

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 2015-16 *vis-à-vis* the Budget and recommendations of *Fourteenth Finance Commission* 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 2016 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 2016. 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 attain and maintain the revenue surplus during 2011-12 (₹ 716 crore), 2012-13 (₹ 1,787 crore) and 2013-14 (₹ 1,105 crore). During the year 2014-15 the revenue surplus turned into revenue deficit of ₹ 917 crore which further increased to ₹ 1,852 crore during the current year. Fiscal deficit at ₹ 5,826 crore (3.60 *per cent* of GSDP) during the year 2014-15 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 year the fiscal deficit was 3.33 *per cent* of GSDP against recommendations of 3.25 *per cent* of the Fourteenth Finance Commission (*FFC*).

During the current fiscal, the Government capitalized 14.62 *per cent* less funds as compared to the previous year 2014-15.

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 0.18 *per cent* of the investment made) in the past five years while the Government paid an average interest of 7.96 *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 2011-12 to 2013-14 *i.e.* from 20.44 *per cent* to 19.20 *per cent* as against the target of 38.50 *per cent* set forth by the *Th. FC*. During 2014-15 it was 20.67 *per cent* which was also within the target of 37.20 *per cent*. During the current year, at 21.20 *per cent*, it was also below the target of 22.70 *per cent* as recommended by *FFC*.

Chapter-2

Financial management and budgetary control

During 2015-16, there was an excess of ₹ 23,34.24 crore in four grants and one appropriation which requires regularization under Article 205 of the Constitution of India.

An amount of ₹ 16,59.60 crore drawn by the State Government during the month of March 2016 was deposited in the deposit heads to avoid lapse of budget grants.

A significant amount of ₹ 82.56 crore sanctioned under Contingency Fund during 2013-14 to 2015-16 has remained un-recouped under Contingency Fund as of August 2016.

Excess expenditure amounting to ₹ 1,29,89.20 crore pertaining to the years 2005-06 to 2014-15 was also yet to be regularized by the State Legislature.

Chapter-3

Financial reporting

The departmental officers did not submit 293 Utilization Certificates, in respect of the grants of ₹ 3,48.92 crore given for specific purposes, to the Accountant General (A&E), Uttarakhand till March 2016. In the absence of these certificates, it could not be ascertained whether the recipients had utilized the grants for the intended purposes. The departmental heads were not submitting statement of such bodies and authorities

¹ On Current Market price.

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 the C & AG 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 2015-16, affecting the transparency in financial reporting.

