

Executive Summary

1 The Report

Based on the audited accounts of the Government of Chhattisgarh for the year ended 31 March 2021, 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 State had a revenue deficit of ₹ 6,856.66 crore as of end of March 2021 as compared to revenue deficit of ₹ 9,608.61 crore as of end of March 2020. Fiscal deficit relative to Gross State Domestic Product (4.53 per cent) was within the target of 5.00 per cent laid down under the State FRBM Act.

During 2020-21, the outstanding debt of the State was higher than the target of 21.59 per cent of GSDP prescribed in the Medium Term Fiscal Policy Statement under the Chhattisgarh Fiscal Responsibility and Budget Management Act. However, the debt to GSDP ratio was within the target (28.10 per cent) prescribed by the Fifteenth Finance Commission.

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 in the current year compared to the previous year. During 2020-21, the growth rate of GSDP decreased mainly due to decrease in growth rate of all three Sectors that make up the GSDP - Agriculture, Industry and Services sectors, from 13.35 per cent, 4.73 per cent and 10.01 per cent in 2019-20 to 10.40 per cent, (-)3.34 per cent and 3.34 per cent in 2020-21 respectively. Industrial sector is the major contributor to GSDP of Chhattisgarh, unlike the national GDP, where the Services sector is the main contributor.

(Chapter I)

2.2 Finances of the State

The Revenue Receipts registered a nominal decrease of 1.08 per cent during 2020-21 compared to the previous year. Own tax revenue increased by 3.49 per cent and non-tax revenue decreased by 10.04 per cent and could not achieve the level anticipated in budgetary projections. The State continued to be dependent on Government of India with 52 per cent of the revenue coming from State Share of Union Taxes and Duties and Grants-in-aid.

Revenue expenditure decreased by 4.69 per cent during 2020-21 compared to the previous year, whereas Capital Expenditure increased by 5.34 per cent during the same period.

Debt repayment decreased in 2020-21 as compared to 2019-20 and total debt receipts increased by ₹ 1,994.15 crore (10.18 per cent) when compared to 2019-20. The total outstanding debt of the State Government at the end of 2020-21 would be ₹ 89,605.22 crore after excluding back to back loan of ₹ 3,109 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 2020-21 and control over the execution and monitoring of budget was inadequate. Also, the percentage of utilization of Budgeted funds (81.22 per cent) decreased during 2020-21 compared to the previous year (86.30 per cent).

Excess expenditure of ₹ 3,432.11 crore pertaining to two Grants and two Appropriations during 2020-21 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 neither cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations

(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 were 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’ (₹ 3,030.67 crore) and ‘Other Expenditure’ (₹ 1,268.92 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)

2.5 Financial Performance of State Public Sector Undertakings

As on 31 March 2021, there were 30 PSUs including one Statutory Corporation. Out of 30, there are two inactive PSUs. Out of 28 working PSUs, only 25 PSUs (24 Companies and one Statutory Corporation), whose accounts were in arrears for two or less years as on 30 September 2021 have been considered for detailed analysis of financial performances.

As per their latest accounts and information furnished, the PSUs registered an annual turnover of ₹39,964.32 crore, which was equal to 11.41 per cent of the GSDP of Chhattisgarh. As on 31 March 2021, the investment of the Central and State Governments and Others in equity and long-term loans in these 30 PSUs was ₹20,878.89 crore.

Out of 25 PSUs (covered in this Report) 15 PSUs earned profit of ₹697.56 crore in 2020-21, seven PSUs incurred losses of ₹978.50 crore and three PSUs had reported neither profit nor loss. Major profit was contributed by Chhattisgarh State Power Generation Company Limited (₹402.68 crore) and Chhattisgarh State Warehousing Corporation (₹138.69 crore) and major loss was incurred by Chhattisgarh state Power Distribution company Limited (₹972.64 crore). Only two PSUs Chhattisgarh Rajya Van Vikas Nigam Limited and Chhattisgarh Warehousing Corporation declared dividend of ₹3.03 crore and ₹0.81 crore respectively.

Total accumulated losses reported by 25 PSUs were ₹4,872.05 crore, resulting in depletion in net worth to ₹2,391.21 crore as on 31 March 2021. One PSU viz., Chhattisgarh State Power Distribution Company Limited (CSPDCL) which incurred losses amounting to ₹972.64 crore during the year 2020-21, reported total accumulated loss of ₹7,290.33 crore as on 31 March 2021.

Financial Statements of only seven PSUs for the year 2020-21 were received in time. Twenty three PSUs have defaulted in timely submission of accounts. Forty accounts pertaining to 23 PSUs were in arrears.

As a result of the audit of CAG, significant comments highlighting inaccuracies in the Financial Statements impacting profitability by ₹14.22 crore and assets/liabilities by ₹63.07 crore were issued.

Irregularities and deficiencies in the financial reports observed during supplementary audit which are not material, were communicated to the Management of three PSUs through 'Management Letters' for taking corrective action.

(Chapter V)