Executive Summary

Background

Based on the audited accounts of the Government of Rajasthan for the year ended March 2013, this report provides an analytical review of the finances of the State Government. The financial performance of the State has been assessed based on the Fiscal Responsibility and Budget Management Act, Budget Documents, Economic Review 2012-13, Thirteenth Finance Commission Report and other financial data obtained from various Government departments and organisations. The report is structured in three Chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of Government of Rajasthan's fiscal position as on 31 March 2013. It provides an insight into trends in committed expenditure, borrowing pattern, besides giving a brief account of Central funds transferred directly to the State Implementing Agencies through off budget route.

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

Chapter III is an inventory of Government of Rajasthan's compliance with various reporting requirements and financial rules.

The report also has an ***Appendix I*** of additional data collected from several sources in support of the findings. ***Appendix 4.1*** at the end gives a glossary of selected terms related to State economy, as used in this report.

Audit findings and recommendations

The State Government has shown a return to fiscal consolidation by showing improvement in both tax and non-tax revenue. The fiscal deficit was 1.8 per cent of Gross State Domestic Product as against the target of 3 per cent as prescribed under the Rajasthan Fiscal Responsibility and Budget Management (Amendment) Act, 2011. However, it increased from 0.9 per cent in 2011-12 to 1.8 per cent in 2012-13, which was due to increase in net capital expenditure and net loans and advances disbursed during the year.

(Para 1.2.1, 1.12.1 and 1.12.2)

Budget Estimates: The actual Revenue Receipts and Revenue Expenditure increased by six *per cent* and two *per cent* respectively as compared to the budget estimates for 2012-13. Resultantly, the revenue surplus increased by ₹ 2,523 crore as compared to the budget estimates. The actual fiscal deficit and primary deficit decreased from the budget estimates by ₹ 116 crore and ₹ 141 crore respectively; fiscal deficit was 1.8 *per cent* of Gross State Domestic Product as against the target of 2.14 *per cent* of estimated Gross State Domestic Product in the budget.

(Para 1.2.1 and 1.2.2)

Revenue Receipts: During 2012-13, the State's Revenue Receipts increased by 17.4 *per cent* over the previous year. The State's Revenue Receipts as a percentage of Gross State Domestic Product marginally declined from 14.5 *per cent* in 2008-09 to 14 *per cent* in 2012-13.

(Para 1.4)

Revenue Expenditure: During 2012-13, Revenue Expenditure constituted 83 *per cent* of the total expenditure. Non-Plan Revenue Expenditure constituted 78 *per cent* of total Revenue Expenditure. Ratio of Non-Plan Revenue Expenditure to total Revenue Expenditure increased by one percentage point over the previous year (77 *per cent*). Nearly 57 *per cent* of the Revenue Receipts of the State was spent on committed expenditure. There is a necessity to contain the committed expenditure.

(Para 1.7.2, 1.7.5 and 1.8.3)

Inadequate Priority to Capital Expenditure: The Capital Expenditure increased by 50 *per cent* over the previous year and constituted 14 *per cent* of total expenditure. It was 10 *per cent* higher than that projected during the Medium Term Fiscal Policy Statement for 2012-13. The progressive capital expenditure at the end of March 2013 includes ₹ 8,659 crore blocked in 166 incomplete projects.

(Para 1.2, 1.7.3, 1.9.2 and Appendix 1.3)

Review of Government Investments: The average return on State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies and Cooperative Banks and Societies remained between 0.2 and 0.4 *per cent* in the past three years while the Government paid an average interest of 7.4 to 7.7 *per cent* on this investment. It would be prudent to review the working of State Public Sector Undertakings which are suffering huge losses and work out appropriate strategies for their revival or closure.

(Para 1.9.3)

Prudent Cash Management: The State had a huge surplus cash balance of ₹ 12,887 crore. Since maintaining the huge idle cash balance is not prudent cash management, appropriate steps should be taken for duly utilising it for gainful ends.

(Para 1.9.7 and 1.11.1)

Oversight of funds transferred directly from the Government of India (GoI) to the State Implementing Agencies: GoI directly transferred central funds of ₹ 7,826 crore to the State Implementing Agencies, which is fraught with the risk of their improper utilisation by these agencies. Funds flowing directly to the implementing agencies through off budget route inhibit Fiscal Responsibility and Budget Management Act requirements of transparency and accountability. There is no agency to monitor its use and there is no readily available data on how much amount is actually spent in any particular year on the major flagship schemes.

