Executive Summary

Background

Based on the audited accounts of the Government of Rajasthan for the year ended March 2015, this report provides an analytical review of the finances of the State Government. The financial performance of the State has been assessed based on the Fiscal Responsibility and Budget Management Act, Budget Documents, Economic Review 2014-15, Thirteenth Finance Commission Report and other financial data obtained from various Government departments and organisations.

Report

This report is structured in three Chapters.

Chapter I is based on Finance Accounts and makes an assessment of Government of Rajasthan's fiscal position as on 31 March 2015. It provides an insight into trends in receipts, expenditure, borrowing pattern etc.

Chapter II 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 III is an inventory of Government of Rajasthan's compliance with various reporting requirements and financial rules.

The report also has an ***Appendix 1.1*** 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 the State economy, as used in this report.

Audit Findings and Recommendations

Finances of the State Government

For the second consecutive year, the State Government was unable to achieve its target of attaining zero revenue deficit framed under the Fiscal Responsibility and Budget Management (FRBM) Act. During the year 2014-15, the revenue deficit increased to ₹ 3,215 crore from ₹ 1,039 crore in 2013-14. The State Government failed to contain the fiscal deficit within the limit of 3 *per cent* of Gross State Domestic Product (GSDP), as laid down in FRBM Act and at the end of 2014-15, the fiscal deficit was ₹ 19,000 crore (3.31 *per cent* of GSDP). Further, the primary deficit (₹ 8,537 crore) also increased by ₹ 2,411 crore over the previous year.

With a view to generate a revenue surplus of ₹ 738 crore, the State Government in its BE had projected revenue expenditure of ₹ 1,05,387 crore and revenue receipts of ₹ 1,06,125 crore during 2014-15. It was observed that the actual expenditure was ₹ 94,542 crore (10.3 *per cent* less than estimates) and actual receipts were ₹ 91,327 crore (13.9 *per cent* less than estimates) during the year leading to revenue deficit. The outstanding debt showed a steady increase over the years, from ₹ 99,285 crore at the end of 2010-11 to

₹ 1,47,609 crore at the end of 2014-15 which as percentage of GSDP was 25.7 *per cent* in 2014-15 and was well within the target of 36.5 *per cent* fixed under the FRBM Act. However, annual incremental borrowings (₹ 17,699 crore) were higher than the ceilings fixed by the GoI (₹ 17,035 crore).

Revenue receipts of the State increased steadily from ₹ 45,928 crore in 2010-11 to ₹ 91,327 crore in 2014-15. The growth in revenue receipts during the year 2014-15 was 22.6 *per cent* (₹ 16,856 crore) as compared to 11.3 *per cent* in previous year. This was mainly on account of 124.2 *per cent* (₹ 10,863 crore) growth of Grant-in-aid from GoI in 2014-15 as compared to 21.9 *per cent* in the previous year because of transfer of significant funds under CSS to the Implementing Agencies through the Consolidated Fund of the State as per policy decision of GoI. The share of tax revenue to revenue receipts declined from 45.2 *per cent* in 2010-11 to 42.3 *per cent* in 2014-15.

While overall revenue expenditure of the State increased by 111 *per cent* from ₹ 44,873 crore in 2010-11 to ₹ 94,542 crore in 2014-15, its share in total expenditure declined from 89.1 to 84.9 *per cent.* However, during 2014-15, there was 25 *per cent* growth in revenue expenditure as compared to previous year's growth of 19 *per cent,* which indicative of deficiencies in control over expenditure. The Non Plan Revenue Expenditure (NPRE) also increased consistently over the period from ₹ 36,121 crore in 2010-11 to ₹ 67,098 crore in 2014-15 and stood at 71 *per cent* of revenue expenditure after recording growth of 15 *per cent* over the previous year. The expenditure on salaries, interest payments, pensions and subsidies increased by 78 *per cent* from ₹ 29,317 crore in 2010-11 to ₹ 52,216 crore in 2014-15. During the current year, it recorded growth of 18 *per cent* over the previous year.

The estimation of expenditure and receipts for containing fiscal parameters within the desirable limits should be more realistic and it should be endeavour of the State Government to contain the expenditure as envisaged within the budget estimates. Regular control over expenditure and management of receipts are required.

