

Executive Summary

Background

Based on the audited accounts of the Government of Rajasthan for the year ended March 2016, 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 Budgetary Management Act, Budget Documents, Economic Review 2015-16, XIV 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 2016. 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 third consecutive year, the State Government was unable to achieve its target of attaining zero revenue deficit envisaged under the Fiscal Responsibility and Budgetary Management (FRBM) Act. During 2015-16, the revenue deficit increased to ₹ 5,954 crore from ₹ 3,215 crore in 2014-15. 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 2015-16, the fiscal deficit was ₹ 23,020 crore (3.41 per cent of GSDP), without taking into consideration the impact of Ujwal DISCOM Assurance Yojana (UDAY). The State Government released sum of ₹ 40,050 crore to the DISCOMs during 2015-16. If this impact is taken into account, the fiscal deficit of State Government rises to ₹ 63,070 crore (9.36 per cent of GSDP). Further, considering the impact of UDAY, the primary deficit was ₹ 51,062 crore showing increase of ₹ 42,525 crore over the previous year.

With a view to generate a revenue surplus of ₹ 557 crore during 2015-16, the State Government in BE projected revenue expenditure of ₹ 1,10,805 crore and revenue receipts of ₹ 1,11,362 crore. It was observed that the actual

expenditure was ₹ 1,06,239 crore (4.12 per cent less than estimates) and actual receipts were ₹ 1,00,285 crore (9.95 per cent less than estimates) during the year leading to revenue deficit. The outstanding debt showed a steady increase over the years, from ₹ 1,06,560 crore at the end of 2011-12 to ₹ 2,09,386 crore (with UDAY) i.e. 31.1 per cent of GSDP (without UDAY it was ₹ 1,69,336 crore i.e. 25.1 per cent of GSDP) at the end of 2015-16, which was within the target of 36.5 per cent fixed under the FRBM Act, but above the target of 24.56 per cent, as fixed by the XIV-Finance Commission. However, annual incremental borrowings of ₹ 21,727 crore (without UDAY) were higher than the ceiling of ₹ 20,658 crore, as fixed by the GoI.

Revenue receipts of the State increased steadily from ₹ 57,011 crore in 2011-12 to ₹ 1,00,285 crore in 2015-16. The growth in revenue receipts during 2015-16 was 9.8 per cent (₹ 8,958 crore) as compared to 22.6 per cent in the previous year. This was mainly on account of 40.9 per cent (₹ 8,099 crore) growth of the State's Share of Union Taxes in 2015-16. The share of tax revenue to revenue receipts declined from 46 per cent in 2012-13 to 42 per cent in 2015-16.

While overall revenue expenditure of the State increased by 98 per cent from ₹ 53,654 crore in 2011-12 to ₹ 1,06,239 crore in 2015-16, its share in total expenditure declined from 86.7 to 64.5 per cent. During 2015-16, there was 12.4 per cent growth in revenue expenditure as compared to previous year's growth of 25 per cent. The Non Plan Revenue Expenditure (NPRE) also increased consistently over the period from ₹ 41,238 crore in 2011-12 to ₹ 74,601 crore in 2015-16 and stood 70 per cent of revenue expenditure after recording growth of 11 per cent over the previous year. The committed expenditure on salaries and wages, interest payments, pensions and subsidies increased by 80 per cent from ₹ 32,859 crore in 2011-12 to ₹ 59,204 crore in 2015-16. During the current year, it recorded growth of 13 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 the State Government should endeavour to contain the expenditure within the budget estimates. Regular control over expenditure and management of receipts are required.

Concerted efforts are required to be made by the State Government in fiscal management to bring the revenue deficit again to the zero level and prioritise and mobilise its revenue resources. The State Government should regularly review major fiscal parameters like revenue deficit, fiscal deficit, primary deficit, outstanding liabilities including debt and guarantees, etc., in the context of implementation of UDAY to attain self sufficiency, particularly in the Power sector.

The state of accounting and certification of accounts in the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) was not satisfactory. Director, Local Fund Audit Department issued 14 unqualified certificates and 2276 qualified certificates in respect of PRIs. Maintenance of accounts on accrual basis was done only in four ULBs (2.13 per cent) out of 188 ULBs .

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

During 2015-16, Government invested ₹ 9,508.03 crore in Government Companies, Statutory Corporations and Cooperative Institutions, etc. Out of this, a sum of ₹ 9,433.83 crore was invested in five loss making Power Companies. Though during 2011-16, the State Government invested ₹ 23,496.84 crore, the average return by way of dividend on the investment in the 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 2011-16.

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 2015-16, a sum of ₹ 1,73,808.18 crore was incurred against total grants and appropriations of ₹ 1,91,072.68 crore leaving savings of ₹ 17,264.50 crore. Supplementary provision of ₹ 441.99 crore, obtained in eight cases, proved unnecessary.

Departments surrendered ₹ 17,187.87 crore on the last working day of the financial year leaving no scope for utilising these funds for other purposes. In three cases, ₹ 75.16 crore was surrendered in excess of actual savings. In one grant and three appropriations there was excess expenditure of ₹ 174.27 crore, which requires regularisation. Further, in 119 cases, lump sum provision of ₹ 8,115.48 crore was made, out of which ₹ 5,993.91 crore (73.9 per cent) remained unutilised.

Controlling/Disbursing Officers should 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 should 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, re-appropriations 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 252 Abstract Contingent Bills amounting to ₹ 273.88 crore as on 30 June 2016.

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 ₹ 46,420.51 crore, a sum of ₹ 23,925.74 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,

₹ 17,624.78 crore was spent in March 2016 alone, which led to rush of expenditure at the end of the year.

Departments should closely monitor progress of expenditure throughout the year 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 ₹ 11.93 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 substantial amount, were noticed during test check in Science and Technology Department (₹ 7.65 crore) and Family Welfare Department (₹ 4.17 crore).

Issues holding up submission of Utilisation Certificates 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. Accounts of 57 autonomous bodies/authorities, auditable under section 14 of CAG's (DPC) Act 1971, were in arrears for the last one to eight years.

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

Out of 902 outstanding cases of misappropriation, theft and losses of Government money amounting to ₹ 62.37 crore, departmental and criminal investigation was awaited in 298 cases involving ₹ 25.31 crore. Further, orders for recovery/write off in 535 cases involving ₹ 32.06 crore were also awaited.

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