

# **Executive Summary**



## Executive Summary

### 1 The Report

Based on the audited accounts of the Government of Assam for the year ending 31 March 2021, 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 GSDP of Assam grew from ₹ 2,54,478 crore in 2016-17 to ₹ 3,48,277 crore in 2020-21 with Compounded Annual Growth Rate (CAGR) of 8.16 *per cent* against the national CAGR of 6.43 *per cent*. However, there was a significant decline in the growth rate of GSDP from 11.63 *per cent* in 2016-17 to 3.89 *per cent* in 2020-21 due to impact of pandemic Covid-19.
- The State could achieve Revenue Surplus in only two years out of the five-year period from 2016-17 to 2020-21. During 2020-21, the State achieved a Revenue Surplus of ₹ 382.60 crore against a Revenue Deficit of ₹ 2,171.60 crore in 2019-20.
- The State was successful in containing the Fiscal Deficit below the target fixed under AFRBM Act in three out of the last five years. During the current year *i.e.*, 2020-21, Fiscal Deficit of the State stood at 3.47 *per cent* of GSDP, which was below the borrowing limit of 5.50 *per cent* fixed under AFRBM Act, 2020. In absolute terms,

Fiscal Deficit decreased by ₹ 2,813.77 crore (18.86 per cent) from ₹ 14,915.80 crore in 2019-20 to ₹ 12,102.03 crore in 2020-21.

- During the five-year period 2016-21, 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 2020-21 (₹ 87,407.79 crore) increased by ₹ 15,151.27 crore (20.97 per cent) as compared to ₹ 72,256.52 crore during 2019-20.
- There was an overstatement of Revenue Surplus by ₹ 6,951.01 crore during the year. After taking into account the items of misclassification/non-reporting of expenditure during the year, the State could have ended in Revenue Deficit ₹ 6,568.41 crore instead of Revenue Surplus of ₹ 382.60 crore.
- Fiscal Deficit of the State was also understated by ₹ 1,614.29 crore during 2020-21. If this is taken into account, the actual Fiscal Deficit would have been ₹ 13,716.32 crore instead of ₹ 12,102.03 crore. Further, ratio of Fiscal Deficit to GSDP would have been 3.94 per cent instead of 3.47 per cent.

### Recommendations

- *The State Government may make concrete efforts to augment own resources of revenue, especially non-tax revenue to reduce its fiscal deficit.*
- *Considering the increasing outstanding debt of the State, the Government may take appropriate steps to rationalise its committed Revenue Expenditure.*
- *The State Government may book grants-in-aid as Revenue Expenditure to present correct financial position of the State. Similarly, it may consider discharging its interest liabilities on time, transfer money to the Consolidated Fund and reconcile the accounting discrepancies with the Reserve Bank of India/ Banks as regards pension payments of the State.*

## 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 2020-21, the State had a Revenue Surplus of ₹ 382.60 crore which was 0.11 per cent of GSDP during the year. Fiscal Deficit during 2020-21 was ₹ 12,102.03 crore which was 3.47 per cent of GSDP and Primary Deficit was ₹ 6,902.85 crore (1.98 per cent of GSDP).
- Revenue Receipts during the year 2020-21 were ₹ 64,902.19 crore, which increased by ₹ 407.11 crore (0.63 per cent), as compared to 2019-20 (₹ 64,495.08 crore). State's Own Tax revenue increased by ₹ 604.92 crore (3.66 per cent) compared to the previous year (₹ 16,528.69 crore), while Non-Tax revenue decreased by ₹ 2,639.73 crore (47.65 per cent) during the year as compared to 2019-20 (₹ 5,539.34 crore). Grants-in-Aid from GoI increased by ₹ 5,534.04 crore (26.73 per cent) as compared to the previous year (₹ 20,705.61 crore) whereas State's Share of Union taxes and Duties

decreased by ₹ 3,092.12 crore (14.24 *per cent*) during 2020-21 as compared to the previous year (₹ 21,721.44 crore). During 2020-21, revenue collection under State Goods and Services Tax decreased marginally by ₹ 206.28 crore (2.36 *per cent*) from ₹ 8,755.30 crore in 2019-20 to ₹ 8,549.02 crore in 2020-21.

