

## Executive Summary

### ***Background***

Based on the audited accounts of the Government of Rajasthan for the year ended March 2017, this report provides an analytical review of the finances of the State Government. The financial performance of the State has been assessed based on the Fiscal Responsibility and Budgetary Management Act, Budget Documents, Economic Review 2016-17, XIV Finance Commission Report and other financial data obtained from various Government departments and organisations.

### ***Report***

This report is structured in three Chapters.

**Chapter I** is based on Finance Accounts and makes an assessment of Government of Rajasthan's fiscal position as on 31 March 2017. It provides an insight into trends in receipts, expenditure, borrowing pattern etc.

**Chapter II** is based on Appropriation Accounts and gives grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

**Chapter III** is an inventory of Government of Rajasthan's compliance with various reporting requirements and financial rules.

The report also has an **Appendix 1.1** of additional data collected from several sources in support of the findings. **Appendix 4.1** at the end gives a glossary of selected terms related to the State economy, as used in this report.

### **Audit Findings and Recommendations**

#### **Finances of the State Government**

**Fiscal Deficit:** The State Government failed to contain the fiscal deficit within the limit of 3 *per cent* of GSDP, as laid down in FRBM Act and at the end of 2016-17, the fiscal deficit was ₹ 23,946 crore (3.19 *per cent* of GSDP), without taking into consideration the impact of Ujwal DISCOM Assurance Yojana (UDAY). The State Government released sum of ₹ 22,372 crore to the DISCOMs during 2016-17. If this impact is taken into account, the fiscal deficit of State Government rises to ₹ 46,318 crore (6.18 *per cent* of GSDP). The accumulated losses of the power sector PSUs were ₹ 1,01,239.35 crore as against the capital investment of ₹ 38,026.84 crore.

*(Paragraphs 1.2.2.3, 1.9.3, 1.9.5 and 1.11)*

**Revenue deficit:** The State Government was unable to achieve its target of attaining zero revenue deficit envisaged under the FRBM Act for the fourth consecutive year. During 2016-17, the revenue deficit increased to ₹ 18,114 crore from ₹ 5,954 crore in 2015-16. The State Government projected revenue expenditure of ₹ 1,32,053 crore and revenue receipts of ₹ 1,23,251 crore in Budget Estimates, with a view to maintain the revenue deficit of ₹ 8,802 crore during 2016-17. However, the actual expenditure was ₹ 1,27,140 crore (3.72

per cent less than estimates) and actual receipts were ₹ 1,09,026 crore (11.54 per cent less than estimates) during the year, leading to revenue deficit of ₹ 18,114 crore. However, Revenue Deficit was ₹ 9,114 crore without considering the impact of UDAY.

*(Paragraphs 1.2.2 and 1.11)*

**Debt:** The outstanding debt showed a steady increase over the years, from ₹ 1,17,809 crore at the end of 2012-13 to ₹ 2,55,002 crore (with UDAY) i.e. 34.01 per cent of GSDP (without UDAY it was ₹ 1,92,580 crore i.e. 25.69 per cent of GSDP) at the end of 2016-17. However, annual incremental borrowings of ₹ 23,244 crore (without UDAY) were higher than the ceiling of ₹ 21,554 crore, as fixed by the GoI.

*(Paragraph 1.10.2)*

**Revenue receipts:** The revenue receipts of the State increased steadily from ₹ 66,913 crore in 2012-13 to ₹ 1,09,026 crore in 2016-17. The growth in revenue receipts during 2016-17 was 8.7 per cent (₹ 8,741 crore) as compared to 9.8 per cent in the previous year. This was mainly on account of 20.2 per cent (₹ 5,640 crore) growth of the State's Share of Union Taxes in 2016-17. The share of tax revenue to revenue receipts declined from 46 per cent in 2012-13 to 41 per cent in 2016-17.

*(Paragraph 1.4)*

**Revenue expenditure:** While overall revenue expenditure of the State increased by 100 per cent from ₹ 63,462 crore in 2012-13 to ₹ 1,27,140 crore in 2016-17, its share in total expenditure declined from 82.9 to 80.9 per cent. However, during 2016-17, there was 19.7 per cent growth in revenue expenditure as compared to previous year's growth of 12.4 per cent. The Non Plan Revenue Expenditure also increased consistently over the period from ₹ 49,227 crore in 2012-13 to ₹ 79,658 crore in 2016-17 and stood 63 per cent of revenue expenditure after recording growth of 7 per cent over the previous year.

*(Paragraph 1.7 and 1.8)*

***The estimation of expenditure and receipts to attain the fiscal parameters within the prescribed limits may be made realistic and the State Government may persistently endeavour to achieve prudent financial targets.***

***It was observed that power sector was largely contributing to the financial debt and interest burden of the state over a period of time. UDAY was implemented to manage the debt in 2015-16.***

***The State Government may, inter alia, regularly review major fiscal parameters like fiscal deficit, primary deficit, revenue deficit and other outstanding liabilities. The Government may address the problem in the power sector on priority basis.***

**Accounting system of Local Bodies:** The state of accounting and certification of accounts in the PRIs and ULBs was not satisfactory. DLFAD issued only nine unqualified certificates and 6,404 qualified certificates in respect of PRIs.

