

CHAPTER 3

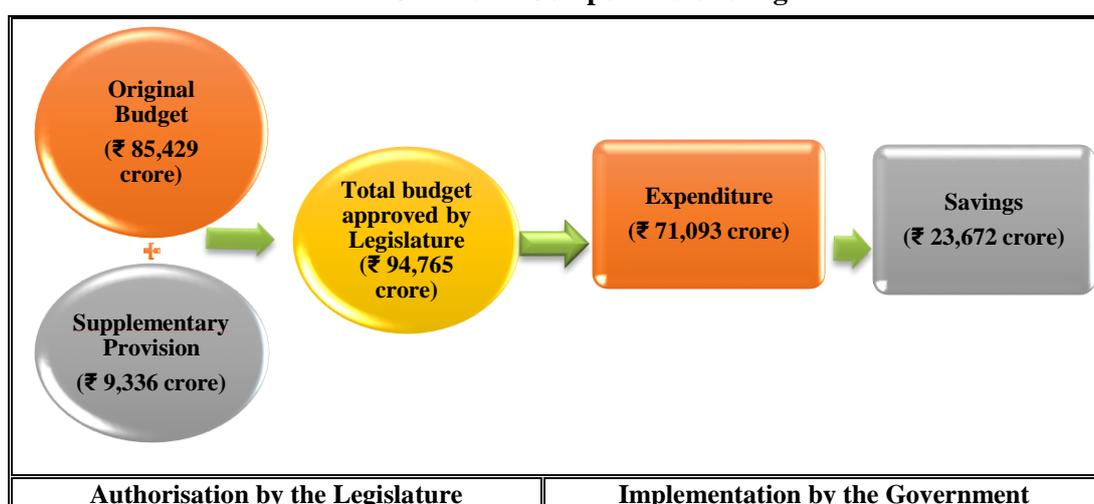
BUDGETARY MANAGEMENT

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources.

Audit of Appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given in the Appropriation Act and if the expenditure is required to be charged under the provisions of the Constitution, it is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations, and instructions. The various components of budget are depicted in the **Chart 3.1**.

Chart 3.1: Components of budget



Source: Appropriation Accounts

3.1.1 Summary of total provisions, actual disbursements and savings during financial year

A summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/charged are given in **Table 3.1**.

Table 3.1: Budget provision, disbursement and savings/excess during the financial year

Nature of Expenditure	Total budget		Disbursement		Savings/ excess	
	Voted	Charged	Voted	Charged	Voted	Charged
(I) Revenue	68,314.84	5612.62	51,387.13	5,430.58	16,927.71	182.04
(II) Capital	14,677.52	0	9,878.71	0	4,798.81	0
(III) Loans and Advances and Inter State Settlement	1,905.29	4,254.37	165.43	4,231.40	1,739.86	22.97
Total Voted	84,897.65	9,866.99	61,431.27	9,661.98	23,466.38	205.01

(₹ in crore)

During 2019-20, the total savings of ₹ 23,984.71 crore (25.31 per cent of the total budget) was the result of savings of ₹ 17,423.07 crore in 52 voted grants and four appropriations under the Revenue Section and ₹ 6,561.64 crore in 36 grants and one appropriation under the Capital Section.

Further, it was observed that out of total savings of ₹ 23,984.71 crore during 2019-20 savings of ₹ 15,263.32 crore occurred under nine grant {1-Agriculture, Animal Husbandry and Co-operative Department (₹ 1,364.54 crore), 10-Energy Department (₹ 3,101.12 crore), 20-Health, Medical Education and Family Welfare Department (₹ 1,453.53 crore), 36-Drinking Water and Sanitation Department (₹ 1,410.88 crore), 41-Road Construction Department (₹ 1,256.90 crore), 42-Rural Development Department (₹ 2,618.61 crore), 55-Rural Development Department (Rural Work Division) (₹ 1,771.61 crore), 59- School Education and Literacy Department (₹ 1,236.66 crore) and 60-Women, Child Development and Social Security Department (₹ 1,049.47 crore)} the reasons for which have not been appropriately explained in the Appropriation Accounts. Further, these grants had persistent total savings of at least ₹ 6,184.28 crore during each of the last four years (2016-20).

It was noticed that the savings of ₹ 23,671.39 crore during the year was surrendered in the month of March 2020 leaving the Finance Department virtually no time to reallocate the funds to other needy Departments. It also defeats the objective of achieving efficiency in budget management.

A detailed review of the Appropriation Accounts of the Government of Jharkhand 2019-20 revealed that except in a few cases, reasons for savings/excess against the budget provisions of the schemes/sub-heads were not furnished by the departments.

3.2 Charged and Voted disbursements

Break-up of total disbursement into charged and voted during the last five years (2015-20) is given in **Table 3.2**.

Table 3.2: charged and voted disbursement during 2015-20

(₹ in crore)

Year	Disbursements		Saving/Excess	
	Voted	Charged	Voted	Charged
2015-16	49,316.93	5,632.35	17,347.44	177.42
2016-17	53,108.80	6,324.00	13,057.61	475.30
2017-18	60,105.66	7,709.46	14,191.49	154.67
2018-19	57,908.04	8,022.04	18,727.57	1,496.17
2019-20	61,431.27	9,661.98	23,466.38	205.01

Table 3.2 shows that the budget provisions under voted section were not fully utilised by the departments and a huge savings occurred every year during the period 2015-20. A large share of provisions under charged sections were also not utilised during the last five years and a significant part of budget provision was surrendered by the departments.

3.3 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Articles 204 and 205 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and

revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3.1 Expenditure incurred without budget provision

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204 of the Constitution. Expenditure on new scheme should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

As per Article 115(1)(a) and 205(1)(a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament/ State assembly earlier, including a new activity or a new form of investment.

‘New Instrument of Service’ means relatively large expenditure arising out of important expansion of an existing activity.

Audit scrutiny revealed that in 22 cases, expenditure amounting to ₹ 2,109.11 crore was incurred without budget provision as detailed in **Appendix 3.1**. Grant-wise summary of six schemes where expenditure without budget provision was ₹ 50 lakh or more is given in **Table 3.3**.

Table 3.3: Summary of Expenditure without Budget Provision

Grant/ Appropriation	Expenditure (₹ in crore)	Number of Schemes/ Sub Heads
14-Repayment of Loans	1,843.98	4
15-Pension	261.91	1
58-School Education and Literacy Dept.(Secondary Education Division)	2.07	1
Total	2,107.96	6

3.3.2 Fund credited under Minor Head 800 of Major Head 8443

It was observed during verification of statement no. 21 of the Finance Accounts that every year a significant amount was credited under Minor Head 800 of Major Head 8443 leading to a balance of ₹ 384.83 crore at the end of March 2020. On further verification it was observed that the amount credited under this head mainly pertains to fund allocated for compensation of land acquisition.

In December 2019, Government of Jharkhand, in consultation with AG (A&E), directed the state authorities to operate PD accounts under Minor Head 106 of Major Head 8443. Accordingly, PD accounts in 22 district

treasuries had been opened in the name of district land acquisition officers, but the amount under the Minor Head 800 was not transferred to PD accounts as of 31 March 2020.

3.3.3 Misclassification of capital expenditure as revenue expenditure

Classification of expenditure of revenue nature as capital expenditure or *vice-versa*, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus.

During verification of accounts of the Government for the year 2019-20 it was observed that ₹ 0.40 crore provided in Revenue Section, under Major head 2202-03-796-12- 'Proposed Law University under Directorate of Higher Education,' was spent on Major Works i.e. on the creation of assets. The object heads pertaining to booking of expenditure of capital nature should correspond with capital major heads only because such expenditure overstates the revenue expenditure of the State and also the assets created out of the same fails to reflect in the accounts. Misclassification of capital expenditure as revenue expenditure resulted in understatement of revenue surplus.

3.3.4 Unnecessary or excessive supplementary grants

Rule 117 of the Bihar Budget Manual (as adopted by Jharkhand) states that supplementary grants should be obtained in consultation with the Finance Department to meet new specific items of expenditure or to cover probable excesses in the voted grant. Further, as per comments below Rule 57 of BM, the officer responsible for preparing estimate should be sure that there is no provision for a greater sum than that which can be spent.

As detailed in **Appendix 3.2**, out of total supplementary budget provision of ₹ 9,335.64 crore, supplementary provisions aggregating ₹ 9,277.22 crore (99.37 per cent) obtained in 58 cases (₹ 0.50 crore or more in each case) during the year, proved unnecessary/excessive as the expenditure did not come up even to the level of the original provisions in most of the cases.

***Recommendation 1:** Government should be more realistic in its budgetary assumptions and ensure efficient control mechanisms to curtail savings/ excess expenditure. Internal re-appropriations from Savings in other schemes may also be done wherever possible*

3.3.5 Unnecessary or excessive re-appropriation

'Re-appropriation' - means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation.

During verification of grant registers, surrender orders, re-appropriation orders etc. it was observed that in several schemes additional funds were provided injudiciously to 16 sub-heads during 2019-20 as detailed in **Appendix 3.3** which proved excessive. As shown in the said appendix, under these schemes/sub-heads, in spite of savings of ₹ 60.47 crore additional funds of ₹ 24.28 crore were provided through re-appropriation which were either unnecessary or excessive.

As shown in the **Appendix 3.3** in nine cases savings under the schemes was more than the amount added by re-appropriating from other schemes.

