# Executive Summary

This Report on the Finances of the Government of Assam is being brought out with a view to assess objectively the financial performance of the State during the year 2010-11. The aim of this Report is to provide the State Government with timely inputs based on actual data so that there is a better insight into both well performing as well as ill performing schemes/programmes of the Government. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government in Fiscal Responsibility and Budget Management Act, 2005 as well as in the Budget estimates of 2010-11.

The Comptroller and Auditor General (C&AG) has been commenting upon the Government's finances for over five years since the FRBM legislation and have published five Reports already. Since these comments formed part of the Civil Audit Report, it was felt that the audit findings on State finances remained camouflaged in the large body of audit findings on compliance and performance audits. The obvious fallout of this well-intentioned but all-inclusive reporting was that the financial management portion of these findings did not receive proper attention. In recognition of the need to bring State finances to centre-stage once again, a stand-alone Report on State Government finances is considered an appropriate audit response to this challenge. Accordingly, from the report year 2009 onwards, C&AG had decided to bring out a separate volume titled "Report on State Finances". This Report is the third in this endeavour.

Based on the audited accounts of the Government of Assam for the year ending March 2011, 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 on 31 March 2011. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of Central funds transferred directly to the State implementing agencies through off-budget route.

**Chapter-II** is based on audit of Appropriation Accounts and it gives the 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's compliance with various reporting requirements and financial rules. This chapter also provides details on non-submission of annual accounts and also delays in placement of Separate Audit Reports in the Legislature by the Autonomous Bodies. Besides, the cases of misappropriation and losses that indicate inadequacy of controls in the Government departments are also detailed in this chapter.

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit and primary deficit etc. indicated that except 2009-10, the State had maintained revenue surplus during the last five year period ending 2010-11. The fiscal deficit and primary deficit of the State were also significantly reduced during the current year compared to previous year and the State also managed to minimize holding of large cash surplus.

***Revenue Receipts***

Revenue receipts grew by 16 *per cent* over the previous year. The increase was mainly contributed by tax revenue (30 *per cent)* and State's share of Union Taxes and Duties (84 *per cen)t* offset by decrease in non-tax revenue (12 *per cent)* and Grants-in-aid from Government of India (GOI) (2 *per cent)*. ***The revenue receipts at ₹23,005 crore is, however, lower by ₹1,549 crore than the assessment made in Five Year Fiscal Plan (FYFP) (₹24,554 crore).***

**(Para-1.1)**

***The State Government should mobilize additional resources both through tax and non-tax sources by expanding the tax base and rationalizing the user charges. It should also make efforts to collect revenue arrears. Efforts should also be made to increase tax compliance, reduce tax administration costs, etc. so that deficits are contained. Ensuring that the Government of India releases all grants due to the State by timely action on all conditionalities that are pre-requisite to the release will also increase the total receipts of the State. There is an urgent need to improve collection of tax and non-tax revenue so that recourse to borrowed funds can be reduced.***

***Revenue Expenditure***

The overall revenue expenditure of the State increased by 100.35 *per cent* from ₹11,456 crore in 2006-07 to ₹22,952 crore in 2010-11 at an annual average rate of 20.07 *per cent* and increased from ₹21,232 crore in 2009-10 to ₹22,952 crore in 2010-11. The NPRE constituted a dominant share of more than 77 *per cent* in the revenue expenditure and has increased by ₹833 crore over the previous year. The Plan revenue expenditure increased by 21 *per cent* over the previous year whereas capital expenditure decreased by 24 *per cent* over the previous year.

**(Paras-1.5.3 and 1.5.1)**

During 2010-11, though the development expenditure (₹16,846 crore) increased by ₹1,893 crore over the previous year, it was much below the budget estimate (₹22,299 crore) for 2010-11. The relative share of the revenue developmental expenditure was 59 *per cent* of the total expenditure while this share in respect of capital development expenditure was only 8 *per cent*. The expenditure pattern of the State, reveals that there is an increasing pressure on revenue expenditure. Salaries and wages alone accounted for more than 45 *per cent* of revenue receipts of the State during the year. It increased by more than 29 *per cent* from ₹8,193 crore in 2009-10 to ₹10,576 crore in 2010-11. Although expenditure on salaries during 2010-11 was less by ₹3,169 crore (23.06 *per cent*) than assessed (₹13,745 crore) by the State Government in its budget and also less by ₹462 crore (4.19 *per cent*) against the projection of ₹11,038 crore in FYFP it was more by 56 *per cent* (₹3,792 crore) than the assessment made by the FC-XIII.

**(Paras-1.6.1 & 1.5.4)**

***The State should initiate action to restrict the components of non-plan revenue expenditure by phasing out implicit subsidies and resort to need based borrowings to cut down interest and principal payments.***

***Fiscal liabilities***

The overall fiscal liabilities of the State increased at an average annual rate of 8.83 *per cent* during the period 2006-11. During the current year, the fiscal liabilities of the State Government increased by ₹1,228 crore from ₹28,465 crore in 2009-10 to ₹29,693 crore in 2010-11. Although the ratio of fiscal liabilities to GSDP has decreased from 30.78 *per cent* in 2009-10 to 28.49 *per cent* in 2010-11 but the ratio was higher than the norms of 25 *per cent* recommended by FC-XIII.

