

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 2014-15 *vis-à-vis* the Budget and the target set under the Fiscal Responsibility and Budget Management Act, 2005 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 2015 and additional data collected 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-1 is based on the audit of Finance Accounts and makes an assessment of Uttarakhand Government's fiscal position as on 31 March 2015. It provides an insight into trends and profile of key fiscal aggregates, committed expenditure, borrowing pattern *etc.*

Chapter-2 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-3 details Government's compliance with various reporting requirements and financial rules and non-submission of accounts.

Audit findings

Chapter-1

Finances of the State Government

The State was able to bring down the revenue deficit to almost nil (₹ 13 crore) during 2010-11. The revenue deficit ultimately turned into surplus during 2011-12 (₹ 716 crore), 2012-13 (₹ 1,787 crore) and 2013-14 (₹ 1,105 crore). During the current year the revenue surplus turned into revenue deficit of ₹ 917 crore. Fiscal deficit was within reasonable limits of 3.5 *per cent* of GSDP during 2010-11, 2011-12, 2012-13 and three *per cent* of GSDP during 2013-14 but during the current year 2014-15 the fiscal deficit at ₹ 5826 crore (4.20 *per cent* of GSDP) was above the normative assessment of three *per cent* as stipulated in FRBM Act, 2005 (partially modified in

March 2011) in accordance with the recommendations of the Thirteenth Finance Commission (*Th. FC*).

During the current fiscal, the Government managed to capitalise 33.05 *per cent* more funds than as compared to the year 2013-14.

The average return on Uttarakhand Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was almost negligible (ranging from 0.004 to 0.02 *per cent* of the investment made) in the past five years while the Government paid an average interest of 7.73 *per cent* on the borrowed funds for this investment.

The Government may ensure better value for money in investments by identifying the Companies/ Corporations which are endowed with low financial but high socio-economic returns and can justify high cost borrowings being channelised there.

The debt-GSDP¹ ratio showed a declining trend during 2010-11 to 2013-14 *i.e.* from 25.72 *per cent* to 23.41 *per cent* as against the target of 38.50 *per cent* set forth by the *Th. FC* for the year 2010-11 onwards in respect of Uttarakhand. However, it increased slightly by 0.72 *per cent* and was 24.13 *per cent* which was also within the target of 37.20 *per cent*.

Chapter-2

Financial management and budgetary control

During 2014-15, there was an excess of ₹ 19,22.82 crore in four grants and one appropriation which requires regularization under Article 205 of the Constitution of India.

An amount of ₹ 60.25 crore drawn by the State Government during the month of March 2015 was deposited in the deposit heads to avoid lapse of budget grants.

A significant amount of ₹ 194.15 crore was sanctioned under Contingency Fund in 16 cases and the entire amount has remained un-recouped.

Excess expenditure amounting to ₹ 1,10,66.40 crore pertaining to the years 2005-14 was yet to be regularised by the State Legislature.

¹ On Current/ Market price.

Chapter-3

Financial reporting

The departmental officers did not submit 262 Utilisation Certificates, in respect of the grants of ₹ 240.94 crore given for specific purposes, to the Accountant General (A&E), Uttarakhand till March 2015. In the absence of these certificates, it could not be ascertained whether the recipients had utilised the grants for the intended purposes. The departmental heads were not submitting statement of such bodies and authorities to Accountant General (Audit) Uttarakhand to which grants or loan aggregating ₹ 10 lakh or more were paid during preceding year. As such the institutions which attract audit by CAG could not be identified properly.

Significant amounts of expenditure and receipts under Central and State Schemes, booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' were not distinctly depicted in the State Finance Accounts of 2014-15, affecting the transparency in financial reporting.