- Revenue Expenditure during the year 2020-21 was ₹ 64,519.59 crore, constituting 83.78 *per cent* of the total expenditure of ₹ 77,006.78 crore. There was a misclassification of ₹ 5,640.47 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 2016-21. It increased by ₹ 1,269.50 crore during the year 2020-21. The Committed expenditure during 2020-21 was ₹ 42,755.28 crore (65.88 *per cent* of Revenue Receipts of ₹ 64,902.19 crore and 66.27 *per cent* of Revenue Expenditure of ₹ 64,519.59 crore).
- The State Government short contributed ₹ 332.12 crore to National Pension System since inception of the Scheme creating an avoidable future liability to the Government. As on 31 March 2020, an amount of ₹ 341.82 crore remained in the Public Account on which interest of ₹ 27.35 crore was payable in 2020-21.
- 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 decreased by ₹ 1,069.16 crore (7.94 *per cent*) from ₹ 13,468.55 crore during 2019-20 to ₹ 12,399.39 crore during 2020-21. However, this increase has to be viewed in the light of the fact that GIA of ₹ 5,640.47 crore was booked under capital section, instead of under revenue resulting in overstatement of Revenue Surplus to that extent.
- During 2020-21, the State Government invested ₹ 3.32 crore in Co-operatives. As on 31 March 2021, the State Government's investment stood at ₹ 2,923.57 crore in those Companies/ Corporations and Co-operative societies. Out of the investments, they received returns of ₹ 481.89 crore as dividend during the year.
- As on 01 April 2020, the State had a balance of ₹ 725.23 crore lying in the State Disaster Response Fund. 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 ₹ 43.51 crore by the GoA led to overstatement of Revenue Surplus to that extent (during 2020-21) and accumulated liabilities for future.
- Outstanding Debt of the State rapidly increased from ₹ 43,980.56 crore in 2016-17 to ₹ 87,407.79 crore in 2020-21. The rate of growth of outstanding Debt was from 12.62 *per cent* in 2016-17 to 20.97 *per cent* in 2020-21. The Debt/ GSDP ratio increased from 17.28 *per cent* in 2016-17 to 25.10 *per cent* in 2020-21 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 6.51 *per cent* to 7.14 *per cent*, during the five-year period 2016-21.

- The maturity profile of outstanding stock of the State public debt as on 31 March 2021 indicated that 54.79 *per cent* (₹ 37,641.22 crore) of the debt is payable within the next seven years while the remaining 45.21 *per cent* (₹ 31,057.53 crore) is in the maturity bracket of more than seven years.
- Public debt constituted 79 *per cent* of total debt at the end of 2020-21. During the year, it grew at the rate of 27.45 *per cent i.e.*, the highest in the last five-year period. Growth rate of public debt at 27.45 *per cent* also outpaced the growth rate of GSDP (3.89 *per cent*) significantly 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 359.80 *per cent* from ₹ 3,901.71 crore in 2016-17 to ₹ 17,940.18 crore in 2020-21. Out of public debt receipts of ₹ 17,940.18 crore during 2020-21, the State Government utilised 11.97 *per cent* (₹ 2,147.98 crore) for repayment of earlier borrowing and 69.12 *per cent* (₹ 12,399.39 crore) for incurring capital expenditure during the year 2020-21, which were also the lowest during the five-year period.

