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# **EXECUTIVE SUMMARY**

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## Executive Summary

Based on the audited accounts of the Government of Jharkhand for the year ending March 2013, this Report provides an analytical review of the Annual Accounts of the State Government. The financial performance of the State has been assessed based on the Fiscal Responsibility and Budget Management Act, 2007, Budget documents, Medium Term Fiscal Policy Statement, Economic Review, Thirteenth Finance Commission Report and other financial data obtained from various Government departments and organizations. The Report is structured in three Chapters.

**Chapter 1** is based on the audit of Finance Accounts and makes an assessment of the Government's fiscal position as on 31 March 2013. It provides an insight into trends in overall financial position of the State, actuals vis-à-vis budget estimates 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 2** 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 3** 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. *Appendix 4.1* at the end gives a glossary of terms and acronyms – related to State economy, as used in the Report.

### Audit findings and recommendations

#### *Review of fiscal situation*

- The growth of Gross State Domestic Product (GSDP) of Jharkhand during 2012-13 was 11.5 *per cent*, against the TFC norm of 14.50 *per cent*.
- The State had a Revenue Surplus of ₹ 1370 crore during 2012-13. The percentage of Revenue Surplus to GSDP was only 0.9 against Medium Term Fiscal Plan target of 3.32. Fiscal Deficit (₹ 3406 crore) was 2.2 *per cent* of GSDP during 2012-13, which was well within the Thirteenth Finance Commission recommendation (3 *per cent*).

#### *Transfer of funds to State Implementing Agencies*

- During 2012-13, Government of India directly transferred ₹ 2621.91 crore to the State Implementing Agencies outside the State Budget against ₹ 4194.42 crore in 2011-12. As such, the Annual Finance Account do not provide a complete picture of the resources of the State. Uniform accounting practices are not followed by these agencies along with absence of norms for timely reporting of expenditure to the State Government and the Accountant General (A&E).

***Management of fiscal imbalances and resource mobilization***

- The Revenue Receipts (₹ 24,770 crore) of the State grew at 10.5 *per cent* during 2012-13 over previous year. However, the actual revenue receipts were less by ₹ 7656 crore in comparison to the Budget Estimate. State's Own Tax and Non-Tax Revenue comprised 47 *per cent*, while Central Tax transfer and Grants-in-aid from GOI constituted 53 *per cent*. Grants-in-aid from GOI decreased by eight *per cent* over the previous year.

***Capital expenditure***

- During 2012-13, Capital Expenditure increased to ₹ 4218 crore against ₹ 3159 crore in 2011-12. Percentage of Capital Expenditure to Total Expenditure increased from 13 in 2011-12 to 15 in 2012-13.

***Expenditure Management and Fiscal Priority***

- The Revenue Expenditure (₹ 23,400 crore) of the State grew at 11 *per cent* during 2012-13 over the previous year. The Revenue Expenditure constituted 83 *per cent* of Total Expenditure. During 2012-13, Revenue Expenditure was 15 *per cent* of GSDP. Share of Plan Revenue Expenditure in Total Revenue Expenditure decreased from 36 *per cent* in 2011-12 to 33 *per cent* in 2012-13. Non-plan Revenue Expenditure (₹ 15,657 crore) increased by 17 *per cent* in 2012-13 over the previous year and constituted 67 *per cent* of total Revenue Expenditure.
- Financial assistance by the State to Local Bodies and other institutions decreased from ₹ 4530.23 crore in 2011-12 to ₹ 1427.25 crore during 2012-13.

***Thrust to Development Expenditure***

- During 2012-13, the growth of Development Expenditure was 18.23 *per cent* over the previous year. During 2012-13, the share of Development Revenue Expenditure in Total Expenditure was 52 *per cent*, while Development Capital Expenditure was only 14 *per cent*. State Government has given less priority to Education and Health Sectors as compared to that in other General Category States.

***Incomplete projects***

- As of March 2013, there were 189 incomplete works, costing above ₹ 10 lakh. A total of ₹ 1972 crore was blocked in these projects.

***Review of Government investments***

- As of 31 March 2013, Government of Jharkhand invested ₹187.82 crore in Government Companies, Co-operatives, Banks and Societies etc. During 2012-13, return on investment was ₹ 15 crore in 2012-13 against ₹ 1.17 crore in 2011-12. The return in investment (7.99 *per cent*) was less than the average interest rate on borrowings (8.76 *per cent*).

***Fiscal Liabilities***

- Fiscal Liabilities of the State (₹34,869 crore) grew at 14 *per cent* over the previous year. The Fiscal Liabilities were 22.2 *per cent* of GSDP against the TFC recommendation of 28.7 *per cent* for the year. Government has not set up Sinking Fund for amortization of all loans.

***Market Borrowings***

- While the percentage of total Public debt to GSDP decreased from 20.01 in 2008-09 to 16.07 in 2012-13, the share of market loans in total liabilities increased from 24.80 *per cent* in 2008-09 to 33.77 *per cent* in 2012-13. State raised loans despite having sufficient cash without assessing the immediate requirement of cash. Market loans of ₹ 213 crore was raised without the GOI permission, which was not at all necessary.

***Financial management and budgetary control***

- There were large savings of ₹ 9225.13 crore during 2012-13 indicating improper budget estimation. Large savings under various schemes/sub-heads may adversely affect the implementation of development programmes in the State. Persistent savings for the last five years were also noticed in 15 departments.
- Excess expenditure of ₹1263.18 crore was incurred over provisions during 2012-13, which requires regularisation under Article 205 of the Constitution of India. Besides, excess expenditure of ₹ 8540.79 crore occurred during 2001-2012 was still to be regularised.
- Controlling Officers did not reconcile the expenditure of ₹ 23,400.20 crore (76.71 *per cent* of total expenditure) and receipts of ₹ 14,641.32 crore (48.78 *per cent* of total receipts) of the departments with the books of the Accountant General (A&E), Jharkhand during 2012-13.

- The Agriculture & Sugarcane Development Department was not following the provisions of the Budget Manual leading to lack of budgetary control in the Department.

***Financial reporting***

- Utilisation certificates of grants-in-aid amounting to ₹ 4640.48 crore were not submitted by the State institutions/bodies, which restricted the State Government from taking appropriate steps required for ensuring accountability and improving efficiency of operations.
- Government departments have not submitted the accounts of grantee bodies to the Principal Account General (Audit). Separate Audit Reports on the accounts of the Autonomous Bodies have not been submitted timely before the State Legislature.
- Large number of AC bills (24,583) amounting to ₹ 5243 crore pertaining to the period 2000-13 were outstanding as on 11 November 2013 since DC bills were not submitted.
- An amount ₹ 209.23 crore drawn in AC bills on the last three days of the financial year was kept in Bank Account to prevent it from being lapsed. There was a huge balance of ₹ 2954.43 crore in Personal Ledger accounts at the end of March 2013. Transfer of budgeted funds passed by the Legislature of current year to PL Accounts for expenditure in further year(s) was irregular.