

# 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 2016-17 *vis-à-vis* the Budget and recommendations of *Fourteenth Finance Commission (FFC)* 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 2017 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 2017. 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 experienced a revenue surplus of ₹ 1,787 crore in 2012-13 and ₹ 1,105 crore in 2013-14. However, during the year 2014-15 the State could not maintain the revenue surplus and experienced a revenue deficit of ₹ 917 crore which further deteriorated to ₹ 1,852 crore during the year 2015-16. However, the State was able to reduce the revenue deficit to ₹ 383 crore which was 0.20 *per cent* of Gross State

Domestic Product (GSDP) estimated by Central Statistical Organisation and Directorate of Economic and Statistics, Government of Uttarakhand.

The fiscal deficit during 2012-13 was 1.22 *per cent* of GSDP and it was below the 3.50 *per cent* target set forth in Fiscal Responsibility and Budgetary Management (FRBM) (Amendment), Act 2011. However, fiscal deficit increased during 2013-14 and 2014-15 and it was ₹ 2,650 crore and ₹ 5,826 crore respectively. It further increased to ₹ 6,125 crore during the year 2015-16 and was 3.48 *per cent* of the GSDP. However, the fiscal deficit of ₹ 5,467 crore (2.80 *per cent*) during the current year 2016-17 was well below the normative target of *FFC* of 3.25 *per cent* of GSDP.

The primary surplus (₹ 489 crore) during 2012-13 turned into primary deficit during the year 2013-14 and continued to be deficit till the current year. However, the primary deficit has reduced from ₹ 3,154 crore during 2015-16 to ₹ 1,744 crore during 2016-17.

As on 31 March 2017, the average return on Uttarakhand Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was negligible and ranged from 0.004 to 0.49 *per cent* of the investment in the last five years while the Government paid an average interest rate of 8.18 *per cent* on its borrowings during 2012-13 to 2016-17.

The Fiscal Liabilities to GSDP ratio which was 22.18 *per cent* in 2015-16 has increased to 22.84 *per cent* during the current year. At 22.84 *per cent*, the Fiscal Liabilities (total outstanding debt) to GSDP ratio marginally exceeded the target (22.64 *per cent*) set forth by *FFC* for the year 2016-17 in respect of Uttarakhand.

## **Chapter-2**

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

During 2016-17, there was an excess of ₹ 5,457.33 crore in three grants (grant no. 17-Agriculture, Works and Research; grant no. 25-Food and grant no. 29-Horticulture Development) and one appropriation (appropriation no. 02-Governor) which requires regularisation under Article 205 of the Constitution of India.

An amount of ₹ 537.84 crore drawn by the State Government during the month of March 2017 was deposited in deposit heads to avoid lapse of budget grants.

An amount of ₹ 290.84 crore drawn from Contingency Fund during 2015-16 (₹ 63.14 crore) and 2016-17 (₹ 227.70 crore) has remained un-recouped as of August 2017.

Excess expenditure amounting to ₹ 15,323.44 crore pertaining to the years 2005-06 to 2015-16 was yet to be regularised by the State Legislature.

### **Chapter-3**

#### **Financial reporting**

The departmental officers did not submit 224 Utilisation Certificates, in respect of grants of ₹ 327.35 crore given for specific purposes, to the Accountant General (Accounts & Entitlement), Uttarakhand till March 2017. 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 statements of such bodies and authorities showing (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned, and (c) the total expenditure of the body or authority 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 Comptroller & Auditor General of India could not be identified properly.

Significant amounts of expenditure and receipts were booked under the Minor Heads '800-Other Expenditure' and '800-Other Receipts' instead of distinct heads of account. This adversely affected the transparency in financial reporting.

