EXECUTIVE SUMMARY

Executive Summary

Background

This Report on the Finances of the Government of Tripura is being brought out with a view to assess the financial performance of the State during the year 2014-15. The aim of this Report is to provide the State Government with timely inputs based on actual data so that there is a better insight into both well performing as well as ill performing schemes/programmes of the Government. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government in Fiscal Responsibility and Budget Management Act, 2005 as well as in the Budget estimates of 2014-15. A comparison has been made to see whether the State had given adequate fiscal priority to developmental expenditure and whether the expenditure had been effectively absorbed by the intended beneficiaries.

The Report

Based on the audited accounts of the Government of Tripura for the year ended 31 March 2015, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of the Government of Tripura's fiscal position as on 31 March 2015. It provides an insight into trends in committed expenditure and borrowing pattern besides a brief account of Central funds transferred directly to the State implementing agencies through off-budget route.

Chapter 2 is based on audit of Appropriation Accounts and gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter 3 is an inventory of Tripura Government's compliance with various reporting requirements and financial rules. This chapter provides details on non-submission of annual accounts and delays in placement of Separate Audit Reports in the Legislature by the Autonomous Bodies. The report also has an appendage of additional data collated from several sources in support of the findings.

Audit findings and recommendations

Position of key fiscal parameters

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit, primary deficit, etc., indicated that the State had maintained revenue and primary surplus during the last five years except in the current year i.e. 2014-15 where the State had witnessed primary deficit. During the current year, revenue surplus of the State increased as compared to the previous year. Compared with a Fiscal surplus of ₹ 45.68 crore in 2013-14, there was a Fiscal deficit of ₹ 1,049.03 crore during 2014-15.

Revenue Receipts

During 2014-15, ₹ 7,869.83 crore (85 *per cent)* of the total revenue was from the Government of India as State Share of Central Taxes of ₹ 1,730.13 crore (19 *per cent*) and Grants-in-aid of ₹ 6,139.70 crore (66 *per cent*). The Own Tax Revenue of the State constituted ₹ 1,174.26 crore (13 *per cent)* of the total revenue receipts. The OTR during 2014-15 remained above the normative assessment of ₹ 894.17 crore made by the XIII Finance Commission for the State but it had remained below the State's own projections of ₹ 1,241.00 crore in RE. The non-tax revenue was ₹ 195.64 crore which constituted about (2 *per cent)* of the revenue receipts (₹ 9,239.73 crore) which was higher than the projection made by the XIII FC (₹ 187.93 crore) but below the estimates made by the State (₹ 222.90 crore) for the year.

The tax compliance measures have been enforced by the State Government. The Government should maintain the same momentum to attain its own targets.

Expenditure of the State Government

During 2014-15, the Revenue expenditure increased to ₹ 7,442.91 crore (72 *per cent* of the total expenditure) from ₹ 5,948.96 crore in 2013-14 recording a growth of 25 *per cent* over the previous year. Capital expenditure in 2014-15 increased by ₹ 1,191.56 crore (73 *per cent*) over the previous year which as a percentage of total expenditure during the year was 28 *per cent*.

During 2014-15, the Development Expenditure (₹ 7,095.90 crore) increased by 46 *per cent* over the previous year and constituted about 69 *per cent* of total expenditure. The relative share of the revenue development expenditure was 45 *per cent* of the total expenditure while the share in respect of capital development expenditure was only 24 *per cent*.

During 2014-15, Non-Plan Revenue Expenditure on Salaries was ₹ 2,676.88 crore. Non-Plan Revenue Expenditure on salary component during 2014-15 was also significantly higher by ₹ 1,096.76 crore (around 69 *per cent*) than the assessment made by the XIII FC for the State (₹ 1,579.92 crore) for 2014-15.

The high proportion of salaries to total revenue expenditure much beyond the assessment of the XIII FC may have adverse impact on the State's financial health as the State's own resources are meagre.

Fiscal Correction Path

During 2014-15, the State had revenue surplus which stood at ₹ 1,796.82 crore which increased by ₹ 95.60 crore from ₹ 1,701.22 crore in 2013-14 and the fiscal deficit ₹ 1,049.03 crore against fiscal surplus of ₹ 45.68 crore in 2013-14. The fiscal deficit as percentage of GSDP of the State during 2014-15 stood at 3.39 *per cent* of GSDP against the target of fiscal deficit of 3.00 *per cent* as projected in the TFRBM Act, 2005 for the year 2014-15.

Keeping in view the recommendations of the XIII Finance Commission, the State should continue to maintain fiscal surplus to achieve the targets as fixed in the FRBM in the ensuing years.

Fiscal Liabilities

The percentage of outstanding liabilities to GSDP during 2014-15 was 30.18, which was lower than the projection (44.20 *per cent*) in the Medium Term Fiscal Policy Statement (MTFPS) and the projection made in the TFRBM Act. During 2014-15, interest receipts as percentage of outstanding loans and advances by the Government was 0.76 *per cent* whereas interest paid by the Government as a percentage of outstanding liabilities was 7.31 *per cent*.

Investment and Returns

Investment of Government money in Government Companies and Statutory Corporations is increasing year after year but only ₹ 0.51 crore had been received as return from the investments of the Government during 2014-15. The average rate of interest on Government borrowings was 8.53 *per cent* during the year 2014-15.

The State Government may review the functioning of the Companies and Statutory Corporations to improve their efficiency.

Financial Management and Budgetary Control

The overall savings of ₹ 3,575.07 crore was the result of saving of ₹ 3,646.67 crore in 47 Grants and 14 Appropriations offset by excess of ₹ 71.60 crore in three Grants and one Appropriation. The excess expenditure of ₹ 89.77 crore over provision in 2011-12 to 2013-14 increased to ₹ 161.37 crore in 2014-15 alone. This excess requires regularisation by the Legislature under Article 205 of the Constitution of India. Rush of expenditure was also observed at the end of the year 2014-15. In respect of 10 Grants/Appropriations, more than 50 *per cent* of the total expenditure during the year was incurred in the last month of the financial year. In 63 cases under 41 Grants/Appropriations, there were savings of more than ₹ 25 lakh each but more than 50 *per cent* of the same were not surrendered till the end of the year. The Abstract Contingent Bills were not adjusted for long periods thereby increasing the risk of fraud and misappropriation.

Budgetary controls should be strengthened in all the Government departments, particularly in the departments where savings/excess persisted for the last five years. A close and rigorous monitoring mechanism should be put in place by the DDOs to adjust the Abstract Contingent Bills within sixty days from the date of drawal of the amount as required under the extant Rules. The Departments should follow more reliable mechanisms in budgeting and control over expenditure to avoid persistent savings or excess.

Financial Reporting

Reconciliation of the Government receipts and expenditure was done with that of expenditure booked in the books of Accountant General (Accounts and Entitlement) by all the Controlling Officers during 2014-15.

However, the practice of non-furnishing of Utilisation Certificates in time against grants received, non-furnishing of detailed information about financial assistance received by various Institutions and non-submission of accounts in time indicates non-compliance with financial rules. There were also delays in placement of Separate Audit Reports to Legislature and arrears in finalisation of accounts by the Autonomous Bodies/Authorities. There is a need to ensure that the audit reports of the Autonomous Bodies are placed in the legislature on time and submission of UCs within the prescribed time should be obtained from the recipients of grants.