

# **Executive Summary**



# Executive Summary

## 1 The Report

Based on the audited accounts of the Government of Assam for the year ending 31 March 2019, this Report provides an analytical review of the finances of the State Government. The Report is structured in four Chapters.

**Chapter 1-Overview:** *This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.*

**Chapter 2-Finances of the State:** *This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.*

**Chapter 3-Budgetary Management:** *This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.*

**Chapter 4-Quality of Accounts & Financial Reporting Practices:** *This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.*

The Report has 12 appendices containing additional data collated from several sources in support of the audit observations.

## 2 Audit findings

### 2.1 Fiscal Position

*The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and the ratio of Outstanding Debt to GSDP.*

*The State could achieve Revenue Surplus during two years out of the five-year period 2014-19. During 2018-19, the Revenue Surplus was ₹6,580 crore. However, this surplus has to be viewed in the light of non-contribution to the required causes by the State Government and misclassification of revenue items under capital category. Incorporating these would result in the State having a Revenue Surplus of ₹1,291 crore during 2018-19.*

*The State was successful in containing the Fiscal Deficit below three per cent of GSDP in four out of the last five years, and had in fact, a Fiscal Surplus of ₹3,005 crore in 2015-16. It was also successful in reining in the Fiscal Deficit below three per cent in 2018-19.*

*During the five-year period 2014-19, the outstanding debt of the State remained between 17.08 and 18.84 per cent of GSDP, which was consistently below the norm of 28.50 per cent of GSDP prescribed by the Assam Fiscal Responsibility and Budget Management Act, 2011.*

**(Chapter 1)**

## **2.2 Finances of the State**

*The State Government registered an increase of 17.27 per cent in its Revenue Receipts during 2018-19 compared to the previous year. There has been a significant increase in Non-Tax Revenue and the buoyancy of the State's own revenue was also higher than the preceding four years due to the implementation of Goods and Services Tax. However, the State continued to be dependent on GoI, with 62 per cent of the revenue coming from Central transfers and Grants-in-Aid.*

*Development expenditure of the State as well as expenditure on health and education was more than that of the other Special Category States.*

*The State continued to be non-compliant with the Indian Government Accounting Standards as regards the accounting treatment given to expenditure incurred out of Grants-in-Aid.*

*The State Government violated the rules governing National Pension System and its act of short contribution to this pension system as well as retaining the balances in current account and non-transfer of the balances to the Trustee is fraught with the risk of unauthorised use of funds belonging to the employees, thereby creating uncertainty in respect of the benefits due to the employees and avoidable future liability to the Government.*

**(Chapter 2)**

## **2.3 Budgetary Management**

*Budgetary assumptions of the State Government were not realistic during 2018-19 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark to a considerable extent, and control over the execution and monitoring of budget was inadequate.*

*Significant policy initiatives of the Government were not fulfilled during the year due to non-completion of the preparatory activities relating to these initiatives.*

*Supplementary Grants/ Appropriations were obtained without adequate justification, and large amounts were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.*

*Savings during the year accounted for about a third of the budget; however, the Controlling Officers did not surrender the funds on time. Nor were explanations provided*

*to the Accountant General (A&E) for variations in expenditure vis-à-vis allocations. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.*

**(Chapter 3)**

## **2.4 Quality of Accounts & Financial Reporting Practices**

*Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.*

*Non-submission of Utilisation Certificates and Detailed Countersigned Contingent bills by departments for funds drawn for specific developmental programmes/ projects and non-submission of accounts by Autonomous Councils, Development Bodies and Authorities was violative of prescribed financial rules and directives pointing to inadequate internal controls and reflect poorly on the monitoring mechanism of the State Government.*

*Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management. Further, non- furnishing of requisite missing details by the treasuries and public works divisions and other account rendering units delayed clearance of suspense and remittances transactions in the books of accounts.*

*Non-reconciliation of receipts and expenditure booked by the Controlling Officers of the State with the figures of the Accountant General (A&E) reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.*

**(Chapter 4)**

