
Executive Summary

Background

This Report on the finances of the Government of Haryana is brought out to assess the financial performance of the State during 2021-22 vis-à-vis the Budget Estimates, the targets set under the Fiscal Responsibilities and Budget Management (FRBM) Act, 2005 and to analyse the significant trends and structural profile of Government's receipts and disbursement.

Based on the audited accounts of the Government of Haryana for the year ended 31 March 2022 and additional data collated from several sources such as the Economic Survey brought out by the Department of Economic and Statistical Analysis, this report provides an analytical review of the Annual Accounts of the State Government in five Chapters.

Chapter 1 describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

Chapter 2 provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2017-18 to 2021-22, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter 3 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 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 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 Enterprise.

Audit findings

Chapter 1: Overview

Revenue Deficit decreased from ₹ 22,385 crore during 2020-21 to ₹ 20,333 crore in 2021-22 which was less than the budget projections of ₹ 29,194 crore.

[Paragraph 1.5]

Fiscal Deficit which was ₹ 29,486 crore in 2020-21 increased to ₹ 31,778 crore during 2021-22. Fiscal deficit was 3.55 *per cent* of GSDP against the target of 3.83 *per cent* in MTFP and budget projections.

[Paragraph 1.5]

Revenue and Fiscal Deficit was understated by ₹ 737.14 crore on account of short-contribution to pension scheme, non-contribution to Consolidated Sinking Fund and non-adjustment of interest in Mines and Mineral Development, Restoration and Rehabilitation Fund and State Compensatory Afforestation Fund.

[Paragraph 1.6.1]

Outstanding debt/liabilities of the State were understated by ₹ 556 crore by not accounting for the Suspense, Miscellaneous and Remittance balances and percentage to GSDP was understated by 0.06 *per cent*.

[Paragraph 1.6.2]

Chapter 2: Finances of the State

The annual growth rate of revenue receipts of the State decreased from 19.43 *per cent* in 2017-18 to 15.59 *per cent* in 2021-22. The State's own tax revenue increased by 29.87 *per cent*, the grants-in-aid from GoI increased by 46.56 *per cent* and the central tax transfers increased by 33.21 *per cent* during the same period.

[Paragraph 2.3.2.1]

The revenue expenditure increased by nine *per cent* from ₹ 89,946 crore in 2020-21 to ₹ 98,425 crore in 2021-22. Committed expenditure comprising Salaries and Wages, Pensions and Interest payments constituted 54.07 *per cent* of total revenue expenditure. Expenditure on subsidies was ₹ 9,535 crore in 2021-22, which was 12.21 *per cent* of the revenue receipts and 9.69 *per cent* of revenue expenditure.

[Paragraph 2.4.2]

The capital expenditure was ₹ 11,046 crore which increased from six *per cent* in 2020-21 to 10 *per cent* of total expenditure during 2021-22 mainly due to increase in Capital Expenditure on Water Supply, Sanitation, Housing & Urban Development and Health & Family Welfare and Food, Storage & Warehousing.

[Paragraph 2.4.3.1]

The Government as of 31 March 2022 had invested ₹ 37,865.68 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. The average return on these investments was 0.71 *per cent* in the last five years while the Government paid an average interest rate of 7.75 *per cent* on its borrowings during 2017-22.

[Paragraph 2.4.3.2]

Outstanding loans and advances as on 31 March 2022 increased by 5.91 *per cent* due to more loans to co-operative sugar mills and Haryana State Agriculture and Marketing Board and Power Companies during the year. Loans amounting to ₹ 3,877.95 crore were outstanding at the beginning of the year 2021-22 against co-operative sugar mills. There was no recovery on account of principal with an outstanding balance ₹ 4,509.53 crore.

[Paragraph 2.4.3.2(iv)]

The State Government had not invested funds of ₹ 5,542.62 crore available under State Disaster Response Fund, Restoration and rehabilitation of mines and minerals and State Compensatory Afforestation Fund.

[Paragraphs 2.5.2.2, 2.5.2.4 and 2.5.2.5]

The overall fiscal liabilities of the State increased from ₹ 1,64,076 crore in 2017-18 to ₹ 2,63,950 crore in 2021-22 registering an increase of 60.87 *per cent* mainly due to increase in public debt (₹ 87,943 crore) and public account liabilities (₹ 11,931 crore). The overall fiscal liabilities increased by 10.57 *per cent* over previous year. The ratio of fiscal liabilities to GSDP increased from 25.68 *per cent* in 2017-18 to 29.47 *per cent* in 2021-22. The liabilities were 2.96 times of the revenue receipts and 4.88 times the State's own resources.

