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 2019. The financial performance of the State has been assessed based on the Fiscal Responsibility and Budgetary Management Act, Budget Documents, Economic Review 2018-19, Fourteenth 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 2019. 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.

Achievements of the State Government

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

(Paragraph 1.10.3)

The outstanding guarantee to estimated receipts ratio (33.8 *per cent*) during 2018-19 was within the limit fixed under FRBM Act (60.0 *per cent*).

(Paragraph 1.10.5)

Audit Findings and Recommendations

Fiscal Position of the State

As a percentage of GSDP, Revenue Receipt and Capital Expenditure have decreased while Revenue Expenditure has marginally increased as compared to previous year.

(Paragraph 1.2)

During 2018-19, though the fiscal liability (total outstanding debt) to GSDP ratio (33.51 *per cent*) was within the FRBM target (35.0 *per cent*), however, it was substantially higher than the limit (24.4 *per cent*) recommended by the XIV-FC. Also, it was higher than the MTFPS target (32.76 *per cent*) as projected by the State Government itself. However, the State Government's annual incremental borrowings (₹ 30,192 crore) were higher than the ceilings for annual borrowings fixed by the GoI (₹ 28,203 crore) as per recommendations of Fourteenth Finance Commission.

(Paragraph 1.10.2)

Fiscal deficit as a percentage of GSDP increased from 3.03 *per cent* in 2017-18 to 3.71 *per cent* in 2018-19, which was higher than the target of 3 *per cent* as prescribed under FRBM Act, 2005. The State continued to have a revenue deficit which was ₹ 28,900 crore during 2018-19. Further, there was an increase in the ratio of Revenue Deficit as a percentage of Revenue Receipt from 14.6 *per cent* in 2017-18 to 21 *per cent* in 2018-19. This was due to rise in buoyancy of revenue expenditure over revenue receipts, indicating relatively slower growth in revenue receipts as compared to growth in revenue expenditure.

Recommendation: *The increasing Fiscal Deficit coupled with huge Revenue Deficit component (83.8 per cent) is indicative of increasing dependency of the State Government on the borrowings even to meet out its revenue expenditure. State Government may strive to reduce its revenue deficit as a primary concern.*

(Paragraph 1.11)

Budget Estimates, Revised Estimates and Actual

Revenue receipts increased by ₹ 10,565.84 crore (8.3 *per cent*) over the previous year which was lower than the Budget Estimates and Revised Estimates by ₹ 13,790 crore (9.1 *per cent*) and ₹ 10,311 crore (7.0 *per cent*) respectively.

Revenue expenditure increased by ₹ 20,931.67 crore (14.4 *per cent*) over the previous year which was lower than the Budget Estimates and Revised Estimates by ₹ 2,345 crore (1.4 *per cent*) and ₹ 6,236 crore (3.6 *per cent*) respectively.

Capital Outlay decreased by ₹ 985.08 crore (4.8 *per cent*) over the previous year which was lower than the Budget Estimates and Revised Estimates by ₹ 6,102 crore (23.7 *per cent*) and ₹ 1,423 crore (6.8 *per cent*) respectively.

Recommendation: *The Government may 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 limit of the FRBM Act.*

(Paragraph 1.2.2)

Gender Responsive Budgeting

Nil expenditure in one gender based scheme and expenditure of 25 and 42 *per cent* in two other schemes shows lack of emphasis on part of the State Government in implementation of gender responsive budgeting.

(Paragraph 1.2.3)

Major project/policy initiatives and status of action taken on Budget Speech 2018-19

The slow pace in follow up action and laxity in starting the works is indicative of lack of monitoring and pursuance of initiatives announced during budget speech.

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

(Paragraph 1.2.4)

Status of Goods and Services Tax

With automation of the collection of Goods and Service Tax (GST) having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfill the CAG's Constitutional mandate of certifying the Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

Recommendation: *State Government may provide access of SGST data to the Accountant General[1] (Audit-I) at the earliest for certification of revenue collection under SGST.*

(Paragraph 1.4.1.2)

Optimisation of Fourteenth Finance Commission grants

There was non-release of XIV-FC grants amounting ₹ 1,933.16 crore by Government of India due to non-submission of Utilization certificates of previous installment and non-compliance of conditions for Performance grant by Government of Rajasthan.

[1] Erstwhile Office of Principal Accountant General (General and Social Sector Audit) has been renamed as Office of Accountant General (Audit-I) with effect from 18.05.2020.

