

## Executive Summary

### **Fiscal situation of the State**

Revenue receipts, revenue expenditure and capital expenditure has increased from 2013-14 to 2017-18 as a percentage of Gross State Domestic Product (GSDP) even after accounting for inflation. However, its growth rate decreased in comparison to the previous year.

#### *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 2017-18 and Fiscal Responsibility and Budget Management Act.

The Fiscal Deficit (₹ 11,933 crore) was 4.67 *per cent* of GSDP at current prices which was much beyond the recommended ceiling of 3.25 *per cent* by the FFC. Further, FD-GSDP ratio was nearly double its target under MTFP and its budget estimate for the year.

#### *Paragraph 1.1.2*

From primary surplus of ₹ 358 crore in 2013-14, Government of Jharkhand plunged to a primary deficit of ₹ 7,271 crore during 2017-18.

#### *Paragraph 1.1.2.2*

### **Resources mobilisation and application**

Revenue receipts (₹ 52,756 crore) increased by ₹ 5,702 crore (12.12 *per cent*) over the previous year (₹ 47,054 crore) which was lower than the budget estimates (₹ 65,978 crore).

Revenue expenditure (₹ 50,952 crore) increased by ₹ 5,863 crore (13 *per cent*) over 2016-17 (₹ 45,089 crore), which was lower than the budget estimates (₹ 58,222 crore).

Capital expenditure (₹ 11,953 crore) increased by ₹ 1,092 crore (10.10 *per cent*) over 2016-17 (₹ 10,861 crore), which was lower than the budget estimates (₹ 12,742 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, 1.2 & 1.6*

### **State Own Resources**

The Own Tax Revenue (OTR) to GSDP ratio of Jharkhand was 4.84 *per cent* which was significantly lower than the ratio of the neighbouring states like Odisha, West Bengal and Chhattisgarh (6.71, 5.16 and 6.82 *per cent* respectively) whereas, it was slightly higher than the ratio of Bihar (4.74 *per cent*) during 2017-18.

#### *Paragraph 1.3.1*

### **Labour Cess**

As per the Finance Accounts, ₹ 393.67 crore was collected as cess from contractors executing government projects upto 2017-18. The cess collected

has not been transferred to the Labour Welfare Board (March 2018) inflating the Revenue Surplus and understating the Fiscal Deficit of the State during the relevant years and represent the unaccounted liabilities of the State.

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

**Paragraph 1.3.5**

### **Capital Expenditure**

Ratio of Capital Expenditure to GSDP of Jharkhand (4.68) was significantly higher than that of West Bengal and Chhattisgarh (1.90 and 3.43 respectively). However, it was lower than the ratio of Bihar and Odisha (5.93 and 5.07 respectively).

**Paragraph 1.6.1**

### **Adequacy of Public Expenditure**

The ratio of development expenditure, economic service expenditure and capital expenditure to aggregate expenditure (AE) was significantly higher than the average for the General Category States (GCS) during 2017-18. However, Education Sector Expenditure and Health Sector Expenditure was less than the average of GCS during the year.

**Paragraph 1.7.1**

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

The Thirteenth and Fourteenth Finance Commissions had prescribed cost recovery rate on irrigation projects for assessing the commercial viability of these projects. However, no irrigation scheme was declared as commercial by the Government of Jharkhand.

There are 42 Irrigation projects in Jharkhand with total capital outlay of ₹ 1,982.10 crore at the end of 2017-18, of which, ₹ 1,720.06 crore was spent on working expenses and maintenance charges. During 2017-18, ₹ 48.78 crore was received as miscellaneous 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**

The Public Works Departments had 113 incomplete projects which were to be completed by the month of March 2018. The expenditure on these projects was ₹ 1,402.66 crore as on 31 March 2018. Blocking of funds on incomplete works impinge negatively on the quality of expenditure. Delay in completion of projects/works not only invites the risk of cost escalation but also deprives the State of the intended benefits.

**Recommendation:** *The Public Works Departments of the State may evolve a mechanism to ensure timely completion of projects. The revised estimates of all the incomplete projects should be prepared and approved on priority so as to have a realistic assessment of the funds required to complete these projects.*

**Paragraph 1.8.2**

### Return on Investment

During 2013-18 the State Government incurred a notional loss of ₹ 83.52 crore on account of difference between the Government's borrowing cost and the return on investment on working PSUs.

Loans to Jharkhand State Electricity Board (JSEB) amounting to ₹ 7,222 crore continue to be depicted in the government accounts as receivable from the Board, even though the Board was unbundled in January 2014 into separate companies. Thus, the assets of the State was inflated to the extent of ₹ 7,222 crore.

**Recommendation:** *The State Government should rationalise its investments and loans advanced to various entities such that the return on investment and loans at least matches the Government borrowing costs.*

**Paragraph 1.8.3 & 1.8.4**

### State Disaster Response Fund (SDRF)

The SDRF had a closing balance of ₹ 1,551.04 crore as on 31 March 2018. However, the balances under the fund were not invested by the State Government as required under SDRF guidelines 2010.

