

Executive Summary

The Report

Based on the audited accounts of the Government of Jharkhand for the year ending 31 March 2020, this Report provides an analytical review of the finances of the State Government. The Report is structured in four Chapters.

Chapter 1-Overview: This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.

Chapter 2-Finances of the State: This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter 3-Budgetary Management: This chapter is based on the Appropriation Accounts of the State and reviews of the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter 4-Quality of Accounts & Financial Reporting Practices: This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations.

Audit findings

Fiscal Position

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and the ratio of Outstanding Debt to GSDP. The State was a Revenue Surplus State since 2006-07 except the year 2009-10 and 2014-15. During 2019-20, the Revenue Surplus was ₹1,960 crore. However, this surplus has to be viewed in the light of non-contribution to the required causes by the State Government and misclassification of revenue items under capital category. Incorporating these would result in the State having a Revenue Surplus of ₹ 440.16 crore during 2019-20.

During the five-year period 2015-20, the outstanding debt of the State remained between 27.36 and 28.73 *per cent* of GSDP, which was above the targets prescribed in Medium Term Fiscal Policy statement prepared under Jharkhand Fiscal Responsibility and Budget Management Act, 2007.

(Chapter 1&2)

Finances of the State

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government.

The State had a revenue surplus of ₹1,960 crore in 2019-20. The fiscal deficit of the State was 2.45 *per cent* of GSDP at the end of March 2020 against the FRBM target and FFC norm of three *per cent*.

In total expenditure of the State, share of expenditure on General Services increased consistently from 2015-16 onwards whereas, share of expenditure on Economic Services decreased significantly from 45.33 *per cent* in 2015-16 to 35.48 *per cent* in 2019-20. Share of expenditure on Social Service fluctuated between 31 and 35 *per cent* during 2015-20.

Revenue expenditure of the State constituted 85 *per cent* of the total expenditure of which 42.74 *per cent* was spent on salaries, subsidy, interest and pension payment.

Capital expenditure during 2019-20 decreased by ₹ 833 crore over the previous year due to less expenditure on social services by 11 *per cent* and economic service by 13 *per cent*.

As per annual accounts of the State ending 31 March 2020, the Government had invested ₹447.95 crore in Government Companies, Rural bank and Co-operative institutions since inception of the State in November 2000. The returns on these investment was 'nil' during 2019-20 while the Government paid an average interest rate of 6.34 *per cent* on its borrowings during 2019-20.

Apart from investments, huge amount of loans (₹ 20,846 crore) given by the Government to various entities were outstanding at the end of March 2020.

Overall fiscal liabilities increased from ₹ 83,783 crore in 2018-19 to ₹ 94,407 crore in 2019-20. The ratio of fiscal liabilities to GSDP was 28.73 *per cent* against the MTFP target of 27.10 *per cent*. Increasing liabilities raised the issue of sustainability of State Government Finances. Apportionment of fiscal liabilities of the composite Bihar State between successor States of Bihar and Jharkhand has not been done so far.

Government of Jharkhand (GoJ) had not paid any interest to State Disaster Response Fund (SDRF) since its creation, which works out to ₹ 681.76 crore. Although, the Government made budget provision of ₹ 280.16 crore for transfer to the Sinking Fund during the year, however, the same was not transferred.

(Chapter 2)

Budgetary Management

Total savings of ₹ 23,984.71 crore (25.31 *per cent* of the total budget), during 2019-20, under the grants was indicative of improper budget estimation.

Further, these grants had persistent savings of at least ₹ 6,184.28 crore during 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 grants/appropriations 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, excess expenditure of ₹ 313.32 crore was incurred in one grant and one appropriation during 2019-20.

(Chapter 3)

Quality of Accounts & Financial Reporting Practices

Labour cess amounting to ₹ 550.18 crore collected upto March 2020 was not transferred to the Labour Welfare Board (October 2020) thereby inflating the revenue surplus and understating the fiscal deficit of the State during the relevant years and represent the unaccounted liabilities of the State.

The fees collected by the Jharkhand State Electricity Regulatory Commission were kept in a nationalised bank account of Jharkhand State Electricity Regulatory Commission (JSERC), out of Public Account. As such, an amount of ₹ 32.90 crore of receipts were kept outside of the Public Account of the State during 2014-15 to 2019-20. As on 31 March 2020, 29,358 Utilisation Certificates (UCs) amounting to ₹ 69,702.99 crore were outstanding in the State upto 2019-20 by different departments.

Drawal of funds on AC bills and non-submission of DC bills within the prescribed time not only breaches financial discipline but also entails risk of misappropriation of public money and unhealthy practices. As of 31 March 2020, a huge number of DC bills (18,219) amounting to ₹ 6,444.44 crore were not submitted against the AC bills drawn up to 2019-20.

(Chapter 4)