[Paragraph 2.6.1]

Chapter 3: Budgetary Management

During 2021-22, expenditure of ₹ 1,50,162.15 crore was incurred against the total grants and appropriations of ₹ 1,95,689.44 crore resulting in overall savings of ₹ 45,527.29 crore. Out of these, in 38 cases, savings were ₹ 44,115.90 crore registering saving of more than ₹ 100 crore in each case. Excess expenditure of ₹ 63.47 crore under one grant and one appropriation required regularisation under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 153.39 crore for the period 2019-20 and ₹ 21.93 crore for 2020-21.

[Paragraphs 3.1, 3.3.5 (i), 3.3.6 and 3.4.1]

There were persistent savings in 31 grants and two appropriations during 2017-22. In 34 cases, supplementary provision proved to be unwarranted as the expenditure remained less than the original provision. In 24 Major Heads, under 18 grants, 52 *per cent* of the expenditure was incurred in the month of March 2022 indicating rush of expenditure in the closing month of the year which shows non-adherence to the financial propriety.

[Paragraphs 3.3.2, 3.3.5 (ii) and 3.4.4]

A review of budgetary procedure and control over expenditure in respect of three grants Grant No. 06- Finance, Grant No. 13-Health and Grant No.32-Rural Development and Community indicated that budgetary and financial system of the State Government requires improvement as overall utilisation of the budget

was 74 per cent, 80.72 per cent and 33 per cent of total grants during 2021-22 respectively. In respect of Grant No. 13-Health, the entire provision of budget amounting ₹ 965.14 crore for twenty one schemes was surrendered whereas in 34 schemes under Grant No.32-Rural Development and Community savings were more than 50 per cent.

[Paragraphs 3.5.1, 3.5.2 and 3.5.3]

Chapter 4: Quality of Accounts and Financial Reporting Practices

Government departments transferred the cess collected under the Building and Other Construction Workers' Welfare Cess Act, 1996, Haryana Rural Development Act, 1986, Haryana Infrastructure Development Board and Haryana Urban Infrastructure Development Board, to the Haryana Building and Other Construction Workers Welfare Board/Haryana Rural Development Fund Administration Board/Haryana Infrastructure Development Board/Haryana Urban Infrastructure Development Board without routing these through the Consolidated Fund of the State. In the case of Building and Other Construction Workers Welfare Fund, the Act provides for audit by the Comptroller and Auditor General of India (CAG) and the Fund is being audited. However, other funds do not provide for audit by CAG.

[Paragraph 4.1]

2,831 Utilisation Certificates in respect of grants of ₹ 18,301.02 crore provided by various departments were outstanding as on 31 August 2022. 275 annual accounts of 95 autonomous bodies/authorities to which financial assistance was provided by State Government were in arrear as on 31 July 2022.

[Paragraphs 4.6 and 4.16]

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

[Paragraph 4.13]

State Government reported 51 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 68.64 lakh on which final action was pending as of October 2022. Out of these, 35 cases were more than five years old.

[Paragraph 4.19]

Chapter 5: State Public Sector Enterprises

The thrust of State Public Sector Enterprises (SPSEs) investment was mainly on power sector. This sector had received 88.95 per cent (₹ 46,531.51 crore) of the total investment of ₹ 52,314.26 crore.

[Paragraph 5.4.1]

The number of SPSEs that reported profits in their latest financial statements available during 2021-22 were 20 as against 19 in 2020-21. The reported profit earned decreased from ₹ 1,698.89 crore in 2020-21 to ₹ 648.75 crore in 2021-22. The Return on Equity (RoE) of the 20 profit earning SPSEs also decreased to 10.32 *per cent* in 2021-22 as compared to 36.97 *per cent* of the 19 profit earning SPSEs in 2020-21. The RoE for all the 30 working SPSEs was 1.41 *per cent* in 2021-22 as per their latest financial statements.

[Paragraph 5.5.1]

Out of total loss of ₹ 459.65 crore reported to be incurred during 2021-22 by nine SPSEs as per their latest financial results, loss of ₹ 395.08 crore is attributed (85.96 *per cent*) to Haryana Power Generation Corporation Limited which functioned in Energy and Power Department. The two SPSEs (Haryana Mass Rapid Transport Corporation Limited and Haryana Agro Industries Corporation Limited) which had earned profits during 2020-21, have incurred losses in 2021-22. Whereas three SPSE (Gurugram Metropolitan City Bus Limited, Panipat Plastic Park Haryana Limited and Haryana Finance Corporation) which had incurred loss in 2020-21 reported profit during 2021-22.

[Paragraph 5.7.1]

As on 31 March 2022, there were 13 SPSEs with accumulated losses of ₹ 28,237.99 crore. Of these 13 SPSEs, seven SPSEs incurred losses amounting to ₹ 425.02 crore as per their latest financial results available. Six SPSEs had accumulated losses of ₹ 27,277.63 crore as per their latest accounts finalised.

[Paragraph 5.7.2]

Only 10 Government Companies submitted their accounts of the year 2021-22 for audit by CAG by 30 September 2022. Accounts of 23 Government Companies were in arrears for a period of one to five years.

[Paragraph 5.11.2]