

# Executive Summary

## Background

In response to the Twelfth Finance Commission's recommendations, the Chhattisgarh Government enacted its Fiscal Responsibilities and Budget Management (FRBM) Act, entitled the Chhattisgarh Fiscal Responsibility Act, 2005, with a view to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term fiscal framework. As per the Act, the revenue deficit was to be eliminated by the end of March 2009 and fiscal deficit was to be brought down to less than three *per cent* of the Gross State Domestic Product by the end of March 2009. The State Government had achieved these targets by the end of March 2005.

## The Report

Based on the audited accounts of the Government of Chhattisgarh for the year ending March 2010, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

**Chapter I** is based on the audit of Finance Accounts and makes an assessment of the Government's fiscal position as at 31 March 2010. It provides an insight into the trends of committed expenditure and borrowing patterns, besides giving a brief account of Central funds transferred directly to the State implementing agencies through the off-budget route.

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

**Chapter III** is an inventory of the Government's compliance with various reporting requirements and financial rules. The Report also has additional data collated from several sources in support of the findings.

## Audit findings and recommendations

**Fiscal position:** The Government was able to achieve revenue surplus and fiscal deficit targets well before the targets fixed by the Twelfth Finance Commission (TFC) but the fiscal position of the State viewed in terms of trends in deficit indicators revealed deterioration in 2008-09 and 2009-10 relative to 2007-08 as revenue surplus declined and fiscal deficit increased. The primary surplus decreased during 2008-09 and turned into primary deficit in 2009-10.

The deterioration in the fiscal performance during the year was on account of a relatively lower revenue surplus of ₹ 888.22 crore as compared to ₹ 1,869.06 crore in 2008-09. This was mainly due to the increase in revenue

expenditure by 24.17 *per cent* as against the increase in revenue receipts by 15.90 *per cent* during the current year.

**Revenue expenditure:** The revenue expenditure was around 83 *per cent* of the total expenditure, of which nearly 61 *per cent* was Non-Plan expenditure. Non-Plan expenditure increased by 25 *per cent*. The Non-Plan Revenue Expenditure (NPRE) during 2009-10 exceeded the normative assessment made by the TFC for the year by ₹ 2,894.03 crore (38 *per cent*), mainly due to higher expenditure on salaries and pensions on account of implementation of the recommendations of the Sixth Pay Commission and the total NPRE during the TFC period i.e. 2005-06 to 2009-10 exceeded the normative assessment made by the TFC by ₹ 6,445 crore (21 *per cent*).

**Priority to capital expenditure:** Capital expenditure decreased during the year by seven *per cent* over the previous year. Therefore, the State may consider enhancing capital expenditure as a proportion of total expenditure.

**Review of Government investments:** The average return on the Government's investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was 0.17 *per cent* during the year while the Government paid a minimum of 7.13 *per cent* as interest on its borrowings during 2009-10. This was obviously an unsustainable proposition.

**Financial management and budgetary control:** During 2009-10, there were overall savings of ₹ 4,049.09 crore, which were a result of the total savings of ₹ 4,218.32 crore, being offset by the excess of ₹ 169.23 crore. This excess required regularization under Article 205 of the Constitution of India. In 11 cases, the amounts surrendered were more than ₹ 50 lakh in each case, in excess of the actual savings, indicating inadequate budgetary control. As against savings of ₹ 2,107.65 crore in 15 grants involving ₹ one crore or more in each grant, the amount surrendered was only ₹ 1,063.41 crore. There were instances of inadequate provisions of funds, unnecessary/excessive re-appropriations and rush of expenditure at the end of the financial year 2009-10. Further, detailed countersigned contingent bills were not submitted for large amounts of advances drawn on abstract contingent bills. Budgetary controls should be strengthened to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/surrender orders should be avoided.

**Financial reporting:** There were delays in furnishing of utilization certificates against grants received from various grantee institutions. There were instances of losses/theft and misappropriations. Departmental enquiries in respect of all misappropriation cases should be expedited and the internal controls in all the organizations should be strengthened to prevent such cases in future.