

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 2017-18 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 2018 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 2018. 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

Chapter I

Finances of the State Government

The State is on a fiscal correction path. However, the State has not yet amended the FRBM Act as recommended by FFC. It has remained a revenue deficit State although the amount of revenue deficit has declined over the previous year. The revenue deficit declined to 17 *per cent* of revenue receipts during 2017-18 from 30 *per cent* during the previous year.

The primary deficit of the State also declined from 2.89 *per cent* of GSDP in 2016-17 to 1.18 *per cent* in the current year.

Receipts of ₹ 3,068.82 crore collected under Haryana Rural Development fund were not credited to Consolidated Fund of the State during 2011-17.

Revenue expenditure during the year constituted 83 *per cent* of the total expenditure. Total expenditure on four components i.e. salary and wages, pension liabilities, interest payments and subsidies constituted 65 *per cent* of the revenue expenditure during 2017-18. Moreover, 90 *per cent* (₹ 7,624 crore) of total subsidies (₹ 8,446 crore) were only for the Energy Sector.

Capital expenditure increased by ₹ 6,675 crore (97 *per cent*) as compared to previous year mainly due to conversion of power sector loans amounting to ₹ 5,190 crore under UDAY scheme in to equity. The accumulated losses upto 2016-17 of three DISCOMs were ₹ 30,310 crore.

The average return on the Government's investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.04 and 0.17 *per cent* in the past five years while the Government paid an average interest of 8 to 9.83 *per cent* on its borrowings. The State Government has made investment of ₹ 5,755.08 crore during 2017-18. Out of this, ₹ 5,454.44 crore were invested in the equity capital of four power companies. The State Government had invested ₹ 5,473.78 crore during 2017-18 in five loss making companies.

The revenue deficit decreased from ₹ 15,906 crore of 2016-17 to ₹ 10,562 crore in 2017-18. The trends in other fiscal parameters, i.e. fiscal and primary deficit which stood at ₹ 26,285 crore and ₹ 15,743 crore in 2016-17, decreased to ₹ 19,114 crore (73 *per cent*) and ₹ 7,153 crore (45 *per cent*) respectively in 2017-18.

Overall fiscal liabilities of the State were ₹ 1,64,076 crore as on 31 March 2018. Fiscal liabilities were 26.97 *per cent* of GSDP and 2.62 times of the revenue receipts.

Cash balance of ₹ 4,417 crore at the close of 2017-18 was lesser than the earmarked reserve funds of ₹ 5,527 crore which indicates that reserve funds were used for other than intended purposes.

The State Government had not invested funds of ₹ 2,266 crore available under SDRF and Restoration and rehabilitation of mines and minerals. ₹ 2,407 crore under Building and other construction workers welfare cess were lying unutilized as on 31 March 2017.

Internal debt of the Government increased to ₹ 1,37,813 crore (12.39 *per cent*) during 2017-18 from ₹ 1,22,617 crore in 2016-17. An interest of ₹ 10,578 crore

was paid on internal debt during 2017-18. The resource gap remained negative during the year 2017-18 and the primary expenditure was met partially from the borrowed funds.

Chapter II

Financial management and budgetary control:

During 2017-18, expenditure of ₹ 1,02,962.69 crore was incurred against total grants and appropriations of ₹ 1,24,990.40 crore. Overall savings of ₹ 22,027.71 crore were the result of saving of ₹ 22,568.31 crore in various grants and an appropriation offset by excess expenditure of ₹ 540.60 crore under two grants which required regularisation under Article 205 of the Constitution of India in addition to excess expenditure of ₹ 256.98 crore for the period 2016-17.

In 59 cases, ₹ 22,731.21 crore were surrendered at the end of the financial year (more than ₹ 10 crore surrender in each case). In 15 cases, ₹ 9,158.16 crore was surrendered including an excess surrender of ₹ 345.16 crore than actual savings indicating inadequate budgetary control in these departments. Out of savings of ₹ 8,637.78 crore in 23 cases, savings of ₹ 418.09 crore were not surrendered. There were instances both of inadequate provision of funds and unnecessary or excessive re-appropriations.

Out of the expenditure of ₹ 11,205.77 crore incurred on 21 major heads under 15 grants during 2017-18, expenditure of ₹ 3,682.69 crore (33 *per cent*) was incurred during the month of March 2018 indicating rush of expenditure at the end of the financial year which was contrary to the provisions of Rule 56 of the General Financial Rules.

Chapter III

Financial Reporting:

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.

1,588 utilization certificates in respect of loans and grants of ₹ 7,800.80 crore provided by various departments were in arrear as on 31 March 2018. 216 annual accounts of 85 autonomous bodies/authorities to which financial assistance was provided by State Government were in arrear as on 31 July 2018.

State Government reported 71 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.34 crore on which final action was pending as of June 2018. Out of these, 43 cases were more than five years old.

During 2017-18, 13.28 *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.