (RE)	23,086	25,272	29,083	32,196	32,859
Rate of Growth of RE (per cent)	9.08	9.47	15.08	10.70	2.06
Revenue Expenditure as percentage of TE	84.30	83.16	82.92	83.49	85.57
RE/GSDP (per cent)	13.03	12.95	13.05	13.09	12.95
RE as percentage of RR	108.72	101.54	107.30	103.14	106.95
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.93	0.93	1.06	1.03	0.65
Revenue Receipts (ratio)	1.86	0.55	1.69	0.71	(-) 1.30

Source: Finance Accounts.

Chart-2.12: Trend of Revenue Expenditure during 2015-20

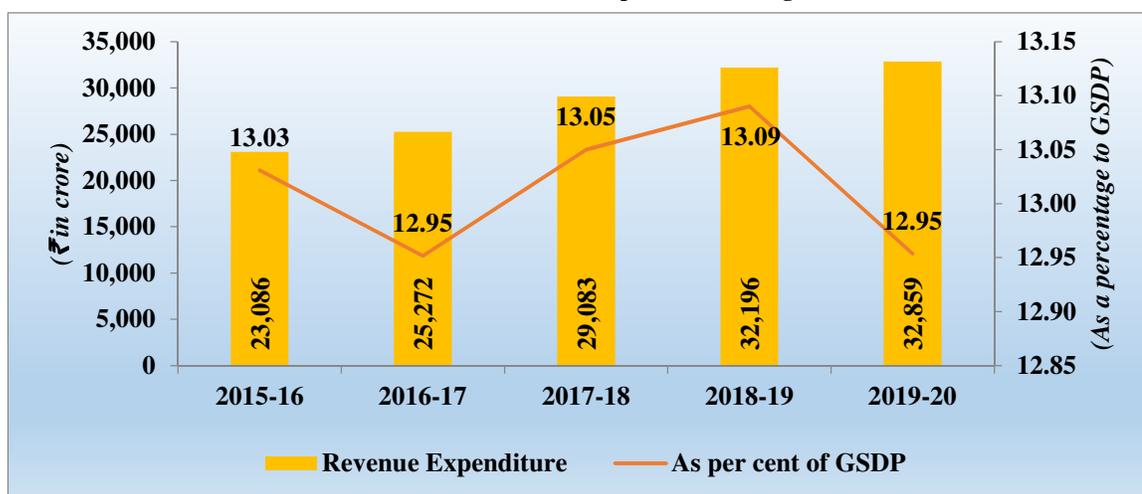
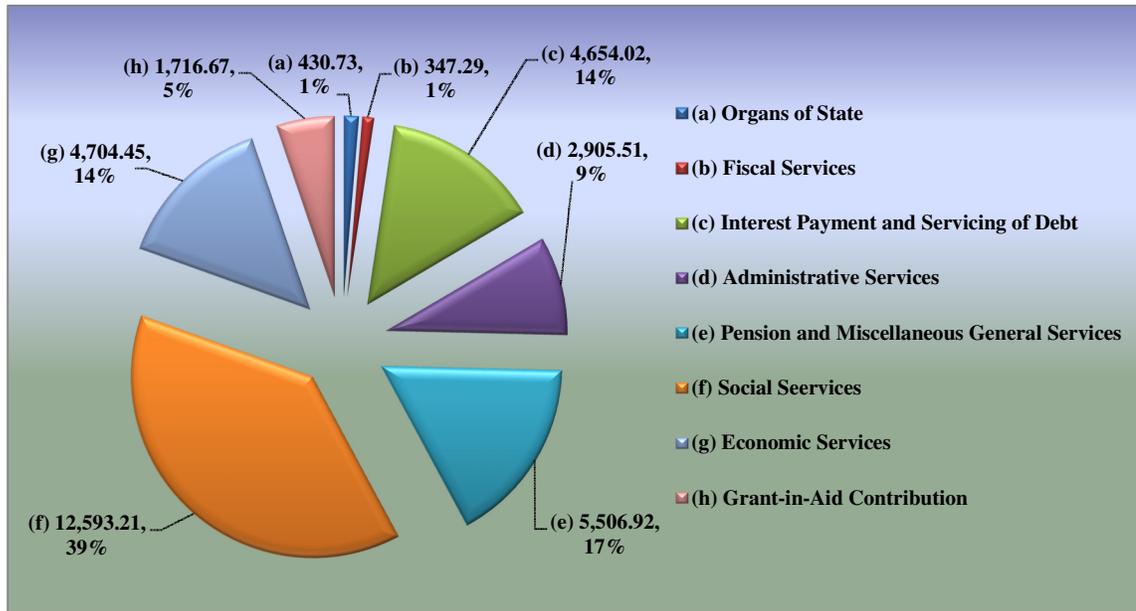


Chart-2.13: Sector wise distribution of Revenue Expenditure during 2019-20 (in per cent)



During 2019-20, Revenue Expenditure as a percentage of GSDP was lower than the previous year, although it witnessed a marginal increase of ₹ 663 crore (2.06 per cent) over the previous year. Revenue Expenditure was lower by ₹ 2,623 crore vis-à-vis the assessment made in Medium Term Fiscal Plan (MTFP) (₹ 35,482 crore).

2.6.1.1 Major Changes in Revenue Expenditure

Table-2.20 details significant variations (more than 30 per cent) under various Heads of Account with regard to Revenue Expenditure of the State during the current year in comparison to the previous year.

Table-2.20: Significant Variation in Revenue Expenditure during 2019-20 as compared to 2018-19

(₹ in crore)

Major Heads of Account		2018-19	2019-20	Variation (percentage)
2015	Elections	35.93	119.72	83.79 (233.20)
3055	Road Transport	59.94	83.95	24.01 (40.06)
2701	Medium Irrigation	17.53	24.24	6.71 (38.28)
2204	Sports and Youth Services	40.49	54.15	13.66 (33.74)
2407	Plantations	0.50	0.67	0.17 (34.00)
2501	Special Programmes for Rural Development	214.23	136.23	(-) 78.00 (36.41)
2013	Council of Ministers	64.46	36.71	(-) 27.75 (43.05)
2220	Information and Publicity	119.16	56.38	(-) 62.78 (52.69)
2801	Power	0.20	0.06	(-) 0.14 (70.00)
2408	Food Storage and Warehousing	157.88	35.80	(-) 122.08 (77.32)
2040	Taxes on Sales, Trade etc.	41.13	8.43	(-) 32.70 (79.50)

Source: Finance Accounts of respective years.

The above table indicates that Revenue Expenditure under Special Programme for Rural Development, Food Storage and Warehousing and Information and Publicity declined significantly during the year. However, there was an increase of 233 per cent under Elections. Further, in important services like Health, Education, Water Supply and Sanitation, Housing, Welfare of Scheduled Castes, Scheduled Tribes Other Backward Classes and Minorities, Social Securities & Welfare and Rural Development no significant variation in the expenditure during the current year against the previous year

was noticed. During the current year about 39.34 per cent of Revenue Expenditure was incurred on these heads against 38.89 per cent in 2018-19.

2.6.2 Committed Expenditure

The Committed Expenditure of the State Government on revenue account consists mainly of expenditure on salaries and wages, interest payments and pensions. It has first charge on Government resources. Upward trend in Committed Expenditure leaves the Government with lesser flexibility for overall development of various sectors. The FRBM Act of the State prescribes that there should be a Revenue Surplus; it is challenging to achieve it, given that a large proportion of Revenue Expenditure goes into committed items like salaries and wages, interest payments and pensions.

Table-2.21 presents the trends in the components of committed expenditure during 2015-20. Share of Committed Expenditure in total Revenue Expenditure is depicted through **Chart-2.14** whereas percentage of Committed Expenditure to Revenue Receipts and Revenue Expenditure during 2015-20 is given in **Chart-2.15**.

Table-2.21: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages	7,848	8,670	10,496	11,525	11,714
Interest Payments	2,971	3,723	3,987	4,475	4,504
Expenditure on Pensions	2,628	3,170	5,033	5,396	5,507
Subsidy	211	208	186	174	35
Total	13,658	15,771	19,702	21,570	21,760
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	36.96	34.83	38.72	36.92	38.13
Interest Payments	13.99	14.96	14.71	14.34	14.66
Expenditure on Pensions	12.38	12.74	18.57	17.29	17.92
Subsidy	0.99	0.84	0.69	0.56	0.11
Total	64.32	63.37	72.69	69.10	70.83
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	33.99	34.31	36.09	35.80	35.65
Interest Payments	12.87	14.73	13.71	13.90	13.71
Expenditure on Pensions	11.38	12.54	17.31	16.76	16.76
Subsidy	0.91	0.82	0.64	0.54	0.11
Total	59.16	62.41	67.75	67.00	66.22

Source: Finance Accounts of respective years.

Chart-2.14: Share of Committed and non-Committed expenditure in total Revenue Expenditure

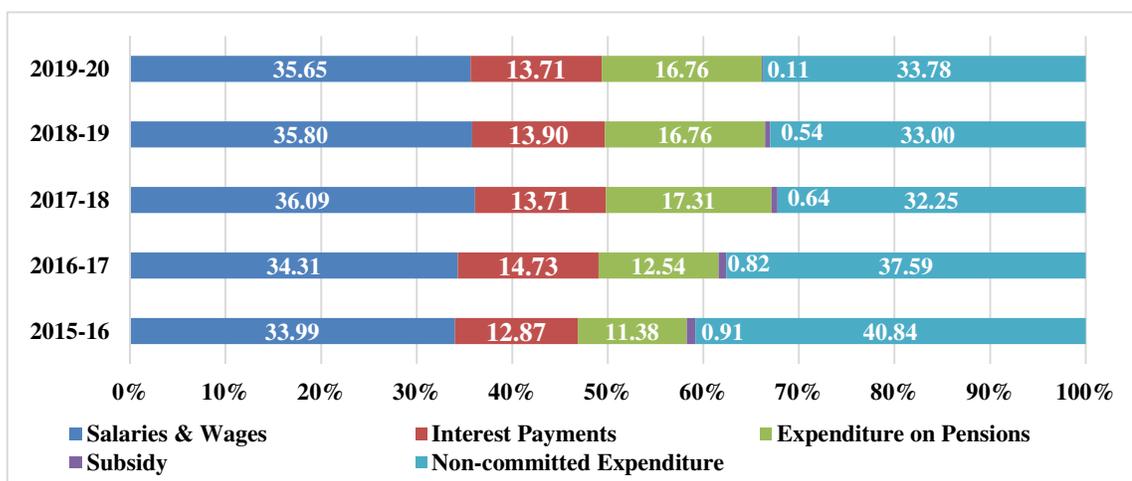
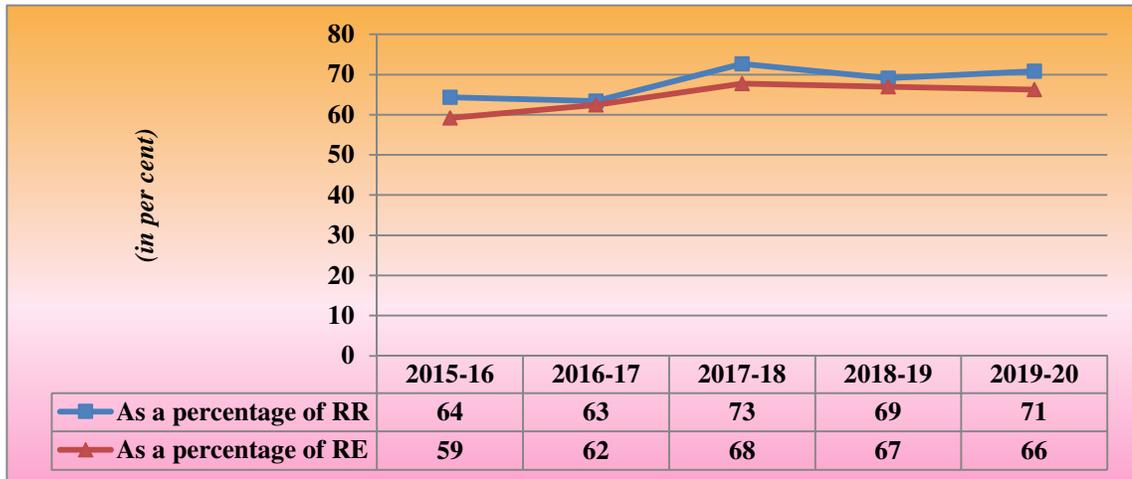


Chart-2.15: Share of Committed Expenditure in Revenue Receipts and Revenue Expenditure



As can be seen from the details tabulated above, the Committed Expenditure ranged between 59 per cent and 68 per cent of Revenue Expenditure, while it accounted for 63 per cent to 73 per cent of the Revenue Receipts of the State during the five-year period 2015-20.

2.6.2.1 Salaries and Wages

Expenditure on salaries and its share in the Revenue Expenditure remained almost constant during the current year relative to the previous year. Expenditure on salaries and wages accounted for 36 per cent of Revenue Expenditure during 2019-20. Over the five-year period 2015-20, it increased by ₹ 3,866 crore (49 per cent) from ₹ 7,848 crore in 2015-16 to ₹ 11,714 crore in 2019-20. Expenditure on salaries (₹ 11,714 crore) during 2019-20 was less by ₹ 1,223 crore compared to the projection of ₹ 12,937 crore made in MTFPS.

2.6.2.2 Interest Payments

Interest Payments increased by ₹ 29 crore (0.65 per cent) from ₹ 4,475 crore in 2018-19 to ₹ 4,504 crore in 2019-20 primarily due to increase in interest payment on Market Loans by ₹ 333 crore and interest on Small Savings and Provident Funds by ₹ 90 crore which was counter balanced by decrease in Interest on Special Securities issued to NSSF by ₹ 401 crore. During the current year, the Interest Payments were made on internal debt (₹ 3,703 crore), Small Savings, Provident Fund, etc., (₹ 668 crore) and Loans and Advances from Central Government (₹ 67 crore).

Interest Payments with reference to assessment made by the XIV FC and the projections of the State Government in its Budget and MTFPS are given in **Table-2.22**.

Table-2.22: Interest Payments vis-à-vis assessment of the XIV FC and State's Projections

Year	Assessment made by the XIV FC	Assessment made by the State Government in		Actuals
		Budget	MTFPS	
2019-20	5,269	5,332.19	5,137.19	4,504

Source: FFC Report, Budget Document and Finance Accounts.

Above table indicates that the interest payments by State Government were well below its own projections made in MTFPS and Budget as well as the assessment of XIV FC for the financial year 2019-20.

2.6.2.3 Pensions

Expenditure on pension payments was ₹ 5,507 crore in 2019-20, which constituted 17.92 *per cent* of the revenue receipts. During the current year, it increased by 2.06 *per cent* over the previous year 2018-19 and exceeded the normative assessment of ₹ 3,905 crore made by the FFC for the current year by 41.02 *per cent* (Annexure 7.5 of FFC Report).

Undischarged Liability under National Pension System

State Government employees recruited on or after 1 October 2005 are covered under the New Pension Scheme (NPS), which is a defined contribution scheme. In terms of the Scheme, the employee contributes 10 *per cent* of his basic pay and dearness allowance and the Government contributes 14 *per cent* of the basic and dearness allowance. The State Government has the responsibility to deposit both employee's and employer's share with the designated authority *i.e.*, National Securities Depository Limited (NSDL)/trustee bank for further investment as per the guidelines of NPS.

The actual amount payable by employees and the Government contribution has not been estimated. During the year, the employees' contribution was ₹ 418.51 crore and Government contribution to the NPS was ₹ 501.37 crore against the desired contribution of ₹ 585.91 crore, Thus there was a short contribution of ₹ 84.54 crore on the part of the State Government. The total contribution of ₹ 919.88 crore has been booked under MH-8342-117-Defined Contribution Pension Scheme for Government employees and total funds of ₹ 914.63 crore were transferred to NSDL. In the absence of actual amount payable by the employees and matching government contribution, accuracy of the funds remitted by State Government could not be confirmed.

Out of total transfer of ₹ 914.63 crore, an amount of ₹ 912.98 crore has been received by the NSDL. Difference of ₹ 1.65 crore was under reconciliation with the State Government. Further, the State Government had parked a balance of ₹ 159.38 crore (including legacy balances³ of ₹ 22.75 crore) in the Public Account under Major Head 8342-117 –Defined Contribution Pension Scheme for Government employees. At the end of the year 2019-20 the total balance of the Fund was ₹ 164.64 crore.

³ Legacy balances are the contributions relating to the period between date of announcement of the New Pension scheme (1 October 2005) and the date on which the scheme was actually notified by the State Government (31 March 2008).

2.6.2.4 Subsidies

There was a significant decrease in expenditure on subsidies during the year 2019-20 as can be seen from the details given in **Table-2.23**. Subsidies as a percentage of Revenue Receipts decreased significantly from 0.56 *per cent* in 2018-19 to 0.11 *per cent* in 2019-20. In absolute terms, expenditure on payment of subsidies decreased by ₹ 139 crore from ₹ 174 crore in 2018-19 to ₹ 35 crore in 2019-20.

Table-2.23: Expenditure on subsidies during 2015-20

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	211	208	186	174	35
Subsidies as a percentage of Revenue Receipts	0.99	0.84	0.69	0.56	0.11
Subsidies as a percentage of Revenue Expenditure	0.91	0.82	0.64	0.54	0.11

During 2019-20, the major schemes in which expenditure on subsidy incurred were Deen Dayal Upadhyay Cooperative Farmer Welfare Scheme (₹ 26 crore), Discount on Sales of Khadi Clothes (₹ 4 crore), Polly House diversification and scheme sprinkler water pump set (₹ 3 crore) and Payment of subsidy under Indra Amma Bhojanalay Scheme (₹ 2 crore). State Government had not made any projection for subsidy in its MTFPS during 2019-20.

2.6.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local bodies and other institution by way of grants and loans. The quantum of assistance provided by way of grants to local bodies and other institutions during the period 2015-16 to 2019-20 is presented in **Table-2.24**.

Table-2.24: Financial Assistance to Local Bodies etc.

Sl No.	Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Educational Institutions (Aided Schools & Colleges, Universities)	615.73	650.63	464.93	544.70	573.62
2.	Municipal Corporations and Municipalities	334.11	397.77	753.33	717.07	902.05
3.	Zila Parishads and Other Panchayati Raj Institutions	432.46	508.40	715.21	742.25	814.62
4.	Development Agencies	828.94	953.33	546.93	555.82	494.84
5.	Hospitals and Other Charitable Institutions	338.94	319.17	252.98	436.19	353.03
6.	Energy (Non-conventional source of energy)	18.63	18.12	11.78	11.69	13.30
7.	Agriculture Research and Educational Institution, Land Reforms for updating land records and Wild life Preservation	270.21	337.78	476.94	593.57	585.49
8.	Co-operatives	4.12	5.07	3.73	2.67	1.55
9.	Animal Husbandry, Dairy Development and Fisheries	27.09	32.00	38.77	41.80	51.17
10.	Secretariat Economic Services & Tourism	1.52	30.69	46.92	51.12	47.27
11.	Social Security & Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes	514.86	446.96	232.65	216.54	238.66
12.	Other Institutions	209.16	150.30	119.64	552.36	724.60
	Total	3,595.77	3,850.22	3,663.81	4,465.78	4,800.18
	Assistance as per percentage of RE	15.58	15.23	12.60	13.87	14.61

Source: V.L.C. data of Accountant General (A&E), Uttarakhand.

The assistance during the current year also increased by ₹ 334.40 crore over the previous year. Municipal Corporations, Municipalities, Zila Parishads and other Panchayati Raj Institutions together accounted for 35.76 *per cent* of the total financial assistance during the current year.

The Third and the Fourth State Finance Commission had recommended 10.50 *per cent* and 11 *per cent* of State's Own Tax Revenue respectively as the devolution amount to the Local Bodies. The amount to be devolved and the actual amount devolved during 2015-16 to 2019-20 is given in **Table-2.25**.

Table-2.25: Financial Assistance to Local Bodies vis-à-vis amount to be devolved

Particulars	₹ in crore				
	2015-16	2016-17	2017-18	2018-19	2019-20
State Own tax Revenue (OTR)	9,377.00	10,897.00	10,165.00	12,188.00	11,513.00
Amount to be devolved (10.50 <i>per cent</i> of OTR for 2015-16 and 11 <i>per cent</i> of OTR for 2016-17 onwards)	984.59	1,198.67	1,118.15	1,340.68	1,266.43
Total amount devolved to Local Bodies	766.57	906.17	1,468.54	1,459.32	1,716.67
Actual Devolution to Local Bodies as percentage of OTR	8.18	8.32	14.45	11.97	14.91

Source: V.L.C. data of Accountant General (A&E), Uttarakhand and State Finance Commission's Recommendations.

It can be seen from above table that the actual devolution to Local Bodies was 8.18 *per cent* of own tax revenue during 2015-16 which increased to 14.91 *per cent* during 2019-20. The actual devolution was more than the amount recommended by State Finance Commission during 2017-18 to 2019-20.

2.6.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings *etc.* Capex in the both Centre and State is being met from budgetary support and extra budgetary resources/off budget.

Total Capital Expenditure continued to increase from ₹ 4,217 crore in 2015-16 to ₹ 6,184 crore in 2018-19. However, the Capital Expenditure during the current year decreased by ₹ 770 crore (12.45 *per cent*). The Capital Expenditure incurred by the State during the year 2019-20 was less than the projections made in the MTFPS targets (₹ 6,494 crore) by ₹ 1,080 crore as well as by ₹ 1,158 crore against budget projections (₹ 6,572 crore). Details of Capital Expenditure *vis-à-vis* budget during the five-year period 2015-20 are given in **Chart-2.16** and Trend of Capital Expenditure as *per cent* of GSDP and Total Expenditure is given in **Chart-2.17**.

Chart-2.16: Trend of Capital Expenditure over the five-year period from 2015-16 to 2019-20

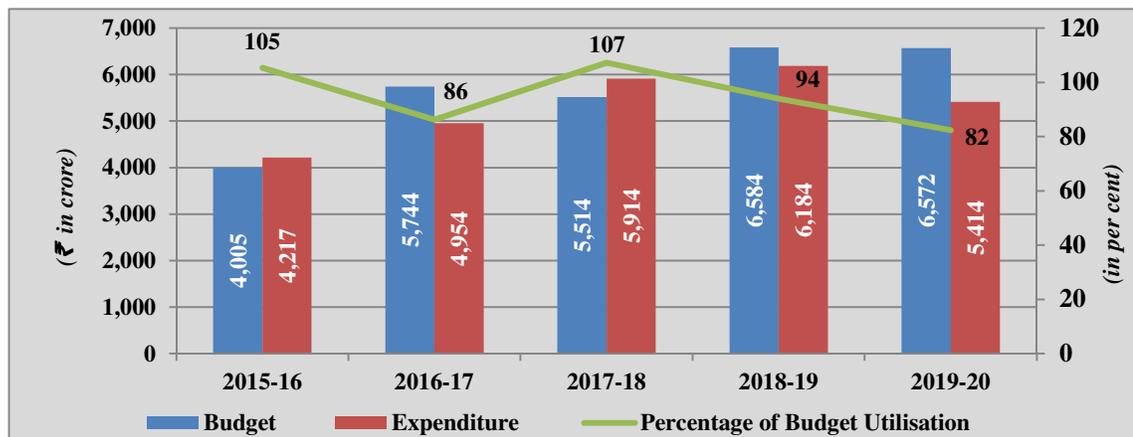
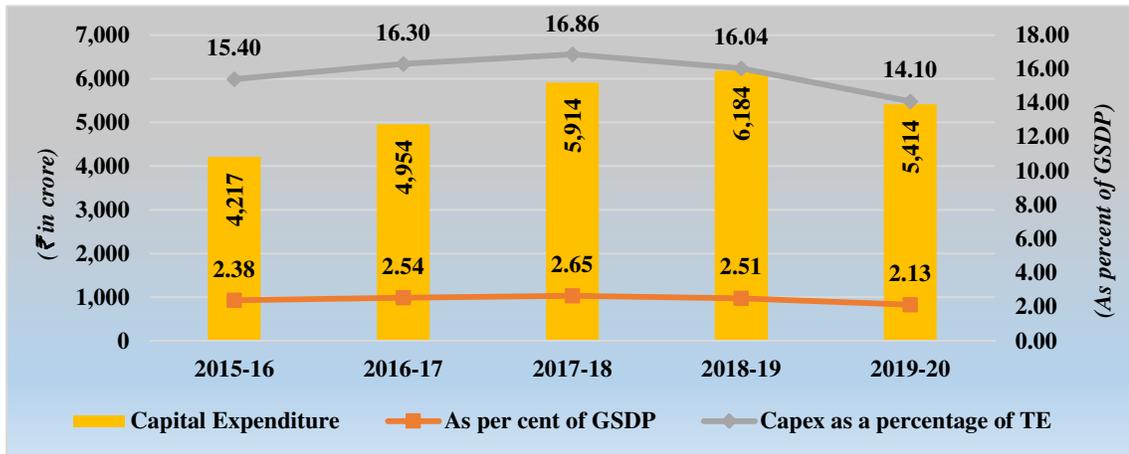


Chart-2.17: Trend of Capital Expenditure as per cent of GSDP and Total Expenditure



2.6.3.1 Major changes in Capital Expenditure

Table-2.26 highlights the cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2019-20 *vis-à-vis* the previous year.

Table-2.26: Capital Expenditure during 2019-20 as compared to 2018-19

Major Heads of Account		Capital expenditure during 2018-19	Capital expenditure during 2019-20	Increase (+) /Decrease (-)
4217	Capital Outlay on Urban Development	179.39	469.43	290.04
4202	Capital Outlay on Education, Sports, Art and Culture	154.33	290.10	135.77
4235	Capital Outlay on Social Security and Welfare	4.35	39.90	35.55
5452	Capital Outlay on Tourism	57.98	88.91	30.93
5055	Capital Outlay on Road Transport	6.95	31.52	24.57
4055	Capital Outlay on Police	14.59	22.63	8.04
4401	Capital Outlay on Crop Husbandry	5.12	12.48	7.36
4851	Capital Outlay on Village and Small Industries	2.06	8.92	6.86
4403	Capital Outlay on Animal Husbandry	4.70	9.92	5.22
4058	Capital Outlay on Stationery and Printing	0.27	0	(-) 0.27
5053	Capital Outlay on Civil Aviation	2.97	0.51	(-) 2.46
4702	Capital outlay on Minor Irrigation	48.67	31.52	(-) 17.15
4210	Capital Outlay on Medical and Public Health	187.40	97.60	(-)89.80
5054	Capital Outlay on Roads and Bridges	1,363.91	914.87	(-) 449.04

2.6.3.2 Quality of Capital Expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other bodies such as sugar mills, financial corporations, *etc.* Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

(i) Quality of investments in the companies, corporations and other bodies

Capital expenditure in companies, corporations, and other bodies, which are loss making or where net worth is completely eroded is not sustainable.

Investments made and loan given to companies (*e.g.* Power Distribution Companies), corporations (*e.g.* Scheduled Caste and Scheduled Tribe Financial Corporations), and

cooperatives (e.g. sugar mills), which are loss making and those where net worth is completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in Public Sector Undertakings and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

As per the Finance Accounts 2019-20, Government of Uttarakhand had invested ₹ 3,534.95 crore in one Statutory Corporation and 16 Government Companies, in the State as of 31 March 2020. The State Government earned a return of ₹ 14.08 crore on these investments during 2019-20. Year-wise details of investment by Government of Uttarakhand over the five-year period 2015-16 to 2019-20 are given in the **Table-2.27** below:

Table-2.27: Details of Investment and return on Investment

	(₹ in crore)				
Investments/ Returns/Cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year	2,914.41	3,123.73	3,209.24	3,402.45	3,534.95
Return on investment	5.1	15.21	22.69	18.69	14.08
Return on investment (<i>per cent</i>)	0.18	0.49	0.71	0.55	0.40
Average rate of interest on Government borrowings (<i>per cent</i>)	8.19	8.91	8.27	8.15	7.26
Difference between interest rate and return (<i>per cent</i>)	8.01	8.42	7.56	7.60	6.86
Notional loss due to difference between interest rate of Government borrowings and return on investments	233.44	263.02	242.62	258.59	242.50

The average return on Uttarakhand Government's investment was negligible and ranged from 0.18 to 0.71 *per cent* of the investment (at historical cost) in the last five years while the Government paid an average interest rate of 8.16 *per cent* on its borrowings during 2015-16 to 2019-20.

There is a difference in the details relating to the State Public Sector Undertakings (PSUs) as given above in **Table-2.27** (as per Finance Accounts) and the CAG's Audit Report on the State PSUs. The differences have arisen primarily due to the investment transactions being booked in Government accounts based on the vouchers received in the Office of the Accountant General (A&E) and the details given in the Audit Reports obtained from the individual PSUs. The differences in investments made by the State Government in these PSUs are under reconciliation.

The State does not have a policy for payment of dividend to Government by the State PSUs. Over the past five years, the State Government has incurred a notional loss of ₹ 1,240.17 crore on return on investment on account of difference between the Government's borrowing cost and the return on investment on working PSUs. The State Government agreed to frame a policy for the payment of dividend to State Government by profit earning PSUs. However, the details are awaited.

The major investments were in (i) Uttarakhand Power Corporation Limited (₹ 1,444.91 crore), (ii) UJVN Limited (₹ 1,264.18 crore) and Power Transmission Corporation of Uttarakhand Limited (₹ 564.88 crore). The Uttarakhand Power Corporation Limited has incurred accumulated losses of ₹ 3,699.26 crore as per its latest finalised accounts for the year 2019-20, while UJVN Limited and Power Transmission

Corporation of Uttarakhand Limited have an accumulated profit of ₹ 1,053.09 crore and ₹ 268.64 crore respectively as per their latest finalised accounts for the year 2019-20.

(ii) Investments made in companies, whose net worth is completely eroded

Investment of ₹ 1,708.26 crore was made by the State Government as per the latest finalised accounts (2019-20) of 11 companies⁴/corporations, whose net worth was completely eroded. An amount of ₹ 16 crore was invested in Uttarakhand Power Corporation Limited (net worth of ₹ (-) 2,254.35 crore as on 31 March 2020) by the Government during 2019-20.

(iii) Investments made in loss making companies

Details of investments made in the companies, which are loss making are given in the **Table-2.28** below.

Table-2.28: Investments made in loss making companies

(₹ in crore)			
Sl. No.	Company/Corporation	Loss during the year	Cumulative investment (Equity) as on 31 March 2020
1.	Uttarakhand Power Corporation Limited	(-) 577.31	1,444.91
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	(-) 0.19	0.20
3.	Kumaun Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited)	(-) 0.02	0.22
4.	Uttarakhand Seed & Tarai Development Corporation Ltd.	(-) 13.85	1.20
5.	Doiwala Sugar Company Limited	(-) 18.75	6.00
6.	Kumaun Mandal Vikas Nigam Limited	(-) 1.51	13.42
7.	Garhwal Mandal Vikas Nigam Limited	(-) 5.51	6.79
8.	Uttarakhand Parivahan Nigam	(-) 11.99	229.36
9.	Uttar Pradesh Hill Electronics Corporation Limited	(-) 2.21	8.95
Total		(-) 631.34	1,711.04

Source: latest finalised accounts of the concerned entities.

During the year 2019-20, investment of ₹ 16 crore was made in one loss making PSU namely Uttarakhand Power Corporation Limited, whose net-worth was completely eroded.

In Uttarakhand there are total 30 PSUs, out of which 22 PSUs⁵ are working and eight are non-working. Amongst the working 22 PSUs, 12 were loss making entities and had an accumulated loss of ₹ 4,554.99 crore as per their latest finalised accounts. The government of Uttarakhand has not given any loans or made any investment in the non-working PSUs during the current year.

(iv) Misclassification of Revenue Expenditure under Capital Section

The Government of Uttarakhand continued to operate and allot funds as Grants-in-Aid

⁴ (i) Garhwal Anusuchit Janjati Vikas Nigam Limited (₹ 0.20 crore), (ii) Uttarakhand Seed & Tarai Development Corporation Limited (₹ 1.20 crore), (iii) Doiwala Sugar Company Limited (₹ 6.00 crore), (iv) Kichha Sugar Company Limited (₹ 17.54 crore), (v) Uttarakhand Pey Jal Sansthan evam Nirman Nigam (₹ 00), (vi) Uttarakhand Parivahan Nigam (₹ 229.36 crore), (vii) Uttar Pradesh Hill Electronics Limited (₹ 8.95 crore), (viii) Trans Cable Limited (₹ 00) (ix) Uttarakhand Metro Rail, Urban Infrastructure & Building Construction Corporation Limited (₹ 0.10 crore) (x) Uttar Pradesh Digital Limited (₹ 00) and (xi) Uttarakhand Power Corporation Limited (₹ 1,444.91 crore).

⁵ Out of 22 working PSUs, 10 were profit making and remaining three PSUs had not finalised their accounts since inception.

(GIA) to State Government entities in the Capital Section besides Revenue Section. During the year 2019-20 such grants of ₹ 46.38 crore were given and booked under six Capital Major Heads. This contravened the Indian Government Accounting Standards (IGAS) 2, notified by the Government of India, wherein it has been stated that, expenditure on GIA for the purpose of creating assets shall not, except in cases specifically authorized by the President on the advice of the Comptroller and Auditor General, be debited to a Capital Head of account in the financial statements of the Government. This is particularly so due to the fact that the Capital Assets are recorded in the books of the entity receiving the GIA and not the grantor, *i.e.*, Government.

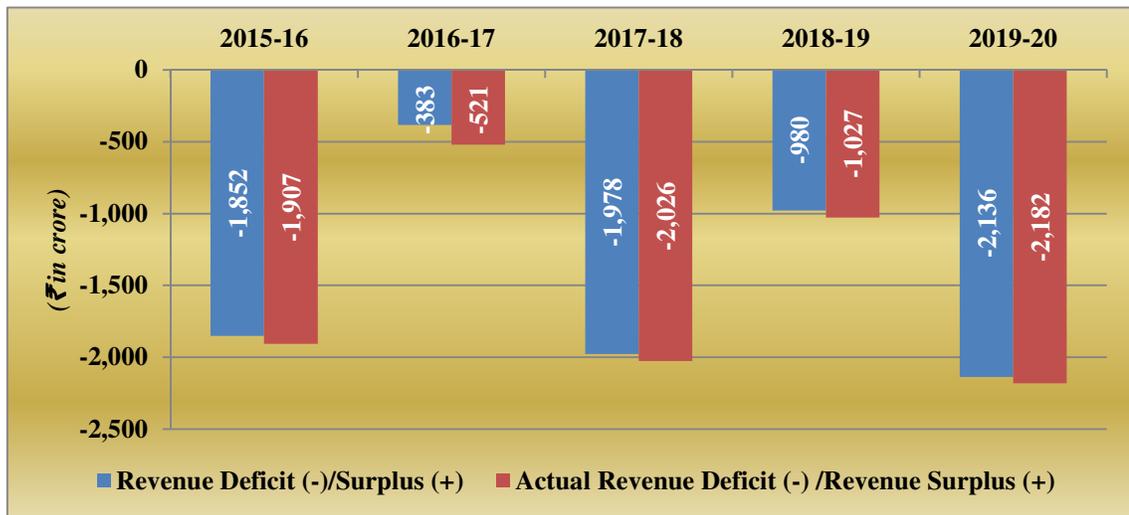
Under the Government Accounting Rules, expenditure on ‘Major Works’ is to be booked to the Capital Section and expenditure on ‘Minor Works’ is to be booked to the Revenue Section. However, the State Government booked expenditure on Major construction works amounting to ₹ 229.65 crore under six Revenue Heads. Besides, expenditure of ₹ 4.99 crore and ₹ 5.32 crore pertaining to Minor construction works and Maintenance works respectively was booked under the Capital Section (details are in **paragraph 3.3.3 in Chapter-3**).

