

CHAPTER-1

1.1 Introduction

1.1.1 Budget profile

There are 43 Departments and 74 autonomous bodies in the State. The position of budget estimates and actual expenditure thereagainst by the State Government during 2008-13 is given in Table 1.1.1

Table 1.1.1 Budget and expenditure of the state government during 2008-13

(₹ in crore)

Particulars	2008-09		2009-10		2010-11		2011-12		2012-13	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure										
General services	4760.67	4923.99	7052.77	6605.36	5877.15	6990.80	7866.66	7845.56	8556.05	8696.49
Social services	5564.46	5385.18	7314.86	5610.30	6730.03	6707.30	9524.39	7287.03	11611.28	8308.59
Economic services	3256.07	2532.48	3844.87	2912.38	3943.26	4246.47	6646.17	5858.99	7632.67	6394.79
Grants-in-aid & contribution	0.66	35.25	0.45	0.20	0.45	0.17	0.55	0.00	0.55	0.00
Total (1)	13581.86	12876.90	18212.95	15128.24	16550.89	17944.74	24037.77	20991.58	27800.55	23399.87
Capital expenditure										
Capital Outlay	3966.47	3051.27	3530.66	2703.04	3826.02	2664.30	6352.73	3159.37	6856.83	4218.43
Loans and advances disbursed	531.09	418.19	439.26	319.98	415.01	307.56	1328.02	217.10	829.37	600.81
Repayment of Public Debt	771.64	863.40	809.50	1190.21	1505.67	1299.43	1403.18	1639.01	1627.05	2183.06
Inter State Settlement		145.87						75.40		100.00
Contingency Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Accounts disbursements*	4227.89	7185.19	7332.05	7290.30	9065.67	7399.85	11762.85	9727.77	18519.83	13416.31
Closing Cash balance		637.52		757.13		(-)0.41		116.85		704.75
Total (2)	9497.09	12301.44	12111.47	12260.66	14812.37	11670.73	20846.78	14935.50	27833.08	21223.36
Grand Total (1+2)	23078.95	25178.34	30324.42	27388.90	31363.26	29615.47	44884.55	35927.08	55633.63	44623.23

(Source: Annual Financial Statements and Explanatory Memorandum of the State Budget)

* Excluding cash balance investments and departmental balances.

1.1.2 Application of resources of the State Government

As against the total outlay of the budget of ₹ 38,494 crore¹, total expenditure² was ₹ 30,402 crore in 2012-13 in the consolidated fund of the State. The total expenditure of the state increased by 77 per cent from ₹ 17,209 crore to ₹ 30,402 crore during 2008-09 to 2012-13, the revenue expenditure of the state government increased by 82 per cent from ₹ 12,877 crore in 2008-09 to ₹ 23,400 crore in 2012-13. Non-Plan revenue expenditure increased by 73 per cent from ₹ 9,064 crore to ₹ 15,657 crore and capital expenditure increased by 38 per cent from ₹ 3,051 crore to ₹ 4,218 crore during the period 2008-09 to 2012-13.

The revenue expenditure constituted 75 to 81 per cent of the total expenditure during the years 2008-09 to 2012-13 and capital expenditure 12 to 18 per cent. During this period, Compound Annual Growth Rate (CAGR) of total

¹ Includes original grants of ₹ 37,114 crore and supplementary grants of ₹ 1,380 crore.

² The total expenditure excludes Public Accounts Disbursements and inter State settlement.

expenditure was 15.29 per cent, whereas revenue receipts grew at CAGR of 17 per cent during 2008-09 to 2012-13.

1.1.3 Persistent savings

In 16 cases (15 Departments), there were persistent savings of more than ₹ one crore in each case during the last five years as per the details given in Table 1.1.2:

Table 1.1.2: List of grants with persistent savings during 2008-13

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of savings				
		2008-09	2009-10	2010-11	2011-12	2012-13
Revenue-Voted						
1	1- Agriculture and Sugarcane Development Department	499.65(70)	178.10(44)	181.21(39)	228.82(35)	264.25(37)
2	2-Animal Husbandry Department	58.61(29)	54.21(27)	46.11(22)	31.52(23)	35.50(22)
3	17- Finance (Commercial Tax) Department	6.11 (20)	3.79 (11)	8.27 (17)	11.24 (18)	27.17 (38)
4	18- Food, Public Distribution and Consumer Affairs Department	34.17 (18)	98.68 (28)	84.27 (13)	168.00 (15)	307.90 (28)
5	19- Forest and Environment Department	40.34 (16)	61.60 (23)	68.35 (23)	52.20 (19)	48.17 (15)
6	20-Health, Medical Education & Family Welfare Department	184.31(23)	480.56(45)	178.41(21)	277.93(25)	326.13(53)
7	23- Industry Department	83.42(42)	73.27(32)	31.89(18)	157.41(45)	82.94(29)
8	26- Labour, Employment and Training Department	187.81 (25)	162.39 (23)	148.44 (19)	193.07 (23)	232.43 (25)
9	35- Planning and Development Department	129.49 (87)	72.02 (82)	14.00 (46)	291.78 (58)	594.38 (88)
10	40-Revenue and Land Reforms Department	32.11 (13)	47.00 (17)	27.94 (11)	79.15 (24)	77.17 (23)
11	43- Science & Technology Department	76.74(50)	66.06(59)	51.83(41)	40.29(42)	37.03(40)
12	49- Water Resources Department	17.52(09)	57.85(22)	30.98(13)	83.77(27)	92.55(29)
13	51- Welfare Department	219.46(23)	304.76(28)	208.83(16)	309.14(33)	250.26(31)
Capital-Voted						
14	10- Energy Department	68.92 (17)	383.67 (61)	132.56 (32)	1130.05 (87)	252.30 (32)
15	41- Road Construction Department	88.05(14)	230.19(31)	146.70(18)	899.94(53)	174.55(10)
16	49- Water Resources Department	254.29(48)	277.49(56)	153.71(40)	714.70(78)	1232.85(74)

(Source: Appropriation Accounts)

1.1.4 Funds transferred directly to the State implementing agencies

During 2012-13, GoI directly transferred ₹ 2621.91 crore to various State implementing agencies without routing through the State budget. There is no single agency in the State to monitor the funds directly transferred by the Government of India (GoI) to the implementing agencies and no data readily available as to how much money has actually been spent in a particular year on major flagship schemes and other important schemes which are being implemented by State implementing agencies and funded directly by GoI. Details have been given in para 1.2.2 (page 8-9) of Report of Comptroller and Auditor General of India on State Finances for the year ended 31 March 2013.

1.1.5 Grants-in-aid from Government of India

The Grants-in-aid received from GoI during the years 2008-09 to 2012-13 have been given in Table 1.1.3:

Table 1.1.3: Grants-in-aid from GoI

Particulars	₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	591.91	1145.33	1281.40	1550.77	1483.41
Grants for State Plan Schemes	1054.18	982.97	1826.99	2404.61	2393.94
Grants for Central Plan Schemes	31.22	55.05	8.62	66.87	30.81
Grants for Centrally Sponsored Schemes	438.57	633.28	990.24	1235.16	914.05
Total	2115.88	2816.63	4107.25	5257.41	4822.21
Percentage of increase over previous year	15	33	46	28	(-)
Percentage of Revenue Receipts	16.01	18.63	21.87	23.45	19.47

1.1.6 Planning and conduct of audit

The Audit process starts with the risk assessment of various Departments, autonomous bodies, schemes/ projects, etc. based on criticality/ complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies within one month. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Jharkhand under Article 151 of the Constitution of India.

During 2012-13, compliance audit of 263 drawing and disbursing officers of the State and 37 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Jharkhand. Besides, seven Performance Audits were also conducted.

1.1.7 Lack of responsiveness of Government to Inspection Reports

The Principal Accountant General (Audit), Jharkhand conducts periodical inspection of Government Departments by test-check of transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs). When important irregularities, etc., detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to PAG (Audit) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the Departments by the office of PAG (Audit), Jharkhand through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the results of test audit, 17,284 audit observations contained in 2,707 IRs outstanding as on 31st March 2013³ are given in **Table 1.1.4:**

Table 1.1.4: Outstanding Inspection Reports/Paragraphs

Sl. No.	Name of Sector	Inspection Reports	Paragraphs	(₹ in crore)
				Amount involved
1.	Social Sectors	1888	12741	67722.79
2.	General & Economic Sector (Non-PSUs)	819	4543	5587.84
Total		2707	17284	73310.63

During 2012-13, 24 meetings of the Audit Committee were held in which 25 IRs and 742 paragraphs were settled.

A detailed review of IRs issued to 1,583 Drawing and Disbursing Officers (DDOs) up to September 2012 pertaining to 34 Departments showed that 17,284 paragraphs having financial implications of about ₹ 73,310.63 crore relating to 2,707 IRs remained outstanding at the end of 31 March 2013. The year-wise position of these outstanding 2,707 IRs and 17,284 paragraphs is detailed in *Appendix-1.1.1* and types of irregularities in *Appendix-1.1.2*.

The departmental officers failed to take action on observations contained in IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

1.1.8 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the state government during central audit were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to audit.

Against recovery of ₹ 21.04 lakh pointed out and accepted by DDOs in nine cases, DDOs concerned had effected recovery of ₹ 0.23 lakh in one case during 2012-13 as per the details given in **Table 1.1.5:**

³ Including IRs and paragraphs issued upto 30 September 2012 and outstanding as on 31 March 2013.