Recommendation: *State Government may strengthen the mechanism related to timely collection/submission of UCs and compliance of prescribed accounting and auditing system in PRIs and ULBs to ensure the full release of XIV FC grants.*

(Paragraph 1.4.3)

Capital Expenditure

During 2018-19, the capital expenditure was ₹ 19,638.20 crore. The percentage share of capital expenditure in the total expenditure decreased from 12.3 *per cent* in 2017-18 to 10.5 *per cent* during 2018-19. Further, out of Capital Expenditure of ₹ 19,638.20 crore, Government had invested ₹ 4,080.79 crore (21 *per cent* of Capital Expenditure) in Government Companies and Cooperatives/Banks/Societies during 2018-19. Out of this, Government had invested ₹ 3,822.30 crore (19.5 *per cent* of Capital Expenditure) in five power companies having accumulated losses of ₹ 95,506 crore and negative Net Worth of ₹ 59,097.74 crore.

Recommendation: *As the possibility of obtaining return on investments made in companies where the accumulated losses have resulted in erosion of the net-worth, is remote, the State Government may consider making future payments to these companies in form of Grants instead of Share Capital.*

(Paragraph 1.7.2)

New Contributory Pension Scheme

As on 31st March 2019, the State Government has not transferred balance legacy amount of ₹ 46.43 crore to National Securities Depository Limited.

Recommendation: *The State Government may identify the concerned NPS beneficiaries and transfer balance legacy amounts of NPS to NSDL so as to ensure that the beneficiaries are not denied their due benefits under the scheme.*

(Paragraph 1.7.3.2)

Efficiency of Expenditure Use

The share of operation and maintenance in revenue expenditure on social services and economic services decreased to 0.59 *per cent* in 2018-19 from 0.91 *per cent* in 2017-18.

Recommendation: *To improve the efficiency of expenditure and increase future revenue generation potential, the State Government may make efforts to improve proportion of the capital expenditure to total expenditure.*

(Paragraph 1.8.2)

Incomplete Projects

An amount of ₹ 26,408.96 crore was spent on 279 incomplete projects which was 14 *per cent* of the cumulative capital outlay (₹ 1,88,108.83 crore) of the State. 43 projects had cost overrun of ₹ 12,510 crore (129 *per cent*). Due to non-completion of projects within the stipulated time, the expected benefits to society were delayed and the cost of the projects also increased over the years.

(Paragraph 1.9.2)

Investment and Returns

The investment of the State Government included ₹ 47,711.58 crore in 40 working Government companies, of which only eight companies had declared dividend aggregating to ₹ 44.72 crore against an investment of ₹ 290.77 crore.

The State government had invested ₹ 45,265.06 crore which was 91 *per cent* of the total investment in five power sector companies as on 31 March 2019.

State Government has made investment of ₹ 152.12 crore in four working Public Sector Undertakings up to the end of 31 March 2019 in the form of equity and loans. However, these companies have not finalized their accounts for last one to two years in gross violation of provisions of the Companies Act. Therefore, Audit was unable to discharge the responsibilities with regard to the accounts of these companies as required under the CAG's DPC Act, 1971 and the Companies Act.

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)

Cess/Surcharge collection

The State Government has short transferred ₹ 1,564.30 crore in four Reserve fund/Deposit fund during the financial year 2018-19 in violation of rules and, therefore, has deferred its current year liability to future years, which has impact of understating the fiscal deficit by an equivalent amount.

Recommendation: *The State Government may consider transferring all the outstanding receipts to the statutory Reserve Funds/Deposit Funds to achieve the intended objectives of these funds as well as to ensure correct depiction of financial position of State Government.*

(Paragraph 1.10.4)

Debt Management

₹ 79,529.46 crore (34.1 *per cent)* of the total public debt (₹ 2,33,238.88 crore) at the end of the year belonged to a maturity bracket of 7 to 10 years.

Recommendation: *The State Government may consider to introduce "Consolidated Sinking Fund" as per recommendation of the Twelfth Finance Commission to provide a cushion to meet out its increasing liability obligations.*

(Paragraph 1.12)

Flow of Expenditure

During 2018-19, 35.25 *per cent* (₹ 72,055 crore) of the total expenditure (₹ 2,04,439 crore) was incurred during last quarter of the financial year. However, 33.17 *per cent* (₹ 63,324 crore) of the total receipts (₹ 1,90,898 crore) were received during last quarter only. The expenditure incurred in last quarter of the Financial year 2018-19 has decreased by 5.23 *per cent* (₹ 3,980 crore) when compared to previous year 2017-18. Thus, expenditure incurred by the departments during last quarter/ month of the year is indicative of less control on progressive expenditure.

