
EXECUTIVE SUMMARY

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Based on the audited accounts of the Government of Jharkhand for the year ended 31 March 2015, 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 (FRBM) Act, 2007, as amended in 2011 and 2012, Budget documents, Economic Review, Thirteenth Finance Commission Report and other financial data obtained from various Government departments and organisations. 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 2015. 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 Governments' investments and returns thereon.

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 along with audit observations based on the study of State Disaster Response Fund of the State.

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

Chapter : 1 Finances of the State Government

Fiscal Situation

- The Gross State Domestic Product (GSDP) of Jharkhand State grew at the rate of 14.3 *per cent* during 2014-15 against the Thirteenth Finance Commission (ThFC) projection of 14.5 *per cent* for the year.

(Profile of Jharkhand)

- The State had a Revenue Deficit of ₹ 230 crore during 2014-15. During the current year Fiscal Deficit increased to ₹ 6,564 crore over ₹ 2,256 crore in 2013-14. Fiscal Deficit was 3.3 *per cent* of GSDP, which was beyond the recommended ceiling of three *per cent* by ThFC and FRBM Act. Further, Fiscal Deficit to GSDP ratio deteriorated from 1.3 *per cent* in 2013-14 to 3.3 *per cent* in 2014-15.

(Paragraph 1.11.1)

Resources mobilization

- Revenue Receipts (₹ 31,564.56 crore) increased by ₹ 5,427.76 crore (21 *per cent*) over that of the previous year (₹ 26,136.80 crore) against a corresponding 5.5 *per cent* growth during 2013-14. However, in comparison

to the budget estimate, the Revenue Receipts were less by ₹ 11,879 crore during 2014-15.

(Paragraph 1.1.1 & 1.3)

- During 2014-15, 53 *per cent* of total Revenue Receipts came from Central Tax Transfer and GOI grants, while State's Own Resources contributed the balance.

(Paragraph 1.3)

Quality of expenditure

- During 2014-15, Capital Expenditure (CE) increased to ₹ 5,543 crore against ₹ 4,722 crore in 2013-14. The percentage of CE to Total Expenditure stood at 15 *per cent* during 2014-15 against 17 *per cent* in 2013-14. The percentage of CE to GSDP was 2.8 *per cent* during 2014-15 against 2.7 *per cent* during 2013-14.

(Paragraph 1.6.1.1)

- During the year 2014-15, the State has given less priority to CE, education sector expenditure and health sector expenditure in comparison to the General Category States. However, the State gave higher priority to overall Development Expenditure.

(Paragraph 1.7.1)

- Revenue Expenditure (₹ 31,795 crore) was 83 *per cent* of the Total Expenditure (₹ 38,162 crore) during 2014-15 against 82 *per cent* in 2013-14. Revenue Expenditure was 16.1 *per cent* of GSDP during 2014-15.

(Paragraph 1.6.2)

- During 2014-15 the share of Plan Revenue Expenditure (₹ 12,436 crore) was 39 *per cent* of Revenue Expenditure (RE) against 27 *per cent* during 2013-14. The growth rate of Non-Plan Revenue Expenditure (₹ 19,359 crore) increased from 10 *per cent* in 2013-14 to 13 *per cent* in 2014-15 and constituted 61 *per cent* of RE.

(Paragraph 1.6.2.1)

- Financial assistance by the State to Local Bodies and other institutions increased from ₹ 6,421.85 crore in 2013-14 to ₹ 12,404.02 crore during 2014-15.

(Paragraph 1.6.4)

Thrust to Development Expenditure

- The growth rate of development expenditure improved from negative five *per cent* in 2013-14 to 49 *per cent* in 2014-15. During the year, the share of Development Revenue Expenditure in Total Expenditure was 55 *per cent* and the share of Capital Expenditure in Total Expenditure was 16 *per cent*.

(Paragraph 1.7.2)

Incomplete projects

- As of March 2015, there were 402 incomplete works beyond their scheduled date of completion, in which ₹ 1,822.98 crore was blocked.

