

## PRESS BRIEF

The Report of the Comptroller and Auditor General of India on State Finances, Government of Haryana for the year ended March 2016 was prepared for submission to the Hon'ble Governor under Article 151 of Constitution of India, for being placed before the Legislative Assembly of Haryana. The Audit Report was placed in the Legislative Assembly on 27 February 2017.

The Report of the Comptroller and Auditor General of India on the Finances of the State of Haryana 2015-16 comprises three chapters. **Chapter-I** provides an assessment of the State Government's fiscal position as on 31 March 2016 and is based on the audit of Finance Accounts for the year 2015-16. **Chapter-II** gives a Grant wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments and is based on the audit of Appropriation Accounts, 2015-16. **Chapter-III** comprises an inventory of the Government's compliance to various reporting requirements and financial rules.

### Chapter 1: Finances of the State Government

Haryana is an agrarian State with 21 districts, 13 of which are part of the National Capital Region. It is the 21<sup>st</sup> largest State in terms of geographical area (44,212 sq km) and 18<sup>th</sup> by population (as per 2011 census). The State's Gross State Domestic Product (GSDP) in 2015-16 at current prices was ₹4,92,657 crore. The major changes in fiscal transactions in the State during 2015-16 are summarized below:

- Revenue receipts of ₹ 47,556.55 crore during 2015-16 increased by ₹ 6,757.89 crore (16.56 *per cent*) over the previous year. The State's own tax revenue of ₹ 30,929.09 crore fell short by 6.98 *per cent* and 18.71 *per cent* vis a vis projection made in Mid-term Fiscal Policy Statement (MTFPS) (₹ 33,249 crore) and target fixed by Fourteenth Finance Commission (FFC) (₹ 38,049 crore) respectively. The non-tax revenue (₹ 4,752 crore) increased by 15.60 *per cent* of the target fixed by FFC (₹ 4,111 crore) and fell short by 30.98 *per cent* of projection made in MTFPS (₹ 6,885 crore) respectively for the year 2015-16.
- Revenue Receipts of ₹ 2,010.48 crore collected under Haryana Rural Development fund were not credited to Consolidated Fund of the State during 2011-15.
- Revenue expenditure increased by 21 *per cent* from ₹ 49,118 crore in 2014-15 to ₹ 59,236 crore in 2015-16 and was higher than the normative assessment of FFC (₹ 44,514 crore) but less than the projections made in Mid Term Fiscal Policy Statement (₹ 61,869.62 crore). Non-Plan component (₹ 40,675 crore) was 69 *per cent* of revenue expenditure and

was less than the projection made in Mid Term Fiscal Policy Statement (₹ 43,208.62 crore). The four components of committed expenditure i.e. salary and wages, interest, pension and subsidies constituted 82 *per cent* of non-plan revenue expenditure.

