# Executive Summary

## Fiscal Position

*The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and the ratio of Outstanding Debt to GSDP.*

*The State could not eliminate the* ***Revenue Deficit*** *as envisioned in the TNFR Act, 2003 and the Revenue Deficit is on an increasing trend during the five-year period 2015-20. The revenue deficit increased by 199.62 per cent during the five-year period, from ₹ 11,985 crore in 2015-16 to ₹ 35,909 crore in 2019-20. However, the deficit has to be viewed in the light of non-settlement of State Goods and Services Tax (SGST) refund by the State Government, non-contribution to the required Reserve Funds, misclassification of revenue items under capital category, etc. Incorporating these would have resulted in the increase of Revenue Deficit by ₹ 1,008 crore during the year.*

*Though, the State was successful in containing the* ***Fiscal Deficit*** *below three per cent of GSDP in four out of the last five years, in the current year the State failed in containing the fiscal deficit below three per cent. The ratio during 2019-20 was* ***3.26 per cent****. The fiscal deficit grew by 27.13 per cent over the previous year and stood at ₹ 60,179 crore during the current year.*

*The* ***outstanding fiscal liabilities*** *had increased by 14.92 per cent from ₹ 3,68,736 crore as at the end of 2018-19 to ₹ 4,23,743 crore at the end of 2019-20.*

*During the five-year period 2015-20, the ratio of outstanding debt of the State to GSDP remained between 18.96 and 22.96, which was consistently below the norm of 25.20 per cent of GSDP prescribed by the TNFR Act, 2003 amended from time to time.*

***(Paragraphs 1.5, 1.6.1, 1.6.2)***

## Finances of the State

*The State Government registered only a meagre increase of 0.45 per cent in its* ***Revenue Receipts*** *(₹ 1,74,526 crore) during 2019-20 compared to the previous year (₹ 1,73,741 crore).*

***(Paragraph 2.1)***

*The annual growth rate of own tax revenue during 2019-20 stood at 1.83 per cent, which was less than the average growth rate (2.12 per cent) of the General Category States (GCS).*

***(Paragraph 2.3.2.2)***

*There has been a significant decrease in non-tax revenue and the buoyancy of the State's own revenue was also lower than the preceding four years.*

***(Paragraph 2.3.2.1)***

*The non-tax revenue of the State decreased by ₹ 1,312 crore in 2019-20 over the previous year. As a proportion of the State's own resources, the non-tax revenue which stood at 11.86 per cent in 2018-19 decreased to 10.71 per cent in 2019-20.*

***(Paragraph 2.3.2.2)***

*Of the **total expenditure** of ₹ 2,40,089 crore during 2019-20, revenue expenditure (₹ 2,10,435 crore), capital expenditure (₹ 25,632 crore) and Loans and advances (₹ 4,022 crore) accounted for 87.65 per cent, 10.68 per cent and 1.67 per cent respectively.*

***(Paragraph 2.4.1)***

*The **committed expenditure** (₹ 1,16,194 crore) is on an increasing trend and stood at 66.57 per cent of the total revenue receipts (₹ 1,74,526 crore) of the State during 2019-20, as against 62.12 per cent during 2018-19, thereby leaving lesser funds towards other social and economic activities.*

***(Paragraph 2.4.2.2)***

*The State Government, even after a lapse of 16 years from the inception of the New Pension Scheme viz., **Defined Contributory Pension Scheme** (DCPS), has not designated a Fund Manager. During the year 2019-20, the employees' and the Government's contributions towards DCPS were ₹ 2,619.01 crore and ₹ 2,597.55 crore respectively indicating a shortfall in Government's contribution by ₹ 21.46 crore.*

***(Paragraph 2.4.2.3)***

***Subsidies** consumed 11.54 per cent of State's revenue receipts. The expenditure on subsidies increased by 6.46 per cent from ₹ 18,922 crore during 2018-19 to ₹20,144 crore in 2019-20.*

***Implicit subsidies** in the form of marriage assistance, maternity assistance, free supply of laptop, uniform, etc., was on a decreasing trend from 2015-16 to 2018-19 (from ₹ 6,156 crore to ₹ 4,198 crore), but again increased by ₹628 crore during 2019-20.*

***(Paragraph 2.4.2.4)***

*Government **invested** ₹ 39,866 crore (up to March 2020) in the share capital of statutory corporations, joint stock companies and co-operatives.*
*The average rate of return, increased marginally from 0.37 per cent in 2018-19 to 0.40 per cent during the current year. **The return on investment** was meagre compared to Government's average rate of borrowing of 8.07 per cent during the year.*

