

CHAPTER-1

INTRODUCTION

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1.1 Introduction

1.1.1 Budget profile

There are 30 Departments and 74 Autonomous Bodies in the State. The position of budget estimates and corresponding actual expenditure in the accounts of the State Government during 2011-16 is given in **Table 1.1.1**

Table 1.1.1: Budget and expenditure of the state government during 2011-16

Particulars	2011-12		2012-13		2013-14		2014-15		2015-16	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
(₹ in crore)										
Revenue expenditure										
General services	7866.66	7845.56	8556.05	8696.49	9870.51	9959.36	11617.87	10623.45	13310.58	12002.43
Social services	9524.39	7287.03	11611.28	8308.59	12405.63	8215.34	17383.07	11915.34	18747.53	14843.81
Economic services	6646.17	5858.99	7632.67	6394.79	8158.69	5297.19	10486.84	9256.11	11285.12	9706.59
Grants-in-aid & contribution	0.55	0.00	0.55	0.00	0.25	0.00	0.15	0.00	0.01	0.00
Total (1)	24037.77	20991.58	27800.55	23399.87	30435.08	23471.89	39487.93	31794.90	43343.24	36552.83
Capital Outlay										
Capital Expenditure	6352.73	3159.37	6856.83	4218.43	6466.40	4722.50	8224.03	5542.94	8675.58	8158.51
Loans and advances disbursed	1328.02	217.10	829.37	600.81	838.40	221.91	699.43	823.78	1215.60	7480.00
Repayment of Public Debt	1403.18	1639.01	1627.05	2183.06	1809.02	1996.92	1976.30	1879.88	2258.53	2245.93
Consolidated Fund	33121.70	26007.06	37113.80	30402.17	39548.90	30413.22	50389.69	40041.50	55492.95	54437.27
Inter State Settlement		75.40		100.00		50.00		0.00	0.00	0.00
Contingency Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Accounts disbursements*	11762.85	9727.77	18519.83	13416.31	13929.71	14094.33	16461.09	19276.68	15190.43	27053.00
Closing Cash balance		116.85		704.75		1285.48		444.21	0.00	1904.72
Total (2)	20846.78	14935.50	27833.08	21223.36	23043.53	22371.14	27360.85	27967.49	27340.14	46842.16
Grand Total (1+2)	44884.55	35927.08	55633.63	44623.23	53478.61	45843.03	66848.78	59762.39	70683.38	83394.99

(Source: Annual Financial Statements and Explanatory Memorandum of the State Budget excluding Supplementary Estimates)

* Excluding cash balance investments and departmental balances.

1.1.2 Application of resources of the State Government

As against the total outlay of the budget of ₹ 72,474 crore¹, total expenditure² was ₹ 54,437 crore in 2015-16 from the Consolidated Fund of the State. The total expenditure of the state increased by 109 per cent from ₹ 26,007 crore to ₹ 54,437 crore during 2011-12 to 2015-16 and the revenue expenditure of the

¹ Includes budget estimate of ₹ 55,493 crore and supplementary estimates of ₹ 16,981 crore

² The total expenditure excludes Public Accounts Disbursements, inter State settlement and Contingency Fund

state increased by 74 per cent from ₹ 20,992 crore in 2011-12 to ₹ 36,553 crore in 2015-16. Non-Plan revenue expenditure increased by 56 per cent from ₹ 13,346 crore to ₹ 20,760 crore and capital expenditure increased by 158 per cent from ₹ 3159 crore to ₹ 8159 crore during the period 2011-12 to 2015-16.

The revenue expenditure constituted 67 to 81 per cent of the total expenditure during the years 2011-12 to 2015-16 and capital expenditure was 12 to 16 per cent. During this period, Compound Annual Growth Rate (CAGR) of total expenditure was 20.28 per cent, while revenue receipts grew at a CAGR of 16.03 per cent.

1.1.3 Persistent savings

In 12 cases (11 Departments), there were persistent savings of 10 per cent or more of the total grants in each case during the last five years as detailed in Table 1.1.2:

Table 1.1.2: List of grants with persistent savings during 2011-16

Sl. No.	Number and name of the Grant	Amount of savings				
		2011-12	2012-13	2013-14	2014-15	2015-16
(₹ in crore)						
Revenue-Voted						
1	1- Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division)	228.82(35)	264.25(37)	566.53(58)	552.00(58)	750.47(56)
2	2- Agriculture, Animal Husbandry and Co-operative Department (Animal Husbandry Division)	31.52(23)	35.50(22)	35.53(22)	41.73(25)	37.66(20)
3	17- Commercial Tax Department	11.24 (18)	27.17 (38)	8.18(13)	23.36(32)	18.45(27)
4	18- Food, Public Distribution and Consumer Affairs Department	168.00 (15)	307.90 (28)	570.55(50)	439.49(34)	505.63(39)
5	20-Health, Medical Education & Family Welfare Department	277.93(25)	326.13(53)	171.13(15)	967.84(42)	947.27(34)
6	23- Industries Department	157.41(45)	82.94(29)	120.80(41)	148.57(40)	132.47(31)
7	26-Labour, Employment and Skill Development Department	193.07 (23)	232.43 (25)	308.12(30)	349.95(28)	1088.29(73)
8	35- Planning-cum-Finance Department (Planning Division)	291.78 (58)	594.38 (88)	533.61(83)	99.14(27)	691.14(60)
9	40- Revenue, Land Reforms and Registration Department (Revenue and Land Reforms Division)	79.15 (24)	77.17 (23)	125.67(32)	99.80(26)	112.41(26)
10	43- Higher and Technical Education Department (Science and Technology Division)	40.29(42)	37.03(40)	18.45(25)	21.31(15)	24.90(24)
11	49- Water Resources Department	83.77(27)	92.55(29)	85.14(26)	87.83(25)	105.11(29)
Capital-Voted						
12	49- Water Resources Department	714.70(78)	1232.85(74)	1130.96(68)	1196.28(68)	544.62(33)

(Source: Appropriation Accounts)

Figures in bracket indicate percentage of savings with respect to total grant

1.1.4 Grants-in-aid from Government of India

The Grants-in-aid received from GoI during the years 2011-12 to 2015-16 have been given in Table 1.1.3:

Table 1.1.3: Grants-in-aid from GoI

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan Grants	1550.77	1483.41	1319.91	1780.26	1685.82
Grants for State Plan Schemes	2404.61	2393.94	1565.83	4914.69	4950.18
Grants for Central Plan Schemes	66.87	30.81	28.28	83.55	50.90
Grants for Centrally Sponsored Schemes	1235.16	914.05	1150.96	614.16	650.74
Total	5257.41	4822.21	4064.98	7392.66	7337.64
Percentage of increase over previous year	28	(-)8	(-)16	82	(-)0.74
Percentage of Revenue Receipts	23.45	19.47	15.55	23.42	18.06

1.1.5 Planning and conduct of audit

The Audit process starts with the risk assessment of various Departments, autonomous bodies, schemes or projects based on criticality/ complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is prepared.

Audit conducts a periodical inspection of Government Departments by test-check of transactions and verifies the maintenance of important accounting and other records as per the prescribed rules and procedures. When important irregularities detected during audit inspection are not settled on the spot, an Audit Inspection Report (IR) is issued to the head of offices inspected, with a copy to the next higher authority, with a request to furnish replies within one month. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Jharkhand under Article 151 of the Constitution of India.

During 2015-16, compliance audit of 334 Drawing and Disbursing Officers (DDOs) of the State and 17 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Jharkhand. Besides, six Performance/Compliance Audits were also conducted.

1.1.6 Lack of responsiveness of Government to Inspection Reports

The heads of offices and the next higher authority is required to report their compliance within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the Departments by the office of Principal Accountant General (Audit), Jharkhand through a half yearly report of pending IRs sent to the Principal Secretary (Finance). Additionally, 21 meetings of the Audit Committee were held in which 454 IRs and 2364 paragraphs were discussed out of which 21 IRs and 494 paragraphs were settled during 2015-16.

Despite the above procedure, 23,352 audit observations contained in 4,103 IRs were outstanding for want of reply as on 30 September 2016³ as detailed in **Table 1.1.4:**

Table 1.1.4: Outstanding Inspection Reports/Paragraphs

(₹ in crore)				
Sl. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1.	Social Sector	2202	13294	17702.30
2.	General & Economic Sector (Non-PSUs)	1901	10058	27727.87
Total		4103	23352	45430.17

A detailed review of IRs issued up to March 2016 to 1,845 DDOs pertaining to 33 Departments showed that 23,352 paragraphs having financial implications of about ₹ 45,430.17 crore relating to 4,103 IRs remained outstanding at the end of September 2016. Their year-wise position is detailed in **Appendix-1.1.1** and by types of irregularities in **Annexure-1.1.2**.

The departmental officers failed to take action on observations contained in IRs within the prescribed time frame, resulting in erosion of accountability. They submitted initial replies in respect of only 2,393 IRs consisting of 12,126 paragraphs against 4,103 IRs consisting of 23,352 paragraphs outstanding.

It is recommended that the Government look into the matter to ensure prompt and effective response to audit observations.

