Executive Summary

Background

This report provides an analytical review of the finances of the Government of Rajasthan based on the audited accounts for the year ended March 2018. The financial performance of the State has been assessed based on the Fiscal Responsibility and Budgetary Management Act, Budget Documents, Economic Review 2017-18, 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 of the Government of Rajasthan and makes an assessment of the State's fiscal position as on 31 March 2018. It provides an insight into trends in receipts, expenditure, borrowing pattern etc.

Chapter II is based on Appropriation Accounts of the Government of Rajasthan and analyses appropriations in various grants and includes review of selected grant.

Chapter III is status of the State Government's compliance with various reporting requirements and financial rules.

The report also includes ***Appendix 1.1*** giving additional data regarding Social and Economic indicators of Rajasthan. ***Appendix 4.1*** at the end gives a glossary of selected terms used in this report.

Audit Findings and Recommendations

Fiscal Position of the State

As compared to 2016-17, in 2017-18 there has been an increase in the rate of growth of revenue receipts and capital expenditure and decrease in the revenue expenditure as percentage of GSDP even after accounting for inflation.

(Paragraph 1.2)

The ratio of outstanding debt during the financial year was maintained within limit as targeted in budget estimates and FRBM Act. However, annual incremental borrowings were higher than the ceiling for annual borrowings fixed by the Government of India.

(Paragraph 1.10.2)

The State has achieved fiscal deficit to GSDP ratio of 3.02 *per cent* against 3 *per cent* targeted under FRBM Act. The State continued to have a revenue deficit which was ₹ 18,535 crore during 2017-18.

(Paragraph 1.11)

Budget Estimates, Revised Estimates and Actual

Revenue receipts increased by ₹ 18,281.18 crore (16.8 *per cent*) over the previous year which was lower by ₹ 2,855 crore and ₹ 7,386 crore than the Budget Estimates & Revised Estimates respectively.

Revenue expenditure increased by ₹ 18,701.38 crore (14.7 *per cent*) over the previous year which was lower than revised estimates by ₹ 9,017 crore. However, it was higher than by budget estimates by ₹ 2,152 crore.

Capital expenditure increased by ₹ 3,643.56 crore (21.5 *per cent*) over the previous year which was lower than budget estimates by ₹ 4,980 crore and revised estimates by ₹ 1,914 crore.

(Paragraph 1.2.2)

Recommendation: *The Finance Department should rationalise the budget formulation to make the estimates included therein, more realistic so that parameters of fiscal deficit and revenue deficit are brought within the prescribed limits of the FRBM Act.*

Gender Responsive Budgeting

Out of selected four gender budgeting schemes, Nil expenditure in one gender based scheme and expenditure ranging between 24 to 67 *per cent* in the remaining three schemes points to be need for better monitoring and implementation of gender budgeting by the State.

(Paragraph 1.2.3)

Major project/policy initiatives and status of action taken on Budget Speech 2017-18

The slow pace in follow up action and delay in starting the works points to need for better monitoring and implementing a system for pursuance of initiatives announced during budget speech on 08 March 2017.

Recommendation: *Considering the importance of announcements made in the budget speech every year and the repeated recommendations by the Public Accounts Committee, the concerned departments should ensure the timely implementation and better monitoring of these schemes.*

(Paragraph 1.2.4)

New Contributory Pension Scheme

As on 31st March 2018, the State Government has not transferred balance legacy amount of ₹ 63.13 crore to National Securities Depository Limited.

Recommendation: *The State Government should expedite transfer of balance legacy amount of NPS to NSDL so as the Government employees are not denied of their due benefits under the scheme.*

(Paragraph 1.7.2.2)

Adequacy of public expenditure

Though the ratio of development, economic sector, education and health sector expenditure to aggregate expenditure was higher than the average for the General Category States, the fact remained that infant mortality, literacy and per capita income in Rajasthan continued to be adverse as compared to All India averages.