(Paragraph 1.8.2)

Return on Government investments

- As of 31 March 2015, Government of Jharkhand had invested ₹ 247 crore in Regional Rural Bank, Government Companies and Co-operatives, Corporations and Societies since inception of the State in November 2000. The return on investment was nil during 2014-15 although Government paid interest at an average rate of 7.22 *per cent* on its borrowing during the year 2014-15.

(Paragraph 1.8.3)**Fiscal Liabilities**

- During 2014-15, growth rate of Fiscal Liabilities of the State (₹ 43,569 crore) increased from 7.8 *per cent* in 2013-14 (₹ 37,594 crore) to 15.9 *per cent*. The Fiscal Liabilities were 22.1 *per cent* of GSDP against the ThFC recommendation of 26.9 *per cent* for the year. Government has not set up Sinking Fund for amortization of all loans.

(Paragraph 1.9.2)**Debt Management**

- The sufficiency of incremental non-debt receipts (resources gap) decreased from ₹ 899 crore in 2010-11 to (-) ₹ 2,885 crore in 2014-15 which was indicative of decline in fiscal position of the State. Net availability of borrowed funds increased from ₹ 110 crore in 2013-14 to ₹ 3,313 crore in 2014-15.

(Paragraph 1.10.2)

- The ratio of Interest Payments to Revenue Receipts showed significant improvement in Debt Sustainability as it declined steadily from 12 *per cent* in 2010-11 to 9.28 *per cent* in 2014-15.

(Paragraph 1.10.2)**Chapter : 2 Financial Management and Budgetary Control****Large Savings due to improper Budget estimation**

- There were large savings of ₹ 17,265.85 crore during 2014-15 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 14 departments performing Social Services and Economic Services.

(Paragraph 2.4.1 & 2.4.3)**Advances from Contingency Fund**

- Advances amounting ₹ 149.35 crore on 58 occasions were withdrawn from Contingency Fund during 2014-15 to meet expenditure which was neither unforeseen nor of emergent nature.

(Paragraph 2.4.5)

Excess over provisions during 2014-15 requiring regularisation

- Excess expenditure of ₹ 361.21 crore was incurred over provisions during 2014-15, which requires regularisation under Article 205 of the Constitution of India. Besides, excess expenditure of ₹ 2,377.91 crore occurred during 2001-2014 was yet to be regularised.

(Paragraph 2.4.6 & 2.4.7)

Deficiencies in Budgetary Controls in Drinking Water and Sanitation Department

- The Drinking Water and Sanitation Department did not follow the provisions of the Budget Manual leading to lack of budgetary control in the Department resulting in large savings, rush of expenditure during fag end of the financial year, non-reconciliation of accounts with Accountant General's book and blockage of funds in shape of cash/materials.

(Paragraph 2.7)

Chapter : 3 Financial Reporting

Outstanding Utilisation Certificates against the grants

- Utilisation certificates (UCs) of ₹ 5,161.72 crore against the Grants-in-aid bills drawn upto 2013-14 by different departments were outstanding as on 31 March 2015 which was indicative of failure to comply with the rules and procedures to ensure timely utilization of the grants for the intended purpose.

(Paragraph 3.1.1)

Funds kept in Personal Ledger Accounts

- There was a huge balance of ₹ 3,329.95 crore in Personal Ledger Accounts at the end of March 2015. Transfer of budgeted funds passed by the Legislature for the current year to Personal Ledger Accounts for expenditure in future years was in contravention of Financial Rules and weakened the budgetary control of the State.

(Paragraph 3.6)

Compliance audit of State Disaster Response Fund

- The State Executive Committee failed to adhere to the norms regarding investment of amount from SDRF though the department had substantial balances at the end of each financial year and did not take any initiative for payment of interest on un-invested amount as per guidelines.

(Paragraph 3.9)

- The main objective of providing immediate relief to the affected/dependent persons from SDRF was not fully achieved as 8,286 cases of delayed/non-payment to affected persons were noticed.

(Paragraph 3.9)