

Executive Summary

Fiscal Situation of the State

Revenue receipts (RR), revenue expenditure (RE) and capital expenditure (CE) have increased from 2013-14 to 2017-18 even after adjusting for inflation. However, RR and CE as a percentage of GSDP has marginally decreased during 2017-18, whereas the RE has been increased even adjusting for inflation.

Paragraph 1.1.1

The State has achieved fiscal deficit and ratio of outstanding debt to GSDP targets of the budget estimates 2017-18 and the Fiscal Responsibility and Budget Management Act (FRBM). However, ratio of total outstanding debt to GSDP (18.14 *per cent*) was higher than the prescribed target of 14th FC (17.05 *per cent*), as the State Government has raised borrowing from market loan of ₹ 8,100 crore for Chhattisgarh State Development Loan.

Paragraph 1.1.2

The primary deficit of the Government of Chhattisgarh ranged between ₹ 1,361 crore and ₹ 6,281 crore during 2013-18 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 (₹ 59,647 crore) increased by ₹ 5,962 crore (11.11 *per cent*) over the previous year (₹ 53,685 crore), which was lower than the budget estimates (₹ 66,094 crore) by 9.75 *per cent*.

Revenue expenditure (₹ 56,230 crore) increased by ₹ 8,065 crore (16.74 *per cent*) over 2016-17, which was lower than the budget estimates (₹ 61,313 crore) by 8.29 *per cent*.

Capital expenditure (₹ 10,001 crore) increased by ₹ 530 crore (5.60 *per cent*) over 2016-17, which was lower than the budget estimates (₹ 14,454 crore) by 30.81 *per cent*.

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, 1.3, 1.6.1 and 1.6.2

Summary of important audit findings and recommendations:

Gender Budget

Out of budget provisions of ₹ 4,904 crore for 28 schemes exclusively for women centric works, only ₹ 4,003 crore (81.61 *per cent*) was spent.

Recommendation: *The Finance Department should review all gender budget schemes periodically, so that, provisions for women centric works are fully utilized and also open distinct sub-heads or object heads to ascertain actual expenditure.*

Paragraph 1.1.4

Provisional adjustment of compensation cess

As against the ₹ 113.43 crore compensation of GST to be received from GoI, ₹ 106 crore was actually received, resulting in ₹ 7.43 crore less transferred to the State.

Further, the advance settlement of IGST of ₹ 322 crore was adjusted from compensation payable to states for the months of November and December 2017 after adding ₹ 322 crore as revenue received during that period which is irregular as per the sanction order.

Recommendation: Government should initiate action to claim the balance amount of compensation of GST from GoI.

Paragraph 1.4.4.1 and 1.4.4.2

National Pension System (NPS)

Deductions of National Pension System contributions from the employees commenced from March 2006 along with arrears of contribution for the period December 2004 to February 2006. During 2006-18 against employee's contribution of ₹ 1,697.89 crore, the State Government contributed ₹ 1,688.26 crore resulting in short contribution of ₹ 9.63 crore.

As on 31 March 2018, ₹ 14.51 crore remained in Public Account, pending transfer to NSDL as of 31 March 2018. Short contribution of ₹ 9.63 crore and non-transfer of ₹ 14.51 crore resulted in unnecessary creation of liability of ₹ 24.14 crore to the State Government.

Recommendation: The State Government should ensure that employees' contributions along with the matching employer's share which are pending for transfer should be transferred to NSDL immediately.

Paragraph 1.6.3

Adequacy of Public expenditure

During 2017-18, the ratio of development expenditure, social sector expenditure and education sector expenditure, capital expenditure and health sector expenditure to aggregate expenditure was more than average for the General Category States (GCS).

Paragraph 1.7.1

Incomplete projects

The Public Works Department and Water Resources Department had 110 incomplete projects (estimated cost ₹ 3,712.38 crore) with cost over-run of ₹ 2,843.25 crore in 42 projects (where costs have been revised). Since the State Government has not evaluated the cost of 68 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 has incurred a notional loss of ₹ 1,477.23 crore on account of difference between interest on Government's borrowing cost and returns on investment during 2013-18.

