

EXECUTIVE SUMMARY

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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 2021-22 *vis-à-vis* the Budget, Medium Term Fiscal Policy Statement (MTFPS) and recommendations of Fifteenth 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 2022 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 2022. 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 discuss the financial performance of State Public Sector Undertakings (SPSUs) along with the details of loans, investments, budgetary supports made by GoU, GoI and others. It also presents the status of submission of Annual Accounts by the SPSUs.

Audit findings

CHAPTER-1: OVERVIEW

- Revenue Surplus increased from ₹ 1,114 crore to ₹ 4,128 crores (1.63 *per cent* of GSDP) during the current year 2021-22. Revenue Surplus was overstated by ₹ 479 crore (11.60 *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 ₹ 3,736 crore (1.47 *per cent* of GSDP) was within the normative target of 3.50 *per cent* of GSDP as fixed by the FFC. The Fiscal Deficit during the year improved as compared to previous year as the State

became Revenue Surplus during the year. Fiscal Deficit was understated by ₹ 243 crore (6.50 *per cent*) on account of deferred liability, non-transfer of interest liability, etc.

[Paragraphs 1.5.3 and 1.6.1]

CHAPTER-2: FINANCES OF THE STATE

- During 2021-22, Revenue Receipts increased by ₹ 4,852 crore (12.70 *per cent*) over the previous year, on account of increase in Grants-in-Aid (₹ 692 crore), Own Tax Revenue (₹ 2,238 crore) and State share in Union Taxes and Duties (₹ 3,337 crore). The increase was partly counterbalanced by decrease in Non-Tax Revenue ₹ 1,415 crore (33.92 *per cent*) over the previous year.

[Paragraphs 2.3.2.1]

- Revenue Expenditure formed on an average 84.02 *per cent* (ranging from 82.92 *per cent* to 85.57 *per cent* during 2017-22) of the total expenditure during the period 2017-22. Rate of growth of Revenue Expenditure has displayed fluctuating trend during the five- year period 2017-22. The Committed Expenditure ranged between 61 *per cent* and 68 *per cent* of Revenue Expenditure, while it accounted for 55 *per cent* to 73 *per cent* of the Revenue Receipts of the State during the five-year period 2017-22.

[Paragraphs 2.6.1 and 2.6.2]

- Capital Expenditure increased by ₹ 996 crore (15.23 *per cent*) during the current year. The Capital Expenditure incurred by the State during the year 2021-22 was higher than the projections made in the MTFPS targets (₹ 7,112 crore) by ₹ 422 crore but was less by ₹ 1,439 crore against budget projections (₹ 8,973 crore).

[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 ₹ 17.08 crore which stood at 0.83 *per cent* of the outstanding loans (₹ 2,047.90 crore) as on 31 March 2022.

[Paragraph 2.6.3.2 (i), (iv)]

- As per Finance Accounts for the Year 2021-22, there were 75 incomplete/ongoing projects worth ₹ 509.66 crore under various divisions of Public Works as on 31 March 2022.

[Paragraph 2.6.3.2 (v)]

- In Education and Social Sector, expenditure as a proportion of Aggregate Expenditure in the State was higher than the NE and Himalayan States average during 2021-22, while under Health Sector it was below the NE and Himalayan States average during 2021-22.

[Paragraph 2.7]

- Against the receivable Guarantee Commission fee of ₹ 7.17 crore, an amount of ₹ 1.87 crore was received resulting in short receipt of ₹ 5.30 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 overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

[Paragraph 2.8.2.3]

- The total fiscal liabilities to GSDP ratio in 2021-22 decreased by 2.32 *per cent* over previous year and stood at 28.12 *per cent*, which was above the Fiscal Responsibility and Budget Management target of 25 *per cent*.

[Paragraph 2.9.2]

CHAPTER-3: BUDGETARY MANAGEMENT

- During 2021-22, there was an overall saving of ₹ 14,318.05 crore against the total grants and appropriations of ₹ 65,012.40 crore.

[Paragraph 3.2]

- An expenditure of ₹ 19.64 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. Similarly, an expenditure of ₹ 25.57 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 3.3.2]

- Supplementary provision of ₹ 7,072.07 crore obtained in 40 cases proved unnecessary. Re-appropriation of funds in 40 cases was made injudiciously resulting in savings of more than one crore over provisions.

[Paragraphs 3.3.3 and 3.4.1]

- Excess expenditure amounting to ₹ 47,758.16 crore pertaining to the years 2005-06 to 2020-21 was yet to be regularised by the State Legislature.

[Paragraph 3.6.4]

CHAPTER-4: QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

- The departmental officers did not submit 321 Utilisation Certificates (due for submission by March 2022) to the Accountant General (Accounts and Entitlement), Uttarakhand in respect of the grants of ₹ 1,390.09 crore given up to March 2021 for specific purposes. As on March 2022, 243 Abstract Contingent Bills amounting to ₹ 27.33 crore were outstanding. Funds to the tune of ₹ 10,717.43 crore have been transferred to DDO's own account and to working agencies and treated as final expenditure, such huge amount of expenditure could not be ignored for want of assurance of final utilization of funds.

[Paragraphs 4.6, 4.7, 4.7.1]

- Significant amounts of expenditure (₹ 1,343 crore) and receipts (₹ 1,223 crore) 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 4.9]

- During 2021-22, reconciliation of Receipt and Expenditure by the Chief Controlling Officers was 95.19 & 89.02 *per cent* respectively. There was an improvement in the reconciliation of Expenditure figures from 73.59 *per cent* in 2020-21 to 89.02 *per cent* in the current year. However, the *percentage* of the reconciliation of Receipt figures was more or less same as compared to the previous year. 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 weak internal control system within the Government and raises concerns relating to accuracy of accounts.

[Paragraph 4.11]

- 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 4.13]

CHAPTER-5: ROLE OF GOVERNMENT IN PUBLIC SECTOR UNDERTAKINGS

- As on 31 March 2022, there were 32 State Public Sector Undertakings (SPSUs) including 27 Government Companies, one Government controlled other company and

four Statutory Corporations. Among the 32 SPSUs, nine SPSUs were inactive (including seven PSUs under liquidation).

[Paragraph 5.1.3]

- The total investment (equity and long-term loans) in 14 SPSUs which submitted their accounts up to 2019-20 and onwards was ₹ 8,449.81 crore. The investment consisted of 43.71 *per cent* as equity and 56.29 *per cent* as long-term loans. Out of this, GoU had investment of ₹ 4,393.17 crore in these SPSUs consisting of equity of ₹ 3,553.58 crore and long-term loans of ₹ 839.59 crore.

[Paragraph 5.2]

- There existed difference of ₹ 569.98 crore between the figures of equity, loans and guarantees as per records of the PSUs and that of the Finance Accounts in respect of 14 PSUs (13 Government Companies and one Statutory Corporation).

[Paragraph 5.2.2]

- Two SPSUs paid dividend during the year 2021-22.

[Paragraph 5.2.3]

- The net worth of seven State PSUs has been completely eroded by accumulated losses of ₹ 4,907.48 crore and their net worth was (-) ₹ 3,404.00 crore against equity investment of ₹ 1503.48 crore. Among the PSUs whose capital has been eroded, outstanding GoU Loans in respect of five PSUs were ₹ 295.66 crore as on 31 March 2022.

[Paragraph 5.2.4]

- PSUs were not adhering to the prescribed timelines regarding submission of their Financial Statements as per the Companies Act, 2013. As a result, 130 accounts of 19 Government Companies were in arrears. Further, 12 accounts of four statutory corporations were also in arrears.

[Paragraph 5.3.2]