- Capital expenditure increased by ₹ 3,192.80 crore (85.93 *per cent*) mainly on account of increase in expenditure on ‘economic services’ due to investment of ₹ 1,297.50 crore in power companies under Ujawal Discom Assurance Yojana (UDAY), expenditure of ₹ 1,425 crore and ₹ 494 crore on Food, Storage & Warehousing and Transport respectively.
- Interest payments (₹ 8,284 crore) increased by 19.57 *per cent* during the year over 2014-15 and were higher than the limit fixed by FFC (₹ 7,582 crore), but was within the projections made in the Medium Term Fiscal Policy Statement (₹ 8,564 crore).
- Building and Other Construction Workers’ Welfare Board spent only ₹ 8.04 crore on labour welfare schemes during 2014-15 as against the total funds of ₹ 1,795.31 crore available for the purpose as on 31 March 2015.
- Eighteen projects of two departments (PWD (B&R) and Irrigation) scheduled to be completed between May 2014 and March 2016 were incomplete as of June 2016.
- The average return on the Government’s investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.02 to 0.17 *per cent* in the past five years while the Government paid an average interest of 8.64 to 9.86 *per cent* on its borrowings. During 2015-16, out of total investments of ₹ 1,902.21 crore, ₹ 1,794.54 crore were invested in equity capital of power companies.
- The revenue deficit, which indicates the excess of revenue expenditure over revenue receipts, was to be brought down to zero by 2011-12 and to be maintained at zero up to 2014-15, as per the Fiscal Responsibility and Budget Management Act. The revenue, fiscal and primary deficits which were ₹ 8,319 crore, ₹ 12,586 crore and ₹ 5,658 crore respectively during 2014-15 increased to ₹ 11,679 crore, ₹ 31,479 crore and ₹ 23,195 crore in 2015-16. The target of ₹ 9,557.52 crore of revenue deficit in the budget for the year 2015-16 could not be achieved and fiscal deficit was 6.39 *per cent* of GSDP against the target of 3.14 *per cent* set out in MTFPS. However, the fiscal deficit at 2.88 *per cent* of GSDP excluding debt taken over under Ujawal Discom Assurance Yojana scheme was within the limit of 3.14 *per cent* set out in FRBM, MTFPS for the year 2015-16.

- The overall fiscal liabilities of the State were ₹ 1,20,718 crore as on 31 March 2016. Out of this, internal debt was ₹ 99,660 crore. Fiscal liabilities were 24.50 *per cent* of GSDP and 2.54 times of the revenue receipts.

## **Chapter 2: Financial management and budgetary control**

Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions. The main findings are summarized below:

- An expenditure of ₹ 95,480.50 crore was incurred against total grants and appropriations of ₹ 1,11,559.26 crore. Overall savings of ₹ 16,078.76 crore were the result of saving of ₹ 17,493 crore in various grants and appropriation offset by excess expenditure of ₹ 1,414.24 crore in four grants which required regularization under Article 205 of the Constitution of India.
- In 51 cases, ₹ 17,091.93 crore was surrendered at the end of the financial year. In 21 cases, ₹ 8,840.80 crore were surrendered against the savings of ₹ 8,521.13 crore resulting in excess surrender (₹ 319.70 crore) than actual savings. Further, out of savings of ₹ 7,199.13 crore in 20 cases, savings of ₹ 1,302.40 crore were not surrendered.
- Expenditure of ₹ 7,408.71 crore (52 *per cent*) in 14 major heads under 11 grants was incurred during the month of March 2016 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.
- The plan expenditure during 2015-16 was only ₹ 25,185 crore (59 *per cent*) against the assessed amount of ₹ 42,743 crore. No expenditure was incurred in 32 schemes with approved plan outlay of ₹ 386.74 crore. In 74 schemes, expenditure of ₹ 1,030.52 crore was incurred against the approved outlay of ₹ 1,813.56 crore.

## **Chapter 3: Financial Reporting:**

Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. The main findings on the status of the State

Government's compliance with various financial rules, procedures and directives during the current year are summarized below:

- 1,313 Utilization certificates in respect of loans and grants of ₹ 6,267.34 crore provided by various departments were in arrear as on 31 March 2016. This included 696 UCs (53 *per cent*) relating to grants released during the period between 2008-09 and 2013-14.
- 202 annual accounts of 83 autonomous bodies/authorities to which financial assistance was provided by State Government were awaited as on 31 July 2016. Out of 29 autonomous bodies, whose audit has been entrusted to the CAG by the State, two had delayed submission of their annual accounts for more than five years.
- Five departmental undertakings had not prepared their accounts since the years ranging between 1986-87 and 2013-14. Government funds amounting to ₹ 7,125.66 crore stood invested in these undertakings.
- State Government reported 105 cases of misappropriation and defalcation involving ₹ 1.33 crore of Government money on which final action was pending as of June 2016. This included 93 cases which were more than five years old.
- During 2015-16, 22.34 *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.

**Principal Accountant General**