Also, the State Government has incurred a loss of ₹ 33.81 crore on account of difference between the interest on 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 ₹ 175.55 crore as of March 2018. The Government was required to pay interest on the uninvested balances (₹ 693.20 crore) at the rate of interest to be paid on overdrafts. However, GoCG had not paid any interest to SDRF since the creation of the fund. This works out to ₹ 281.88 crore as estimated at the applicable rates of interest for the period 2010-18. Of this, unpaid interest for 2017-18 alone amounted to ₹ 56.01 crore, resulting in overstatement of revenue surplus and understatement of fiscal deficit for the year.

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

Paragraph 1.9.4

Consolidated Sinking Fund (CSF)

During 2017-18 GoCG was required to transfer a minimum of ₹ 217.15 crore (0.50 per cent of outstanding debt of ₹ 43,430.86 crore at the beginning of the year) to fund, against which ₹ 200 crore was transferred. The State Government made short contribution ₹ 17.15 crore resulting in over statement of revenue surplus and understatement of fiscal deficit.

Recommendation: *GoCG should follow the recommendation of the 12th Finance Commission and transfer the required amount to the Consolidated Sinking Fund for amortisation of debt.*

Paragraph 1.9.5

Status of Guarantees- contingent liabilities

As per the recommendation of the 12th 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 ₹ 132.51 crore to the Fund from 2005-06 to 2017-18 out of which, ₹ 19.91 crore pertains to 2017-18 alone. The State Government, however, has not created the GRF. Consequently, the liability of the State Government increased by ₹ 132.51 crore and overstated the revenue surplus and understated the fiscal deficit in the relevant years.

Recommendation: The State Government should create GRF after weighting the risk of guarantees and decide the quantum of contribution towards the fund as per recommendation of the 12th FC.

Paragraph 1.9.6

Off-budget borrowing

GoCG understated the liabilities of ₹ 631.17 crore for repayment of loans relating to Chhattisgarh Power Distribution Company Limited (CSPDCL), Chhattisgarh Housing Board (CHB) and Chhattisgarh Police Housing Corporation Limited.

Recommendation: The effected liability on the loans should be reflected in the accounts of GoCG.

Paragraph 1.9.6.1

Surrender on the last day of the financial year

Against the overall saving of ₹ 18,886.71 crore, ₹ 5,008.39 crore (26.52 per cent) was lapsed at the end of financial year. Out of total surrender of ₹ 13,878.32 crore, ₹ 13,838.17 crore was surrendered on 31 March 2018 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 ₹ 3,260.16 crore over provisions during 2000-01 to 2017-18 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.

Paragraph 2.2.1

Savings

Savings of ₹ 17,075.65 crore (90.41 per cent of total savings of ₹ 18,886.71 crore) occurred in 39 grants and two appropriations where such savings exceeded ₹ 100 crore. Out of the total savings of ₹ 18,886.71 crore, reasons for ₹ 3,191.61 crore was not explained in the appropriation accounts.

In 29 cases under 24 grants, there were persistent savings of ₹ 20 crore or more of the total provisions during the last five years. In four 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, 2.2.5 and 2.2.13

Rush of Expenditure

An expenditure of ₹ 3,020.05 crore (66.01 *per cent* of total expenditure of ₹ 4,574.82 crore) was incurred in the last quarter of the year 2017-18 in 28 major heads. Of this, ₹ 1,951.48 crore (42.66 *per cent* of total expenditure) was incurred in the month of March 2018 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

During 2017-18, in eight out of nine cases amounting ₹ 13.74 crore, the expenditure did not meet the criteria for drawal from Contingency Fund as these expenditures were not of an unforeseen or of an emergent character.

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 (UCs)

As on 31 March 2018, 317 Utilisation Certificates (UCs) amounting to ₹ 2413.40 crore were outstanding out of which 100 UCs amounting to ₹ 628.47 crores were outstanding as on 31 January 2019 in different departments against GIA bills drawn upto 2017-18.

Recommendations: *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

Abstract Contingent Bills and Detailed Contingent Bills

Detailed Contingent bills amounting to ₹ 115.15 crore are outstanding against the 47 Abstract Contingent bills up to 31 January 2019.