Table-2.29 highlights the extent of classification of GIA as Capital Expenditure instead of as revenue by the State. **Chart-2.18** indicates impact of non-compliance with the provisions of IGAS-2 by the State in absolute terms during 2015-2020 as Revenue Deficit was understated during the period and Capital Expenditure was also overstated to that extent.

Table-2.29: Impact of non-compliance with IGAS-2

	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Expenditure	4,217	4,954	5,914	6,184	5,414
Grants-in-Aid booked as Capital Expenditure	55	138	48	47	46
Percentage of booking of GIA in Capex	1.30	2.79	0.81	0.76	0.85
Revenue Deficit (-)/Surplus (+) of the State	(-) 1,852	(-) 383	(-) 1,978	(-) 980	(-) 2,136
Actual Revenue Deficit (-) /Revenue Surplus (+), if expenditure from GIA is treated as RE	(-) 1,907	(-) 521	(-) 2,026	(-) 1,027	(-) 2,182

Chart-2.18: Actual Revenue Deficit (-)/Surplus (+)



(v) *Quantum of Loans disbursed and recovered during five years*

In addition to investments in Co-operative societies, Corporations and Companies, State Government also provided loans and advances to many institutions/organisations. **Table-2.30** presents the outstanding loans and advances as on 31 March 2020 along with interest receipts *vis-à-vis* interest payments during the five-year period from 2015-16 to 2019-20.

Table-2.30: Details of quantum of loans disbursed and recovered during 2015-20*(₹ in crore)*

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loan outstanding	1,046.36	1,596.45 ⁶	1,726.65	1,769.97	1,926.54
Amount advanced during the year	83.14	165.05	76.83	183.48	125.78
Amount recovered during the year	27.20	34.85	33.51	26.91	18.92
Closing Balance of loan outstanding	1,102.30	1,726.65	1,769.97	1,926.54	2,033.40
Net Addition	55.94	130.20	43.32	156.57	106.86
Interest Received	0.14	0.17	0.08	1.13	25.65
Interest received as a percentage of outstanding Loans and Advances	0.01	0.01	0.005	0.06	1.33
Average rate of interest paid on Government borrowing (<i>per cent</i>)	8.19	8.91	8.27	8.15	7.26
Difference between Interest Payments and Interest Received (<i>per cent</i>)	8.18	8.90	8.27	8.09	5.93

The total amount of outstanding loans and advances as on 31 March 2020 was ₹ 2,033.40 crore. The amount of loans disbursed increased by 51.29 *per cent* from ₹ 83.14 crore in 2015-16 to ₹ 125.78 crore in 2019-20. Within the Economic Services, major recipient was Agriculture and Allied Services ₹ 110.00 crore (87.45 *per cent* followed by power sector ₹ 15.42 crore (12.26 *per cent*).

Recovery of loans and advances decreased by ₹ 7.99 crore from ₹ 26.91 crore in 2018-19 to ₹ 18.92 crore in 2019-20. However, interest receipts in this regard increased drastically from 2018-19 to 2019-20.

Scrutiny of the total outstanding loans revealed that there was no repayment by four sectors namely General Services (other Loans), Special Area Programme, Water Supply, Sanitation, Housing and Urban Development and Transport sector as detailed in **Table-2.31** over last five years (up to March 2020) and in one sector (Agriculture and Allied Activities), additional loans had been extended despite marginal repayments. The overall outstanding balance has increased over the years.

Table-2.31: Loan and Advances rolling for a long time*(₹ in crore)*

Sl. No.	Name of the Sector	2015-16	2016-17	2017-18	2018-19	2019-20
1.	General Services (Other Loans)	19.47	19.47	19.47	19.47	19.47
2.	Water Supply, Sanitation, Housing and Urban Development	42.09	47.89	47.89	42.09	42.09
3.	Agriculture and Allied Activities	797.92	895.31	899.79	1,011.24	1,119.57
4.	Special Area Programme	9.53	503.68 [#]	503.16	503.16	503.16
5.	Transport	136.11	140.29	148.53	153.80	153.80
	Total	1,005.12	1,606.64	1,618.84	1,729.76	1,838.09

[#] Increased by ₹ 494.15 crore due to apportionment of unallocated balances between Uttar Pradesh and Uttarakhand.

During the period 2015-16 to 2019-20, an amount of ₹ 634.28 crore was advanced to different sectors by the Government. Amounts repaid amounted to ₹ 141.39 crore over the same period. Recovery in each year declined from 2.41 *per cent* of the amount

⁶ This differs with the closing balance of previous year due to allocation of an amount of ₹ 494.15 crore to Uttarakhand State under Major Head 6551, out of unallocated balances.

outstanding at the beginning of the year and amount advanced during the year in 2015-16 to less than one *per cent* in 2019-20. During the current year, the amount repaid was ₹ 18.92 crore which stood at 0.93 *per cent* of the outstanding loans (₹ 2,033.40 crore) as on 31 March 2020.

Since recovery of the 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.

(vi) Capital Blocked in Incomplete/ongoing Projects

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds on incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years lead to an extra burden in terms of servicing of debt and interest liabilities.

As per Finance Accounts of the State for the year 2019-20, there were 210 incomplete/ongoing projects divisions of Public Works as on 31 March 2020. Age profile of incomplete projects based on the year of sanction/year of start of these projects as on 31 March 2020 is given in **Table-2.32**.

Table-2.32: Age profile of incomplete projects as on 31 March 2020

(₹ in crore)				
Year	No of incomplete projects	Estimated cost	Expenditure	Financial Progress (in per cent)
Upto 2014-15	33	208.02	199.44	95.88
2015-16	30	245.77	199.66	81.24
2016-17	61	202.04	115.09	56.96
2017-18	55	134.49	58.72	43.66
2018-19	21	55.13	25.79	46.78
2019-20	02	5.51	2.67	48.46
Sanction date not available	08	35.46	24.71	69.68
Total	210	886.43	626.08	70.63

Source: Finance Accounts.

Blocking of funds on incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Effective steps need to be taken to complete all these projects without further delay to avoid cost overruns.

(vii) Resource availability of the State under Public Private Partnership Projects

Public Private Partnership is an arrangement between the government or statutory entity and a private sector entity, to provide a framework that enables them to work together to meet the rising demand of the public for infrastructure development. Details of the projects running in the State are given in the **Table-2.33** below.

Table-2.33: Sector-wise details of PPP Projects

(₹ in crore)					
Sl. No.	Sector	Completed		Ongoing	
		No.	Estimated Cost	No.	Estimated Cost
1.	Transport	2	30.00	3	63.76
2.	Energy	0	0	2	117.50
3.	Urban	2	292.03	5	364.55
4.	Tourism	1	0	3	120.00
5.	Health	6	84.40	0	0
Total		11	406.43	13	665.81

Source: Uttarakhand Public Privat Partnership Cell Dashboard (<http://www.upppc.org/projects/projects>).

2.7 Expenditure Priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table-2.34 compares the fiscal priority of the State Government with that of Special Category States (SCS) with regard to development expenditure, expenditure on Social and Economic Sectors, and Capital Expenditure during 2019-20, taking 2015-16 as the base year.

Table-2.34: Fiscal Priority of the State in 2015-16 and 2019-20

<i>(in per cent)</i>							
Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education/ AE	Health/ AE
Average (ratio) in 2015-16 of							
SCS	24.58	36.25	30.10	66.34	13.96	18.32	5.95
Uttarakhand	15.46	39.40	26.68	66.08	15.40	18.01	4.83
Average (ratio) in 2019-20 of							
SCS	23.02	35.42	28.77	64.20	14.08	17.42	6.19
Uttarakhand	15.14	36.99	21.54	58.53	14.10	19.76	5.22
<i>AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.</i>							

A comparative study of Average Expenditure of Uttarakhand State in 2019-20 with that of 2015-16 indicates the following:

- The State Government's Aggregate Expenditure as a proportion of the GSDP in 2019-20 was lower by 0.32 percentage points as compared to 2015-16.
- Development Expenditure (DE) as a proportion of Aggregate Expenditure (AE) in 2019-20 was less by 7.55 percentage points as compared to 2015-16.
- Social Sector Expenditure as a proportion of AE in 2019-20 was less by 2.41 percentage points as compared to 2015-16.
- Economic Sector Expenditure as proportion of AE was lesser by 5.14 percentage points in 2019-20 as compared to 2015-16.
- The proportion of Capital Expenditure (CE) in AE decreased by 1.30 percentage points in 2019-20 as compared to 2015-16.

Further comparative study of SCS's Average and Uttarakhand's Average in 2019-20 with that of 2015-16 revealed the following:

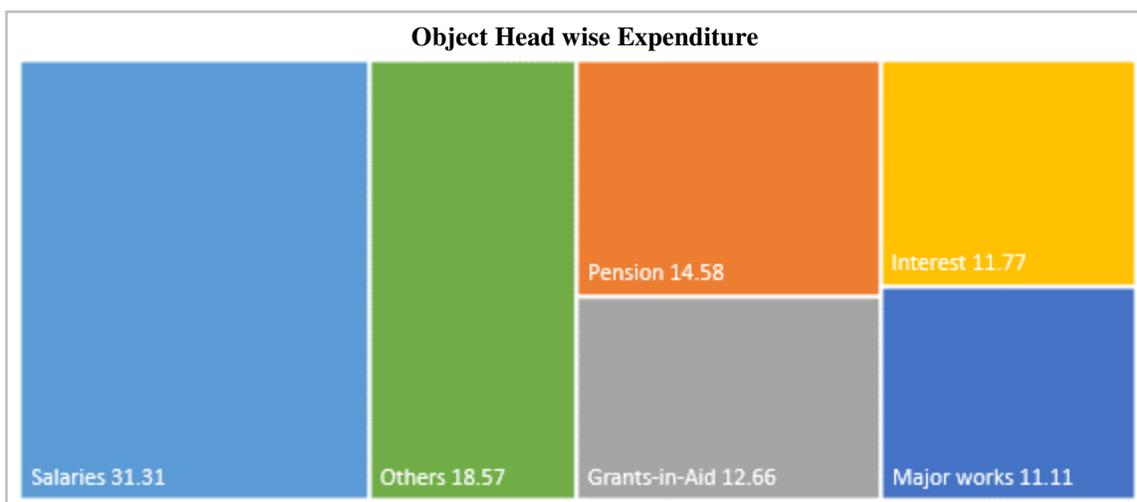
- Aggregate Expenditure (AE) as a proportion of GSDP in the State remained well below than the SCS's average during both the years.
- Development Expenditure as a proportion of Aggregate Expenditure in the State was marginally lower than that of the SCS's average during 2015-16. However, it was much lower during 2019-20.

- Social Sector Expenditure as a proportion of Aggregate Expenditure in the State was higher during 2015-16 and 2019-20 as compared to SCS’s average.
- The Economic Sector Expenditure as a proportion of Aggregate Expenditure in the State was lower than that of SCS’s during both the years.
- Priority was accorded by the State Government to Capital Expenditure and the ratio of Capital Expenditure to Aggregate Expenditure was higher than that of the SCS’s average in 2015-16 as well as 2019-20.
- In Education Sector, expenditure as a proportion of Aggregate Expenditure in the State was lower than the SCS’s average in 2015-16. However, it was well above the SCS’s average during 2019-20.
- Expenditure under Health Sector as a proportion to Aggregate Expenditure was lower than SCS’s average during 2015-16 and 2019-20.

Object Head wise Expenditure

Object head wise expenditure gives information about the object/purpose of the expenditure. Details of Object head wise expenditure are provided in the **Chart-2.19** below.

Chart-2.19: Detail of Object Head wise expenditure



2.8 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. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.8.1 Net Balances in Public Account

The component-wise net balances in Public Account of the State during the years (2015-16 to 2019-20) are given in **Table-2.35** below.

Table-2.35: Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)

Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, etc.		477.74	412.69	619.47	889.86	665.79
J. Reserve Funds	(a) Reserve Funds bearing Interest	128.23	(-) 135.69	109.77	112.77	2,759.12
	(b) Reserve Funds not bearing Interest	55.14	59.05	(-) 4.7	(-) 1.23	149.48
	Investment from RF	0	0	0	0	(-) 150.00
	Total	183.37	(-) 76.63	105.07	111.54	2,758.60
K. Deposits and Advances	(a) Deposits bearing Interest	93.11	41.48	0.58	53.02	(-) 2.77
	(b) Deposits not bearing Interest	45.73	(-) 176.76	718.09	(-) 64.08	504.35
	(c) Advances	(-) 0.49	(-) 0.03	0	0	0
	Total	138.35	(-) 135.31	718.67	(-) 11.06	501.58
L. Suspense and Miscellaneous	(a) Suspense	121.91	180.11	122.44	102.82	(-) 124.82
	(b) Other Accounts*	254.52	870.19	607.90	70.26	(-) 1,039.63
	(c) Accounts with Governments of Foreign Countries	(-) 0.04	(-) 0.01	(-) 0.01	(-) 0.01	0.04
	(d) Miscellaneous	0	0	0	0	0
	Total	376.39	1,050.29	730.33	173.07	(-) 1,164.41
M. Remittances	(a) Money Orders, and other Remittances	(-) 0.72	1.64	15.89	(-) 4.5	(-) 4.38
	(b) Inter- Governmental Adjustment Account	34.01	(-) 4.99	15.48	683.65	3.76
	Total	33.29	(-) 3.35	31.37	679.15	(-) 0.62
Grand Total		1,209.14	1,247.69	2,204.91	1,842.56	2,760.94

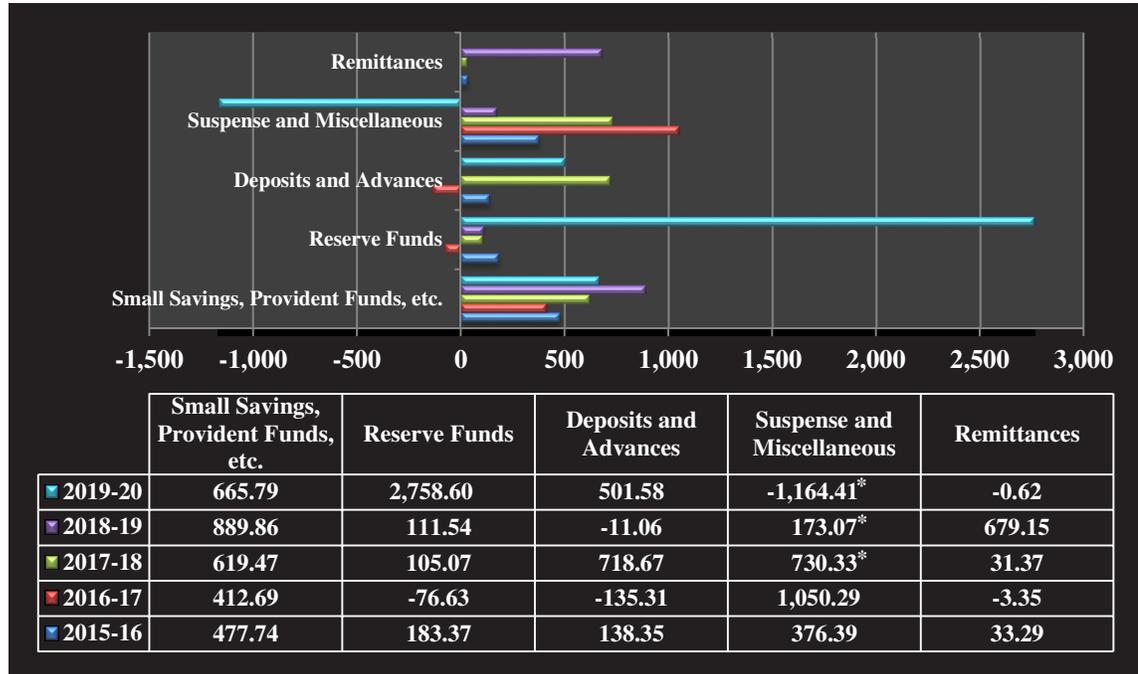
Note: -ve denotes debit balance and +ve denotes credit balances.

*Other Accounts under L. Suspense and Miscellaneous exclude Departmental Balance, Permanent Cash Imprest & Cash Balance Investment Account.

The yearly changes in composition of balances in Public Account over the five-year period 2015-20 are given in **Chart-2.20**.

Chart-2.20: Yearly changes in composition of Public Account balances

(₹ in crore)



*Suspense and Miscellaneous for the years 2017-18, 2018-19 and 2019-20 include Cash Balance Investment Account.

As has been highlighted in the **Table-2.35**, the component wise net-public account balances over the period 2015-16 to 2019-20 have shown fluctuating trend. The net public account balance increased from ₹ 1,209.14 crore in 2015-16 to ₹ 1,247.69 crore

and ₹ 2,204.91 crore in 2016-17 and 2017-18 respectively. The balances decreased to ₹ 1,842.56 crore during 2018-19. However, the net balances increased to ₹ 2,760.94 crore during the current year mainly on account of net increase in reserves.

Further analysis revealed that during 2019-20 there was decline in Net Small Savings, Provident Fund, etc. on account of less receipts in Provident Fund (₹ 212.78 crore) and less receipts under Remittances during the current year as compared to previous year 2018-19. Similarly there was a huge jump in the net Reserve Funds on account of an amount of ₹ 2,675.09 crore booked under 8121-129 –“State Compensatory Afforestation Fund”. Due to less disbursements under Deposit heads during the year, the net balance under the Deposits appreciated as compared to previous year.

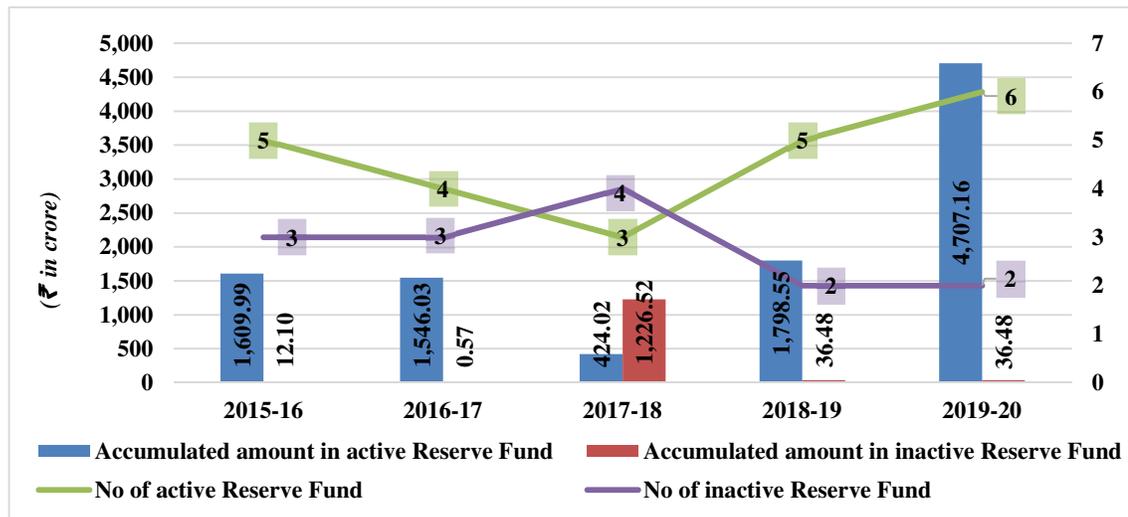
2.8.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

State Government operated eight Reserve Funds as on 31 March 2020 out of which two Reserve Fund are interest bearing (₹ 3,253.55 crore credit) and six Reserve Funds are non-interest bearing funds (₹ 1,417.13 crore credit). Out of these eight funds, two funds are inoperative (balance ₹ 36.48 crore debit) and six funds are operative (balance ₹ 4,707.16 crore credit), of which ₹ 1,338.62 crore (28.44 per cent) was invested.

Trend of accumulated balances under active and inactive Reserve funds is shown in the **Chart-2.21** below.

Chart-2.21: Trend of Active and Inactive reserve fund



Details of transactions during the year in the Reserve Funds (active-inactive) are discussed below.

2.8.2.1 Inactive Reserve Funds

There are two Reserve Funds, which are in-operative since long. These two funds have a balance of ₹ 36.48 crore (Debit). The details of these in-operative funds are given in **Table-2.36**.

Table-2.36: Details of inactive Reserve Funds

Sl. No.	Name of the Fund	Amount as on 31 st March 2020 (₹ in crore)
1.	Development Funds for Educational Purposes	0.01 (Cr.)
2.	Electricity development Funds	36.49 (Dr.)
Total		36.48 (Dr.)

2.8.2.2 State Disaster Response Fund

Government of India replaced the existing Calamity Relief Fund in 2010-11 with the State Disaster Response Fund (SDRF). In terms of the guidelines of the Fund, the Centre and Special Category States like Uttarakhand are required to contribute to the Fund in the proportion of 90:10. As per the guidelines, these contributions are to be transferred to the Public Account under Major Head 8121. Expenditure during the year is incurred by operating Major Head 2245. Expenditure incurred during the year on disaster response is adjusted by debiting the Public Account with contra deduct debit to the Expenditure Major Head 2245. Government of India provides additional assistance from the National Disaster Response Fund (NDRF) - when the balances available under SDRF are insufficient to meet the expenditure on account of natural calamities. The entire funds provided under the NDRF are incurred directly against the expenditure on natural calamities. Detail of expenditure charged to SDRF for the year 2019-20 is given in the **Table-2.37** as well as details of SDRF is provided in the **Table-2.38**.

Table-2.37: Details of expenditure charged to SDRF

(₹ in crore)		
Major Head of Account	Minor Head of Account	Expenditure during 2019-20
2245- Relief on Account of Natural Calamities 05- State Disaster Response Fund	101-Transfer to Reserve Funds and Deposit Accounts	425.97
	901- Deduct- Amount met from State Disaster Response Fund	(-) 170.97
	Sub Total	255.00
2245- Relief on Account of Natural Calamities 80- General	102- Management of Natural Disaster, Contingency Plans in disaster prone areas	59.98
	800-Other Expenditure	43.31
	Sub-Total	103.29
Grand Total		358.29

Source: Finance Accounts.

Table-2.38: Details of SDRF

(₹ in crore)						
Opening balance (01 April 2019)	Contribution by Centre	State Share	Total	Amount set off (MH 2245-05)	Balance in the fund (31 March 2020)	Amount invested through RBI during the year
494.43	229.50	25.50	749.43	170.97	578.46	Nil

Source: Finance Accounts.

The State Government during the year, neither made any investment from the SDRF nor provided any interest on the fund balance, in violation of SDRF guidelines.

2.8.2.3 Guarantee Redemption Fund

The Government of Uttarakhand constituted 'Guarantee Redemption Fund' in 2006-07 for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Public Sector Undertakings or other Bodies and invoked by the beneficiaries. The accumulations in the Fund are to be utilised only towards payment of the guarantees issued by the Government and not paid by the institutions on whose behalf guarantee was issued.

In terms of guidelines of Uttarakhand Gazette Notification dated December 2006, the State Government is required to contribute an amount equivalent to at least 1/5th of the

outstanding invoked guarantees plus amount of guarantees likely to be invoked as a result of the incremental guarantees issued during the year. The funds are invested by the Reserve Bank of India.

The State Government informed that Guarantee amounting to ₹ 0.32 crore was invoked during 2019-20. No amount was contributed from the Consolidated Fund to the Guarantee Redemption Fund during the year. Further, in terms of the guidelines of the Reserve Bank of India which administers the Fund, the corpus of the Fund is to be gradually increased to the desirable level of 5 per cent of the outstanding guarantees which was fully adhered to, as the corpus of the fund was ₹ 77.44 crore (Principal + Interest) against outstanding guarantees of ₹ 893.12 crore. Against the receivable Guarantee commission fee of ₹ 8.93 crore, an amount of ₹ 4.45 crore was received resulting in short receipt of ₹ 4.48 crore as guarantee commission fees. Also as per Uttarakhand Gazette Notification dated 19 December 2016, the received Guarantee fee has to be deposited in Public Account under Guarantee Redemption Fund, while State Government was treating it as Revenue Receipts. This has resulted in understatement of Revenue Deficit as well as Fiscal Deficit to that extent. During Exit Conference, the State Government agreed to book the guarantee commission fee receivable in the Public Account in future. Average return from investments made out of Guarantee Redemption Fund during past five years was 7.66 per cent. Detail of Guarantee Redemption Fund is provided in the **Table-2.39**.

Table-2.39: Details of Guarantee Redemption Fund

(₹ in crore)

Opening balance (01 April 2019)	Additions to the Fund (contribution and interest)		Payments out of the Fund	Total balance in the Fund	Amount invested by RBI during the year	Closing balance (31 March 2020)
	Desired Level Contribution (5 % of outstanding guarantees as on 31 March 2019)	Actual Contribution Made				
71.24 (35.00 Principal & 36.24 Interest)	44.66	Nil 6.20 (Interest)	Nil	77.44 (35.00+ 42.44)	77.44	Nil

Source: Finance Accounts.

2.8.2.4 State Compensatory Afforestation Funds

The Uttarakhand State Compensatory Afforestation Fund was created in September 2018 by the Government of Uttarakhand to administer the amount received and utilize the monies collected for undertaking compensatory afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto. Detailed guidelines for accounting under this Fund have been issued vide Ministry of Environment, Forest and Climate Change, Government of India in November 2018. The State Government has not so far adopted these guidelines and not followed the accounting procedure⁷. However, during 2019-20,

⁷ These guidelines inter-alia states that the monies received by the State government from the user agencies shall be credited in “State Compensatory Afforestation Deposits” at Minor Head level below Major Head 8336 Civil Deposits. Out of it 90 per cent shall be transferred to the Major Head 8121-129 in Public Account of the State and 10 per cent in the National Fund. Similarly, the expenditure shall initially be booked under Major Head-2406 and then transferred to the Major Head 8121-129 in the Public Account by deduct entry in the concerned Major Head of account 2406.

Ministry of Environment, Forest & Climate Change, Government of India has transferred an amount of ₹ 2,675.09 crore from National Compensatory Afforestation Fund, as the share of Uttarakhand. This amount is booked under 8121-129 State Compensatory Afforestation Fund.

2.8.3 Non Discharge of Interest liabilities against Reserve Funds and Deposits Bearing Interest

The interest liability of ₹ 43.26 crore in respect of Reserve Funds Bearing Interest and Deposits Bearing Interest, under sectors J and K respectively of the Public Accounts are annual liabilities that the State Government is required to discharge. Budget provision for the interest payable needs to be made by the State Government on balances in such Reserve Funds and Deposits. The interest due on 01 April 2019 is detailed in the **Table-2.40** below.

Table-2.40: Details of un-discharged liability of interest due in Reserve Funds and Deposits

Sector	Sub-sector	Rate of interest	Balance at the beginning of 2019-20	Interest due (₹ in crore)
J-Reserve Funds	(a) Reserve Funds bearing interest (including SDRF)	5.44 per cent (average of W&M interest rate)	494.43	26.90
K-Deposits and Advances	(b) Deposits bearing interest (excluding CPS MH-8342-117)	5.44 per cent (average of W&M interest rate)	300.71	16.36
Total Interest				43.26

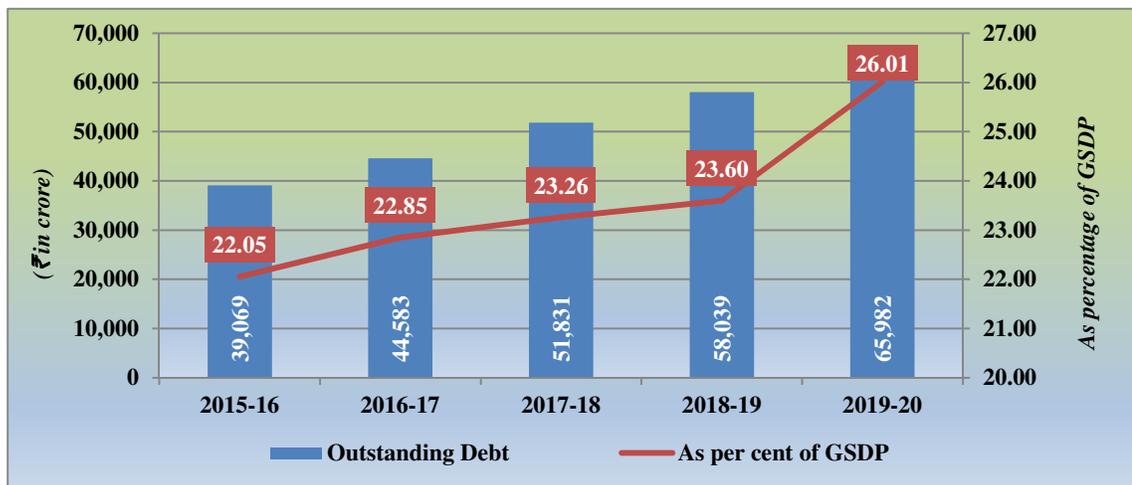
2.9 Debt Management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

2.9.1 Trend of overall debt

The total outstanding debt of the state Government at the end of the 2019-20 was ₹ 65,982 crore. Year wise overall debt during 2015-16 to 2019-20 is given in **Chart-2.22** below.

Chart-2.22: Trend of overall Debt



2.9.2 Debt profile: Components

Total debt of the State Government typically constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, *etc.*), loans and advances from the Central Government, and Public Account Liabilities. Total Liabilities as per FRBM Act of the Uttarakhand means the liabilities under the Consolidated Fund of the State and the Public Account of the State. The component wise debt trends are shown in **Table-2.41** below.

Table-2.41: Component wise Debt Trends

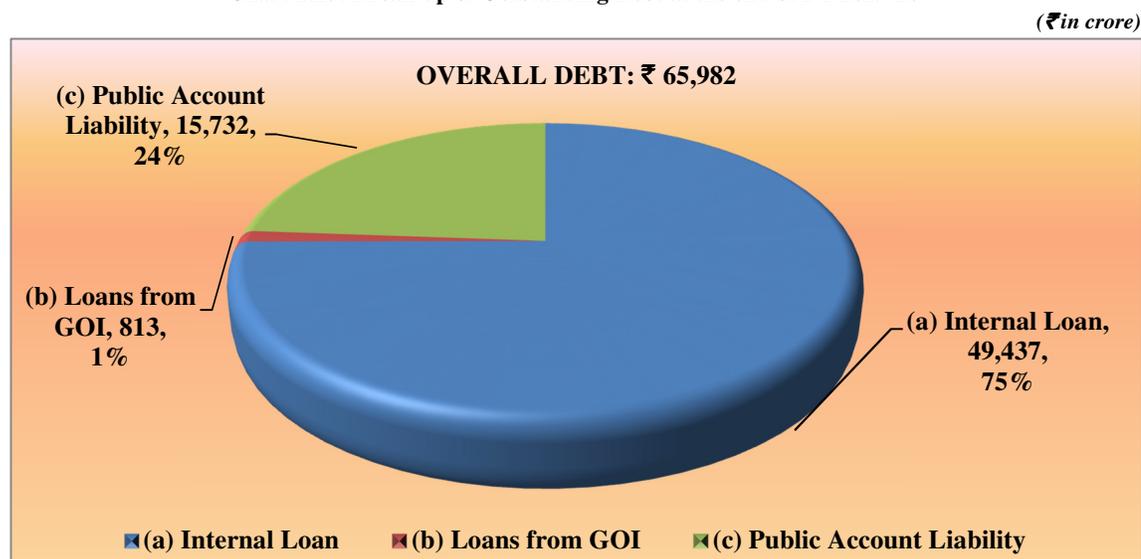
		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Debt		39,069	44,583	51,831	58,039	65,982
Public Debt	Internal Debt	29,292	34,555	40,286	45,443	49,437
	Loans from GoI	544	655	729	790	813
Public Account Liabilities		9,233	9,373	10,816	11,806	15,732
Rate of growth of outstanding debt (percentage)		16.69	14.11	16.26	11.98	13.69
Gross State Domestic Product (GSDP)		1,77,163	1,95,125	2,22,836	245,895	253,666
Debt/GSDP (<i>per cent</i>)		22.05	22.85	23.26	23.60	26.01
Total Debt Receipts		12,516	15,548	20,124	22,225	22,194
Total Debt Repayments		6,965	10,034	12,875	16,017	14,251
Total Debt Available		5,551	5,514	7,249	6,208	7,943
Debt Repayment/Debt Receipts (percentage)		55.65	64.54	63.98	72.07	64.21

Source: Finance Accounts.

2.9.3 Break up of Outstanding Overall Debt at the end of 2019-20

The total outstanding debt of the State Government at the end of 2019-20 was ₹ 65,982 crore. Component-wise break-up of debt is shown below in **Chart-2.23**.

Chart-2.23: Break-up of Outstanding Debt at the end of FY 2019-20



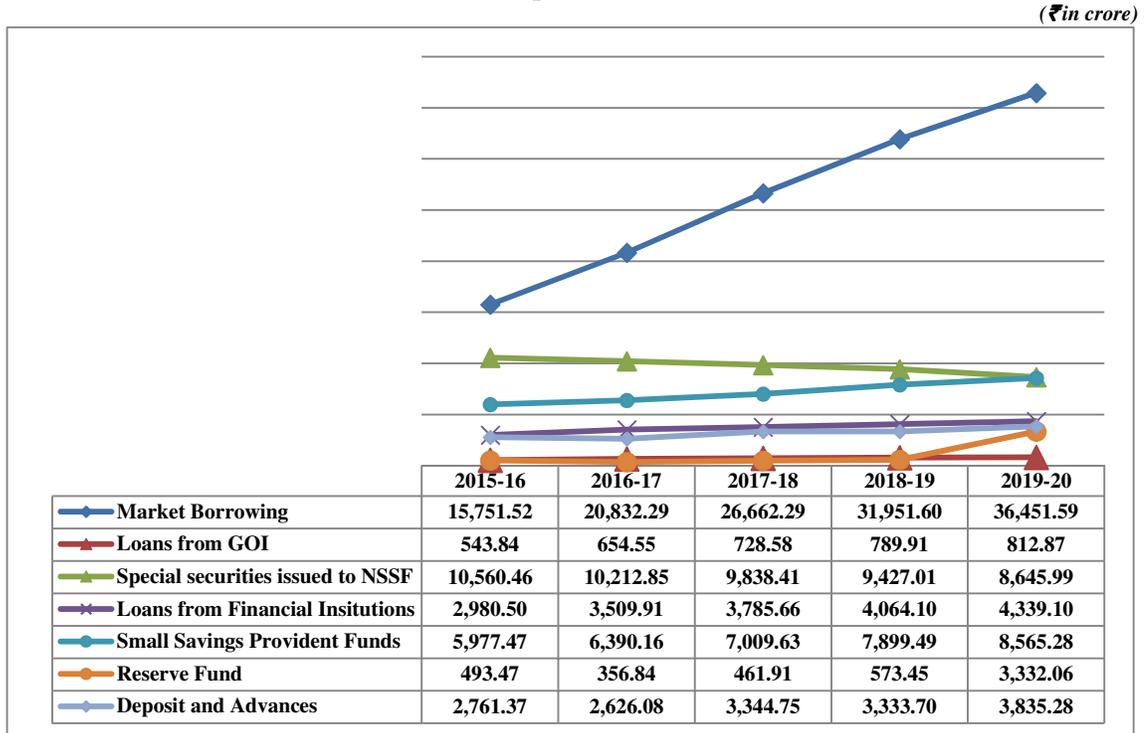
Internal debt, which is primarily market borrowings, accounts for 55 *per cent* of the total outstanding debt.