3.3.6 Unspent amount and surrendered appropriations and/or large savings/ surrenders

Budgetary allocations based on unrealistic proposals and poor monitoring mechanism increase the propensity of huge savings of the budget provisions.

3.3.6.1 Savings above ₹ 100 crore or more

Out of total savings of ₹ 23,671.39 crore, savings of ₹ 21,153.91 crore (89 per cent) occurred in 25 grants as indicated in **Appendix 3.4**. In these cases, savings exceeded ₹ 100 crore or more of the total provisions in the grant, of which, ₹ 16,367.29 crore pertains to revenue heads and ₹ 4,786.62 crore pertains to capital heads. No specific reasons for non-utilisation of such huge amount under these grants were explained by the departmental authorities.

Further, out of 25 grants the savings in 12 grants were ₹ 500 crore or more during the year 2019-20 under revenue section and in four grants of capital section, which was indicative of unrealistic budget proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls. Details are given in **Table 3.4**.

Table 3.4: List of grants having large savings (above ₹ 500 crore) during the year

(₹ in crore)

Sl. No.	Number and name of the grant	Original provision	Supplementary provision	Total	Actual expenditure	Saving	Surrender
Revenue (Voted)							
1	1-Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division)	3,230.59	143.18	3,373.77	2,062.07	1,311.70	1,311.51
2	10-Energy Department	3,533.09	926.33	4,459.42	3,059.10	1,400.32	1,379.80
3	20-Health Medical Education and Family Welfare Department	3,529.22	289.31	3,818.53	2,780.61	1,037.92	1,016.13
4	36- Drinking Water and Sanitation Department	1,789.76	50.30	1,840.06	641.45	1,198.61	1,198.41
5	39- Home, Jail and Disaster Management Department (Disaster Management Div.)	718.82	407.88	1,126.70	437.42	689.28	687.28
6	42-Rural Development Department (Rural Development Div.)	5,586.94	1,360.16	6,947.10	4,452.58	2,494.52	2,494.47
7	48-Urban Development and Housing Department	2,930.18	429.66	3,359.84	2,535.14	824.70	823.99
8	51-ST, SC, Minority and Backward Class Welfare Department	1,616.69	120.39	1,737.08	1,210.71	526.37	515.52
9	55- Rural Development Department (Rural Works Div.)	1,945.38	155.70	2,101.08	950.56	1,150.52	1,060.72
10	58-School Education and Literacy Department (Secondary Education Div.)	2,097.62	21.29	2,118.91	1,457.62	661.29	661.10
11	59- School Education and Literacy Department (Primary and Adult Education Div.)	7,222.34	414.85	7,637.19	6,400.54	1,236.65	1,236.45

Sl. No.	Number and name of the grant	Original provision	Supplementary provision	Total	Actual expenditure	Saving	Surrender
12	60-Women, Child Development and Social Security Department	4,291.59	634.87	4,926.46	3,911.60	1,014.86	1,007.83
Total		38,492.22	4,953.92	43,446.14	29,899.40	13,546.74	13,393.21
Capital (Voted)							
13	10-Energy Department	1,790.13	0	1,790.13	89.32	1,700.81	1,700.81
14	41-Road Construction Department	4,700.00	50.00	4,750.00	3,674.33	1,075.67	1,075.22
15	49-Water Resources Department	1,940.04	0	1,940.04	1,169.93	770.11	767.07
16	55-Rural Development Department	2,195.80	0	2,195.80	1,574.72	621.08	627.11
Total		10,625.97	50.00	10,675.97	6,508.30	4,167.67	4,170.21

Savings of more than 30 per cent in seven grants during the last five years are given in **Table 3.5**.

Table 3.5: Grants/Appropriations with non-utilisation of Budget more than 30 per cent

(in per cent)								
Sl No	Grant	2015-16	2016-17	2017-18	2018-19	2019-20	No. of years*	budget 2019-20 (₹ in crore)
Revenue								
1	20-Health, Medical Education and Family Welfare Department	34	27	28	20	27	1	3818.53
2	1-Agriculture, Animal Husbandry and Co-operative Department (Agriculture Div.)	56	36	46	53	39	5	3373.77
3	18-Food, Public Distribution and Consumer Affairs Department	39	26	32	25	26	2	1540.92
4	23-Industries Department	31	34	50	33	38	5	442.98
5	26-Labour, Employment, Training and Skill Development Department	73	39	45	32	50	5	283.29
6	2- Agriculture, Animal Husbandry and Co-operative Department (Animal Husbandry Div.)	20	33	43	56	22	3	273.66
Capital								
1	49-Water Resources Department	33	26	36	39	40	4	1940.04

* Number of years with savings above 30 per cent

Since these grants were related to the social and economic services and the expenditure was to be made for development purposes, in spite of that, the Government was unable to utilise the provisions year after year depriving the envisaged benefits to the targeted beneficiaries.

3.3.7 Surrender of funds in excess of ₹ 10 crore at the end of March

Verification of Appropriation Accounts of the state revealed that out of total savings of ₹ 23,984.71 crore, savings of ₹ 10 crore or more amounting to ₹ 23,263.18 crore was surrendered at the end of March 2020 leaving no scope for the Government to utilise the funds on other development schemes. Also detailed in **Appendix 3.5**

Chart 3.2: The distribution of the number of Grants/Appropriations grouped by the percentage of Savings along with total savings

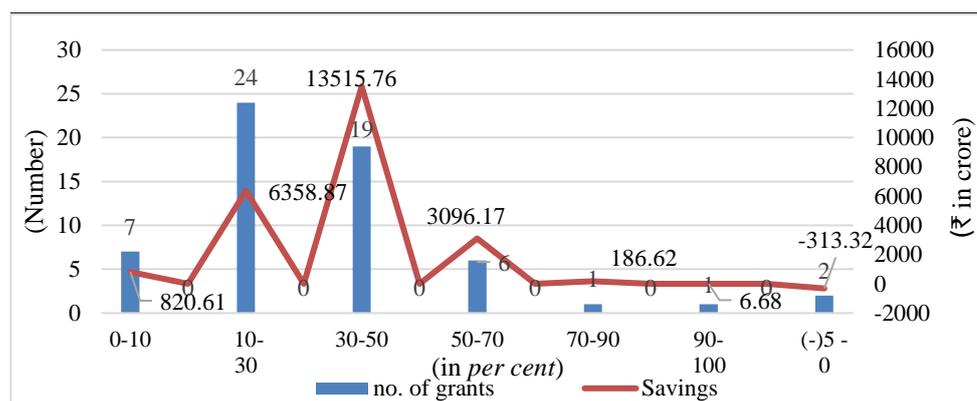
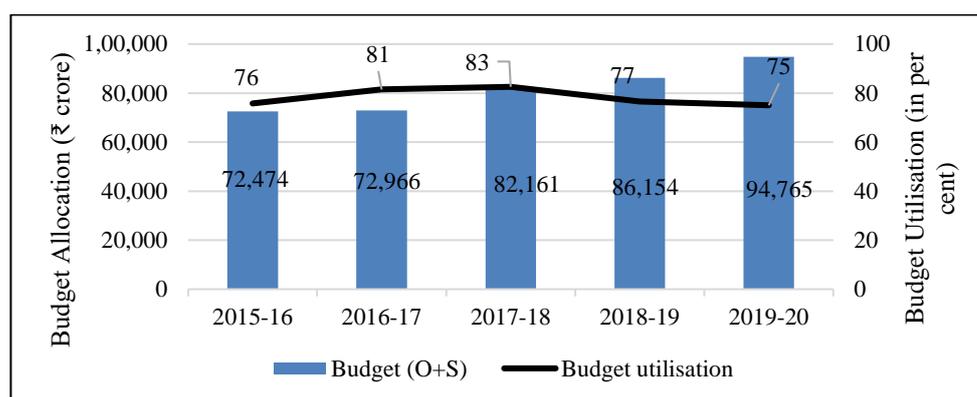


Chart 3.3: Budget Utilisation during 2015-16 to 2019-20



As evident from **Chart 3.3**, 24 departments had savings between 10 and 30 *per cent* whereas, 19 departments had savings between 30 and 50 *per cent*. Eight departments had savings of more than 50 *per cent* which was against the principles of budgetary procedure. Further, **Chart 3.4** reflects that significant part of budget allocations remained unutilised in last five years.

3.3.8 Excess expenditure and its regularisation

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the Financial Year.

Excess disbursement over grant/appropriation violates the Article 205 of the Constitution which provides for regularisation of the excess grants by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

3.3.8.1 Excess expenditure relating to 2019-20

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of poor planning, which could be avoided by keeping track of

expenditure progression with budget made for the purpose. Cases of excess expenditure over the provision of the financial year are to be carefully examined.

As observed in the appropriation accounts excess expenditure of ₹ 313.32 crore was incurred in one grant and one appropriation during 2019-20. Details are given in **Table 3.6**.

Table 3.6: Summary of excess disbursements over grants/appropriations during the financial year

(₹ in crore)

		Name of Grant/appropriations	
		Interest payment	Pension
Voted	Revenue	0	192.68
Charged	Revenue	120.64	0

Major head-wise excess expenditure over the authorisation from the Consolidated Fund of State during the financial year in other grants including the grants in **Table 3.6** have been given in **Appendix 3.6**.

3.3.8.2 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive.