Recommendation: *The Departments may regularly monitor the progress of expenditure throughout the year and maintain uniform flow of expenditure during the last quarter/month.*

(Paragraph 2.3.2)

Savings/Persistent Savings

During 2018-19, an expenditure of ₹ 2,09,776.27 crore was incurred against total grants and appropriations of ₹ 2,29,078.32 crore leaving savings of ₹ 19,302.05 crore. Supplementary provisions of ₹ 11,645.19 crore obtained during 2018-19 proved unnecessary. Departments surrendered ₹ 18,329.95 crore on the last working day of the financial year leaving no scope for utilising these funds for other purposes. Further, in 123 cases, lump sum provision of ₹ 9,069.71 crore was made, out of which ₹ 6,960.31 crore (76.7 *per cent*) remained unutilized.

(Paragraph 2.2 and 2.3.8)

In 7 cases involving 6 grants there was persistent savings of more than ₹ 100 crore ranging from 10.5 *per cent* to 55.5 *per cent* during last 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 of 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 2018-19 also.

(Paragraph 2.3.4)

Outstanding Detailed Contingent bills

State Government did not furnish DC bills in respect of 167 AC bills amounting to ₹ 62.03 crore, drawn upto March 2019, as on 30 June 2019.

(Paragraph 2.5)

Non-submission of Utilisation Certificates

During 2017-18, 62 UCs amounting to ₹ 2.34 crore were pending for submission as on 30 June 2018. Comparatively, during 2018-19, 195 UCs amounting ₹ 5.97 crore were pending for submission.

Against GIA of ₹ 29,868.64 crore provided for general/specific purpose during the year 2017-18, UCs were not submitted by the grantee departments to the AG (A&E), Rajasthan as on March 2019. In the absence of this information, the pendency of UCs relating to GIA of ₹ 29,868.64 crore during the year 2017-18 could not be captured in the accounts.

Recommendation: *State Government may ensure that all the Departments may submit the UCs related to grant in aid to AG (A&E) within the stipulated time for effective monitoring on expenditure and to be assured that grant is utilized for the specified purpose.*

(Paragraph 3.1)

Submission of accounts: There has been non-submission/delay in submission of accounts of autonomous bodies/authorities, auditable under section 14 of CAG's (DPC) Act 1971. 96 annual accounts of 64 autonomous bodies/ authorities due up to 2017-18, were in arrears for the last one to six years as of June 2019.

(Paragraph 3.2)

Departmentally managed commercial undertakings

An amount of ₹ 16,885.63 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 ₹ 13,857.86 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 2019, only one out of 10 undertakings has submitted accounts up to 2017-18 and one undertaking has submitted accounts upto 2018-19.

Recommendation: *Heads of Departments may identify the reasons for delay in finalisation of Accounts and institute remedial measures to ensure timely preparation and submission of accounts for improving efficiency and accountability of these undertakings.*

(Paragraph 3.3)

Misappropriations, losses, defalcations etc.

Out of 831 outstanding cases of misappropriation, theft and losses of Government money amounting to ₹ 79.45 crore, departmental and criminal investigation was awaited in 308 cases involving ₹ 39.37 crore. Further, orders for recovery/write off in 447 cases involving ₹ 33.96 crore were also awaited.

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

(Paragraph 3.4)

Personal Deposit Accounts

During 2018-19, an amount of ₹ 31,821.06 crore was transferred to/credited in Personal Deposit Accounts which comprised 16.9 *per cent* of total expenditure (₹ 1,87,524 crore). Out of this, ₹ 5,002.11 crore (20.08 *per cent*) was transferred to/deposited in PD Accounts only in March 2019. Out of total transferred amount, there were unspent balances of ₹ 13,325.59 crore lying in 1899 PD accounts. As of 31 March 2019, total 20 PD Accounts having balance of ₹ 0.18 crore remained inoperative for the last five years (2014-19).

Recommendation: *Finance Department may ensure that funds lying in these PD accounts are utilized for intended purpose rather than lying parked in these accounts.*

(Paragraph 3.5)

Adverse balances under Debts, Deposits and Remittances Heads

As of 31 March 2019, there were 65 cases of adverse balances under Debt, Deposit and Remittances (DDR) heads in 10 Major Heads amounting to ₹ 1,457.92 crore out of which ₹ 1,376.65 crore was under Pension Funds of employees of Municipal Councils/Municipalities.

Recommendation: *Adverse balances in DDR heads in 65 cases amounting to ₹1,457.92 crore need to be reconciled and adjusted on priority.*

(Paragraph 3.6)

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 2018-19, ₹ 10,692.43 crore, comprising 5.74 *per cent* of the total expenditure (Revenue and Capital) were classified under the Minor Head '800-Other Expenditure'.

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

(Paragraph 3.7)