2.9.4 Component wise debt trends

The debt trends comprising of internal debt, Loans from GoI, Public Account over the

period 2015-16 to 2019-20 are highlighted in the **Chart-2.24** below.

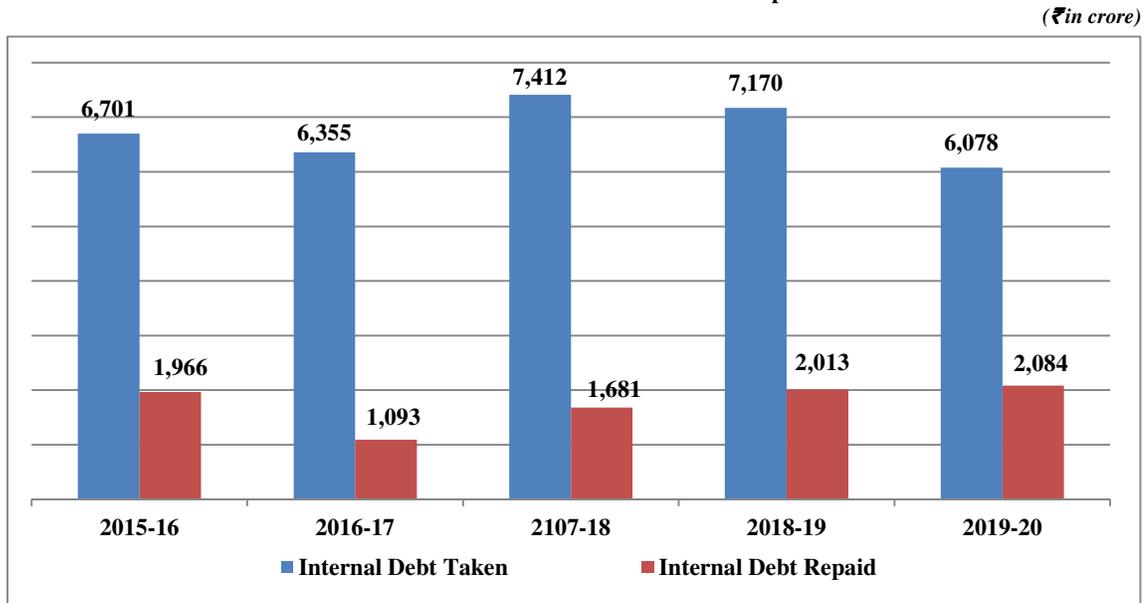
Chart-2.24: Component wise debt trends



2.9.5 Internal Debt taken vis-à-vis repaid

Composition of Internal Debt taken and repaid during 2015-16 to 2019-20 is given in the **Chart-2.25**.

Chart-2.25: Internal Debt taken vis-à-vis repaid



The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table-2.42**.

Table-2.42: Components of Fiscal Deficit and its Financing Pattern

		(₹ in crore)				
Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
A	Decomposition of Fiscal Deficit (1 to 4)	(-) 6,125	(-) 5,467	(-) 7,935	(-) 7,320	(-) 7,657
1.	Revenue Deficit (-)/ Surplus(+)	(-) 1,852	(-) 383	(-) 1,978	(-) 980	(-) 2,136
2.	Net Capital Expenditure	(-) 4,217	(-) 4,954	(-) 5,914	(-) 6,184	(-) 5,414
3.	Net Loans and Advances	(-) 56	(-) 130	(-) 43	(-) 156	(-) 107
B	Financing Pattern of Fiscal Deficit					
1.	Net Public Debt	4,802	5,373	5,806	5,217	4,017
a.	Net Market Borrowings	(+) 2,730	(+) 5,081	(+) 5,830	(+) 5,289	(+) 4,500
b.	Net Loans from GOI	(+) 66	(+) 111	(+) 74	(+) 61	(+) 23
c.	Net Special Securities issued to NSSF	(+) 1,467	(-) 348	(-) 374	(-) 411	(-) 781
d.	Net Loans from Financial Institutions	(+) 539	(+) 529	(+) 276	(+) 278	(+) 275
2.	Net Public Account	1,209	1,248	2,204	1,843	2,761
a.	Net Small Savings, PF etc.	(+) 478	(+) 413	(+) 619	(+) 890	(+) 666
b.	Net Deposits and Advances	(+) 138	(-) 135	(+) 719	(-) 11	(+) 501
c.	Net Suspense and Misc.	(+) 377	(+) 1,050	(+) 730	(+) 173	(-) 1,164
d.	Net Remittances	(+) 33	(-) 3	(+) 31	(+) 679	(-) 01
e.	Net Reserve Fund	(+) 183	(-) 77	(+) 105	(+) 112	(+) 2,759
3.	Net Contingency Fund	(-) 195	(+) 167	(-) 127	(+) 110	(+) 68
4.	Accretion to Cash Balance	(+) 309	(-) 1,321	(+) 52	(+) 150	(+) 811

Source: Finance Accounts of Government of Uttarakhand.

The fiscal deficit in 2019-20 was largely managed by market borrowings (59 per cent), Reserve Fund (36 per cent) and Small Savings & Provident Funds (9 per cent). Financing of Fiscal Deficit during the year is depicted in **Chart-2.26** below whereas **Table-2.43** depicts the receipts and disbursement under the components of Fiscal Deficit.

Chart-2.26: Financing of Fiscal Deficit

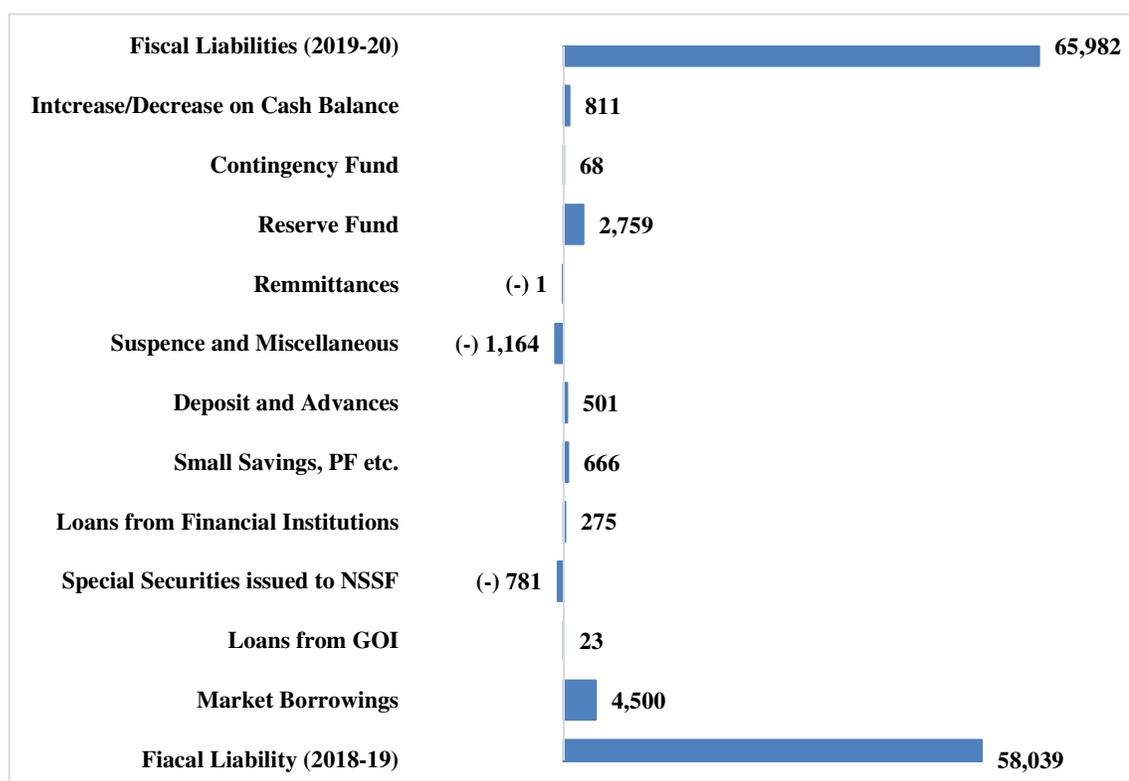


Table-2.43: Receipts and Disbursements under components financing the fiscal deficit

		(₹ in crore)		
	Particulars	Receipt	Disbursement	Net
1.	Market Borrowings	5,100	600	4,500
2.	Loans from GoI	70	47	23
3.	Special Securities issued to NSSF	00	781	(-) 781
4.	Loans from Financial Institutions	7,943	7,668	275
5.	Small Savings, PF, etc.	1,976	1,310	666
6.	Deposits and Advances	4,024	3,523	501
7.	Suspense and Miscellaneous	36,228	37,392	(-) 1,164
8.	Remittances	22	23	(-) 1
9.	Reserve Fund	3,080	321	2,759
10.	Contingency Fund	94	26	68
11.	Overall Deficit	58,537	51,691	6,846
12.	Increase/Decrease in cash balance	22,449	21,638	811
13.	Gross Fiscal Deficit	80,986	73,329	7,657

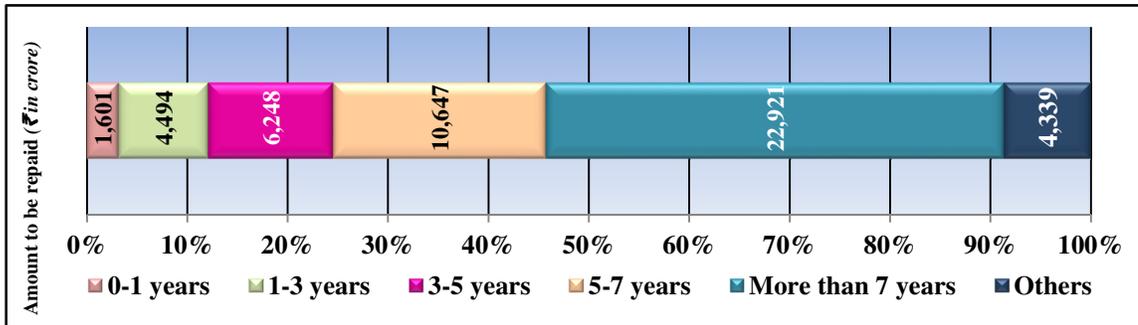
2.9.6 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. The maturity profile of the State's outstanding loans and advances (public debt) is given in Table-2.44 and Chart-2.27.

Table-2.44: Debt Maturity Profile of Repayment of Public Debt

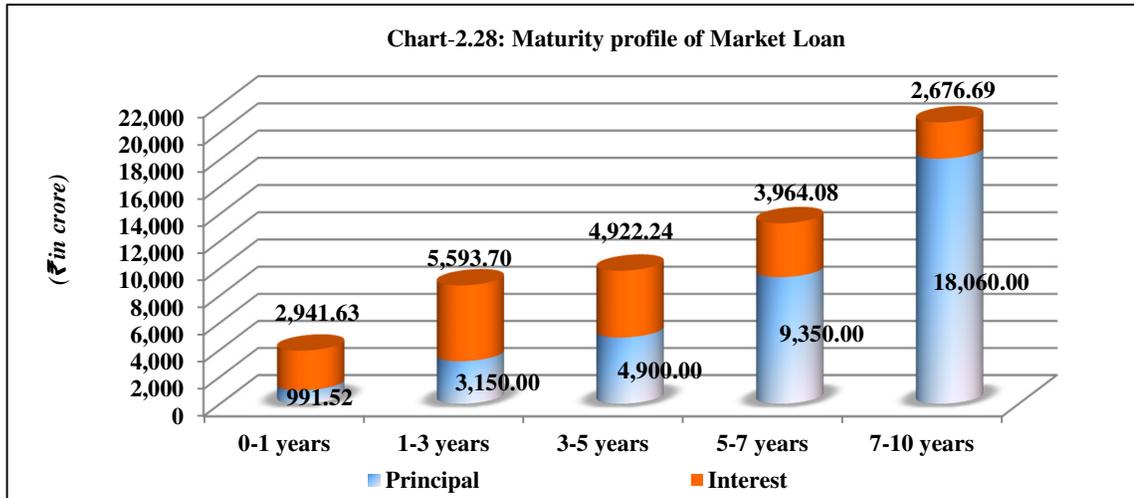
Year of maturity	Maturity Profile	Amount			Per cent of total Public Debt
		Internal Debt	Loans & Advances from GoI	Total	
By 2020-21	0-1 year	1,512.43	88.49	1,600.92	3.19
Between 2021-22 & 2022-23	1-3 years	4,381.95	112.12	4,494.07	8.94
Between 2023-24 & 2024-25	3-5 years	6,131.96	115.89	6,247.85	12.43
Between 2025-26 & 2026-27	5-7 years	10,555.00	91.67	10,646.67	21.19
2027-28 onwards	Above 7 years	22,516.17	404.70	22,920.87	45.61
Others	Not Available	4,339.17		4,339.17	8.64
Total		49,436.68	812.87	50,249.55	100

Chart-2.27: Maturity Profile of Public Debt



The maturity profile of outstanding stock of public debt as on 31 March 2020 indicates that out of the outstanding public debt of ₹ 50,249.55 crore, 45.75 per cent (₹ 22,989.51 crore) is payable within the next seven year while 45.61 per cent (₹ 22,920.87 crore) is in the maturity bracket of more than seven years. Of the total outstanding public debt, internal debt consisting of market borrowings, loans from NABARD and special securities issued to NSSF of Central Government constituted 99.03 per cent (₹ 48,958.43 crore). The amount of outstanding market loans and

interest to be paid there on over the period of 10 years is detailed in **Chart-2.28** below.



Note: the maturity profile has been evolved for outstanding market loans as on 31 March 2020 and interest has been calculated up to the financial year in which the loans are going to be retired.

The State will have to repay ₹ 4,141.52 crore of market loans and pay interest of ₹ 8,535.33 crore in next three financial years *i.e.* up to 2022-23. In next two years up to 2024-25, ₹ 4,900 crore principal and interest of ₹ 4,922.24 crore will be payable. Annual outgo in shape of loan repayment and interest will be approximately ₹ 4,499.82 crore during next five years up to 2024-25.

In the period 2025-26 to 2029-30, loans of ₹ 27,410 crore and interest of ₹ 6,640.77 crore will be payable. As such the State will have to repay approximately ₹ 6,810.15 crore annually during the period 2024-25 to 2028-29. Current annual repayment of loans including interest is ₹ 3,256.55 crore.

Repayment liabilities will go up substantially in the future and at the current rates of growth of RR and RE, the State will continue to have substantial Revenue Deficit in future. Hence, the State will have to resort to increased borrowings to service its debt liability.

2.9.7 Debt Sustainability Analysis

Debt sustainability is defined as the ability of the State to service its debt now and in future. It is a very complex issue, and escapes easy assessment because it is inherently forward looking. It is an “informed judgment on a known unknown”. However, the higher the level of public debt, the more likely it is that fiscal policy and public debt are unsustainable, as a higher debt requires a higher primary surplus to sustain it. A high level of debt raises a number of challenges:

- large primary fiscal surpluses are needed to service a high level of debt; such surpluses may be difficult to sustain, both economically and politically.
- a high level of debt heightens an economy’s vulnerability to interest rate and growth shocks.

- a high debt level is generally associated with higher borrowing requirements, and therefore a higher risk of a rollover crisis (*i.e.*, being unable to fulfill borrowing requirements from private sources or being able to do so only at very high interest rates).
- high levels of debt may be detrimental to economic growth; while lower growth is a concern in itself, it also has a direct impact on debt dynamics and debt sustainability in the long term.

Debt vulnerability is also associated with its profile. A high share of short-term debt at original maturity, increases vulnerability to rollover (re-financing risk) and interest rate risks. Sustainability of Public debt ensures that it does not explode and governments are not forced to increase taxes, or decrease spending.

2.9.8 Trend in Debt Sustainability indicators

Table-2.45 and Chart-2.29 shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2015-16.

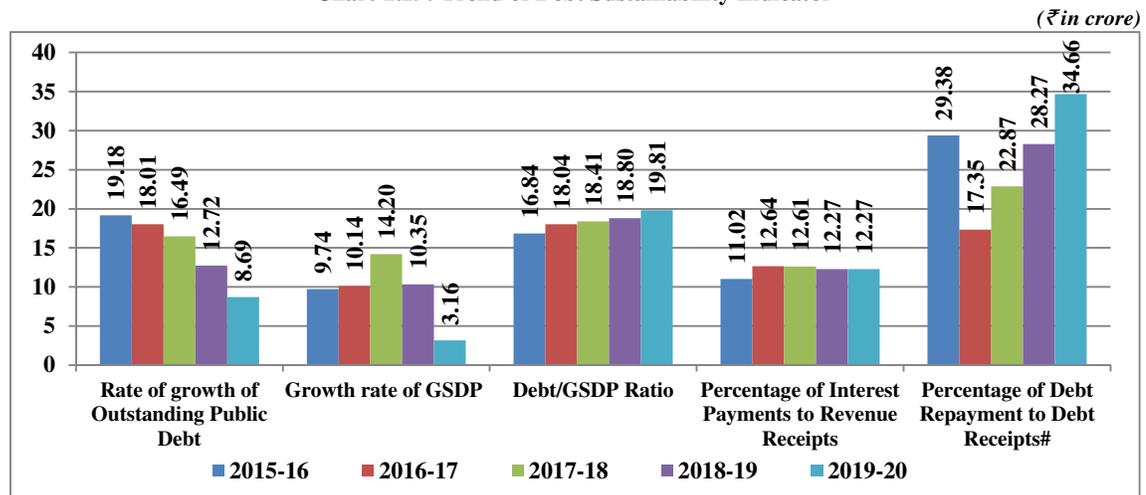
Table-2.45: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt	29,836	35,210	41,015	46,233	50,250
Rate of growth of Outstanding Public Debt	19.18	18.01	16.49	12.72	8.69
State's GSDP	1,77,163	1,95,125	2,22,836	2,45,895	2,53,666
Growth rate of GSDP	9.74	10.14	14.20	10.35	3.16
Debt/GSDP Ratio	16.84	18.04	18.41	18.80	19.81
Average Interest Rate of Outstanding Public Debt (per cent)	8.53	9.67	8.97	8.78	7.81
Interest Payments/Revenue Receipts (per cent)	11.02	12.64	12.61	12.27	12.27
Percentage of Debt Repayment to Debt Receipts#	29.38	17.35	22.87	28.27	34.66
Net Debt available to the State*	2,462	2,227	2,388	1,388	247
Net Debt available as per cent to Debt Receipts	36.22	34.26	31.73	19.08	4.02
Debt Stabilisation (Quantum spread + Primary Deficit)	32,948	14,805	2,10,560	69,741	(-) 2,36,816
Percentage of Repayment of Debt & interest there on to Total Borrowed fund	63.78	65.74	68.27	80.92	95.98

* Net Debt available to the State Government is calculated as Excess of Public Debt receipts over Public Debt repayment, Interest Payment on Public Debt.

Excluding Ways & Means Advances

Chart-2.29: Trend of Debt Sustainability Indicator



Excluding Ways & Means Advances.

As can be seen from **Table-2.45**, in the five-year period from 2015-16 to 2019-20, the ratio of public debt to GSDP of Uttarakhand was within a range of 16.84 to 19.81 *per cent*, and below the target ceiling for debt of 24.44 *per cent* set in Budget. The burden of interest payment ranged from 11.02 to 12.64 *per cent* of the Revenue Receipts.

However, during the five-year period 2015-16 to 2019-20, while GSDP has grown at a CAGR of 9.46 *per cent*, the outstanding public debt has grown at a faster rate of 14.95 *per cent*.

2.9.9 Utilisation of Borrowed Funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. Trend of utilisation of borrowed funds during past five years are shown in the **Table-2.46** and **Chart-2.30** below.

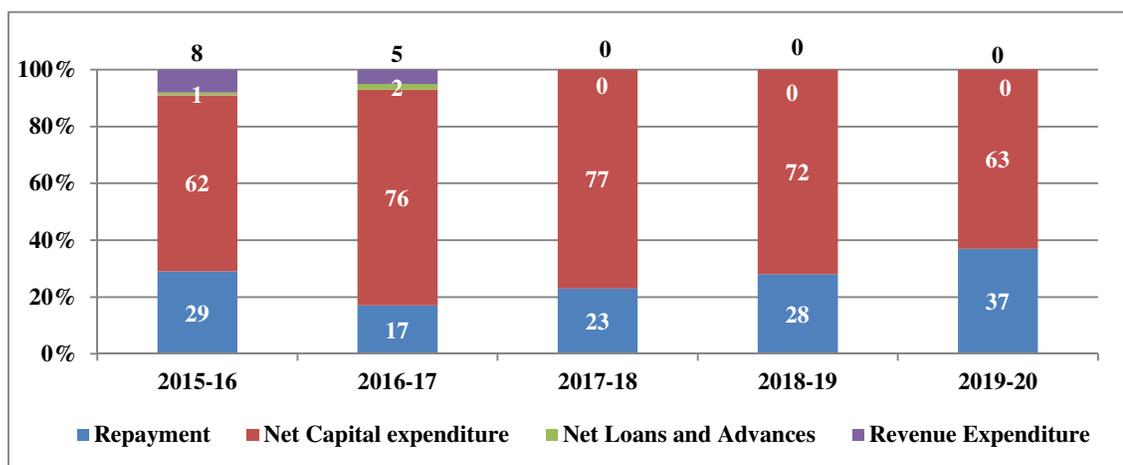
Table-2.46: Utilisation of borrowed funds

(₹ in crore)

Year	Total Borrowings	Repayment of earlier borrowings (percentage)	Net Capital expenditure* (percentage)	Net Loans and Advances disbursed (percentage)	Portion of Revenue expenditure met out of total borrowings (percentage)
2015-16	6,798	1,997 (29)	4,217 (62)	56 (1)	528 (8)
2016-17	6,501	1,128 (17)	4,954 (76)	130 (2)	289 (5)
2017-18	7,526	1,721 (23)	5,805 (77)	NA	NA
2018-19	7,275	2,057 (28)	5,218 (72)	NA	NA
2019-20	5,834	2,131(37)	3,703 (63)	NA	NA

*Net Capital Expenditure = Total Capital Expenditure – Misc. Capital Receipts. NA- Not Applicable.

Chart-2.30: Trend of Utilisation of Borrowed Funds



- During 2015-16 and 2016-17, an amount of ₹ 528 crore, and ₹ 289 crore respectively was utilized out of total borrowings for meeting revenue expenditure.
- In the years 2017-18, 2018-19 and 2019-20 the State utilised total borrowings for repayment of earlier principal and on capital expenditure.

2.10 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.

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 such rule or law. However, the State Legislature (under Article 293 of the Constitution fixing the maximum limit within which the government could give guarantees on the security of the Consolidated Fund of the State) made the relevant provision in the amended FRBM, Act only in December 2016.

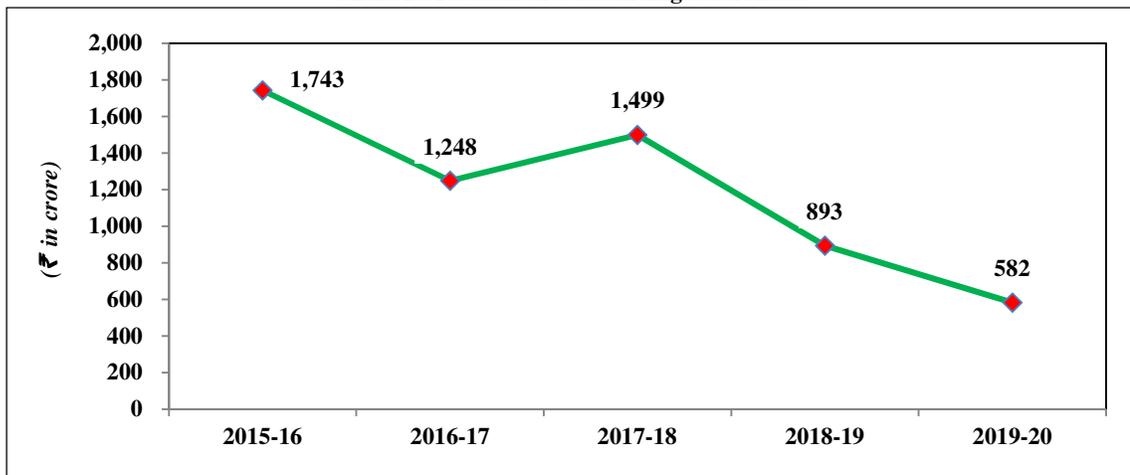
As per **Statement-9** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years are given in **Table-2.47** and **Chart-2.31**.

Table-2.47: Guarantees given by the Government of Uttarakhand

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding amount of guarantees as on 31 st March	1,743	1,248	1,499 [#]	893 [#]	582
Ceiling fixed by the State Government Act	Outstanding guarantees capped within one <i>per cent</i> of the GSDP of that particular year. New guarantees given during any year should not be more than 0.3 <i>per cent</i> of the GSDP for that year.				
Additions during the year	915	295	251	NIL	402
Deletions during the year	1,004	790	75	188	713

(₹ in crore)

Chart-2.31: Status of Outstanding Guarantees

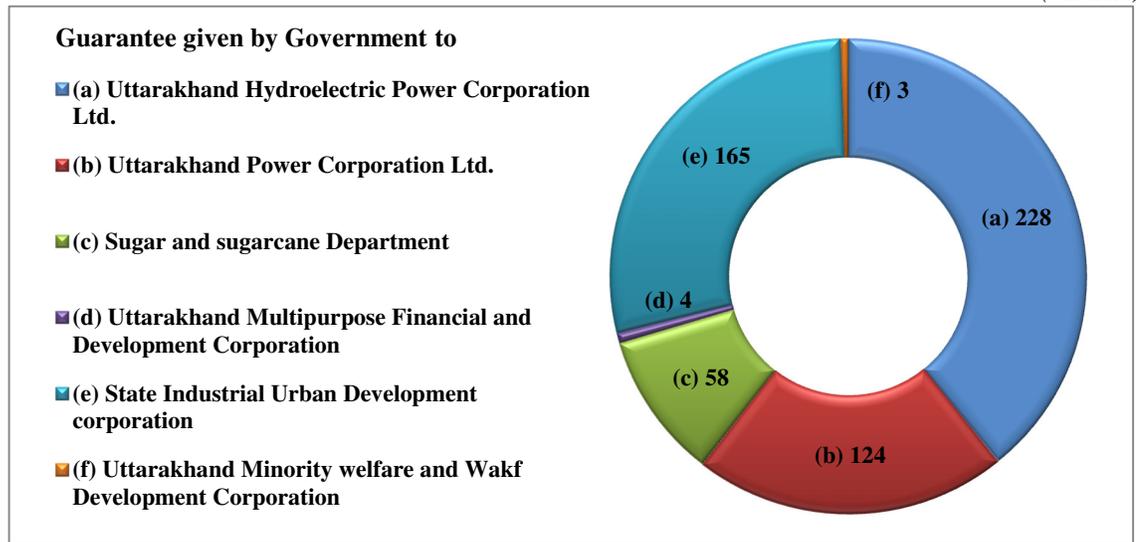


Source: Finance Accounts.

Differs from the closing balance of previous year since the OB was taken as ₹ 1,311 crore in the Budget documents.

The amount of guarantees outstanding as on 31 March 2020 is ₹ 582 crore which comprises Power Sector (₹ 352 crore), Co-operatives (₹ 58 crore) and others (₹ 172 crore). Total outstanding guarantees as on 31 March 2020 was ₹ 582 crore which is 0.23 *per cent* of GSDP for the year and hence was within the FRBM ceiling. Company wise detail is given in the **Chart-2.32**.

Chart-2.32: Bodies in receipt of guarantees at the end of 31 March 2020



Source: Finance Accounts.

An amount of ₹ 0.32 crore of guarantee was invoked during the year which pertains to National Minorities Development Finance Corporation. The information regarding maximum amount of guarantees, has not been made available by the State Government and hence, the statement is incomplete to that extent. The requirements of IGAS-1 have not been fully met in these statements. The State Government received ₹ 4.45 crore as Guarantee commission under Revenue Receipts instead of Guarantee Redemption Fund as per “The Uttarakhand Ceiling on Government Guarantee Act, 2016” requiring that the guarantee commission received be taken to the corpus of the Fund.

2.11 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government is revised by the Reserve Bank of India from time to time.

As per an agreement with the Reserve Bank of India, State Government has to maintain a minimum daily cash balance of ₹ 0.16 crore with the Bank. The limit for ordinary WMA to the State Government was ₹ 505 crore with effect from 01 April 2019 and the limit of SWMA is revised by the bank from time to time. On 226 days, the State Government maintained the minimum daily cash balance with the Reserve Bank of India without taking any advances during 2019-20 and on 55 days ordinary WMA, 83 days SWMA and two days OD was availed during the year.

2.11.1 Investment of Cash Balances

Table-2.48 depicts the cash balances and investments made out of these by the State Government during the year.

Table-2.48: Cash Balances and their investment

(₹ in crore)

	Opening balance on 01 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	1,158.50	595.25
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	1,158.50	595.25
Investments held in Cash Balance investment account	247.48	00
Total (A)	1,405.98	595.25
B. Other Cash Balances and Investments		
Cash with departmental officers viz., PWD, Forest Officers	(-) 10.71	(-) 10.71
Permanent advances for contingent expenditure with department officers	(-) 0.81	(-) 0.81
Investment in earmarked funds	1,188.62	1,338.62
Total (B)	1,177.10	1,327.10
Total (A + B)	2,583.08	1,922.35
Interest realised	10.49	21.73

Source: Finance Accounts.

Cash Balances of the State Government at the end of the current year decreased significantly by ₹ 660.73 crore (26 per cent) from ₹ 2,583.08 crore in 2018-19 to ₹ 1,922.35 crore in 2019-20. This was mainly due to decrease in Deposit with Reserve Bank (₹ 563.25 crore) and Investment held in Cash Balance Investment Account (₹ 247.48 crore).

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of ₹ 21.73 crore during 2019-20 from the investments made in GoI Securities and Treasury Bills.

Out of the investment of ₹ 1,338.62 crore in earmarked funds, ₹ 1,303.62 crore was invested in the Consolidated Sinking Fund and ₹ 35 crore in Guarantee Redemption Fund at the end of the year.

The cash balance investments of the State during the five-year period 2015-16 to 2019-20 are given in the **Table-2.49** below.

Table-2.49: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2015-16	592.21	344.74	(-) 247.47	37.56
2016-17	344.74	451.51	106.77	24.06
2017-18	451.51	385.49	(-) 66.02	14.05
2018-19	385.49	247.48	(-) 138.01	10.49
2019-20	247.48	00	(-) 247.48	21.73

The trend analysis of the cash balance investment of the State Government during 2015-20 revealed that investment increased significantly during 2016-17 and gradually decreased thereafter. In 2019-20 it finally turned Nil.

It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use.

Chart-2.33 compares the balances available in the Average Cash Balance and the Market Loans taken by the State during the period 2015-20. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Chart-2.33: Market loans vis-a-vis Average Cash Balance

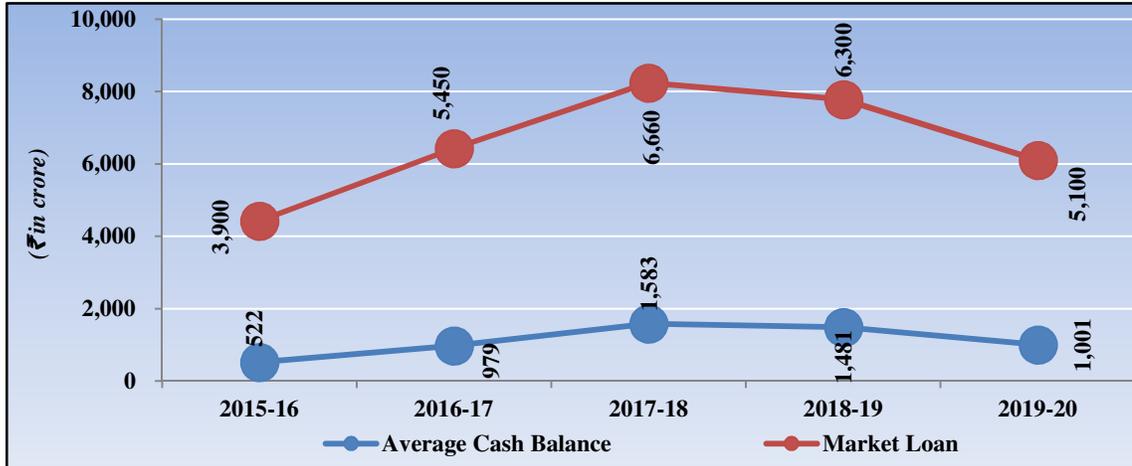
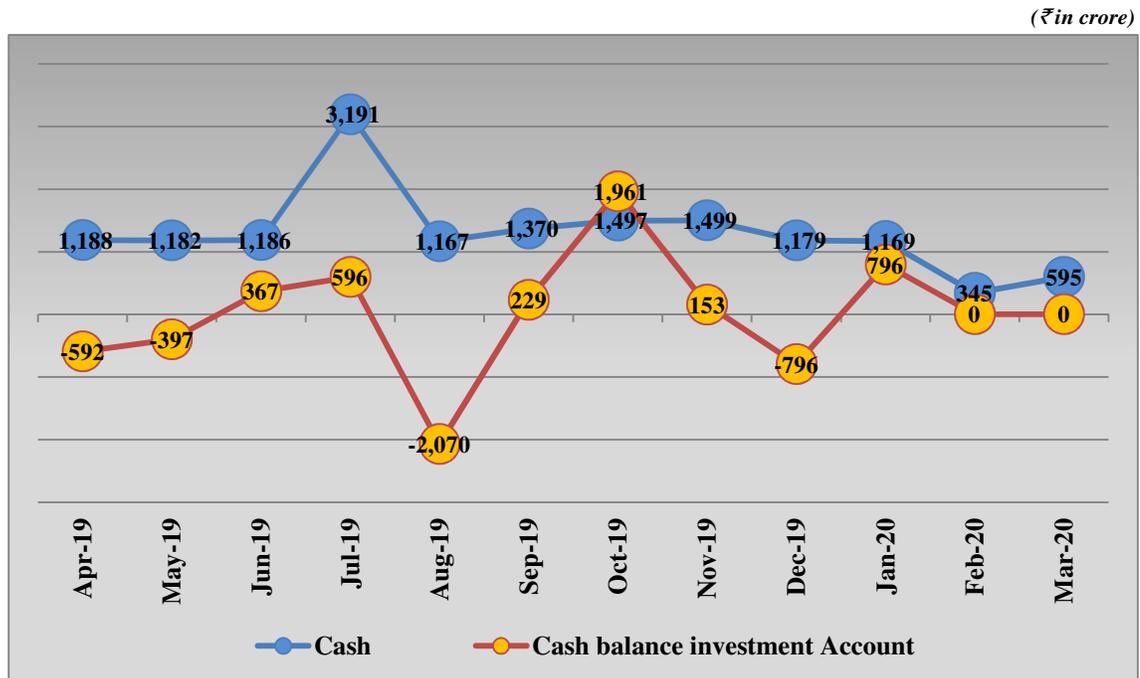


Chart-2.34 compares the month-wise Cash Balance Investment Account with the Cash Balances during 2019-20.