Excess disbursement over grant/appropriation amounting to ₹ 3,015.37 crore pertaining to the years 2001-02 to 2017-18 is yet to be regularised by the State Legislature as detailed in **Appendix 3.7**. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources. Excess expenditure of previous years was not regularised even after repeated reporting in State Finances Audit Report.

Recommendation 2: *Excess expenditure over grants approved by the Legislature is in violation of the will of the Legislature. It therefore, needs to be viewed seriously and regularised at the earliest.*

3.3.9 Grant-in-aid for creation of capital assets

Grants-in-aid are payments in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. Grants-in-aid are given for specified purpose of supporting an institution including construction of assets.

During 2019-20, ₹ 7,079.39 crore was given as grants for creation of capital assets to the bodies and authorities of the State, however, no such grant was booked as capital expenditure in accounts of the State.

3.4 Comments on transparency of budgetary and accounting process

3.4.1 Budget projection and gap between estimates and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations should be based on realistic proposals, good

expenditure monitoring mechanism, strong scheme implementation capacities/ internal controls lead to optimal utilisation of funds on schemes to obtain intended benefits to the beneficiaries.

Table 3.7: Summarised position of Actual Expenditure vis-à-vis Budget (Original/Supplementary) provisions during 2019-20

(₹ in crore)

	Nature of expenditure	Original Grant/App.	Supplementary Grant/App.	Total	Actual expenditure	Net Savings	Surrender during March	
Voted	Revenue	60,218.74	8,096.10	68,314.84	51,387.13	16,927.71	All the surrenders made in the month of March	
	Capital	13,876.36	801.16	14,677.52	9,878.71	4,798.81		
	Loans & Advances	1,905.28	0.01	1,905.29	165.43	1,739.86		
	Total	76,000.38	8,897.27	84,897.65	61,431.27	23,466.38		
Charged	Revenue	5,584.25	28.37	5,612.62	5,430.58	182.04		
	Capital	0	0	0	0	0		
	Public Debt-Repayment	3,844.37	410.00	4,254.37	4,231.40	22.97		
	Total	9,428.62	438.37	9,866.99	9,661.98	205.01		
Grand Total		85,429.00	9,335.64	94,764.64	71,093.25	23,671.39		

Source: Appropriation Accounts

Table 3.8: Original Budget, Revised Estimate and Actual Expenditure during 2015-20

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	55,492.95	63,502.68	75,673.42	80,200.00	85,429.00
Supplementary Budget	16,981.19	9,463.03	6,487.86	5,953.81	9,335.64
Revised Estimate	72,474.14	72,965.71	82,161.28	86,153.82	94,764.64
Actual Expenditure	54,949.28	59,432.80	67,815.12	65,930.08	71,093.25
Saving	17,524.86	13,532.91	14,346.16	20,223.74	23,671.39
Percentage of Saving	24.18	18.55	17.46	23.47	24.98

As evident from **Table 3.8** every year a huge amount of provision was not utilized and surrenders of savings made by the departmental officers of the state without giving any reason for the same. Every year these savings were much more than the supplementary provisions of the state which was indicative of budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal control.

3.4.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/activities; but finally, they are unable to spend even the original budget provision which leads to large savings. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the public at a large in such cases. Further, this leads to escalation of project cost.

Table 3.9: Unnecessary/excessive supplementary provisions despite savings from original provision

(₹ in crore)

Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Unutilised funds
Capital (Voted)						
1	Building Construction Dept.	587.17	90.00	677.17	458.51	218.66
2	Energy Dept.	1,790.13	0	1,790.13	89.32	1,700.81
3	Health, Medical Education and Family Welfare Dept.	602.22	161.08	763.30	347.69	415.61
4	Home, Jail and Disaster Management Dept. (Home Division)	674.86	428.46	1,103.32	808.23	295.09
5	Labour, Employment and Skill Development Dept.	108.82	32.88	141.70	18.36	123.34
6	Drinking Water and Sanitation Dept.	750.00	1.00	751.00	538.73	212.27
7	Road Construction Dept.	4,700.00	50.00	4,750.00	3,674.33	1,075.67
8	Rural Development Dept. (Rural Development Division)	538.11	2.39	540.50	416.40	124.10
9	Rural Development Dept. (Rural Works Division)	2,195.80	0.41	2,196.21	1,574.72	621.49
Total		11,947.11	766.22	12,713.33	7,926.29	4,787.04

3.4.2.1 Non-utilisation of funds allocated to some major schemes

Review of the Appropriation Accounts of the State revealed that there were persistent large savings out of fund allocated for many schemes which was intended to provide benefits to public at a large. Persistent large savings in last three years in those schemes resulted in non-completion of those schemes and the intended benefit of the unfinished schemes could not be extended to the beneficiaries. Some of those schemes are shown in **Table 3.10**.

Table 3.10: Year-wise savings under some major schemes

(₹ in crore)

S.N.	Name of Scheme/Head	2017-18		2018-19		2019-20	
		Budget	Savings	Budget	Savings	Budget	Savings
36-Drinking Water and Sanitation Department							
1	4215-01-102-02-Rural Piped Water Supply Scheme	200.15	64.63	159.2	25.54	322.55	141.02
42- Rural Development Department (Rural Development Division)							
2	2501-06-101-05-Swarna Jayanti Gram Swarojgar Yojana Scheme for General (CASC)	146.4	37.18	177.25	114.83	205.21	86.26
3	2501-06-796-05-Swarna Jayanti Gram Swarojgar Yojana Scheme for General (CASC)	107.56	43.04	129.6	102.55	150.77	100.81
4	2505-01-702-02-Indira Awas Yojana Scheme for General (CASC)	628.28	149.24	978.22	508.52	950.26	459.82
5	2505-02-101-04-Overall Rural Employment Scheme (CASC)	979.21	811.69	492.4	228.72	367.5	205.46
6	2505-02-796-04-Overall Rural Employment Scheme (CASC)	719.42	596.34	360.8	167.55	270	150.95

S.N.	Name of Scheme/Head	2017-18		2018-19		2019-20	
		Budget	Savings	Budget	Savings	Budget	Savings
48-Urban Development and Housing Department (Urban Development Division)							
7	2217-80-191-81 Grant to Municipal Corporations on recommendation of 14 th Finance Commission	272.74	40.18	243.38	149.2	395.69	46.62
51-Scheduled Tribe, Scheduled Caste, Minority and Backward Class Welfare Department(Scheduled Tribe, Scheduled Caste and Backward Class Welfare Division)							
8	2225-01-789-59-Post -entrance Scholarships	53	37.28	53	43.23	27	4.86
9	2225-01-789-61-Primary School Scholarships	26	18.17	28	22.55	12.27	7.97

3.4.3 Major policy pronouncements in budget and their actual funding for ensuring implementation

Several policy initiatives taken up by Government were not executed which deprived the beneficiaries of intended benefits. However, reasons for non-utilisation of the provisions were not given by the departments. Savings in such schemes deprives other Departments of the funds which they could have utilized.

In 178 cases, 100 *per cent* of the provision (₹ one crore and above in each case) amounting to ₹ 3,118.08 crore was surrendered, resulting in non-implementation of schemes/programmes as detailed in **Appendix 3.8**.

***Recommendation 3:** Government should enforce its commitment to achieve its promised/intended objectives for overall development of the State through improved execution, monitoring and financial management of schemes/projects.*

3.5 Rush of expenditure

Rule 113 of the Bihar Budget Manual (as adopted by Jharkhand) stipulates that rush of expenditure in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity. Uniform flow of expenditure is essential to ensure that the primary requirement of budgetary control is maintained. Moreover, maintaining a steady pace of expenditure is a crucial component of sound public financial management. Steady pace of expenditure obviates fiscal imbalance and temporary cash crunches arising due to unanticipated heavy expenditure in a particular month.

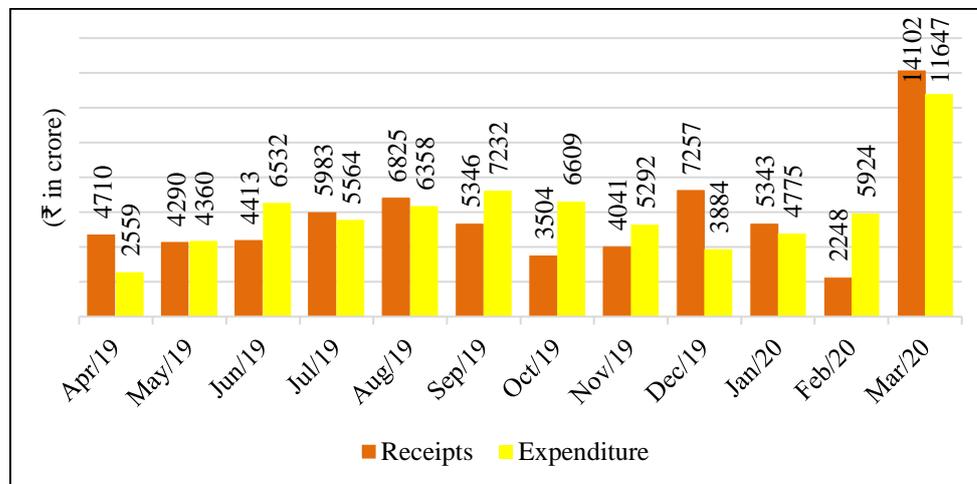
It was, however, observed that in 13 grants, expenditure of ₹ 1,947.69 crore (66.22 *per cent*) was incurred in the last quarter of the year against the total expenditure of ₹ 2,941.45 crore as detailed in **Appendix 3.9**. Of this, an expenditure of ₹ 833.39 crore (28.33 *per cent* of the total expenditure) was incurred in the month of March 2020.