Various types of cess are levied by the Government for specific purposes and objectives. For the purpose of transparency, their proceeds are transferred to an earmarked fund. Irregularities were noticed in implementation and follow up action regarding certain cess imposed by the State Government for various objectives.

Upto the year 2014-15, a sum of ₹ 300.51 crore was collected under Environmental and Health cess which was levied in Budget Speech 2008-09. However, this was not transferred from Consolidated Fund to the Public Account till 2012-13 and only a sum of ₹ 51.58 crore was spent till end of 2014-15.

Rajasthan Building and Other Construction Workers Welfare Fund was established under 'Rajasthan Building and Other Construction Workers (Regulation of employment and conditions of service) Rules 2009' and a sum of ₹ 942.66 crore was collected by State Government. However, only a sum of ₹ 70 crore was spent during 2010-15. The transfer of the cess by the State Government to the Board was also beyond stipulated period during those years.

Levy of Water Conservation Cess was imposed through 'Rajasthan Finance Act 2009'. During the period 2009-15, a sum of ₹ 841.82 crore was realised towards cess by three electricity distribution companies. However, neither the fund was created nor expenditure incurred out of this.

Retention of receipts from various cesses in Consolidated Fund/Public Accounts for a long period is fraught with the consequence of understating the Revenue expenditure and Revenue Deficit.

State Government may ensure proper collection of cess and its timely transfer to the earmarked funds and utilise it for intended purposes.

A review of revenue deposited in Consolidated Fund through sale, regularisation and conversion of land and urban assessment fee by Jaipur Development Authority (JDA) alongwith annual accounts of JDA revealed that ₹ 230.17 crore during 2014-15 were short deposited in Consolidated Fund of the State under respective heads. This was in violation of orders (08 December 2010) of Government of Rajasthan (Revenue Department) and orders (31 May 2012 and 21 June 2012) of Urban Development & Housing (UDH) Department, according to which 20 *per cent* of revenue realised under sale proceeds of land, 40 *per cent* of revenue realised under regularisation and conversion charges and 60 *per cent* of revenue realised under urban assessment fee, were to be deposited in government account in relevant heads.

On the basis of recommendation of XIII-FC, State Government entrusted (February 2011) Technical Guidance and Supervision (TGS) to CAG over audit of Local Bodies.

In pursuance of TGS, we reviewed the status of preparation of accounts and their certification in all Local Bodies. It was seen that till March 2015, the accounts in Panchayati Raj Institutions (PRIs) were mainly being maintained in conventional formats as per Rajasthan Panchayati Raj Rules. The State Government failed to implement fully GoI's directions that w.e.f. April 2011, accounts be maintained as per simplified accounting formats 2009 by using model accounting system '*Panchayati Raj* Institution Accounting Software' (PRIA Soft). The status of switching over of Accounting in Urban Local Bodies (ULBs) to accrual system was also not ascertainable and clear.

The TGS revealed that accounts of various Local Bodies including PRIs, ULBs, JDA, Rajasthan Housing Board (RHB) etc. by Director, Local Fund Audit Department had in general not been certified.

The accounting system in the Local Bodies needs to be strengthened. State Government may ensure timely preparation and submission of accounts and their certification.

In pursuance of recommendations of XIII-FC (2010-15), the GoI allocated Grant in Aid of ₹ 12,950 crore to GoR. However, there was actual release of ₹ 12,270.80 crore against which the State Government incurred an expenditure ₹ 12,352.66 crore. Test check of records of five Departments (Information Technology and Communication, Home, Medical and Health, Law and Legal Affairs, and Water Resources Departments) receiving significant Grant-in-Aid revealed irregularities in its release and utilization including non receipts/ deprival of grant of ₹ 539.32 crore.

The State Government should monitor release and utilisation of grant by GoI under Finance Commission more effectively to ensure that the grants are utilised in effective and timely manner for the intended purposes.

During 2014-15, Government invested ₹ 4,391.59 crore in Government Companies, Statutory Corporations and Cooperative Institutions etc. Out of this, a sum of ₹ 3,959.21 crore was invested in five loss making Statutory Corporations/Government Companies, including four Power Companies and Rajasthan State Road Transport Corporation. Though during the last five years, the State Government invested ₹ 18,376.02 crore, the average return by way of dividend on the investment in Government Companies and Statutory Corporations was less than 0.5 *per cent.* Whereas, the Government paid up to 7.7 *per cent* interest on an average on its borrowings during 2010-15.