Chart-2.34: Month-wise movement of Cash Balances Investment Account and Cash Balance during 2019-20



The preceding chart indicates that the State Government had taken recourse to market loans on several occasions during the year despite having cash balances without putting it to productive use. During the year 2019-20, the State Government raised ₹ 5,100 crore from the market. During the year 2019-20 the state had adequate cash balance in the

months of April, July, August, September and December 2019. However, the Government raised market loans during these months, indicating that the borrowing was avoidable. Further, the Government had no balance left under the Cash Balance Investment Account at the end of the year 2019-20.

2.12 Conclusions

- Revenue Receipts decreased by ₹ 493 crore (1.58 per cent) over the previous year. The Own Tax Revenue declined by ₹ 675 crore during the current year over the previous year. The percentage of Own Tax Revenue to total Revenue Receipts has shown a steady decline from 44.16 during 2015-16 to 37.47 during 2019-20.
- Revenue Expenditure formed on an average 83.89 per cent (ranging from 82.92 per cent in 2017-18 to 85.57 per cent in 2019-20) of the total expenditure during the period 2015-20. Rate of growth of Revenue Expenditure has displayed fluctuating trend during the five- year period 2015-20. The committed expenditure ranged between 59 per cent and 68 per cent of Revenue Expenditure, while it accounted for 63 per cent to 73 per cent of the Revenue Receipts of the State during the five-year period 2015-20.
- Capital expenditure registered a decrease of ₹ 770 crore over the previous year and was also well below the projection set forth by the State Government in its Budget and Medium Term Fiscal Policy Statement.
- The State Government had provided budgetary support and invested in Public Sector Undertakings having accumulated losses and also in Government Corporations and Companies that had not finalised their accounts. The average return on Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was almost negligible. During the current year, the amount repaid was ₹ 18.92 crore which stood at 0.93 per cent of the outstanding loans (₹ 2,033.40 crore) as on 31 March 2020.
- In Education Sector, expenditure as a proportion of Aggregate Expenditure in the State was higher than the SCS' average during 2019-20 while under Health Sector it was below the SCS' average during 2019-20.
- As per Finance Accounts for the Year 2019-20, there were 210 incomplete/ongoing projects worth ₹ 886.43 crore under various divisions of Public Works as on 31 March 2020.
- Against the receivable Guarantee Commission fee of ₹ 8.93 crore, an amount of ₹ 4.45 crore was received resulting in short receipt of ₹ 4.48 crore as Guarantee Commission fees. The received Guarantee fee has to be deposited in Public Account under Guarantee Redemption Fund, while the State Government was treating it as Revenue Receipts. This resulted in understatement of Revenue Deficit to that extent.
- Repayment liabilities will go up substantially in the future and at the current rates of growth of Revenue Receipts and Revenue Expenditure, the State will continue to

have substantial Revenue Deficit in future. Hence, the State will have to resort to increased borrowings to service its debt liability.

- The total fiscal liabilities to GSDP ratio in 2019-20 increased by 2.41 *per cent* over previous year and stood at 26.01 *per cent*, which was above the Fiscal Responsibility and Budget Management target of 25 *per cent*.

2.13 Recommendations

- *The State Government needs to make efforts for augmentation of its own tax revenue. It should settle the pending tax claims timely, settle arrears in assessment of taxes and recover the arrears of revenue and improve non-tax revenues towards better resource mobilisation.*
- *The State Government may increase its capital expenditure, particularly in social and economic sectors since it adds to the asset base which in turn would contribute to economic growth;*
- *The State Government may explore ways of ensuring reasonable return on capital invested in profit making State Public Sector Undertakings in view of the substantial high cost of borrowings made by it;*
- *As recovery of loans advanced by the Government to different sectors has been poor, the State Government may consider treating the loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position;*
- *The State may increase allocation of resources on Health sector so as to bring it at par with SCS average;*
- *The State Government may ensure time-bound completion of the incomplete projects and ensure that there are no further cost overruns; and*
- *The State Government may ensure the recoveries of Guarantee Commission fees and deposit it in the Guarantee Redemption Fund.*

CHAPTER-3
BUDGETARY MANAGEMENT

Chapter-3

Budgetary Management

This chapter deals with the review of integrity, transparency and effectiveness of the budgetary process and allocative priorities, including supplementary grants, and the concomitant financial management.

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Budget glossary is given in *Appendix-3.1*. The budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates for the next financial year. A typical budget preparation process in a State is given in the figure below:



3.2 Budget Preparation Process

The Finance Bill, Annual Financial Statement (Budget) and Demands for Grants are mandated by Article 199, 202 and 203 of the Constitution of India respectively.

Article 202 of Constitution of India requires laying of a statement of the estimated receipts and expenditure of the State for that year, as the "annual financial statement" before the House of the Legislature of the State. The annual financial statement should show expenditure charged on consolidated fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure.

The annual financial statement also called general budget is placed prior to the commencement of the financial year in the State Legislature in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demand for Grants are shown according to the classification under Article 150 of the Constitution.

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the constitution. Supplementary or Additional Grant or Appropriation is provided during the course of a financial year, in accordance with Article 205 of the Constitution. It is the provision for meeting expenditure in excess of the budgeted amount.

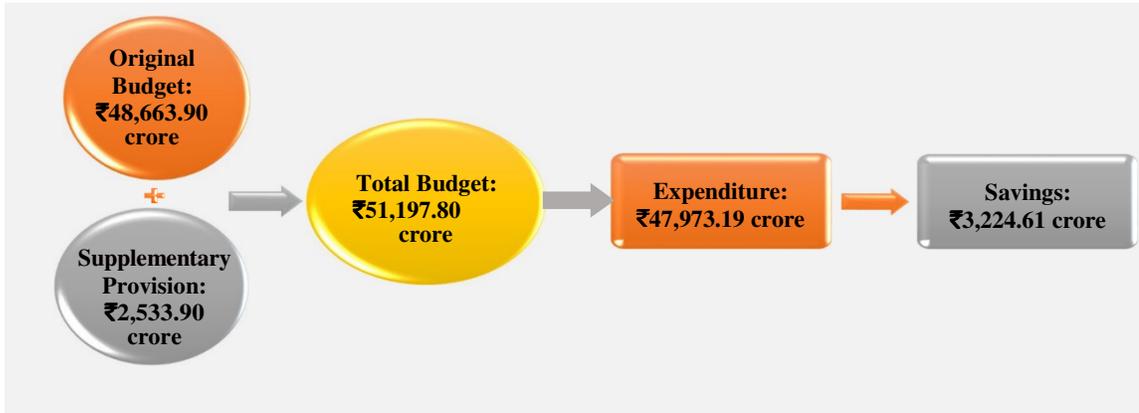
In Uttarakhand, Finance Department has the responsibility for preparing the Budget:

- Under the rules made by the Governor under Article 166 (2) and (3) of the Constitution and the instructions issued there-under, the Finance Department has been charged with the responsibility to prepare a statement of estimated revenue and expenditure, to be laid before the Legislature in each year. Although the material is supplied by the Heads of Departments and other estimating officers, the actual preparation of the estimates and the budget thus falls upon the Finance Department and it is solely the business and responsibility of that department to settle the estimates of receipts and disbursements.
- The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and Demands¹ for Grants/Appropriations.
- Supplementary or additional Grant/Appropriation is provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount.
- Further, the State Government also re-appropriates/re-allocates funds from various Units of Appropriation where savings are anticipated, to Units where additional expenditure is envisaged (within the Grant/Appropriation) during the year.

¹ There are 31 demands for Grants/Appropriations for 2019-20.

The various components of budget are depicted in **Chart-3.1** below:

Chart-3.1: Summary of Budget and Expenditure of Uttarakhand for the year 2019-20



Authorisation by the Legislature

Implemented by the Government

Source: Based on the procedure prescribed in Uttarakhand Budget Manual and Appropriation Accounts.

3.2.1 Summary of total provisions, actual disbursements and savings during financial year

A summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/charged is given in **Table-3.1**.

Table-3.1: Budget provision, disbursement and savings/excess during the financial year

Total Budget provision		Disbursements		Saving (-) /Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
42,542.71	8,655.09	34,147.38	13,825.82	(-) 8,395.33	(+) 5,170.72

Source: Appropriation Accounts.

3.2.2 Charged and voted disbursements

Break-up of total disbursement into charged and voted during 2015-16 to 2019-20 is given in **Table-3.2**.

Table-3.2: Disbursement and Savings/Excess during 2015-16 to 2019-20

Year	Disbursements		Saving/Excess	
	Voted	Charged	Voted	Charged
2015-16	26,717.83	5,266.16	(-) 4,484.32	(-) 1,012.39
2016-17	28,180.63	9,065.26	(-) 7,595.99	(+) 2,911.80
2017-18	31,742.73	11,702.03	(-) 3,866.04	(+) 4,337.28
2018-19	34,617.56	14,778.29	(-) 4,950.03	(+) 6,308.38
2019-20	34,147.38	13,825.82	(-) 8,395.33	(+) 5,170.72

Source: Appropriation Accounts.

As it can be seen from above, there are savings in the Voted segment during last five years. However, excesses have occurred in Charged segment during last four years *i.e.* 2016-17 to 2019-20.

3.3 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed

under Article 204 and 205 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3.1 Comments on integrity of budgetary and accounting process

3.3.1.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this Article 204 of the constitution. Expenditure on new scheme should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State. It was observed that two departments incurred an expenditure of ₹ 29.28 crore during the year without the budget provision as detailed in **Table-3.3** below:

Table-3.3 Summary of Expenditure without Budget Provision

Grant/ Appropriation	Head of Accounts	Expenditure (₹ in crore)	Number of Schemes/Sub Heads
17- Agriculture Works and Research	4401 Capital Outlay on Crop Husbandry	22.12	02
29- Horticulture Development	4401 Capital Outlay on Crop Husbandry	7.16	01
<i>Total</i>		29.28	03

3.3.2 Transfers not mandated by the Appropriation Act/Detailed Demands for Grants (into Public Account/Bank Accounts)

It was observed that during the year 2019-20, an amount of ₹ 130.80 crore was drawn from Consolidated Fund of the State and transferred to Public Account in violation of Appropriation Act. Major Head wise detail from where the funds were drawn and deposited in the Public Account are given in **Table-3.4** below:

Table-3.4: Major Head wise detail from where the funds were drawn and deposited in the Public Account

Expenditure Head	Deposit Head	Amount (₹ in crore)
2415	8448	14.05
3604		94.24
4515		22.51
<i>Total</i>		130.80

Source: VLC data.

Analysis of data revealed that the funds that were transferred to Public Account from

Consolidated Fund were meant for Rural Development/Urban Development (₹ 116.75 crore) and for Agriculture Research and Education (₹ 14.05 crore).

3.3.3 Misclassification of capital expenditure as revenue expenditure and vice versa

Misclassification of expenditures and receipts has a great impact on the integrity of the financial statements. Article 202 of the Constitution prescribes that, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called the "annual financial statement" (or the "budget"), is to be laid before both the Houses of the State Legislature. The estimates of expenditure are classified under 'charged' (such expenditure as is not to be submitted to the vote of the Legislative Assembly under the provisions of the Constitution) and 'voted' items of expenditure separately. Annual Financial Statement distinguishes expenditure on revenue account from other expenditure as explained in *Chapter-2*.

State financial rules categorize the primary units of appropriation. There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only.

Classification of expenditure of revenue nature as capital expenditure or vice-versa, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus. Details of misclassification of expenditure during the year 2019-20 are given in **Table-3.5** below:

Table-3.5: Details of misclassification of expenditure

Sl. No.	Name of the Grant and Head of Account	Type of Misclassification	Amount (₹ in crore)	Remarks
1.	04,2014	Booking of capital into revenue	0.11	Expenditure on major works met from revenue expenditure.
2.	06, 2245		85.17	
3.	22,3054		234.44	
4.	23,2851		6.82	
5.	27,2406		0.82	
6.	29,2401		0.10	
7.	30,2230		1.50	
8.	31,2230		0.77	
9.	31,2406		0.62	
10.	01,4059		Booking of revenue into capital	
11.	13,4215	0.95		
12.	13,4217	24.32		
13.	15,4250	24.11		
14.	19,4515	11.21		
15.	23,4859	4.94		
16.	17,4401	0.15		
17.	24,5055	0.30		
18.	27,4406	3.69		
19.	31,4702	0.80		
20.	15,4235	0.05		
21.	17,4401	0.55		
22.	19,4515	0.20		
23.	20,4711	4.38		
24.	25,4408	0.56		
25.	27,4406	4.73		

Analysis of data revealed that an expenditure of ₹ 330.35 crore had been booked under revenue section. This expenditure should have been booked under the capital section as this expenditure pertained to the major works, which ordinarily ought to have been booked under the capital section. Similarly, an expenditure of ₹ 82.44 crore had been booked under capital section. This expenditure should have been booked under revenue section, as this expenditure pertained to grants-in-aid, minor works and maintenance. No case of misclassification was noticed where expenditure on establishment and administrative expenses were booked under Capital section.

During Exit Conference, the State Government assured that corrective steps would be taken in this regard.

Further, in Uttarakhand the outlay/budget for Scheduled Castes Sub-Plan/Tribal Sub-Plan approved by the State Committee are included in the Demands for grants for the departments under the Grant Head 30 and 31 respectively for the Scheduled Castes Sub-Plan and Tribal Sub-Plan. It was also observed that there exists no provision under minor head 789-Special Component Plan for Scheduled Castes and minor head 796- Tribal sub-plan in other demand for grants. However, no booking was made under Minor Heads 789 and 796 in the remaining grants.

3.3.4 Unnecessary or excessive supplementary grants

As per Article 205 of the constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year as is necessary to meet-

- Expenditure on Schemes of New Expenditure to be taken up within the current financial year.
- Inadequacy of provision.
- Fresh expenditure but not technically “Schemes of New Expenditure.”
- Omissions of provision.

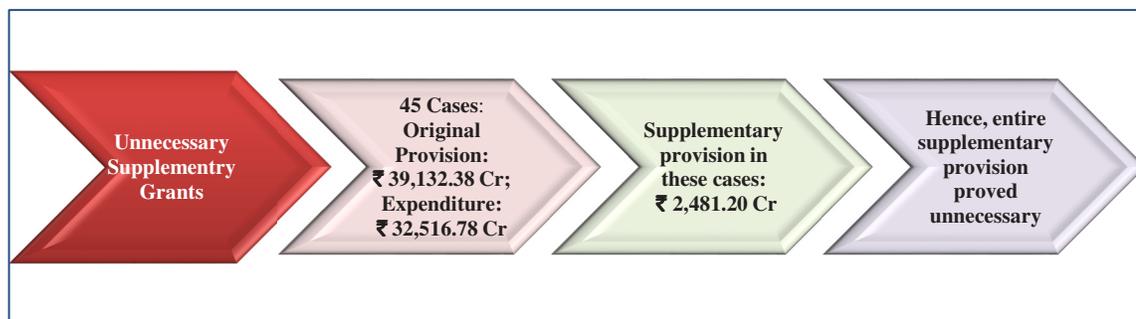
When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by Re-Appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation. In deserving cases which are unforeseen and which cannot wait for provision by Supplementary or Additional Grant or Appropriation, advances from the Contingency Fund may be sanctioned in accordance with the provisions made in the Constitution and the relevant rules. The advances so sanctioned will have to be regularised by a Supplementary Grant or Appropriation and recouped to the Contingency Fund. Considerable Re-Appropriation from one Sub Head to another must always be avoided. That fresh expenditure is unavoidable or imperatively necessary or that it will produce consequential economics or that it is essential for preserving the revenue or the public safety are reasonable justifications for introducing fresh expenditure

during the course of the year. However, in such circumstances, it must be shown that the requirements could not have been foreseen and provided for in the budget. The process of Re-Appropriation is not designed merely to rectify omissions and lack of foresight.

Details of cases where supplementary provision (₹ 50 lakh or more in each case) proved unnecessary are detailed in **Table-3.6** below:

Table-3.6: Details of cases where supplementary provision (₹ 50 lakh or more in each case) proved unnecessary
(₹ in crore)

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Saving out of Provisions
Revenue (Voted)					
1.	04-Judicial Administration	213.15	7.14	161.65	58.64
2.	06- Revenue and General Administration	1,105.79	15.63	830.38	291.04
3.	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	9,204.15	350.27	8,149.42	1,405.00
4.	10- Police & Jail	1,930.53	40.03	1,820.88	149.68
5.	11 Education, Sports, Youth Welfare & Culture	8,151.25	228.52	7,402.91	976.86
6.	12-Medical, Health & Family Welfare	2,251.00	51.24	1,782.43	519.81
7.	13- Water Supply, Housing & Urban Development	583.28	98.21	520.75	160.74
8.	14-Information	70.73	5.31	56.00	20.04
9.	15-Welfare	1,748.78	110.44	1,444.05	415.17
10.	16-Labour & Employment	386.68	48.54	288.78	146.44
11.	17- Agriculture Works & Research	1,140.41	66.87	888.89	318.39
12.	18- Co-operative	82.86	4.21	50.94	36.13
13.	19-Rural Development	957.48	68.66	683.17	342.97
14.	20- Irrigation and Flood	521.80	55.92	423.94	153.78
15.	21-Energy	13.70	0.50	12.64	1.56
16.	22-Public Work	841.38	51.90	666.68	226.60
17.	23-Industries	239.03	57.16	221.31	74.88
18.	24 Transport	107.71	14.65	102.81	19.55
19.	25 Food	224.32	1.27	48.52	177.07
20.	26 Tourism	85.15	13.60	57.52	41.23
21.	27 Forest	959.24	71.04	631.28	399.00
22.	28 Animal Husbandry	324.98	19.04	293.72	50.30
23.	29 Horticulture Development	313.04	15.82	260.87	67.99
24.	30 Welfare of Scheduled Caste	1,098.05	111.48	829.57	379.96
25.	31 Welfare of Scheduled Tribes	339.87	44.46	239.03	145.30
Total		32,894.36	1,551.91	27,868.14	6,578.13
Revenue (Charged)					
1.	04- Judicial Administration	45.19	2.07	36.45	10.81
2.	22-Public Work	6.46	1.00	4.69	2.77
Total		51.65	3.07	41.14	13.58
Capital (Voted)					
1.	03-Council of Ministers	45.00	15.00	42.08	17.92
2.	04- Judicial Administration	52.10	3.30	26.41	28.99
3.	07-Finance, Tax, Planning, Secretariat & Miscellaneous Services	266.96	29.59	90.30	206.25
4.	10- Police & Jail	36.50	17.23	36.07	17.66
5.	11 Education, Sports, Youth Welfare & Culture	387.73	59.50	257.91	189.32
6.	12-Medical, Health & Family Welfare	176.72	11.50	97.60	90.62
7.	13- Water Supply, Housing & Urban Development	1,157.50	274.64	1,015.41	416.73
8.	15-Welfare	88.90	20.46	70.14	39.22
9.	19-Rural Development	1,328.44	28.00	1,144.43	212.01
10.	20- Irrigation and Flood	476.05	163.94	334.28	305.71
11.	21-Energy	323.33	28.00	139.12	212.21
12.	22-Public Work	1,047.00	182.00	848.83	380.17
13.	24 Transport	150.50	23.00	30.47	143.03
14.	26 Tourism	115.60	17.00	88.69	43.91
15.	27 Forest	70.20	20.40	36.76	53.84
16.	28 Animal Husbandry	25.85	11.78	13.23	24.40
17.	30 Welfare of Scheduled Caste	307.92	18.73	238.00	88.65
18.	31 Welfare of Scheduled Tribes	130.07	2.15	97.77	34.45
Total		6,186.37	926.22	4,607.50	2,505.09
Grand Total		39,132.38	2,481.20	32,516.78	9,096.80



3.4. Re-appropriations undertaken which require prior Legislative authorization

No such cases were noticed in Uttarakhand during the year 2019-20.

3.4.1 Unnecessary/excessive re-appropriation

Re-appropriation is the transfer of funds within a grant from one unit of appropriation where savings are anticipated, to another unit where additional funds are needed. There were fifteen cases where final savings were more than ₹ one crore as shown in **Table-3.7**:

Table-3.7: Excess/unnecessary/insufficient re-appropriation

(₹ in crore)

Sl. No.	Grant No. and Head of accounts	Provisions				Actual Expenditure	Final Savings
		Original	Supplementary	Re-appropriation	Total		
1.	05 Election 2015Election, 105 Charges for conduct of Election to Parliament 03- General Election	64.65	11.19	1.50	77.34	67.49	9.85
2.	06 Revenue & General Administration 2245 Relief on Account of Natural Calamities 80 General 102 Management of Natural Disasters, Contingency Plans in disaster prone areas 05 Operation of District Emergency Centre	1.91	0.12	2.24	4.27	3.11	1.16
3.	10- Police & Jail 2055- Police 001- Direction & Administration 03- Headquarter	47.14	2.61	0.37	50.12	43.76	6.36
4.	11-Education, Sports, Youth Welfare & Culture 2202-General Education 02 Secondary Education 001- Direction & Administration 03- Establishment of Secondary Education	8.78	0.18	0.06	9.02	7.83	1.19
5.	11-Education, Sports, Youth Welfare & Culture 2202-General Education 02 Secondary Education 101-Inspection 03- Regional Inspection	29.19	0.12	0.12	29.43	26.24	3.19
6.	12- Medical, Health and Family Welfare 2210- Medical and Public Health 03- Rural Health services-Allopathy 104- Community Health Centres 03- Establishment of Community Health Centres	91.45	6.30	15.75	113.50	99.60	13.90
7.	12- Medical, Health and Family Welfare 2210- Medical and Public Health 05- Medical Education, Training and Research 105- Allopathy 04- Medical College	277.65	18.42	0.20	296.27	234.26	62.01
8.	13- Water Supply, Housing & Urban Development 4215- Capital Outlay of Water Supply and Sanitation 01- Water Supply 102- Rural Water Supply 01- Central Plan/Centrally Sponsored Scheme	85.50	--	31.80	117.30	114.76	2.54

9.	20- Irrigation and Flood 4711- Capital Outlay on flood control projects 01- Flood Control 103- Civil Works 01- Central Plan/ Centrally Sponsored Scheme	0	20.00	4.63	24.63	4.63	20.00
10.	20- Irrigation and Flood 4711- Capital Outlay on Flood Control Projects 01- Flood Control 051- Construction 98- NABARD funded	40.00	35.00	21.02	96.02	89.96	6.06
11.	22 - Public Works 5054-Capital Outlay on Roads & Bridges 04- District & Other Roads 337- Road Works 01- CSS	25.00	30.00	20.00	75.00	10.91	64.09
12.	24-Transport 5053-Capital outlay on Civil Aviation 02-Airports 102- Aerodromes 03- Construction of Helipad and Hanger	2.00	--	3.00	5.00	0.51	4.49
13.	27- Forests 2406- Forestry and Wild Life 02- Environmental Forestry and Wild Life 110- Wild Life Preservation 01- Central Plan/ Centrally Sponsored Schemes	43.04	12.03	7.60	62.67	38.36	24.31
14.	28- Animal Husbandry 2403- Animal Husbandry 101- Veterinary Services and Animal Health 01- Central Plan/ Centrally Sponsored Scheme	13.18	--	2.06	15.24	11.14	4.10
15.	31- Welfare of Scheduled Tribes 2403- Animal Husbandry 796- Tribe Area Sub-Plan 01-CSS	0.72	1.05	0.01	1.78	0.45	1.33

During 2019-20, the State Government re-appropriated ₹ 274.71 crore within the grants as provided in the Uttarakhand Budget Manual. Out of this, an amount of ₹ 40.00 crore was re-appropriated on the last working day of the financial year 2019-20 (31 March 2020). There-appropriation in 11 cases out of 15 cases (of savings more than ₹ 1.00 crore) proved unnecessary, as the savings under these cases was more than re-appropriated amount. However, no case of re-appropriation from Capital to Revenue and vice-versa and from Voted to Charged and vice-versa was noticed during 2019-20.

3.5 Unspent amount and surrendered appropriations and/or large savings/surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, it is not readily excusable. The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a Controlling Officer to fix upon his final requirements with a reasonable degree of exactness.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and weak internal controls promote release of funds towards the end of the financial year, and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of the funds which they could have utilized.

Details of grants having large savings (above ₹ 100 crore) are given below in **Table-3.8:**

Table-3.8: Details of Grants having large savings (above ₹ 100 crore) during the year

(₹ in crore)

Sl. No.	Number and name of the grant	Original	Supplementary	Total	Actual Expenditure	Saving/ Excess	Surrender	Savings excluding surrender
Revenue (Voted)								
1.	6 Revenue & General Administration	1,105.79	15.63	1,121.42	830.38	291.04	0.00	291.04
2.	10 Police & Jail	1,930.53	40.03	1,970.56	1,820.88	149.68	91.15	58.53
3.	11 Education, Sports, Youth Welfare & Culture	8,151.25	228.52	8,379.77	7,402.91	976.86	6.74	970.12
4.	12 Medical Health & Family Welfare	2,251.00	51.24	2,302.24	1,782.43	519.81	0	519.81
5.	13 Water Supply, Housing & Urban Development	583.28	98.21	681.49	520.75	160.74	0	160.74
6.	15 Welfare	1,748.78	110.44	1,859.22	1,444.05	415.17	4.48	410.69
7.	16 Labour & Employment	386.68	48.54	435.22	288.78	146.44	24.90	121.54
8.	17 Agriculture Works & Research	1,140.41	66.87	1,207.28	888.89	318.39	31.54	286.85
9.	19 Rural Development	957.48	68.66	1,026.14	683.17	342.97	69.42	273.55
10.	20 Irrigation & Flood	521.80	55.92	577.72	423.94	153.78	0	153.78
11.	22 Public Works	841.38	51.90	893.28	666.68	226.60	0	226.60
12.	27 Forest	959.24	71.04	1,030.28	631.28	399.00	0	399.00
13.	30 Welfare of Scheduled Castes	1,098.05	111.48	1,209.53	829.57	379.96	0.85	379.11
14.	31 Welfare of Scheduled Tribes	339.87	44.46	384.33	239.03	145.30	1.04	144.26
Total		22,015.54	1,062.94	23,078.48	18,452.74	4,625.74	230.12	4,395.62
Capital (Voted)								
1.	6 Revenue & General Administration	410.25	0	410.25	197.90	212.35	0	212.35
2.	7 Finance, Tax, Planning, Secretariat & Miscellaneous	266.96	29.59	296.55	90.30	206.25	0	206.25
3.	11 Education, Sports, Youth Welfare & Culture	387.73	59.50	447.23	257.91	189.32	0.16	189.16
4.	13 Water Supply, Housing & Urban Development	1,157.50	274.64	1,432.14	1,015.41	416.73	0	416.73
Total		2,222.44	363.73	2,586.17	1,561.52	1,024.65	0.16	1,024.49
Grand Total		24,237.98	1,426.67	25,664.65	20,014.26	5,650.39	230.28	5,420.11

As is evident from table above, Government sought supplementary budget of ₹ 1,426.67 crore in 18 cases under 15 grants which proved unnecessary as there was a saving of ₹ 5,650.39 crore (23.31 per cent) against the Original Budget. The Government could only anticipate ₹ 230.28 crore for surrender under these grants, which was only four per cent of savings occurred under these grants. The reasons for savings were neither given in the Appropriation Accounts nor provided by the State Government (December 2020). However, there was no case of nil expenditure noticed across the 31 Grants/Appropriations during 2019-20.

3.5.1 Grants/Appropriations with budget utilisation of less than 50 per cent

Details of Grants/Appropriation with budget utilisation of less than 50 per cent during last five years are given in the **Table-3.9**.

Table-3.9: Grants/Appropriations with budget utilisation of less than 50 per cent (in 2019-20)

Sl. No.	Grant No & Name	2015-16	2016-17	2017-18	2018-19	2019-20	Number of Years	Budget 2019-20	Total Budget of last 5 Years
1.	25 Food (Revenue Voted)	61.12	54.50	76.71	66.45	21.51	1	225.59	1,430.29
2.	6 Revenue and General Administration (Capital Voted)	66.73	8.68	79.95	38.45	48.24	3	410.25	1,676.90
3.	7 Finance, Tax, Planning, Sectt and Misc Service (Capital Voted)	77.37	21.21	41.94	51.13	30.45	3	296.55	1,538.46
4.	21 Energy (Capital Voted)	52.12	34.66	41.99	76.95	39.60	3	351.33	1,702.17
5.	24 Transport (Capital Voted)	16.56	36.55	87.36	7.43	17.56	4	173.50	654.40
6.	27 Forest (Capital Voted)	58.37	60.97	106.68	43.98	40.58	2	90.60	568.85

As has been detailed in **Table-3.9** above, under utilisation (less than 50 per cent) of budgetary provision was noticed in six grants. Further analysis revealed that Department of Transport was not able to utilise 50 per cent of the budget allocation in four out of last five years and, therefore, is a regular defaulter.

3.5.2 Details of surrenders of funds in excess of ₹1 crore

Details of surrender of funds in excess of ₹1 crore at the end of March are given in **Table-3.10**.

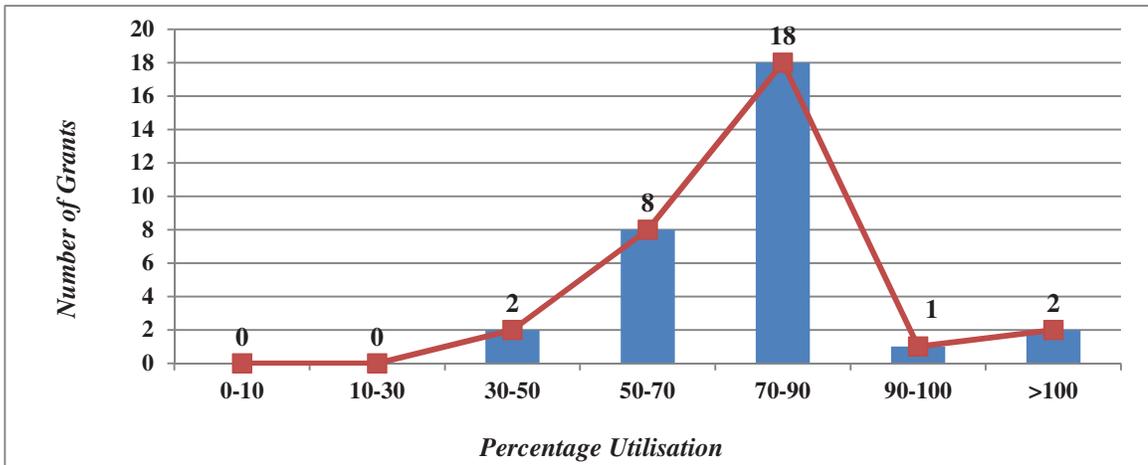
Table-3.10: Details of surrender of funds in excess of ₹1 crore at the end of March.

Sl. No.	Grant Number and Name	Original	Supplementary	Total provisions	Actual Expenditure	Saving(-) /Excess(+)	Amount Surrendered
1.	04 Judicial Administration	310.44	12.50	322.94	224.51	98.43	7.40
2.	10 Police & Jail	1,967.03	57.26	2,024.29	1,856.95	167.34	91.15
3.	11 Education, Sports, Youth Welfare & Culture	8,538.98	288.02	8,827.00	7,660.82	1,166.18	6.90
4.	15 Welfare	1,837.68	130.90	1,968.58	1,514.19	454.39	4.48
5.	16 Labour & Employment	402.03	48.54	450.57	292.99	157.58	24.93
6.	17 Agriculture Works & Research	1,165.41	66.87	1,232.28	926.07	306.21	31.54
7.	18 Co-operative	182.86	4.21	187.07	150.92	36.15	11.81
8.	19 Rural Development	2,285.91	96.66	2,382.57	1,827.59	554.98	79.42
9.	28 Animal Husbandry	350.83	30.81	381.64	306.95	74.69	1.29
10.	31 Welfare of Schedule Tribes	469.93	46.61	516.54	336.80	179.74	1.04
Total		17,511.10	782.38	18,293.48	15,097.79	3,195.69	259.96

3.5.3 Details of distribution of the number of Grants/Appropriations grouped by the percentage of utilisation

Details of distribution of the number of Grants/Appropriations grouped by the percentage of utilisation are given in the **Chart-3.2** below:

Chart-3.2: Distribution of the number of Grants/Appropriations grouped by the percentage of utilisation



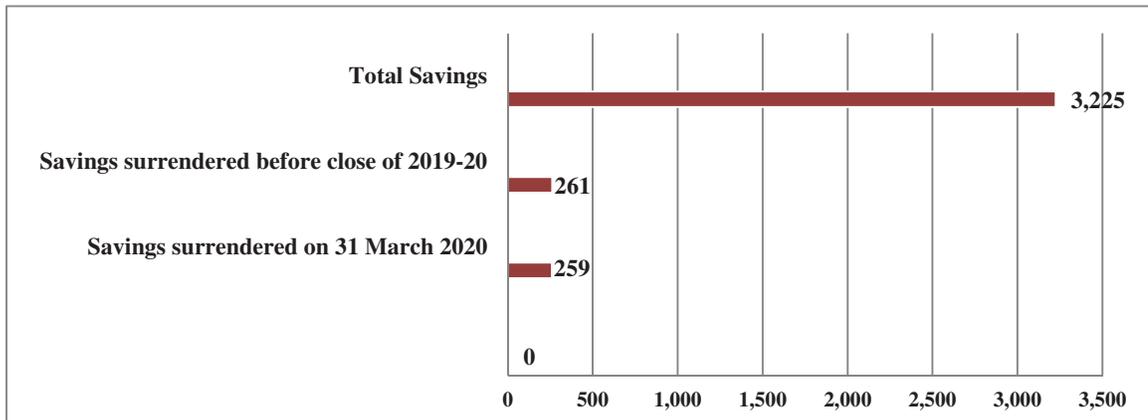
As is evident from chart above, in 21 Grants/Appropriations, the utilisation was above 70 per cent of the budget allocations. There were two Grants/Appropriation where utilisation was below 50 per cent of the budget allocations and three Grants/Appropriations where utilisation was above 90 per cent.

3.5.4 Details of savings and surrenders before close of financial year 2019-20

Details of savings and surrenders before close of financial year 2019-20 are given in Chart-3.3:

Chart-3.3: Savings and surrenders before close of financial year 2019-20

(₹ in crore)

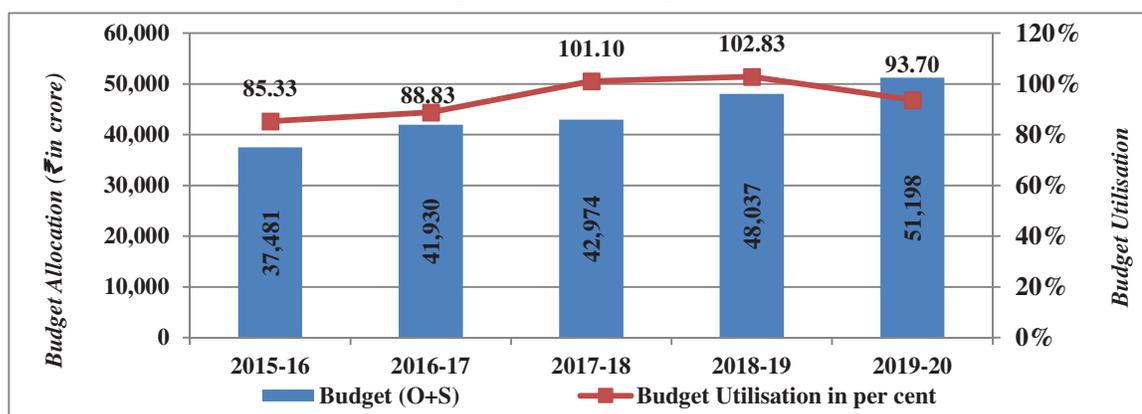


As is evident from above, ₹ 261 crore was surrendered during the financial year 2019-20, which constituted only 8.09 per cent of total savings of ₹ 3,225 crore that occurred in 31 Grants/Appropriations. Out of total surrender of ₹ 261 crore, ₹ 259 crore (99.23 per cent) was surrendered on the last day of financial year 2019-20.

