

# Executive Summary

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## Fiscal Situation of the State

Revenue receipts (RR), revenue expenditure (RE) and capital expenditure (CE) have increased from 2012-13 to 2016-17 even after adjusting for inflation. However, adjusted RE as a percentage of GSDP decreased during 2015-16. Similarly, adjusted RR and CE as a percentage of GSDP decreased during 2013-14.

### *Paragraph 1.1.1*

The State has achieved revenue surplus, fiscal deficit and ratio of outstanding debt to GSDP targets of the budget estimates 2016-17, the Fiscal Responsibility and Budget Management Act (FRBM) and Fourteenth Finance Commission (14<sup>th</sup> FC).

### *Paragraph 1.1.2*

The primary deficit of the Government of Chhattisgarh ranged between ₹ 1,361 crore and ₹ 6,281 crore during 2012-17 indicating that non-debt receipts were not sufficient to meet the primary expenditure of the State.

### *Paragraph 1.1.2.2*

## Resources mobilization

Revenue receipts (₹ 53,685 crore) increased by ₹ 7,617 crore (16.53 per cent) over the previous year (₹ 46,068 crore), which was lower than the budget estimates (₹ 61,427 crore).

Revenue expenditure (₹ 48,165 crore) increased by ₹ 4,464 crore (10.21 per cent) over 2015-16, which was lower than the budget estimates (₹ 56,390 crore).

Capital expenditure (₹ 9,471 crore) increased by ₹ 1,526 crore (19.21 per cent) over 2015-16, which was lower than the budget estimates (₹ 13,004 crore).

**Recommendation:** *The Finance Department should rationalise the budget preparation exercise, so that the persisting gap between the budget estimates and actuals is bridged.*

### *Paragraphs 1.1.3, 1.2.1, 1.6.1 and 1.6.2*

## Summary of important audit findings and recommendations:

### Gender Budget

Out of budget provisions of ₹ 1,455.87 crore for 25 schemes exclusively for women centric works, only ₹ 883.38 crore (60.68 per cent) was spent.

**Recommendation:** *The Finance Department should review all gender budget schemes periodically by coordinating between various departments, so that, provisions for women centric works are fully utilised.*

### *Paragraph 1.1.4*

## New Pension Scheme (NPS)

Deductions of New Pension Scheme contributions from the employees commenced from March 2006 along with arrears of contribution for the period December 2004 to February 2006. During 2006-17 against employee's

contribution of ₹ 1,318.68 crore, the State Government contributed ₹ 1,294.70 crore resulting in short contribution of ₹ 23.98 crore. State Government did not compute the liability towards interest payable to subscribers on delayed transfer of fund to NSDL/Trustee bank.

As on 31 March 2017, ₹ 29.27 crore remained under Major Head 8342-117, pending transfer to NSDL/Trustee Bank. Short contribution of ₹ 23.98 crore and non-transfer of ₹ 29.27 crore resulted in unnecessary creation of liability of ₹ 53.25 crore to the State Government.

Further, out of ₹ 29.27 crore lying payable in Public Account, pending transfer to NSDL as of 31 March 2017, only ₹ 3.47 crore was pending as of 30 June 2017.

**Recommendation:** *The State Government should ensure that employees' contributions along with the matching employer's share are transferred to NSDL immediately. Appropriate action may be initiated against departmental officers/officials who fail to transfer contribution under the NPS on time.*

**Paragraph 1.6.3**

**Adequacy of Public expenditure**

During 2016-17, the ratio of development expenditure, social service expenditure, education and health sector expenditure to aggregate expenditure was more than average for the General Category States (GCS). However, the ratio of capital expenditure to aggregate expenditure was less than that of GCS.

**Paragraph 1.7.1**

**Financial results of irrigation projects**

Though no irrigation scheme was declared as commercial by the Government of Chhattisgarh contrary to the recommendation of the Finance Commission, the gap in cost recovery (-88 per cent) was better than the neighbouring states of Madhya Pradesh (-49 per cent), Jharkhand (eight per cent) and Uttar Pradesh (20 per cent).

**Recommendation:** *The State Government may initiate measures to declare irrigation projects as commercial for assessing cost recovery as per Finance Commission recommendations.*

**Paragraph 1.8.1**

**Incomplete projects**

The Public Works Department and Water Resources Department had 145 incomplete projects (estimated cost ₹ 5,847.17 crore) with cost over-run of ₹ 2,435.03 crore in 48 projects (where costs have been revised) till date. Since the State Government has not evaluated the cost of 97 incomplete projects, the actual amount of expenditure to be incurred by the State could not be ascertained.

**Recommendation:** *The Public Works Department and Water Resource Department may re-evaluate the cost of all incomplete projects and evolve a mechanism for timely completion of projects.*

**Paragraph 1.8.2**

### **Return on Investment, Loans and Advances**

The State Government incurred a loss of ₹ 1,163.34 crore on account of difference between Government's borrowing cost and returns on investment during 2012-17.

