

Executive Summary

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The Report

Based on the audited accounts of the Government of Assam for the year ending 31 March 2022, this Report provides an analytical review of the finances of the State Government. The Report is structured in four chapters.

Chapter 1 - Overview of State Finances: 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 15 appendices containing additional data collated from several sources in support of the audit observations.

Audit findings

Chapter 1 - Overview of State Finances

- The Gross State Domestic Product (GSDP) of Assam grew from ₹ 2,83,164.90 crore in 2017-18 to ₹ 4,33,925.44 crore in 2021-22 with Compounded Annual Growth Rate (CAGR) of 11.26 *per cent* against the national CAGR of 8.48 *per cent*.
- The State could achieve Revenue Surplus in only two years out of the five-year period from 2017-18 to 2021-22. During 2021-22, the State ended up with a Revenue Deficit of ₹ 2,732.77 crore against a Revenue Surplus of ₹ 382.60 crore in 2020-21.
- The State was successful in containing the Fiscal Deficit below the target fixed under Assam Fiscal Responsibility and Budget management (AFRBM) Act in two out of the last five years. During the current year *i.e.*, 2021-22, Fiscal Deficit of the State stood at 4.58 *per cent* of GSDP, which was marginally above the borrowing limit of 4.50 *per cent* fixed under AFRBM Act, 2021. In absolute terms, Fiscal Deficit

increased by ₹ 7,761.09 crore (64.13 *per cent*) from ₹ 12,102.03 crore in 2020-21 to ₹ 19,863.12 crore in 2021-22.

- During the five-year period 2017-22, outstanding debt of the State remained consistently below 28.50 *per cent* of GSDP, *i.e.*, within the norms prescribed in the AFRBM Act, 2011. However, the outstanding debt during 2021-22 (₹ 99,918.54 crore) increased by ₹ 12,510.75 crore (14.31 *per cent*) as compared to ₹ 87,407.79 crore during 2020-21.
- There was an understatement of Revenue Deficit by ₹ 6,559.34 crore during the year. After taking into account the items of misclassification/ non-reporting of expenditure during the year, the State should have a Revenue Deficit of ₹ 9,292.11 crore during 2021-22 instead of reported Revenue Deficit of ₹ 2,732.77 crore.
- Fiscal Deficit of the State was also understated by ₹ 933.22 crore during 2021-22. If this is taken into account, the actual Fiscal Deficit would have been ₹ 20,796.34 crore instead of ₹ 19,863.12 crore. Further, ratio of Fiscal Deficit to GSDP would have been 4.79 *per cent* instead of 4.58 *per cent*.

Recommendations

- *The State Government needs to ensure budgeting and booking of Grants-in-Aid under Revenue Section as per Indian Government Accounting Standards (IGAS)-2.*
- *The State Government may consider discharging its interest liabilities on time.*

Chapter 2 - Finances of the State

- The fiscal position of the State is viewed in terms of key fiscal parameters-Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and Primary Deficit/ Surplus. During 2021-22, the State had a Revenue Deficit of ₹ 2,732.77 crore which was 0.63 *per cent* of GSDP during the year. Fiscal Deficit during 2021-22 was ₹ 19,863.12 crore which was 4.58 *per cent* of GSDP and Primary Deficit was ₹ 13,811.65 crore (3.18 *per cent* of GSDP).
- Revenue Receipts during the year 2021-22 were ₹ 79,815.19 crore, which increased by ₹ 14,913 crore (22.98 *per cent*), as compared to 2020-21 (₹ 64,902.19 crore). State's Own Tax Revenue increased by ₹ 2,399.49 crore (14.00 *per cent*) compared to the previous year (₹ 17,133.61 crore), while Non-Tax Revenue increased by ₹ 680.14 crore (23.46 *per cent*) during the year as compared to 2020-21 (₹ 2,899.61 crore). Grants-in-Aid (GIA) from Government of India (GoI) increased by ₹ 2,312.14 crore (8.81 *per cent*) as compared to the previous year (₹ 26,239.65 crore) whereas State's Share of Union taxes and Duties increased by ₹ 9,521.23 crore (51.11 *per cent*) during 2021-22 as compared to the previous year (₹ 18,629.32 crore). During 2021-22, revenue collection under State Goods and Services Tax increased by ₹ 2,030.54 crore (23.75 *per cent*) from ₹ 8,549.02 crore in 2020-21 to ₹ 10,579.56 crore in 2021-22.
- Revenue Expenditure during the year 2021-22 was ₹ 82,547.96 crore, constituting 80.32 *per cent* of the Total Expenditure of ₹ 1,02,777.80 crore. There was a misclassification of ₹ 6,168.59 crore due to Grants-in-Aid given by the State