3.5.5 Budget allocation and its utilisation

Budget allocation (Original and Supplementary) and utilisation there against is given in Chart-3.4 below:

Chart-3.4: Budget Utilization during 2015-16 to 2019-20



3.6 Excess expenditure and its regularization

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the Financial Year.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Failure to do so is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the executive over utilisation of public money.

3.6.1 Excess expenditure relating to 2019-20

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose. The summary of excess expenditure over the provision of the financial year is given in the **Table-3.11**.

Table-3.11: Summary of excess disbursements over grants/appropriations during 2019-20

		Name of Department/ Grant		
		07-Finance, Tax, Planning, Secretariat & Miscellaneous	17-Agriculture, Works & Research	25-Food
Voted	Capital	0.00	12.18	982.58
Charged	Capital	6,219.72	0	0
No. of Grants/Appropriations		01	01	01
Total Excess		6,219.72	12.18	982.58
Grand Total		7,214.48		

Source: Appropriation Accounts.

The reasons for excesses were neither given in the Appropriation Accounts nor provided by the Department (December 2020).

3.6.2 Details of Major Head wise disbursement over the authorisation

Details of Major Head-wise disbursement over the authorisation from the Consolidated Fund of the State during the financial year 2019-20 are given in **Table-3.12**.

Table-3.12: Major Head wise excess disbursement over the authorisation from the Consolidated Fund of State
(₹ in crore)

Sl. No.	Grant No.	Major Head	Major Head Description	Total provision	Re-appropriation	Total	Expenditure	Excess	Reasons for excess stated by the Department	
1	2	3	4	5	6	7 = 5+6	8	9= 8-7	10	
1.	07	2515	Other Rural Development Programme	472.84	0	472.84	472.95	0.11	Reasons not given in Appropriation Accounts 2019-20.	
2.	07	6003	Internal Debt of the State Government	2,815.20	0	2,815.20	9,048.96	6,233.76		
3.	17	4401	Capital Outlay on Crop Husbandry	15.00	0	15.00	27.18	12.18		
4.	25	4408	Capital Outlay on Food Storage and Warehousing	28.50	0	28.50	1,011.08	982.58		
Total								7,228.63		

Source: Appropriation Accounts.

3.6.3 Persistent excesses in certain Grants

A number of grants witness excess expenditure year after year. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure is in violation of the will of the State Legislature. Strictly, not a rupee can be spent without prior legislative authorisation and, therefore, this is to be viewed seriously. Persistent excesses may be due to improper estimation at the time of preparation of budget. A persistent excess in three grants noticed during 2015-16 to 2019-20 is given in **Table-3.13** below:

Table-3.13: Details of excess noticed in three grants during last five years 2015-20

Sl. No.	Description of Grant/Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Grant No.-25: Food					
	Total Grant	16.20	12.07	19.27	19.00	28.50
	Expenditure	2,220.03	2,257.87	1,341.66	1,433.04	1,011.08
	Excess	2,203.83	2,245.80	1,322.39	1,414.04	982.58
2.	Grant No.-07: Finance, Tax, Planning, Secretariat & Miscellaneous					
	Total Grant	No Excess	2,032.23	2,640.23	3,182.00	2,876.31
	Expenditure	No Excess	5,218.68	7,651.62	10,230.14	9,096.03
	Excess	No Excess	3,186.45	5,011.39	7,048.14	6,219.72
3.	Grant No.-17: Agriculture, Works & Research					
	Total Grant	38.08	108.33	23.03	No Excess	25.00
	Expenditure	47.45	124.41	26.75	No Excess	37.18
	Excess	9.37	16.08	3.72	No Excess	12.18

Source: Appropriation Accounts of the respective years.

As is evident from the table above, persistent excesses were noticed in the Grant number 7, 17 and 25 over the period 2015-16 to 2019-20. The Government has not furnished any reasons for the above. This is indicative of the fact that the proper budget exercise is not being carried out as was required under Paragraph 121 of Chapter XIII of Uttarakhand Budget Manual.

3.6.4 Regularisation of excess expenditure of previous financial years

Paragraph 121 of Chapter XIII of the UBM envisages that if after the close of the year, it is revealed, through the Appropriation Accounts, that any expenditure was incurred under any Grant or Charged Appropriation in excess of the total final appropriation for that year under that Grant or Charged Appropriation, the excess expenditure should be regularised, on the basis of the recommendation of the Committee on Public Accounts, by presenting to the Legislative Assembly, demands for excess grants as required under Article 205 (1) (b) of the Constitution. However, excess expenditure amounting to ₹ 35,659.13 crore pertaining to previous years from 2005 to 2019 was yet to be regularised by the State Legislature. The year-wise amount of excess expenditure pending regularisation is summarised in **Table-3.14**.

Table-3.14: Details of year-wise amount of excess expenditure pending regularisation

(₹ in crore)

Year	Grant No./Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularization
2005-06	7	7,8,17,20,22,25&29	663.50	Not yet regularised
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	
2009-10	7	7,17,18,21,22,25&29	1,007.49	
2010-11	9	10,12,15,17,20,21,22,25 & 29	1,295.40	
2011-12	5	7,17,22,25&29	1,611.40	
2012-13	7	12,14,17,21,22,25 & 29	1,835.34	
2013-14	3	22,25 & 29	1,837.15	
2014-15	4	17,22, 25& 29	1,922.80	
2015-16	4	17, 22, 25& 29	2,334.24	
2016-17	4	07, 17, 25 & 29	5,457.33	
2017-18	6	07,17,20,22,25 & 27	6,413.38	
2018-19	3	07,19 & 25	8,464.98	
Total			35,659.13	

Source: Appropriation Accounts.

The State Government has not furnished any reasons for this. Therefore, this is in violation of Articles 204 and 205 of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages indiscipline in management of public resources.

During Exit Conference, the State Government assured that necessary steps would be taken to get the amount regularised by the State Legislature.

3.7 Grant-in-aid for creation of capital asset

Grants-in-aid are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. Grants-in-aid are given for specified purpose of supporting an institution including construction of assets.

As per IGAS 2, Grant-in-aid disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as Grants-in-aid are to be spent by the grantee, except in cases where it has been specifically authorized by President on the advice of the Comptroller and Auditor General of India.

It has been seen that Grants-in-aid for capital assets are sometimes classified as capital expenditure. This leads to understatement of revenue deficit.

Details of Grants-in-aid classified as Capital Expenditure for the period 2015-16 to 2019-20 are given in the **Table-3.15**.

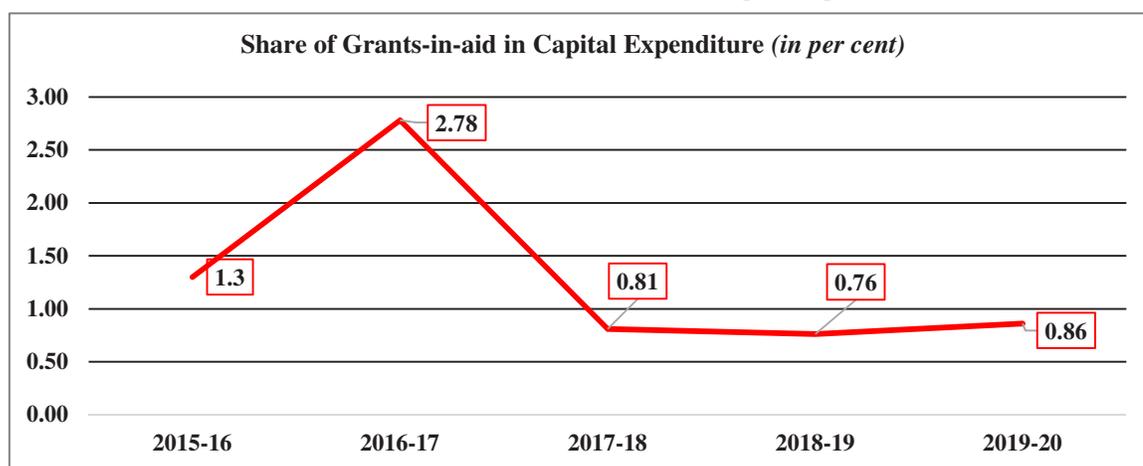
Table-3.15: Details of Grants-in-aid classified as Capital Expenditure

	2015-16	2016-17	2017-18	2018-19	2019-20
GIA booked as Capital Expenditure	55	138	48	47	46
Total Capital Expenditure	4,217	4,954	5,914	6,184	5,414
Share of GIA in Capital Expenditure (in per cent)	1.30	2.78	0.81	0.76	0.86
Impact on Revenue Deficit (-)/Revenue Surplus (+), if expenditure from GIA is treated as Revenue Expenditure	(-) 1,907	(-) 521	(-) 2,026	(-) 1,027	(-) 2,182

(₹ in crore)

Details of share of Grants-in-aid in Capital Expenditure is given in the **Chart-3.5** below:

Chart-3.5: Details of share of Grants-in-aid in Capital Expenditure



The State Government has continued to book Grants-in-aid as capital expenditure over the period 2015-16 to 2019-20. This has resulted in understatement of revenue deficit to the extent of 0.76 per cent to 2.78 per cent over the period 2015-16 to 2019-20.

Comments on transparency of budgetary and Accounting process

Lump Sum budgetary provisions

No lump sum budgetary provision exists in State of Uttarakhand.

3.8 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprive other departments of the funds which they could have utilized.

The summarised position of original and supplementary provision *vis-à-vis* actual expenditure during 2019-20 in respect of 31 Grants/Appropriations is given in **Table-3.16**.

Table-3.16: Summarised position of Original/Supplementary Provisions vis-à-vis Actual Expenditure during 2019-20

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Net of Savings (-) Excess (+)	Surrender during March	
							Amount	per cent
Voted	I. Revenue	33,158.08	1,603.17	34,761.25	28,129.01	(-)6,632.24	261.11	8.10
	II. Capital	6,571.08	927.56	7,498.64	5,892.58	(-)1,606.06		
	III. Loans & Advances	282.81	0	282.81	125.78	(-)157.03		
Total		40,011.97	2,530.73	42,542.70	34,147.37	(-)8,395.33		
Charged	IV. Revenue	5,774.61	3.17	5,777.78	4,729.78	(-)1,048.00		
	V Capital	1.00	0	1.00	0	(-)1.00		
	VI Public Debt- Repayment	2,876.31	0	2,876.31	9,096.04	(+) 6,219.72		
Total		8,651.92	3.17	8,655.09	13,825.81	(+)5,170.72		
Appropriation to Contingency Fund (if any)		0	0	0	0	0		
Grand Total		48,663.89	2,533.90	51,197.79	47,973.18	(-)3,224.61		

Source: Appropriation Accounts.

As shown above, there was an overall saving of ₹ 3,224.61 crore which was the result of saving of ₹ 9,444.34 crore in Grants and Appropriations, offset by excess of ₹ 6,219.72 crore.

Details of Original Budget, Revised Estimate and Actual Expenditure during 2015-20 are given in Table-3.17.

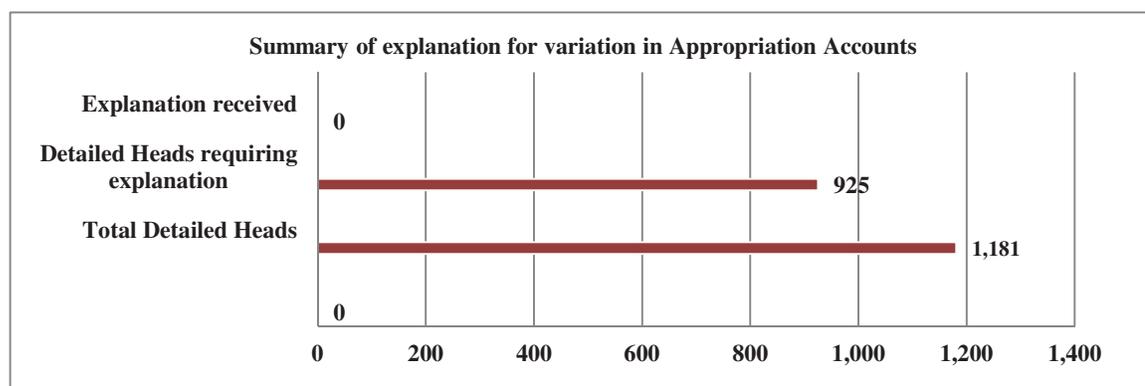
Table 3.17: Original Budget, Revised Estimate and Actual Expenditure during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	32,692.64	40,422.21	39,957.78	45,585.09	48,663.90
Supplementary Budget	4,788.06	1,507.87	3,015.75	2,452.40	2,533.90
Revised Estimate	33,545.57	32,049.06	37,992.87	43,460.93	45,081.50
Actual Expenditure	31,984.00	37,245.89	43,444.76	49,395.84	47,973.19
Saving(-) /excess(+)	(-)5,496.70	(-)4,684.19	(+) 471.23	(+) 1,358.35	(-)3,224.61
Percentage of Saving	14.67	11.17	NA	NA	6.30

Source: Appropriation Accounts and Budget documents of respective years.

A summary of Explanation for variation in Appropriation accounts is given in the Chart-3.6 below:

Chart-3.6: Summary of Explanation for Variation in Appropriation Accounts



During 2019-20, the State Government booked the expenditure under 1,181 detailed heads below different major heads of accounts under 31 grants and appropriations. Out of 1,181 detailed heads, in 925 detailed heads, variation (20 per cent or more) against the

total budget provision was noticed, for which no justification was given in the Appropriation Accounts 2019-20.

3.9 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. At the same time, some of the schemes remain incomplete due to want of funds. Thus, the intended benefits of the unfinished schemes are not extended to the public in such cases. Further, this leads to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister (FM) Budget Speech and other budget documents which are either for that Financial Year *i.e.* one-time activity or are of recurring nature.

Details of un-utilised funds under capital voted section are given in **Table-3.18**.

Table 3.18: Details of un-utilised funds under capital voted section

(₹ in crore)						
Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
Capital (Voted)						
1.	3 Council of Ministers	45.00	15.00	60.00	42.08	17.92
2.	4 Judicial Administration	52.10	3.30	55.40	26.41	28.99
3.	7 Finance, Tax, Planning, Secretariat & Misc Services	266.96	29.59	296.55	90.30	206.25
4.	10 Police & Jail	36.50	17.23	53.73	36.07	17.66
5.	11 Education, Sports, Youth Welfare & Culture	387.73	59.50	447.23	257.91	189.32
6.	12 Medical Health & Family Welfare	176.72	11.50	188.22	97.60	90.62
7.	13 Water Supply, Housing & Urban Development	1,157.50	274.64	1,432.14	1,015.41	416.73
8.	15 Welfare	88.90	20.46	109.36	70.14	39.22
9.	19 Rural Development	1,328.44	28.00	1,356.44	1,144.43	212.01
10.	20 Irrigation & Flood	476.05	163.94	639.99	334.28	305.71
11.	21 Energy	323.33	28.00	351.33	139.12	212.21
12.	22 Public Works	1,047.00	182.00	1,229.00	848.83	380.17
13.	24 Transport	150.50	23.00	173.50	30.47	143.03
14.	26 Tourism	115.60	17.00	132.60	88.69	43.91
15.	27 Forest	70.20	20.40	90.60	36.76	53.84
16.	28 Animal Husbandry	25.85	11.78	37.63	13.23	24.40
17.	29 Horticulture Development	11.50	0.35	11.85	8.77	3.08
18.	30 Welfare of Scheduled Castes	307.92	18.73	326.65	238.00	88.65
19.	31 Welfare of Scheduled Tribes	130.07	2.15	132.22	97.77	34.45
Total		6,197.87	926.57	7,124.44	4,616.27	2,508.17

Due to non-availability of data from State Government in respect of schemes/projects which could not be completed for want of funds during the year, it could not be ascertained in audit whether savings of ₹ 2,508.17 crore under capital section could have been utilised for the completion of those schemes/projects.

3.10 Financial Power being flouted- in relation to re-appropriation

Audit analysis of re-appropriation orders revealed that all the re-appropriations were issued by the Department of Finance, Government of Uttarakhand. Re-appropriations to the tune of ₹ 274.71 crore were made within the Grant and within the schemes contemplated in the Original Budget. No case of re-appropriation was made after the close of the financial year.

3.11 Rush of expenditure

Paragraph 183 of chapter XVII of Uttarakhand Budget Manual stipulates that rush of expenditure in the closing month of the financial year should be avoided. For sound financial management, uniform pace of expenditure should be maintained. Contrary to this, expenditure exceeding 50 per cent of the total expenditure for the year 2019-20 was incurred in March 2020 in respect of five major heads as listed in **Table-3.19** below:

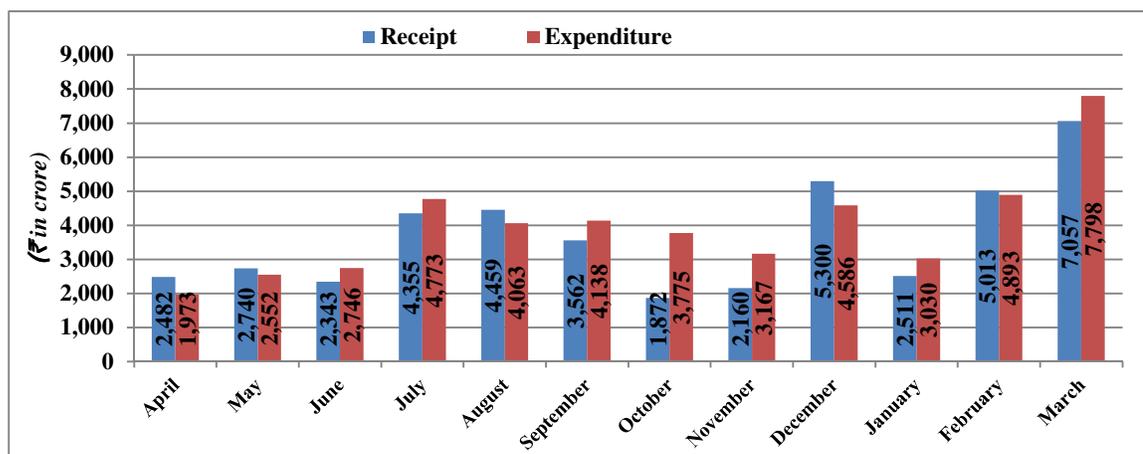
Table-3.19: Grants where more than 50 per cent of expenditure was incurred in March alone (Descending order of percentage)
(₹ in crore)

Sl. No.	Major Head	Description	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.	Total	Expenditure in March	Expenditure in March as percentage of total expenditure
1.	2225	Welfare of Schedule Castes, Schedule Tribes, Other Backward Classes	13.30	28.24	30.36	134.35	206.25	110.00	53.33
2.	4235	Capital Outlay on Social Security and Welfare	0	0.45	0.13	39.32	39.90	39.03	97.82
3.	4250	Capital Outlay on other Social Service	0.53	0.93	4.36	24.41	30.23	18.41	60.90
4.	4401	Capital Outlay on Crop Husbandry	(-)1.75	(-) 1.23	2.64	12.82	12.48	6.50	52.08
5.	4859	Capital Outlay on Telecommunication and Electronic Industries	0	2.59	0.20	15.00	17.79	15.00	84.32
Total			12.08	30.98	37.69	225.9	306.65	188.94	61.61

The monthly pace of expenditure was not uniform as was required under the Uttarakhand Budget Manual, as 73.66 per cent of expenditure under five Major Heads was incurred in the last quarter of the financial year 2019-20. However, further analysis revealed that there was no such cases/sub-heads (schemes), where entire expenditure was incurred in March 2020.

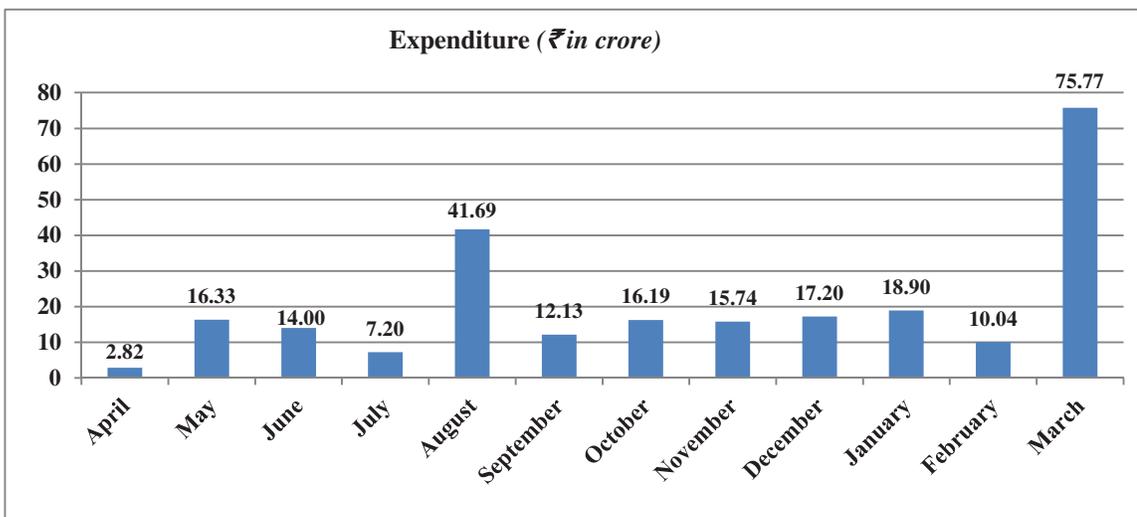
Details of monthly receipts and expenditure incurred against these receipts are given in the **Chart-3.7** below:

Chart-3.7: Monthly receipts and expenditure during 2019-20



Details of monthly expenditure incurred during 2019-20 with high percentage expenditure incurred in the Month of March 2020 are given in the **Chart-3.8** below:

Chart-3.8: Month wise expenditure of Industries Department with very high percentage of expenditure in March



As can be seen from the above chart, 31 per cent of expenditure under Department of Industries was incurred in the month of March.

3.12 Review of selected grants

3.12.1 Outcome of Review of Selected Grants

A review of receipts and expenditure under Grant Number 12: Medical, Health and Family Welfare and Grant Number 27: Forest for the period 2017-18 to 2019-20 revealed the following position.

Grant Number 12: Medical, Health and Family Welfare

A. Revenue Expenditure

The overall revenue expenditure showed increase during 2018-19 by 19.80 per cent and further increased by 3.24 per cent during 2019-20 over the previous year, as summarized in the **Table-3.20**.

Table-3.20: Summarized position of actual expenditure vis-à-vis original provision during 2017-18 to 2019-20

Head of Account	Year	Original Provision	Supplementary Provision	Total	Actual Expenditure	Saving	In per cent	
							Saving	Variation in expenditure over last year
2210-Medical and Public Health 2211- Family Welfare	2017-18	1,799.45	151.88	1,951.33	1,441.16	510.17	26.14	-
	2018-19	2,102.77	120.14	2,222.91	1,726.45	496.45	22.33	19.80
	2019-20	2,251.00	51.24	2,302.24	1,782.43	519.81	22.58	3.24
Total		6,153.22	323.26	6,476.48	4,950.04	1,526.43	23.57	--

Source: Appropriation Accounts.

It is evident from the above that there were persistent savings during 2017-18 to 2019-20. There was unnecessary supplementary provision of ₹ 323.26 crore in 2017-20 as the original allotment (₹ 6,153.22 crore) was more than the actual expenditure (₹4,950.04 crore) in last three years.

Test check of certain heads revealed trends of major variations (more than ₹ 50 lakh in any year) in expenditure over previous years, as shown below in **Table-3.21**.

Table-3.21: Trends of major variations in expenditure over previous years in grant

Sl. No.	Head of Account	Expenditure (₹ in lakh)			Variation (₹ in lakh)		Variation in per cent	
		2017-18	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
1.	2210-01-110-15	1,218.74	1,785.00	2,000.00	566.26	215.00	46.46	12.04
2.	2210-01-110-23	99.71	133.68	74.08	33.97	(-) 59.60	34.07	(-) 44.58
3.	2210-02-101-01	2,242.29	1,764.61	351.45	(-) 477.68	(-) 1,413.16	(-) 21.30	(-) 80.08
4.	2210-02-101-03	1,271.03	1,286.43	1,519.02	15.40	232.59	1.21	18.08
5.	2210-02-101-04	281.35	291.45	352.54	10.1	61.09	3.59	20.96
6.	2210-02-101-08	14,790.69	14,930.36	17,127.68	139.67	2,197.32	0.94	14.72
7.	2210-02-102-04	857.21	815.52	944.15	(-) 41.69	128.63	(-) 4.86	15.77
8.	2210-03-103-03	6,435.96	7,675.61	9,007.30	1,239.65	1,331.69	19.26	17.35
9.	2210-03-104-03	6,609.25	8,599.67	9,960.37	1,990.42	1,360.70	30.12	15.82
10.	2210-03-110-01	15,996.41	28,792.59	23,188.84	12,796.18	(-) 5,603.75	79.99	(-) 19.46
11.	2210-03-110-17	7,119.01	8,716.01	9,699.18	1,597.00	983.17	22.43	11.28
12.	2210-04-102-03	1,640.98	1,750.80	2,144.45	109.82	393.65	6.69	22.48
13.	2210-05-105-01	142.34	107.04	210.92	(-) 35.30	103.88	(-) 24.80	97.05
14.	2210-05-105-04	15,949.84	20,423.60	23,426.11	4,473.76	3,002.51	28.05	14.70
15.	2210-05-105-10	150.00	250.00	300.00	100.00	50.00	66.67	20.00
16.	2210-06-003-03	231.30	264.36	324.07	33.06	59.71	14.29	22.59
17.	2210-06-101-03	3,665.10	5,991.99	9,566.32	2,326.89	3,574.33	63.49	59.65
18.	2210-06-101-99	2,901.66	2,040.28	1,128.20	(-) 861.38	(-) 912.08	(-) 29.69	(-) 44.70

Source: Detailed Appropriation Accounts.

B. Capital Expenditure

The overall capital expenditure increased by 193.09 per cent during 2018-19 and decreased by 47.92 per cent during 2019-20 over the previous year, as summarized below in Table-3.22.

Table-3.22: Summarized position of actual expenditure vis-à-vis original /supplementary provision during 2017-18 to 2019-20

Head of Account	Year	Original Provision	Supplementary Provision	Total	Actual Expenditure	Saving	In per cent	
							Saving	Variation in expenditure over last year
4210-Capital Outlay on Medical and Public Health	2017-18	123.85	22.70	146.55	63.94	82.61	56.37	-
	2018-19	183.80	46.00	229.80	187.40	42.40	18.45	193.09
4211- Capital Outlay on Family Welfare	2019-20	176.72	11.50	188.22	97.60	90.62	48.15	(-) 47.92

Source: Appropriation Accounts.

It is evident from the above that there were persistent savings in the years, 2017-18, 2018-19 and 2019-20. During 2017-18 and 2019-20, supplementary provisions of ₹ 34.20 crore proved unnecessary as the original provision (₹ 300.57 crore) was far more than the actual expenditure of ₹ 161.54 crore.

Details of trends of major variations in expenditure over previous years in Grant Number 12 are shown in Table-3.23.

Table-3.23: Trends of major variations in expenditure over previous years

Sl. No.	Head of Account	Expenditure (₹ in lakh)			Variation (₹ in lakh)		Variation (in per cent)	
		2017-18	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
1.	4210-01-110-23	500.00	2,200.00	2,500.00	1,700	300	340.00	13.64
2.	4210-02-103-03	200.00	200.00	109.78	0	(-) 90.22	0.00	(-) 45.11
3.	4210-03-105-01	1,286.71	7,962.08	315.34	6,675.37	(-) 7,646.74	518.79	(-) 96.04
4.	4210-03-105-03	250.00	428.62	100.00	178.62	(-) 328.62	71.45	(-) 76.67
5.	4210-03-105-08	2,910.00	4,000.00	2,448.00	1,090	(-) 1,552	37.46	(-) 38.80

Source: Detailed Appropriation Accounts.

Analysis of trends of variation within the minor heads of Major Head revealed that the expenditure during the year within the minor heads varied between (-) 96.04 per cent to 13.64 per cent as compared to the previous year.

C. Non-utilisation of entire provision

Test check of sub-heads revealed that the department did not utilize the entire provision during 2017-18 to 2019-20 at the end of the year (₹ one crore and above) under following sub-heads.

Table-3.24: Summarized position of non-utilisation of entire provision during 2017-18 to 2019-20

(₹ in lakh)

Sl. No.	Year	Head of Account	Original	Supplementary	Saving
1.	2017-18	2210-01-110-97	12,000.00	-	12,000.00
2.		2210-06-101-08	350.00	-	350.00
3.		2210-06-800-14	100.00	-	100.00
4.		4210-01-110-24	300.00	-	300.00
5.		4210-01-110-25	100.00	-	100.00
6.		4210-01-110-27	100.00	-	100.00
7.		4210-03-105-11	100.00	-	100.00
8.	2018-19	4210-03-105-10	100.00	50.00	150.00
9.	2019-20	4210-01-110-14	200.00	-	200.00
10.		4210-01-110-30	1,000.00	-	1,000.00
11.		4210-02-104-03	400.01	-	400.01
12.		4210-02-110-12	1,000.00	-	1,000.00
13.		4210-02-800-03	200.00	-	200.00
14.		4210-03-103-02	200.00	-	200.00
15.		4210-03-105-10	200.00	-	200.00

Source: Detailed Appropriation Accounts.

D. Receipts

The overall position of revenue receipts under Major Head 0210, 0211 of the selected grant during 2017-18 to 2019-20 is summarized in **Table-3.25**.

Table-3.25: Position of revenue receipts under 0210, 0211 Major Head of the grant

(₹ in crore)

Head of Account	Year	BE	RE	Actual Receipts	Excess/Shortfall	per cent variation to RE
0210	2017-18	73.29	83.29	84.12	0.83	1.00
	2018-19	90.54	90.54	99.27	8.73	9.64
	2019-20	103.26	153.26	183.83	30.57	19.95
0211	2017-18	0.02	0.02	0.02	0	0
	2018-19	0.02	0.02	0.30	0.28	1,400.00
	2019-20	0.01	0.01	0.02	0.01	100.00

Source: Budget and Finance Accounts.

However, test check of certain heads revealed lower/higher estimation in the subsequent years as compared to actual receipts in previous years as given in **Table-3.26**.

Table-3.26: Summarised position of Receipts during 2017-18 to 2019-20

(₹ in crore)

Sl. No.	Head of Account	Year	BE	RE	Actual Receipts	Excess/Shortfall	per cent variation to RE
1.	0210-01-020	2017-18	9.10	9.10	12.55	3.45	37.91
		2018-19	11.15	11.15	0.00	(-) 11.15	(-) 100.00
		2019-20	12.24	12.24	13.62	1.38	11.27
2.	0210-01-101	2017-18	2.70	2.70	34.61	31.91	1,181.85
		2018-19	2.60	2.60	0.00	(-) 2.60	(-) 100.00
		2019-20	2.80	2.80	86.79	83.99	2,999.64
3.	0210-01-800	2017-18	25.75	25.75	6.16	(-) 19.59	(-) 76.08
		2018-19	31.05	31.05	99.27	68.22	219.71
		2019-20	40.54	90.54	4.24	(-) 86.30	(-) 95.32

4.	0210-04-105	2017-18	0.09	0.09	0.00	(-) 0.09	(-) 100.00
		2018-19	0.09	0.09	0.00	(-) 0.09	(-) 100.00
		2019-20	0.08	0.08	0.01	(-) 0.07	(-) 87.50
5.	0210-04-501	2017-18	2.00	2.00	1.52	(-) 0.48	(-) 24.00
		2018-19	2.00	2.00	0.00	(-) 2.00	(-) 100.00
		2019-20	2.00	2.00	0.88	(-) 1.12	(-) 56.00
6.	0210-04-800	2017-18	0.15	0.15	0.84	0.69	460.00
		2018-19	0.15	0.15	0.00	(-) 0.15	(-) 100.00
		2019-20	0.10	0.10	0.31	0.21	210.00

Source: Budget and Finance Accounts.

Analysis of receipts under Grant Number 12 showed that there are only two major heads under which the receipts are booked and receipts are booked mainly under two minor heads².

Grant Number 27: Forest

A. Revenue Expenditure

The overall revenue expenditure increased by 11.37 per cent during 2018-19 and by 2.89 per cent during 2019-20 over the previous year, as summarized below in Table-3.27.

Table-3.27: Summary of actual expenditure vis-à-vis original provision during 2017-18 to 2019-20

(₹ in crore)

Head of Account	Year	Original Provision	Supplementary Provision	Total	Actual expenditure	Saving	in per cent	
							Saving	Variation in expenditure over last year
2406-Forestry and Wild Life 2407- Plantations	2017-18	621.70	12.10	633.80	550.89	82.91	13.08	-
	2018-19	727.35	14.81	742.16	613.54	128.62	17.33	11.37
	2019-20	959.24	71.04	1,030.28	631.28	399.00	38.73	2.89
Total		2,308.29	97.95	2,406.24	1,795.71	610.53	25.37	NA

Source: Appropriation Accounts.

It is evident from the above that there were persistent savings during 2017-18 to 2019-20. During 2017-20, supplementary provision of ₹ 97.95 crore proved unnecessary as the original provision (₹ 2,308.29 crore) was far more than the actual expenditure of ₹ 1,795.71 crore. Test-check of certain heads revealed significant variations (more than ₹ 50 lakh in any year) in expenditure over previous years as shown below in Table-3.28.

Table-3.28: Trends of major variations in expenditure over previous years

(₹ in lakh)

Sl No	Head of Account	Expenditure (₹ in lakh)			Variation (₹ in lakh)		Variation in per cent	
		2017-18	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
1.	2406-00-101-01	371.92	997.65	127.46	625.73	(-) 870.19	168.24	(-) 87.22
2.	2406-01-101-05	693.08	1,118.02	1,250.52	424.94	132.50	61.31	11.85
3.	2406-01-101-06	326.97	919.87	1,154.67	592.90	234.80	181.33	25.53
4.	2406-01-101-07	950.00	1,026.14	1,800.00	76.14	773.86	8.01	75.41
5.	2406-01-800-50	196.50	127.85	274.05	(-) 68.65	146.20	(-) 34.94	114.35

Source: Detailed Appropriation Accounts.

B. Capital Expenditure

The overall Capital Expenditure showed a decrease of 32.94 per cent during 2018-19 and 4.77 per cent in 2019-20 over the previous year, as summarised in Table-3.29.

² Minor Heads 101-Receipt from Employee State Insurance Scheme & 800-Other Receipts.

Table-3.29: Summarized position of actual expenditure vis-à-vis original provision during 2017-18 to 2019-20

(₹ in crore)

Head of Account	Year	Original Provision	Supplementary Provision	Total	Actual expenditure	Saving(-)/Excess(+)	in per cent	
							Saving	Variation in expenditure over last year
4406-Capital Outlay on Forestry and Wild Life	2017-18	53.95	-	53.95	57.56	(+) 3.61	--	-
	2018-19	81.20	6.58	87.78	38.60	(-) 49.18	56.03	(-) 32.94
	2019-20	70.20	20.40	90.60	36.76	(-) 53.84	59.43	(-) 4.77

Source: Appropriation Accounts.

