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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 ended 31 March 2014, 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, Medium Term Fiscal Policy Statement, 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 2014. 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

## Chapter : 1 Finances of the State Government

### *Fiscal Situation*

- The growth rate of Gross State Domestic Product (GSDP) during 2013-14 was 13.9 *per cent* against the Thirteenth Finance Commission (ThFC) norm of 14.5 *per cent*.
- The State had a Revenue Surplus of ₹ 2,665 crore during 2013-14. The percentage of Revenue Surplus to GSDP was 1.5 against Medium Term Fiscal Plan target of 1.8 for the year. Fiscal Deficit (₹ 2,256 crore) was 1.3 *per cent* of GSDP during 2013-14, which was well within the three *per cent* estimated under FRBM Act and ThFC projection.

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

- During 2013-14, Government of India directly transferred ₹ 2,601.80 crore to the State Implementing Agencies outside the State Budget

against ₹ 2,621.91 crore in 2012-13. As such, the Annual Finance Accounts do not provide a complete picture of the resources of the State. Uniform accounting practices are not followed by these agencies and there is absence of norms for timely reporting of expenditure to the State Government and the Accountant General (A&E), Jharkhand.

#### ***Resources mobilization***

- The Revenue Receipts (₹ 26,137 crore) of the State grew at 5.5 *per cent* during 2013-14 over previous year. However, the actual Revenue Receipts were less by ₹ 7,462 crore in comparison to the Budget Estimate.
- During 2013-14, 50 *per cent* of total Revenue Receipts came from Central Tax transfer and GOI Grants, while State's Own Resources contributed the balance.

#### ***Quality of expenditure***

- During 2013-14, Capital Expenditure increased to ₹ 4,722 crore against ₹ 4,218 crore in 2012-13. Percentage of Capital Expenditure to Total Expenditure stood at 17 in 2013-14 against 15 during 2012-13. The percentage of Capital Expenditure to GSDP was 2.7 during 2013-14.
- Social Sector Expenditure as a proportion of Aggregate Expenditure in the State was less than average of General Category States during 2013-14. The State has given less priority to both Education and Health Sector during 2013-14 as compare to General Category States.
- Revenue Expenditure was 83 *per cent* of the Total Expenditure (₹ 28,416 crore) and 13.6 *per cent* of GSDP during 2013-14. Share of Plan Revenue Expenditure in Total Revenue Expenditure decreased from 33 *per cent* in 2012-13 to 27 *per cent* in 2013-14. Non-plan Revenue Expenditure (₹ 17,184 crore) increased by 10 *per cent* in 2013-14 over the previous year and constituted 73 *per cent* of Revenue Expenditure.
- Financial assistance by the State to Local Bodies and other institutions decreased from ₹ 6,950.32 crore in 2012-13 to ₹ 6,421.85 crore during 2013-14.

#### ***Thrust to Development Expenditure***

- During 2013-14, the Development Expenditure declined by five *per cent* over the previous year. During the year, the share of Development Revenue Expenditure in Total Expenditure was 48 *per cent* and the share of Development Capital Expenditure in Total Expenditure was 17 *per cent*.

#### ***Incomplete projects***

- As of March 2014, there were 328 incomplete works beyond their scheduled date of completion, in which ₹ 760.11 crore was blocked.

**Review of Government investments**

- As of 31 March 2014, Government of Jharkhand invested ₹ 231.97 crore in Government Companies, Co-operatives, Banks and Societies etc. The return on investment was ₹ 18 crore (7.76 per cent) in 2013-14 against ₹ 15 crore (7.99 per cent) in 2012-13.

**Fiscal Liabilities**

- During 2013-14, Fiscal Liabilities of the State (₹ 37,594 crore) grew at 7.8 per cent over the previous year. The Fiscal Liabilities were 21.8 per cent of GSDP against the ThFC recommendation of 27.3 per cent for the year. Government has not set up Sinking Fund for amortization of all loans.

**Debt Management**

- The sufficiency of incremental non-debt receipts (resource gap) increased from (-) ₹ 39 crore in 2012-13 to ₹ 1,275 crore in 2013-14 which was indicative of improvement in fiscal position of the State. Net availability of borrowed funds decreased from ₹ 1,814 crore in 2012-13 to ₹ 110 crore in 2013-14. The ratio of Interest Payments to Revenue Receipts remained constant (10 per cent) during 2011-12 to 2013-14.

**Chapter: 2 Financial management and budgetary control****Large Savings due to improper Budget estimation**

- There were large savings of ₹ 13,130.13 crore during 2013-14 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 performing Social Services and Economic Services.

**Advances from Contingency Fund**

- Advances amounting ₹ 336.33 crore on 45 occasions were withdrawn from Contingency Fund during 2013-14 to meet expenditure which was neither unforeseen nor of emergent nature.

**Excess over provisions during 2013-14 requiring regularisation**

- Excess expenditure of ₹ 694.05 crore was incurred over provisions during 2013-14, which requires regularisation under Article 205 of the Constitution of India. Besides, excess expenditure of ₹ 9,803.97 crore occurred during 2001-2013 was still to be regularised.

**Non-reconciliation of Departmental figures**

- Controlling Officers did not reconcile 58.91 per cent of total expenditure (₹ 30,463.22 crore) and 41.55 per cent of total receipts (₹ 30,863.02 crore) of the departments with the books of the Accountant General (A&E), Jharkhand during 2013-14.

### **Deficiencies in Budgetary Controls in Health, Medical Education and Family Welfare Department**

- The Health, Medical Education and Family Welfare Department was not following the provisions of the Budget Manual leading to lack of budgetary control in the Department.

## **Chapter: 3 Financial Reporting**

### ***Outstanding Utilisation Certificates against the grants***

- Utilisation certificates (UCs) of ₹ 6,543.82 crore against the Grants-in-aid bills drawn during 2006-07 to 2012-13 by different departments were outstanding as on 31 March 2014 which was indicative of failure of the departmental officers to comply with the rules and procedures to ensure timely utilization of the grants for the intended purpose.

### ***Drawal of funds on Abstract Contingent Bills***

- Significant amount of ₹ 5,162 crore drawn on Abstract Contingent (AC) bills during 2000-14 remained outstanding as of June 2014 due to non submission of Detailed Contingent bills. Plan funds, though not required for immediate payment, were drawn on AC Bills at the end of the financial year to avoid lapse of budget allotment.

### ***Submission of Accounts and Audit of Autonomous Bodies, Authorities and Grantee Institutions***

- Government departments have not timely submitted the accounts of grantee bodies to the Principal Accountant General (Audit).

### ***Funds kept in Personal Ledger Accounts***

- There was a huge balance of ₹ 2,597.50 crore in Personal Ledger Accounts at the end of March 2014. 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.