1.1.7 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments are to initiate *suo motu* action (Explanatory Notes) on all Audit Paragraphs and Performance Audits featuring in the Comptroller and Auditor General's Audit Reports (ARs), regardless of whether these are taken up for examination by the Public Accounts Committee or not. They are also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of ARs to the State Legislature.

The position regarding receipt of Explanatory Notes on the paragraphs included in ARs up to the financial year ended 31 August 2016 is given in **Table 1.1.5:**

Table 1.1.5: Position regarding receipt of Explanatory Notes on the paragraphs and Performance Audits included in ARs

Audit Reports	Year of Audit Reports	Date of presentation of Report in State Legislature	Total No. of Paras	Explanatory notes received from Departments	Explanatory notes not received from Departments
Civil/Social, General and Economic (Non-PSUs) Sectors	2008-2009	13.8.2010	26	12	14
	2009-2010	29.8.2011	23	11	12
	2010-2011	06.9.2012	21	18	03
	2011-2012	27.7.2013	39	07	32
	2012-2013	05.8.2014	19	04	15
	2013-2014	27.8.2015	21	03	18
	2014-2015	15.03.2016	18	07	11
Total			167	62	105

³ Including IRs and paragraphs issued upto 31 March 2016 and outstanding as on 30 September 2016

State Finance	2008-2009	13. 8.2010	12	Nil	12
	2009-2010	29.8.2011	12	05	07
	2010-2011	06.9.2012	16	Nil	16
	2011-2012	27.7.2013	13	Nil	13
	2012-2013	05.8.2014	10	Nil	10
	2013-2014	26.3.2015	09	Nil	09
	2014-2015	15.03.2016	09	Nil	09
Total			81	05	76

1.1.7.1 Action taken on recommendations of the Public Accounts Committee

As per standing order No. 41(1) under rule 315(2) for procedure and functioning of Jharkhand Legislative Assembly, Departments are required to furnish the Action Taken Notes (ATNs) to PAC within six months from the date of recommendations tabled before Legislative Assembly by PAC.

It was noticed that PAC, Jharkhand had made recommendations on 01 sub-para of Civil and 01 sub-para of State Finance of the Audit Reports for the years 2008-09 to 2014-15 but no ATNs were received from the Departments on above paras and sub-paras of Audit Reports.

1.1.8 Government response to significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected Departments, which have a negative impact on the success of programmes and functioning of the Departments. The focus was on auditing the specific programmes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provision of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the Departments are required to send their responses to draft performance audit reports/ draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It was brought to their attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India to be place before the Jharkhand Legislature, it would be desirable that their comments are included. They were also advised to have meetings with the Principal Accountant General to discuss the draft reports of Performance /Compliance Audit including Audit paragraphs.

These draft reports and paragraphs proposed for inclusion in the Report were also forwarded to the Principal Secretaries/ Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on six Performance/ Compliance Audit and 18 Audit paragraphs were forwarded to the concerned Administrative Secretaries. Government reply has been received in respect of the Performance/Compliance Audit and 12 out of 18 Audit paragraphs.

1.1.9 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

Several Autonomous Bodies have been set up by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedure, etc.

The audit of accounts of three Autonomous Bodies⁴ in the State has been entrusted to the Comptroller and Auditor General of India under sections 19(2) and 19(3) of C&AG's DPC Act. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is as indicated below.

(i) Rajendra Institute of Medical Sciences (RIMS) Act was enacted in the year 2002 and the audit of the accounts of RIMS was entrusted to Principal Accountant General (Audit) under section 19(3) of CAG's DPC Act, 1971 which was accepted by the Principal Accountant General (Audit) in October 2009. However, annual accounts have not been submitted to Audit as of September 2016.

(ii) Separate Audit Reports (SARs) on the accounts of Jharkhand State Legal Services Authority (JHALSA) for the year 2009-10 and 2010-11 were issued in November 2013. Their placement in State Legislature had not been intimated. Entrustments for the years 2011-12, 2012-13, 2013-14 and 2014-15 have not been received (September 2016).

(iii) The audit of Accounts of Jharkhand State Electricity Regularity Commission (JSERC) has been entrusted to the Comptroller and Auditor General of India under section 19 (2) of C &AG's DPC Act. The audit of Accounts of JSERC has been completed and SAR has been issued up to 2011-12. However, status of placement of the same for the years 2003-04 to 2011-12 before the State Legislature has not been intimated as of September 2016. The annual accounts for the years 2012-13 & 2013-14 and 2014-15 have been received on February 2016 and June 2016 respectively.

⁴ (i) RIMS, (ii) JHALSA and (iii) Jharkhand State Electricity Regularity Commission (JSERC)