It is evident from the above that there were persistent savings during the year 2018-19 and 2019-20. Further, the supplementary provision proved unnecessary in year 2018-19 and 2019-20 as the actual expenditure (₹ 75.36 crore) was less than the original grant (₹ 151.40 crore).

Table-3.30: Trends of major variations in expenditure over previous years in grant

(₹ in lakh)

Sl. No.	Head of Account	Expenditure (₹ in lakh)			Variation (₹ in lakh)		Variation in per cent	
		2017-18	2108-19	2019-20	2018-19	2019-20	2018-19	2019-20
1.	4406-01-101-03	263.09	535.83	810.35	272.74	274.52	103.67	51.23
2.	4406-01-101-04	288.96	124.51	66.92	(-) 164.45	(-) 57.59	(-) 56.91	(-) 46.25
3.	4406-01-101-09	1,912.46	2,273.00	1,519.13	360.54	(-) 753.87	18.85	(-) 33.17
4.	4406-02-110-01	1,728.96	84.40	109.53	(-) 1,644.56	25.13	(-) 95.12	29.77
5.	4406-02-110-02	200.00	369.00	550.00	169.00	181.00	84.50	49.05

Source: Detailed Appropriation Accounts.

C. Non-utilisation of the entire provision

Test check of certain sub-heads revealed that the department did not utilize the entire provision during 2017-18 to 2019-20 at the end of the year (₹ one crore and above) as given in Table-3.31.

Table-3.31: Summarized position of non-utilisation of entire provision during 2017-18 to 2019-20

(₹ in lakh)

Sl. No.	Year	Head of Account	Original	Supplementary	Saving
1.	2017-18	2406-01-800-18	149.00	-	149.00
2.		4406-01-070-02	200.00	-	200.00
3.		4406-01-800-11	200.00	-	200.00
4.	2018-19	2406-01-800-18	204.00	-	204.00
5.		4406-01-70-02	0.01	197.98	197.99
6.		4406-01-101-01	150.03	-	150.03
7.		4406-01-102-97	500.00	-	500.00
8.		4406-01-800-11	200.00	-	200.00
9.	2019-20	2406-04-103-04	3,000.00	-	3,000.00
10.		2406-04-103-05	2,300.00	-	2,300.00
11.		2406-04-103-06	-	500.00	500.00
12.		2406-04-103-07	1,500.00	-	1,500.00
13.		4406-01-101-08	150.00	-	150.00
14.		4406-01-101-11	200.00	-	200.00
15.		4406-01-101-13	150.00	-	150.00
16.	2019-20	4406-02-110-03	150.00	-	150.00
17.		4406-02-110-04	150.00	-	150.00

Source: Detailed Appropriation Accounts.

D. Receipts

The overall position of revenue receipts under 0406 Major Head of the grant during 2017-18 to 2019-20 is summarised in Table-3.32.

Table-3.32: Position of revenue receipts under 0406 Major Head of the grant

(₹ in crore)						
Head of Account	Year	BE	RE	Actual Receipts	Excess/Shortfall	Percentage variation to RE
0406	2017-18	500.00	500.00	312.20	(-) 187.80	(-) 37.56
	2018-19	507.35	507.35	368.73	(-) 138.62	(-) 27.32
	2019-20	810.12	540.12	410.16	(-) 129.96	(-) 24.06

Source: Budget and Finance Accounts.

However, test check of certain heads revealed lower/higher estimation in the subsequent years as compared to actual receipts in previous years as given in **Table-3.33**.

Table-3.33: Position of Receipts under Major Head-0406

(₹ in crore)							
Sl. No.	Head of Account	Year	BE	RE	Actual Receipts	Excess/Shortfall	Percentage variation to RE
1.	0406-01-101	2017-18	356.02	356.02	195.98	(-) 160.04	(-) 44.95
		2018-19	368.02	368.02	225.70	(-) 142.32	(-) 38.67
		2019-20	361.58	361.58	258.70	(-) 102.88	(-) 28.45

Source: Budget and Finance Accounts.

Analysis of receipts under Grant Number 27 showed that there is only one major head under which the receipts are booked; and receipts are booked mainly under two minor heads-101 and 800.

3.13 Conclusions

- During 2019-20, there was an overall saving of ₹ 3,224.61 crore against the total grants and appropriations of ₹ 51,197.80 crore.
- Supplementary provision of ₹ 2,481.20 crore obtained in 45 cases proved unnecessary. Re-appropriation of funds in 15 cases was made injudiciously resulting in savings of more than one crore over provisions.
- Departments surrendered ₹ 259 crore on the last working day of the financial year leaving no scope for utilising these funds for other development purposes.
- Excess expenditure amounting to ₹ 35,659.13 crore pertaining to the years 2005-06 to 2018-19 was yet to be regularised by the State Legislature.
- An expenditure of ₹ 330.35 crore had been booked under revenue section. This expenditure should have been booked under the capital section as this expenditure pertained to the major works, which ordinarily ought to have been booked under the capital section. Similarly, an expenditure of ₹ 82.44 crore had been booked under capital section. This expenditure should have been booked under revenue section, as this expenditure pertained to grants-in-aid, minor works and maintenance.

3.14 Recommendations

- *The State Government should be more realistic in its budgetary assumptions and ensure efficient control mechanisms to curtail savings/excess expenditure.*
- *The State Government may assess the savings/excess and surrender the amount well before the close of the financial year so that they can be effectively utilised in other areas/ schemes.*
- *The State Government may plan its expenditure budgets more rigorously so as to avoid exceeding the approved grants and appropriations.*
- *The State Government should take appropriate steps to contain the use of capital expenditure for issues relating to revenue expenditure and vice-versa.*

CHAPTER-4
QUALITY OF ACCOUNTS AND FINANCIAL
REPORTING PRACTICES

Chapter-4

Quality of Accounts and Financial Reporting Practices

This chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

A sound internal financial reporting system 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, therefore, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities including strategic planning and decision-making.

4.1 Funds outside Consolidated Fund or Public Account of the State

4.1.1 Labour Cess

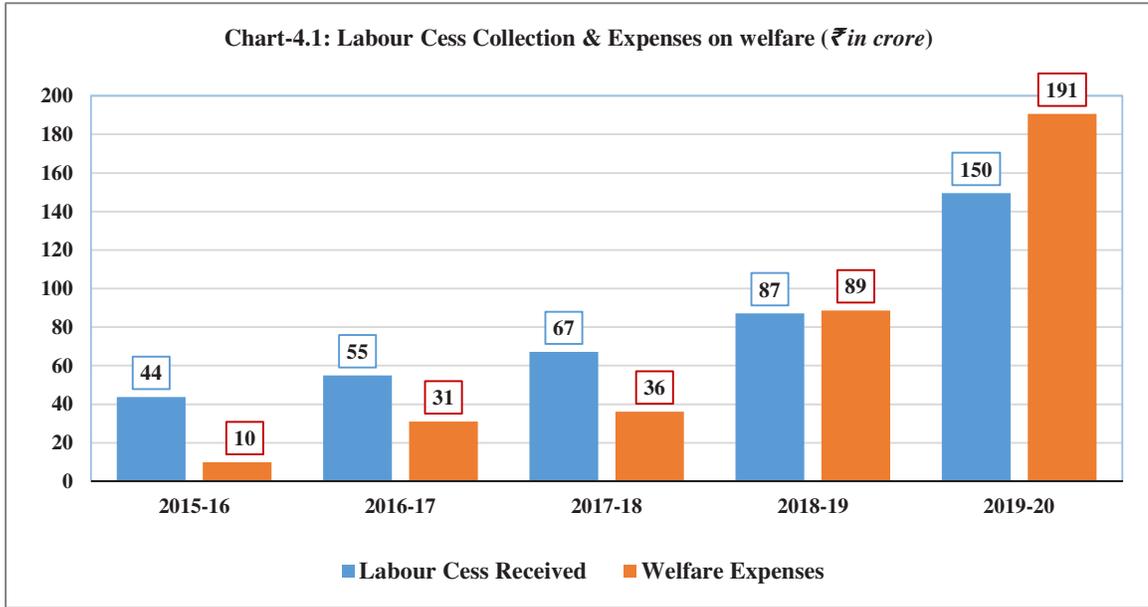
According to the Central Government Building and Other Construction Workers' Welfare Cess Act, 1996 and Building and Other Construction Workers' Welfare Cess Rules, 1998, one *per cent* of construction cost of projects worth ₹ 10 lakh and above undertaken by both private or public builders, must be paid to the State's Labour Department, as welfare cess. The Uttarakhand State Government framed the Uttarakhand Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2005 and constituted a Welfare Board for implementing the Act. The amount received as cess is to be deposited in an account opened in a Nationalized Bank in the name of the Labour Commissioner/Secretary, Uttarakhand.

The details of cess collected and expenditure incurred against it are detailed in **Table-4.1** below:

Table-4.1: Details of cess collected and expenditure incurred against the same

(₹ in crore)

Financial Year	Bank Opening	Labour Cess Received	Bank Interest	FDR Interest	FDR Matured Amount Received	Registration Fees & Other Income Received	Welfare Expenses	Other Expenses	Amount Transferred for FDR	Bank Closing =(A+B+C +D+E+F- G-H-I)
	A	B	C	D	E	F	G	H	I	
2015-16	12.95	43.78	0.37	0.60	45.08	0.03	9.94	0.62	62.31	29.94
2016-17	29.94	54.89	1.46	0.11	8.29	0.14	30.96	2.31	11.25	50.31
2017-18	50.31	67.09	2.05	7.07	23.21	0.00	36.08	1.75	22.52	89.38
2018-19	89.38	87.10	3.74	11.72	72.59	0.28	88.65	2.32	71.40	102.44
2019-20	102.44	149.54	3.17	6.10	5.16	1.35	190.61	2.39	9.71	65.05
Total	402.40	10.79	25.60	154.33	1.80	356.24	9.39	177.19		



As is evident from table above, the Board received an amount of ₹ 402.40 crore as labour cess; ₹ 190.72 crore as interest and fixed deposit receipts; and ₹ 1.80 crore as registration fee and other income during 2015-16 to 2019-20. A total of ₹ 594.92 crore was, therefore, available with the Board, against which an amount of ₹ 356.24 crore was spent on labour welfare and ₹ 9.39 crore on other expenses. The Board had also invested ₹ 177.19 crore in Fixed Deposits.

4.1.2 Regulators

The Regulatory Authorities, are ‘State’ within the meaning of Article 12 of the Constitution. Money being received by them are on account of discharge of functions ‘on behalf of the Government’. Hence, their Funds need to be housed in the Public Account of India/States. This is the settled position of the CAG, Ministry of Finance and Ministry of Law for the Government of India.

The status of funds of Uttarakhand Electricity Regulatory Commission and Uttarakhand Real Estate Regulatory Authority is given in the **Table-4.2** below.

Table-4.2: Details of Regulators and the Funds

Sl. No.	Name of the Regulatory Authority	Constitution of Fund	Amount outstanding towards Government
1.	Uttarakhand Electricity Regulatory Commission	The Fund shall be maintained at any Nationalised Bank and subsidiary accounts shall be maintained at such other branches of such banks. The Fund shall comprise of License fee, Petition Fee, Processing Fee, Fine and Receipts.	As per the latest finalised Accounts for the year 2019-20, an amount of ₹ 14.41 crore had been transferred to the Fund during 2019-20. The total amount of the Fund as on 31 March 2020 was ₹ 127.86 crore, which remained outside Government Account.
2.	Uttarakhand Real Estate Regulatory Authority	The Fund is being maintained at the Bank as per latest financial statements of the Authority.	As on 31 March 2019, an amount of ₹ 4.15 crore was in the Fund, which remained outside the Government Account.

During Exit Conference, Secretary Finance assured that necessary steps would be taken in this regard so that the amount can be brought under the Public Account by amending respective Fund Rules.

4.2 Loans of State Government not being credited to the Consolidated Fund

The State Government intimated that the Government did not resort to off-budget borrowings in the State of Uttarakhand. Further, no such borrowings were noticed during the audit of Financial Statements of PSUs for the year 2019-20, wherever received.

4.3 Non-inclusion of clear cut liabilities of Departments

As on 31 March 2020, there was a deferred liability to the extent of ₹ 313.71 crore (Principal ₹ 244.92 crore and ₹ 68.79 crore as delayed payment surcharge) due to non-payment by various Government Departments, on account of electricity usage, to the Uttarakhand Power Corporation Limited; contractual liability on the part of Irrigation Department; and committed liability in respect of medicine purchase by Medical Department under Employee State Insurance Scheme.

Table-4.3: Non-inclusion of clear cut liabilities during the financial year

					(₹ in crore)
Sl. No.	Name of the department	Liability due to	Principal Amount	Delayed Payment Surcharge	Total Amount
1.	Irrigation Department	UPCL	134.08	68.19	202.27
2.	Public Works Department		2.18	0.60	2.78
3.	Irrigation Department	Contractors	12.55	0.00	12.55
4.	Medical Department	Hospitals	96.11	0.00	96.11
<i>Total</i>			<i>244.92</i>	<i>68.79</i>	<i>313.71</i>

4.4 Non-discharge of liability in respect of interest towards interest bearing deposits

The Government has a liability to provide and pay interest on the amounts in the interest bearing deposits (Major Heads of Accounts 8338 to 8342). The details of non-discharge of liability in this regard are given in **Table-4.4** below.

Table-4.4: Non discharge of liability in respect of interest towards interest bearing deposits

					(₹ in crore)
Sl. No.	Name of the Interest bearing deposit	Balance as on 1 April 2019	Rate of Interest	Amount of Interest not provisioned	
1.	Deposits of Local Funds- 8338	282.99	5.44 per cent Average of W&M interest rate	15.39	
2.	Other Deposits - 8342 (excluding 8432-117 CPS)	17.72		0.97	
<i>Total</i>		<i>300.71</i>		<i>16.36</i>	

Source: Finance Accounts 2019-20 Government of Uttarakhand.

The State Government was required to make provision of interest at the rate 5.44 per cent on the opening balances of deposits bearing interest during the year 2019-20. However, the Government did not make the required provision of ₹ 16.36 crore during the year on these deposits. Therefore, this impacted the Revenue Deficit and Fiscal Deficit to that extent.

4.5 Funds transferred directly to implementing agencies

The Union Government transfers substantial funds directly to Implementing Agencies/ Non-Governmental Organizations for implementation of various schemes and Programmes. These transfers are exhibited in Appendix-VI of Volume-II of the Finance Accounts.

In spite of the Government of India's decision to release all assistance to Centrally

Sponsored Schemes/Additional Central Assistance to the State Government and not to implementing agencies, funds were transferred directly to implementing agencies. Since these funds are not routed through the State Budget, these are not reflected in the Accounts of the State Government. As per the Public Finance Management System portal of the Controller General of Accounts, Government of India (GoI) released ₹ 2,304.31 crore directly under 137 schemes to 280 implementing agencies in Uttarakhand during 2019-20. The direct transfers of funds to implementing agencies have increased by 29.58 per cent from ₹ 1,778.24 crore in 2018-19 to ₹ 2,304.31 crore in 2019-20. Names of some major implementing agencies which received funds directly from the GoI during 2019-20 are given in the **Table-4.5** below.

Table-4.5: Names of implementing agencies which received funds (more than ₹ 50 crore) directly from GoI during 2019-20

(₹ in crore)			
Sl. No.	Name of the Scheme of GoI	Name of the Implementing Agency	GoI releases during 2019-20
1.	Pradhan Mantri Swasthya Suraksha Yojana	AIIMS Rishikesh	669.08
2.	Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	Department of Agriculture, Uttarakhand	438.56
3.	Food Subsidy for Decentralized Procurement of Food grains under NFSA	Commissioner, Food & Civil Supplies Department Uttarakhand	370.41
4.	Mahatma Ghandi National Rural Employment Guarantee Program	Uttarakhand Rajya Rozgar Guarantee Sanstha	321.66
5.	Scheme for Assistance to Sugar Mills for 2018-19 season	Uttam Sugar Mills Limited, Rai Bhadur Narain Singh Sugar Mills Ltd., The Kisan Sahakari Chini Mills Ltd., Rajpur Pooranpur-Nadehi	64.71
6.	National Hydrology Project	Irrigation Department Uttarakhand, National Institute of Hydrology, Survey of India	57.76
Total			1,922.18

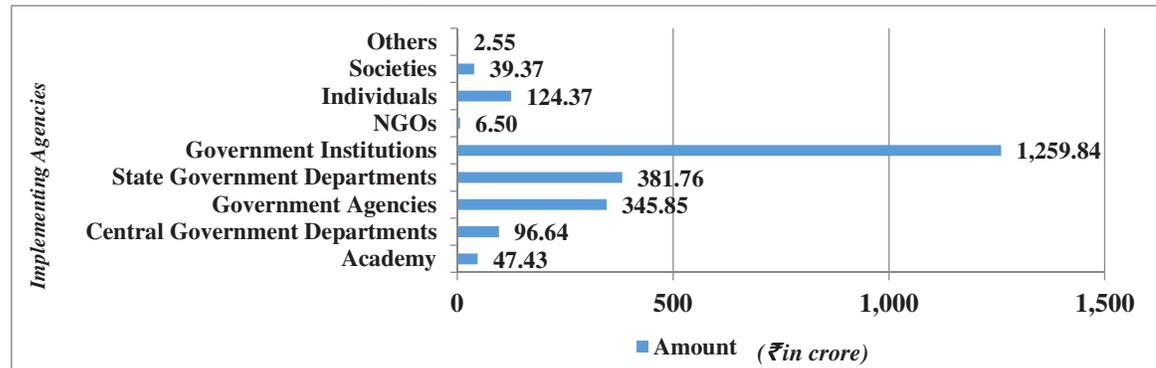
The details of aggregate amount transferred to implementing agencies during the last three years are indicated **Table-4.6**.

Table-4.6: Funds transferred to Implementing Agencies

Direct transfers to implementing agencies	2017-18	2018-19	2019-20
Funds transferred (₹ in crore)	2,175.18	1,778.24	2,304.31

The agencies that have received funds directly from the GoI during 2019-20 for implementing various developmental schemes and the quantum of such funds are given in **Chart-4.2**.

Chart-4.2: Implementing Agencies that received funds directly from GoI during 2019-20



Source: PFMS data for 2019-20.

4.6 Deposit of Local Funds

The Uttarakhand Panchayati Raj Act, 2016 provides for keeping the Panchayat Bodies Fund in Government Treasury and sub Treasury or in any Nationalized Bank, Local Bank, Cooperative Bank and post office. Similarly, the Uttar Pradesh Municipalities Act, 1916 as adopted by Uttarakhand also provides for keeping the Municipal Fund in Government Treasury or sub Treasury or in State Bank of India or Cooperative Bank or Scheduled Bank.

Table-4.7: Deposits of Local Funds

Year		2015-16	2016-17	2017-18	2018-19	2019-20
Panchayat Bodies Fund (8448-109)	Opening Balance	14.62	14.62	14.62	14.62	14.79
	Receipt	0.00	0.00	0.00	0.17	0.00
	Expenditure	0.00	0.00	0.00	0.00	0.00
	Closing Balance	14.62	14.62	14.62	14.79	14.79
Municipal Fund (8448-102)	Opening Balance	49.33	44.18	66.15	236.59	340.59
	Receipt	311.99	345.54	728.37	711.61	835.76
	Expenditure	317.15	323.57	557.93	607.61	734.74
	Closing Balance	44.18	66.15	236.59	340.59	441.61

Source: Finance Accounts 2019-20 prepared by Accountant General (A&E) Uttarakhand.

As is evident from **Table-4.7** above, the Panchayat Bodies Fund is almost inoperative since 2015-16. However, Municipal Fund is in operation and had an accumulated balance of ₹ 441.61 crore as on 31 March 2020. Further, the *per cent* utilisation under Municipal Fund has been declining from 2017-18 onwards. The utilisation was 70.22 *per cent* in 2017-18, 64.08 *per cent* in 2018-19 and 62.46 *per cent* in 2019-20.

The issue of inoperative Panchayat Bodies Fund was raised with the Secretary (Finance) during the Exit Conference. It was stated by Secretary (Finance) that the matter would be investigated and remedial action taken.

4.7 Delay in submission of Utilisation Certificates

Paragraph 369-CC (a) of Uttarakhand Financial Rules provides that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees in such form as agreed by the Accountant General (Accounts and Entitlement) and should be forwarded to the Accountant General (Accounts and Entitlement) within 12 months from the date of their sanction unless specified otherwise. A total number of 201 UCs amounting to ₹ 1,636.69 crore was pending as of March 2020. The age-wise position as regards submission of UCs has been summarised in **Table-4.8**.

Table-4.8: Age-wise arrears in submission of Utilisation Certificates

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	353	490.03	225	385.61	369	532.60	209	343.04
2018-19	209	343.04	122	479.16	212	468.87	119	353.33
2019-20	119	353.33	*149	1,537.25	67	253.89	201	1,636.69

* Except where the sanction order specifies otherwise, UCs in respect of Grants-in-aid drawn during 2019-20 become due only in 2020-21.

Source: AG (A&E), Uttarakhand.

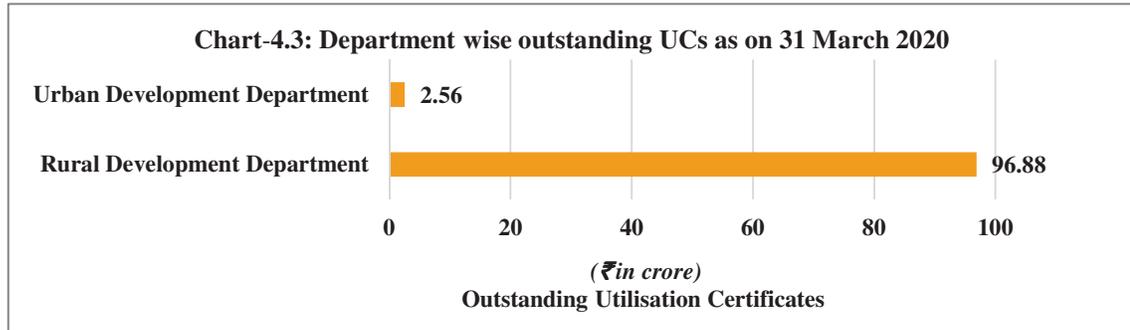
The Departmental officers did not submit 52 UCs due for submission by March 2020 in respect of which grants amounting to ₹ 99.44 crore were given up to March 2019 for

specific purposes. Out of above, 33 UCs amounting to ₹ 29.87 crore were received up to August 2020. All the UCs which were pending related to the Panchayati Raj Institutions/Urban Local Bodies. Further, it was observed that an amount of ₹ 6.99 crore earned as interest on deposits was lying with different banks and not transferred to the Government. The year wise break-up of outstanding UCs as on 31 March is given in **Table-4.9** below.

Table-4.9: Year wise break up of outstanding UCs as on 31.03.2020

Year in which GIA transferred	No. of Outstanding UCs	Amount (₹ in crore)
2017-18	7	9.48
2018-19	45	89.96
2019-20	149	1,537.25
Total	201	1,636.69

In the absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the intended purpose for which these were sanctioned. Pendency of UCs was fraught with the risk of misappropriation of funds and fraud.



4.7.1 Recording of Grantee Institution as “Others”

There is a mechanism in some States of giving institute code to various bodies and authorities receiving Grants-in-Aid from Government. These grants are also recorded in VLC system of the office of Accountant General (Accounts and Entitlement) and submission of UCs is monitored against outstanding amount against each institute. For this system to work, grantee institute should be recorded properly. In absence of proper code, outstanding amounts against all institutes cannot be worked out.

If Grants-in-Aid constitute a significant portion of the total expenditure of the State, it is essential that the Government provides the details and nature of the Grantee Institution for transparency of accounts.

In Uttarakhand no code is being allotted to the institutions receiving grants from the Government of Uttarakhand for monitoring of UCs by the Accountant General (Accounts and Entitlement).

As per the Statement-10 of the Finance Accounts 2019-20, an amount of ₹ 4,800.18 crore had been given as Grants-in-Aid to different institutions during the year. The major beneficiaries were (i) Panchayati Raj Bodies ₹ 902.05 crore, (ii) Urban Local Bodies ₹ 814.62 crore, (iii) Autonomous Bodies (Universities, Development Authorities, Cooperative Institutions) ₹ 648.60 crore (iv) Non-government Organisations

₹ 12.37 crore and (v) Others ₹ 2,422.55 crore. Out of total grants-in-aid of ₹ 4,800.18 crore, ₹ 2,422.55 crore (50.47 per cent) was given to Others. The Government has continued to record substantial amount of Grants-in-Aid as 'Others'; it was 35.08 per cent in 2017-18, 42.44 per cent in 2018-19 and 50.47 per cent during 2019-20.

4.8 Abstract Contingent Bills

Year-wise details of pendency of Detailed Countersigned Contingent (DCC) bills against the Abstract Contingent (AC) bills for the years up to 2019-20 are given in **Table-4.10** below.

Table-4.10: Pendency in submission of DCC bills against the AC bills

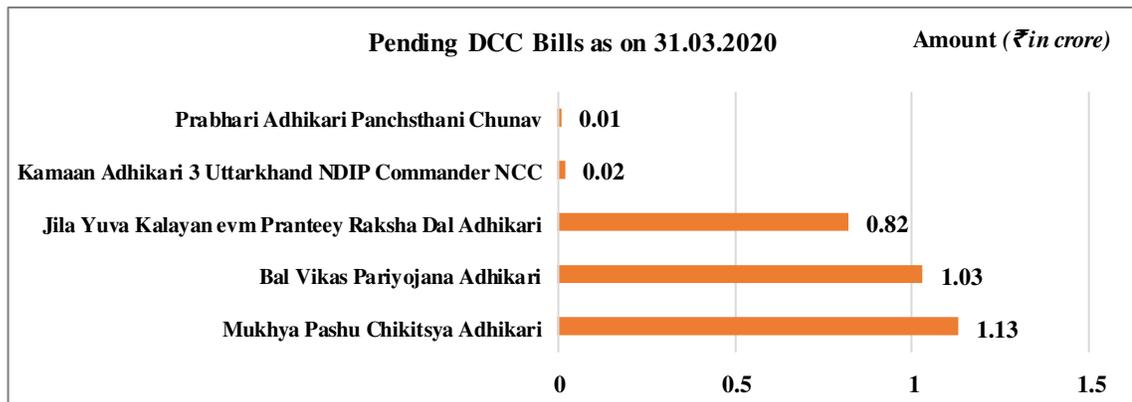
Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	1,736	127.50	17	0.61	1,737	127.52	16	0.59
2018-19	16	0.59	19	0.73	25	0.76	10	0.56
2019-20	10	0.56	61	6.03	34	3.58	37	3.01

Source: Data compiled by the office of the AG (A&E), Uttarakhand.

Table-4.10 reveals that during 2019-20, 61 AC bills were drawn for an amount of ₹ 6.03 crore and 34 DCC bills for an amount of ₹ 3.58 crore were submitted during the year. Outstanding 37 AC Bills amounting to ₹ 3.01 crore include four AC Bills (₹ 0.27 crore) pertaining to 2018-19 and 33 AC Bills (₹ 2.74 crore) pertaining to 2019-20. However, 10 DCC bills amounting to ₹ 1.40 crore were received up to 31 August 2020.

The status of pending DCC bills in respect of all departments is given in **Chart-4.4**.

Chart-4.4: Pending DCC Bills



As has been detailed above, DCC Bills amounting to ₹ 3.01 crore pertained to (i) Department of Animal Husbandry ₹ 1.13 crore, (ii) Department of Social Welfare ₹ 1.03 crore, (iii) Sports and Youth Welfare ₹ 0.84 crore and (iv) Rural Development Department ₹ 0.01 crore. Analysis of AC Bills revealed that these bills were drawn for general purposes and not for capital asset creation. Under Animal Husbandry Department, the AC Bills were drawn to procure milch animals for distribution amongst the beneficiaries. In Social Welfare, the AC Bills were meant for distribution of ration money to Anganwadi Kendras. Sports Department had drawn

AC Bills for distribution of cash awards amongst the sportspersons in different districts. Further, it was noticed that no AC Bill was drawn on the last working day of the financial year.

Advances drawn and not accounted for increase the possibility of wastage/ misappropriation/malfeasance, etc. and, therefore, requires close monitoring for ensuring submission of DCC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

4.9 Personal Deposit Accounts

Government is authorised to open Personal Deposit (PD) Accounts in order to deposit money by transferring funds from the Consolidated Fund for discharging liabilities of the Government. According to the provisions contained in General Financial Rules (Rule 8), funds shall be withdrawn only if required for immediate payment and shall not be removed from the Government Account for investment or deposit elsewhere without the consent of the Finance Department. Besides, the practice of withdrawing funds with a view to avoiding lapse of Budget grant and placing such moneys as deposits in the Public Account or with Bank is forbidden.

At the end of 2019-20, unspent balances of ₹ 200.29 crore in 48 PD Accounts remained untransferred to the Consolidated Fund of State. The status of PD Accounts during 2019-20 is given in **Table-4.11**.

Table-4.11: Status of PD Accounts (MH 8443-106) during 2019-20

(₹ in crore)							
Opening Balance		Addition during the year		Closed during the year		Closing Balance	
Number	Amount	Number	Amount	Number	Amount	Number	Amount
47	180.09	01	20.20	-	-	48	200.29

The following table provides the status of funds lying in PD Account 8443-106 District Magistrate, Dehradun on the last day of the financial year during the period 2015-20.

Table-4.12: Parking of funds in Personal Deposit Account of DM Dehradun during 2015-20

(₹ in crore)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Funds parked in PDA	119.50	112.07	93.59	98.36	96.18

The State had 48 Personal Deposit Accounts with a closing balance of ₹ 200.29 crore as on 31 March 2020. An amount of ₹ 96.18 crore (48.02 percent) related to one Personal Deposit Account of District Magistrate, Dehradun. The Account was being operated upon after the prior approval of Accountant General (Accounts and Entitlement). However, the same was required to be closed at the end of financial year and the unspent balances transferred to the Consolidated Fund. It was also found that the amounts held in the PLA of DM, Dehradun were for the use of other State Government Departments such as State Estate Department (₹ 67.37 crore), Legislative Assembly (₹ 1.3 crore), Sports Department (₹ 10.00 crore) and Uttarakhand Technical University Department (₹ 5.13 crore) and these were lying idle for more than three years. During the year 2019-20, ₹ 3.95 crore was spent from this account, and ₹ 1.76 crore had been transferred to this account. Amounts lying in PD Accounts resulted in overstatement of expenditure to that extent. Non-reconciliation of PD Accounts periodically and not transferring the unspent balances lying in PD Accounts to Consolidated Fund entails the risk of misuse of public funds, fraud and

misappropriation. During Exit Conference, the State Government assured that steps would be taken to get the accounts closed at the earliest.

Table-4.13: Inoperative PD Accounts

Sl. No.	Amount parked Since the Financial Year	No. of PD Accounts	Amount parked in the Accounts (₹ in lakh)	No. of PD Accounts which have nil balance
1.	2013-14	9	0.000	9
2.	2014-15	8	18.000	7
3.	2015-16	6	0.003	5
4.	2016-17	6	0.000	6
5.	2017-18	3	91.958	1
6.	2018-19	6	6,772.298	2
7.	2019-20	10	13,387.350	3
Total		48	20,269.609	33

Source: Office of the Accountant General (A&E), Uttarakhand.

Out of total 48 PD Accounts, 33 Accounts have nil balance. 17 PD accounts were inoperative for more than five years and 15 PD accounts were inoperative for more than three years. As per general financial rule, the amounts held under these deposits should have been transferred to the Consolidated Fund of the State. The accounts having nil balance had not been closed at the end of the year (31 March 2020).

4.9.1 Inoperative and non-reconciled PD Accounts

The details of inoperative PD Accounts of Central Treasury, Dehradun are shown in **Table-4.14** below.

Table-4.14: Inoperative PD Accounts (other than 8443-106) of Central Treasury, Dehradun

(₹ in lakh)

Sl. No.	Head	Name of PDA Holder	Closing Balance	Date of last transaction
1.	8443-00-111	Workman Compensation ADM(A)	16.52	29.03.2014
2.	8443-00-800	MD/Parivahan Nigam	100.00	29.02.2016
3.	8448-00-102	EO/Nagar Nigam (13 FC), Dehradun	1.02	31.03.2016
4.	8448-00-102	EO/Nagar Palika Parishad (13FC), Rishikesh	0.09	27.01.2014
5.	8448-00-102	EO/Nagar Palika Parishad (13FC), Vikasnagar	0.09	17.07.2015
6.	8448-00-102	EO/Nagar Panchayat (SFC), Selaqui Dehradun	62.50	17.03.2018
7.	8448-00-120	FO/Basic Education Fund Dehradun	11.04	26.10.2016
Total			191.26	

Source: Chief Treasury Office, Dehradun.

As is evident from table above, there were seven inoperative PD Accounts other than 8443-106 having a balance of ₹ 1.91 crore as on March 2020. As per paragraph 10(2) of the Uttar Pradesh Personal Account Deposits Rules, 1998 (applicable to Uttarakhand), the accounts which are not operated for more than three years should be closed and the amounts held under these accounts should be credited to the Government Account. Out of seven accounts of Central Treasury, Dehradun, no transaction was carried out in six accounts for the last three years or more. Therefore, an amount of ₹ 1.29 crore should have been credited to the Government Account. In the absence of any reconciliation being done either by the department or by the treasury, the matter could not be settled.

4.10 Indiscriminate use of Minor head 800

Minor Head 800 relating to Other Receipts/Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Accountant General (Accounts and Entitlement) and

obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 affects transparency and nature of transactions, and renders the accounts opaque.

During 2019-20, an amount of ₹ 284.41 crore under 25 Major Heads of account, constituting 1.62 per cent of expenditure (₹ 17,504.05 crore) booked against these Major Heads and 0.87 per cent of the total revenue expenditure (₹ 32,858.80 crore) was classified under the Minor Head-800 'Other Expenditure' in the Revenue Account. Similarly, ₹ 2,896.23 crore under 44 Major Heads of Account constituting 19.86 per cent of receipts (₹ 14,585.99 crore) booked against these Major Heads and 9.43 per cent of the total revenue receipts (₹ 30,722.57 crore) was classified under the Minor Head-800 'Other Receipts'. Instances where significant amount (20 per cent or more and exceeding ₹ 5.00 crore) of the receipts and expenditure was classified under Minor Head '800-Other Receipts' and '800-Other Expenditure' during the year 2019-20 are depicted in **Table-4.15**.