Table 1.1.5: Recoveries pointed out by audit and accepted/recovered by the Departments

(₹ in lakh)

Department	Particulars of recoveries noticed	Recoveries pointed out in Audit and accepted by the Departments during 2012-13		Recoveries effected during 2012-13	
		Number of cases	Amount involved	Number of cases	Amount involved
Economic & General Sector					
Minor Irrigation	Non-recovery of cost of empty cement bags	02	4.91	Nil	Nil
	Short recovery of Royalty	03	10.49	Nil	Nil
	Less recovery of labour cess	01	0.45	Nil	Nil
Forest	Non-recovery of Govt. revenue	01	3.95	Nil	Nil
	Short realisation of royalty	01	1.01		
Total		08	20.81	Nil	Nil
Social Welfare Department	Adjustment of amount deducted inadvertently	01	0.23	01	0.23

1.1.9 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo motu* action (Explanatory Notes) on all Audit Paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of ARs to the State Legislature.

The position regarding receipt of Explanatory Notes on the paragraphs included in ARs up to the period ended 31 March 2012 as on 31 August 2013 is given in Table 1.1.6:

Table 1.1.6: Position regarding receipt of Explanatory Notes on the paragraphs included in ARs

Audit Reports	Year of Audit Reports	Date of presentation of Report in State Legislature	Total No. of Paras	Explanatory notes received from Departments	Explanatory notes not received from Departments
Civil/Social, General and Economic (Non-PSUs) Sectors	Up to 2008-2009		227	137	90
	2009-2010	29.08.2011	23	05	18
	2010-2011	06.09.2012	21	01	20
	2011-2012	27.07.2013	39	00	39
Total			310	143	167
State Finance	Up to 2008-2009		12	00	12
	2009-2010	29.08.2011	12	00	12
	2010-2011	06.09.2012	16	05	11
	2011-2012	27.07.2013	13	00	13
Total			53	05	48

1.1.9.1 Action not taken on recommendations of the Public Accounts Committee

As per standing order No. 41(1) under rule 315(2) for procedure and functioning of Jharkhand Legislative Assembly, Departments are required to furnish the Action Taken Notes (ATNs) to PAC within six months from the date of recommendations tabled before Legislative Assembly by PAC.

It was noticed that PAC, Jharkhand had made recommendations on seven paras and six sub-paras of the Audit Report for the year 1999-2000 to 2007-2008 but no Action Taken Notes (ATNs) were received from the Departments on above paras and sub-paras as of December 2013.

1.1.10 Government response to significant audit observations (draft paragraphs/reviews)

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected Departments, which have negative impact on the success of programmes and functioning of the Departments. The focus was on auditing the specific programmes/schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provision of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the Departments are required to send their responses to draft performance audit reports/ draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India, to be placed before the Jharkhand Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Principal Accountant General to discuss the draft reports of Performance Audits and draft audit paragraphs. These draft reports and paragraphs proposed for inclusion in the Report were also forwarded to the Additional Chief Secretaries/Principal Secretaries/Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on seven Performance Audits and 12 draft paragraphs were forwarded to the concerned Administrative Secretaries. Government reply has been received in seven cases in respect of Performance Audit and three cases of draft paragraphs only.

1.1.11 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

Several Autonomous Bodies have been set up by the State government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedure, etc.

The audit of accounts of three Autonomous Bodies⁴ in the State has been entrusted to the Comptroller and Auditor General of India under section 19(3) of C&AG's DPC Act. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is as indicated below.

- (i) Rajendra Institute of Medical Sciences (RIMS) Act was enacted in the year 2002 and the audit of the accounts of RIMS was entrusted to Principal Accountant General (Audit) under section 19(3) of CAG's DPC Act, 1971 which was accepted by the Principal Accountant General (Audit) in October 2009. However, inspite of active persuasion annual accounts have not been submitted to Audit as of January 2014.
- (ii) Separate Audit Reports (SARs) of Jharkhand State Legal Services Authority (JHALSA) for the year 2009-10 and 2010-11 were issued in November 2013. Their placement in State Legislature had not been intimated. Entrustment for the year 2011-12 and 2012-13 have not been received (January 2014).
- (iii) The audit of Accounts of Jharkhand State Electricity Regularity Commission (JSERC) has been completed and SAR has been issued up to 2011-12. However, status of placement of the same for the years 2003-04 to 2011-12 before State Legislature has not been intimated as of November 2013. The accounts for 2012-13 have not been received (January 2014).

⁴ (i) RIMS, (ii) JHALSA and (iii) Jharkhand State Electricity Regulatory Commission (JSERC).