

# **EXECUTIVE SUMMARY**

## 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 2019-20 vis-à-vis the Budget Estimates, the targets set under the Fiscal Responsibilities and Budget Management (FRBM) Act, 2005 and to analyse the significant 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 2020 and additional data collated from several sources such as the Economic Survey brought out by the Department of Economic and Statistical Analysis, this report provides an analytical review of the Annual Accounts of the State Government in four Chapters.

Chapter 1 describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

Chapter 2 provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter 3 is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter 4 comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

### Audit findings

#### Chapter 1: Overview

The State passed FRBM Act, 2005 to ensure prudence in fiscal management and fiscal stability by progressive elimination of Revenue Deficit. However, the FRBM Act has not been amended as per the recommendations of 14<sup>th</sup> Finance Commission.

[Paragraph 1.5]

The revenue deficit increased from ₹ 11,270 crore during 2018-19 to ₹ 16,990 crore in 2019-20, which was higher than the budget projections of ₹ 12,022 crore.

[Paragraph 1.5]

Fiscal Deficit which was ₹ 21,912 crore in 2018-19 increased to ₹ 30,518 crore during 2019-20. Fiscal deficit at 3.67 *per cent* of GSDP was higher than the projections of 14<sup>th</sup> Finance Commission as well as budget projections.

[Paragraph 1.5]

Revenue and Fiscal Deficits were understated by ₹ 1,284.43 crore on account of short-contribution to pension scheme, non-contribution to Consolidated Sinking Fund, Non-transfer of Guarantee fee receipts to Guarantee Redemption Fund and non-adjustment of interest in Mines and Mineral Development, Restoration and Rehabilitation Fund.

[Paragraph 1.6.1]

## Chapter 2: Finances of the State

The annual growth rate of Revenue Receipts decreased from 16.56 *per cent* in 2015-16 to 2.99 *per cent* in 2019-20. State's own revenue registered negative growth of 0.66 *per cent* from previous year.

[Paragraph 2.3.2.1]

The revenue expenditure at ₹ 84,848 crore increased by 10 *per cent* over previous year and was 82 *per cent* of total expenditure. Committed expenditure comprising Salaries and Wages, Pensions and Interest payments constituted 55 *per cent* of total revenue expenditure. Expenditure on subsidies was ₹ 8,105 crore in 2019-20, which was 11.94 *per cent* of the revenue receipts including subsidies of ₹ 6,978 crore (86.09 *per cent*) for the Rural Electrification.

[Paragraph 2.4.2]

The capital expenditure was 17 *per cent* of total expenditure during 2019-20 which included conversion of power sector loans amounting to ₹ 5,190 crore under UDAY scheme into equity. The accumulated losses of three DISCOMs were ₹ 29,026 crore.

[Paragraph 2.4.3]

The State Government's investment in Statutory Corporations, Rural Banks, Government Companies and Co-operatives upto 31 March 2020 was ₹ 36,923 crore. Out of this, ₹ 31,637 crore were invested in 11 loss incurring Government Companies. These 11 companies had accumulated losses of ₹ 29,639 crore, resulting in erosion of net worth of Government investments to ₹ 1,998 crore. Further, Capital remained blocked in incomplete projects as the intended benefits could not be derived.

[Paragraph 2.4.3.2]

Outstanding loans and advances as on 31 March 2020 declined by 35.59 *per cent* due to conversion of DISCOM loans amounting to ₹ 5,190 crore into equity during the year. Loans amounting to ₹ 2,647.86 crore were outstanding at the beginning

of the year 2019-20 against co-operative sugar mills. Further, loans totalling ₹ 770.82 crore were given to these sugar mills. The State Government received interest of ₹ 398 crore (4.22 *per cent* of outstanding loans and advances) during 2019-20.

**[Paragraph 2.4.3.2 (vii)]**

The State Government had not invested funds of ₹ 3,393.15 crore available under State Disaster Response Fund and Restoration and rehabilitation of mines and minerals.

**[Paragraphs 2.5.2.2 and 2.5.2.4]**

Overall fiscal liabilities including public debt and public account liabilities were 25.92 *per cent* of the GSDP. The debt grew by 17 *per cent* over previous year. The State Government raised internal debt of ₹ 44,329 crore and repaid ₹ 15,512 crore. Interest of ₹ 13,874 crore was paid on internal debt during 2019-20. The ratio of fiscal liabilities to GSDP showed increasing trend and increased from 24.36 *per cent* in 2015-16 to 25.92 *per cent* in 2019-20. These liabilities were 3.18 times the revenue receipts and 4.29 times the State's own resources as at the end of 2019-20.

**[Paragraph 2.6.1]**

### **Chapter 3: Budgetary Management**

During 2019-20, expenditure of ₹ 1,29,856.27 crore was incurred against the total grants and appropriations of ₹ 1,56,449.71 crore resulting in overall savings of ₹ 26,593.44 crore. Out of this, in 39 cases, savings were ₹ 25,905.59 crore registering saving more than ₹ 100 crore in each case. Excess expenditure of ₹ 153.39 crore under two grants required regularisation under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 41.54 crore for the period 2018-19.

**[Paragraphs 3.3.2 (i), 3.3.3 and 3.4.1]**

There were persistent savings in 20 grants and one appropriation during 2015-20. In 37 cases, supplementary provision proved to be unwarranted as the expenditure remained less than the original provision. In 15 major heads, under 10 grants, 47 *per cent* of the expenditure was incurred in the month of March 2020 indicating rush of expenditure in the closing month of the year which was contrary to the provisions of Rule 56 of the General Financial Rules. Sixty one development schemes with an approved outlay of ₹ 1,216.41 crore were not implemented during 2019-20.

**[Paragraphs 3.3.1, 3.3.2 (ii), 3.4.3 and 3.4.4]**

#### **Chapter 4: Quality of Accounts and Financial Reporting Practices**

Government departments transferred the cess collected under the Building and Other Construction Workers' Welfare Cess Act, 1996 and Haryana Rural Development Act, 1986 to the Haryana Building and Other Construction Workers Welfare Board/Haryana Rural Development Fund Administration Board without routing these through the Consolidated Fund of the State. In the case of Building and Other Construction Workers Welfare Fund, the Act provides for audit by the Comptroller and Auditor General of India (CAG) and the Fund is being audited. However, the Haryana Rural Development Act does not provide for audit by CAG.

**[Paragraph 4.1]**

2,004 utilisation certificates in respect of grants of ₹ 10,597.58 crore provided by various departments were outstanding as on 31 August 2020. 254 annual accounts of 93 autonomous bodies/authorities to which financial assistance was provided by State Government were in arrear as on 31 July 2020.

**[Paragraphs 4.6 and 4.15]**

During 2019-20, expenditure of ₹ 10,501.79 crore (10.24 *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.

**[Paragraph 4.9]**

The State has not complied with the Indian Government Accounting Standards (IGAS)-3: Loans and Advances made by Government as detailed information of overdue principal and interest was not furnished and confirmation of balances of individual loanee was not furnished.

**[Paragraph 4.13]**

State Government reported 64 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.34 crore on which final action was pending as of June 2020. Out of these, 34 cases were more than five years old.

**[Paragraph 4.18]**