Table-4.15: Significant amount booked under Minor Head- '800-Other Receipts/Expenditure' during 2019-20

(₹ in crore)

Sl. No.	"800-Other Receipts"				"800-Other Expenditure"			
	Major Head	Total Receipts	Booking under Minor Head 800	Percentage of Receipts	Major Head	Total Expenditure	Booking under Minor Head 800	Percentage of Expenditure
1.	0029-Land Revenue	24.21	17.58	72.61	2013-Council of Ministers	36.71	7.36	20.05
2.	0049-Interest Receipts	47.81	25.65	53.65	2040-Taxes on Sales, Trade etc.	8.43	7.21	85.53
3.	0055-Police	23.18	9.40	40.55	2217-Urban Development	110.98	22.72	20.47
4.	0059-Public Works	52.59	20.56	39.09	2250-Other Social Services	12.31	12.01	97.56
5.	0070-Other Administrative Services	43.01	20.36	47.34	2425-Co-operation	55.97	24.21	43.26
6.	0071-Contributions and Recoveries towards Pension and Other Retirement Benefits	2,492.90	* 2,441.08	97.92	2501-Special Programmes for Rural Development	136.23	28.31	20.78
7.	0075-Miscellaneous General Services	17.10	12.82	74.97	2810-New and Renewable Energy	13.30	7.78	58.50
8.	0217-Urban Development	35.57	35.57	100.00	---	---	---	---
9.	0406-Forestry and Wildlife	410.16	151.41	36.91	---	---	---	---
Total		3,146.53	2,734.43	86.90	Total	373.93	109.60	29.31

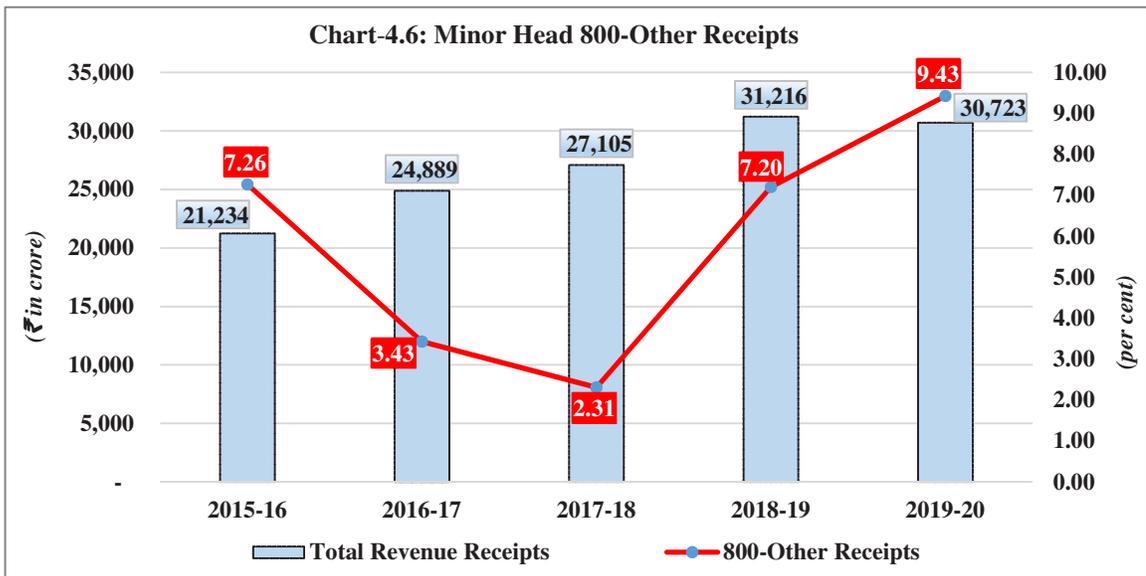
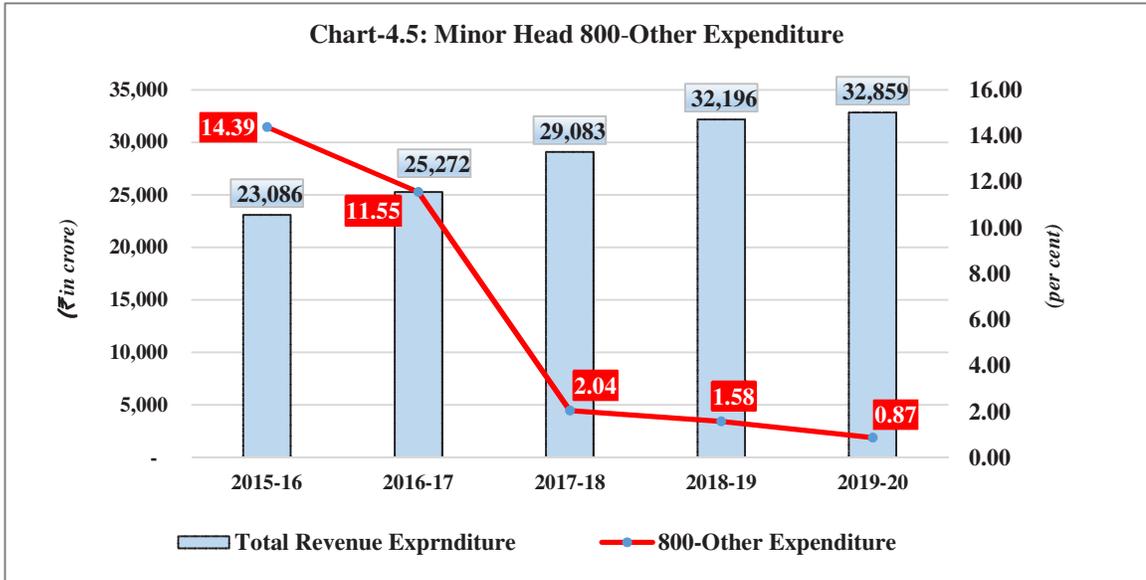
Source: Finance Accounts 2019-20 prepared by Accountant General (A&E) Uttarakhand.

*Includes an amount of ₹2,400 crore received from Government of Uttar Pradesh on account of apportionment of Pensionary dues.

As is evident from above table, around 87 per cent of receipts pertaining to nine Major Heads were booked under '800-Other Receipts'. Similarly, around 29 per cent of revenue expenditure pertaining to seven Major Heads was booked under the '800-Other Expenditure'. Classification of large amounts booked under the Minor Head '800-Other Receipts/Expenditure' affects the transparency/fair picture in financial reporting and

distorts proper analysis of allocative priorities and quality of expenditure.

The extent of operation of Minor Head-800, as a percentage of Total Expenditure and Receipts during 2015-16 to 2019-20 is given in **Chart-4.5** and **Chart-4.6**.



4.11 Outstanding balance under major Suspense and Remittance heads

Suspense and Remittance Balances

The Finance Accounts reflect the net balances under Suspense and Remittance heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of Suspense and Remittance items depends upon the details furnished by the State Treasuries/Works and Forest Division, *etc.* The position of gross figures under major

Suspense and Remittance heads for the last three years is given in **Table-4.16**.

Table-4.16: Balances under Suspense and Remittance Heads

Name of Minor Head	2019-20		2018-19		2017-18	
	Dr	Cr	Dr	Cr	Dr	Cr
<i>(₹ in crore)</i>						
8658-Suspense Accounts						
101-Pay and Accounts Office-Suspense	54.71	3.61	30.38	3.45	8.27	(-)38.97
Net	(Dr) 51.10		(Dr) 26.93		(Dr) 47.24	
102-Suspense Accounts (Civil)	566.35	411.83	549.40	368.32	552.63	409.83
Net	(Dr) 154.52		(Dr) 181.08		(Dr) 142.80	
107- Cash Settlement Suspense Account	966.77	885.52	3.16	0.26	3.16	0.26
Net	(Dr) 81.25		(Dr) 2.90		(Dr) 2.90	
110-Reserve Bank Suspense-Central Accounts Office	214.67	219.61	214.67	219.61	219.66	219.61
Net	(Cr) 4.94		(Cr) 4.94		(Dr) 0.05	
112-Tax Deducted at Source (TDS) Suspense	28.03	266.57	28.03	315.31	28.03	198.81
Net	(Cr) 238.54		(Cr) 287.28		(Cr) 170.78	
113-Provident Fund Suspense	24.75	24.64	24.75	24.78	24.74	25.47
Net	(Dr) 0.11		(Cr) 0.03		(Cr) 0.73	
117-Transaction on behalf of Reserve Bank	18.12	17.94	18.12	17.94	18.12	17.94
Net	(Dr) 0.18		(Dr) 0.18		(Dr) 0.18	
123-A.I.S Officers Group Insurance Scheme	0.29	0.53	0.27	0.50	0.25	0.48
Net	(Cr) 0.24		(Cr) 0.23		(Cr) 0.23	
129-Material Purchase Settlement Suspense Account	0.03	(-)0.73	0.03	(-)0.73	0.03	(-)0.73
Net	(Dr) 0.76		(Dr) 0.76		(Dr) 0.76	
8782- Cash Remittances and adjustments between officers rendering accounts to the same Accounts Officer						
102-Public Works Remittances	296.13	372.74	277.17	398.86	1,283.25	1,406.60
Net	(Cr) 76.61		(Cr) 121.69		(Cr) 123.35	
103- Forest Remittances	107.23	166.95	100.93	126.41	246.94	253.29
Net	(Cr) 59.72		(Cr) 25.48		(Cr) 6.35	
8793-Inter State Suspense Account	2087.89	2013.35	2090.76	2012.46	2,071.79	1,309.85
Net	(Dr) 74.54		(Dr) 78.30		(Dr) 761.94	

Source: Finance Accounts 2019-20 prepared by Accountant General (A&E) Uttarakhand.

Analysis of various minor heads under Suspense has been discussed below:

The Suspense balances (Debit/Credit) under the Minor Heads 101-PAO Suspense, 102-Suspense Account (Civil) and 110-Reserve Bank Suspense-Central Accounts Office under Major Head 8658-Suspense Account appearing in the Finance Accounts for the year 2019-20 are detailed below:

Pay and Accounts Office - Suspense (Minor Head 101): This Minor Head is operated for the settlement of inter-departmental and inter-governmental transactions arising in the books of Pay and Accounts Offices (PAOs) under the Union Government, PAOs of the Union Territories and the Accountants General (Accounts and Entitlement). The outstanding debit balance (31 March 2020) under this head was ₹ 51.10 crore against debit balance of ₹ 26.93 crore at end of the previous year. The receipts constituted 6.19 per cent and disbursements constituted 93.91 per cent during the year 2019-20. Outstanding debit balance under this head means that payments have been made by the PAO on behalf of other PAO, which are yet to be recovered.

Suspense Account - Civil (Minor Head 102): The transactions which cannot be taken to final head of expenditure/receipt accounts for want of certain information/documents

(challans, vouchers, etc.) are initially booked under this suspense head. During the year, an amount of ₹ 566.35 crore (57.90 per cent) had been made out of the minor head and an amount ₹ 411.83 crore (42.10 per cent) had been booked under this minor head, there by leaving a debit balance of ₹ 154.52 crore outstanding as of 31 March 2020 against a debit balance of ₹ 181.08 crore during 2018-19. This means transactions of this amount during 2019-20 are yet to be taken to the final head of account.

Tax Deducted at Source (TDS) Suspense - (Minor Head 112): This Minor Head is intended to accommodate receipts on account of Income tax deducted at source These credits are to be cleared by the end of each financial year and credited to the Income Tax (IT) Department. During the year 2019-20, an amount of ₹ 28.03 crore (9.51 per cent) was released from the Minor Head 112 against a credit of ₹ 266.57 crore (90.49 per cent). This means that an amount of ₹ 238.54 crore was lying un-credited to the IT department as of March 2020. However, the credit balance at end of the year 2019-20 was less as compared to the year 2018-19 (₹ 287.28 crore).

Apart from above, it was noticed that there were no adverse balance under these minor heads of accounts below the Major Head-Suspense.

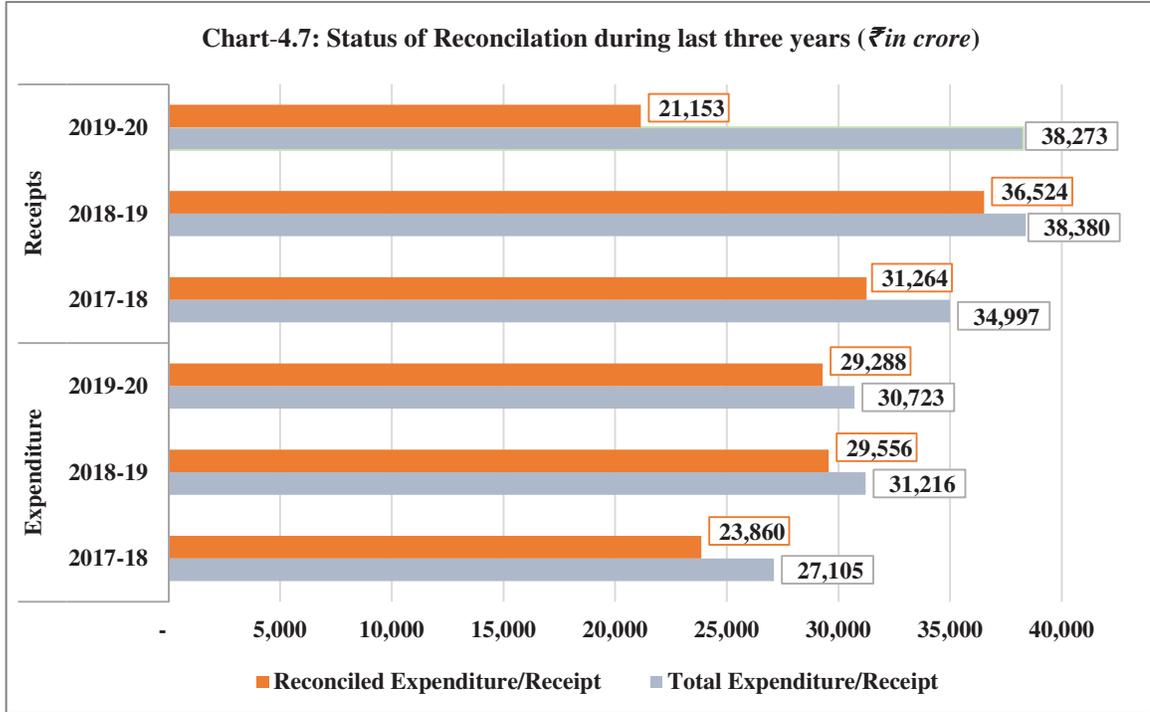
4.12 Non-reconciliation of Departmental figures

In terms of paragraph 109 of the Uttarakhand Budget Manual 2012, all the Controlling Officers are required to reconcile the Receipts and Expenditure of the Government with the figures recorded in the office of the Accountant General (Accounts and Entitlement) every month. This is to enable the Controlling Officers to exercise effective control over expenditure and manage their budgetary allocation efficiently, and ensure accuracy of their accounts.

During the year 2019-20, such reconciliation was completed by 49 Chief Controlling Officers (CCOs) (fully by seven CCOs and partially by 42 CCOs) out of 62 CCOs (79.03 per cent) covering expenditure of ₹ 21,153.13 crore (55.27 per cent of total expenditure of ₹ 38,272.98 crore¹) and by 37 CCOs (fully by six CCOs and partially by 31 CCOs) out of 48 CCOs (77.08 per cent) covering receipts of ₹ 29,287.77 crore (95.33 per cent of total receipts of ₹ 30,722.57 crore).

The status of reconciliation of receipts and expenditure figures by the Controlling Officers during the period 2017-18 to 2019-20 is shown in **Chart-4.7**.

¹ Total Expenditure ₹ 38,272.98 crore excludes disbursement of Loans and Advances of ₹ 125.78 crore.



The details relating to the number of Controlling Officers and the extent of reconciliation during the last three years are given in **Table-4.17**.

Table-4.17: Status of Reconciliation of Receipts and Expenditure figures

(₹ in crore)

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all	Total Receipts/Expenditure	Reconciled Receipts/Expenditure	Percentage of Reconciliation
Receipts							
2017-18	48	36	-	12	27,104.57	23,860.46	88.03
2018-19	48	48	-	00	31,216.45	29,555.88	94.68
2019-20	48	06	31	11	30,722.57	29,287.77	95.33
Expenditure							
2017-18	62	48	-	14	34,997.06	31,263.90	89.33
2018-19	62	55	-	07	38,380.44	36,524.41	95.16
2019-20	62	07	42	13	38,272.98	21,153.13	55.27

Source: Finance Accounts 2019-20 prepared by Accountant General (A&E) Uttarakhand.

Reconciliation and verification of figures is an important tool of financial management. Failure to adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process. The reconciliation during 2019-20 in respect of expenditure figures has dropped considerably to 55.27 per cent as against 95.16 per cent in 2018-19.

4.13 Reconciliation of Cash Balances

The Cash Balance as on 31 March 2020 as per books of Accounts of the Accountant General (Accounts and Entitlement) was ₹ 595.25 crore. There was a net difference of ₹ 171.35 crore between the Cash balance as worked out by the Accountant General (Accounts and Entitlement) and as reported by the Reserve Bank of India (RBI) which

was ₹ 423.90 crore. This difference was on account of non-receipt of scrolls, etc. The office of the Accountant General (Accounts and Entitlement), Uttarakhand stated that the matter was under consideration with the RBI and Treasuries for the reconciliation of the same. Further, an amount of ₹ 4.40 crore had been worked out as penal interest to be paid by the agency bank to the State Government on account of delayed deposits from 2016-17 to 2018-19 and had been communicated to the State Government and Fund Settlement Link Office, State Bank of India, Kanpur. However, the said penal interest was yet to be credited to the State Government Accounts. During the year 2019-20, RBI cleared ₹ 2,140.25 crore (₹ 2,148.41 crore Dr and ₹ 8.16 crore Cr) as a result of reconciliation. No cash balance differences had been written off in 2019-20.

4.14 Compliance with Accounting Standards

Three Indian Government Accounting Standards (IGAS) have been notified by Government of India. The compliance of the existing accounting Standards by the State Government is detailed in the **Table-4.18**.

Table-4.18: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by Government	Impact of deficiency
1.	IGAS- 1: <i>Guarantees given by the Government</i>	This Standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Partially complied (Statement 9 and 20 of Finance Accounts)	The information regarding maximum amount of guarantees has not been made available by the State Government. Further, detailed information like number of guarantees for each institution was not furnished. Hence, the statement is incomplete to that extent.
2.	IGAS- 2: <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.	Partially complied (Statement 10 and Appendix-III of Finance Accounts)	The State Government gives Grants-in-Aid to various bodies for various purposes and schemes. Details of Grants-in-Aid given by the State Government are shown in Statement 10 and Appendix-III of the Finance Accounts as per the requirement of IGAS-2. However, information on the Grants-in-Aid in kind has not been provided by the State Government. Hence, the requirement of IGAS-2 has not been fulfilled to that extent. During the year 2019-20, the State Government released Grants-in-Aid to the tune of ₹ 4,800.18 crore and allocated fund amounting to ₹ 553.98 crore for creation of capital assets.
3.	IGAS- 3: <i>Loans & Advances made by the Government</i>	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices	Partially complied (Statement 7 and 18 of Finance Accounts)	Statements 7 and 18 of the Finance Accounts on Loans and Advances given by the Government have been prepared as per the requirements of IGAS-3, to the extent furnished by the State Government except for loans, if any, that were sanctioned in perpetuity.

4.15 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

As per Section 19(3) of the CAG's DPC Act, 1971 the Governor/Administrator may, in

the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20).

Audit Certificate is issued in case of above mentioned autonomous bodies and authorities provided CAG is the sole auditor. Thus, these bodies and authorities are required to prepare annual accounts and submit these to the Accountant General (Audit). Apart from Audit Certificate, on the completion of financial audit, the audit office issues Separate Audit Report (SAR) that is part of the Audit Certificate on the accounts. These SARs are to be placed before the State Legislature.

4.15.1 Arrears of Accounts of Bodies or Authorities

Details of arrears of accounts of authorities are given in the **Table-4.19** below.

Table-4.19: Arrears of accounts of Bodies or Authorities

Sl. No.	Name of Body or Authority	Accounts Pending Since	No. of accounts pending up to 2019-20
1.	Uttarakhand Parivahan Nigam	2016-17	04
2.	Uttarakhand Peyjal Sansthan Vikas Evam Nirman Nigam	2019-20	01
3.	Compensatory Afforestation Management Planning Authority	2017-18	03
4.	Uttarakhand Forest Development Corporation	2019-20	01
5.	Uttarakhand Building and Other Construction Workers Welfare Board, Dehradun	Accounts pending since establishment (2005)	

It can be seen from **Table-4.19** that accounts of five authorities are pending for one to fifteen years.

4.16 Departmental Commercial Undertakings/Corporations/Companies

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report should be laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations (including departmental undertakings). The departmental undertakings perform activities of commercial/quasi-commercial nature. They are required to prepare proforma accounts in the prescribed format annually, showing the working results of operations so that the Government can assess their working.

The above mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and corporations from the Consolidated Fund of the State.

Further, Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Section 129 of the Act stipulates that the audited Financial Statements for the financial year has to be placed in the said AGM for their consideration. Section 129(7) of the Act provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act.

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

Three departmental undertakings 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 Heads of Department in the government have to ensure that the undertakings prepare such accounts and submit the same to the Principal Accountant General (Audit), Uttarakhand, for audit within a specified time frame. As of March 2020, the department-wise position of arrears in preparation of *proforma* accounts and investments made by the Government are given in **Table-4.20**.

Table-4.20: Finalisation of Accounts and the Government Investments in Departmentally Managed Commercial and Quasi-Commercial Undertakings

Sl. No.	Name of the Undertaking	Accounts finalised up to	Investment as per the last accounts finalized (₹ in crore)	Remarks/Reasons for delay in preparation of accounts
Department of Irrigation				
1.	Irrigation Workshop Division, Roorkee	2011-12	1.92	#
Food & Civil Supply Department				
2.	Regional Food Controller, Haldwani	2006-07	#	#
3.	Regional Food Controller, Dehradun	2006-07		

information not made available.

In the absence of timely finalization of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

4.16.2 Delay in submission of Accounts in respect of Public Sector Undertakings

Details of position of working PSUs whose accounts are in arrears at the end of February 2021 are shown in **Table-4.21**.

Table-4.21: Position of PSUs whose accounts are in arrears

(₹ in crore)

Sl. No.	Name of PSU	Period for which accounts are in arrears	Number of Accounts pending	Investment	Loss/ Profit making
1.	Uttarakhand Seed & Tarai Development Corporation Ltd.	2017-18 to 2019-20	3	1.20	(-) 13.85
2.	Uttarakhand Bahuuddeshiya Vitta Evam Vikas Nigam Limited	2009-10 to 2019-20	11	17.46	0.86

3.	State Infrastructure and Industrial Development Corporation of Uttarakhand Limited	2017-18 to 2019-20	3	26.00	5.05
4.	Bridge, Ropeway, Tunnel and other Infrastructure Development Corporation of Uttarakhand Limited earlier known as Uttarakhand State Infrastructure Development Corporation Limited	2019-20	1	4.00	3.17
5.	Uttar Pradesh Hill Electronics Corporation Limited	2014-15 to 2019-20	6	8.95	(-) 2.21
6.	Kichha Sugar Company Limited	2019-20	1	17.99	4.40
7.	Kumaun Mandal Vikas Nigam Limited	2006-07 to 2019-20	14	13.42	(-) 1.51
8.	Garhwal Mandal Vikas Nigam Limited	2012-13 to 2019-20	8	6.79	(-) 1.54
9.	Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam	Since inception		NA	
10.	Ecotourism Development Corporation of Uttarakhand	Since inception		NA	
11.	Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam	2019-20	1	0.00	0.06
12.	Uttarakhand Parivahan Nigam	2016-17 to 2019-20	4	229.36	(-)11.99
13.	Uttarakhand Forest Development Corporation	2019-20	1	0.00	15.88
14.	Kishau Corporation Limited	2017-18 to 2019-20 (since inception)	3	NA	
15.	UPAI Limited (under liquidation since 31.03.1991)	1989-90 to 2019-20	Persistent Defaulter	0.17	0.00
16.	Trans cables Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited)	2000-01 to 2019-20	Persistent Defaulter	0.00	(-)0.84
17.	Uttar Pradesh Digitals Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited)	1997-98 to 2019-20	Persistent Defaulter	0.00	(-)1.19
18.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	1990-91 to 2019-20	Persistent Defaulter	0.00	(-)0.02
19.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	1987-88 to 2019-20	Persistent Defaulter	0.00	0.00
20.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation limited)	1989-90 to 2019-20	Persistent Defaulter	0.00	0.00
21.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	2009-10 to 2019-20	Persistent Defaulter	0.20	(-)0.19
22.	Kumaun Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited)	1987-88 to 2019-20	Persistent Defaulter	0.22	(-)0.02

There were 22 PSUs whose accounts were in arrears ranging from one year to 33 years. Out of 22 PSUs, eight PSUs were persistent defaulters in submitting their accounts to the Principal Accountant General (Audit). Further, 10 PSUs having accounts in arrear were loss making and had an accumulated loss of ₹ 491.85 crore against the paid up capital of ₹ 275.00 crore.

4.17 Non-submission of details of grants/loans given to bodies and authorities

To identify the institutions, which attract audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose for which the assistance was granted and the total expenditure of the institutions. Further, Regulation on Audit and Accounts (Amendments) 2020 provides that Government and the Heads of Departments which sanction grants and/or loans to bodies or authorities, shall furnish to the Audit Office, by the end of July every year, a statement

of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

The Government, however, did not furnish the information pertaining to grants aggregating ₹ 10 lakh or more for the Autonomous Bodies/Authorities in the State of Uttarakhand. However, information in case of 13 Bodies out of 27 Bodies was directly received in this office from the entities in whose favour the grants had been sanctioned by the State Government. Non-furnishing of information was in violation of Regulations on Audit and Accounts, (Amendments) 2020.

4.18 Timeliness and Quality of Accounts

During 2019-20, all the account rendering entities (Treasuries, Public Works and Forest Divisions and Pay and Account Office, New Delhi), who render their monthly accounts to Accountant General (Accounts and Entitlement), had rendered their accounts in time and there was no case of exclusion.

4.19 Misappropriations, losses, thefts, etc.

Audit observed two cases of defalcation involving Government money amounting to ₹ 76.61 lakh for the period 2018-19 on which final action was pending. However, there were no cases of misappropriations, losses, theft, etc. noticed during 2019-20. Details of these two cases are given in the **Table-4.22**.

Table-4.22: Details of Cases of Loss and Defalcation

Name of Department	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.
	Number of cases	Amount (₹ in lakh)	Awaiting departmental and criminal investigation
Education Department	01	7.00	Pending in Champawat, Court of Law
Irrigation Department	01	69.61	Pending in Nainital, Court of Law
Total	02	76.61	

4.20 Unauthorised operation of Heads of Accounts

The details of booking of expenditure by the State Government during 2019-20 under the heads of accounts that are not in conformity with the List of Major Minor Heads of Accounts are given in **Table-4.23** below:

Table-4.23: Unauthorised operation of heads of accounts

Sl. No.	Heads of Accounts	Amount (₹ in lakh)
1.	3604-01 and 02	1,716.67
2.	2810- 02 and 60	13.30
3.	2501-01	93.41
4.	2070-104	14.74
5.	2059-80-102	2.14
	Total	1,840.26

Source: Notes to Accounts 2019-20.

During 2019-20, an amount of ₹ 1,840.26 crore (5.60 per cent of Revenue Expenditure ₹ 32,858.80 crore) had been booked by the State Government under different heads of accounts which are not provided in the List of Major and Minor Heads of Accounts. During Exit Conference, the State Government stated that action had been initiated to avoid recurrence in future.

4.21 Follow up Action on State Finances Audit Report

Public Accounts Committee of the State Legislature had not discussed the State Finances Audit Reports since their preparation despite the issue having been taken up with the Public Accounts Committee.

4.22 Conclusions

- The departmental officers did not submit 52 Utilisation Certificates (due for submission by March 2020) to the Accountant General (Accounts and Entitlement), Uttarakhand in respect of the grants of ₹ 99.44 crore given up to March 2019 for specific purposes. As of March 2020, 37 Abstract Contingent bills amounting to ₹ 3.01 crore were outstanding. Accounts in respect of five Autonomous Bodies and 25 Public Sector Undertakings were in arrears. Non-submission of Utilisation Certificates and Detailed Countersigned Contingent bills drawn for specific programmes and non-submission of Accounts by Autonomous Bodies/Public Sector Undertakings were violative of prescribed financial rules and directives. These point to inadequate internal controls and deficient monitoring mechanism of the State Government.
- During 2019-20, reconciliation of expenditure by the Chief Controlling Officers was 55.27 per cent. Non-reconciliation of receipts and expenditure booked by the controlling officers of the State with the figures of the Accountant General (Accounts and Entitlement) reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.
- Significant amounts of expenditure and receipts were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' under various Major Heads affecting the transparency in financial reporting. Operation of omnibus Minor Head 800- Other Expenditure/Other Receipts affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.
- The State Government has yet not fully implemented the notified Indian Government Accounting Standards in the State, thereby, compromising on the quality of financial reporting.

4.23 Recommendations

- *The Government may ensure timely submission of Utilisation Certificates in respect of grants released for specific purposes and furnishing of Detailed Countersigned Contingent bills by the departments.*
- *The Government should strengthen its internal control mechanism to ensure that the controlling officers reconcile their figures of expenditure with those of Accountant General (Accounts and Entitlement) at prescribed intervals.*
- *The State Government should discourage the operation of omnibus Minor Head 800 and chalk out a specific time frame in consultation with the Accountant General (Accounts and Entitlement), to identify appropriate heads of account to classify the transaction correctly in the books of accounts.*
- *The State Government should take steps to fully implement the Indian Government Accounting Standards in the State to improve the quality of financial reporting.*

CHAPTER-5
STATE PUBLIC SECTOR ENTERPRISES

Chapter-5

State Public Sector Enterprises

This chapter discusses the financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies as revealed from their accounts. Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises (SPSEs) conducted by the Comptroller and Auditor (CAG) of India for the year 2019-20 (or of earlier years which were finalised during the current year) has also been discussed.

5.1 Definition of Government Companies

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary of a Government Company.

Besides, any other company¹ owned or controlled Government, directly or indirectly, by the Central Government, or by any State or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies.

5.2 Mandate of Audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG of India under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

5.3 SPSEs and their contribution to the GSDP of the State

SPSEs consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2020, there were 30² SPSEs in Uttarakhand, including three³ Statutory Corporations and 27 Government Companies (including eight inactive government companies⁴) under the

¹ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs *vide* Gazette Notification dated 4 September 2014.

² The details of 25 SPSEs are discussed as the first accounts of three SPSEs *viz.* Kishau Corporation Limited, Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam and Ecotourism Development Corporation of Uttarakhand have not been received. Further, the details of two inactive SPSEs namely Uttar Pradesh Hill Phones Limited and Uttar Pradesh Hill Quartz Limited are not available.

³ Uttarakhand Parivahan Nigam, Uttarakhand Forest Development Corporation and Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

⁴ Inactive government company means a company which has not been carrying on any business or operation, or has not made any significant accounting transaction, or has not filed financial statements and annual returns during last two financial years.

audit jurisdiction of the CAG. The names of these SPSEs are given in **Appendix-5.1**. None of these Government Companies were listed on the stock exchange. There are eight⁵ inactive SPSEs in the State. These are inactive for the last eight to 33 years and have investment of ₹27.24 crore towards capital (₹3.36 crore) and long term loans (₹ 23.88 crore). This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State.

A ratio of turnover of the SPSEs to the Gross State Domestic Product (GSDP) shows the extent of activities of the SPSEs in the State economy. The details of turnover of SPSEs and GSDP for a period of two years ending 31 March 2020 are given in **Table-5.1** below.

Table-5.1: Details of turnover of SPSEs vis-à-vis GSDP of Uttarakhand

Particulars	₹ in crore)		
	2017-18	2018-19	2019-20
Turnover	8,770.99	9,275.08	10,148.52
GSDP of Uttarakhand	22,2836	2,45,895	2,53,666
Percentage of Turnover to GSDP of Uttarakhand	3.94	3.77	4.00

It can be seen from the table above that the turnover of these SPSEs recorded increase during 2019-20 as compared to 2017-18 by 15.71 per cent as per their latest audited accounts available in respective years. However, the contribution of SPSEs in GSDP is marginal.

5.4 Investment in SPSEs and Budgetary support

5.4.1 Equity holding and Loans in SPSEs

The sector wise Total Equity, Equity Contribution by State Government and Long Term Loans including the loans given by State Government is given below in **Table-5.2**.

Table-5.2: Sector-wise investment in SPSEs

Name of Sector	Investment ⁶ (₹ in crore)				
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans
Power	3,273.97	3,273.97	3,398.45	507.02	6,672.42
Finance	24.45	17.88	3.82	1.17	28.27
Service	258.81	249.57	92.20	29.81	351.01
Infrastructure	33.00	30.30	268.47	24.02	301.47
Others	41.42	35.93	288.57	263.96	329.99
Total	3,631.65	3,607.65	4,051.51	825.98	7,683.16

Source: Latest Financial Statements of SPSEs.

The thrust of SPSEs investment was mainly on power sector. This sector had received 86.84 per cent (₹ 6,672.42 crore) of total investment of ₹ 7,683.16 crore.

⁵ UPAI, Trans Cables Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited), Uttar Pradesh Digitals Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited), Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited), Kumaun Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited). Further, four Public Sector Undertakings (PSUs) namely Garhwal Anusuchit Janjati Vikas Nigam Limited, Kumaun Anusuchit Janjati Vikas Nigam Limited, Trans Cables Limited and Uttar Pradesh Digitals Limited, which were working PSUs up to 2016-17 have been included as inactive PSUs for the year 2018-19 onwards as there has not been any commercial activity in these PSUs.

⁶ Investment includes equity and long term loans.

5.4.2 Market Capitalisation of equity investment in SPSEs

None of the SPSEs have got their shares listed in any stock exchange.

5.4.3 Disinvestment, Restructuring and Privatisation

During the year 2019-20, there was no case of privatisation of SPSEs. The State Government has not prepared any policy on disinvestment of State Government equity invested in the SPSEs.

5.5 Returns from SPSEs

5.5.1 Profit earned by SPSEs

The number of SPSEs that earned profit was 10 in 2019-20 as compared to seven in 2018-19. The profit earned increased to ₹ 258.80 crore in 2019-20 from ₹ 106.06 crore in 2018-19. The Return on Equity (RoE) of the 10 SPSEs also increased to 7.36 per cent in 2019-20 as compared to 3.17 per cent in seven SPSEs in 2018-19. The RoE in all the 25 SPSEs including 13⁷ loss making was (-) 54.71 per cent in 2019-20.

The details of top three SPSEs which contributed maximum profit are summarised in **Table-5.3** below.

Table-5.3: Top 3 SPSEs which contributed maximum profit

Name of SPSE	Net profit earned (₹ in crore)	Percentage of profit to total SPSEs profit
UJVN Limited	123.01	47.53
Power Transmission Corporation of Uttarakhand Limited	97.34	37.61
Uttarakhand Forest Development Corporation	15.88	6.13
Total	236.23	91.28

Source: Latest Financial Statements of SPSEs.

During 2019-20, net profit of ₹ 236.23 crore constituting 91.28 per cent of total profit of SPSEs was contributed by three SPSEs.

5.5.2 Dividend paid by SPSEs

The State Government had not formulated any dividend policy under which SPSEs would be required to pay a minimum return on the paid up share capital contributed by the State Government. The dividend paid by Power Sector SPSEs, where equity was infused by Government of Uttarakhand is shown in **Table-5.4** below.

Table-5.4: Dividend Payout of Power Sector SPSEs

(₹ in crore)

Year	No. of SPSEs which declared dividend	Paid Up Capital	Net Profit	Dividend Declared
1	2	3	4	5
2017-18	1	1,167.86	63.73	27.28
2018-19	1	1,190.99	26.24	22.53
2019-20	2	1,829.06	220.35	16.93

Source: Latest Financial Statement of SPSEs.

Only one Power Sector SPSE (UJVN Limited) paid/declared dividend during 2017-18 and 2018-19 while Power Transmission Corporation of Uttarakhand Limited and UJVN

⁷ One SPSE namely Dehradun Smart City Limited is working on break-even point as it receives only Government Grant to meet the expenditure and one SPSE namely UPAI was under liquidation. Further, these 13 loss making SPSEs included one non-working SPSE namely Garhwal Anusuchit Janjati Vikas Nigam Limited.