Further, it was observed that ₹ 263.68 crore (12.16 *per cent*) was drawn on AC bills in March 2020 and ₹ 117.26 crore (5.41 *per cent*) was drawn on the last day of the Financial year mainly by Home, Jail & Disaster Management Department.

During the year 2019-20, ₹ 11,647 crore comprising 18.09 *per cent* of total expenditure (₹ 70,732 crore) was expended in March 2020. High percentage

of expenditure in March indicates that uniform flow of expenditure, a primary requirement of budgetary control, was not maintained. Rush of expenditure in the closing month of the financial year is against the provision of the Budget Manual and entails risk of misuse of public money and unhealthy practices.

Chart 3.4: Monthly receipts and expenditure of the State during 2019-20



Recommendation 4: An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified timeframe;

3.6 Audit of Budgetary provision of Grant No. 56- Rural Development Department (Panchayati Raj Division)

3.6.1 Introduction

The State Government enacted Jharkhand *Panchayat Raj Act* (JPR Act), 2001 and transferred functions, functionaries and funds (3Fs) to the *Panchayati Raj Institutions* (PRIs) which comprises of *Zila Parishad* (ZP), *Panchayat Samiti* (PS) and *Gram Panchayat* (GP).

PRIs are implementing agencies of the Centrally Sponsored Schemes that comprise Grants received under 14th Finance Commission (FFC), State Plans such as Rashtriya Gram Swaraj Abhiyan (RGSA), Backward Region Grant Fund (BRGF) etc. The Grants (FFC) provided are intended be used to support and strengthen the delivery of basic civic services including water supply, sanitation, maintenance of roads, footpaths, street-lighting, etc. Under RGSA grants are provided for Capacity building & training, technical support and to support related activities of PRI. Grants are also provided to execute works through newly constituted Adivasi Vikas Samiti/Village Vikas Samiti, the estimated cost of which is within ₹5 lakh and is according to the local necessity.

To meet the above responsibilities, the State Government provided a budget of ₹ 2,859.98 crore to the Department during 2019-20. Details of budget provision and its utilisation are given in the **Table 3.11**.

Table 3.11: Details of budget provision, expenditure and savings during 2019-20

(₹ in crore)			
Details	Capital Voted	Revenue Voted	Total
Original Grant	6.00	1,978.09	1,984.09
Supplementary Grant	0	875.89	875.89
Total Grant	6.00	2,853.98	2,859.98
Expenditure	0	2,482.11	2,482.11
Savings	6.00	371.87	377.87
Surrender	6.00	371.87	377.87
Lapse	0	0	0

Source: Appropriation Accounts of the Government of Jharkhand for the year 2019-20

3.6.2 Scope of Audit

Departmental Secretariat of Rural Development Department (Panchayati Raj Division) and 16 units¹(in 8 districts²) were selected for audit of the budgetary process.

Audit Findings

3.6.3 Persistent Savings

During scrutiny of the Department's budget and expenditure for the last four years (2016-20) it was noticed that the Department had persistent savings during the period and the percentage of savings in comparison to the budget estimates remained significantly high as detailed in **Table 3.12**.

Table 3.12: Trend of savings during last four years in Rural Development Department (Panchayati Raj Division)

(₹ in crore)							
Years		Original	Supplementary	Total	Actual Expenditure	Savings	Percentage of Savings
2016-17	Revenue	1,416.07	478.61	1,894.68	1,671.36	223.31	11.79
	Capital	6.00	0	6.00	3.30	2.70	44.92
	Total	1,422.07	478.61	1,900.68	1,674.67	226.01	11.89
2017-18	Revenue	1,647.22	154.65	1,801.87	1,574.95	226.92	12.59
	Capital	6.00	0	6.00	3.51	2.49	41.44
	Total	1,653.22	154.65	1,807.87	1,578.46	229.41	12.69
2018-19	Revenue	1,659.19	84.74	1,743.93	872.88	871.06	49.95
	Capital	6.00	0	6.00	2.39	3.61	60.12
	Total	1,665.19	84.74	1,749.93	875.27	874.66	49.98
2019-20	Revenue	1,978.09	875.89	2,853.98	2,482.11	371.87	13.03
	Capital	6.00	0	6.00	0	6.00	100
	Total	1,984.09	875.89	2,859.98	2,482.11	377.87	13.21

Source: Appropriation Accounts 2016-20

¹(i) Deputy Development Commissioner (DDC) cum Chief Executive Officer (CEO), Zila Parishad, Bokaro, (ii) District Panchayati Raj Officer (DPRO), Bokaro, (iii) DDC cum CEO, Zila Parishad, Dhanbad, (iv) DPRO, Dhanbad, (v) DDC cum CEO, Zila Parishad, East Singhbhum, (vi) DPRO, East Singhbhum, (vii) DDC cum CEO, Zila Parishad, Gumla, (viii) DPRO, Gumla, (ix) DDC cum CEO, Zila Parishad, Hazaribagh, (x) DPRO, Hazaribagh, (xi) DDC cum CEO, Zila Parishad, Ranchi, (xii) DPRO, Ranchi, (xiii) DDC cum CEO, Zila Parishad, Saraikela-Kharsawan, (xiv) DPRO, Saraikela-Kharsawan, (xv) DDC cum CEO, Zila Parishad, West Singhbhum and (xvi) DPRO, West Singhbhum.

²(i) Bokaro, (ii) Dhanbad, (iii) East Singhbhum, (iv) Gumla, (v) Hazaribagh, (vi) Ranchi, (vii) Saraikela-Kharsawan and (viii) West Singhbhum

As shown in **Table 3.12**, the Department had persistent savings ranging between 11.89 *per cent* and 49.98 *per cent* during the last four years. In reply to the audit observation no specific reply was provided by the departmental officers.

3.6.4 Delay in submission of Budget Estimates

Rule 62 of Bihar Budget Manual (as adopted by Jharkhand) provides the calendar for correct and timely preparation of the budget of the State. Audit observed that the Finance Department, Government of Jharkhand revised (November 2018) the prescribed dates for uploading/ submission of general budget and preparation of Comprehensive Outlay of Budgetary Transaction (COBT), after approval of the Minister concerned, to 28 November (for establishment) and 12 December (for schemes) against stipulated date of 1st October in the budget Manual.

In continuation, the RDD fixed prior to 25 October for receipts of estimates from the DDOs of the department. However, it was noticed that out of 60 DDOs only 37 DDOs submitted estimates of establishment expenditure to the RDD and 23 DDOs did not even submit the estimates. Out of 37 DDOs who submitted estimates of expenditure of establishment, only four DDOs submitted it before the due date and 31 DDOs submitted estimates with a delay ranging between one day and 37 days against the target date. Estimate for schemes was not submitted at all by the DDOs.

In eight test-checked districts, it was noticed that only one DDC submitted estimates of establishment expenditure with delay of five days and seven DDCs did not even submit the estimate of expenditure to the department. Further, eight District Panchayati Raj Officer (DPROs) submitted their estimates with a delay ranging between five days and 64 days. Out of 103 BDOs working under these DPROs only four BDOs submitted the estimates within the due dates. 57 BDOs submitted their estimates to DPROs with a delay ranging between one day and 46 days. Rest 42 BDOs did not submit their estimates (**Appendix 3.10**).

Scrutiny of records revealed that against the target date of 12 December 2018 the RDD (Panchayati Raj Division) submitted Budget Estimates (BEs) for schemes to the Finance Department on 28 December i.e., with a delay of 16 days. Budget estimates for establishment was submitted on time by the department without getting estimates from the field units.

Non-compliance of budget calendar not only affects the schedule of preparation of budget estimates but also curtails the time required for its scrutiny at different level. Moreover, non-submission of budget estimates from field units resulted in inaccurate provision.

3.6.5 Budget Estimates prepared without obtaining requirements from Disbursing Officers (DOs)

According to Rule 65 of Bihar Budget Manual (as adopted by Jharkhand) (BM), the Controlling Officer (CO) should examine the estimates received from the DOs to see that they are correct, that all details/explanations have been given and the explanations given are adequate.

Audit noticed that provisions of BM were not followed and budget estimates (State, Central and Centrally Sponsored Schemes) were prepared at the Department level without obtaining/ assessing the actual requirements from the DOs who are finally responsible to execute the work and utilise the fund.

It was further noticed that there was wide variation between the expenditure and budget provisions of the department leading to huge savings during the last four years ranging from 41.44 *per cent* to 100 *per cent* of the total allocation under capital section.

Similarly, in eight test-checked districts it was noticed that there was wide variation between the expenditure and budget provisions leading to huge unspent balance at the end of financial year as detailed in **Appendix 3.11**.

Non-observance of provisions of BM was a serious negligence during the year 2019-20 by the RDD.

3.6.6 Non-Preparation of Outcome and Gender Budget

As per instructions (November 2018) of Planning-cum-Finance Department, GoJ, Outcome Budget in Proforma-X was to be prepared separately for all the Schemes executed under State schemes and Centrally Assisted State schemes indicating primary targets and other quantifiable information of those schemes. Proforma-Y was to be submitted indicating details of Gender Budget along with amount required for schemes (where 30 *per cent* or more was to be spent on schemes for welfare of women) and fundamental goals set for qualitative reforms during 2019-20.

