

Executive Summary

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1. The Report

Based on the audited accounts of the Government of Assam for the year ending March 2017, this report provides an analytical review of the Annual Accounts of the State Government. The report has three Chapters.

Chapter I is based on the Finance Accounts and makes an assessment of the Government's fiscal position as on 31 March 2017. It broadly presents and analyses the State Government's resources and their applications.

Chapter II is based on audit of Appropriation Accounts and reviews the allocative priorities of the State Government and the manner in which the allocated resources were managed by various Departments.

Chapter III gives an overview and status of the State Government's compliance with various financial rules, procedures and directives during 2016-17.

The Report has 26 appendices containing additional data collated from several sources in support of the findings.

2. Audit Findings

2.1 Finances of the State Government

During 2016-17, the State had achieved two out of three fiscal targets prescribed under Assam Fiscal Responsibility and Budget Management Act, 2011.

During the year, Fiscal Deficit as a percentage of GSDP was contained at 2.38 per cent i.e., within three per cent prescribed under the Act. The outstanding liabilities of the State stood at 18.54 per cent at the end of 2016-17 which was also well within the norms (28.50 per cent), prescribed under the Act. However, the State could not maintain Revenue Surplus during the year and had a Revenue Deficit of ₹ 143 crore.

During the current year, the State's Revenue Receipts recorded the growth of 15.93 per cent, which was more than that of GSDP (13.80 per cent).

About 33 per cent of the Revenue Receipts during 2016-17 came from State's own resources while Central Tax Transfers and Grants-in-Aid together contributed 67 per cent. This was indicative of the fact that the Government of Assam's fiscal position is largely influenced by the Tax Transfers and Grants-in-Aid from GOI.

During 2016-17, Revenue Receipts increased by ₹ 6,763 crore (16 per cent) from ₹ 42,457 crore in 2015-16 to ₹ 49,220 crore in 2016-17. The

Executive Summary

Revenue Receipts at ₹ 49,220 crore was, however, lower by ₹ 16,960 crore than the assessment made in Medium Term Fiscal Plan (MTFP)¹ (₹ 66,180 crore). Revenue Expenditure increased significantly by ₹ 12,352 crore (33 per cent) from ₹ 37,011 crore in 2015-16 to ₹ 49,363 crore in 2016-17.

Capital Expenditure of the State increased significantly by 104 per cent (₹ 2,811 crore) from ₹ 2,691 crore in 2015-16 to ₹ 5,502 crore in 2016-17. However, its ratio to total expenditure stood at 9.94 per cent which was lower than combined average (13.60 per cent) of Special Category States.

Decrease in receipts of Public Debt by ₹ 1,596 crore (29 per cent) and increase in repayment of Public Debt by ₹ 74 crore (four per cent) during the year over the previous year showed improvement in the State's debt management.

The maturity profile of outstanding stock of public debt as on 31 March 2017 indicates that out of the outstanding public debt of ₹ 28,059.88 crore, 57.66 per cent (₹ 16,178.51 crore) is payable within the next seven years.

As on 31 March 2017, 181 projects were due to be completed by March 2017 which remained incomplete and in which an amount of ₹ 402.08 crore was blocked. Delay in completion of works/projects invites the risk of escalation in the cost of the works, besides the intended benefits from these projects do not reach the beneficiaries in the State.

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 4.96 per cent in the last five years. However, the State Government's average interest outgo was in the range of 6.40 to 6.57 per cent during the corresponding period.

Cash Balances of the State Government at the end of the current year decreased by ₹ 1,304 crore from ₹ 10,056 crore in 2015-16 to ₹ 8,752 crore in 2016-17. The interest receipts against investment on cash balance was 8.84 per cent during 2016-17 which was higher than the interest paid at the rate of 6.57 per cent on its borrowings during the year.

(Chapter I)

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.

2.2 Financial Management and Budgetary Control

Sound financial management requires advance planning and accurate estimation of revenue and expenditure. There were instances of excess expenditure or substantial savings with reference to provision made during the year, exhibiting weakness in expenditure monitoring and control.

During the year 2016-17, Government of Assam (GOA) incurred expenditure of ₹ 58,178.31 crore against the total grants and appropriations of ₹ 83,069.15 crore resulting in overall savings of ₹ 24,890.84 crore. The overall savings of ₹ 24,890.84 crore stood at 30 per cent of total grants and appropriations. This shows poor financial management by the State.

Against the overall savings of ₹ 24,890.84 crore, only an amount of ₹ 3,941.92 crore (15.84 per cent) were surrendered during 2016-17, of which ₹ 3,923.55 crore (99.53 per cent) were surrendered on the last day of the year i.e., 31 March 2017. Delay in surrender denied the utilisation of savings fund for other developmental purposes.

Excess expenditure over allocation amounting to ₹ 10,004.29 crore pertaining to years from 2002-03 to 2015-16 was yet to be regularized as of December 2017. The cases of excess expenditure over grants are serious matter and are in violation of the will of the Legislature. It is important that responsibility is fixed in this regard to discourage this practice.

Supplementary provision aggregating ₹ 2,632.86 crore obtained in 63 cases (₹ 10 lakh or more in each case) proved unnecessary as the expenditure under the respective heads was even less than the original budget provision.

At the close of the year 2016-17, there were 58 grants/ appropriations in which savings (₹ five crore and above in each grant) of ₹ 20,290.41 crore (77 per cent of the total savings) occurred but the concerned departments did not surrender the amount.

The total amount of Detailed Countersigned Contingent (DCC) bills received was only ₹ 105.88 crore against the amount of Abstract Contingent (AC) bills of ₹ 673.01 crore. This led to the outstanding balance on account of non-submission of DCC bills of ₹ 567.13 crore as on 31 March 2017. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs.

Out of 54 COs, only eight carried out full reconciliation of departmental receipts figures and 24 carried out full reconciliation of departmental expenditure figures with those reflected in the books of Office of the Accountant General (Accounts & Entitlement), Assam. Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions

Executive Summary

and executive instructions not only facilitates misclassifications of the expenditure but also defeats the very objectives of budgetary process.

The Accountant General (A&E), Assam called for reasons for savings/excesses in respect of 1,654 sub-heads/sub sub-heads. Explanation for variations in respect of 1,405 sub heads/sub sub-heads were not received and in respect of 49 sub-heads/sub sub-heads incomplete information was received. Furnishing of explanations by the departments in respect of savings/excesses would show true and fair view of Accounts.

Excessive/unnecessary of re-appropriation of funds was also observed. Unrealistic budgetary allocations resulting in substantial savings, unnecessary supplementary grants and expenditure without provisions pointed to poor budget management.

(Chapter II)

2.3 Financial Reporting

State Government's compliance with various rules, procedures and directives was unsatisfactory as 11,641 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 24,907.26 crore paid to 53 departments of the State Government during the period from 2001-02 to 2016-17 were in arrears. Non-submission of Utilization certificates is fraught with the risk of misappropriation.

Delays figured in submission of annual accounts by some of the Autonomous Bodies/Councils as 29 accounts were in arrears for periods ranging from one to 151 months.

491 annual accounts of 90 PSUs, Government Bodies and Authorities were also in arrears.

Delay in finalization of accounts carries the risk of financial irregularities going undetected apart from violation of the provisions of the respective legislations under which the Bodies were constituted.

(Chapter III)