

Executive Summary

1 The Report

Based on the audited accounts of the Government of Chhattisgarh for the year ended 31 March 2022, this Report provides an analytical review of the finances of the State Government.

2 Audit findings

2.1 Fiscal Position

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

The State had a revenue surplus of ₹4,642.02 crore as of end of March 2022 as compared to revenue deficit of ₹6,856.66 crore as of end of March 2021. However, revenue surplus after adjusting the impact of misclassification/non-compliance to statutory provisions has been worked out by Audit as ₹2,082.42 crore. Despite being revenue surplus State, the fiscal priority accorded to Social sector expenditure by the State Government declined from 40.72 per cent (2017-18) to 36.56 per cent (2021-22) and it was less than the average of general category states in the current year. Significant shortfall in expenditure vis-à-vis budget estimates 2021-22 was noticed under the Major Heads 2202 - General Education (₹2,069 crore), 2215-Water Supply and sanitation (₹488 crore) and 2235-Social Security and Welfare (₹281 crore).

Fiscal deficit relative to Gross State Domestic Product (1.52 per cent) was within the target of four per cent for FY 2021-22 laid down under the State FRBM Act. Fiscal deficit remained within the target due to less revenue and capital expenditure by the Government than projected in the budget. The allocative priority accorded to capital expenditure by the State Government was less than the average of general category States in 2021-22.

The GSDP of Chhattisgarh grew at a lower rate during 2021-22 compared to the GDP of India. During 2021-22, the percentage of outstanding debt to GSDP decreased to 22.77 per cent from 25.44 per cent in 2020-21 and was within the target prescribed in the Medium Term Fiscal Policy Statement (28.34 per cent) under the Chhattisgarh Fiscal Responsibility and Budget Management Act and the Fifteenth Finance Commission.

(Chapter I)

2.2 Finances of the State

The Revenue Receipts registered an increase of 26.08 per cent during 2021-22 compared to the previous year. Own tax revenue increased by 18.33 per cent and non-tax revenue increased by 94.08 per cent and achieved the level anticipated in budgetary projections. The State continued to be dependent on Government of India with 49 per cent of the revenue coming from State Share of Union Taxes and Duties and Grants-in-aid.

Revenue expenditure which constitute 87 per cent of total expenditure increased by 7.11 per cent during 2021-22 compared to the previous year. Though the Capital Expenditure increased by 16.40 per cent over the previous year, its share in total expenditure was merely 12 per cent. While the revenue expenditure as a percent of GSDP was 18.75 per cent, the capital

expenditure stood at 2.63 per cent of GSDP in 2021-22.

Out of 148 incomplete projects (costing more than ₹10 crore) with estimated cost of ₹4,667.24 crore, the State Government has revised the cost of 49 incomplete projects with cost overrun of ₹2,255.66 crore. The State Government has not evaluated the cost of 99 incomplete projects.

During 2021-22, GoCG transferred ₹300.00 crore to the Consolidated Sinking Fund against the minimum requirement of ₹463.57 crore resulting in a short contribution of ₹163.57 crore.

The percentage of net public debt available to the State after repayment of borrowings and interest decreased to five per cent (₹799.18 crore) in 2021-22 as against 40 per cent (₹8,645.96 crore) in 2020-21. Decline in net debt availability of the State indicates towards increased burden of servicing of debt and leave the State with limited fund available for development activities.

The State Government will have to make principal repayment of ₹79,294.17 crore against Internal Debt and ₹2,248.43 crore against Loans and Advances from Central Government from 2021-22 to 2031-32 besides interest of ₹24,607.46 crore due on market loan.

The total outstanding debt (including public account liabilities) of the State Government at the end of 2021-22 would be ₹91,098.74 crore after excluding back to back loan of ₹8,074.15 crore.

(Chapter II)

2.3 Budgetary Management

Although, the percentage of utilization of Budgeted funds (87.37 per cent) increased during 2021-22 compared to the previous year (81.22 per cent), the budgetary assumptions of the State Government were not realistic during 2021-22 and control over the execution and monitoring of budget was inadequate.

There was an excess expenditure of ₹4,059.76 crore over the authorisations made by the State Legislature under two Grants (Finance Department and Religious Trusts & Endowments Department) and three Appropriations (Finance Department, Women and Child Welfare Department and Public Debt) during the financial year 2021-22 which needs to be regularised as per Article 205(1)(b) of Constitution of India. Further, a total of ₹13,376.63 crore is pending for regularisation from 2000-01 to 2020-21.

