

Executive Summary

Background

Based on the audited accounts of the Government of Rajasthan (GoR) for the year ending March 2012, 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 Budgetary Management (FRBM) Act, Budget Documents, Economic Review 2011-12, Thirteenth Finance Commission (XIII-FC) 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 GoR's fiscal position as on 31 March 2012. It provides an insight into trends in committed expenditure, borrowing pattern, besides a brief account of Central funds transferred directly to the State Implementing Agencies through off-budget route.

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

Chapter 3 is an inventory of GoR's compliance with various reporting requirements and financial rules.

The report also has an *Appendix I* of additional data collected from several sources in support of the findings. *Appendix 4.1* at the end gives a glossary of selected terms related to State economy, as used in this report.

Audit findings and recommendations

The State Government has shown a return to fiscal consolidation by showing a healthy growth in both tax and non-tax revenue. The fiscal deficit was a healthy one per cent of Gross State Domestic Product (GSDP) as against the target of three per cent as prescribed by revised FRBM Act for 2011-12.

Budget Estimates: The actual revenue receipts and revenue expenditure increased by nine *per cent* and three *per cent* respectively as compared to the budget estimates for 2011-12. Resultantly, the revenue surplus increased by ₹ 3,004 crore as compared to the budget estimates. The estimated primary deficit also turned into primary surplus. The actual fiscal deficit declined from the budget estimate by ₹ 4,437 crore; deficit was one *per cent* of GSDP as against 2.4 *per cent* of budget estimates.

Revenue Receipts: During 2011-12, the State's revenue receipts increased by 24.1 *per cent* over the previous year. The State's revenue receipts as a percentage of GSDP marginally declined from 15.8 *per cent* in 2007-08 to 15.5 *per cent* in 2011-12. Government should mobilise additional resources

through tax and non-tax revenue by expanding the tax base and rationalising the user charges.

Revenue expenditure: During 2011-12, the revenue expenditure constituted 87 *per cent* of the total expenditure while the Non-Plan Revenue Expenditure constituted 77 *per cent* of Revenue Expenditure. Nearly 58 *per cent* of the revenue receipts of the State was spent on committed expenditure. There is a necessity to contain the committed expenditure.

Inadequate Priority to Capital expenditure: The capital expenditure increased by 36 *per cent* over the previous year and it was 17 *per cent* lower than that projected in Medium Term Fiscal Policy Statement (MTFPS) for 2011-12. The progressive capital expenditure at the end of March 2012 includes ₹ 7,993 crore (11.7 *per cent*) blocked on 160 incomplete projects. Government should give adequate priority to capital expenditure and should formulate guidelines for early completion of incomplete projects to avoid time and cost over runs with a view to take corrective action.

Review of Government investments: The average return on State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives varied between 0.2 and 0.4 *per cent* in the past three years while the Government paid an average interest of 7.7 *per cent* on this investment. It would be prudent to review the working of State Public Sector Undertakings which are incurring huge losses and work out either a revival strategy (for those which can be made viable) or close them down (if they are not likely to be viable given the current market conditions).

Prudent cash management: The State had a huge surplus cash balance of ₹ 9,785 crore. Since, maintaining huge idle cash balance is not prudent cash management, appropriate steps should be taken for spending on capital projects for creation of assets.

Oversight of funds transferred directly from the GoI to the State Implementing Agencies: GoI directly transferred substantial amount of funds to the State Implementing Agencies, which is fraught with the risk of their improper utilisation by these agencies. There is no single agency monitoring its use and there is no readily available data on how much is actually spent in any particular year on major flagship schemes. A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Principal Accountant General.

A review of release and utilisation of grants recommended by XIII-FC by some Departments revealed non-utilisation of grant of ₹ 265 crore against sanctioned amount of ₹ 404 crore by eight departments due to non-finalisation of action plan/work plans.

Financial Management and Budgetary Control: During 2011-12, there was an overall saving of ₹ 6,537.27 crore over the total grants and appropriations indicating inaccurate budgeting. There was excess expenditure of ₹ 0.12 crore which requires regularisation under Article 205 of the Constitution of India. In all 55 Grants/appropriations, 93 *per cent* of total savings was surrendered on

the last working day of the financial year leaving no scope for utilising these funds for other development purposes. In 79 cases, lump sum provision of ₹ 1,742.31 crore was made violating provisions of SBM. Of this, 90 per cent remained unutilised. Rush of expenditure at the end of the year is another chronic feature, which indicates weak budgetary control.

Review of some grants revealed that (i) the Food and Civil Supplies Department transferred funds of ₹ seven crore in PD Account on 31 March 2012 to meet out the requirement of 2012-13, (ii) there were persistent savings in Forest, Medical and Health, Food and Civil Supplies, Agriculture and Water Resources Departments, (iii) though the Tourism Department had been making provision every year in the estimates, there were no receipts during 2009-12. The provision of ₹ five crore was made by Tourism Department in budget estimates without ensuring the availability of land; an amount of ₹ 1.93 crore meant for utilisation on two project was lying unutilised in PD Accounts of JDA, ADMA and State Government since November 2010. ₹ 3.92 crore released by GoI for conservation and restoration of Shiv Temple (District Baran) was lying blocked with the State Government since December 2010 and (iv) in Labour and Employment Department, the State Government has not transferred (March 2012) labour cess of ₹ 229 crore to the Rajasthan Building and other Construction Workers Welfare Board, Jaipur collected during 2010-12. Inspection of treasuries indicated deficiencies in their functioning. In 37 cases an expenditure of ₹ 88.80 crore was incurred on New Services without the approval by the Legislature.

Departments should submit more realistic budget estimates keeping in view the trends in expenditure and actual requirement of funds. Budgetary controls should be strictly observed. Anticipated savings should be surrendered well in time so that the funds are utilised for various development programmes. Expenditure on New Service should be met from Contingency Fund and bear approval of the Legislature. Functioning of Treasuries should be monitored to avoid their deficient functioning.

Financial Reporting: State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delays in furnishing utilisation certificates against the loans and grants, from various grantee institutions. Annual Accounts in respect of 131 Autonomous Bodies/Authorities for the year 2010-11 have not been received upto 31 March 2012. There were instances of losses and misappropriations of Government money amounting to ₹ 44.07 crore as of 31 March 2012. Departmental enquiries in such cases should be expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent recurrence of such cases in future.

The Controlling Officers did not submit the Detailed Contingent Bills in respect of ₹ 62.70 crore against the advances drawn on 441 Abstract Contingent Bills upto 31 March 2012. Besides, unspent balance of ₹ 2,016.65 crore was lying in 1,877 Personal Deposit (PD) Accounts.

A rigorous monitoring mechanism should be put in place by the DDOs to adjust the abstract contingent bills in time and maintain the PD Accounts properly, as required under the extant rules.

Significant amounts of expenditure (₹ 6,889.20 crore) and receipts (₹ 2,030.32 crore) under Central and State schemes, booked under the Minor head '800-Other expenditure/other receipts' were not depicted in the appropriate head of account in Finance Accounts of 2011-12, affecting the transparency in financial reporting. Amounts received and expended under various schemes should be depicted distinctly in the State Accounts instead of clubbing those under the Minor head '800'.