Government to the local bodies or individual entities under various Central Schemes during the year being as Capital expenditure instead of Revenue Expenditure, resulting in overstatement of Capital expenditure and understatement of Revenue Expenditure to that extent.

- Committed expenditure of the Government like salary & wages, pensions, interest payments steadily increased during the last five-year period 2017-22. It increased by ₹ 9,871.02 crore during the year 2021-22. The Committed expenditure during 2021-22 was ₹ 52,626.30 crore (65.94 *per cent* of Revenue Receipts of ₹ 79,815.19 crore and 63.75 *per cent* of Revenue Expenditure of ₹ 82,547.96 crore).
- The State Government short contributed ₹ 267.26 crore to National Pension System (NPS) since inception of the Scheme creating an avoidable future liability to the Government. As on 31 March 2021, an amount of ₹ 316.75 crore remained in the Public Account on which interest of ₹ 25.34 crore was payable in 2021-22.
- Capital Expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, *etc.* During the year the State's Capital Expenditure increased by ₹ 7,726.44 crore (62.31 *per cent*) from ₹ 12,399.39 crore during 2020-21 to ₹ 20,125.83 crore during 2021-22. However, this increase has to be viewed in the light of the fact that GIA of ₹ 6,168.59 crore was booked under capital section, instead of under revenue resulting in understatement of Revenue Deficit to that extent.
- During 2021-22, the State Government invested ₹ 4,370.35 crore in Statutory Corporations (₹ 3,095.83 crore), Government Companies (₹ 40.00 crore), Joint Stock Companies (₹ 1,216.88 crore) and Banks (₹ 16.84 crore). As on 31 March 2022, the State Government's investment stood at ₹ 7,010.79 crore in those Companies/Corporations and Co-operative societies. Out of the investments, they received returns of ₹ 113.64 crore as dividend during the year.
- As on 01 April 2021, the State had a balance of ₹ 768.43 crore lying in the State Disaster Response Fund (SDRF). Government of Assam had neither invested the balances in SDRF in any of the instruments specified in the Guidelines, nor had it paid the half-yearly interest on the balance lying in the Fund in violation of SDRF guidelines. The unpaid interest of ₹ 46.11 crore by GoA led to understatement of Revenue Deficit to that extent (during 2021-22) and accumulated liabilities for future.
- Outstanding Debt of the State rapidly increased from ₹ 49,274.88 crore in 2017-18 to ₹ 99,918.54 crore in 2021-22. Growth rate of outstanding Debt also increased from 12.04 *per cent* in 2017-18 to 14.31 *per cent* in 2021-22. The Debt/ GSDP ratio increased from 17.40 *per cent* in 2017-18 to 23.03 *per cent* in 2021-22 due to more borrowings from the open market. The State used about six to eight *per cent* of its Revenue Receipts for payment of interest on the Outstanding Debt at an average rate of interest ranging between 6.46 *per cent* to 7.07 *per cent*, during the five-year period 2017-22.
- The maturity profile of outstanding stock of the State public debt as on 31 March 2022 indicated that 57.99 *per cent* (₹ 46,435.20 crore) of the debt is payable within the next

seven years while the remaining 42.01 *per cent* (₹ 33,632.94 crore) is in the maturity bracket of more than seven years.

