

---

---

# **Executive Summary**

---

---



# Executive Summary

## Fiscal Situation of the State

Revenue receipts, revenue expenditure and capital expenditure has improved from 2012-13 to 2016-17 even after accounting for inflation and also as a percentage of Gross State Domestic Product (GSDP).

### *Paragraph 1.1.1*

The State has not achieved revenue surplus, fiscal deficit and ratio of outstanding debt to GSDP targets of the budget estimates 2016-17 and Fiscal Responsibility and Budget Management Act. Audit estimation further revealed that the revenue surplus, fiscal deficit and debt: GSDP ratio was even more adverse than depicted in the accounts.

### *Paragraph 1.1.2*

The primary deficit of the Government of Jharkhand increased from ₹ 1,015 crore (2012-13) to ₹ 6,020 crore during 2016-17 indicating that non-debt receipts were not sufficient to meet the primary expenditure of the State.

### *Paragraph 1.1.2.2*

## Resources mobilization

Revenue receipts (₹ 47,054 crore) increased by ₹ 6,416 crore (15.8 per cent) over the previous year (₹ 40,638 crore) which was lower than the budget estimates (₹ 55,746 crore).

Revenue expenditure (₹ 45,089 crore) increased by ₹ 8,536 crore (23 per cent) over 2015-16, which was lower than the budget estimates (₹ 48,762 crore).

Capital expenditure (₹ 10,861 crore) increased by ₹ 2,702 crore (33 per cent) over 2015-16, which was lower than the budget estimates (₹ 10,992 crore).

*Recommendation: The Finance Department should rationalise the budget preparation exercise, so that the persisting gap between the budget estimate and actuals is bridged.*

### *Paragraph 1.1.3*

## Summary of important audit findings and recommendations:

### Labour Cess

As per the Finance Accounts, ₹ 312.90 crore was collected as cess from contractors executing government projects between 2008-09 and 2016-17. The cess collected has not been transferred to the Labour Welfare Board (February 2018) inflating the Revenue Surplus and understating the Fiscal Deficit of the State during the relevant years.

Non-transfer of cess to Labour Welfare Board not only defeated the very purpose of the cess collection but also represents a Government liability to this extent.

*Recommendation: The Finance Department should ensure transfer of Labour Cess to the Labour Welfare Board as early as possible.*

### *Paragraph 1.3.5*

### **Adequacy of Public Expenditure**

The ratio of development expenditure and economic service expenditure to aggregate expenditure was more than average for the General Category States (GCS). However, education sector expenditure and health sector expenditure were less than that of GCS.

*Paragraph 1.7.1*

### **Financial results of irrigation projects**

The 13<sup>th</sup> and 14<sup>th</sup> Finance Commissions had prescribed cost recovery rate on irrigation projects for assessing commercial viability of these projects. However, as disclosed from Finance Accounts of the State no irrigation scheme was declared as commercial.

As per Appendix VIII (i) of the Finance Accounts, there are 42 Irrigation projects in Jharkhand with total capital outlay of ₹ 1,707.49 crore at the end of 2016-17, of which, ₹ 1,543.47 crore was spent on the working expenses and maintenance charges on these project. During 2016-17, ₹ 62.19 crore received as revenue from these projects.

*Recommendation: The State Government may initiate measures to declare irrigation projects as commercial for cost recovery as per Finance Commissions recommendations.*

*Paragraph 1.8.1*

### **Incomplete projects**

Blocking of funds on incomplete works impinge negatively on the quality of expenditure. The Public Works Departments had 280 numbers of incomplete projects which was to be completed by the month of March 2017. The expenditure on those projects was ₹ 4,777.52 crore as on 31 March 2017.

*Recommendation: The Public Works Departments of the State may evolve a mechanism to ensure timely completion of projects.*

*Paragraph 1.8.2*

### **Return on Investment, Loans and Advances**

During 2012-17 the State Government incurred a notional loss of ₹ 55.43 crore on account of difference between the Government's borrowing cost and the return on investment on working PSUs. The return on investment on non-working PSUs cannot be estimated.

Also, the State Government has incurred a notional loss of ₹ 709 crore on account of difference between the Government's borrowing cost and the loans advanced over the past three years.

*Recommendation: The State Government is required to review investment in companies whose financial performance does not even meet the borrowing cost of capital.*

*Paragraph 1.8.3 & 1.8.4*

### **Sinking Fund**

Following the recommendations of the 12<sup>th</sup> Finance Commission, the State created a Sinking Fund in 2016-17 for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds etc.