Scrutiny of records of the Department revealed that the above instructions were not followed and the Outcome and Gender budget for the year 2019-20 were not prepared. Thus, the result of outcome budget of Central and State Schemes could not be assessed. The records of expenditure on women specific works were also not maintained in the prescribed proforma. Thus, the achievement and outcome of Gender budgeting could not be assessed.

3.6.7 Non-utilisation of whole budget provision

As per comments below Rule 57 of BM, the officer responsible for preparing estimate should be sure that there is no provision for a greater sum than that which can be spent during the financial year.

Scrutiny of Appropriation Accounts for the year 2019-20 revealed that the entire budget provision of ₹ 251.92 crore was not utilized by the Department in 16 heads of account. At the time of re-appropriation, the whole budget provision for ₹ 251.92 crore was taken back as detailed in **Appendix 3.12**.

To enhance Capacity building & training and to provide technical support for carrying out the related activities of the three tiers Panchayati Raj Institutions, Ministry of Panchayati Raj, Govt. of India launched a new restructured scheme of Rashtriya Gram Swaraj Abhiyan (RGSA). The funding pattern in respect of RGSA is proposed to be implemented as a core Centrally Sponsored Scheme (CSS) for four years viz., from 2018-19 to 2021-22 with a ratio of 60:40 by Centre and State respectively. Funds for RGSA would be provided in two equal installments. The second installment

would be released after submitting utilization certificate of 60 *per cent* of the total available funds i.e. opening balance and funds released as first installment.

During the financial year 2019-20 a sum of ₹ 40 crore was sanctioned (June 2019) for implementation of RGSA with a share of ₹ 24 crore and ₹ 16 crore by the Centre and State respectively.

Scrutiny revealed that the central share marked for the year 2019-20 could not be released due to non-submission of utilisation certificate and audit report of Chartered Accountant for ₹ 14.26 crore (₹ 10.20 crore released during the year 2018-19 and unspent balance of ₹ 4.06 crore of 2017-18). That fund remained unutilised till January 2020 and due to the same the State suffered a loss of ₹ 24 crore as Central share during the year 2019-20. Therefore, budget provisions of ₹ 16 crore as State share was also surrendered.

During the year 2019-20, ₹ 199.53 crore was provided in budget for performance grant under 14th Finance Commission to Panchayats which was ultimately surrendered due to non-observance of criteria recommended by the FFC for disbursement of performance grants to Gram Panchayats viz. (1) the Gram Panchayats will have to submit audited accounts that relate to year not earlier than two years preceding the year in which the Gram Panchayats seeks to claim the performance grant (2) The Gram Panchayats will have to show an increase in their own revenues over the preceding year as reflected in the audited accounts.

It was observed that the Panchayats did not send audited accounts along with information regarding increase in their own revenue for the year 2017-18 & 2018-19 leading to non-release of central share of ₹ 199.53 crore and surrender of entire budget provision during 2019-20.

3.6.8 Non transfer of the Fund to the Implementing Agencies

According to the RGSA framework, Central Share should be released to implementing agencies within 15 days of its receipt by the State Government.

Scrutiny of the records revealed that a sum of ₹ 14.26 crore (Central: ₹ 8.55 crore, State: ₹ 5.71 crore) released during the year 2018-19 remained unutilised as of January 2020. Out of total receipt, ₹ 8.07 crore was transferred to implementing agencies during February and March 2020 after assessing requirements leaving a balance of ₹ 6.19 crore in the bank account, secretariat branch, Ranchi.

This clearly indicates that provisions of BM were not followed and budget estimates (Centrally Sponsored Schemes) were prepared at the department level without obtaining/ assessing the actual requirements from the DOs who were responsible to execute the work and utilise the fund.

3.6.9 Non-reconciliation of departmental expenditure figures

Rule 134 of Budget Manual requires that Controlling Officer should arrange to reconcile departmental accounts with the books of the Principal Accountant General (A&E) on a monthly basis to avoid misclassification of expenditure and receipts.

It was observed that during 2019-20, out of total expenditure of ₹ 2,482.11 crore, expenditure of ₹ 2,474.26 crore (99.68 per cent) was not reconciled by the Controlling Officer with the books of the Principal Accountant General (A&E). Head wise details are given in **Table 3.13**.

Table 3.13: Details of Non-reconciliation of departmental expenditure

(₹ in crore)

Sl. No.	Major Head	Total Expenditure	Reconciled Expenditure	Non-Reconciled Expenditure
1	2015	3.08	Nil	3.08
2	2515	2,478.16	7.37	2,470.79
3	3451	0.87	0.48	0.39
Total		2,482.11	7.85	2,474.26

3.6.10 Rush of Expenditure

It was observed that in four out of 40 heads of the department, entire expenditure for the year 2019-20 was incurred in the month of March 2020, whereas, in six heads, expenditure in the month of March 2020 ranged between 27.62 to 71.23 per cent (**Appendix 3.13**) which was against the rule 113 of Budget Manual and could be regarded as a breach of financial regularity.

3.6.11 Surrender on the last day of the financial year

Audit observed that Departmental Secretariat of Rural Development Department (Panchayati Raj Division), surrendered ₹ 378.09 crore (₹ 314.21 crore of schemes and ₹ 63.88 crore of establishment) against the budget provision of ₹ 2,578.61 crore on 31 March 2020 leaving no scope for utilisation of the funds on other important schemes.

In eight test-checked districts it was noticed that a huge amount of ₹ 19.17 crore was surrendered on the last day of the financial year as detailed in **Appendix 3.14**. Further, six offices of DDC cum CEO, Zila Parishad (Dhanbad, Hazaribagh, East Singhbhum and West Singhbhum), office of DPRO, East Singhbhum and office of DDC, DRDA, West Singhbhum had not submitted surrender reports.

Further, in two³ test-checked district allotment of ₹ 11.50 crore was provided to DDC cum CEO during the year 2019-20 to transfer it to the accounts of AVS/GVS. It was however observed that the funds were not transferred to AVS/GVS till the end of the financial year. Reasons for non-transfer of funds were not furnished to audit.

3.6.12 Adivasi Vikas Samiti

To ascertain active participation of people in development of villages, Govt. of Jharkhand decided to launch a new scheme during the year 2018-19. Under the scheme Adivasi Vikas Samiti(AVS)/Gramin Vikas Samiti(GVS) was required to be constituted in each village of State. The Samiti/committee were held responsible to execute programmes/schemes implemented by the various departments of the State Government whose

³ Hazaribagh and West Singhbhum

estimated cost was up to ₹ 5 lakh and whose construction period was maximum one year e.g. construction of check dam, water harvesting, ponds etc. As per provision, 80 per cent of the estimated cost was to be shared by the State Government and 20 per cent by the AVS/GVS.

It was observed that out of ₹ 120 crore the State Government released a sum of ₹ 112.75 crore during the year 2019-20 for 24 districts of Jharkhand, of which ₹ 54.82 crore was drawn by March 2020 and ₹ 65.18 crore was surrendered by the department.

In eight test-checked district units Audit observed that during the period 2018-20 a sum of ₹ 57.45 crore was allotted to DDC cum CEO, Zila Parishad, as grants- in-aid for schemes to be implemented through AVS/GVS. As per the guidelines, the funds were required to be transferred in the accounts of AVs/GVS in two installments. The works were being implemented in the district under monitoring of DDC/DPRO/DPM. The details of fund drawn and transferred in the accounts of AVS/GVS are given in **Table 3.14**.

Table 3.14: Details of fund drawn and transferred in the accounts of AVS/GVS

(₹ in crore)

Sl. No.	Year	Allotment	Fund transferred to AVS/GVS	Amount Lapsed/ Surrendered	Balance	Remarks
1	2018-19	20.83	4.86	0	15.97	Out of total closing balance of ₹ 30.20 crore, ₹ 19.92 crore was parked in PL Accounts and ₹ 10.51 crore was kept in Bank Account (along with ₹ 0.23 crore interest paid by the bank).
2	2019-20	36.62	5.79	16.60	14.23	
Total		57.45	10.65	16.60	30.20	

3.6.12.1 Wasteful Expenditure: ₹ 10.65 crore

To ensure public participation in development works AVS was constituted (Resolution No. -01 Estt.(Dev.)-25/2018-1969/Ranchi dated-02.07.2018) in all the villages of the State. The AVS was given responsibility to complete small schemes where estimated cost are upto ₹ 5 lakh and its completion period is one year or less.

Administrative approval of ₹ 28.57 crore was accorded by DDC for 2011 schemes (Construction of Paver Block Road/construction of TCB/ Construction of Ponds/Well/Dova) during the period 2018-20 of which 1819 schemes, at an estimated cost of ₹ 23.82 crore, were taken up for execution. A sum of ₹ 9.46 crore was transferred in the bank accounts of 873 AVS/GVS as first installment. The second installment of ₹ 1.22 crore was transferred to 113 schemes only. Details are given in **Appendix 3.15**.

During audit it was observed that none of the scheme was completed as of December 2020. Moreover, all these schemes involve significant earthwork and it could not be ruled out that the work executed was decimated due to wear and tear by rain and wind. Thus, the very purpose of the scheme was defeated and the beneficiaries were de-voided of intended benefits.

3.6.12.2 **Blocking of Funds: ₹ 30.43 crore**

Scrutiny of the records revealed that out of 9,837 villages, AVS/GVS were constituted in 9,343 villages for which ₹ 57.45 crore was released by the department.