(Paragraph 1.8.1 and Appendix 1.1)

Efficiency of Expenditure Use

The share of operation and maintenance in revenue expenditure on social services and economic services decreased to 0.91 *per cent* in 2017-18 from 1.19 *per cent* in 2016-17.

Recommendation: *In order to ensure that the created assets are utilized effectively over its lifespan, it is important to ensure that adequate funds are allocated for operation and maintenance.*

(Paragraph 1.8.2)

Major Programmes/Schemes

Non utilisation of substantial funds in major schemes indicates failure of the department concerned in achieving objectives and targets under the schemes as well as depriving beneficiaries of their due benefits under the schemes.

(Paragraph 1.8.3.1)

Incomplete Projects

The amount spent (₹ 20,175.99 crore) in 247 incomplete projects/works was 12 *per cent* of the cumulative capital outlay (₹ 1,68,490.76 crore) of the State. The total cost overrun was ₹ 7,992 crore in 39 projects. Due to non-completion of projects within the stipulated time, the expected benefits to society were delayed and the cost also increased over the years.

(Paragraph 1.9.2)

Investment and Returns

As per the Finance Accounts of the State Government, the investment of the State Government included ₹ 44,281.63 crore in 49 working Government companies, of which only eight companies declared dividend aggregating to ₹ 64.46 crore against an investment of ₹ 573.71 crore.

The investment of the State government in five power sector companies was ₹ 41,442.76 crore which was 91 *per cent* of the total investment of the State Government.

Recommendation: *In view of the huge losses of some of the State-owned Public Sector Undertakings, the State Government may consider reviewing their working so as to reduce losses and take proactive steps to strengthen these PSUs.*

(Paragraph 1.9.3)

Adverse balances under Debts, Deposits and Remittances Heads

As of 31 March 2018, there were 64 cases amounting to ₹ 1,094.90 crore of adverse balances under Debt, Deposit and Remittances (DDR) heads out of which ₹ 1,031.52 crore was under Pension Funds of employees of Municipal Councils/Municipalities under 'Insurance and Pension Funds'.

Recommendation: *Adverse balances in DDR heads in 64 cases amounting to ₹1,094.90 crore need to be reconciled and adjusted on priority.*

(Paragraph 1.9.6)

Cash balances and investment of cash balances

State Government had maintained positive cash balances throughout the financial year without availing any ways and means or overdraft situation.

(Paragraph 1.10.3)

Excess Expenditure

In 24 heads of accounts, there were cases of excess expenditure of more than ₹ one crore and also by more than 10 *per cent* of the total provisions in each head. Even though there was overall savings in the grant, re-appropriation within the grant was not done. Excess expenditure incurred over budgetary allocation indicates deficient budgetary and expenditure controls.

(Paragraph 2.3.1)

Rush of Expenditure

During 2017-18, 42.37 *per cent* (₹ 76,035 crore) of the total expenditure (₹ 1,79,473 crore) was incurred during last quarter of the current financial year. However, 37.68 *per cent* (₹ 64,442 crore) of the total receipts (₹ 1,71,015 crore) was received during last quarter only. The expenditure has increased from 29.08 *per cent* (₹ 47,141 crore) incurred in last quarter of the previous year 2016-17. Thus, substantial expenditure was incurred by the departments during last quarter of the year which was indicative of inadequate financial control over the expenditure.

Recommendation: *As the expenditure during the last quarter of the year increased from 29.08 per cent in 2016-17 to 42.37 per cent in 2017-18, the GoR should regularly monitor progress of expenditure throughout the year and control rush of expenditure during the last quarter/month.*

(Paragraph 2.3.2)

Savings/Persistent Savings

During 2017-18, an expenditure of ₹ 1,84,087.31 crore was incurred against total grants and appropriations of ₹ 2,00,077.50 crore leaving savings of ₹ 15,990.19 crore. Supplementary provisions of ₹ 3,160.89 crore obtained in 28 cases, proved unnecessary. Departments surrendered ₹ 15,799.52 crore on the last working day of the financial year leaving no scope for utilising these funds for other purposes. Further, in 80 cases, lump sum provision of ₹ 5,940 crore was made, out of which ₹ 4,707.59 crore (79.3 *per cent*) remained unutilized.