Against the minimum requirement of ₹ 282.65 crore for Sinking Fund, GoJ made provision of ₹ 200 crore in the Budget during 2016-17. However, no amount was transferred to the Fund in 2016-17 despite budget provision

**Recommendation:** *GoJ should follow the recommendation of Twelfth Finance Commission and transfer the required amounts to the Sinking Fund for amortisation of debt.*

### Paragraph 1.9.3

#### State Disaster Response Fund (SDRF)

The SDRF had a closing balance of ₹ 1,259.21 crore at March 2017. As per Para 19 and 20 of SDRF guidelines 2010, the balances under funds should be invested by the State Executive Committee in (a) Central Government dated securities (b) auctioned treasury bills and (c) interest earning deposits and certificates of deposits with Scheduled Commercial Banks. However, the Government did not act as per guidelines.

Further, GoJ had not paid any interest to SDRF since creation of the fund which works out to ₹ 403.63 crore as per calculation at the applicable rates of interest during the period 2010-17, thus created a liability to that extent at the end of March 2017. During 2016-17, the un-paid interest was ₹ 74.50 crore.

**Recommendation:** *The State should invest the huge balance lying under this fund as per the guidelines.*

### Paragraph 1.9.4

#### Status of Guarantees- Contingent Liabilities

As per the recommendation of the 12<sup>th</sup> Finance Commission, the GoJ was required to constitute a Guarantee Redemption Fund with minimum annual contribution of 0.50 *per cent* of outstanding guarantees at the beginning of the year. However, the State Government has not created the Guarantee Redemption Fund.

Thus, GoJ had not transferred ₹ 6.32 crore to GRF pertaining to the period 2005-06 (start of 12<sup>th</sup> FC) to 2016-17 w.r.t the outstanding guarantees of ₹ 157.15 crore to Damodar Valley Corporation towards the electricity purchased by the Jharkhand State Electricity Board. Out of ₹ 6.32 crore shown above, ₹ 0.79 crore pertains to 2016-17.

No guarantee has been given or revoked during 2016-17.

**Recommendation:** *State Government should create and operate the Guarantee Redemption Fund as per the recommendations of the 12<sup>th</sup> Finance Commission.*

### Paragraph 1.9.5

#### Savings

Savings of ₹ 9,979.81 crore (74 *per cent*) occurred in 23 cases relating to 19 grants. In these cases, savings exceeded ₹ 100 crore and was 20 *per cent* or more of the grant.

In 12 cases (11 departments), there were persistent savings of 10 *per cent* or more of the total grants, during the last five years

**Recommendations:** *Finance Department should ensure proper budgeting based on the actual requirements from field units. All anticipated savings*

*should be surrendered on time so that the funds can be utilised for other development purposes*

**Paragraph 2.4.1 & 2.4.3**

#### **Advances from Contingency Fund**

Advances amounting ₹ 382.07 crore on 52 occasions were withdrawn from Contingency Fund during 2016-17 out of which, on 22 occasions, a total amount of ₹ 348.52 crore was withdrawn to meet expenditure which were neither unforeseen nor of emergent nature.

**Recommendation:** *The State Government should ensure that no advances are drawn from the Contingency Fund except to meet expenditure of emergent and unforeseen nature.*

**Paragraph 2.4.4**

#### **Excess over provisions requiring regularisation**

Excess expenditure of ₹ 2,749.87 crore over provisions occurred during 2001-02 to 2016-17 requires regularisation under Article 205 of the Constitution of India.

**Recommendation:** *All the existing cases of excess expenditure need to be got regularised at the earliest and in future such expenditure may be completely stopped, except in case(s) of dire and extreme emergency, where the expenditure should only be met from the Contingency Fund.*

**Paragraph 2.4.5**

#### **Rush of Expenditure**

An expenditure of ₹ 6,966.05 crore (69.82 per cent) was incurred in the last quarter of the year 2016-17 against the total expenditure of ₹ 9,977.08 crore in 29 heads. Of this, ₹ 3,970.49 crore (39.80 per cent of total expenditure) was incurred in the month of March 2017 avoiding the provisions of Jharkhand budget manual.

**Recommendation:** *The State Government should strictly adhere the provisions of budget manual.*

**Paragraph 2.5**

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

Utilisation certificates (UCs) of ₹ 29,449.52 crore against the Grants-in-aid bills drawn upto 2015-16 by different departments were outstanding as on 31 March 2017 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.

