

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 2016-17 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 2017 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 2017. 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 ₹ 52,496.82 crore during 2016-17 increased by ₹ 4,940.27 crore (10.39 *per cent*) over the previous year. The State's own tax revenue of ₹ 34,025.68 crore fell short by 15.36 *per cent* and 27.64 *per cent* vis a vis projection made in Mid-term Fiscal Policy Statement (MTFPS) (₹ 40,199.51 crore) and target fixed by Fourteenth Finance Commission (FFC) (₹ 47,024 crore) respectively. The non-tax revenue (₹ 6,196 crore) increased by 43.83 *per cent* of the target fixed by FFC (₹ 4,308 crore) and fell short by 25.42 *per cent* of projection made in MTFPS (₹ 8,308 crore) respectively for the year 2016-17. Revenue Receipts of ₹ 2,483 crore collected under Haryana Rural

Development fund were not credited to Consolidated Fund of the State during 2011-16.

Revenue expenditure increased by 15 *per cent* from ₹ 59,236 crore in 2015-16 to ₹ 68,403 crore in 2016-17 and was higher than the normative assessment of FFC (₹ 50,334 crore) but less than the projections made in MTFPS (₹ 69,397 crore). Non-Plan component (₹ 46,284 crore) was 68 *per cent* of revenue expenditure which was less than the projection made in Mid Term Fiscal Policy Statement (₹ 48,482.76 crore). The four components of committed expenditure i.e. salary and wages, interest, pension and subsidies constituted 83 *per cent* of non-plan revenue expenditure.

Interest payments (₹ 10,542 crore) increased by 27.25 *per cent* during the year over 2015-16 and were higher than the limit fixed by Fourteenth Finance Commission (₹ 8,934 crore) and Medium Term Fiscal Policy Statement (₹ 10,490 crore).

Fourteen projects of two departments which were scheduled to be completed between May 2014 and March 2017 were still incomplete (June 2017). 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 0.05 and 0.17 *per cent* in the past five years while the Government paid an average interest of 8 to 9.86 *per cent* on its borrowings. The State Government has made investment of ₹ 2,025.25 crore and disinvestment of ₹ 26.27 crore resulting in net investment of ₹ 1,998.98 crore during 2016-17. Out of this, ₹ 1,927.98 crore were invested in the equity capital of four power companies.

Overall fiscal liabilities of the State were ₹ 1,46,371 crore as on 31 March 2017. Out of this, internal debt was ₹ 1,22,617 crore. Fiscal liabilities were 26.74 *per cent* of GSDP and 2.79 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 ₹ 11,679 crore of 2015-16 to ₹ 15,906 crore in 2016-17. The trends in other fiscal parameters, i.e. fiscal and primary deficits which stood at ₹ 31,479 crore and ₹ 23,195 crore respectively in 2015-16 decreased to ₹ 26,285 crore and ₹ 15,743 crore respectively in 2016-17.

Chapter II

Financial management and budgetary control:

During 2016-17, expenditure of ₹ 93,069.66 crore was incurred against total grants and appropriations of ₹ 1,12,659.46 crore. Overall savings of

₹ 19,589.80 crore were the result of saving of ₹ 19,846.78 crore in various grants and appropriation offset by excess expenditure of ₹ 256.98 crore in five grants which required regularisation under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 2,841.81 crore in grants relating to the period 2011-12 to 2015-16.

In 50 cases, ₹ 22,180.04 crore was surrendered at the end of the financial year. In 12 cases, ₹ 11,870.37 crore were surrendered against the savings of ₹ 9,361.43 crore resulting in excess surrender (₹ 2,508.94 crore) than actual savings. Further, out of savings of ₹ 9,968.73 crore in 30 cases, savings of ₹ 823.41 crore were not surrendered. There were instances both of inadequate provision of funds and unnecessary or excessive re-appropriations.

Expenditure of ₹ 2,015.61 crore (40 *per cent*) in 18 major heads under 16 grants was incurred during the month of March 2017 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 2016-17 was only ₹ 33,124 crore (88.88 *per cent*) against the assessed amount of ₹ 37,266 crore. No expenditure was incurred in 15 schemes with approved plan outlay of ₹ 143.53 crore. During 2016-17, 68 plan schemes for which the outlay of ₹ 5,125.75 crore approved for execution was reduced to ₹ 3,158.30 crore in the revised estimates. Only ₹ 1,494.87 crore was spent on these schemes which was 47 *per cent* of the revised outlay. In 93 schemes, expenditure of ₹ 1,981.65 crore (60.54 *per cent*) was incurred against the approved outlay of ₹ 3,273.29 crore but which was much less than the provision made.

Chapter III

Financial Reporting:

1,879 Utilization certificates in respect of loans and grants of ₹ 9,062.62 crore provided by various departments were in arrear as on 31 March 2017. 147 annual accounts of 73 autonomous bodies/authorities to which financial assistance was provided by State Government were in arrear as on 31 July 2017. 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 98 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.41 crore on which final action was pending as of June 2017. Out of these, 77 cases were more than five years old.

During 2016-17, 17.94 *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.