
CHAPTER-1

INTRODUCTION

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1.1 Introduction

1.1.1 Budget profile

There are 43 Departments and 74 Autonomous Bodies in the State. The position of budget estimates under broad heads and actual expenditure there against by the State Government during 2010-15 is given in **Table-1.1.1**

Table-1.1.1: Budget and expenditure of the state government during 2010-15

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
(₹ in crore)										
Revenue expenditure										
General services	5877.15	6990.80	7866.66	7845.56	8556.05	8696.49	9870.51	9959.36	11617.87	10623.45
Social services	6730.03	6707.30	9524.39	7287.03	11611.28	8308.59	12405.63	8215.34	17383.07	11915.34
Economic services	3943.26	4246.47	6646.17	5858.99	7632.67	6394.79	8158.69	5297.19	10486.84	9256.11
Grants-in-aid & contribution	0.45	0.17	0.55	0.00	0.55	0.00	0.25	0.00	0.15	0.00
Total (1)	16550.89	17944.74	24037.77	20991.58	27800.55	23399.87	30435.08	23471.89	39487.93	31794.90
Capital expenditure										
Capital Outlay	3826.02	2664.30	6352.73	3159.37	6856.83	4218.43	6466.40	4722.50	8224.03	5542.94
Loans and advances disbursed	415.01	307.56	1328.02	217.10	829.37	600.81	838.40	221.91	699.43	823.78
Repayment of Public Debt	1505.67	1299.43	1403.18	1639.01	1627.05	2183.06	1809.02	1996.92	1976.30	1879.88
Inter State Settlement				75.40		100.00		50.00		0.00
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*	9065.67	7399.85	11762.85	9727.77	18519.83	13416.31	13929.71	14094.33	16461.09	19276.68
Closing Cash balance		(-0.41)		116.85		704.75		1285.48		444.21
Total (2)	14812.37	11670.73	20846.78	14935.50	27833.08	21223.36	23043.53	22371.14	27360.85	27967.49
Grand Total (1+2)	31363.26	29615.47	44884.55	35927.08	55633.63	44623.23	53478.61	45843.03	66848.78	59762.39

(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 ₹ 57,303 crore¹, total expenditure² was ₹ 40,042 crore in 2014-15 in the Consolidated Fund of the State. The total expenditure of the state increased by 80 per cent from ₹ 22,216 crore to ₹ 40,042 crore during 2010-11 to 2014-15 and the revenue expenditure of the state government increased by 77 per cent from ₹ 17,945 crore in 2010-11 to ₹ 31,795 crore in 2014-15. Non-Plan revenue expenditure increased by 62 per cent from ₹ 11,941 crore to ₹ 19,359 crore and capital expenditure increased

¹ Includes original grants of ₹ 50,388 crore and supplementary grants of ₹ 6,915 crore.

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

by 108 *per cent* from ₹ 2,664 crore to ₹ 5,543 crore during the period 2010-11 to 2014-15.

The revenue expenditure constituted 77 to 81 *per cent* of the total expenditure during the years 2010-11 to 2014-15 and capital expenditure 12 to 16 *per cent*. During this period, Compound Annual Growth Rate (CAGR) of total expenditure was 15.87 *per cent*, while revenue receipts grew at CAGR of 13.86 *per cent* during 2010-11 to 2014-15.

1.1.3 Persistent savings

In 15 grants (14 Departments), there were persistent savings of 10 *per cent* or more of the total grants in each case during of 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 2010-15

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of savings				
		2010-11	2011-12	2012-13	2013-14	2014-15
Revenue-Voted						
1	1- Agriculture and Sugarcane Development Department	181.21(39)	228.82(35)	264.25(37)	566.53(58)	552.00(58)
2	2-Animal Husbandry Department	46.11(22)	31.52(23)	35.50(22)	35.53(22)	41.73(25)
3	17- Finance (Commercial Tax) Department	8.27 (17)	11.24 (18)	27.17 (38)	8.18(13)	23.36(32)
4	18- Food, Public Distribution and Consumer Affairs Department	84.27 (13)	168.00 (15)	307.90 (28)	570.55(50)	439.49(34)
5	19- Forest and Environment Department	68.35 (23)	52.20 (19)	48.17 (15)	60.50(18)	116.88(24)
6	20-Health, Medical Education & Family Welfare Department	178.41(21)	277.93(25)	326.13(53)	171.13(15)	967.84(42)
7	23- Industry Department	31.89(18)	157.41(45)	82.94(29)	120.80 (41)	148.57(40)
8	26- Labour, Employment and Training Department	148.44 (19)	193.07 (23)	232.43 (25)	308.12(30)	349.95(28)
9	35- Planning and Development Department	14.00 (46)	291.78 (58)	594.38 (88)	533.61(32)	99.14(27)
10	40-Revenue and Land Reforms Department	27.94 (11)	79.15 (24)	77.17 (23)	125.67(32)	99.80(26)
11	43- Science & Technology Department	51.83(41)	40.29(42)	37.03(40)	18.45(25)	21.31(15)
12	49- Water Resources Department	30.98(13)	83.77(27)	92.55(29)	85.14(26)	87.83(25)
13	51- Welfare Department	208.83(16)	309.14(33)	250.26(31)	247.96(28)	169.02(16)
Capital-Voted						
14	10- Energy Department	132.56 (32)	1130.05 (87)	252.30 (32)	591.54(77)	363.07(32)
15	49- Water Resources Department	153.71(40)	714.70(78)	1232.85(74)	1130.96(68)	1196.28(68)