As per scheme guidelines and allotment letters funds were to be transferred to the savings accounts of the AVS/GVS by the DDOs concerned. It was noticed that out of ₹ 57.45 crore, an amount of ₹ 10.65 crore was transferred to 873 AVS/GVS for the schemes. An amount of ₹ 16.60 crore provided to DDC Ranchi, Hazaribagh and West Singhbhum districts during 2019-20 was allowed to lapse/surrender without recording any reason and balance amounting to ₹ 30.42 crore remained irregularly parked in PL account of Zila Parishad and Bank accounts held by DDC as detailed in **Appendix 3.16**.

Thus, out of 9,343 AVS/GVS, funds were provided to only 9.34 per cent AVS/GVS in spite of availability of fund and rest (90.65 per cent) AVS/GVS were denied to get benefits of the scheme. Moreover, no work was completed during 2019-20 as stated in **para 3.6.12.1**.

Accordingly, the funds provided for the welfare of villages under test-checked districts could not be utilised and the purpose of the scheme to enhance active participation of villagers in development work could not be achieved.

Recommendation 5: *The department should fix responsibility to the officers responsible for non-transfer of funds to the AVS/GVS so that such irregularity should be avoided in future.*

3.6.13 **Fund released under 14th Finance Commission**

3.6.13.1 **Short release of penal interest by the State: ₹6.45 crore**

The 14th Finance Commission (FFC) has recommended Basic Grant to the Local bodies with the purpose of providing unconditional support to the Gram Panchayats (GPs) and Municipalities for delivering basic services. The Central Government released a grant of ₹ 2,236.71 crore under the basic grant head in the financial year 2019-20 to the Rural Development Department (Panchayati Raj Division), details of which are given in **Appendix 3.17**.

As per instruction of Department of Expenditure, GoI and para 17 of FFC the state government was required to transfer the above amount to Local Bodies within 15 days of receipt from Central Government. For delay, if any, the State Government was required to release the installment with interest, at bank rate of RBI, for number of days of delay.

It was observed that the central grants were transferred to the local bodies with a delay ranging between 11 days and 32 days (date of entry in Cash Book) creating an additional burden in form of penal interest amounting to

₹ 6.45 crore (**Appendix 3.17**). However, no such interest was paid by the government.

3.6.13.2 Non-completion of Work

Records regarding schemes covered under FFC revealed that a sum of ₹ 1,632.59 crore was released for the period 2019-20 to 24 districts, of which ₹ 1,272.35 crore was spent during 2019-20. Further, it was noticed that 82,654 schemes were taken up during the period of 2019-20 but their status of completion was not available with the department.

In eight test-checked districts ₹ 907.33 crore was released, of which ₹ 608.79 crore was spent during 2019-20. In those districts 23,867 schemes were taken up of which 16,408 schemes were completed. Scheme wise details were not available with DPRO. Thus, in spite of availability of fund nearly 31 *per cent* works remained incomplete. Non-completion of work on time leads to cost overrun and also deprives the beneficiaries of intended benefits. The details are given in **Table 3.15**.

Table 3.15: Details of Progress of work in 2019-20 in eight test- checked districts

(₹ in crore)

Sl. No.	Name of Districts	Amount Received	Expenditure incurred	Per cent of Exp.	Scheme taken	Scheme Completed	Physical progress
1	Ranchi	150.72	89.10	59.11	2,244	2,196	97.86
2	Gumla	88.99	48.20	54.16	641	592	92.35
3	Hazaribagh	127.66	62.81	49.20	4,014	1,662	41.40
4	Bokaro	118.97	74.01	62.21	3,644	1,877	51.51
5	Dhanbad	116.04	117.11	100.92	4,099	3,030	73.92
6	East Singhbhum	113.28	78.00	68.85	3,524	2,479	70.35
7	Saraikela Kharsawan	70.06	60.41	86.23	2,103	1,980	94.15
8	West Singhbhum	121.61	79.15	65.08	3,598	2,592	72.04
Total		907.33	608.79	67.09	23,867	16,408	68.75

3.6.14 Blockage of fund

As per letter no. 1367 dated 10.06.2019 of Jharkhand Government, Rural Development Department (Panchayati Raj), Ranchi, all Gram Panchayats, Panchayat Samiti and Zila Parishad of the State were instructed to organise International Yoga Day 2019 on 21.06.2019. Accordingly, ₹ 5.01 crore was allotted to DPROs of the state through RTGS to its onward transfer to Gram Panchayat, Panchayat Samiti and Zila Parishad at the rate of ₹10,000, ₹ 20,000 and ₹ 50,000 respectively.

In eight test-checked districts it was observed that out of ₹ 2.05 crore provided to DPROs, ₹ 1.19 crore was transferred to Gram Panchayats and ₹ 0.86 crore (42.08 *per cent*) was lying unused in the bank accounts of five DPROs (December 2020) as detailed in **Appendix 3.18**. Utilisation certificates of the fund transferred were also not submitted as of December 2020.

3.6.15 Discrepancy in Cash Book

As per Finance Division, Planning cum Finance Department, Government of Jharkhand letter no. Finance-20/Misc.-09/2016/2918 Dated 06.11.2019, Cash book balance and the bank balance should be the same. In case of any

difference, Bank Reconciliation Statement should be prepared so that the reasons of differences may be ascertained. Any amount found excess in bank without its use should be remitted to treasury/fund providing agency at the earliest.

In three out of eight test-checked districts it was observed that there was a huge difference of ₹ 4.51 crore between the closing balance of Cash book and Bank statement submitted by DPRO as detailed in **Table 3.16**.

Table 3.16: Discrepancy in Cash Book

SI No.	District	Closing Balance as per Cash Book (as on 31.03.2020)	Closing Balance as per Bank Statement (as on 31.03.2020)	Difference
		(1)	(2)	(1-2)
1.	Ranchi	15,78,16,486.41	15,11,40,529.65	66,75,956.76
2.	East Singhbhum	4,46,01,797.60	9,23,76,382.14	(-)4,77,74,584.54
3.	Saraikela Kharsawan	92,78,598.72	1,33,27,835.20	(-)40,49,236.48
	Total	21,16,96,882.73	25,68,44,746.99	(-)4,51,47,864.26

In the office of DPRO, Ranchi Audit observed a difference of ₹ 0.75 crore between balance shown in the subsidiary cash book and closing balance of General cash book since November 2018. The difference was neither reconciled nor reasons for the same was found on the body of the cash book.

Huge difference between General Cash book, subsidiary cash book and bank accounts that too remained un-reconciled for such a long period may result in embezzlement/ misappropriation of government money.

3.6.16 Non Maintenance of Cash Book

As per Note below Rule 19 of Jharkhand Treasury code 2016, a complete record of transactions relating to the treasury will be kept in the Accountant's Cash Book either in manual register or in computer system. Further, as per Finance Division, Planning cum Finance Department, Government of Jharkhand letter no. Finance-20/Misc.-09/2016/2918 Dated 06.11.2019, Cash Book should be maintained and updated in every Government offices. The balance of Cash Book should be certified by the authorised officer every month.

Scrutiny of records of DPRO of two out of eight test-checked district revealed that General Cash Book was not updated and certified by the DPROs Jamshedpur and Saraikela since August 2017 and August 2019 respectively. Further, it was noticed that ₹ 12.05 crore received during 2019-20 on account of establishment expenditure, Panchayat by-election and installation of street light were not entered in the cash books. Hence, Misappropriation/Mis-utilisation of Government money could not be ruled out. Details are given in **Table 3.17**.

Table 3.17: Details of Amount Received

(₹ in crore)

Districts	Head	Amount Received
East	Establishment Head	7.33
Singhbhum (Jamshedpur)	Fund received from Gram Panchayat for installation of Street light	3.92
	Panchayat By-election	0.40
Saraikela Kharsawan	Fund received from Gram Panchayat for installation of Street light	0.40
Total		12.05

3.7 Budgetary Process for Grant No. 29 – Mines and Geology Department

3.7.1 Introduction

Department of Mines and Geology is one of the important Departments of Government of Jharkhand. It is the Administrative Department of the Directorate of Mines and the Directorate of Geology. The main functions and activities of the Department are systematic survey and assessment of the mineral deposits of the State, their exploitation, administration of mines and mineral concession, enforcement measures for prevention of illegal mining and smuggling of minerals and assessment and collection of mining revenue. The Department strives for sustainable development of mineral resources in a scientific and eco-friendly manner; so as to create a conducive environment for industrial growth in the State.

Directorate of Mines - Directorate of Mines is responsible for the grant of Prospecting Licences, Reconnaissance Permit & Mining Leases of Minerals. It collects mineral revenue in the State. It acts as nodal department of mineral administration and works as per acts, rules and provisions related to the mineral development, sustainable and lawful mining in the State.

Directorate of Geology- It conducts detailed geological exploration of important minerals, ground water survey, Geo technical studies and analysis of various minerals etc. Directorate has responsibility to prepare mineral blocks for auction with reference to newly enforced Mineral Auction Rule, 2015 of Government of India.

To complete the above mentioned responsibilities the State Government had provided a budget of ₹ 84.39 crore during 2019-20 to this department. Detail of budget and its utilisation is given in **Table 3.18**.

