

Executive Summary

Background

The report on the Finances of the Government of Chhattisgarh is being brought out with a view to assess objectively the financial performance of the State during 2011-12. The aim of this Report is to provide the State Government and State Legislature with timely inputs based on audit analysis of financial data. 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 the Fiscal Responsibility Act (FRBM Act), Budget Documents, Economic Survey of the State, norms recommended by the Thirteenth Finance Commission and other financial data obtained from the various Government departments and organisations.

The Report

Based on the audited accounts of the Government of Chhattisgarh for the year ending March 2012, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

Chapter-I-Finances of the State Government is based on the audit of Finance Accounts and makes an assessment of the Government's fiscal position as on 31 March 2012. It provides an insight into the trends of expenditure, borrowing patterns, besides giving a brief account of Central funds transferred directly to the State implementing agencies through the off-budget route. It also makes an assessment of the adequacy of the State's fiscal priorities to developmental, social sectors and capital expenditure.

Chapter-II-Financial Management and Budgetary Control is based on audit of Appropriation Accounts and it gives a grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Besides, comments arising out of audit of budgetary process and budget assumptions and outcome of review of two grants (Grant No.21 and 44) pertaining to Housing and Environment Department and Higher Education Department have also been made in this chapter.

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

Audit Findings and Recommendations

Fiscal Position: The fiscal position of the State had declined in terms of the key parameters. While the revenue surplus and primary surplus decreased over previous year, the fiscal surplus turned into fiscal deficit during the year. However, the achievements with regard to revenue and fiscal deficit were better than the targets fixed in the FRBM Act and by the Thirteenth Finance Commission.

Revenue Receipts: The Revenue receipts (₹ 25,867 crore) grew by 14 *per cent* over previous year. The increase was contributed by own tax revenue (19 *per cent*), non-tax revenue (six *per cent*), State's share in Union Taxes/Duties (17 *per cent*) and grants-in-aid receipts (seven *per cent*).

Revenue Expenditure: The Revenue expenditure had increased by 17 *per cent* over the previous year and constituted 81 *per cent* of the total expenditure, of which nearly 56 *per cent* was Non-Plan Revenue Expenditure (NPRE).

The NPRE increased by 12 *per cent* over the previous year. The expenditure on salary and wages, pensions, interest payments and subsidies constituted 58 and 51 *per cent* of Revenue expenditure and Revenue receipts respectively.

Capital Expenditure: Capital expenditure during the year constituted 15 *per cent* of the total expenditure and increased by 37 *per cent* over the previous year. It was less than the projection made in FRBM Act and budget estimates by 35 *per cent* and 20 *per cent* respectively. Therefore, the State may consider enhancing Capital expenditure as a proportion of total expenditure in order to create the much needed assets required to stimulate growth.

Review of Government Investments and Loans and Advances: The Average return on the Government's Investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives and Outstanding Loans and Advances were only 0.04 and 4.11 *per cent* respectively during the year while the Government paid a minimum of 7.08 *per cent* as interest on its borrowings during 2011-12. This was obviously an unsustainable proposition.

Debt Sustainability: The fiscal liabilities at the end of 31 March 2012 worked out to ₹ 17,102 crore and stood at 12.62 *per cent* of GSDP. While the quantum spread together with primary deficit was positive, the resources gap turned negative during the year.

Financial Management and Budgetary Control

During 2011-12, expenditure of ₹ 29,218.32 crore was incurred against total Grants and Appropriations of ₹ 36,044.09 crore, resulting in savings of ₹ 6,825.77 crore. The total savings of ₹ 6,878.35 crore was off-set by excess expenditure of ₹ 52.58 crore in two Grants under Revenue section and three Grants under Capital section. The above excess needs regularisation under Article 205 of the Constitution of India.

There were instances of savings exceeding ₹ 10 crore and also more than 20 *per cent* of the total provision in 15 cases relating to 13 Grants. This includes savings of ₹ 1,325.41 crore under seven grants exceeding ₹ 100 crore in each case. There were persistent savings up to 72 *per cent* in 11 Grants during 2011-12. There were also instances of excess expenditure, unnecessary/excessive supplementary provision, substantial surrenders, non-surrender of anticipated savings during the current year and instances of rush of expenditure during the last month of the financial year. Budgetary controls should be strictly observed to avoid such deficiencies in financial management. Last minute fund releases and issue of re-appropriation/surrender statements should be avoided.

Financial Reporting

A total of 13 Accounts of two Autonomous Bodies were not submitted to Accountant General (Audit), Chhattisgarh till September 2012. At the end of the financial year 2011-12, an amount of ₹ 16.49 crore involving 1631 cases of misappropriation, losses and defalcation were awaiting conclusive investigation and settlement for periods ranging from one to 25 years and above in various State Government Departments despite this being pointed out regularly in earlier Audit Reports. Departmental enquiries in such cases should be expedited. Internal controls in the departments should be strengthened to prevent recurrence of such cases in future.

A large unspent balance of ₹ 729.22 crore was lying in 143 inoperative Personal Deposit Accounts (PDAs), of which 89 PDAs involving ₹ 18.09 crore were not operated for more than three years. This included two PDAs with a balance of ₹ 1.49 crore and ₹ 1.26 crore lying unchanged since September 2003 and March 2006. Parking of funds in PDAs adversely affected transparency of State accounts as it inflated the revenue expenditure and locked up resources which could otherwise have been utilised elsewhere. Further, it also erodes budgetary and legislative control over the State's finances. Government may take suitable measures for closure of inoperative PD Accounts and transfer the balance fund to the Consolidated Fund.