

# Executive Summary

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## Fiscal Situation of the State

Revenue receipts (RR) and revenue expenditure (RE) have increased during the period 2014-15 to 2018-19 but capital expenditure (CE) has decreased during 2018-19. However, RR and CE as a percentage of GSDP have decreased marginally during 2018-19 as compared to 2017-18, whereas RE has increased even after adjusting for inflation during the same period.

### *Paragraph 1.1.1*

The State has achieved revenue surplus and fiscal deficit as per the targets set by the 14<sup>th</sup> Finance Commission and in MTFP/FRBM. However, the ratio of total outstanding debt to GSDP (21.42 *per cent*) was higher than the target prescribed by the 14<sup>th</sup> Finance Commission (18.40 *per cent*).

### *Paragraph 1.1.2*

The primary deficit of the Government of Chhattisgarh ranged between ₹ 1,361 crore and ₹ 6,281 crore during 2014-19 indicating that non-debt receipts were not sufficient to meet the primary expenditure of the State.

### *Paragraph 1.1.2.2*

## Resource mobilisation

Revenue receipts (₹ 65,095 crore) increased by ₹ 5,448 crore (9.13 *per cent*) over the previous year, which was lower than the budget estimates (₹ 72,868 crore).

Revenue expenditure (₹ 64,411 crore) increased by ₹ 8,181 crore (14.55 *per cent*) over 2017-18, which was lower than the budget estimates (₹ 68,423 crore).

Capital expenditure (₹ 8,903 crore) decreased by ₹ 1,098 crore (10.97 *per cent*) over 2017-18 and was also lower than the budget estimates (₹ 14,454 crore).

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

### *Paragraphs 1.1.1 and 1.1.3*

## Summary of important audit findings and recommendations:

### Gender Budget

Out of budget provisions of ₹ 5,266 crore for 25 schemes exclusively for women centric works, only ₹ 3,257 crore (61.84 *per cent*) was spent.

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

### *Paragraph 1.1.4*

### **Incomplete projects**

The Public Works Department and Water Resources Department had 107 incomplete projects (estimated cost ₹ 3,687.60 crore) with cost over-run of ₹ 2,963.97 crore in 40 projects (where costs have been revised). Since the State Government has not evaluated the cost of 67 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 reevaluate 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 ₹ 1,819.09 crore on account of difference between Government's borrowing cost and returns on investment during 2014-19.

Also, the State Government has incurred a loss of ₹ 44.10 crore on account of difference in the interest received on the loans advanced and that which the Government incurred on its borrowings.

**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 that Government pays on borrowed funds.*

**Paragraphs 1.8.3 and 1.8.4**

### **Cash balances and investment of cash balances**

During 2018-19, the cash balance increased by ₹ 5,472.97 crore from opening cash balance of ₹ 6,804.91 crore to closing cash balance of ₹ 12,277.88 crore. The surplus cash balance held in investment account was ₹ 9,759.02 crore while the State Government raised market loan of ₹ 12,900 crore during 2018-19. The State Government had a surplus cash balance mainly due to raising of market loans under public debt. The build-up of large cash balances increases the interest cost burden for the State Government. The State Government could have lowered its borrowings and the burden of interest by utilising the surplus cash balance available with it.

**Recommendation:** *The State Government should utilise its existing cash balance before resorting to fresh borrowings.*

**Paragraphs 1.8.5**

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

The SDRF had a closing balance of ₹ 400.70 crore as of March 2019. Grants-in-Aid for SDRF of ₹ 125.10 crore received from Government of India in December 2018 and corresponding State share of ₹ 13.90 crore was not transferred to the SDRF, resulting in overstatement of revenue surplus and understatement of fiscal deficit.

**Recommendation:** *The State Government should ensure timely transfer of the Central share received from GoI along with the State share to the SDRF and invest balances lying under this fund as per the guidelines.*

**Paragraph 1.9.4**

**Consolidated Sinking Fund (CSF)**

During 2018-19, GoCG was required to transfer a minimum of ₹ 264.54 crore (0.50 per cent of outstanding liability of ₹ 52,907.08 crore at the beginning of the year) to the fund, against which only ₹ 100 crore was transferred. The State Government made short contribution of ₹ 164.54 crore resulting in over statement of revenue surplus and understatement of fiscal deficit.

**Recommendation:** *GoCG should follow the recommendation of the 12<sup>th</sup> 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**

Guarantees of ₹ 10,769.42 crore were outstanding at the end of March 2019. The outstanding amount of guarantees in the nature of contingent liabilities was about 16.54 per cent of the total revenue receipts of the State. The new guarantees were ₹ 7,359.15 crore during 2018-19.

Contrary to the 12<sup>th</sup> Finance Commission recommendations, the State Government has decided not to form a Guarantee Redemption Fund.

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

**Paragraph 1.9.6**

**Off-budget borrowing**

Chhattisgarh Housing Board (CHB) availed loan of ₹ 401.64 crore from Canara Bank and ₹ 195 crore from Allahabad Bank for construction of 6,424 residential houses for Government officials in various districts of Chhattisgarh and for purchase of 728 flats respectively. GoCG undertook to repay the principal and interest accruing on this loan. Similarly, Chhattisgarh Police Housing Corporation Limited (CPHCL) availed loans of ₹ 143.76 crore from Allahabad Bank and ₹ 60.95 crore from Canara Bank for construction of 10,000 residential houses for police officials.

