EXECUTIVE SUMMARY

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Fiscal situation of the State

Revenue receipts, revenue expenditure and capital expenditure, as a percentage of Gross State Domestic Product (GSDP), has shown a decreasing trend from 2016-17 onwards. Further, capital expenditure, as a percentage of GSDP, has decreased significantly during 2018-19.

Paragraph 1.1.1

The State has not achieved revenue surplus and Fiscal Deficit to GSDP ratio as targeted in the MTFP statement under FRBM Act. Moreover, normative projection of FFC in respect of outstanding debt to GSDP ratio for the year 2018-19 was also not achieved.

The Fiscal Deficit (₹ 6,629 crore) was 2.16 *per cent* of GSDP against recommended ceiling of 3.25 *per cent* by the FFC and 2.61 *per cent* targeted under MTFP.

Paragraph 1.1.2

Primary Deficit of the State improved significantly from ₹ 7,271 crore in 2017-18 to ₹ 1,777 crore during 2018-19.

Paragraph 1.1.2.2

Resources mobilisation and application

Revenue receipts (₹ 56,152 crore) increased by ₹ 3,396 crore (6.44 *per cent*) over the previous year (₹ 52,756 crore) which was lower than the budget estimates (₹ 69,578 crore).

During 2018-19, Revenue expenditure (₹ 50,631 crore) decreased by ₹ 321 crore (0.6 *per cent)* over 2017-18 (₹ 50,952 crore). The budget estimates of Revenue expenditure for the current year was ₹ 61,523 crore.

Capital expenditure (₹ 10,712 crore) decreased by ₹ 1,241 crore (10.38 *per cent*) over 2017-18 (₹ 11,953 crore). The budget estimates of Capital expenditure for the current year was ₹ 13,068 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

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 2018-19. However, Social Sector Expenditure along with expenditure on Education 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.

During 2018-19, total capital outlay of ₹ 1,759.45 crore was provided to 11 irrigation projects and ₹ 1,480.90 crore was spent on working expenses and maintenance charges on 23 projects. During 2018-19, ₹ 38.04 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

Return on Investment

During 2014-19, the State Government incurred a notional loss of ₹ 109.53 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 ₹ 1,930.09 crore as on 31 March 2019. As required under SDRF guidelines 2010, the State Government had invested (2012-13) ₹ 400 crore from the balances under the fund.

During 2018-19, the State Government transferred the contribution from GoI along with their share into public account with a delay of 11 days (₹ 210.50 crore) and 184 days (₹ 31.58 crore) after receipt of Central share, for which the State Government was liable to pay an interest of ₹ 1.46 crore, which was not paid.

Further, as per the guidelines, the Government was required to pay interest on the uninvested balances at the rate of interest (8.25 *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 ₹ 535.83 crore at the applicable rates of interest for the period 2010-19. Of this, unpaid interest for 2018-19 alone amounted to ₹ 94.96 crore. Such unpaid interest since the operation of the Fund represents the unaccounted liabilities of the State.

Recommendation: *The State should ensure timely transfer of contribution received from GoI along with its share into public account and also invest the balances lying under the fund as per the SDRF guidelines.*

Paragraph 1.9.4

Savings

Out of total saving of ₹ 20,224 crore, savings of ₹ 15,941 crore (79 *per cent*) occurred in 29 cases relating to 27 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 2.3.1 &2.3.3

Advances from Contingency Fund

Advances amounting ₹ 69.72 crore were withdrawn on 40 occasions from the Contingency Fund during 2018-19 out of which, an amount of ₹ 15.34 crore, drawn on 13 occasions, was utilised for meeting 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 2.3.4

Excess over provisions requiring regularisation

Excess expenditure of ₹ 3,015.37 crore over provisions for the years 2001-02 to 2017-18 was yet to be regularised by the State Legislature as required under Article 205 of the Constitution of India.

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

Paragraph 2.3.5

Rush of Expenditure

In 21 grants, expenditure of ₹ 6,342.48 crore (62.48 *per cent*) was incurred in the last quarter of the year against the total expenditure of ₹ 10,151.23 crore. Out of this, an expenditure of ₹ 3,691.90 crore (36.37 *per cent* of the total expenditure) was incurred in the month of March 2019. Further, out of total drawal in March, ₹ 35.15 crore was drawn through AC bills.

Recommendation: *The State Government should ensure adherence of the provisions of the Budget Manual by the Drawing and Disbursing Officers to control rush of expenditure during the fag end of the financial year.*

Paragraph 2.4

Outstanding Utilisation Certificates against grants

Utilisation certificates (UCs) of ₹ 53,379 crore against Grants-in-aid bills drawn upto 2017-18 by different departments were outstanding as on 31 March 2019 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 24 working PSUs (69 accounts) and 03 non-working PSUs/ Corporations (three accounts) are in arrears ranging from one to nine years. Further, it was noticed that the State Government had invested ₹ 41 crore in share capital during 2018-19 in six PSUs of which three PSUs have not finalised their accounts.

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 3.2.2

Outstanding Detailed Contingent bills

At the end of March 2019, Detailed Contingent bills for an amount of ₹ 5,479 crore were outstanding against ₹ 20,679 crore drawn on AC bills during 2001-2019.

Further, out of ₹ 1,061 crore drawn on AC bill in 2018-19, ₹ 62 crore was drawn in March 2019.

Audit of the funds drawn on AC bills during the period 2001-19 by the Food, Public Distribution and Consumer Affairs Department and Labour, Employment and Training Department revealed that ₹ 524 crore was drawn through 1,410 AC bills during the period against which 827 DC bills amounting to ₹ 208 crore were outstanding as on July 2019.

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

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 2018-19, ₹ 9,875.32 crore was added in the opening balance of ₹ 13,202.66 crore leading to accumulation of ₹ 23,077.98 crore in PLAs. Further, ₹ 8,730.74 crore was spent during the year leaving a balance of ₹ 14,347.24 crore at the end of 2018-19 in the PLAs.

Recommendation**:** *The Finance Department should 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 3.5

Labour Cess

As per the Finance Accounts, ₹ 473.48 crore was collected as cess from contractors executing Government projects upto 2018-19. The cess collected has not been transferred to the Labour Welfare Board (March 2019) 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 3.6

Booking under minor head '800'

Departments of GoJ routinely operated minor head 800 which is to be operated only in rare circumstances. During 2018-19, ₹ 832.91 crore under receipts and ₹ 1,161.38 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 account.*

Paragraph 3.7

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 ₹ 953.92. The outstanding liabilities of the State was also understated by ₹ 953.92 crore.

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 may expedite the apportionment of Public Accounts balances, Capital Section balances and Loans and Advances balances between the two successor States.*

Paragraph 3.11