Table 3.18: Details of budget provisions, expenditure and saving during 2019-20

(₹ in crore)

Details	Capital Voted	Revenue Voted	Total
Original Grant	5.50	63.77	69.27
Supplementary Grant	0.00	15.12	15.12
Total Grant	5.50	78.89	84.39
Expenditure	0.00	57.46	57.46
Saving	5.50	21.43	26.93
Surrender	5.50	21.42	26.92
Lapse	0.00	0.01	0.01

Source: Appropriation Accounts of the Government of Jharkhand for the year 2019-20

Scope of audit

Departmental Secretariat, Directorate of Mines & Geology and 21 DDOs⁴ in eight⁵ out of 24 districts were selected for audit of the budgetary process.

Audit findings

3.7.2 Persistent savings

During study of department's budget and expenditure trends during last four years (2016-20) it was noticed that the department had a persistent savings in these years and the percentage of savings in comparison to the budget estimates remained very high as detailed in the **Table 3.19**.

Table 3.19: Trend of savings during last four years in Mines and Geology Department

(₹in crore)

Years		Original	Supplementary	Total	Actual Expenditure	Saving	Percentage of saving
2016-17	Revenue	48.62	0.93	49.55	29.06	20.49	48.74
	Capital	7.14	0.00	7.14	0.00	7.14	
	Total	55.76	0.93	56.69	29.06	27.63	
2017-18	Revenue	112.98	2.75	115.73	36.38	79.35	69.10
	Capital	2.00	0.00	2.00	0.00	2.00	
	Total	114.98	2.75	117.73	36.38	81.35	
2018-19	Revenue	82.99	0.46	83.45	41.86	41.59	50.29
	Capital	0.75	0.00	0.75	0.00	0.75	
	Total	83.74	0.46	84.20	41.86	42.34	
2019-20	Revenue	63.77	15.12	78.89	57.46	21.43	31.91
	Capital	5.50	0.00	5.50	0.00	5.50	
	Total	69.27	15.12	84.39	57.46	26.93	

Source: Appropriation Account 2016-20

As shown in **Table 3.19** the department had a persistent savings ranging between 32 *per cent* and 69 *per cent* during the last four years which was not only indicative of the inability of the department to utilise the fund but also resulted in non-completion of works included in the budget during the year.

3.7.3 Delay in submission of Budget Estimates

Rule 62 of Bihar Budget Manual as adopted by Government of Jharkhand (GoJ) provide the budget calendar for correct and timely preparation of budget for the State. Finance Department, GoJ revised (November 2018) the prescribed dates of submission of estimate of establishment expenditure and scheme budget after approval of the Minister concerned 28 November 2018 and 12 December 2018 respectively against the stipulated date of First October in the Budget Manual.

Scrutiny of records of Directorate of Geology revealed that Budget Estimates (BEs) for establishment expenditure were submitted to Finance Department

⁴ District Mining Offices-(i) Bokaro (ii) Gumla (iii) Hazaribagh (iv) Jamshedpur (v) Ramgarh (vi) Ranchi (vii) Saraikela (viii) Simdega; District Geological Offices- (ix) Bokaro (x) Gumla (xi) Hazaribagh (xii) Jamshedpur (xiii) Ranchi (xiv) Saraikela; (xv) Deputy Secretary of Mines (Govt. Side), Ranchi (xvi) Under Secretary of Directorate of Mines, Ranchi (xvii) North Chhotanagpur Circle Office Geology, Hazaribagh; (xviii) State Laboratory Geology, Hazaribagh (xix) Additional Director Geology, Hazaribagh (xx) Deputy Director Geology (Hqr), Ranchi (xxi) South Chhotanagpur Circle Office Geology, Ranchi

⁵ (i) Bokaro (ii) Gumla (iii) Hazaribagh (iv) Jamshedpur (v) Ramgarh (vi) Ranchi (vii) Saraikela (viii) Simdega

(FD) in time. However, BEs pertaining to scheme budget were submitted (on 16 January 2019) with a delay of 49 days.

Further, the Directorate of Mines submitted Budget Estimates for establishment expenditure on 4 December 2018 and for scheme budget on 27 December 2018 against the target date of 28 November 2018 and 12 December 2018 with a delay of six and 15 days respectively.

3.7.4 Budget Estimate prepared without obtaining requirements

According to Rule 65 of Budget Manual (BM), the Controlling Officer (CO) should examine the budgets received from the Disbursing Officers to see that they are correct, that all details and explanations have been given, and that explanations are adequate.

Scrutiny of records of Directorate of Geology revealed that provisions of BM were not followed and budget estimates for Schemes and state establishment were prepared after obtaining requirement only from eight and 17 out of 29 DDOs respectively. Further, budget estimates for schemes and establishment were prepared by Directorate of Mines after obtaining requirement only from six out of 34 DDOs. Hence, budget estimates were prepared at department level without obtaining/assessing the actual requirements from the disbursing officers who were finally responsible for execution of work and to utilise the fund which resulted in savings of ₹ 26.93 crore (32 per cent) out of total allotment of ₹ 84.39 crore.

3.7.5 Avoidable Supplementary Provision

As per comments below Rule 57 of Bihar Budget Manual (as adopted), the officer responsible for preparing estimate should be sure that there is no provision for a greater sum than that which can be spent.

It was noticed that during year 2019-20, out of seven sub-heads (five under revenue & two under capital) additional fund of ₹ 0.48 crore was provided to a scheme under revenue head (2853-02-001-01) through supplementary provisions without entirely utilising the original provisions of ₹ 17.95 crore.

During the year 2019-20, out of original provision of ₹ 17.95 crore the department spent ₹ 13.94 crore only leading to a savings of ₹ 4.01 crore which was much more than ₹ 0.48 crore provided through supplementary provision. Hence, additional supplementary provision was against the provisions of the BM and should have been avoided.

3.7.6 Non-utilisation and surrender of entire budget provision

As per comments below Rule 57 of Bihar Budget Manual (as adopted), the officer responsible for preparing estimate should be sure that there is no provision for a greater sum than that which can be spent.

(A) Establishment of Geological Museum and Purchase of New Vehicle:

Scrutiny of records of office of the Directorate of Geology, GoJ, Ranchi for the year 2019-20 revealed that ₹ 5.00 crore was provided for establishing a

world class Geological Museum (under head 4853-02-004-03) in premises of Khanij Nagar, Doranda, Ranchi to showcase the mineral resources of the State and to exhibit geological history of the earth, mining activities and many more interesting things about the earth, mineral, rocks and geological structure. It was noticed from the records that the amount provided was not utilised by the department due to non-receipt of detailed project report (DPR).

Similarly, ₹ 0.20 crore was provided (under head 2853-02-102-20) for purchase of a new vehicle in place of old vehicle for field visit but was not purchased in want of sanction of 'padvarg' committee.

The amount (₹ 5.20 crore) provided for the above mentioned works were surrendered at the end of the financial year. Hence, the provisions of the BM were not followed by the department.

(B) Surrender of renovation fund

During scrutiny it was noticed that ₹ 1.35 crore was allotted for maintenance, repair and furnishing (state scheme) of various office buildings of the department, of which, ₹ 0.06 crore (four *per cent*) only was spent and balance ₹ 1.29 crore (96 *per cent*) was surrendered at the end of financial year on the reasons of non-receipt of administrative approval.

Similarly, ₹ 0.50 crore was provided for construction work of residential and official building (under head 4853-02-004-01) but no amount was spent out of the provision and entire amount was surrendered in the month of March 2020.

Further, in eight test-checked districts it was noticed that entire budget provision of ₹ 0.38 crore of 52 units was not utilised on the reasons of non-requirement of fund, non-production of bills, non-completion of purchase through GeM and covid-19 pandemic. The entire amount was surrendered in the month of March 2020 as detailed in **Appendix 3.19**.

3.7.7 Surrender of fund on the last day of the financial year

It was observed that against the budget provision of ₹ 34.76 crore, ₹ 14.33 crore (₹ 13.59 crore under scheme and ₹ 0.74 crore under establishment), was surrendered at the end of the financial year by the Directorate of Geology without providing any reason. Directorate of Mines had not produced details of surrender to audit. Further, during scrutiny of records of eight test-checked districts, it was noticed that surrender of ₹ 0.94 crore (62 *per cent* of total provisions of the schemes) were made on the fag end on the financial year. Reasons for savings were late allocation of fund and non-generation of DDO code etc. the fund was kept till end of the financial year in anticipation of expenditure. Details are given in **Appendix 3.20**. Surrender on the fag end of the financial year leaves no scope to the Government for its utilisation on other important work/scheme which remained incomplete due to paucity of fund.

3.7.8 Rush of expenditure

In five out of eight test-checked districts it was observed that the expenditure under various head ranged between 45 and 100 *per cent* in the month of March which was against the provisions of BM. Details are given in **Appendix 3.21**.

3.7.9 Non-reconciliation of departmental expenditure figures

It was observed that during 2019-20, out of total expenditure of the department amounting to ₹ 57.46 crore, an expenditure of ₹ 29.29 crore (50.97 *per cent*) was not reconciled by the controlling officer with the books of the Principal Accountant General. Details are given in **Table 3.20**.

Table 3.20: Details of Non-reconciliation of departmental expenditure

(₹ in crore)

Sl.No	Major Heads	Total Expenditure (As per appropriation)	Reconciled amount	Un-reconciled amount
1	2853	55.00	28.17	26.83
2	3451	2.46	0.00	2.46
	Total	57.46	28.17	29.29

Further, in eight test-checked districts out of total expenditure of ₹ 17.54 crore, an expenditure of ₹ 12.22 crore (69.67 *per cent*) was not reconciled during the year 2019-20, as detailed in **Appendix 3.22**.

