

EXECUTIVE SUMMARY

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The Report

Based on the audited accounts of the Government of Tamil Nadu for the year ending March 2016, 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 2004, 2010, 2011 and 2015, Budget documents, Fourteenth 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 2016. It provides an insight into trends in committed expenditure and borrowing pattern.

Chapter II is based on the audit of Appropriation Accounts and it gives a 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, which had maintained revenue surplus during 2011-12 and 2012-13, registered a revenue deficit from 2013-14 onwards and it was on an increasing trend and stood at ₹ 11,985 crore in 2015-16. During 2015-16, the State not only failed to achieve the revenue surplus as projected in the Medium Term Fiscal Plan (MTFP), but also failed to contain its revenue deficit within the target proposed in the Budget. The State could, however, contain the fiscal deficit as a percentage of Gross State Domestic Product (GSDP) to 2.69 *per cent* during 2015-16, which was within the target

of three *per cent* of GSDP as envisaged under the TNFR Act, projections made in MTFP and Fourteenth Finance Commission (FFC) target. The main factor contributing to the increase in fiscal deficit was increase in revenue deficit during the year.

Accuracy of Revenue Deficit / Fiscal Deficit: The Revenue deficit of ₹ 11,985 crore and fiscal deficit of ₹ 32,627 crore were understated by ₹ 1,318.48 crore.

Revenue receipts: During the current year, the State's revenue receipts (₹ 1,29,008 crore) increased by 5.38 *per cent* over the previous year. The growth rate of revenue receipts during 2014-16 stood at 5.38 *per cent*, which was significantly less than that of the General Category States (15 *per cent*). The growth rate of revenue receipts, which showed a decreasing trend from 21.39 *per cent* in 2011-12 to 9.32 *per cent* during 2013-14 although increased to 13.31 *per cent* during 2014-15, had dropped to a five year low of 5.38 *per cent* during 2015-16, due to the poor growth rate of own tax revenue and grants-in-aid. The State's own tax revenue increased by ₹ 1,820 crore over the previous year and the growth rate, which was at 24.56 *per cent* in 2011-12, declined to a five year low of 2.31 *per cent* in 2015-16. The State's revenue receipts, as a percentage of GSDP decreased from 11.2 in 2014-15 to 10.64 in 2015-16.

The non-tax revenue of the State increased by ₹ 567 crore in 2015-16 (6.79 *per cent*) over the previous year. As a proportion of the State's own resources, the non-tax revenue which stood at 11.25 *per cent* in 2013-14 had decreased to 9.98 *per cent* in 2015-16.

Revenue expenditure: Of the total expenditure of ₹ 1,62,319 crore during 2015-16, revenue expenditure (₹ 1,40,993 crore) accounted for 86.86 *per cent*. Out of the revenue expenditure, 74.06 *per cent* (₹ 1,04,415 crore) was incurred on the non-plan component. The committed expenditure (₹ 83,817 crore) stood at 64.58 *per cent* of the total revenue receipts (₹ 1,29,008 crore) of the State during 2015-16, as against 61.54 *per cent* during 2014-15.

Capital expenditure: The capital expenditure (₹ 18,995 crore) during the current year increased by ₹ 1,192 crore (6.7 *per cent*) over the previous year due to more investment under Education, Sports, Art & Culture, Agriculture &

Allied Activities, Water Supply, Sanitation, Housing & Urban Development and Rural Development.

Adequacy and priority of expenditure: In 2015-16, the proportion of Aggregate Expenditure to GSDP (13.39 *per cent*) was low as compared to the General Category States (16.05 *per cent*). Development expenditure as a proportion of aggregate expenditure in the State was lower (64.53 *per cent*) than the General Category States' average (70.63 *per cent*).

Investments and returns: The State invested ₹ 25,725 crore in various Government Companies and Corporations up to March 2016. While the Government paid interest at an average rate of 8.38 *per cent* on its borrowings during 2015-16, the average return on its investments was only 0.61 *per cent*.

Debt Management: The outstanding fiscal liabilities had increased from ₹ 1,91,847 crore at the end of 2014-15 to ₹ 2,23,030 crore at the end of 2015-16. These represented 172.88 *per cent* of the revenue receipts. However, the outstanding liabilities as a percentage of GSDP was 18.39, which was within the norm of 20.78 prescribed for the year 2015-16 as per FFC.

Financial management and budgetary control: During 2015-16, expenditure of ₹ 1,73,288.37 crore was incurred against the total grants and appropriations of ₹ 1,95,913.62 crore, resulting in savings of ₹ 22,625.25 crore. These overall savings were the net result of savings of ₹ 22,707.41 crore offset by excess expenditure of ₹ 82.16 crore. Excess expenditure of ₹ 850.26 crore pertaining to the period 2012 to 2015 was pending regularisation. There were persistent savings of more than five *per cent* of the total provision in 21 grants and five appropriations. Expenditure of ₹ 331.42 crore was incurred in 16 cases without appropriation by Legislature. Supplementary provisions of ₹ 2,181.61 crore obtained in 31 cases, ₹ 50 lakh or more in each case, during 2015-16 proved unnecessary, as the expenditure was less than the original provisions. In 33 grants, as against the savings of ₹ 9,102.92 crore, the amount surrendered was ₹ 9,855.88 crore, resulting in excess surrender of ₹ 752.96 crore. Rush of expenditure at the end of the year was noticed, as more than 50 *per cent* of the total expenditure was incurred in March 2016 in 103 sub-heads reflecting poor expenditure control.

Financial reporting: Certain departmental officers failed to ensure adherence to the terms and conditions relating to timely submission of utilisation certificates in respect of grants released. Similarly, 376 autonomous bodies / authorities did not submit their accounts due up to 2015-16 to Audit. Temporary advances drawn up to 31 March 2016 by the DDOs involving an amount of ₹ 233.32 crore in 1,140 cases remained unadjusted. Due to operation of multiple schemes under single PD Account, only 84 PD accounts were opened against 208 authorisations during 2015-16. The State Government departments reported 398 cases of misappropriations, losses, defalcation, etc., involving total amount of ₹ 13.06 crore up to March 2016, on which final action was pending.