

EXECUTIVE SUMMARY

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Background

This Report on the finances of the Government of Haryana is brought out to assess the financial performance of the State during 2020-21 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 2021 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 five 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 2016-17 to 2020-21, 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.

Chapter 5 discusses the financial performance of State Public Sector Enterprises and the impact of comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprise.

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. The State Government had amended its FRBM Act in September 2020 for the financial year 2020-21 as additional Fiscal Deficit of two *per cent* over and above three *per cent* of GSDP (upto five *per cent* of GSDP) was permissible.

[Paragraph 1.5]

The revenue deficit increased from ₹ 16,990 crore during 2019-20 to ₹ 22,385 crore in 2020-21, which was higher than the budget projections of ₹ 15,374 crore.

[Paragraph 1.5]

Fiscal Deficit which was ₹ 30,518 crore in 2019-20 decreased marginally to ₹ 29,486 crore during 2020-21. Fiscal deficit was 3.86 *per cent* of GSDP against the target of four *per cent* in MTFP and 2.73 *per cent* in budget projections.

[Paragraph 1.5]

Revenue and Fiscal Deficits were understated by ₹ 1,166.89 crore on account of short-contribution to pension scheme, non-contribution to Consolidated Sinking Fund, non-adjustment of interest in Mines and Mineral Development, Restoration and Rehabilitation Fund and State Compensatory Afforestation Fund.

[Paragraph 1.6.1]

Fiscal liabilities were under stated by ₹ 406 crore due to non-depiction of outstanding loans, taken by Haryana Police Housing Corporation from Housing and Urban Development Corporation, in State Accounts.

[Paragraph 1.6.2]

Chapter 2: Finances of the State

The annual growth rate of Revenue Receipts decreased from 10.39 *per cent* in 2016-17 to 2.99 *per cent* in 2019-20 and became negative at 0.44 *per cent* in 2020-21. State's own revenue registered negative growth of 2.69 *per cent* from previous year.

[Paragraph 2.3.2.1]

The revenue expenditure at ₹ 89,946 crore increased by six *per cent* over previous year and was 93 *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 ₹ 7,650 crore in 2020-21, which was 11.32 *per cent* of the revenue receipts including subsidies of ₹ 5,565 crore (72.75 *per cent*) for the Rural Electrification.

[Paragraph 2.4.2]

The capital expenditure was ₹ 5,870 crore decreased from 17 *per cent* to six *per cent* of total expenditure during 2020-21 from previous year mainly due to less expenditure in economic services.

[Paragraph 2.4.3]

The Government as of 31 March 2021 had invested ₹ 37,566.55 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. The

average return on these investments was 0.188 *per cent* in the last five years while the Government paid an average interest rate of 7.94 *per cent* on its borrowings during 2016-21. 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 2021 increased by 6.68 *per cent* due to more loans to co-operative sugar mills and Haryana State Agriculture and Marketing Board and Power Companies during the year. Loans amounting to ₹ 3,418.72 crore were outstanding at the beginning of the year 2020-21 against co-operative sugar mills. Further, loans totalling ₹ 467.40 crore were given to these sugar mills. The State Government received interest of ₹ 92 crore (1.20 *per cent* of outstanding loans and advances) during 2020-21.

[Paragraph 2.4.3.2(v)]

The State Government had not invested funds of ₹ 5,230.50 crore available under State Disaster Response Fund, Restoration and rehabilitation of mines and minerals and State Compensatory Afforestation Fund.

[Paragraphs 2.5.2.2, 2.5.2.4 and 2.5.2.5]

Overall, fiscal liabilities including public debt and public account liabilities were 31.21 *per cent* of the GSDP (excluding GoI back-to-back loans of ₹ 4,352 crore in lieu of GST compensation shortfall which are not to be repaid by the State from its sources). The debt grew by 11 *per cent* over previous year. The State Government raised internal debt of ₹ 49,340 crore and repaid ₹ 29,167 crore. Interest of ₹ 15,444 crore was paid on internal debt during 2020-21. The ratio of fiscal liabilities to GSDP showed increasing trend and increased from 26.07 *per cent* in 2016-17 to 31.21 *per cent* in 2020-21. These liabilities were 3.53 times the revenue receipts and 4.88 times the State's own resources as at the end of 2020-21. State Government received ₹ 4,352 crore as back-to-back loans from GoI in lieu of GST compensation shortfall.