3.7.10 Non-submission of Estimates of Revenue

Finance Department, GoJ vide letter no. 29 B.S.G.-03/2018-19/352 dated 5 November 2018 read with Rule 54 of BM revised the prescribed date from 1 October 2018 to 19 November 2018 for submission of estimates of revenue after approval of the Minister concerned. However, no estimates of revenue were prepared and submitted by Directorate of Mines.

3.7.11 Less collection of Revenue against target fixed by department

As per budget document of Government of Jharkhand, revenue collection for Mines and Geology department for the year 2019-20 was estimated as ₹ 8,500.00 crore against which the actual collection during the year was ₹ 5,461.36 crore (64 *per cent*) only.

In eight test-checked districts ₹ 808.35 crore (36 *per cent*) was less collected against the target of ₹ 2,243.94 crore fixed by the department. As stated by the authorities it was mainly due to closure of plant and covid-19 pandemic. DMO Jamshedpur stated that the target could not be achieved due to unreasonable target fixed by the department. Details are given in **Table 3.21**.

The reasons given by the department was not tenable because the target was for the year 2019-20 whereas COVID pandemic spread at the end of the financial year. So far as unreasonable target was concerned it could have been done after extensive exercise and feedback from the field offices.

Table 3.21: Less collection of Revenue against fixed target by department

(₹ in crore)

Sl. No.	Name of Offices	Target fixed by department	Achievement	Shortfall in achievement
1.	DMO, Ranchi	129.12	104.45(81)	24.67(19)
2.	DMO, Ramgarh	872.53	375.24(43)	497.29(57)
3.	DMO, Bokaro	472.79	463.11(98)	9.68(2)
4.	DMO, Simdega	26.00	15.00(58)	11.00(42)
5.	DMO, Jamshedpur	150.00	62.81(42)	87.19(58)
6.	DMO, Saraikela	39.00	25.68(66)	13.32(34)
7.	DMO, Gumla	84.50	53.73(64)	30.77(36)
8.	DMO, Hazaribagh	470.00	335.57(71)	134.43(29)
Total		2,243.94	1,435.59(64)	808.35(36)

Note: Figures in bracket shows *per cent* of target fixed**3.7.12 Difference in report of revenue collection**

In seven out of eight-test checked district (District Mining Offices) it was noticed that the figures of revenue collection showed wide difference between the Jharkhand Integrated Mines & Mineral Management System (JIMMS) report and the amount of collection shown by the DMOs. During the year 2019-20, in these districts the collection shown by DMOs was ₹ 1,100.02 crore, whereas, as per JIMMS Report the collection was ₹ 1,094.60 crore. Difference in revenue collection between JIMMS and DMOs reports indicated that these reports were not depicting true picture of revenue collection and manipulations, if any, could not be ruled out. Details are given in **Table 3.22**.

Table 3.22: Revenue collection as per JIMMS and DMOs Annual Report

(₹ in crore)

Sl. No.	Name of Offices	Revenue collected as per JIMMS report including Demand Draft & Book Transfer	Revenue collected as per annual report prepared by concerned DMOs	Difference
1.	DMO, Ranchi	102.12	104.45	(-)2.33
2.	DMO, Ramgarh	380.81	375.24	(+)5.57
3.	DMO, Bokaro	465.69	463.11	(+)2.58
4.	DMO, Simdega	0.00*	15.00	(-)15.00
5.	DMO, Jamshedpur	68.75	62.81	(+)5.94
6.	DMO, Saraikela	24.60	25.68	(-)1.08
7.	DMO, Gumla	52.63	53.73	(-)1.10
Total		1,094.60	1,100.02	(-)5.42

(-) indicates excess revenue in annual report &

(+) indicates less revenue in annual report against JIMMS report.

* details not provided

Similarly, as per JIMMS report, collection of environment cess was ₹ 2.95 crore whereas as per bank statement total cess collected up to March 2020 was ₹ 3.08 crore.

3.7.13 Implementation of work plan

During scrutiny of the records of Directorate of Geology for the year 2019-20 it was noticed that in-spite of availability of fund of ₹ 7.65 crore out of total fund of ₹ 12.20 crore, physical progress of four works related to exploration of Mines & Minerals and Construction of World level Geological

Museum was negligible. Physical progress in these works were either negligible or nil as of December 2020. Details are given in the **Table 3.23**.

Table 3.23: Non-completion of works

Sl. No.	Name of work	Target as per budget speech	Achievement	Per cent achievement
1	Geological exploration of Ferrous Oxide mines block in West Singhbhum district	Four mines block	nil	0
2	Geological exploration of bauxite minerals in Ranchi district	Four mines block	One out of four	25
3	Geological exploration of Manganese in East Singhbhum district	Two mines block	nil	0
4	Construction of world level Geological Museum	One at Khanij Nagar, Doranda, Ranchi	nil	0

An expenditure of ₹ 4.55 crore has been incurred on above works but financial report of projects (sl.no.1 to 3) was neither prepared nor submitted to higher authorities by the Directorate of Geology. Only Physical Report on the above work was prepared and submitted.

As stated by the departmental authorities the works were affected for want of no objection certificates (NOCs) from forest department (sl.no. 1 to 3), DPR from concerned department (sl.no.4). Lack of manpower was also given as a reason for non-completion.

The reply of the department was not acceptable, as these steps should have been taken in time to assure the timely completion of the works.

3.7.14 Undue burden to the Government of ₹ 2.25 crore

Scrutiny of records of DMO, Ranchi revealed that auction of Kanchi River Balu Ghat under Sonahatu Circle in Ranchi District was made for the period 2015-16 to 2017-18 on 24.06.2015 in favour of highest bidder for an amount of ₹ 7.04 crore. Letter of Intent (LoI) was issued vide letter no. 1162/M dated 14.07.2015.

The bidder paid ₹ 3.52 crore comprising of security deposit of ₹ 0.70 crore (10 per cent of ₹ 7.04 crore) and first installment of ₹ 2.82 crore (40 per cent of ₹ 7.04 crore). Out of the total amount paid by the bidder ₹ 1.27 crore was deposited under mining head during June 2015 to February 2016 and as per department's order⁶ ₹ 2.25 crore was transferred to Gram Panchayat concerned in February 2016.

Forest Divisional Officer, Khunti (June 2016) has not provided environment clearance as it was the main route and catchment area of wild Elephant. The bidder failed to produce the environment clearance; hence, LoI was revoked by the Deputy Commissioner, Ranchi as per provisions.

Due to cancellation of bid the amount paid by the bidder was returned by DC, Ranchi after receiving allotments from the government in November 2018 (₹ 1.27 crore) and January 2020 (₹ 2.25 crore).

⁶ Vide letter no. M.D (Misc.) 176/2012-505 dated 17.03.2015

Further, it was noticed that the amount transferred to the Gram Panchayat (Telwadih) of Sonahatu Block was not returned by them in spite of letter written by DMO, Ranchi. Thus, ₹ 2.25 crore was irregularly retained with the Gram Panchayat despite cancellation of tender and government had to bear that undue burden to this extent.

3.7.15 Non-maintenance of Records

(A) Cash Book

As per Note below Rule 19 of Jharkhand Treasury code 2016, a complete record of transactions relating to the treasury will be kept in the Accountant's Cash Book either in manual register or in computer system. Further, as per Finance Division, Planning cum Finance Department, Government of Jharkhand letter no. Finance-20/Misc.-09/2016/2918 Dated 06.11.2019, Cash Book should be maintained and updated in every Government offices. The balance of Cash Book should be certified by the authorised officer every month.

During scrutiny of records of DMO, Simdega it was noticed (December 2020) that Cash Book was not written since 26 February 2019. In the meantime DDO was also transferred (November 2020). In spite of that Cash Book was not completed and handing and taking over of charge was not recorded in the Cash Book. Hence, chances of mis-utilisation of government money could not be ruled out.

(B) Non-maintenance of Geological Report (GR) Register

As per Plan write-up of Directorate of Geology it has responsibility to prepare mineral blocks for auction with reference to newly enforced Mineral Auction Rule, 2015 of Govt. of India.

Scrutiny revealed that the GR register pertaining to exploration and auction of mineral blocks were neither prepared neither by the Directorate of Mines and Geology nor by field offices under Directorate of Geology.

3.8 Conclusion

During 2019-20, the total savings of ₹ 23,984.71 crore (25.31 *per cent* of the total budget) under the grants was indicative of improper budget estimation. Further, these grants had persistent total savings of at least ₹ 6,184.28 crore during each of the last four years.

Supplementary provisions aggregating ₹ 9,277.22 crore (99.37 *per cent*) obtained in 58 cases (₹ 0.50 crore or more in each case) during the year, proved unnecessary as the expenditure did not come up even to the level of the original provisions.

Excess disbursements over grant/appropriation amounting to ₹ 3,015.37 crore pertaining to the years 2001-02 to 2017-18 are yet to be regularised by the State Legislature. Further, expenditure of ₹ 313.32 crore was incurred in one grant and one appropriation during 2019-20.

The Rural Development Department (Panchayati Raj Division) and Mines and Geology Department were not following the provisions of budget manual leading to lack of budgetary control in the departments.