- Public debt constituted 80.14 *per cent* of total debt at the end of 2021-22. During the year, it grew at the rate of 16.55 *per cent i.e.*, the lowest in the last five-year period. Average growth rate of public debt (23.30 *per cent*) also outpaced the average growth rate of GSDP (11.66 *per cent*) during the year. These all indicate that there would be increased pressure on interest payment on public debt in forthcoming years.
- Public debt receipts increased by 97.35 *per cent* from ₹ 8,447.07 crore in 2017-18 to ₹ 16,670.15 crore in 2021-22. Out of public debt receipts of ₹ 16,670.15 crore during 2021-22, the State Government utilised 21.16 *per cent* (₹ 3,526.89 crore) for repayment of earlier borrowing and remaining for incurring capital expenditure during the year 2021-22.

Recommendations

- *State Government may take necessary steps to reduce the Fiscal Deficit and to achieve the targets under the AFRBM Act, 2011.*
- *State Government may undertake a rigorous exercise to meet its liability for NPS including short contribution of its share and interest liability and the balance funds to be transferred to National Securities Depository Limited (NSDL), the pension authority, to ensure that the NPS employees are not deprived of returns. The prescribed procedure for accounting the NPS related transactions should be adhered to scrupulously to avoid future liability.*
- *State Government should review the functioning of the loss making State Public Sector Undertakings in the State considering the investment and negligible returns on investments.*
- *The State Government may invest the balances lying in SDRF as per the guidelines.*
- *In view of the increasing growth rate of its public debt, the State Government may make efforts to augment its own Revenues and reduce its Revenue Expenditure so as to avoid pressure on repayment of Public Debt and interest liabilities on Public Debt in forthcoming years.*
- *The State Government may keep the cash balance position in mind while taking any decision on raising market loans.*

Chapter 3 - Budgetary Management

- Budgetary assumptions of Government of Assam (GoA) continued to be unrealistic and overestimated during 2021-22, as the State Government incurred an expenditure of ₹ 1,07,814.62 crore, against 81 grants and appropriations of ₹ 1,36,554.69 crore, resulting in overall savings of ₹ 28,740.07 crore during the year as against the savings of ₹ 39,453.03 crore during the previous year. These savings stood at 21.05 *per cent* of total grants and appropriations made for the year.
- These savings may be seen in the context of over estimation of receipts of ₹ 1,19,423.05 crore by the State Government and the estimation on the expenditure

side being ₹ 1,36,554.69 crore during the year 2021-22. As against the estimated receipts, the actual receipts were ₹ 99,584.83 crore only thereby restricting the total expenditure during the year to ₹ 1,07,814.62 crore. This implied that the savings were notional, as the funds were not actually available for expenditure.

- Savings during the year accounted for about 20 *per cent* of the budget; however, the Controlling Officers neither surrendered the funds during the year, nor provided any explanations to the Principal Accountant General (A&E) for variations in expenditure *vis-à-vis* allocations.
- The Department (Grant No. 23-Pension) incurred excess expenditure amounting to ₹ 3,747.85 crore, requiring regularisation, over and above the authorisation during 2021-22. Moreover, excess expenditure of ₹ 38.12 crore was incurred in 15 Sub-Heads under five Grants (₹ 15 lakh and above in each case) without budget provision.
- Review of selected grants revealed that the Administrative Reforms, Training, Pension and Public Grievances (ARTPPG) Department had persistent excess ranging between 1.23 *per cent* and 78.50 *per cent* during the period 2018-22 under Grant No. 23. During the current year, an amount of ₹ 7,570.25 crore was incurred in excess of the budget provision.
- Review of selected Grant-73 showed large overall savings, both on Revenue and Capital segments, with savings as a percentage of budget provisions ranging from 46.54 *per cent* to 88.59 *per cent* in Revenue segment, and 23.79 *per cent* to 82.91 *per cent* in Capital segment, during the period 2017-22. There was a marked improvement in savings in the current year, with savings as a percentage of total budget provisions reducing from 85.13 *per cent* in 2020-21 to 31.53 *per cent* in 2021-22.