Limited paid/declared dividend during 2019-20. Also, none of the SPSEs other than Power Sector had declared/paid dividend.

5.6 Debt Servicing

5.6.1 Interest Coverage Ratio

Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in SPSEs which had interest burden are given below in **Table-5.5**.

Table-5.5: Interest coverage ratio of SPSEs

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs ⁸ having liability of loans from Government, and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2017-18	431.14	170.23	13	06	07 ⁹
2018-19	297.61	(-) 289.42	12	3	9 ¹⁰
2019-20	264.29	(-) 33.80	12	6	6 ¹¹

Source: Latest Financial Statement of SPSEs.

It was observed that six SPSEs¹² had interest coverage ratio of more than one during 2019-20. Six SPSEs had interest coverage ratio of less than one during 2019-20. Thus, the SPSEs were not generating sufficient revenues to meet their expenses on interest.

5.7 Performance of listed SPSEs vis-a-vis private companies

As none of the SPSEs in Uttarakhand is listed, hence the performance of SPSEs cannot be compared with private companies.

5.7.1 Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a

⁸ One power sector PSE Kishau Corporation Limited has not been considered as its operation did not commence till March 2020.

⁹ Uttarakhand Power Corporation Limited, Uttarakhand Seeds & Tarai Development Corporation Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Kumaun Mandal Vikas Nigam Limited, Garhwal Mandal Vikas Nigam Limited and Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

¹⁰ Uttarakhand Power Corporation Limited, Uttarakhand Seeds & Tarai Development Corporation Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Kumaun Mandal Vikas Nigam Limited, Garhwal Mandal Vikas Nigam Limited, Uttarakhand Bahuddeshiya Vitta Evam Vikas Nigam Limited, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam and Bridge, Ropeway, Tunnel and other Infrastructure Development Corporation of Uttarakhand Limited.

¹¹ Uttarakhand Power Corporation Limited, Uttarakhand Seeds & Tarai Development Corporation Limited, Kumaun Mandal Vikas Nigam Limited, Garhwal Mandal Vikas Nigam Limited, Garhwal Anusuchit Janjati Vikas Nigam Limited, Doiwala Sugar Company Limited.

¹² UJVN Limited, Power Transmission Corporation of Uttarakhand Limited, Uttarakhand Bahuddeshiya Vitta Evam Vikas Nigam Limited, Bridge, Ropeway, Tunnel and other Infrastructure Development Corporation of Uttarakhand Limited, Kichha Sugar Company Limited, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

company's earnings before interest and taxes (EBIT) by the capital employed¹³. The details of RoCE during the period from 2017-18 to 2019-20 are given below in **Table-5.6**.

Table-5.6: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in per cent)
2017-18	177.75	5,050.68	3.52
2018-19	(-) 283.77	4,529.40	(-) 6.26
2019-20	(-) 220.38	4,737.77	(-) 4.65

Source: Latest Financial Statement of SPSEs.

It was observed that RoCE was positive in 2017-18. However, it turned negative in 2018-19 and marginally improved during the year 2019-20 in comparison to 2018-19.

5.7.2 Return on Equity by SPSEs

Return on Equity (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund is calculated by adding paid up capital and free reserves minus net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means liabilities exceed assets.

The details of Shareholders' Fund and RoE relating to the SPSEs are given below in **Table-5.7**.

Table-5.7: Return on Equity relating to SPSEs where funds were infused by the State Government

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2017-18	(-) 238.89	944.00	--
2018-19	(-) 587.81	956.48	--
2019-20	(-) 375.44	686.26	--

As the net income of SPSEs during 2017-18 to 2019-20 was negative, RoE could not be calculated.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

There were 13 SPSEs¹⁴ that incurred losses as per their latest finalised accounts at the end of March 2020. The losses incurred by these SPSEs increased to ₹ 634.24 crore as per their latest finalised accounts from ₹ 371.62 crore in 2017-18 as given below in **Table-5.8**.

¹³ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure.

¹⁴ 13 SPSEs includes one non-working SPSE namely Garhwal Anusuchit Janjati Vikas Nigam Limited.

Table-5.8: Number of SPSEs that incurred losses during 2018-19 and 2019-20

(₹ in crore)				
Year	No of loss making SPSEs	Net loss for the year	Accumulated loss	Net Worth ¹⁵
Statutory Corporations				
2017-18	02	(-) 51.49	(-) 662.04	2,006.21
2018-19	03	(-) 20.36	(-) 310.10	(-) 71.50
2019-20	01	(-) 11.99	(-) 427.65	(-) 189.05
Government Companies				
2017-18	10	(-) 320.13	(-) 3,152.36	(-) 1,787.31
2018-19	13	(-) 673.51	(-) 3,806.25	(-) 2,316.84
2019-20	12	(-) 622.25	(-) 4,127.34	(-) 2,639.93
Total				
2017-18	12	(-) 371.62	(-) 3814.40	218.90
2018-19	16	(-) 693.87	(-) 4,116.35	(-) 2,388.34
2019-20	13	(-) 634.24	(-) 4,554.99	(-) 2,828.97

In 2019-20, out of total loss of ₹ 634.24 crore incurred by 13 SPSEs, loss of ₹ 577.31 crore was contributed by one SPSE (Uttarakhand Power Corporation Limited).

5.8.2 Erosion of Capital in SPSEs

As on 31 March 2020, there were 15 SPSEs with accumulated losses of ₹ 5,134.38 crore. Of these 15 SPSEs, 12 SPSEs incurred losses amounting to ₹ 628.73 crore and two SPSEs had not incurred loss, even though they had accumulated loss of ₹ 543.44 crore as per their latest accounts finalised. One out of 15 SPSEs was under liquidation (UPAI Limited).

The net worth of 11 out of 15 SPSEs had been completely eroded by accumulated loss and their net worth was either zero or negative. The net worth of these 11 SPSEs was (-) ₹ 3,410.49 crore against equity investment of ₹ 1,723.11 crore as on 31 March 2020. Out of 11 SPSEs, whose capital had been eroded (being zero or negative net worth), two SPSEs had earned profit of ₹ 4.46 crore during 2019-20. In 11 out of 15 SPSEs whose capital had been eroded, Government loans outstanding as on 31 March 2020 amounted to ₹ 307.69 crore.

5.9 Audit of State Public Sector Enterprises

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the Legislature.

5.10 Appointment of statutory auditors of State Public Sector Enterprises by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be

¹⁵ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

appointed by the CAG within a period of 180 days from the commencement of the financial year.

The statutory auditors of the above Companies for the year 2019-20 were appointed by the CAG during August 2019.

5.11 Submission of accounts by State Public Sector Enterprises

5.11.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting¹⁶ (AGM). As soon as may be after such preparation, the Annual Report must be laid before Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary Legislative control over the utilization of public funds invested in the Companies from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year have to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

The annual accounts of various SPSEs were pending as on 30 September 2020, as detailed in the following paragraph.

5.11.2 Timeliness in preparation of accounts by SPSEs

As of 31 March 2020, there were 27 Government Companies under the purview of CAG's audit. Of these, accounts for the year 2019-20 were due from 26 Government Companies except UPAI (under liquidation since 31.03.1991). However, only five Government Companies submitted their accounts for audit by CAG by 31 December 2020¹⁷. Accounts of 21 Government Companies were in arrears for various reasons. Details of arrears in submission of accounts of Government Companies are given in **Table-5.9** below.

¹⁶ In case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case within a period of six months, from the date of closing of the financial year *i.e.* 30 September.

¹⁷ Date of holding AGM of Companies for the financial year 2019-20 was extended upto 31 December 2020 by Registrar of Companies, Uttarakhand in accordance with Government of India, Ministry of Corporate Affairs order dated 17 August 2020.

Table-5.9: Details of arrears in submission of accounts of Government Companies

Particulars		Government Companies
Total number of Companies under the purview of CAG's audit as on 31.03.2020		27
Less: New Companies from which accounts for 2019-20 were not due		0
Number of companies from which accounts for 2019-20 were due		26 ¹⁸
Number of companies which presented the accounts for the year 2019-20 for CAG's audit by 31 December 2020		05
Number of accounts in arrears (21 Government Companies)		248
Break- up of Arrears	(i) Under Liquidation	01
	(ii) Defunct	178
	(iii) Others	70
Age-wise analysis of arrears against 'Others' category	One year (2019-20)	4
	Two years (2018-19 and 2019-20)	2
	Three years and more	64

5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of three statutory corporations is conducted by the CAG. Of the three statutory corporations where CAG is the sole auditor, none of the accounts for the year 2019-20 were presented for audit before 31 December 2020. As on 31 December 2020, six accounts of these Statutory Corporations were pending.

5.12 CAG's oversight - Audit of accounts and supplementary audit

5.12.1 Financial reporting framework

Companies are required to prepare the Financial Statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

5.12.2 Audit of accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to:

- issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and

¹⁸ Accounts were not due from UPAI Limited which was in liquidation and no details are available.

- supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

5.12.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of Financial Statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the Financial Statements under section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the AGM.

5.13 Result of CAG's oversight role

5.13.1 Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013

Eleven Financial Statements for the year 2019-20 and previous years were received from 10 Government Companies by 30 September 2020. Five of the Financial Statements of SPSEs were reviewed in audit by the CAG and Non Review Certificate was issued for six SPSEs. The results of the review are detailed below:

5.13.2 Amendment of Financial Statements

During 2019-20, there is no case of Government Companies amending their Financial Statements before laying the same in the AGM.

5.13.3 Revision of Auditors Report

During 2019-20, there is no case of revision of statutory auditors' report as a result of supplementary audit of the Financial Statements for the year ended 31 March 2020 conducted by the CAG.

5.13.4 Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies

Subsequent to the audit of the Financial Statements for the year 2019-20 and previous years by statutory auditors, the CAG conducted supplementary audit of the Financial

Statements of five Government Companies. Some of the significant comments issued on Financial Statements of Government Companies, the financial impact of which was ₹ 38.86 crore on the profitability and ₹ 57.22 crore on assets/liabilities, have been detailed in **Table-5.10** and **Table-5.11** below.

Table-5.10: Impact of the Comments on the Profitability of Government Companies

Sl. No.	Name of the Company	Comments
1.	State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (SIIDCUL) (2016-17)	<ul style="list-style-type: none"> • Profit for the year was overstated by ₹ 22.01 crore as company did not provide for interest earned/accrued of ₹ 22.01 crore (interest charges on land premium ₹ 14.83 crore and interest on lease rent ₹ 7.18 crore) which was payable to the State Government. • Company did not provide Guarantee fees as well as penalty (one per cent) of ₹ 3.58 crore due to non-payment of guarantee fee to the State Government in respect of loan taken from HUDCO. This resulted in understatement of Short Term Provisions and overstatement of Profit during the year by ₹ 3.58 crore. • Capital Work in Progress (CWIP) included expenditure incurred by SIIDCUL amounting to ₹ 6.76 crore towards construction of road outside SIIDCUL premises. As the expenditure incurred by the company did not result in creation of any asset in the name of the company and the work had also been completed in 2016-17, it should have been treated as expenditure and charged to the Profit and Loss Account. This resulted in overstatement of CWIP by ₹ 5.61 crore and Advance to Contractor by ₹ 1.15 crore as well as overstatement of Profit by ₹ 6.76 crore. • CWIP included expenditure incurred by SIIDCUL at the direction of Government of Uttarakhand amounting to ₹ 3.56 crore (consultancy charges of ₹ 1.59 crore incurred on behalf of State Government for ease of doing business, ₹ 1.24 crore on Single Window System Portal for various departments of State Government and ₹ 0.73 crore on Landscaping and Horticulture Maintenance Works, etc.). As these expenses did not result in creation of any asset in the name of the company, it should have been charged as expenditure to the Profit and Loss Account. This resulted in overstatement of CWIP by ₹ 3.56 crore and Profit by the same amount.
2.	UJVN Limited (2019-20)	<ul style="list-style-type: none"> • The Company generated electricity at its Dhakrani Power Project and supplied it to the contractors itself instead of supplying through distribution licensee (UPCL) authorised by Uttarakhand Electricity Regulatory Commission. The income booked in this regard amounted to ₹ 2.95 crore. This was not correct as this amount did not belong to UJVN Limited and hence the same should have been transferred/shown as payable to UPCL as UPCL is the sole distribution licensee in the State. Similarly, an amount of ₹ 11.63 crore pertaining to previous years had also been included in retained earnings. This resulted in overstatement of Profit for the year by ₹ 2.95 crore as well as retained earnings by ₹ 11.63 crore and understatement of Other Liabilities by ₹ 14.58 crore.

Table-5.11: Impact of the Comments on Financial Position of Government Companies

Sl. No.	Name of the Company	Comment
1.	State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (SIIDCUL) (2016-17)	<ul style="list-style-type: none"> Tangible Assets did not include ₹ 24.51 crore being the amount of Civil Works at Bhimtal, Jashodharpur, Kotdwar, Bahadarabad and Sitarganj completed during 2016-17 which had been incorrectly shown as Capital Work-in Progress (CWIP). Due to non-capitalisation, depreciation at the rate of 9.5 per cent per annum had not been provided on these assets. Non-capitalisation of the assets resulted in understatement of Tangible Assets by ₹ 23.42 crore (Net block). Other Non-Current Assets included payment of ₹ 25 crore made by SIIDCUL to CEO, Rajeev Gandhi International Cricket Stadium, Dehradun for South Stand Naming Rights. According to AS-26 Intangible Assets, the depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life. Further, the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Amortisation should commence when the asset is available for use. The stadium was inaugurated in 2016-17. Hence, the company should have treated the payment made for naming rights as Intangible Asset and amortised the same on proportionate basis which was not done. Non-capitalisation and amortization of payment made resulted in understatement of Intangible Assets by ₹ 24.28 crore and overstatement of Profit for the year by ₹ 0.72 crore and Other Non-Current Assets by ₹ 25 crore.
2.	UJVN Limited (2019-20)	<ul style="list-style-type: none"> Property, Plant and Equipment did not include ₹ 8.80 crore being the cost of Air Blast Circuit Breaker Hybrid System (System) which was installed (20 March 2020) in Chibro Power Station. As the System was installed before 31 March 2020, the same should have been capitalised instead of showing under Capital Work-in-Progress. Further, no liability was provided for remaining cost of the system amounting to ₹ 0.54 crore. This resulted in overstatement of Capital Work-in-Progress by ₹ 8.26 crore, understatement of Other Liabilities by ₹ 0.54 crore as well as Property, Plant and Equipment by ₹ 8.80 crore.

5.13.5 Statutory Corporations where CAG is the sole auditor

Some of the significant comments issued by the CAG on the accounts of Statutory Corporations where CAG is the sole auditor, the financial impact of which was ₹ 124.79 crore on the profitability are detailed below:

Uttarakhand Forest Development Corporation (2018-19)

- The Corporation did not make provision for 7th Pay commission arrear resulting in overstatement of Profit by ₹ 2.68 crore.
- The Corporation made short provision of Gratuity to the tune of ₹ 25.66 crore resulting in overstatement of Profit by the same amount.
- The Corporation made short provision of Group Leave Encashment Scheme resulting in overstatement of Profit by ₹ 89.07 crore.

Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam (2018-19)

- The Current Liabilities and Provisions did not include (i) ₹ 4.31 crore, being the liability of leave encashment of 96 employees who retired by 31 March 2019, (ii) ₹ 54.65 lakh, being the liability of Dearness Allowance at the rate of 3 *per cent* from January 2019 to March 2019 and (iii) ₹ 2.52 crore, being the liability of outstanding expenses for the year 2018-19, paid during the year 2019-20. This resulted in understatement of Current Liabilities and Provisions and overstatement of Surplus by ₹ 7.38 crore.

5.14 Management Letters

One of the objectives of financial audit is to establish communication, on audit matters arising from the audit of Financial Statements, between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the Financial Statements of Public Sector Enterprises were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the Management through 'Management Letter' for taking corrective action. During the year, CAG issued Management Letters to Kichha Sugar Company Limited and Uttarakhand Metro Rail Urban Infrastructure and Building Construction Corporation Limited. The deficiencies related to application and interpretation of accounting policies and practices.

5.15 Conclusions

- As on 31 March 2020, there were 30 SPSEs including three Statutory Corporations. Out of 30 SPSEs, there are eight inactive SPSEs. These SPSEs are inactive since last eight to 33 years.
- Out of the total profit of ₹ 258.80 crore earned by SPSEs, 91.28 *per cent* was contributed by only three SPSEs. Out of total loss of ₹ 634.24 crore incurred by 13 SPSEs, loss of ₹ 577.31 crore was contributed by one SPSE (Uttarakhand Power Corporation Limited).
- SPSEs were not adhering with the prescribed timeline regarding submission of their Financial Statements as per the Companies Act, 2013. As a result, 248 accounts of 21 Government Companies were in arrears.
- During 2019-20, the impact of CAG's comments on the Financial Statements of the SPSEs amounted to ₹ 163.65 crore on profitability and ₹ 57.22 crore on the financial position.

5.16 Recommendations

- *State Government may ensure timely submission of Financial Statements of SPSEs, as in the absence of finalisation of accounts, government investments in such SPSEs remain outside the oversight of the State Legislature.*
- *The inactive SPSEs are neither contributing to State economy nor meeting the intended objectives. The State Government needs to take a decision regarding commencement of liquidation process in respect of inactive SPSEs.*

Dehradun
The 10 June 2021


(S. ALOK)
Principal Accountant General (Audit),
Uttarakhand

Countersigned

New Delhi
The 24 June 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

Appendix-1.1
(Reference: Paragraph 1.1; Page1)
State Profile

Sl. No.	Particulars		Figures
1.	Area		53,483 Sq km
	a.	Hill	46,035 Sq km
	b.	Plain	7,448 Sq km
	c.	Forest	38,000 Sq km
2.	Districts (10 Hilly area and 3 Plain area)		13 Districts
3.	Population		
	a.	As per 2001 Census	84.89 lakh
	b.	As per 2011 Census	100.86 lakh
4.	a.	Density of Population (as per 2001 Census) (All India Density = 324 persons per Sq Km)	159 person per Sq km
	b.	Density of Population (as per 2011 Census) (All India Density = 382 persons per Sq Km)	189 person per Sq km
5.	Population Below Poverty Line (BPL) (All India Average = 21.90 per cent)		11.30 per cent
6.	a.	Literacy (as per 2001 Census) (All India Average = 64.80 per cent)	71.62 per cent
	b.	Literacy (as per 2011 Census) (All India Average = 73.00 per cent)	78.80 per cent
7.	Infant mortality (per 1,000 live births) (All India Average = 33 per 1,000 live births)		32
8.	Life Expectancy at Birth (All India Average = 69.40)		70.90
9.	HDI Value Uttarakhand (UK HDR 2019)		0.72
	HDI Rank Uttarakhand		NA
10.	Gini Coefficient 2009-10 (URP)		
	a.	Rural (All India = 0.29)	0.26
	b.	Urban (All India = 0.38)	0.36
11.	Gross State Domestic Product (GSDP) 2019-20 at current prices (₹ in crore)		2,53,666
12.	Per capita GSDP CAGR (2011-12 to 2019-20)	Uttarakhand	9.00
		Special Category State	9.93
13.	GSDP CAGR (2011-12 to 2019-20) at current price	Uttarakhand	10.35
		Special Category State	11.24
14.	Population Growth (2011 to 2020)	Uttarakhand	11.63
		Special Category State	10.00

Appendix-2.1
(Reference: Paragraphs 2.3.3 and 2.6; Pages 19 and 29)
Time series data on the State Government Finances

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20	
Part A. Receipts						
1. Revenue Receipts	21,234	24,889	27,105	31,216	30,723	
(i) Tax Revenue	9,377 (44)	10,897 (44)	10,165 (37)	12,188 (39)	11,513 (37)	
SGST	--	--	1,972 (19)	4,802 (39)	4,931 (43)	
Taxes on Sales, Trade etc.	6,105 (65)	7,154 (66)	3,703 (37)	1,883 (15)	1,811 (16)	
State Excise	1,735 (19)	1,906 (18)	2,262 (22)	2,871 (24)	2,727 (24)	
Taxes on Vehicles	471 (5)	556 (5)	816 (8)	909 (8)	908 (8)	
Stamps and Registration fees	871 (9)	778 (7)	882 (9)	1,015 (8)	1,072 (9)	
Land Revenue	28 (--)	160 (1)	24 (--)	34 (--)	24 (--)	
Taxes on Goods and Passengers	--	--	--	--	--	
Others	167 (2)	343 (3)	506 (5)	674 (6)	40 (--)	
(ii) Non Tax Revenue	1,220 (6)	1,346 (5)	1,770 (7)	3,310 (10)	3,999 (13)	
(iii) State's share of Union taxes and duties	5,333 (25)	6,412 (26)	7,085 (26)	8,011 (26)	6,902 (22)	
(iv) Grants in aid from Government of India	5,304 (25)	6,234 (25)	8,085 (30)	7,707 (25)	8,309 (27)	
2. Miscellaneous Capital Receipts	--	--	--	0.01	--	
3. Recoveries of Loans and Advances	27	35	34	27	19	
4. Total Revenue and Non debt capital receipts (1+2+3)	21,261	24,924	27,139	31,243	30,742	
5. Public Debt Receipts	6,798	6,501	7,526	7,275	6,148	
Internal Debt (excluding Ways and Means Advances and Overdrafts)	6,701 (99)	6,355 (98)	7,412 (98)	7,170 (99)	5,765 (94)	
Net transactions under Ways and Means Advances and Overdrafts	--	--	--	--	313 (05)	
Loans and Advances from Government of India	97 (1)	146(2)	114 (2)	105 (1)	70 (01)	
6. Total Receipts in the Consolidated Fund (4+5)	28,059	31,425	34,665	38,518	36,890	
7. Contingency Fund Receipts	191	395	105	217	94	
8. Public Account Receipts	37,746	27,855	37,571	41,790	45,330	
9. Total Receipts of the State (6+7+8)	65,996	59,675	72,341	80,525	82,314	
Part B. Expenditure/Disbursement¹						
10. Revenue Expenditure	23,086	25,272	29,083	32,196	32,859	
Plan	State Fund Expenditure	6,388 (28)	6,344 (25)	25,570 (88)	28,296 (88)	28,893 (88)
Non-Plan	Central Assistance	16,698 (72)	18,928 (75)	3,513 (12)	3,900 (12)	3,966 (12)
General Services (Including interest payments)		8,410 (37)	9,934 (39)	12,409 (43)	13,525 (42)	13,844 (42)
Social Services		9,927 (43)	10,529 (42)	10,929 (37)	12,209 (38)	12,593(39)
Economic Services		3,983 (17)	3,903 (15)	4,276 (15)	5,003 (16)	4,704(14)
Grants-in-aid and contributions		766 (3)	906 (4)	1,469 (5)	1,459 (4)	1,717 (5)
11. Capital Expenditure	4,217	4,954	5,914	6,184	5,414	
Plan	State Fund Expenditure	4,197 (100)	4,076 (82)	4,274 (72)	3,533 (57)	3,055 (56)
Non-Plan	Central Assistance	20 (--)	878 (18)	1,640 (28)	2,651 (43)	2,359 (44)
General Services		111 (3)	72 (1)	804 (14)	454 (7)	362 (7)
Social Services		864 (20)	948 (19)	1,086 (18)	1,099 (18)	1,610 (30)
Economic Services		3,242 (77)	3,934 (80)	4,024 (68)	4,631 (75)	3,442 (63)

¹ From 2017-18, Plan and Non-Plan bifurcation of funding has been discontinued and is being bifurcated in State Fund Expenditure and Central Assistance.

12. Disbursement of Loans and Advances	83	165	77	183	126
13. Total Expenditure of the State (10+11+12)	27,386	30,391	35,074	38,563	38,399
14. Repayments of Public Debt	1,997	1,128	1,721	2,057	2,131
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,966	1,093	1,681	2,013	2,084
Net transactions under Ways and Means Advances and Overdraft	--	--	--	--	--
Loans and Advances from Govt. of India	31	35	40	44	47
15. Appropriation to Contingency Fund	--	--	-250	0	0
16. Total disbursement out of Consolidated Fund (13+14+15)	29,383	31,519	36,545	40,620	40,530
17. Contingency Fund disbursements	385	228	482	107	26
18. Public Account disbursements	36,537	26,607	35,366	39,947	42,569
19. Total disbursement by the State (16+17+18)	66,305	58,354	72,393	80,674	83,125
Part C. Deficits/Surplus					
20. Revenue Deficit(-)/Revenue Surplus (+) (1-10)	(-) 1,852	(-) 383	(-) 1,978	(-) 980	(-) 2,136
21. Fiscal Deficit (4-13)	6,125	5,467	7,935	7,320	7,657
22. Primary Deficit(-)/Primary Surplus (+) (21+23)	(-) 3,154	(-) 1,744	(-) 3,948	(-) 2,845	(-) 3,153
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	2,971	3,723	3,987	4,475	4,504
24. Financial Assistance to local bodies etc.	3,596	3,850	3,664	4,466	4,800
25. Ways and Means Advances/Overdraft availed (days)	9	90	90	167	140
26. Interest on Ways and Means Advances/Overdraft	0.19	3.84	5.24	6.08	5.18
27. Gross State Domestic Product (GSDP)[@]	1,77,163	1,95,125	2,22,836	2,45,895	2,53,666
28. Outstanding Fiscal liabilities (yearend)	39,069	44,583	51,831	58,039	65,982
29. Outstanding guarantees (yearend) (excluding interest)	1,743	1,248*	1,173	1,311	582
30. Maximum amount guaranteed (yearend)	2,805	2,805	2,105	2,105	NA
31. Number of incomplete projects (in numbers)	182	297	260	202	210
32. Capital blocked in incomplete projects (₹ in crore)	582.13	1,007.56	631.94	480.30	627.08
Part E. Fiscal Health Indicators (in ratios)					
I Resource Mobilization					
Own Tax revenue/GSDP	0.05	0.06	0.046	0.050	0.045
Own Non-Tax Revenue/GSDP	0.01	0.01	0.008	0.013	0.016
Central Transfers/GSDP	0.06	0.07	0.068	0.064	0.060
II Expenditure Management					
Total Expenditure/GSDP	0.16	0.16	0.16	0.16	0.15
Total Expenditure/Revenue Receipts	1.29	1.22	1.29	1.24	1.25
Revenue Expenditure/Total Expenditure	0.84	0.83	0.83	0.83	0.86

* Note: Changed Proforma.

Expenditure on Social Services/Total Expenditure	0.39	0.38	0.34	0.35	0.37
Expenditure on Economic Services/Total Expenditure	0.26	0.26	0.24	0.25	0.21
Capital Expenditure/Total Expenditure	0.15	0.16	0.17	0.16	0.14
Capital Expenditure on Social and Economic Services/Total Expenditure	0.15	0.16	0.15	0.15	0.13
III Management of Fiscal Imbalances					
Revenue deficit (surplus)/GSDP	(-) 0.01	(-) 0.002	(-) 0.009	(-) 0.004	(-) 0.008
Fiscal deficit/GSDP	(-) 0.035	(-) 0.028	(-) 0.036	(-) 0.03	(-) 0.03
Primary Deficit (surplus) /GSDP	(-) 0.018	(-) 0.009	(-) 0.018	(-) 0.012	(-) 0.012
Revenue Deficit/Fiscal Deficit	(+) 0.302	(+) 0.070	(+) 0.249	(+) 0.134	(+) 0.279
Net Primary Revenue Balance/GSDP	(-) 0.027	(-) 0.021	(-) 0.026	(-) 0.022	(-) 0.026
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	0.22	0.23	0.23	0.24	0.26
Fiscal Liabilities/RR	1.84	1.79	1.91	1.86	2.15
Debt Repayment to Debt Receipts (in per cent)	29.38	17.35	22.87	28.27	34.66
V Other Fiscal Health Indicators					
Return on Investment	5.10	15.21	22.69	18.69	14.08
Financial Assets/Liabilities	0.90	0.96	0.94	0.93	0.90

Figures in brackets represent percentages (rounded) to total of each sub-heading.

@ GSDP at current price figures taken from GSDP estimate from the website of Directorate of Economic Statistics, Government of Uttarakhand. (www.des.uk.gov.in).

Appendix-3.1
(Reference: Paragraph 3.1; Page 63)
Glossary of important Budget related terms

Sl. No.	Terms	Description
1.	Accounts' or 'actuals' of a year	The amounts of receipts and disbursements for the financial year beginning on April 1st and ending on March 31st following, as finally recorded in the Accounting authority's books (as audited by C&AG). Provisional Accounts refers to the unaudited accounts.
2.	'Administrative approval' of a scheme, proposal or work	The formal acceptance thereof by the competent authority for the purpose of incurring expenditure. Taken with the provision of funds in the budget, it operates as a financial sanction to the work during that particular year in which the Administrative Approval is issued.
3.	Annual Financial Statement	Referred to as Budget means the statement of estimated receipts and expenditure of the Central/State Government for each financial year, laid before the Parliament /State Legislature.
4.	Appropriation	The amount authorized by the Parliament/State Legislature for expenditure under different primary unit of appropriation or part thereof placed at the disposal of a disbursing officer.
5.	Charged Expenditure	Such expenditure which is not to be submitted to the vote of the Legislature under the provisions of the Constitution.
6.	Consolidated Fund of India/ State	All revenues of the Union/State Government, loans raised by it and all moneys received in repayment of loans form the Consolidated Fund of India/ State. No moneys out of this Fund can be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution.
7.	Contingency Fund	It is in the nature of an imprest. The Contingency Fund is intended to provide advances to the executive/Government to meet unforeseen expenditure arising in the course of a year pending its authorization by the Parliament/State Legislature. The amount drawn from the Contingency Fund is recouped after the Parliament/State Legislature approves it through the Supplementary Demands.
8.	Controlling Officer (Budget)	An officer entrusted by a Department with the responsibility of controlling the incurring of expenditure and/or the collection of revenue. The term includes the Heads of Department and also the Administrators.
9.	Drawing and Disbursing Officer	Head of Office and also any other Officer so designated by the Finance Department of the State Government, to draw bills and make payments on behalf of the State Government. The term shall also include a Head of Department where he himself discharges such function
10.	Excess Grant	Excess grant means the amount of expenditure over and above the provision allowed through the original/supplementary grant, that requires regularization by obtaining excess grant from the Parliament /State Legislature under Article 115/205 of the Constitution.
11.	Public Accounts	Means the Public Account referred to in Article 266(2) of the Constitution. The receipts and disbursements such as deposits, reserve funds, remittances, etc. which do not form part of the Consolidated Fund are included in the Public Account. Disbursements from the Public Account are not subject to vote by the Parliament/State Legislature, as they are not moneys issued out of the Consolidated Fund of India/State.
12.	Re-Appropriation	Means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation.
13.	Revised Estimate	An estimate of the probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded and anticipation for the remainder of the year in the light of the orders already issued.
14.	Supplementary Demands for Grants	Means the statement of supplementary demands laid before the legislature, showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorized in the Annual Financial Statement for that year. The demand for supplementary may be token, technical or substantive/cash.

15.	Major Head	Means a Major Head of account for the purpose of recording and classifying the receipts and disbursements of the State. A Major Head, particularly the one falling within the Consolidated Fund, generally corresponds to a 'function' of Government such as Agriculture, Education, Health, etc.
16.	Sub-Major Head	Means an intermediate head of account introduced between a Major Head and the Minor Heads under it, when the Minor Heads are numerous and can conveniently be grouped together under such intermediate Head
17.	Minor Head	Means a head subordinate to a Major Head or a Sub-Major Head. A Minor Head subordinate to a Major Head identifies a "programme" undertaken to achieve the objectives of the function represented by the Major Head.
18.	Sub-Head	Means a unit of account next subordinate to a Minor Head which normally denotes the scheme or organisation under that Minor Head or programme.
19.	Major Work	Means an original work, the estimated cost of which exclusive of departmental charges exceeds the amount as notified by the Government from time to time.
20.	Minor Work	Means an original work, the estimated cost of which exclusive of departmental charges does not exceed the amount as notified by the Government from time to time.
21.	Modified Grant or Appropriation	Means the sum allotted to any Sub-Head of Appropriation as it stands after Re-Appropriation or the sanction of an Additional or Supplementary Grant by competent authority.
22.	Supplementary or Additional Grant or Appropriation	Means a provision included in an Appropriation Act, during the course of a financial year, to meet expenditure in excess of the amount previously included in an Appropriation Act for that year.
23.	Schedule of New Expenditure	Means a statement of items of new expenditure proposed for inclusion in the Budget for the ensuing year.

Appendix-5.1
(Reference: Paragraphs 5.3; Page 110)
List of State Public Sector Enterprises

Finance Sector	
1.	Uttarakhand Bahuuddeshiya Vitta Evam Vikas Nigam Limited
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)
3.	Kumaun Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited)
Service Sector	
4.	Kumaun Mandal Vikas Nigam Limited
5.	Garhwal Mandal Vikas Nigam Limited
6.	Uttarakhand Parivahan Nigam
7.	Ecotourism Development Corporation of Uttarakhand
Infrastructure Sector	
8.	State Infrastructure and Industrial Development Corporation of Uttarakhand Limited
9.	Bridge, Ropeway, Tunnel and other Infrastructure Development Corporation of Uttarakhand Limited erstwhile Uttarakhand State Infrastructure Development Corporation Limited
10.	Uttarakhand Metro Rail, Urban Infrastructure & Building Construction Limited
11.	Dehradun Smart City Limited
12.	Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam
Other Sector	
13.	Uttarakhand Seeds & Tarai Development Corporation Ltd.
14.	Uttar Pradesh Hill Electronics Corporation Limited
15.	Doiwala Sugar Company Limited
16.	Kichha Sugar Company Limited
17.	Uttarakhand Project Development and Construction Corporation Limited
18.	Uttarakhand Purv Sainik Kalyan Nigam Limited
19.	Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam
20.	UPAI Limited
21.	Trans cables Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited)
22.	Uttar Pradesh Digitals Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited)
23.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)
24.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)
25.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation limited)
26.	Uttarakhand Forest Development Corporation
Power Sector	
27.	Uttarakhand Power Corporation Limited
28.	Power Transmission Corporation of Uttarakhand Limited
29.	UJVN Limited
30.	Kishau Corporation Limited

**Appendix-6.1
Glossary of terms**

Sl. No.	Terms	Description
1.	State Implementing Agency	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.
2.	GSDP	GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production at current prices
3.	Buoyancy ratio	Buoyancy ratio indicates the elasticity or degree of responsiveness of 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
4.	Internal Debt	Comprising mainly Market Loans and Special Securities issued to the National Small Savings Fund (NSS) by the State Government.
5.	Core Public and Merit goods	<i>Core public goods</i> 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. <i>Merit goods</i> 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.
6.	Development Expenditure	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.
7.	Debt sustainability	The Debt sustainability is defined as the ability of the State to maintain a current 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.
8.	Debt Stabilization	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 current 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.

9.	Sufficiency of Non-debt receipts (Resource Gap)	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.
10.	Net availability of borrowed funds	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.
11.	Non debt receipts	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.
12.	Net Debt Available	Excess of Public Debt receipts and Loans and Advances receipt over Public Debt repayment, Loans and Advances Disbursements and Interest Payment on Public debt.

**© COMPTROLLER AND
AUDITOR GENERAL OF INDIA
www.cag.gov.in**

<http://agua.cag.gov.in>