It would be advisable for the State Government to ensure better value for money in investment, otherwise high cost borrowed funds will continue to be invested in projects with low financial returns.

Financial Management and Budgetary Control

During 2014-15, a sum of ₹ 1,19,784.79 crore was incurred against total grants and appropriations of ₹1,39,053.78 crore leaving savings of ₹ 19,268.99 crore. Supplementary provision of ₹ 1,168.36 crore, obtained in 14 cases, proved unnecessary.

Departments surrendered ₹ 19,109.93 crore on the last working day of the financial year leaving no scope for utilising these funds for other purposes. In four cases, ₹ 110 crore was surrendered in excess of actual savings. In one appropriation (Public Debt-repayment under charged expenditure), an amount of ₹ 15.29 crore was surrendered against excess expenditure of ₹ 3.15 crore. In 89 cases, lump sum provision of ₹ 7,197.35 crore was made, out of which ₹ 5,237.77 crore (72.8 *per cent*) remained unutilised.

Review of receipts and expenditure in certain grants revealed that (i) in Forest Department, the overall revenue expenditure increased by 17 *per cent* and 12 *per cent* during 2013-14 and 2014-15 over previous years, whereas the capital expenditure increased by 47 *per cent* and decreased by 20 *per cent* during 2013-14 and 2014-15 over previous years, (ii) in Education Department, the overall revenue expenditure increased by 18 *per cent* and 22 *per cent* during 2013-14 and 2014-15 over previous years, whereas the capital expenditure decreased by 63 *per cent* and 19 *per cent* during 2013-14 and 2014-15 respectively over previous years.

Controlling/Disbursing Officers may keep a close and constant watch over the progress of expenditure against the sanctioned allotment in order to ensure utilisation of allotted funds as per requirement. They may also specifically strengthen monthly expenditure control and monitoring mechanism.

Efforts should be made by all departments to submit realistic budget estimates keeping in view the trends of expenditure in order to avoid large scale savings/excesses, reappropriations and surrenders at the end of the year so that they can be effectively utilised in other areas/schemes.

Detailed Contingent Bills remained outstanding against 368 Abstract Contingent Bills amounting to ₹ 288.93 crore as on 30 June 2015.

A rigorous monitoring mechanism should be put in place to adjust the advances drawn against Abstract Contingent Bills within the stipulated period.

Out of total expenditure of ₹ 27,268.51 crore, a sum of ₹ 14,075.99 crore (exceeding ₹ 50 crore and more than 30 *per cent* of the total expenditure in each case) was incurred in last quarter of the financial year. Of this, ₹ 9,888.46 crore was spent in March 2015 alone, which led to rush of expenditure at the end of the year.

Departments may closely monitor progress of expenditure throughout the year so as to avoid the quality related pitfalls associated with rush of expenditure at the end of the year.

Financial Reporting

Non-submission of utilisation certificates of ₹ 22.20 crore indicated lack of proper monitoring by the Departments in utilisation of grants sanctioned for specific purposes. Instances of non-submission of utilisation certificates involving huge amount, were noticed in test check in Science and Technology Department (₹ 16.23 crore) and Family Welfare Department (₹ 5.20 crore).

Issues holding up submission of UCs should be identified to ensure their submission within the time stipulated.

There has been non-submission/delay in submission of accounts of autonomous bodies/authorities. In respect of 38 autonomous bodies/ authorities, auditable under section 14 of CAG's (DPC) Act 1971, accounts were in arrears for the last one to eleven years.

In order to clear the arrears of accounts in a time-bound manner, the Controlling Departments may analyse the reasons for delay in finalisation of accounts of autonomous bodies/authorities, and take suitable remedial measures.

Out of 908 outstanding cases of misappropriation, theft and losses of Government money amounting to ₹ 56.81 crore, departmental and criminal investigation was awaited in 261 cases involving ₹ 22.22 crore. Further, orders for recovery/write off in 569 cases involving ₹ 29.42 crore were also awaited, which indicates lack of initiative on the part of the Government to fix accountability.

Departmental enquiries in all fraud and misappropriation cases should be expedited. The internal controls in all the organisations should be strengthened to prevent recurrence of such cases.