(Source: Appropriation Accounts)

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

1.1.4 Grants-in-aid from Government of India

The Grants-in-aid received from GoI during the years 2010-11 to 2014-15 have been given in **Table-1.1.3**:

Table-1.1.3: Grants-in-aid from GoI

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	1281.40	1550.77	1483.41	1319.91	1780.26
Grants for State Plan Schemes	1826.99	2404.61	2393.94	1565.83	4914.69
Grants for Central Plan Schemes	8.62	66.87	30.81	28.28	83.55
Grants for Centrally Sponsored Schemes	990.24	1235.16	914.05	1150.96	614.16
Total	4107.25	5257.41	4822.21	4064.98	7392.66
Percentage of increase over previous year	46	28	(-)8	(-)16	82
Percentage of Revenue Receipts	21.87	23.45	19.47	15.55	23.42

1.1.5 Planning and conduct of audit

The Audit process starts with the risk assessment of various Departments, autonomous bodies, schemes or projects 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.

Audit conducts a periodical inspection of Government Departments by test-check of transactions and verifies the maintenance of important accounting and other records as per the prescribed rules and procedures. When important irregularities detected during audit inspection are not settled on the spot, an Audit Inspection Report (IR) is issued to the head of offices inspected, with a copy to the next higher authority, with a 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 2014-15, compliance audit of 400 drawing and disbursing officers of the State and 04 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Jharkhand. Besides, three Performance Audits, one Long Paragraph and one Follow-up Audit were also conducted.

1.1.6 Lack of responsiveness of Government to Inspection Reports

The heads of offices and the next higher authority is required to report their compliance 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 Accountant General (Audit), Jharkhand through a half yearly report of pending IRs sent to the Principal Secretary (Finance). Additionally, 25 meetings of the Audit Committee were held in which 58 IRs and 688 paragraphs were settled during 2014-15.

Despite the above procedure, 24,263 audit observations contained in 3,989 IRs were outstanding for want of reply as on 31st March 2015³ as stated in **Table-1.1.4:**

³ Including IRs and paragraphs issued upto 30 September 2014 and outstanding as on 31 March 2015

Table-1.1.4: Outstanding Inspection Reports/Paragraphs

(₹ in crore)

Sl. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1.	Social Sectors	2148	14267	11853.20
2.	General & Economic Sector (Non-PSUs)	1841	9996	24570.79
Total		3989	24263	36423.99

A detailed review of IRs issued up to September 2014 to 1,387 Drawing and Disbursing Officers (DDOs) pertaining to 34 Departments showed that 24,263 paragraphs having financial implications of about ₹ 36,423.99 crore relating to 3,989 IRs remained outstanding at the end of 31 March 2015. Their year-wise position is detailed in **Appendix-1.1.1** and by 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 look into the matter to ensure prompt and effective response to audit observations.

1.1.7 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments are to initiate *suo motu* action (Explanatory Notes) on all Audit Paragraphs and Performance Audits 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 are 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 financial year ended 2013-14 as on 31.03.2015 is given in **Table-1.1.5**:

Table-1.1.5: Position regarding receipt of Explanatory Notes on the paragraphs and Performance Audits 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	2008-2009	13.8.2010	26	-	26
	2009-2010	29.8.2011	23	09	14
	2010-2011	06.9.2012	21	09	12
	2011-2012	27.7.2013	39	06	33
	2012-2013	05.8.2014	19	-	19
	2013-2014	27.8.2015	21	-	21
Total			149	24	125
State Finance	2008-2009	13. 8.2010	12	-	12
	2009-2010	29.8.2011	12	-	12
	2010-2011	06.9.2012	16	-	16
	2011-2012	27.7.2013	13	-	13
	2012-2013	05.8.2014	10	-	10
	2013-2014	26.3.2015	09	-	09
Total			72	-	72

1.1.7.1 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 07 paras and 08 sub-paras of the Audit Report for the years 1999-2000 to 2008-2009 but no ATNs were received from the Departments on above paras and sub-paras of Audit Reports.

1.1.8 Government response to significant audit observations (draft paragraphs/Performance Audits/Long Draft Paragraph)

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 a negative impact on the success of programmes and functioning of the Departments. The focus was on auditing the specific programmes 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 that their comments are included. They were also advised to have meeting with the Accountant General to discuss the draft reports of Performance Audit/Long Draft Paragraph/ Follow-up Audit and draft paragraphs.

These draft reports and paragraphs proposed for inclusion in the Report were also forwarded to the Principal Secretaries/ Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on five Performance Audits/ Long Draft Paragraph /Follow-up Audit and 13 draft paragraphs were forwarded to the concerned Administrative Secretaries. Government reply has been received in respect of five Performance Audit/ Long Draft Paragraph/Follow-up Audit and three out of 13 draft paragraphs.

1.1.9 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 and 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, annual accounts have not been submitted to Audit as of September 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 2012-13 have not been received (August 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 the State Legislature has not been intimated as of November 2015. The annual accounts for the years 2012-13 to 2014-15 have not been received as of September 2015.

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