Recommendations

- *State Government may formulate a realistic budget based on reliable assumptions of likely resource mobilisation, the needs of the Departments and their capacity to utilise the allocated resources so as to avoid inflated budget without actual resources;*
- *State Government may institute an appropriate control mechanism to enforce proper implementation and monitoring of budget to ensure that large savings within the grant/ appropriation are controlled, and anticipated savings are identified and surrendered within the specified timeframe;*
- *Finance Department may critically review the Departments having persistent savings for prudential budget allocation and monitoring of expenditure;*
- *Controlling Officers should explain the variation in expenditure from the allocation in time to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.*
- *The State Government needs to reconcile the accounting discrepancies with the Reserve Bank of India/ Banks as regards pension payments of the State.*

Chapter 4 - Quality of Accounts & Financial Reporting Practices

- Utilisation Certificates (UCs) in respect of grants aggregating ₹ 36,687.84 crore (13,682 UCs) given to 52 Departments of the State Government during the period from 2001-02 to 2020-21 had not been submitted. In absence of UCs, it could not be ascertained whether the recipients had utilised the grants for the purposes for which those were given, and the assets had been created.
- As of 31 March 2022, 38 State Departments had not submitted Detailed Countersigned Contingent (DCC) bills for ₹ 958.37 crore against 1,540 Abstract Contingent (AC) Bills. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills.
- During 2021-22, the State Government classified receipts of ₹ 1,068.81 crore (1.34 *per cent* of total Revenue Receipts of ₹ 79,815.19 crore), pertaining to 44 Major Heads, under the Minor Head '800 - Other Receipts' while an expenditure of ₹ 16,668.59 crore was booked under Minor Head 800 under 71 revenue and capital Major Heads of Account, constituting 16.23 *per cent* of the total revenue and capital expenditure of ₹ 1,02,673.79 crore. Further, an expenditure of ₹ 1,859.31 crore (11.15 *per cent* of total expenditure booked under Minor Head 800 - Other Expenditure) under *Sarva Siksha Abhiyan*, National Old Age Pension Scheme (under NSAP) and National Rural Livelihood Mission was booked under Minor Head 800 despite availability of appropriate Minor Head.
- During the year, expenditure amounting to ₹ 72,636 crore (68 *per cent* of total expenditure of ₹ 1,06,305 crore) and receipts of ₹ 93,647 crore (94 *per cent* of the total receipts of ₹ 99,585 crore) were reconciled. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard may entail the risk of misclassification and incorrect booking of both receipts and expenditure in the accounts.
- As on 31 March 2022, there were 711 annual accounts of 114 Autonomous Councils, Development Councils and Government Bodies and 372 annual accounts of 41 Public Sector Undertaking (due up to 2021-22) pending for submission to CAG for audit. 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 and diluted accountability of these Bodies.
- Out of total Cess of ₹ 1,867.76 crore realised by the State Government under the Building and Other Construction Workers' Welfare Cess Act, 1996 during the period from 2008-09 to 2021-22, an amount of ₹ 1,850.37 crore was transferred to the Other Construction Workers Welfare Board leading to the shortfall in transfer of Cess of ₹ 17.39 crore to the Board.

Recommendations

- *State Government may institute a rigorous monitoring mechanism to ensure that the Departments comply with the prescribed rules and procedures with regard to submission of UCs, DCC bills and accounts for audit.*
- *State Government should discourage the use of omnibus Minor Head 800 and chalk out a specific timeframe in consultation with the Principal Accountant General (A&E), to identify appropriate Heads of Account to classify the transactions correctly in the books of accounts.*
- *Internal control mechanism needs to be strengthened and the Government needs to ensure that the Controlling Officers reconcile their figures of receipts and expenditure with those of the Principal Accountant General (A&E) at prescribed intervals, to provide transparency and accuracy in accounting of Government transactions.*
- *The State Government may draw up a concrete plan to clear arrears in Accounts of persistently delaying/ defaulting Autonomous District Councils (ADCs) and other Government bodies. Disbursal of financial assistance to ADCs/ Autonomous Bodies of the State be linked to improvement in finalisation of their Accounts.*

