

Executive Summary

Background

In response to the Twelfth Finance Commission's recommendations, the Chhattisgarh Government enacted its Fiscal Responsibilities and Budget Management (FRBM) Act, entitled the Chhattisgarh Fiscal Responsibility Act, 2005, with a view to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term fiscal framework. As per the Act, the revenue deficit was to be eliminated by the end of March 2009 and fiscal deficit was to be brought down to less than three *per cent* of the Gross State Domestic Product by the end of March 2009. The State Government had achieved these targets by the end of March 2005.

The Comptroller and Auditor General's Audit Reports have been commenting upon the Government's finances for over three years since the Fiscal Responsibility Act legislation. 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 aspects. The obvious fallout of this all-inclusive reporting was that the audit findings on financial management portion did not receive proper attention. In recognition of the need to bring State finances to centre stage, a stand-alone report on State Government finances is considered an appropriate audit response to this challenge. Accordingly, from the report year 2009 onwards, the Comptroller and Auditor General of India decided to bring out a separate volume titled 'Report on State Finances.'

The report

Based on the audited accounts of the Government of Chhattisgarh for the year ending March 2009, 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 at 31 March 2009. It provides an insight into trends in committed expenditure and borrowing patterns, besides giving a brief account of Central funds transferred directly to the State implementing agencies through the off-budget route.

Chapter II is based on audit of Appropriation Accounts and gives a grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter III is an inventory of the Government's compliance with various reporting requirements and financial rules. The report also has additional data collated from several sources in support of the findings.

Audit findings and recommendations

Fiscal discipline: The Government was able to achieve revenue surplus and fiscal deficit targets during 2004-05. In the current year, revenue surplus was Rs 1869 crore as compared to Rs 3039 crore in 2007-08. This was mainly due to the increase in revenue expenditure by 27.25 *per cent* as against the increase in revenue receipts by 12.86 *per cent* during the current year.

Non-Plan expenditure: Revenue expenditure was 80.08 *per cent* of the total expenditure, of which 61 *per cent* was the Non-Plan component. Non-Plan expenditure increased by 15.25 *per cent* against the projected rate of 10 *per cent* in the Medium Term Fiscal Policy Statement.

Priority to capital expenditure: Capital expenditure decreased during the year by six *per cent* over the previous year. Therefore, the State may consider enhancing capital expenditure as a proportion of total expenditure.

Review of Government investments: The average return on the Government's investments in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives was 0.02 *per cent* during the last three years while the Government paid a minimum of 7.36 *per cent* as interest on its borrowings during 2008-09. This was obviously an unsustainable proposition.

Financial management and budgetary control: During 2008-09, there were overall savings of Rs.4017.52 crore, which were a result of the total savings of Rs.4132.78 crore being offset by the excess of Rs.115.26 crore. This excess requires regularization under Article 205 of the Constitution of India. In seven cases, the amounts surrendered were in excess of the actual savings, indicating inadequate budgetary control. As against savings of Rs.1754.39 crore in 19 grants involving Rs one crore or more in each grant, the amount surrendered was only Rs.604.10 crore, resulting in savings of Rs.1150.29 crore. There were instances of inadequate provisions of funds, unnecessary/excessive re-appropriations and rush of expenditure at the end of the financial year 2008-09. Further, detailed countersigned contingent bills were not submitted for large amounts of advances drawn on abstract contingent bills. Budgetary controls should be strengthened to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/ surrender orders should be avoided.

Financial reporting: There were delays in furnishing of utilization certificates against grants received from various grantee institutions. There were instances of losses/theft and misappropriations. Departmental enquiries in respect of all misappropriation cases should be expedited and the internal controls in all the organizations should be strengthened to prevent such cases in future.