[Paragraph 2.6.1]

Chapter 3: Budgetary Management

During 2020-21, expenditure of ₹ 1,42,409.10 crore was incurred against the total grants and appropriations of ₹ 1,80,004.84 crore resulting in overall savings of ₹ 37,595.74 crore. Out of this, in 44 cases, savings were ₹ 36,450.08 crore registering saving more than ₹ 100 crore in each case. Excess expenditure of ₹ 21.93 crore under one 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 and ₹ 153.39 crore for 2019-20.

[Paragraphs 3.3.5 (i), 3.3.6 and 3.4.1]

There were persistent savings in 24 grants and one appropriation during 2016-21. In 22 cases, supplementary provision proved to be unwarranted as the expenditure remained less than the original provision. In 31 major heads, under 22 grants, 37 *per cent* of the expenditure was incurred in the month of March 2021 indicating rush of expenditure in the closing month of the year which shows non-adherence to the financial propriety.

[Paragraphs 3.3.2, 3.3.5 (ii) and 3.4.3]

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, Haryana Rural Development Act, 1986, Haryana Infrastructure Development Board and Haryana Urban Infrastructure Development Board, to the Haryana Building and Other Construction Workers Welfare Board/Haryana Rural Development Fund Administration Board/Haryana Infrastructure Development Board/Haryana Urban Infrastructure Development 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, other funds do not provide for audit by CAG.

[Paragraph 4.1]

2,442 Utilisation Certificates in respect of grants of ₹ 14,550.78 crore provided by various departments were outstanding as on 31 August 2021. 199 annual accounts of 97 autonomous bodies/authorities to which financial assistance was provided by State Government were in arrear as on 31 July 2021.

[Paragraphs 4.6 and 4.15]

During 2020-21, expenditure of ₹ 7,964.58 crore (8.31 *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 63 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.32 crore on which final action was pending as of June 2021. Out of these, 30 cases were more than five years old.

[Paragraph 4.18]

Chapter 5: State Public Sector Enterprises

The thrust of State Public Sector Enterprises (SPSEs) investment was mainly on power sector. This sector had received 87.13 *per cent* (₹ 47,051.41 crore) of total investment of ₹ 53,999.42 crore.

[Paragraph 5.4.1]

The number of SPSEs that reported profits in their latest financial statements available during 2020-21 were 19 as against 21 in 2019-20. The reported profit earned increased from ₹ 975.78 crore in 2019-20 to ₹ 1,698.89 crore in 2020-21. The Return on Equity (RoE) of the 19 profit earning SPSEs also increased to 36.97 *per cent* in 2020-21 as compared to 9.18 *per cent* of the 21 profit earning SPSEs in 2019-20. The RoE for all the 30 working SPSEs was 10.20 *per cent* in 2020-21 as per their latest financial statements.

[Paragraph 5.5.1]

Out of total loss of ₹ 425.71 crore reported to be incurred during 2020-21 by 11 SPSEs as per their latest financial results, loss of ₹ 357.50 crore is attributed (83.98 *per cent*) to two SPSEs which functioned in Energy and Power Department. The two SPSEs are Haryana Power Generation Corporation Limited (₹ 195.83 crore) and Haryana Vidyut Prasaran Nigam Limited (₹ 161.67 crore) reporting losses as per their latest finalised results of the financial year 2020-21.

[Paragraph 5.7.1]

As on 31 March 2021, there were 11 SPSEs with accumulated losses of ₹ 28,668.85 crore. Out of which two SPSEs (Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited) had accumulated losses of ₹ 28,341.22 crore.

[Paragraph 5.7.2]

Only nine Government Companies submitted their accounts of the year 2020-21 for audit by CAG by 30 November 2021. Accounts of 24 Government Companies were in arrears for a period of one to four years.

[Paragraph 5.11.2]