

Executive Summary

This Report on the Finances of the Government of Assam is being brought out with a view to assess objectively the financial performance of the State during the year 2012-13. The aim of this Report is to provide the State Government with timely inputs based on actual data so that there is a better insight into both well performing as well as ill performing schemes/programmes of the Government. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government in Fiscal Responsibility and Budget Management (FRBM) Act, 2005 (amended in 2011) as well as in the Budget estimates of 2012-13.

Based on the audited accounts of the Government of Assam for the year ending March 2013, 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 on 31 March 2013. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of Central funds transferred directly to the State implementing agencies through off-budget route.

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

Chapter-III is an inventory of Government's compliance with various reporting requirements and financial rules. This chapter also provides details on non-submission of annual accounts and also delays in placement of Separate Audit Reports in the Legislature by the Autonomous Bodies. Besides, the cases of misappropriation and loss that indicate inadequacy of controls in the Government departments are also detailed in this chapter.

The fiscal position of the State viewed in terms of key fiscal parameters □ revenue surplus, fiscal deficit and primary deficit etc., indicated that except during 2009-10 the State had maintained revenue surplus during the last five years. The fiscal deficit of the State had also reduced during the current year compared to previous year and the State had managed to exhibit primary surplus during the last two years.

Revenue Receipts

Revenue receipts grew by ₹ 3,236 crore (12 per cent) over the previous year. The increase was contributed by tax revenue ₹ 612 crore (19 per cent), State's share of Union Taxes and Duties ₹ 1,318 crore (41 per cent) and Grants-in-aid from

Government of India (GOI) ₹ 1,699 crore (52 *per cent*). The increase was however, offset by decrease in non-tax revenue by ₹ 393 crore (12 *per cent*). The revenue receipts at ₹ 30,691 crore was higher by ₹ 1,598 crore than the assessment made in Medium Term Fiscal Plan (MTFP)¹ (₹ 29,093 crore).

(Para-1.1.1)

Revenue Expenditure

The overall revenue expenditure of the State increased by 104.57 *per cent* from ₹ 14,243 crore in 2008-09 to ₹ 29,137 crore in 2012-13 at an annual average rate of 20.91 *per cent* and increased from ₹ 26,528 crore in 2011-12 to ₹ 29,137 crore in 2012-13. The NPRE constituted a dominant share of nearly 78 *per cent* in the revenue expenditure and increased by ₹ 2,601 crore over the previous year. The PRE increased marginally by 0.12 *per cent* (₹ eight crore) from ₹ 6,487 crore in 2011-12 to ₹ 6,495 crore in 2012-13.

(Para-1.6.3)

During 2012-13, the development expenditure (₹ 20,803 crore) increased by ₹ 2,148 crore (11.51 *per cent*) over the previous year. The relative share of the revenue developmental expenditure was 55 *per cent* of the total expenditure while this share in respect of capital development expenditure was only eight *per cent*. The expenditure pattern of the State revealed that there was an increasing pressure on revenue expenditure. Salaries and wages alone accounted for nearly 44 *per cent* of revenue receipts of the State during the year. It increased by 14 *per cent* from ₹ 11,793 crore in 2011-12 to ₹ 13,442 crore in 2012-13. The expenditure on salaries (₹ 13,274 crore) during 2012-13 was less by ₹ 2,162 crore (14 *per cent*) than assessed (₹ 15,436 crore) by the State Government in its budget and it was less by ₹ 538 crore (3.90 *per cent*) than the projection of ₹ 13,812 crore in MTFP. It was however, more by 86 *per cent* (₹ 6,119 crore) than the assessment made by the FC-XIII (₹ 7,155 crore).

(Paras-1.6.4 and 1.7.1)

Investment and Returns

There were 69 incomplete projects (total cost more than ₹ one crore of each project) which were due to be completed by March 2013 in which ₹ 315.96 crore was blocked. Of these, 49 projects involving ₹ 255.22 crore remained incomplete for less than three years and seven projects involving an amount of ₹ 29.96 crore remained incomplete for periods ranging from three to five years. Details in respect of 13 projects involving ₹ 30.78 crore were not available. The revised cost of two incomplete projects increased by 309.46 *per cent* from ₹ 98.69 crore (initial budgeted cost) to ₹ 404.10 crore (total revised cost) and resulted in cost

¹ MTFP: As required under Section 3 of the Act, the State Government laid before the State Legislative Assembly a five year rolling Fiscal Plan along with Annual Financial Statement showing therein the relevant fiscal indicators and future prospects for growth.

overrun of ₹ 305.41 crore. Delay in completion of works invites the risk of escalation in the cost of the works. Besides, due to delay in completion of the projects, the intended benefits from those projects did not reach the beneficiaries in the State.

(Para-1.8.1)

The average return on State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies varied between 0.53 and 0.94 *per cent* in the last five years whereas the State Government's average interest outgo was in the range of 6.57 to 6.83 *per cent*.

(Para-1.8.2)

Cash balances of the State Government at the end of the current year decreased from ₹ 7,051 crore in 2011-12 to ₹ 6,620 crore in 2012-13. The interest receipts against investment on cash balance was 7.71 *per cent* during 2012-13 while Government paid interest at the rate of 6.57 *per cent* only on its borrowings during the year.