*(Paragraph 1.7.5)*

***The accounting system in the Local Bodies needs to be strengthened. The State Government should ensure timely preparation and submission of accounts and their certification.***

**Investments:** During 2016-17, the State Government invested ₹ 4,316.32 crore in Government Companies, Statutory Corporations and Cooperative Institutions etc., State Government invested ₹ 4,065.71 crore in five Power Companies and ₹ 248.61 crore in other than power companies. During 2012-17, though the State Government invested ₹ 22,980.61 crore, the average return by way of dividend on the investment in the Government Companies and Statutory Corporations was less than 0.3 per cent, whereas, the Government paid up to 7.6 per cent interest on an average on its borrowings during 2012-17.

The State Government had invested ₹ 40,730.66 crore in State Public Sector Undertakings which have aggregated accumulated loss of ₹ 1,01,241.75 crore. This eroded the capital investment in loss making companies.

The State Government did not receive any dividend from 24 Joint Stock Companies during 2016-17.

*(Paragraph 1.9.3)*

***The State Government needs to ensure better value for money in investment.***

### **Financial Management and Budgetary Control**

**Budgetary Control:** During 2016-17, expenditure of ₹ 1,66,175.87 crore was incurred against total grants and appropriations of ₹ 1,83,564.19 crore leaving savings of ₹ 17,388.32 crore. Further, supplementary provisions of ₹ 1,453.04 crore obtained in 16 cases, proved unnecessary.

*(Paragraphs 2.2 and 2.3.7)*

**Financial Management:** Departments surrendered ₹ 17,281.09 crore on the last working day of the financial year leaving no scope for utilising these funds for other purposes. In three cases, ₹ 127.70 crore was surrendered in excess of actual savings. In two grants there was excess expenditure of ₹ 0.40 crore, which requires regularisation. Further, in 90 cases, lump sum provision of ₹ 6,562.78 crore was made, out of which ₹ 4,461.11 crore (68 per cent) remained unutilised.

*(Paragraphs 2.3.2, 2.3.10, 2.3.11 and 2.3.12)*

***Controlling/Disbursing Officers should keep a close and constant watch over the progress of expenditure against the sanctioned allotment in order to ensure utilisation of allotted funds as per requirement. They should also specifically strengthen monthly expenditure control and monitoring mechanisms.***

***Efforts should be made by all Departments to submit realistic budget estimates keeping in view the trends of expenditure in order to avoid large scale savings/excesses, reappropriations and surrenders at the end of the year, so that they can be effectively utilised in other areas/schemes.***

***Contingent Bills:*** Detailed Contingent Bills remained outstanding against 220 Abstract Contingent Bills amounting to ₹ 371.75 crore as on 30 June 2017.

***(Paragraph 2.5)***

***A rigorous monitoring mechanism should be put in place to adjust the advances drawn against Abstract Contingent Bills within the stipulated period.***

***Rush of expenditure:*** Out of total expenditure of ₹ 28,548.73 crore in respect of 75 sub-heads, a sum of ₹ 14,624.19 crore (exceeding ₹ 50 crore and more than 30 per cent of the total expenditure in each case) was incurred in last quarter of the financial year. Of this, ₹ 10,590.05 crore was spent in March 2017 alone, which led to rush of expenditure at the end of the year.

***(Paragraph 2.3.4)***

***Departments should closely monitor progress of expenditure throughout the year to avoid the quality related pitfalls associated with rush of expenditure at the end of the year.***

## **Financial Reporting**

***Utilisation Certificates:*** Non-submission of Utilisation Certificates of ₹ 9.32 crore indicated lack of proper monitoring by the Departments in utilisation of grants sanctioned for specific purposes. Instances of non-submission of Utilisation Certificates involving substantial amount, were noticed during test check in Science and Technology Department (₹ 6.31 crore) and Family Welfare Department (₹ 2.89 crore).

***(Paragraph 3.1)***

***Issues holding up submission of Utilisation Certificates should be identified to ensure their submission within the time stipulated.***

***Submission of accounts:*** There has been non-submission/delay in submission of accounts of autonomous bodies/authorities. Accounts of 58 autonomous bodies/ authorities, auditable under section 14 of CAG's (DPC) Act 1971, were in arrears for the last one to nine years.

***(Paragraph 3.2)***

***In order to clear the arrears of accounts in a time-bound manner, the controlling Departments should analyse the reasons for delay in finalisation of accounts of autonomous bodies/authorities and take suitable remedial measures for their timely submission.***

***Misappropriation, theft and losses:*** Out of 877 outstanding cases of misappropriation, theft and losses of Government money amounting to ₹ 67.02 crore, departmental and criminal investigation was awaited in 306 cases involving ₹ 29.57 crore. Further, orders for recovery/write off in 505 cases involving ₹ 32.48 crore were also awaited.

***(Paragraph 3.5)***

***Departmental enquiries in all the cases of fraud and misappropriation should be expedited. The internal controls in all the organisations should be strengthened to prevent recurrence of such cases***