

EXECUTIVE SUMMARY

Executive Summary

Based on the audited accounts of the Government of Jharkhand 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 Budget Management Act, 2007, Budget documents, Medium Term Fiscal Plan (MTFP), Economic Review, Thirteenth Finance Commission (TFC) Report and other financial data obtained from various Government Departments and organizations. The Report is structured in four 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 2012. 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 giving a brief account of the funds transferred by the Government of India (GOI) directly to the State implementing agencies through the off-budget route.

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 presents the results of the Compliance Audit of Abstract Contingent bills of three Departments viz. Human Resources Development, Rural Development and Home Department against whom a huge number of Abstract Contingent bills were outstanding.

Chapter 4 is an inventory of the Government of Jharkhand's compliance with various reporting requirements and Financial Rules.

The Report also compiles the data collated from several Government Departments/Organisations in support of the findings. Appendix 5.1 at the end of the Report gives a glossary of terms and acronyms used in the Report.

Audit findings

Chapter: 1

Fiscal discipline: The State Government has succeeded in improving the fiscal situation during 2011-12. The Revenue Receipts (₹ 22,420 crore) grew at 19.4 *per cent* while the Revenue Expenditure (₹ 20,992 crore) grew at 17 *per cent* over the previous year. As a result, the Revenue Surplus increased to ₹ 1,428 crore during 2011-12. However, Revenue Surplus was low compared to the Medium Term Fiscal Plan target of ₹ 5,379 crore. Fiscal Deficit (₹ 1,924 crore) was also contained to 1.54 *per cent* of Gross State Domestic Product (GSDP) during 2011-12, which was well within the TFC recommendation (three *per cent*). The growth of GSDP during 2011-12 was, however, 12.1 *per cent*, against the TFC norm of 14.14 *per cent*.

During 2011-12, the actual receipts were less by ₹ 5,326 crore in comparison to the Budget Estimate. State's Own Tax and Non-Tax Revenue comprised 45 *per cent*, while Central Tax transfer and Grants-in-aid from Government of India (GOI) constituted 55 *per cent* of Revenue Receipts. Grants-in-aid from GOI increased by 28 *per cent*, over the previous year.

During 2011-12, the Revenue Expenditure constituted 86 *per cent* of Total Expenditure. Its growth was much higher than the growth rate of GSDP. Of the Revenue Expenditure, Plan Revenue Expenditure (PRE) and Non-Plan Revenue Expenditure (NPRE) constituted 36 *per cent* and 64 *per cent* respectively. The PRE increased by 27 *per cent* and NPRE increased by 12 *per cent* over the previous year. During 2011-12, financial assistance to Local Bodies and other institutions stood at 22 *per cent* of Revenue Expenditure.

Capital expenditure: During 2011-12, Capital Expenditure (₹ 3,159 crore) increased by ₹ 495 crore over 2010-11. However, its percentage to Total Expenditure remained static at 13 *per cent* during 2010-12, compared to 15 *per cent* during 2009-10, despite having Revenue and Primary Surpluses during the year. The percentage of Capital Expenditure to Gross State Domestic Product (GSDP) stood at 2.54 *per cent* against the MTFP projection of 3.15 *per cent*.

Thrust to Development Expenditure: Total Development Expenditure increased during the period 2007-08 to 2011-12 at an average annual growth rate of 15 *per cent*. During the year 2011-12, the share of Development Revenue Expenditure in Total Expenditure was 54 *per cent*, while it was only 13 *per cent* in case of Development Capital Expenditure.

Review of Government investments: The return from Government investment (₹ 182.57 crore as of 31 March 2012) in Government Companies, Co-operatives, Banks and Societies was less than one *per cent* during the last five years, while the cost of Government borrowings during 2007-2012 was much higher (ranged between 7.42 *per cent* and 8.03 *per cent*).

Transfer of funds to State Implementing Agencies: During 2011-12, Government of India directly transferred ₹ 4,194.42 crore to the State Implementing Agencies, outside the State Budget. As Annual Finance Accounts do not capture the flow of such funds, the State's receipts and expenditure are understated to that extent. Besides, direct transfer of funds to the Agencies ran the risk of improper utilisation of funds by these agencies, unless uniform accounting practices are followed.

Fiscal Liabilities: Fiscal Liabilities of the State (₹ 30,664 crore) grew at seven *per cent* over the previous year. The Fiscal Liabilities were 24.7 *per cent* of GSDP (against the TFC recommendation of 28.5 *per cent* for the year) which gradually decreased from 28 *per cent* in 2009-10.

Debt sustainability: During 2007-12, the quantum spread together with the Primary Deficit/Surplus recorded wide fluctuation between (-) ₹ 2,022 crore and ₹ 3,087 crore due to fluctuation in the growth rate of GSDP. From ₹ 1,825 crore in 2010-11, it slightly decreased during 2011-12 (₹ 1,618 crore) leading the State to a debt sustainable position. The debt-GSDP ratio during 2011-12 was 24.7 *per cent*, against the MTFP target of 25 *per cent*.

Chapter: 2

Financial management and budgetary control: There were large savings of ₹ 9,998.50 crore during 2011-12 indicating improper budget estimation. Large savings under various schemes/ sub-heads may adversely affect the implementation of development programmes in the State. Excess expenditure of ₹ 420.16 crore was incurred over provisions during 2011-12, which requires regularisation under Article 205 of the Constitution of India. Besides, excess expenditure of ₹ 8,120.63 crore occurred during 2001-2011 was still to be regularised. Persistent savings for the last five years were also recorded in nine departments performing Social Services and Economic Services. In 79 Sub-Heads, ₹ 3,252.83 crore were surrendered on last two days of the year, leaving no scope of utilisation of the funds for other development purposes. In 16 Heads more than 50 *per cent* of the expenditure was incurred during the last month of the financial year. Rush of expenditure hampers due exercise of budgetary and expenditure controls. The Controlling Officers did not reconcile the expenditure (₹ 20,101 crore) and receipts (₹ 9,822 crore) of the departments with the books of the Accountant General (A&E), Jharkhand during 2011-12.

Chapter: 3

Compliance Audit of Abstract Contingent bills: In Jharkhand, huge amounts (₹ 13,543 crore) were drawn on Abstract Contingent (AC) bills during 2000-2012 and the bills remained outstanding (₹ 6,861 crore as of June 2012) for long periods due to non-submission of Detailed Contingent (DC) bills. AC bills were found drawn for purposes for which advance drawal was not permissible. The Departments drew AC bills even for programme implementation and other Plan/Capital expenditure. AC bills were repeatedly drawn by the DDOs by furnishing wrong certificates regarding submission of DC bills in respect of AC bills drawn earlier. We also observed that Plan funds, though not required for immediate payment, were drawn through AC bills at the fag end of financial year to avoid lapse of budget allotment. Also, unspent funds drawn in AC bills were kept in bank accounts and not deposited into the Government account. Further, non-provisioning of funds for flagship programmes in the State budget as Grants-in-aid resulted in drawal of the same through AC bills.

Chapter: 4

Financial reporting: Utilisation certificates of Grants-in-aid amounting to ₹ 6,836.04 crore were not submitted by State institutions/bodies, which restricted the State Government from taking appropriate steps required for ensuring accountability and improving efficiency of operations. Annual Accounts of 74 Bodies and Authorities had not been received by the Principal Accountant General (Audit), Jharkhand as of September 2012. Government Funds parked in Personal Deposit Account was not closed at the end of the financial year.