

Executive Summary

Background

Jharkhand State is known for its vast forest resources and is the leading producer of mineral wealth having 40 *per cent* of the country's mineral reserves. The Gross State Domestic Product of the State has grown at a lower rate (13.34 *per cent*) in the past decade compared to the average Gross State Domestic Product growth of General Category States (14.68 *per cent*). The population density in Jharkhand has increased from 338 person per sq. km. to 414 person per sq. km. As such Jharkhand has higher density of population as compared to General Category States. During this period its population has grown by 22.34 *per cent* against 17.56 *per cent* in other General Category States. The per capita income growth in Jharkhand has been lower than that of the General Category States in the current decade. The State has also more population below poverty line (40.3 *per cent*) as compared to the General Category States (27.5 *per cent*). However, the inequality of income distribution in the case of rural areas as well as urban areas of Jharkhand was less than the General Category States.

This Report on the Finances of the Government of Jharkhand is being brought out with a view to objectively assess the financial performances of the State during 2010-11 and to provide the State Government and State Legislature with timely inputs based on audit analysis of financial data. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government Fiscal Responsibility and Budgetary Management (FRBM) Act, 2007 and in the Budget Estimates of 2010-11.

The Report

Based on the audited accounts of the Government of Jharkhand for the year ending March 2011, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of the Government's fiscal position as on 31 March 2011. It provides an insight into trends of committed expenditure and borrowing patterns, besides giving a brief account of the funds transferred by the Government of India (GOI) directly to the State implementing agencies through the off-budget route.

Chapter II is based on audit of Appropriation Accounts and gives a grant-wise description of appropriations and the manner in which the allocated resources are managed by the service delivery departments.

Chapter III is an inventory of the Jharkhand Government's compliance with various reporting requirements and financial rules. The Report also has an appendage of additional data collated from several sources in support of the findings.

Audit findings and recommendations

Chapter: I

Fiscal discipline: Against an estimated target of revenue surplus of ₹ 3551 crore set in the Mid Term Fiscal Plan (MTFP), the financial year ended with a revenue surplus of ₹ 836 crore.

Decrease in capital expenditure: The percentage of capital expenditure to the total expenditure decreased from 15 *per cent* in 2009-10 to 13 *per cent* in 2010-11. Moreover, during the year its percentage to Gross State Domestic Product (GSDP) stood only 2.46 *per cent* which was significantly low in comparison to MTFP projection of 5.80 *per cent*.

Thrust to development and social sector expenditure: The growth rate of developmental revenue expenditure increased sharply from eight *per cent* in 2009-10 to 29 *per cent* in 2010-11, whereas, the growth rate of developmental capital expenditure improved from minus 10 *per cent* in 2009-10 to minus 2 *per cent* in 2010-11. Developmental loans and advances consistently decreased from ₹ 586 crore in 2007-08 to ₹ 296 crore in 2010-11.

Review of Government investments: The Government had invested ₹ 135.18 crore as of 31 March 2011 in Government companies, co-operatives, banks and societies since the inception of the new State. The average return on this investment was reported to be 'nil' during the last five years, except 2010-11 when dividend of ₹ 40 lakh (0.3 *per cent*) was received, while the Government paid an average interest rate of 7.92 *per cent* on its borrowings during 2006-2011.

Debt sustainability: The quantum spread together with the primary deficit recorded wide fluctuation between minus ₹ 1966 crore and ₹ 3087 crore during 2006-11 due to wide fluctuation in the growth rate of GSDP. From positive ₹ 3087 crore during 2007-08 it decreased to negative ₹ 1966 crore in 2008-09 which slightly improved during 2009-10 (minus ₹ 270 crore) and again turned to positive ₹ 980 crore during 2010-11 leading the State to a debt sustainable position.

Chapter: II

Financial management and budgetary control: During 2010-11, there was an overall saving of ₹ 4429.71 crore, which was the result of savings of ₹ 2336.63 crore in 45 grants and three appropriations under the Revenue Section and savings of ₹ 2093.08 crore in 23 grants under the Capital Section offset by excess of ₹ 318.40 crore in two grants and one appropriation under the Revenue Section. This excess requires regularisation under Article 205 of the Constitution of India. There were instances of inadequate provision of funds and unnecessary/excessive re-appropriations. Rush of expenditure at the end of the year was a chronic feature noticed in the overall financial management. In many cases, the anticipated savings were either not surrendered or surrendered on the last day of the year, leaving no scope for utilisation of these funds for other development purposes.

Outstanding Detailed Countersigned Contingency Bills: Detailed Countersigned Contingency Bills for ₹ 6239 crore were to be submitted as on 12 September 2011 against Abstract Contingency Bills for ₹ 11942 crore.

Non-reconciliation of expenditure: Expenditure of ₹ 16888.30 crore was not reconciled by the Controlling Officers of different departments with the books of the Principal Accountant General (A & E), Jharkhand during the year.

Chapter: III

Financial reporting: The State Government's compliance with various rules, procedures and directives was inadequate which was evident from the non-submission of 4042 Utilisation Certificates to the Principal Accountant General (A&E), Jharkhand, amounting to ₹ 5169.67 crore against loans and grants received by departmental undertakings/institutions up to 2009-10. Submission of Annual Accounts was delayed in the case of 68 autonomous bodies and departmental undertakings. Personal Deposit Accounts are required to be closed at the end of the financial year but were not closed and had balances of ₹ 68.56 crore at the end of the year. Out of grants-in-aid amounting to ₹ 3121.71 crore paid out from the Consolidated Fund of the State, a sum of ₹ 676.50 crore was drawn by the officers of Government departments, instead of payment to the grantee body directly. Internal controls in all the organisations should be strengthened to prevent such cases in future.