

Executive Summary

The Report

Based on the audited accounts of the Government of Tamil Nadu for the year ending March 2013, this Report provides an analytical review of the Annual Accounts of the State Government. The financial performance of the State has been assessed with reference to the Tamil Nadu Fiscal Responsibility Act, 2003 and its amendments in 2010 and 2011, Budget documents, Thirteenth Finance Commission Report and other financial data obtained from various Government departments and organisations. The Report is structured in three Chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of Government of Tamil Nadu's fiscal position as on 31 March 2013. It provides an insight into trends in inevitable expenditure and borrowing pattern besides giving a brief account of central funds transferred directly to State implementing agencies through the off-budget route.

Chapter II is based on the audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter III is an inventory of Government of Tamil Nadu's compliance with various reporting requirements and financial rules.

The Report also includes appendices of additional data collated from several sources in support of the findings. A glossary of selected terms has been given at the end of the Report.

Audit findings

Fiscal position: The State continued to maintain revenue surplus during 2012-13 and kept fiscal deficit relative to GSDP below the limit laid down under the Tamil Nadu Fiscal Responsibility Act. The State's revenue surplus during 2012-13 was ₹ 1,761 crore. The fiscal deficit came down from ₹ 17,275 crore in 2011-12 to ₹ 16,519 crore in 2012-13 and the ratio of fiscal deficit to GSDP was 2.2 in 2012-13 which was within the target of three *per cent*. One of the factors contributing to the decrease in fiscal deficit was the decrease in capital expenditure during the year.

Revenue Receipts: During the current year, the State's revenue receipts (₹ 98,828 crore) increased by 15.99 *per cent* over the previous year. The compound annual growth rate of revenue receipts stood at 15.35 *per cent* in the current decade, which was less than that of the other General Category States (17.48 *per cent*). The growth rate of revenue receipts decreased from 21.39 *per cent* in 2011-12 to 15.99 *per cent* in 2012-13 which was below the average annual growth rate of 16.09 *per cent* during 2008-12. The decrease in growth rate was mainly due to decrease in grants from the Government of India. The own tax revenue of the State increased by ₹ 11,737 crore over the previous year and the growth rate, which was at 30.74 *per cent* in 2010-11 stood at 19.72 *per cent* in 2012-13. The State's

revenue receipts, as a percentage of GSDP marginally increased from 11.64 in 2009-10 to 13.27 in 2012-13.

The non-tax revenue of the State increased by ₹ 870 crore in 2012-13 (15.31 *per cent*) over the previous year. As a proportion to the State's own resources, it was 14.50 *per cent* in 2008-09 and 8.42 *per cent* in 2012-13.

Revenue expenditure: Of the total expenditure of ₹ 1,16,404 crore during 2012-13, revenue expenditure (₹ 97,067 crore) accounted for 83.39 *per cent*. Out of the revenue expenditure, 75.91 *per cent* (₹ 73,683 crore) was incurred on the non-plan component. The committed expenditure (₹ 58,833 crore) stood at 59.53 *per cent* of the total revenue receipts (₹ 98,828 crore) of the State during 2012-13 as against 64.75 *per cent* during 2011-12.

Capital expenditure: The capital expenditure (₹ 14,568 crore) during the current year decreased by ₹ 1,768 crore (10.82 *per cent*) from the previous year due to less investment in power sector and less expenditure on flood control, water supply and sanitation, cooperation and education.

Adequacy and priority of expenditure: In the year 2012-13, the State spent marginally lower proportion of its GSDP on aggregate expenditure (15.64 *per cent*) as compared to General Category States (15.93 *per cent*). Development expenditure as a proportion of aggregate expenditure in the State was lower (64.32 *per cent*) than the General Category States' average (65.79 *per cent*).

Investment and returns: The State invested ₹ 15,718 crore in various Government Companies and Corporations up to March 2013. While the Government paid interest at an average rate of 7.43 *per cent* on its borrowings during 2012-13, the average return on its investments was only 0.20 *per cent*.

Debt Management: The outstanding fiscal liabilities steeply increased from ₹ 83,662 crore in 2008-09 to ₹ 1,47,416 crore at the end of 2012-13 and represented 149.16 *per cent* of the revenue receipts. However, the outstanding liabilities as a percentage of Gross State Domestic Product (GSDP) was 19.80, which was within the norm of 24.80 *per cent* prescribed for the year 2012-13 in the Tamil Nadu Fiscal Responsibility Act. However, the negative debt stabilisation and continued burden of interest payment at more than 10 *per cent* of revenue receipts every year suggest that the State's sustainability of debt continued to be strained.

Reserve Funds: There was short transfer of funds of ₹ 790 crore from the Consolidated Fund to reserve funds during the period 2000-01 to 2012-13. The revenue surplus of the years in which such balances were not transferred were overstated while the revenue deficits were understated.

Financial management and budgetary control: During 2012-13 expenditure of ₹ 1,23,755.97 crore was incurred against the total grants and appropriations of ₹ 1,40,235.43 crore, resulting in savings of ₹ 16,479.46 crore. These overall savings were the net result of savings of ₹ 17,212.75 crore offset by excess expenditure of ₹ 733.29 crore. There were persistent savings of more than five *per cent* of the total provision in 20 grants. Expenditure of ₹ 84.84 crore was incurred in 41 cases without appropriations by the Legislature. Excess expenditure of ₹ 6,603.08 crore pertaining to the period 1998 to 2012 was

pending for regularisation. Supplementary provisions of ₹ 3,899.26 crore obtained in 27 cases of ₹ 50 lakh or more in each case during 2012-13 proved unnecessary as the expenditure was less than the original provisions. In 25 grants and one appropriation, the amounts surrendered were in excess and as against savings of ₹ 7,717.42 crore, the amount surrendered was ₹ 8,414.64 crore resulting in excess surrender of ₹ 697.22 crore. There was rush of expenditure in the closing month of the financial year due to provision of additional funds in the second supplementary estimates and by re-appropriations in March 2013. In 32 out of 87 sanctions issued by Government for drawal of advances from the Contingency Fund, advances to the tune of ₹ 24.55 crore were not drawn indicating that the funds were not required to meet urgent expenditure.

Financial reporting: Some departmental officers failed to ensure adherence to the terms and conditions relating to timely submission of utilisation certificates in respect of grants released. Similarly, 361 autonomous bodies did not submit their accounts due up to 2012-13 to Audit. Temporary advances drawn up to 31 March 2013 by the Drawing and Disbursing Officers involving an amount of ₹ 617.65 crore in 6,060 cases remained unadjusted. The State Government departments reported 488 cases of misappropriation, defalcation, etc., involving a total amount of ₹ 22.01 crore up to March 2013 on which final action was pending.