Further, as per the guidelines, the Government was required to pay interest on the uninvested balances at the rate of interest (8.08 *per cent*) payable on overdrafts, which is to be added to the corpus of the fund itself. However, GoJ had not paid any interest to SDRF since its creation, which works out to ₹ 505.37 crore at the applicable rates of interest for the period 2010-18. Of this, unpaid interest for 2017-18 alone amounted to ₹ 101.74 crore. Consequently, the balances in the Fund are only book entries and do not represent actual cash balance. Such unpaid interest since the operation of the Fund represents the unaccounted liabilities of the State.

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

**Paragraph 1.9.4**

### Savings

Savings of ₹ 11,501 crore (80 *per cent*) occurred in 24 cases relating to 21 grants. In these cases, savings exceeded ₹ 100 crore and was 20 *per cent* or more of the grant.

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

**Recommendations:** *Finance Department should prepare budget based on the actual requirements from field units and ensure optimum utilisation of the amount allocated. 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 ₹ 337.55 crore were withdrawn on 49 occasions from the Contingency Fund during 2017-18 out of which, on 24 occasions, an amount of ₹ 226.71 crore was withdrawn to meet expenditure which were neither unforeseen nor of emergent nature.

Thus, the Contingency Fund was used by the State as an imprest account for meeting non-contingent expenditure.

**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 for the years 2001-02 to 2016-17 was yet to be regularised by the State Legislature as required under Article 205 of the Constitution of India. Further, there was an excess expenditure of ₹ 265.50 crore over provisions during 2017-18.

**Recommendation:** *The Finance Department should take immediate steps to regularise the excess expenditure of ₹ 3,015.37 crore.*

**Paragraph 2.4.5**

#### **Rush of Expenditure**

In 13 grants, expenditure of ₹ 5,956.80 crore (59.08 per cent) was incurred in the last quarter of the year against the total expenditure of ₹ 10,083.23 crore. Of which, an expenditure of ₹ 3,913.00 crore (38.81 per cent of the total expenditure) was incurred in the month of March 2018. Further, out of total drawal in March, ₹ 9.30 crore was drawn through AC bills.

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

**Paragraph 2.5**

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

Utilisation certificates (UCs) of ₹ 38,911.59 crore against Grants-in-aid bills drawn upto 2016-17 by different departments were outstanding as on 31 March 2018 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 in submission of UCs in time.*

**Paragraph 3.1**

#### **Delay in submission of Accounts of PSUs**

The accounts of 20 working PSUs (55 accounts) and 01 non-working PSUs/Corporations (five accounts) are in arrear ranging from one to nine years. Further, it was noticed that the State Government had invested ₹ 64.97 crore in share capital, between 2008-09 and 2016-17, in four PSUs which have not finalised their accounts in violation of provisions of the Companies Act.

**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**

#### **Outstanding Detailed Contingent bills**

At the end of October 2018, Detailed Contingent bills for an amount of ₹ 5,216 crore was outstanding against 18,406 Abstract Contingent bills drawn during 2001-2018.

Further, out of ₹ 1,209 crore drawn on AC bill in 2017-18, AC bills amounting to ₹ 233 crore (19.27 per cent) were drawn in March 2018 and of this, ₹ 40 crore was drawn on the last day of the financial year.

Audit of the funds drawn on AC bills during the period 2000-18 by the Rural Development Department (RDD) revealed that ₹ 4,965 crore was drawn through 5,963 AC bills during the period against which 2,854 DC bills amounting to ₹ 1,293.34 crore were outstanding as on July 2018.

**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 Ledger Accounts (PLAs)**

As per Rule 174 of Jharkhand Treasury Code money should not be withdrawn from Treasury unless it is required for immediate payment.

During 2017-18, ₹ 12,694.02 crore were added in the opening balance of ₹ 9,488.40 crore leading to accumulation of ₹ 22,182.42 crore in PLAs. Further, ₹ 8,979.76 crore was spent during the year leaving a balance of ₹ 13,202.66 crore at the end of 2017-18 in the PLAs.

**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 3.6**

#### **Booking under minor head '800'**

GoJ departments routinely operated minor head 800 which is to be operated only in rare cases. During 2017-18, ₹ 1,107.08 crore under receipts and ₹ 2,006.67 crore under expenditure was booked under minor heads 800 resulting in opaqueness of transactions.

**Recommendation:** *The Finance Department should, in consultation with the Principal 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 accounts.*

### **Paragraph 3.7**

**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 3.9***

**Impact on Revenue surplus and Fiscal deficit**

Incorrect accounting of expenditure and revenue resulted in overstatement of revenue surplus and understatement of fiscal deficit by ₹ 831.08 crore. The outstanding liabilities of the State was also understated by ₹ 831.08 crore.

***Paragraph 3.11***