Also, the State Government has incurred a loss of ₹ 130.43 crore on account of difference between Government's borrowing cost and loans and advanced over the past five years.

***Recommendation:** The State Government should review investment in companies/corporations/banks whose financial performance do not even meet the borrowing cost of capital. Similarly, the State Government should ensure that loans are advanced to various entities at interest rates equal to or greater than the interest rates which Government pays on borrowed funds.*

*Paragraphs 1.8.3 and 1.8.4*

### **State Disaster Response Fund (SDRF)**

The SDRF had a closing balance of ₹ 693.20 crore as of March 2017, which was not invested, contrary to guidelines. On the basis of the overdraft interest rates of the RBI, it is estimated that the State Government liability on accumulated interest amounted to ₹ 225.87 crore from 2010 onwards, and ₹ 31.43 crore in 2016-17 alone, overstating the revenue surplus and understating the fiscal deficit for the respective years to that extent.

***Recommendation:** The State Government should invest balances lying under SDRF as per the guidelines.*

*Paragraph 1.9.4*

### **Infrastructure Development Fund (IDF)**

During 2005-06 to 2016-17, the Government collected ₹ 727.63 crore towards Infrastructure Development Cess (IDC), out of which only ₹ 423.39 crore (58 per cent) was transferred to IDF. The balances in IDF were not utilised as of 31 March 2017. The non-transfer of ₹ 304.24 crore has increased the liability of State and also overstated the revenue surplus and understated fiscal deficit during the respective financial years.

***Recommendation:** State Government should ensure that the Infrastructure Development Cess is regularly transferred to the fund and utilised as provided in the Act.*

*Paragraph 1.9.6*

### **Status of Guarantees- contingent liabilities**

As per the recommendation of the 12<sup>th</sup> Finance Commission, the Government of Chhattisgarh was required to constitute a Guarantee Redemption Fund (GRF) with minimum annual contribution of 0.50 per cent of outstanding guarantees at the beginning of the year. Accordingly, the State Government was required to create a GRF and transfer ₹ 112.60 crore to the Fund from 2005-06 to 2016-17 out of which, ₹ 9.94 crore pertains to 2016-17 alone. The State Government, however, has not created the GRF. Consequently, the liability of the State Government increased by ₹ 112.60 crore and overstated the revenue surplus and understated the fiscal deficit in the relevant years.

**Recommendation:** *State Government should create and operate the Guarantee Redemption Fund as per the recommendations of the 12<sup>th</sup> Finance Commission.*

**Paragraph 1.9.7**

**Surrender on the last day of the financial year**

Against the overall saving of ₹ 19,743.88 crore, ₹ 3,827.93 crore (19.39 per cent) was lapsed at the end of financial year. Out of balance savings of ₹ 15,915.95 crore, ₹ 15,894.65 crore was surrendered on 31 March 2017 leaving no scope for utilisation of these funds for other development purposes.

**Recommendation:** *All anticipated savings should be surrendered on time so that the funds can be utilised for other development purposes.*

**Paragraph 2.1**

**Excess over provisions requiring regularisation**

The State Government failed to get regularised by the Legislature an excess expenditure of ₹ 3,257.55 crore over provisions during 2000-01 to 2016-17 as required under the Constitution of India.

**Recommendation:** *The State Government is required to get all the existing cases of excess expenditure regularised at the earliest and in future such expenditure may be completely stopped, except in case(s) of dire and extreme emergency, where the expenditure should only be met from the Contingency Fund. Appropriate action may also be taken against departmental officers who incur excess expenditure over legislature approval.*

**Paragraph 2.2.1**

**Savings**

Savings of ₹ 17,337.73 crore (87.81 per cent of total savings of ₹ 19,743.88 crore) occurred in 37 cases relating to 29 grants and one appropriation where such savings exceeded ₹ 100 crore and were 10 per cent or more of the grant.

In 52 cases under 41 grants and one appropriation, there were persistent savings of ₹ 10 crore or more of the total provisions during the last five years. In eight cases, there were persistent savings of more than 30 per cent of the provision.

**Recommendations:** *The Finance Department should review monthly expenditure more effectively so that all anticipated savings are surrendered on time.*

**Paragraphs 2.2.4 and 2.2.5**

**Rush of Expenditure**

An expenditure of ₹ 5,569.91 crore (64 per cent of total expenditure of ₹ 8,756.54 crore) was incurred in the last quarter of the year 2016-17 in 39 major heads. Of this, ₹ 2,776.67 crore (32 per cent of total expenditure) of total expenditure was incurred in the month of March 2017 avoiding the provisions of budget manual.

**Recommendation:** *The Finance Department should control rush of expenditure during the fag end of the financial year.*

**Paragraph 2.2.12**

### **Advances from Contingency Fund**

The State Government withdrew ₹ 2.09 crore in June 2016 from the Contingency Fund to meet expenditure of the Tourism Department which was neither unforeseen nor of emergent nature.