(Paragraph 2.2, 2.3.5, 2.3.9)

In 9 cases involving 8 grants there was persistent savings (₹ 100 crore and above) ranging between ₹ 164.25 crore and ₹ 1,734.07 crore during the preceding three years. The persistent savings over the years were indicative of over assessment of requirement of funds by the State Government in their Appropriation Act without adequate scrutiny and proper monitoring the flow of expenditure and trends of expenditure during previous years.

The Public Accounts Committee in its 86th (March 2016) and 153rd (March 2017) Reports had also recommended to take effective measure to avoid cases of persistent savings in future and ensure due diligence while preparing budget estimates. However, inspite of these recommendations, the incidence of persistent savings continued during 2017-18 also.

(Paragraph 2.3.4)

Outstanding Detailed Contingent bills

Detailed Contingent Bills remained outstanding against 134 Abstract Contingent Bills amounting to ₹ 429.19 crore as on 30 June 2018.

(Paragraph 2.5)

Non-submission of Utilisation Certificates

During 2016-17, 104 UCs amounting to ₹ 9.32 crore were pending for submission as on 30 June 2017. Comparatively, during 2017-18, 62 UCs amounting ₹ 2.34 crore were pending for submission. However, non-submission of UCs within the stipulated period indicates systemic deficiency in utilization of grants by the Departments and is fraught with the danger of financial mismanagement.

(Paragraph 3.1)

Departmentally managed commercial undertakings

An amount of ₹ 16,565.70 crore had been invested by the State Government in 10 undertakings at the end of financial year up to which their accounts were finalised. Of these, eight undertakings incurred accumulated loss of ₹ 12,211.94 crore, continuously for more than five years.

The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their businesses. As of March 2018, only seven out of 10 undertakings have prepared and submitted their accounts up to 2016-17.

Recommendation: *Head of department should ensure timely preparation and submission of proforma account for taking remedial measures, to improve efficiency and accountability of these undertakings.*

(Paragraph 3.3)

Misappropriations, losses, defalcations etc.

Out of 872 outstanding cases of misappropriation, theft and losses of Government money amounting to ₹ 67.73 crore, departmental and criminal investigation was awaited in 320 cases involving ₹ 32 crore. Further, orders for recovery/write off in 491 cases involving ₹ 30.80 crore were also awaited.

Recommendation: *Departmental inquiries in all misappropriation and embezzlement cases should be expedited and the internal controls in all these organizations should be strengthened to prevent recurrence of such cases.*

(Paragraph 3.4)

Personal Deposit Accounts

During 2017-18, the amount of ₹ 30,295.29 crore was transferred to/deposited in Personal Deposit Account, which comprised 18.05 *per cent* of total expenditure (₹ 1,67,798 crore). Out of this, ₹ 4,035.89 crore (13.32 *per cent*) was transferred to/deposited to PD Account only in March 2018. Out of total transferred, there was unspent balances of ₹ 9,538.57 crore (1,666 PD accounts) lying in all PD accounts. As of 31 March 2018, total 20 PD Accounts having balance amount of ₹ 1.98 crore remained inoperative for the last five years (2013-18).

Recommendation: *In view of huge amount credited in these PD Accounts lying unutilized for more than two to three years, the Finance Department should review these PD Accounts and ensure that amounts lying in these PD Accounts are either utilized for intended purposes or closed.*

(Paragraph 3.5)

Opaqueness in Accounts

Minor Head '800-Other Expenditure' is intended to be operated when the appropriate Minor Head has not been provided in the accounts. During 2017-18 Finance Accounts 2017-18 of Government of Rajasthan disclosed that ₹ 10,927.16 crore, comprising 6.56 *per cent* of the total expenditure (Revenue and Capital) were classified under the Minor Head '800-Other Expenditure'.

Recommendation: *The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipt and expenditure are in future booked under the appropriate heads of account to avoid opaqueness in the accounts.*

(Paragraph 3.6)