(Para 1.3.2)

Financial Management and Budgetary Control: During 2012-13, there was an overall saving of ₹ 6,836.94 crore over the total grants and appropriations indicating inaccurate budgeting. There was excess expenditure of ₹ 0.79 lakh under Grants No. 11 and 20, which requires regularisation under Article 205 of the Constitution of India. In all the 55 Grants/appropriations, ₹ 6,717.45 crore (98 *per cent* of total savings of ₹ 6,836.94 crore) was surrendered on the last working day of the financial year leaving no scope for utilising these funds for other development programmes. In 179 cases, lump sum provision of ₹ 1,539.34 crore was made violating provisions of revised State Budget Manual. Out of ₹ 1,539.34 crore, ₹ 1,275.09 crore (83 *per cent*) remained unutilised. Rush of expenditure at the end of the year is another chronic feature, which indicates weak budgetary control. An amount of ₹ 2,198.60 crore drawn by the State Government during the month of March 2013 was deposited in the deposit heads to avoid lapse of budget grants.

(Para 2.2 and 2.3)

Review of some grants revealed that (i) there were persistent savings in Revenue, Excise, Public Works, Tribal Area Development and Social Justice and Empowerment Departments, (ii) in three schemes under Public Health and Engineering Department, entire budget allotment of ₹ 22.39 crore was surrendered without incurring any expenditure, (iii) in Home Department, the receipts decreased by 61.9 and 97 *per cent* during 2011-12 and 2012-13 as compared to the receipts of 2010-11 and 2011-12 respectively, while the entire provision of ₹ 0.50 crore for Rajasthan Police Housing and Construction Corporation Limited was surrendered on 31 March 2013 without incurring any expenditure and (iv) in Education, Art and Culture Department, the estimated receipts were not properly assessed resulting in variation ranging between (-) 2.71 and 575 *per cent* during 2010-13.

(Para 2.3.2.1, 2.4 and 2.5)

Inspection of treasuries indicated deficiencies in their functioning. Grants-in-aid of ₹ 1.83 crore was accounted for under Capital section instead of Revenue section. Review of Contingency Fund revealed that during 2012-13, four sanctions aggregating to ₹ 19.64 crore were issued in four cases by the State Government for grant of advance from Contingency Fund, of which ₹ 3.75 crore was not immediately required. The Controlling Officers did not submit the Detailed Contingent Bills in respect of ₹ 95.57 crore against the advances drawn on 659 Abstract Contingent Bills up to 31 March 2013.

(Para 2.6 to 2.9)

Departments should submit more realistic budget estimates keeping in view the trends in expenditure and actual requirement of funds. Budgetary controls should be strictly observed through monthly expenditure monitoring mechanism. Anticipated savings should be surrendered well in time so that the funds are utilised for various other development programmes. The Government should sanction advance from Contingency Fund only for meeting expenditure of an unforeseen and emergent nature. Functioning of Treasuries should be monitored to avoid their deficient functioning.

(Para 2.10)

Financial Reporting: State Government's compliance with various rules, procedures and directives was unsatisfactory as evident from delays in furnishing utilisation certificates against the loans and grants, from various grantee institutions. Annual Accounts in respect of 110 Autonomous Bodies/Authorities for the year 2011-12 have not been received up to 31 July 2013. There were instances of losses and misappropriations of Government money amounting to ₹ 46.84 crore as of 31 March 2013. Departmental enquiries in such cases should be expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent recurrence of such cases in future.

(Para 3.2 and 3.5)

Unspent balance of ₹ 2,173.73 crore was lying in 1,491 Personal Deposit Accounts.

(Para 3.6)

Significant amounts of expenditure (₹ 4,888.85 crore) and receipts (₹ 2,364.10 crore) booked under the Minor Head '800-Other Expenditure/Other Receipts' were not depicted in the appropriate heads of accounts in Finance Accounts of 2012-13, affecting transparency in financial reporting. Amounts received and expended under various schemes should be depicted distinctly in the State Accounts instead of clubbing those under the Minor Head '800'.

(Para 3.7)