Thus, in effect, the liability for the loans vested entirely with GoCG and not with CHB and CPHCL, though not reflected in the accounts of GoCG. Consequently, the liability of GoCG was understated by ₹ 801.35 crore.

**Recommendation:** *The State Government should disclose the details of off-budget borrowings through disclosure statements in the Budget.*

**Paragraph 1.9.6.1**

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

Against the overall saving of ₹ 29,437.08 crore, ₹ 353.09 crore lapsed at the end of financial year. Out of the balance savings of ₹ 29,083.99 crore,

₹ 23,389.20 crore was surrendered on 31 March 2019, leaving no scope for utilisation of these funds for other development purposes.

**Recommendation:** *The Finance Department should monitor the trend of expenditure by Departmental Controlling Officers to ensure all anticipated savings are surrendered at the earliest so that the funds can be utilised for developmental purposes.*

**Paragraph 2.1**

**Excess over provisions requiring regularisation**

There was an excess disbursement of ₹ 1.67 crore over the authorisation made by the State Legislature under two grants and four appropriations during the financial year 2018-19. Excess expenditure of ₹ 3,260.16 crore over provisions for the years 2000-01 to 2017-18 was yet to be regularised (December 2019) as required under the Constitution of India.

**Recommendation:** *The State Government should ensure that all the existing cases of excess expenditure are placed before the State legislature for regularisation at the earliest. 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 ₹ 27,276.13 crore (92.66 per cent of total savings of ₹ 29,437.08 crore) occurred in 48 cases pertaining to 38 grants and two appropriations where such savings exceeded ₹ 100 crore.

In 32 cases under 25 grants, there were persistent savings of ₹ 20 crore or more of the total provisions during the last five years.

**Paragraphs 2.2.4 and 2.2.5**

**Rush of Expenditure**

Expenditure of ₹ 9,213.94 crore (63.58 per cent of total expenditure of ₹ 14,491.09 crore) was incurred in the last quarter of the year 2018-19 in 22 major heads.

**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 2018-19, in seven out of eight cases amounting to ₹ 9.80 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.*

**Paragraph 2.3**

### **Outstanding Utilisation Certificates**

As of 30 December 2019, 477 Utilisation Certificates (UCs) amounting to ₹ 6,172.50 crore were outstanding in different departments against Grants-In-Aid bills drawn up to 2018-19.

***Recommendations:** The State Government should ensure that internal controls are put in place to watch timely submission of UCs and all pendencies are reviewed before release of fresh grant.*

**Paragraph 3.1**

### **Delay in finalisation of accounts of PSUs**

Government provided budgetary support (grants & subsidies) and accepted liability (guarantee) for ₹ 12,789.88 crore in nine PSUs during the period for which their accounts were in arrears up to 31 March 2019. These PSUs have not finalised their accounts for the last one to four years in gross violation of the provisions of the Companies Act.

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

**Paragraph 3.4**

### **Reporting of cases of losses and defalcation etc.**

In various departments, cases like theft, loss of property/material and defalcation amounting to ₹ 125.49 crore were awaiting conclusive investigation.

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

**Paragraph 3.5**

### **Personal Deposit Accounts**

₹ 1,891.10 crore were lying in 231 Personal Deposit accounts till March 2019. Out of the total balance of ₹ 1,891.10 crore, ₹ 1,637.42 crore pertaining to land acquisition has been kept in Personal Deposit accounts due to non-disbursement of the amounts to the concerned beneficiaries.

***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.*

**Paragraph 3.6**

### **Impact on revenue surplus and fiscal deficit**

The impact of incorrect booking/accounting of expenditure and revenue resulted in overstatement of revenue surplus by ₹ 3,057.79 crore and understatement of fiscal deficit to the tune of ₹ 1,054.04 crore.

**Paragraph 3.8**

### **Booking under minor head 800**

Revenue receipt and expenditure amounting to ₹ 2,749.90 crore (44 major heads) and ₹ 1,033.96 crore (47 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 3.9**

### **Non-adjustment of Temporary Advances**

As of 31 March 2019, temporary advances aggregating to ₹ 16.15 crore were pending for adjustment by various Departments, due to non-submission of adjustment vouchers.

**Recommendation:** *Government should take necessary steps for timely adjustment of temporary advances.*

**Paragraph 3.10.2**

### **Building and Other Construction Workers' Welfare Cess**

The Building and Other Construction Worker Welfare Board could utilise only 33.79 *per cent* of available funds and only 51.78 *per cent* registered workers benefited under various schemes during 2018-19. Out of the total expenditure of ₹ 193.57 crore, the Board incurred expenditure of ₹ 166.98 crore (86 *per cent*) on welfare schemes during 2018-19.

**Recommendation:** *The State Government should ensure maximum utilisation of funds by Chhattisgarh BOCW Welfare Board on welfare schemes implemented for registered workers.*

**Paragraph 3.11**