**Recommendation:** *The State Government should ensure that no advances are drawn from the Contingency Fund except to meet expenditure of emergent and unforeseen nature, as stipulated under the Constitution of India.*

**Paragraph 2.3**

### **Outstanding Utilisation Certificates against the grants**

Utilisation Certificates (UCs) of ₹ 5,016.79 crore against Grants-in-aid bills drawn by different departments were outstanding as on 31 March 2017.

**Recommendation:** *The Finance Department should prescribe a time frame within which administrative departments releasing grants collect UCs pending for more than the time stipulated in the grant orders, and also ensure that till such time, administrative departments release no further grants to defaulting grantees. The Government may initiate appropriate action against departmental officers who default in submission of UCs on time.*

**Paragraph 3.1**

### **Delay in submission of accounts of PSUs**

The accounts of 13 working PSUs (20 accounts) were in arrears ranging from one to five years. Despite this, the State Government had extended Budgetary support of ₹ 7,707.17 crore in eight working PSUs {equity: ₹ 490 crore, guarantees: ₹ 3,410.30 crore, Grants: ₹ 570.82 crore and others (subsidy): 3,236.05 crore} during the period.

**Recommendation:** *The Finance Department should review the cases of all PSUs that are in arrears of accounts, ensure that the accounts are made current within a reasonable period, and stop financial support in all cases where accounts continue to be in arrears.*

**Paragraph 3.2**

### **Declaration of dividend**

The State Government had not formulated any dividend policy under which PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, nine PSUs with Government equity of ₹ 6,146.97 crore earned an aggregate profit of ₹ 74.43 crore in 2016-17. Only one PSU, i.e., *Chhattisgarh Rajya Van Vikas Nigam Limited* proposed dividend of ₹ 0.87 crore, i.e., 9.94 per cent of its net profit of ₹ 8.75 crore during 2016-17.

**Recommendation:** State Government should formulate a dividend policy for return on its investments as share capital, and ensure that profit earning PSUs declare dividend in terms of the policy.

**Paragraph 3.2.1**

**Outstanding Detailed Contingent bills**

At the end of March 2017, Detailed Contingent bills amounting to ₹ 25.19 crore were outstanding against 115 Abstract Contingent bills advanced during 2014-2017.

**Recommendation:** The Finance Department should ensure that all controlling officers adjusted all ACs bill within the prescribed period, and also ensure that appropriate departmental action is initiated against such officers who violates such instructions.

**Paragraph 3.3**

**Opening of new sub heads/detailed heads accounts**

In violation of Article 150 of the Constitution of India, GoCG has opened 57 new sub-heads/detailed heads under the Revenue and Capital section in the budget during 2016-17 without approval of Accountant General.

**Recommendation:-** The Finance department should open new Sub head/detailed head under the minor head after the consultation with Accountant General.

**Paragraph 3.6**

**Booking under minor head 800**

GoCG departments routinely operated minor head 800 which is to be operated only in rare cases. During 2016-17, ₹ 1,377.39 crore under expenditure and ₹ 2,290.09 crore under receipts were booked under minor head 800 resulting in opaqueness of transactions.

**Recommendation:** The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate head of account.

**Paragraph 3.7**

**Parking of fund outside the Government account**

During the period 2011-16, ₹ 36.00 crore was withdrawn from the treasuries and irregularly parked outside the Government accounts.

**Recommendation:** Government should take necessary action to avoid parking funds and take disciplinary action against departmental officers who irregularly park Government money outside Government accounts.

**Paragraph 3.8.1**

**Apportionment of balances as on reorganisation of the State**

Balances amounting to ₹ 669.76 crore under Public Accounts along with balance under Capital section ₹ 5,755.20 crore and Loans and Advances

₹ 2,176.05 crore remained to be apportioned between the successor states of Madhya Pradesh and Chhattisgarh, almost two decades after the reorganisation of the erstwhile State of Madhya Pradesh with effect from November 2000.

*Recommendation: The State Government is required to liaison with the Government of Madhya Pradesh to expedite the apportionment of balances under Public Accounts, capital section and Loans and advances between the two successor States.*

**Paragraph 3.11**

**Impact on Revenue surplus and Fiscal deficit**

As per Finance Accounts, the impact of incorrect booking/accounting of expenditure and revenue resulted in overstatement of revenue surplus amounts to ₹ 1,509.67 crore and understatement of fiscal deficit to the tune of ₹ 30.79 crore.

However, as discussed in various places in the report, the impact of incorrect booking/accounting of expenditure and revenue as worked by Audit amounts to overstatement of revenue surplus by ₹ 1,656.47 crore and understatement of fiscal deficit to the tune of ₹ 46.01 crore. The liabilities of the State were understated to the extent of ₹ 2,650.96 crore.

**Paragraph 3.13**