(Para-1.8.4)

Fiscal liabilities

The overall fiscal liabilities of the State increased at an average annual rate of 6.07 *per cent* during the period 2008-13. During the current year, the fiscal liabilities of the State Government increased by ₹ 1,400 crore from ₹ 31,497 crore in 2011-12 to ₹ 32,897 crore in 2012-13. The ratio of fiscal liabilities to GSDP had improved and decreased from 24.89 *per cent* in 2011-12 to 22.91 *per cent* in 2012-13 which was well within 25 *per cent i.e.*, the norms prescribed by the FC-XIII. These fiscal liabilities stood at nearly 1.07 times the revenue receipts and three times of the State own resources at the end of 2012-13.

(Para-1.9.2)

Debt sustainability

During 2012-13, fiscal deficit-GSDP ratio improved marginally compared to previous year indicating decrease in debt-GSDP ratio. The sum of quantum spread and primary deficit also improved significantly and stood at ₹ 2,861 crore during 2012-13 against ₹ 1,741 crore in 2011-12 which was a positive sign towards fiscal balances for improving the debt sustainability position of the State.

(Para-1.10)

The State Government may explore the possibility to mobilise additional resources both through tax and non-tax sources by expanding the tax base and rationalising the user charges. Efforts should also be made to increase tax compliance, reduce tax administration costs, etc., so that deficits are contained. Further, in order to ensure sustainable progress towards fiscal consolidation,

State needs to continue to ensure a pattern of expenditure that not only ensures better growth but also enhances public welfare.

Effective steps need to be taken for expeditious completion of the incomplete projects to avoid further cost overrun and delay in achieving the objectives.

A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify the use of high cost borrowed funds for non-revenue generating investments through clear and transparent guidelines.

Budgetary Control and Financial Management

During 2012-13, expenditure of ₹ 33,747.75 crore was incurred against the total grants and appropriations of ₹ 47,557.01 crore resulting in a savings of ₹ 13,809.26 crore. The overall saving was the net result of saving of ₹ 15,004.87 crore offset by excess of ₹ 1,195.61 crore. The excess expenditure requires regularisation under Article 205 of the Constitution of India. At the close of the year 2012-13, there were 75 grants/ appropriations in which savings of ₹ 14,116.45 crore (94.08 per cent of the overall savings) occurred but no surrenders were made by the concerned departments.

(Paras-2.2.1, 2.2.7 and 2.2.11)

Out of the total provision amounting to ₹ 394.81 crore in two schemes, ₹ 187.65 crore (48 per cent) was surrendered.

(Para-2.2.10)

Injudicious re-appropriation proved excessive or unnecessary and resulted in saving/excess of over ₹ 10 lakh in 11 sub-heads/sub sub-heads. Rush of expenditure was noticed in respect of 25 Major heads where expenditure exceeding ₹ 10 crore and also more than 50 per cent of the total expenditure for the year was incurred in the month of March 2013.

(Paras-2.2.9 and 2.2.12)

Funds amounting to ₹ 411.06 crore drawn at the end of the year were deposited into the head of account '8443-Civil Deposit' to avoid lapse of budget grant, which indicates bypassing of legislative control. Besides, funds amounting to ₹ 24.55 crore meant for developmental works were parked in Personal Deposit Accounts without undertaking the work for which those were sanctioned and released.

(Paras-2.2.5 and 2.4)

The total amount of DCC bills received was only ₹ 1,216.53 crore against the amount of AC bills of ₹ 2,393.75 crore leading to an outstanding balance of DCC bills of ₹ 1,177.22 crore as on 31 March 2013.

(Para-2.3.1)

Delayed in surrender of savings, non-surrender of anticipated savings etc., indicate that prescribed budgetary regulations were not observed diligently leading to absence of financial control. Besides, failure to exercise control mechanism to watch over the progress of expenditure resulted in shortcoming like excess expenditure.

(Paras-2.5.1, 2.5.4 and 2.5.5)

- *Savings are to be worked out before hand and surrendered before the close of the financial year for its effective utilisation in other areas/schemes requiring funds.*
- *Expenditure should be planned in advance and incurred uniformly throughout the year to avoid rush of expenditure at the end of the financial year.*
- *Parking of funds in the Personal Deposit Accounts to avoid lapse of budget is fraught with the risk of misuse of funds and therefore, needs to be avoided.*
- *A close and rigorous monitoring mechanism should be put in place by the DDOs for timely submission of Detailed Countersigned Contingent (DCC) Bills.*

Financial Reporting

State Government's compliance with various rules, procedures and directives was unsatisfactory as was evident from delays in furnishing utilisation certificates against the loans and grants from various grantee institutions. Delays also figured in submission of annual accounts by some of the Autonomous Bodies/ Councils. Further, annual accounts in respect of a large number of Government Bodies/Authorities due up to 2012-13 had not been received by the Accountant General (Audit), Assam. There were instances of loss and misappropriation which remained unsettled with various departments for period ranging from one to 20 years.

- *Departments should submit UCs in respect of the grants released for specific purposes to the grantee institutions in time.*

- *Government departments should take urgent action so that the Government/ Autonomous Bodies submit the outstanding accounts expeditiously.*
- *Departmental enquiries in the cases of loss, misappropriation etc., should be expedited to bring the defaulters to book. Internal controls should be strengthened to prevent occurrence of such cases.*