### ***Recommendations***

- i.) State Government may take necessary steps to reduce the Fiscal Deficit and to achieve the targets under the AFRBM Act, 2011.*
- ii.) 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 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.*
- iii.) 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.*
- iv.) The State Government may invest the balances lying in State Disaster Response Fund as per the guidelines.*
- v.) 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.*
- vi.) 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 the Government of Assam (GoA) continued to be unrealistic and overestimated during 2020-21, as the State Government incurred an expenditure of ₹ 82,888.63 crore, against 81 grants and appropriations of ₹ 1,22,341.66 crore, resulting in overall savings of ₹ 39,453.03 crore during the year as against the savings of ₹ 35,552.08 crore during the previous year. These savings stood at 32 *per cent* of total grants and appropriations made for the year. The savings were 2.1 times the size of supplementary budget during the year.
- These savings may be seen in context to over estimation of Receipts of ₹ 1,07,314.47 crore by the State Government and the estimation on the expenditure side being ₹ 1,22,341.66 crore during the year 2020-21. As against the estimated Receipts, the actual Receipts were ₹ 82,844.93 crore only thereby restricting the total expenditure during the year to ₹ 82,888.63 crore. This implied that the savings were notional, as the funds were not actually available for expenditure.
- Savings during the year accounted for about a third 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.
- Approval of Supplementary Grants of ₹ 18,580.03 crore by the State Legislature was indicative of over estimation and poor financial management as the gross expenditure (₹ 82,888.63 crore) was less than even the Original provision (₹ 1,03,761.63 crore).
- The Departments (Grant No. 23-Pension, Grant No. 76-Karbi Anglong Autonomous Council, Grant No, 77-North Cachar Hills Autonomous Council and Grant No. 78-Bodoland Territorial Council) incurred excess expenditure amounting to ₹ 731.25 crore over and above the authorisation during 2020-21. Moreover, excess expenditure of ₹ 23.00 crore was incurred in 19 Sub-Heads under four Grants (₹ 15 lakh and above in each case) without budget provision.
- Review of selected grants revealed that the Social Welfare Department had persistent savings ranging between 20.00 *per cent* and 48.78 *per cent* during the period 2016-21 under Grant 39. During the current year, it stood at 31.43 *per cent* of the total budget provision.

### **Recommendations**

- i. *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;*
- ii. *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;*

- iii. *Finance Department may critically review the Departments having persistent savings for prudential budget allocation and monitoring of expenditure;*
- iv. *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.*

## Chapter 4 - Quality of Accounts & Financial Reporting Practices

- Utilisation Certificates in respect of grants aggregating ₹ 39,629.49 crore (11,717 UCs) given to 55 Departments of the State Government during the period from 2001-02 to 2019-20 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 2021, 39 State Departments had not submitted DCC bills for ₹ 1,050.84 crore against 1,648 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 2020-21, the State Government booked an expenditure of ₹ 15,335.15 crore under Minor Head 800 under 71 revenue and capital Major Heads of Account, constituting 19.94 per cent of the total revenue and capital expenditure of ₹ 76,918.98 crore. Similarly, the State Government classified receipts of ₹ 1,046.12 crore (1.61 per cent of Revenue Receipts), pertaining to 48 Major Heads, under the Minor Head '800 - Other Receipts'. Further, an expenditure of ₹ 2,731.37 crore (17.81 per cent of total expenditure booked under Minor Head 800-Other Expenditure) under Sarva Siksha Abhiyan and Mid Day Meal Scheme was booked under Minor Head 800 despite availability of appropriate Minor Head.
- During the year, expenditure amounting to ₹ 56,045 crore (71 per cent of total expenditure of ₹ 79,155 crore) and receipts of ₹ 69,547 crore (84 per cent of the total receipts of ₹ 82,845 crore) were reconciled. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard resulted in misclassification and incorrect booking of receipts and expenditure in the accounts.
- Due to non-reporting of pension payments by the Agency Banks to the State Government/ Treasuries, Pension payments of ₹ 1,209.08 crore during the year were not accounted for in the State Accounts. This resulted in understatement of Revenue Expenditure and Fiscal Deficit of the State.
- Incorrect Budgeting and accounting of Pension by Government of Assam – which had led to exclusion of Pension expenditure from accounts, causing a lower expenditure on Pension recorded in Accounts, and lower Budgetary provision being made by the State Government, may lead to recommendation of lower Revenue Deficit Grant by the Finance Commission.
- As on 31 March 2021, there were 649 annual accounts of 107 Autonomous Councils, Development Councils and Government Bodies and 378 annual accounts of 40 Public



Sector Undertaking (due up to 2020-21) 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 ₹ 1,553.08 crore realised by the State Government under the Building and Other Construction Workers' Welfare Cess Act, 1996 during the period from 2008-09 to 2020-21, an amount of ₹ 1,535.04 crore was transferred to the Other Construction Workers Welfare Board leading to the shortfall in transfer of Cess of ₹ 18.04 crore to the Board.

### ***Recommendations***

- i. *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.*
- ii. *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.*
- iii. *State Government should resolve the issue of non-accountal of pension disbursed by non-linked branches in Government Accounts in consultation with RBI and Principal Accountant General (A&E) at the earliest to address the large discrepancy in State's cash balance, and incorrect reporting of pension expenditure.*
- iv. *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.*
- v. *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.*

