

Executive Summary

Based on the audited accounts of the Government of Jharkhand for the year ended 31 March 2016, this Report provides an analytical review of the Annual Accounts of the State Government. The financial performance of the State has been assessed based on the Fiscal Responsibility and Budget Management (FRBM) Act, 2007, as amended in 2011 and 2012, Budget documents, Economic Review, Fourteenth Finance Commission Report and other financial data obtained from various Government departments and organisations. The Report is structured in three Chapters.

Chapter - 1 is based on the audit of Finance Accounts and makes an assessment of the Government's fiscal position as on 31 March 2016. It provides an insight into trends in overall financial position of the State, actuals vis-à-vis budget estimates of committed expenditure and borrowing patterns, besides Government's investments and returns thereon.

Chapter - 2 is based on audit of Appropriation Accounts and gives a grant-wise description of appropriations and the manner in which the allocated resources are managed by the service delivery departments.

Chapter - 3 is an inventory of the Jharkhand Government's compliance with various reporting requirements and financial rules alongwith audit observations based on the study of Utilisation Certificates of Urban Development Department.

The Report also has an appendage of additional data collated from several sources in support of the findings. **Appendix 4.1** at the end gives a glossary of terms and acronyms – related to State economy, as used in the Report.

Audit findings and recommendations

Chapter: 1 Finances of the State Government

Fiscal Situation

- The Gross State Domestic Product (GSDP) of Jharkhand State grew at the rate of 11.4 *per cent* during 2015-16 against the Fourteenth Finance Commission (14thFC) projection of 11.73 *per cent* for the year. This was better than the growth rate of India's GDP of 8.7 *per cent*. Increase in GSDP of Jharkhand was mainly due to increase in the value of State Domestic Products in Primary Sector by 17 *per cent*.

Profile of Jharkhand

- The State had a Revenue Surplus of ₹ 4,085 crore during 2015-16 due to less expenditure in Social Services (by ₹ 6,790 crore) and Economic Services (by ₹ 1,578 crore) against the Budget Estimate.

- During the current year, Fiscal Deficit increased to ₹ 11,523 crore due to receipt of ₹ 5,553 crore on UDAY Bonds. It was 4.8 *per cent* of GSDP, much beyond the recommended ceiling (3.5 *per cent*) by the 14thFC.

Paragraph 1.1.2

Resources mobilization

- During 2015-16, the Revenue Receipts grew at 28.7 *per cent* over the previous year against a corresponding 20.8 *per cent* growth during 2014-15 mainly due to increase in receipt of Central Taxes by ₹ 6,482 crore. However, in comparison to the budget estimate, the Revenue Receipts were less by ₹ 7,389 crore during 2015-16 mainly due to less receipt of GIA from Government of India (by ₹ 7,685 crore).
- During 2015-16, 57 *per cent* of total Revenue Receipts came from Central Tax Transfer and GOI grants, while State's Own Resources contributed the balance.

Paragraph 1.3

Quality of expenditure

- During 2015-16, Capital Expenditure (CE) increased to ₹ 8,159 crore against ₹ 5,543 crore in 2014-15. The percentage of CE to Total Expenditure stood at 16 *per cent* and percentage of CE to GSDP was 3.4 *per cent* during 2015-16.

Paragraph 1.6.1.1

- Revenue Expenditure (RE) was 70 *per cent* of the Total Expenditure (₹ 52,192 crore) during 2015-16 against 83 *per cent* in 2014-15. The share of Plan Revenue Expenditure in total RE increase from 39 *per cent* in 2014-15 to 43 *per cent* in 2015-16.

Paragraph 1.6.2 & 1.6.2.1

- Financial assistance by the State to Local Bodies and other institutions increased from ₹ 12,404.02 crore in 2014-15 to ₹ 14,890.92 crore during 2015-16.

Paragraph 1.6.4

- During the year 2015-16, the ratio of Development Expenditure and Capital Expenditure to Total Expenditure was higher than that of General Category States. However, the State has given less priority to education sector and health sector in comparison to the General Category States.

Paragraph 1.7.1

Thrust to Development Expenditure

- During 2015-16, the growth rate of Development Expenditure to Total Expenditure decreased from 49 *per cent* in 2014-15 to 46 *per cent* in 2015-16 due to decrease in growth rate of Development Revenue

Expenditure from 55 *per cent* in 2014-15 to 47 *per cent* in 2015-16. During the year 2015-16, the share of Development Capital Expenditure in Total Expenditure was 29 *per cent*.