Supplementary Grants/ Appropriations were obtained without adequate justification. The savings were neither surrendered on time nor explanations provided to the Principal Accountant General (A&E) for variations in expenditure vis-à-vis allocations. The Departments were neither cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

(Chapter III)

2.4 Quality of Accounts and Financial Reporting Practices

Non-submission of DCC bills by Departments for funds drawn for specific developmental programmes/ projects and non-submission of accounts by public sector entities were violative of prescribed financial rules and directives. This points to inadequate internal controls and

deficient monitoring mechanism of the State Government and increases the risk/possibility of wastage/misappropriation/malfeasance etc.

As of 31 March 2022, 139 PD Accounts were in existence with a closing balance of ₹1,404.38 crore. Out of the closing balance of ₹1,404.38 crore under PD Accounts, ₹1,148.87 crore were on account of non-disbursement of amount relating to land acquisition. Non-transfer of unspent balances lying in PD Accounts to the Consolidated Fund of the State entails the risk of misuse of public fund, fraud and misappropriation.

Operation of omnibus Minor Head 800 – ‘Other Receipts’ (₹7,427.94 crore constituting 9.33 per cent of total revenue receipts) and ‘Other Expenditure’ (₹1,137.59 crore constituting 1.33 per cent of total revenue and capital expenditure of ₹ 85,514.23 crore) affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

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

Against the allocated amount of ₹409.70 crore during the financial year 2021-22, the Building and other Construction Workers’ Welfare Board could utilize only ₹92.24 crore leaving a balance of ₹317.46 crore unutilized which resulted in depriving of the benefits of various schemes to the registered workers. Further, only 18 per cent of registered workers were benefited under various schemes during the financial year 2021-22.

The State Government has a net off-budget liabilities of ₹3,872.80 crore in addition to total budgeted liabilities of ₹99,172.89 crore outstanding as of March 2022. Government of Chhattisgarh has not disclosed in its budget, its liabilities with regard to the loans obtained by various public sector entities at its behest for implementation of various socio-economic developmental programmes for which the State Government had given the guarantee to repay the principal and interest.

(Chapter IV)

2.5 Financial Performance of State Public Sector Undertakings

As on 31 March 2022, there were 30 PSUs including one Statutory Corporation. Out of 30, there are two inactive PSUs. Out of 28 working PSUs, only 25 PSUs (24 Companies and one Statutory Corporation), whose accounts were in arrears for two or less years as on 30 September 2022 have been considered for detailed analysis of financial performances.

As per their latest accounts and information furnished, the PSUs registered an annual turnover of ₹42,147.03 crore, which was equal to 10.53 per cent of the GSDP of Chhattisgarh. As on 31 March 2022, the investment of the Central and State Governments and Others in equity and long-term loans in these 30 PSUs was ₹20,391.67 crore.

Out of 25 PSUs (covered in this Report) 11 PSUs earned profit of ₹932.01 crore in 2021-22, 11 PSUs incurred losses of ₹439.99 crore and three PSUs had reported neither profit nor loss. Major profit contributed by Chhattisgarh State Power Generation Company Limited (₹570.38 crore) and Chhattisgarh State Power Transmission Company Limited (₹153.90 crore) and major loss was incurred by Chhattisgarh state Power Distribution company Limited (₹419.77 crore). Only two PSUs Chhattisgarh Rajya Van Vikas Nigam Limited and Chhattisgarh State Warehousing Corporation declared dividend of ₹3.03 crore and ₹0.81 crore respectively.

Total accumulated losses reported by 30 PSUs were ₹4,163.97crore, resulting in depletion in net worth to ₹2,900.11 crore as on 31 March 2022. One PSU i.e. Chhattisgarh State Power Distribution Company Limited (CSPDCL) which incurred losses amounting to ₹419.77 crore during the year 2021-22, reported total accumulated loss of ₹7,710.10 crore as on 31 March 2022.

Financial Statements of only six PSUs for the year 2021-22 were received in time. Twenty four PSUs have defaulted in timely submission of accounts hence forty accounts pertaining to these PSUs were in arrears.

As a result of the audit of CAG, significant comments highlighting inaccuracies in the Financial Statements impacting profitability and assets/liabilities were issued.

Irregularities and deficiencies in the financial reports observed during supplementary audit which are not material, were communicated to the Management of three PSUs through 'Management Letters' for taking corrective action.

(Chapter V)