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 2012-13 vis-à-vis the Budget Estimates, the targets set under the Fiscal Responsibilities and Budget Management (FRBM) Act, 2005 and analyses the dominant 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 2013 and additional data collated 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 I is based on the audit of Finance Accounts and makes an assessment of the Haryana Government's fiscal position as on 31 March 2013. It provides an account of time series of receipts and disbursement, market borrowings, quality of expenditure, financial analysis of government expenditure and investment, debt sustainability and the fiscal imbalances.

Chapter II is based on audit of Appropriation Accounts and gives a grant-wise description of appropriations. It elaborates on financial accountability and budget management, deficiencies in working of treasuries and outcome of review of selected grants.

Chapter III is an inventory of the Haryana Government's compliance with various reporting requirements and financial rules.

Audit findings and recommendations

Chapter I

Fiscal Correction: The fiscal positions in terms of the trends in fiscal parameters, i.e. revenue, fiscal and primary deficit indicated increasing trends since 2008-09. During 2012-13, revenue, fiscal and primary deficit increased to ₹ 4,438 crore, ₹ 10,362 crore and ₹ 5,618 crore from ₹ 2,082 crore, ₹ 6,557 crore and ₹ 4,218 crore respectively in 2008-09. As against the recommendation of Thirteenth Finance Commission that the revenue deficit is to be brought down to zero by 2011-12 and is to be maintained at zero till 2014-15, the revenue deficit increased further during the year.

Interest payments: Interest payments (₹ 4,744 crore), increased by 19 *per cent* during the year over 2011-12 and were higher than the projections made in the

Fiscal Correction Path (₹ 4,620 crore) and the limit fixed by Thirteenth Finance Commission (₹ 4,616 crore) but was within the projections made in the Medium Term Fiscal Policy Statement (₹ 5,112 crore).

Non-Plan expenditure: Revenue expenditure (₹ 38,072 crore) was 86 *per cent* of the total expenditure (₹ 44,356 crore) and the Non-Plan component (₹ 28,616 crore) was 75 *per cent* of revenue expenditure which was higher than the normative assessment of the Thirteenth Finance Commission (₹ 20,360 crore) and the projection of Fiscal Correction Path (₹ 27,410 crore).

Incomplete projects: Sixty six infrastructural projects scheduled for completion between December 2007 and March 2013, were incomplete. Time and cost overruns of these incomplete projects need to be reduced so as to ensure value for money.

Review of Government investments: The average return on Government's investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.02 and 0.17 *per cent* in the past five years, as against interest outgo in the range of 7.82 to 9.86 *per cent*. The Government may consider avenues for improving the rate of return on investments.

Debt sustainability: The State's total liability including guarantees and letter of comfort in 2012-13 was ₹ 91,500 crore working out to 25.89 per *cent* of the Gross State Domestic Product (GSDP) which exceeded the prescribed parameters of the FRBM Act 2005 that the total outstanding debt should not exceed 22.7 *per cent* of the estimated GSDP for the year. The government may consider taking adequate efforts to contain the total liability within the parameters laid down by FRBM Act.

Oversight of funds transferred directly from Government of India to the State implementing agencies: GOI directly transferred ₹ 1,979.71 crore to State implementing agencies during the year, registering decrease of ₹ 30 crore (1.49 *per cent*) in comparison to previous year. Since these funds do not pass through the State Budget, the Finance Accounts do not present a complete picture of fund flow of Central government resources into the State.

Chapter II

Financial management and budgetary control:

The State had a overall savings of ₹ 10,982.48 crore after offsetting excess of ₹ 428.10 crore. The excess expenditure requires regularisation under Article 205 of the Constitution of India. There were both instances of inadequate provision of funds and unnecessary or excessive re-appropriations. Rush of expenditure at the end of the financial year was also noticed. In many cases, the anticipated savings were either not surrendered or surrendered on the last two days of the year, leaving no scope for utilising these funds. Budgetary controls should be strictly observed to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/ surrender orders should be avoided.

Chapter III

Financial Reporting:

Inordinate delays occurred in furnishing utilization certificates for the loans and grants to various institutions. Submission of Annual Accounts by autonomous bodies and departmentally managed commercial undertakings were delayed. In cases of theft of Government money, misappropriation, loss of Government material, defalcation, etc., departmental action was pending for long period. Internal controls should be strengthened to prevent losses and misappropriation in future. Substantial amounts of receipts and expenditure were classified under omnibus minor head '800-Other Receipts/Expenditure' during 2012-13 which should be avoided for greater transparency in financial reporting.