

## 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 2015-16 vis-à-vis the Budget Estimates, the targets set under the Fiscal Responsibilities and Budget Management (FRBM) Act, 2005 and analyses the dominant 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 2016 and additional data collated from several sources such as the Economic Survey brought out by the State government and Census, this report provides an analytical review of the Annual Accounts of the State government in three Chapters.

**Chapter I** is based on the audit of Finance Accounts and makes an assessment of the Haryana Government's fiscal position as on 31 March 2016. It provides an account of time series of receipts and disbursement, market borrowings, quality of expenditure, financial analysis of government expenditure and investment, debt sustainability and the fiscal imbalances.

**Chapter II** is based on audit of Appropriation Accounts and gives a grant-wise description of appropriations. It elaborates on financial accountability and budget management, deficiencies in working of treasuries and outcome of review of selected grants.

**Chapter III** is an inventory of the Haryana Government's compliance with various reporting requirements and financial rules.

### Audit findings

#### Chapter I

##### Finances of the State Government

Revenue receipts of ₹ 47,556.55 crore during 2015-16 increased by ₹ 6,757.89 crore (16.56 *per cent*) over the previous year. The State's own tax revenue of ₹ 30,929.09 crore fell short by 6.98 *per cent* and 18.71 *per cent* vis a vis projection made in Mid-term Fiscal Policy Statement (MTFPS) (₹ 33,249 crore) and target fixed by Fourteenth Finance Commission (FFC) (₹ 38,049 crore) respectively. The non-tax revenue (₹ 4,752 crore) increased by 15.60 *per cent* of the target fixed by FFC (₹ 4,111 crore) and fell short by 30.98 *per cent* of projection made in MTFPS (₹ 6,885 crore) respectively for the year 2015-16. Revenue Receipts of ₹ 2,010

crore collected under Haryana Rural Development fund were not credited to Consolidated Fund of the State during 2011-15.

Revenue expenditure increased by 21 *per cent* from ₹ 49,118 crore in 2014-15 to ₹ 59,236 crore in 2015-16 and was higher than the normative assessment of FFC (₹44,514 crore) but less than the projections made in MTFPS (₹ 61,869.62 crore). Non-Plan component (₹ 40,675 crore) was 69 *per cent* of revenue expenditure which was less than the projection made in Mid Term Fiscal Policy Statement (₹ 43,208.62 crore). The four components of committed expenditure i.e. salary and wages, interest, pension and subsidies constituted 82 *per cent* of non-plan revenue expenditure.

Interest payments (₹ 8,284 crore) increased by 19.57 *per cent* during the year over 2014-15 and were higher than the limit fixed by Fourteenth Finance Commission (₹ 7,582 crore), but was within the projections made in the Medium Term Fiscal Policy Statement (₹ 8,564 crore).

Eighteen projects of two departments which were scheduled to be completed between May 2014 and March 2016 were still incomplete (June 2016). Time overruns of incomplete projects need to be reduced.

The average return on the Government's investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.02 to 0.17 *per cent* in the past five years while the Government paid an average interest of 8.64 to 9.86 *per cent* on its borrowings. During 2015-16, out of total investments of ₹ 1,902.21 crore, ₹ 1,794.54 crore were invested in equity shares of power companies.

Overall fiscal liabilities of the State were ₹1, 20,718 crore as on 31 March 2016. Out of this, internal debt was ₹ 99,660 crore. Fiscal liabilities were 24.50 *per cent* of GSDP and 2.54 times of the revenue receipts.

The revenue deficit which was required to be brought down to zero during 2011-12 and to be maintained at zero upto 2014-15 increased from ₹8,319 crore of 2014-15 to ₹ 11,679 crore in 2015-16. The trends in other fiscal parameters, i.e. fiscal and primary deficits which stood at ₹ 12,586 crore and ₹ 5,658 crore respectively in 2014-15 increased to ₹ 31,479 crore and ₹ 23,195 crore respectively in 2015-16.

## **Chapter II**

### **Financial management and budgetary control:**

During 2015-16, expenditure of ₹ 95,480.50 crore was incurred against total grants and appropriations of ₹ 1, 11,559.26 crore. Overall savings of ₹ 16,078.76 crore

were the result of saving of ₹ 17,493 crore in various grants and appropriation offset by excess expenditure of ₹ 1,414.24 crore in four grants which required regularisation under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 1,427.57 crore in grants relating to the period 2011-12 to 2014-15.

In 51 cases, ₹ 17,091.93 crore was surrendered at the end of the financial year. In 21 cases, ₹ 8,840.80 crore were surrendered against the savings of ₹ 8,521.13 crore resulting in excess surrender (₹ 319.70 crore) than actual savings. Further, out of savings of ₹ 7,199.13 crore in 20 cases, savings of ₹ 1,302.40 crore were not surrendered. There were instances both of inadequate provision of funds and unnecessary or excessive re-appropriations.

Expenditure of ₹ 7,408.71 crore (52 *per cent*) in 14 major heads under 11 grants was incurred during the month of March 2016 indicating rush of expenditure at the end of the financial year which was contrary to the provisions of Rule 56 of the General Financial Rules.

The plan expenditure during 2015-16 was only ₹ 25,185 crore (58.52 *per cent*) against the assessed amount of ₹ 42,743 crore. No expenditure was incurred in 32 schemes with approved plan outlay of ₹ 386.74 crore. In 74 schemes, expenditure of ₹ 1,030.52 crore was incurred against the approved outlay of ₹ 1,813.56 crore.

### **Chapter III**

#### **Financial Reporting:**

1,313 Utilization certificates in respect of loans and grants of ₹ 6,267.34 crore provided by various departments were in arrear as on 31 March 2016. 202 annual accounts of 83 autonomous bodies/authorities to which financial assistance was provided by State Government were in arrear as on 31 July 2016. Out of 29 autonomous bodies, whose audit has been entrusted to the CAG by the State, two had delayed submission of their annual accounts for more than five years.

State Government reported 105 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.33 crore on which final action was pending as of June 2016. Out of these, 93 cases were more than five years old.

During 2015-16, 22.34 *per cent* of total expenditure was classified under omnibus Minor Head – 800 instead of depicting distinctly in the Finance Accounts which affects the transparency in financial reporting.