Paragraph 1.7.2

Incomplete projects

- As of March 2016, there were 195 incomplete works beyond their scheduled date of completion, in which ₹ 2,088.85 crore was blocked. Delay in completion of these works invites the risk of cost escalation. Besides, intended benefits from these projects could not be achieved.

Paragraph 1.8.2

Return on Government investments

- As of 31 March 2016, Government of Jharkhand invested ₹ 267 crore in Government Companies, Co-operatives, Banks and Societies etc. The return was ₹ 0.47 crore only during 2015-16, although Government paid interest at an average rate of 6.63 *per cent* on its borrowings during the year 2015-16.

Paragraph 1.8.3

Fiscal Liabilities

- During 2015-16, Fiscal Liabilities of the State (₹ 56,530 crore) grew by 29.7 *per cent* mainly due increase in Internal Debt by 34 *per cent*. The Fiscal Liabilities were 23.4 *per cent* of GSDP.
- Government has not set up Sinking Fund for amortization of loans.

Paragraph 1.9.2

Debt Management

- The incremental non-debt receipts (resources gap) increased from (-) ₹ 2,885 crore in 2014-15 to ₹ 4,313 crore in 2015-16 which was indicative of improvement in fiscal position of the State. Net availability of borrowed funds increased from ₹ 3,313 crore in 2014-15 to ₹ 9,641 crore in 2015-16. The ratio of Interest Payments to Revenue Receipts stood at 8.17 *per cent* in 2015-16.

Paragraph 1.10.2

Chapter: 2 Financial Management and Budgetary control

Large Savings due to improper Budget estimation

- There were large savings of ₹ 17,524.86 crore during 2015-16 indicating improper budget estimation. Large savings under various schemes/sub-heads may adversely affect the implementation of development programmes in the State. Persistent savings for not less than of 10 *per cent* or more of the grant were also noticed in

11 departments performing Social Services and Economic Services during the last five years.

Paragraph 2.3 & 2.4.3

Advances from Contingency Fund

- Advances amounting to ₹ 164.52 crore were withdrawn from Contingency Fund on 49 occasions during 2015-16 to meet expenditure which was neither unforeseen nor of emergent nature. Some purpose for which advance was drawn were 'Subsidy for increasing capital investment (₹ 41.42 crore)', 'creation of capital asset (₹ 36 crore)', 'office expenses, repairing and Fuel to Motor Vehicles (₹ 20.23 crore)' etc.

Paragraph 2.4.5

Excess over provisions during 2001-15 requiring regularisation

- Excess expenditure of ₹ 2,739.12 crore over provisions occurred during 2001-15. This requires regularisation under Article 205 of the Constitution of India.

Paragraph 2.4.6

Substantial surrender of funds

- There were 263 cases amounting to ₹ 3,066.98 crore where 100 *per cent* of the provisions and more than ₹ 50 lakh were surrendered.

• Paragraph 2.4.8

Deficiencies in Budgetary Controls in Urban Development and Housing Department during 2015-16

- The Urban Development and Housing Department was not following the provisions of the Budget Manual leading to lack of budgetary control in the Department. This resulted in large savings of ₹ 889.21 crore, rush of expenditure of ₹ 789.61 crore in 40 sub-heads at the fag end of the financial year. Accounts of ₹ 1,575.29 crore were also not reconciled with the books of the Principal Accountant General (A&E).

Paragraph 2.7

Chapter: 3 Financial Reporting

Outstanding Utilisation Certificates against the grants

- Utilisation certificates (UCs) of ₹ 22,325.68 crore against the Grants-in-Aid bills drawn upto 2014-15 by different departments were outstanding as on 31 March 2016. This was indicative of failure of the departmental officers to comply with the rules and procedures to ensure timely utilisation of the grants for the intended purpose.

Paragraph 3.1.1

- The total amount for which DC bills were received was ₹ 11,610 crore against the total value of AC bills of ₹ 17,081 crore drawn during 2000-16. This leads to an outstanding balance of DC bills worth ₹ 5,471 crore as on 16 May 2016.

Paragraph 3.3.1

Funds kept in Personal Ledger Accounts

- There was a huge balance of ₹ 5,217.97 crore in Personal Ledger Accounts at the end of March 2016. The drawal of government money to prevent it from being lapsed and keeping it in PL Accounts for its expenditure in the years other than in which it was approved by the Legislature not only violated the Financial Rules but also led to the failure of budgetary control by the State.

Paragraph 3.6