

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 2018-19 *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 2019 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 2019. 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

➤ As on 31 March 2019, 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 0.71 *per cent* of the investment (at historical cost) in the last five years while the Government paid an average interest rate of 8.25 *per cent* on its borrowings during 2014-15 to 2018-19.

[Paragraph 1.8.2]

➤ During the period 2014-15 to 2018-19 an amount of ₹ 659.48 crore was advanced to different sectors by the Government. Amounts repaid amounted to ₹ 168.05 crore over the same period. Recovery in each year declined from four *per cent* of the amount outstanding at the beginning of the year and amount advanced during the year in 2014-15 to less than two *per cent* in 2018-19. During the current year amount repaid was ₹ 26.91 crore which stood at 1.40 *per cent* of the outstanding loans (₹ 1,926.54 crore) as on 31 March 2019. Since recovery of the loans has been poor, State Government may consider treating these loans and advances as grants and booking them as revenue expenditure for ensuring that accounts reflect the correct position.

[Paragraph 1.8.4]

- The Fiscal Liabilities to GSDP ratio for the year 2018-19 was 23.60 *per cent* as compared to previous year ratio of 23.26 *per cent*. The ratio was 1.04 percentage points higher than the normative assessment of the FFC (22.56 *per cent*) for the year.

[Paragraph 1.9.2]

- Net Debt available to the State has declined from ₹ 2,388 crore (2017-18) to ₹ 1,388 crore in the current year on account of higher portion of public debt receipt being utilised for repayment of borrowed funds and payment of interest thereon. Percentage of debt repayment including interest to total borrowed funds increased to 80.92 *per cent* in 2018-19 as compared to 68.27 *per cent* in 2017-18.

[Paragraph 1.10 (ii)]

- The State had revenue deficit of ₹ 917 crore in 2014-15 which further deteriorated to ₹ 1,852 crore during 2015-16. During 2016-17, the State was able to bring down the revenue deficit to a considerably lower level of ₹ 383 crore. However, the State could not maintain this trend and the revenue deficit deteriorated to ₹ 1,978 crore in 2017-18. The position improved during the current year and the revenue deficit declined to ₹ 980 crore (0.40 *per cent* of GSDP).

[Paragraph 1.11.1]

- The fiscal deficit during 2014-15 at ₹ 5,826 crore (3.61 *per cent* of GSDP) increased in 2015-16 to ₹ 6,125 crore (3.46 *per cent* of GSDP), but it declined to ₹ 5,467 crore (2.80 *per cent* of GSDP) in 2016-17. However, it again increased to ₹ 7,935 crore (3.56 *per cent* of GSDP) in 2017-18. During the current year the fiscal deficit at ₹ 7,320 crore (2.98 *per cent* of GSDP) was below the normative target of 3.25 *per cent* of GSDP as fixed by the FFC. The State could have used the available fiscal space to borrow more for augmenting its capital expenditure which has declined from 18.8 *per cent* of total expenditure (2014-15) to 16 *per cent* (2018-19).

[Paragraph 1.11.1]

- The primary deficit during 2014-15 at ₹ 3,420 crore decreased to ₹ 3,154 crore in the year 2015-16 and ₹ 1,744 crore in 2016-17. The primary deficit decreased from ₹ 3,948 crore during the year 2017-18 to ₹ 2,845 crore during the current year. This shows that the State's financial position has improved. Its primary revenue surplus increased from ₹ 2,009 crore in 2017-18 to ₹ 3,495 crore in 2018-19. It was able to meet 78 *per cent* of interest liabilities from the primary revenue surplus this year as compared to 50 *per cent* in the previous year.

[Paragraph 1.11.1]

Chapter-2

Financial management and budgetary control

- During 2018-19, there was an overall excess of ₹ 1,358.35 crore against the total grants and appropriations of ₹ 48,037.49 crore. The excess of ₹ 8,464.98 crore occurred in two grants under Capital Voted and one Appropriation under Capital

Charged Section and saving of ₹ 7,106.62 crore occurred in 31 grants and eight appropriations. The excess of ₹ 8,464.98 crore requires regularisation under Article 205 of the Constitution of India. Excess expenditure amounting to ₹ 27,194.15 crore pertaining to the years 2005-06 to 2017-18 is yet to be regularised by the State Legislature.

[Paragraphs 2.2 & 2.3.1, 2.3.2 & 2.3.3]

- An amount of ₹ 107.08 crore drawn from Contingency Fund during 2018-19 has remained un-recouped as on 31 March 2019.

[Paragraph 2.6]

Chapter-3

Financial reporting

- The departmental officers did not submit 25 Utilisation Certificates, in respect of grants of ₹ 37.66 crore given for specific purposes, to the Accountant General (Accounts & Entitlement), Uttarakhand till March 2019. In the absence of these certificates, it could not be ascertained whether the recipients had utilised the grants for the intended purposes.

[Paragraph 3.1]

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

[Paragraph 3.4]

- The Government has not provided adequate disclosures in the Finance Accounts as required under IGAS-1 (Guarantees given by the Government), IGAS-2 (Accounting and Classification of Grants-in-aid) and IGAS-3 (Loans and Advances made by the government).

[Paragraph 3.9]