**Recommendation:** *The Finance Department should prescribe a time frame within which administrative departments releasing grants, collect UCs pending for more than the time stipulated in the grant orders and also ensure that till such time, administrative departments release no further grants to defaulting grantees. The Government may initiate appropriate action against the officers who defaulted submission of UCs in time.*

**Paragraph 3.1**

**Delay in submission of Accounts of PSUs**

The accounts of 19 working PSUs (54 accounts) and 03 non-working PSUs/Corporations (15 accounts) are in arrear ranging from one to eight years. Despite this, the State Government had extended Budgetary support of ₹ 2,658.06 crore in 11 working PSUs {Equity: ₹ 76.25 crore, Loans: ₹ 1,271.80 crore, Capital Grants: ₹ 1,310.01 crore} during the period. The State Government also extended budgetary support of ₹ 15.53 crore to one non-working Company during the period.

Also, the recoveries of loans given to these institutions which have not finalised their accounts are in arrears.

**Recommendation:** *The Finance Department should review the cases of all PSUs that are in arrears of accounts, ensure that the accounts are made current within a reasonable period, and stop financial support in all cases where accounts continue to be in arrears.*

**Paragraph 3.2.3**

**Declaration of Dividend**

The State Government had not formulated any dividend policy under which PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, five PSUs with government equity of ₹ 75.74 crore earned an aggregate profit of ₹ 22.97 crore but did not declare any dividend.

**Recommendation:** *State should formulate dividend policy for return on its investments as share capital.*

**Paragraph 3.2.4**

**Outstanding Detailed Contingent bills**

At the end of March 2017, Detailed Contingent bills amounting to ₹ 5,651 crore was outstanding against 9,503 number of Abstract Contingent bills advanced during 2001-2017.

Audit of the funds drawn on AC bills during the period 2000-17 by the Road Construction Department (RCD) reveals that ₹ 450.15 crore was drawn through 199 AC bills under Major heads 3054 (₹ 0.39 crore) and 5054 (₹ 449.76 crore) during the period.

**Recommendation:** *The Finance Department should ensure that all controlling officers adjust in a time bound manner, all AC bills pending beyond the prescribed period, and also ensure that AC bills are not drawn merely to avoid lapse of budget.*

**Paragraph 3.3 & 3.4**

**Personal Deposit Accounts /Personal Ledger Accounts**

As per provisions in Jharkhand Treasury Code Rule 334, the deposit administrator shall review all Personal Deposit Accounts at the end of each financial year. Money lying unspent after two consecutive financial years should not be spent any further and balance should be transferred as reduction of expenditure to the concerned service head from which the money was withdrawn.

During 2016-17, ₹ 8,406.87 crore were added in the opening balance of ₹ 5,217.97 crore and ₹ 4,136.44 crore spent during the year leaving a balance of ₹ 9,488.40 crore at the end of 2016-17 in 155 Personal Ledger Accounts.

Test check of PL Accounts of seven institutions revealed that ₹ 285.82 crore remained unutilised for more than three to eight years and not surrendered as of 31 March 2017 by the Administrators of the respective institutions.

**Recommendation:** *The Finance Department is required to review all PL accounts and ensure that all amounts unnecessarily lying in these PL accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department is required to reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.*

**Paragraph 3.8**

**Booking under minor head '800'**

GoJ departments routinely operated minor head 800 which is to be operated only in rare cases. During 2016-17, ₹ 1,335.62 crore under receipts and ₹ 1,139.59 crore under expenditure was booked under minor heads 800 resulting in opaqueness of transactions.

**Recommendation:** *The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate head of account.*

**Paragraph 3.9**

**Apportionment of balances as on reorganisation of the State**

Balances amounting to ₹ 7,443.90 crore under Public Accounts heads along with balance under Capital Section ₹ 11,935.23 crore and Loans and Advances ₹ 6,583.36 crore remained to be apportioned between the successor States Bihar and Jharkhand, almost two decades after the reorganisation of the erstwhile State of Bihar with effect from November 2000.

**Recommendation:** *The State Government is required to expedite the apportionment of balances under Deposits and Advances between the two successor States.*

**Paragraph 3.12**

**Impact on Revenue surplus and Fiscal deficit**

As per Finance Accounts, the impact of incorrect booking/accounting of expenditure and revenue resulted in overstatement of revenue surplus amounts to ₹ 258.54 crore and understatement of fiscal deficit to the tune of ₹ 154.70 crore.

However, as discussed in various places in the report, the impact of incorrect booking/accounting of expenditure and revenue as worked by Audit amounts to overstatement of revenue surplus by ₹ 1,359.61 crore and understatement of fiscal deficit to the tune of ₹ 671.98 crore.

**Paragraph 3.14**