

Executive Summary

1 The Report

Based on the audited accounts of the Government of Chhattisgarh for the year ended 31 March 2020, this Report provides an analytical review of the finances of the State Government.

2 Audit findings

2.1 Fiscal Position

The fiscal position of the State is viewed in terms of three key parameters—Revenue Deficit/Surplus, Fiscal Deficit/Surplus, and the ratio of Outstanding Debt to GSDP.

The fiscal position of the State had declined in terms of the key parameters. From a slender revenue surplus of ₹683.76 crore as of end of March 2019, the State had a revenue deficit of ₹9,608.61 crore as of end of March 2020. Fiscal deficit relative to Gross State Domestic Product (5.46 per cent) was above the target of 3.50 per cent laid down under XIV Finance Commission and the State FRBM Act (3.50 per cent).

During 2019-20, the outstanding debt of the State was 23.91 per cent of GSDP, which was higher than the norm of 21.23 per cent of GSDP prescribed by the Chhattisgarh Fiscal Responsibility and Budget Management Act, 2016.

The GSDP of Chhattisgarh grew at a higher rate during 2019-20 compared to the GDP of India, although it registered a lower growth rate compared to the previous year. During 2019-20, the GSDP decreased mainly due to decrease in growth rate of all three Sectors that make up the GSDP - Agriculture, Industry and Services sectors, from 15.77 per cent, 8.49 per cent and 10.98 per cent in 2018-19 to 12.10 per cent, 5.51 per cent and 9.35 per cent in 2019-20 respectively. The major contributing factor to GSDP of Chhattisgarh was Industrial sector, unlike the national GDP, where the Services sector is the main contributor.

(Chapter I)

2.2 Finances of the State

The State Government registered a nominal decrease of 1.88 per cent in its Revenue Receipts during 2019-20 compared to the previous year. The Own tax revenue and non-tax revenue increased by 3.22 and 3.00 per cent respectively and could not achieve the level anticipated in budgetary projections. The State continued to be dependent on Government of India with 53 per cent of the revenue coming from State Share of Union Taxes and Duties and Grants-in-aid.

Revenue expenditure increased by 14.08 per cent during 2019-20 compared to the previous year, whereas the Capital Expenditure decreased by 3.79 per cent during the same period.

Debt repayment increased significantly in 2019-20 as compared to 2018-19 and total debt receipts also increased by ₹5,217.43 crore (36.31 per cent) when compared to 2018-19. The total outstanding debt of the State Government at the end of 2019-20 was ₹78,712 crore. Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable in the long run and would impact creation of assets.

(Chapter II)

2.3 Budgetary Management

Budgetary assumptions of the State Government were not realistic during 2019-20 and control over the execution and monitoring of budget was inadequate. However, the percentage of utilization of Budgeted funds increased during 2019-20 compared to the previous year

Excess expenditure of ₹6,682.69 crore pertaining to four Grants and two Appropriations during 2019-20 requires regularisation.

Supplementary Grants/ Appropriations were obtained without adequate justification. The savings were neither surrendered on time nor explanations provided to the Accountant General (A&E) for variations in expenditure vis-à-vis allocations. The Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations

The budgetary control mechanism should be strengthened in the Government Departments to avoid huge savings, especially where savings occurred persistently and to avoid taking supplementary grants, which remained unutilized.

(Chapter III)

2.4 Quality of Accounts and Financial Reporting Practices

Non-submission of UCs and DCC bills by Departments for funds drawn for specific developmental programmes/ projects and non-submission of accounts by public sector entities was violative of prescribed financial rules and directives. This points to inadequate internal controls and deficient monitoring mechanism of the State Government.

Operation of omnibus Minor Head 800 – ‘Other Receipts’ (₹3,447.19 crore) and ‘Other Expenditure’ (₹976.82 crore) affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

Non-reconciliation of receipts and expenditure booked by the Controlling Officers of the State with the figures of the Accountant General (A&E) reflects poorly on the internal control system within the Government and raises concerns relating to accuracy of accounts.

Government of Chhattisgarh has not disclosed in its budget, its liabilities with regard to the loans obtained by various public sector entities at its behest for implementation of various socio-economic developmental programmes.

(Chapter IV)