***(Paragraph 2.4.3.2)***

*The **burden of interest** payments (interest payments/revenue receipts) increased from 16.55 per cent in 2018-19 to 18.32 per cent in 2019-20.*

*Out of the total borrowings of ₹ 66,774 crore, **net debt available** to the Government was only ₹ 22,218 crore due to repayment of ₹ 17,866 crore and interest payments of ₹ 26,690 crore. The net debt available was 33.27 per cent of the total borrowings during 2019-20.*

***(Paragraphs 2.7, 2.7.1)***

## Budgetary Management

*Supplementary Grants/ Appropriations were obtained without adequate justification, and large amounts were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.*

*Under 23 Grants/Appropriations there were **persistent savings** of more than five per cent of the total grant during the last five years. There was a persistent savings of more than 98 per cent during all the past five years in Grant 16 - Finance Department.*

***(Paragraph 3.3.6.3)***

*Supplementary provisions of ₹ 50 lakh or more in each case aggregating ₹ 980.26 crore obtained in 86 cases, during the year 2019-20 proved unnecessary as the original provisions itself was not exhausted.*

***(Paragraph 3.3.4)***

*In respect of 30 cases, a total expenditure of ₹ 130.71 crore was incurred without the authority of law, wherein no provision was made either in the Original or Supplementary estimates or provision made was withdrawn through re-appropriation. In 14 cases, a total expenditure of ₹1.80 crore was incurred without appropriation by the Legislature either in the Original or Supplementary estimates*

***(Paragraph 3.3.1)**.*

***Surrenders** to the tune of ₹ 16,216.52 crore (5.62 per cent of the total provision) were made on 22 March 2020 in 3,374 cases and ₹11,325.92 crore (3.93 per cent of the total provision) on 31 March 2020 in 3,689 cases. Out of ₹ 11,325.92 crore surrendered on the last day (31 March 2020), 88 cases amounting to ₹10,311.98 crore were in excess of over ₹10 crore, indicating inadequate financial control.*

***(Paragraph 3.3.6.2)***

*During the year, excess disbursements over grants/appropriations were made for ₹942 crore. This expenditure needs to be regularised. Besides, excess expenditure of ₹2,657.67 crore relating to 2012-19 was yet to be regularised.*

***(Paragraph 3.3.7)***

*An amount of ₹ 3,708.88 crore under 92 sub-heads for which provision was made in the original grant and was available throughout the year was fully expended only during the month of March 2020 indicating rush of expenditure which is against the provisions of Article 39 of the Tamil Nadu Financial Code.*

***(Paragraph 3.4.2)***

## Quality of Accounts & Financial Reporting Practices

*There was a sizeable net difference (₹ 1,144.16 crore) in the closing balance for the year 2019-20 between the cash balance as per books of accounts of the Accountant General and the cash balance as reported by the Reserve Bank of India (RBI).*

*The failure of the State Government in taking effective measures with the RBI to collect the penalty from 2016-17 onwards for the delayed remittances of Government receipts by the agency banks to Government account, has resulted in non-remittance/evasion of penalty dues (₹ 18.21 crore) by the agency banks. This also raises a serious concern on the increase in the differences of cash balances year after year.*

***(Paragraph 4.1)***

*Transferring the **labour cess** directly to the bank account without bringing it into the Consolidated Fund of the State under the appropriate Head of Account violates Article 266 (1) of the Constitution of India. Consequently, it is not ascertainable as to how much money was collected by the Cess Assessment Officers in the absence of specific Accounting Head and how much money was transferred to the Board.*

***(Paragraph 4.2)***

*Withdrawals of the entire provisions (₹ 14.19 crore) made for the interest liabilities towards the 'interest bearing' deposits not only indicated poor budgetary control, but, also the non-discharge of interest liabilities continues to carry over the burden on to the future generations.*

***(Paragraph 4.3)***

*Non submission of Utilisation Certificates (UC) (₹ 469.64 crore) indicates the failure of the departmental officers to comply with the rules to ensure accountability besides defeating the intended objective of providing these Grants. This assumes greater importance if such UCs are pending against grants-in-aid meant for capital expenditure.*

***(Paragraph 4.5)***

*The non-adjustment of Temporary Advances involving substantial amounts (₹ 367.41 crore drawn and pending over a period of years) indicated laxity on the part of departmental officers in enforcing the codal provisions regarding adjustment of the advances.*

***(Paragraph 4.6)***