Recommendation: *The Finance Department should ensure that all Controlling Officers adjust all AC bills are adjusted within the prescribed period, and ensure that departmental action against such officers who violate such instructions.*

Paragraph 3.2

Status of Placement of Separate Audit Reports of Autonomous Bodies

Chhattisgarh State & District Legal Services Authority and CAMPA Fund, Chhattisgarh State has rendered the accounts with delay ranging from 06 months to 30 months whereas Chhattisgarh State Housing Board has not rendered the accounts after 2011-12.

Recommendation: Government should ensure timely submission of accounts of the Autonomous bodies to audit.

Paragraph 3.3

Delay in submission of accounts of Public Sector Undertakings

There were 19 accounts are in arrears in 13 working PSUs upto one to four years. The State Government had extended Budgetary support of ₹ 9,463.02 crore to 10 working PSUs {guarantees: ₹ 2,920.30 crore (*three* PSUs), grants: ₹ 1,697.08 crore (*six* PSUs), and others (subsidy and revenue grant): ₹ 4,845.64 crore (*eight* PSUs)} up to 2017-18. No budgetary support had been extended to the non-working PSUs. Due to non-finalisation of accounts, the C&AG has been unable to perform the supplementary audit of companies.

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 3.4

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, 10 PSUs with government equity of ₹ 6,636.17 crore earned an aggregate profit of ₹ 104.04 crore. Only two PSU *i.e.*, *Chhattisgarh Rajya Van Vikas Nigam Limited* and State Warehousing Corporation proposed dividend of ₹ 1.60 crore and ₹ 0.81 crore respectively.

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 3.4.1

Reporting of cases of losses and defalcations etc.,

In various departments, the cases like theft, loss of property/material and defalcation amounting to ₹ 125.29 crore was awaiting conclusive investigation.

Recommendation: The State Government should expedite completion of departmental action as warranted, and strengthen internal control systems to prevent/reduce recurrence of such cases.

Paragraph 3.5

Personal Deposit Accounts

In Chhattisgarh, ₹ 1,757.00 crore are lying in 263 Personal Deposit accounts till March 2018 wherein ₹ 1,459.13 crore pertains to Land Acquisition and ₹ 135.67 crore pertains to Education and Forest deposit have been booked under 8443-106 resulting in misclassification of the heads.

Recommendations: The Finance Department is required to review all PD accounts, and ensure that all amounts unnecessarily lying in these PD

accounts are immediately remitted to the Consolidated Fund and issue instructions to avoid misclassification of funds.

Paragraph 3.6

Booking Under minor head 800

The revenue receipt and expenditure amounting to ₹ 2,522.98 crore (46 major heads) and ₹ 1,579.97 crore (46 major heads) have been booked under minor head – 800 without classification of the actual heads.

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 3.8

Non-adjustment of Temporary Advances

As on 31 March 2018, 1,922 cases of temporary advances aggregating to ₹ 22.66 crore was pending for adjustment by various Departments, due to non-submission of adjustment Vouchers.

Recommendation: Government should take necessary steps for timely adjustment of Temporary Advance.

Paragraph 3.9.2

Building and Other Construction Workers' Welfare Cess

The Board could utilised only 42 per cent of available funds and only 34 per cent registered workers benefited under various schemes during 2017-18. . As compared to the neighbouring states, utilization in Chhattisgarh has been more at 42 per cent when compared to Madhya Pradesh (14 per cent), Uttar Pradesh (7 per cent) and Bihar (5 per cent). It also benefitted 34 per cent workers which was higher than Madhya Pradesh (19 per cent), Uttar Pradesh (8 per cent) and Bihar (11 per cent).

Recommendation: The State Government should ensure maximum utilization of funds by Chhattisgarh BOCW Welfare Board on welfare schemes implementing for register workers.

Paragraph 3.10

Apportionment of balances as on reorganisation of the State

Balance amounting to ₹ 118.28 crore under public account along with balance under Capital Section ₹ 5,750.38 crore and Loan & Advances ₹ 1,297.35 crore remained to be apportion between the successor states Madhya Pradesh and Chhattisgarh, almost two decades after reorganization 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 Account, Capital Section and Loan & 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 by ₹ 2,429.00 crore and understatement of Fiscal Deficit to the tune of ₹ 66.46 crore.

Paragraph 3.13