

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 2009-14 is given in **Table-1.1.1**

Table-1.1.1: Budget and expenditure of the state government during 2009-14

(₹ in crore)

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure										
General services	7052.77	6605.36	5877.15	6990.80	7866.66	7845.56	8556.05	8696.49	9870.51	9959.36
Social services	7314.86	5610.30	6730.03	6707.30	9524.39	7287.03	11611.28	8308.59	12405.63	8215.34
Economic services	3844.87	2912.38	3943.26	4246.47	6646.17	5858.99	7632.67	6394.79	8158.69	5297.19
Grants-in-aid & contribution	0.45	0.20	0.45	0.17	0.55	0.00	0.55	0.00	0.25	0.00
Total (1)	18212.95	15128.24	16550.89	17944.74	24037.77	20991.58	27800.55	23399.87	30435.08	23471.89
Capital expenditure										
Capital Outlay	3530.66	2703.04	3826.02	2664.30	6352.73	3159.37	6856.83	4218.43	6466.40	4722.50
Loans and advances disbursed	439.26	319.98	415.01	307.56	1328.02	217.10	829.37	600.81	838.40	221.91
Repayment of Public Debt	809.50	1190.21	1505.67	1299.43	1403.18	1639.01	1627.05	2183.06	1809.02	1996.92
Inter State Settlement						75.40		100.00	0.00	50.00
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*	7332.05	7290.30	9065.67	7399.85	11762.85	9727.77	18519.83	13416.31	13929.71	14094.33
Closing Cash balance		757.13		(-)0.41		116.85		704.75	0.00	1285.48
Total (2)	12111.47	12260.66	14812.37	11670.73	20846.78	14935.50	27833.08	21223.36	23043.53	22371.14
Grand Total (1+2)	30324.42	27388.90	31363.26	29615.47	44884.55	35927.08	55633.63	44623.23	53478.61	45843.03

(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 ₹ 43,122 crore¹, total expenditure² was ₹ 30,413 crore in 2013-14 in the consolidated fund of the State. The total expenditure of the state increased by 57 per cent from ₹ 19,341 crore to ₹ 30,413 crore during 2009-10 to 2013-14 and the revenue expenditure of the state government increased by 55 per cent from ₹ 15,128 crore in 2009-10 to ₹ 23,472 crore in 2013-14. Non-Plan revenue expenditure increased by 51 per cent from ₹ 11,370 crore to ₹ 17,184 crore and capital expenditure increased

¹ Includes original grants of ₹ 39,549 crore and supplementary grants of ₹ 3,573 crore.

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

by 75 per cent from ₹ 2,703 crore to ₹ 4,722 crore during the period 2009-10 to 2013-14.

The revenue expenditure constituted 77 to 81 per cent of the total expenditure during the years 2009-10 to 2013-14 and capital expenditure 12 to 16 per cent. During this period, Compound Annual Growth Rate (CAGR) of total expenditure was 11.98 per cent, whereas revenue receipts grew at CAGR of 14.67 per cent during 2009-10 to 2013-14.

1.1.3 Persistent savings

In 16 cases (15 Departments), there were persistent savings of 10 per cent or more of the total grants 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 2009-14

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of savings				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue-Voted						
1	1- Agriculture and Sugarcane Development Department	178.10(44)	181.21(39)	228.82(35)	264.25(37)	566.53(58)
2	2-Animal Husbandry Department	54.21(27)	46.11(22)	31.52(23)	35.50(22)	35.53(22)
3	17- Finance (Commercial Tax) Department	3.79 (11)	8.27 (17)	11.24 (18)	27.17 (38)	8.18(13)
4	18- Food, Public Distribution and Consumer Affairs Department	98.68 (28)	84.27 (13)	168.00 (15)	307.90 (28)	570.55(50)
5	19- Forest and Environment Department	61.60 (23)	68.35 (23)	52.20 (19)	48.17 (15)	60.50(18)
6	20-Health, Medical Education & Family Welfare Department	480.56(45)	178.41(21)	277.93(25)	326.13(53)	171.13(15)
7	23- Industry Department	73.27(32)	31.89(18)	157.41(45)	82.94(29)	120.80 (41)
8	26- Labour, Employment and Training Department	162.39 (23)	148.44 (19)	193.07 (23)	232.43 (25)	308.12(30)
9	35- Planning and Development Department	72.02 (82)	14.00 (46)	291.78 (58)	594.38 (88)	533.61(32)
10	40-Revenue and Land Reforms Department	47.00 (17)	27.94 (11)	79.15 (24)	77.17 (23)	125.67(32)
11	43- Science & Technology Department	66.06(59)	51.83(41)	40.29(42)	37.03(40)	18.45(25)
12	49- Water Resources Department	57.85(22)	30.98(13)	83.77(27)	92.55(29)	85.14(26)
13	51- Welfare Department	304.76(28)	208.83(16)	309.14(33)	250.26(31)	247.96(28)
Capital-Voted						
14	10- Energy Department	383.67 (61)	132.56 (32)	1130.05 (87)	252.30 (32)	591.54(77)
15	41- Road Construction Department	230.19(31)	146.70(18)	899.94(53)	174.55(10)	348.68(16)
16	49- Water Resources Department	277.49(56)	153.71(40)	714.70(78)	1232.85(74)	1130.96(68)