**(Para 1.8.2)**

***Recourse to borrowed funds in future should be carefully assessed and managed so that the recommendations of the FC-XIII to bring Fiscal Liabilities-GSDP ratio to around 25 per cent could be achieved in next four years.***

***Investment and Returns***

The average return on Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies varied between 0.69 to 1.21 *per cent* in the past five years whereas its average interest outgo was in the range of 6.58 to 7.66 *per cent*.

**(Para-1.7.2)**

***A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify the use of high cost borrowed funds for non revenue generating investments through a clear and transparent guideline.***

***Debt sustainability***

The Government should ideally keep the debt-GSDP ratio stable. Borrowed funds should be used as far as possible only to fund capital expenditure and revenue expenditure should be met from revenue receipts. During 2010-11, fiscal deficit-GSDP ratio improved marginally compared to previous year indicating decrease in debt-GSDP ratio. The sum of quantum spread and primary deficit turned to be positive indicating that the debt-GSDP ratio is stable. The sum of quantum spread and primary deficit at ₹1,738 crore during 2010-11 against ₹ (-) 1,014 crore in 2009-10 is a positive sign towards fiscal balances for improving the debt sustainability position of the State.

**(Para-1.9)**

***The State should make efforts to return to primary and fiscal surplus, as was the case in the past years. Maintaining a calendar of borrowings to avoid bunching towards the end of the fiscal year will ensure that market borrowings are sourced optimally. A clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.***

***Financial management and budgetary control:*** During 2010-11, expenditure of ₹25,947.39 crore was incurred against the total grants and appropriations of ₹39,901.38 crore, resulting in a savings of ₹13,953.99 crore. The overall savings was the net result of saving of ₹13,958.26 crore offset by excess of ₹4.27 crore. The excess requires regularization under Article 205 of the Constitution of India. At the close of the year 2010-11, there were 41 grants/ appropriations in which savings of ₹8,494.67 crore (60.88 *per cent* of the total savings) occurred but no surrenders were made by the concerned departments.

**(Paras-2.2 and 2.3.11)**

Out of the total provisions amounting to ₹53.24 crore in four schemes, ₹30.41 crore (57 *per cent*) were surrendered (sum exceeding ₹25 lakh in each case).

**(Para-2.3.9)**

In two cases, as against savings of ₹17.85 crore, the amount surrendered was ₹20.41 crore (₹50 lakh or more in each case) resulting in excess surrender of ₹2.56 crore. Injudicious re-appropriation proved excessive or insufficient and resulted in saving/excess of over ₹10 lakh in nine sub-heads. Rush of expenditure were noticed in respect of 13 Major heads, where expenditure exceeding ₹10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2011.

**(Paras-2.3.10, 2.3.8 and 2.3.12)**

Deposit of funds amounting to ₹177.61 crore drawn at the fag end of the year into the head of account 8443-Civil Deposit to avoid lapse of budget grant indicated lack of budgetary control. Besides, funds amounting to ₹26.55 crore meant for developmental works were parked in Personal Deposit Accounts without undertaking the work for which these were sanctioned and released.

**(Paras-2.3.4 and 2.5)**

Delayed submission of budget estimates, unrealistic budget estimation, faulty re-appropriation etc. indicated that prescribed budgetary regulations were not observed diligently and financial control was weak. Besides, there were a number of instances of excess expenditure over budget provisions, unutilized budget provisions, persistent savings and drawal of funds to avoid lapse of budget grant.

**(Paras-2.6.2 and 2.6.13)**

***Parking of funds in the Personal Deposit Accounts to avoid lapse of budget, is fraught with the risk of misuse of funds and therefore, needs to be avoided.***

***Expenditure should be planned in advance and incurred uniformly throughout the year to avoid rush of expenditure at the fag end of the financial year.***

***Reconciliation and verification of figures is an important tool. Failure to exercise/adhere to the manualised provisions and executive instructions not only facilitates misclassifications of the expenditure but also leads to defeat the very objectives of budgetary process.***

***Savings are to be worked out before hand and surrendered before the close of the financial year for its effective utilization in other areas/schemes.***

***Finance Department should ensure strict compliance of codal provisions as well as its own instructions to honour Public Finance Accountability norms.***

***A close and rigorous monitoring mechanism should be put in place by the DDOs to adjust the Abstract Contingent Bills within thirty days from the date of drawal of the amount.***

***Financial reporting:*** State Government's compliance with various rules, procedures and directives was unsatisfactory as was evident from delays in furnishing utilization certificates against the loans and grants from various grantee institutions. Delays also figured in submission of annual accounts by most of the autonomous bodies/authorities. There were instances of losses and misappropriations.

***(Paras-3.1 to 3.4)***

***Government departments should take urgent action for submission of outstanding accounts of the autonomous bodies. Departmental enquiries in misappropriation cases should be expedited to bring the defaulters to book. Internal controls in all the organizations should be strengthened to prevent such cases in future.***