(Source: Appropriation Accounts)

Figures in bracket indicate percentage of savings with respect to total grant

1.1.4 Funds transferred directly to the State implementing agencies

During 2013-14, GoI directly transferred ₹ 2,601.80 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 paragraph 1.2.2 (page 7-8) of Report of Comptroller and Auditor General of India on State Finances for the year ended 31 March 2014.

1.1.5 Grants-in-aid from Government of India

The Grants-in-aid received from GoI during the years 2009-10 to 2013-14 have been given in **Table-1.1.3**:

Table-1.1.3: Grants-in-aid from GoI

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	1145.33	1281.40	1550.77	1483.41	1319.91
Grants for State Plan Schemes	982.97	1826.99	2404.61	2393.94	1565.83
Grants for Central Plan Schemes	55.05	8.62	66.87	30.81	28.28
Grants for Centrally Sponsored Schemes	633.28	990.24	1235.16	914.05	1150.96
Total	2816.63	4107.25	5257.41	4822.21	4064.98
Percentage of increase over previous year	33	46	28	(-)8	(-)16
Percentage of Revenue Receipts	18.63	21.87	23.45	19.47	15.55

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 2013-14, compliance audit of 331 drawing and disbursing officers of the State and 24 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Jharkhand. Besides, eight 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, 18,277 audit observations contained in 2,917 IRs outstanding as on 31st March 2014³ are given in **Table 1.1.4:**

Table 1.1.4: Outstanding Inspection Reports/Paragraphs

(₹ in crore)

Sl. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1.	Social Sectors	2032	13375	10335.33
2.	General & Economic Sector (Non-PSUs)	885	4902	11181.50
Total		2917	18277	21516.83

During 2013-14, 27 meetings of the Audit Committee were held in which 26 IRs and 586 paragraphs were settled.

A detailed review of IRs issued to 1,590 Drawing and Disbursing Officers (DDOs) up to September 2013 pertaining to 33 Departments showed that 18,277 paragraphs having financial implications of about ₹ 21,516.83 crore relating to 2,917 IRs remained outstanding at the end of 31 March 2014. The year-wise position of these outstanding 2,917 IRs and 18,277 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 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 2013 as on 31 August 2014 is given in **Table-1.1.5:**

Table-1.1.5: 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	9	14
	2010-2011	06.09.2012	21	5	16
	2011-2012	27.07.2013	39	1	38
	2013-2014	05.08.2014	19	-	-
Total			329	152	158

³ Including IRs and paragraphs issued upto 30 September 2013 and outstanding as on 31 March 2014.

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
State Finance	Up to 2008-2009		12	1	11
	2009-2010	29.08.2011	12	1	11
	2010-2011	06.09.2012	16	5	11
	2011-2012	27.07.2013	13	1	12
	2013-2014		10	-	10
Total			63	8	55

1.1.8.1 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 eight paras and 11 sub-paras of the Audit Report for the year 1999-2000 to 2011-2012 but no Action Taken Notes (ATNs) were received from the Departments on above paras and sub-paras as of December 2014.

1.1.9 Government response to significant audit observations (draft paragraphs/performance audits)

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 place 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 eight performance audits and 13 draft paragraphs were forwarded to the concerned Administrative Secretaries. Government reply has been received in all cases in respect of Performance Audit and two case of draft paragraph only.

1.1.10 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. As per Article 22 of the Act the audit of RIMS is to be conducted by the Principal Accountant General (Audit), Jharkhand. Accordingly, 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, in spite of active persuasion annual accounts for any year have not been submitted to Audit as of February 2015.

(ii) Separate Audit Reports (SARs) on the accounts 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. Entrustments for the year 2011-12 to 2013-14 have not been received (February 2015).

(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 and 2013-14 have not been received (February 2015).

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