

## TABLE OF CONTENTS

	Paragraph	Page
Preface		ix
Executive Summary		xi
<b>CHAPTER I - OVERVIEW</b>		
<b>Introduction</b>	<b>1.1</b>	1
<b>Profile of Tamil Nadu</b>	<b>1.2</b>	1
Gross State Domestic Product and Gross State Value Added of the State	1.2.1	1
<b>Basis and Approach to State Finances Audit Report</b>	<b>1.3</b>	4
<b>Overview of Government Account Structure and Budgetary Processes</b>	<b>1.4</b>	5
<b>Budgetary Processes</b>	<b>1.5</b>	8
<b>Snapshot of Finances</b>	<b>1.6</b>	9
<b>Snapshot of Assets and Liabilities of the Government</b>	<b>1.7</b>	10
<b>Fiscal Indicators</b>	<b>1.8</b>	11
<b>Deficits and Total Debt after examination in audit</b>	<b>1.9</b>	14
Post audit Analysis	1.9.1	15
Trends in fiscal liabilities	1.9.2	15
<b>CHAPTER II - FINANCES OF THE STATE</b>		
<b>Summary of fiscal transactions in 2022-23 vis-à-vis 2021-22</b>	<b>2.1</b>	17
<b>Sources and Application of Funds</b>	<b>2.2</b>	19
<b>Resources of the State</b>	<b>2.3</b>	20
Receipts of the State	2.3.1	21
State's Revenue Receipts	2.3.2	21
<i>Trends and growth of Revenue Receipts</i>	2.3.2.1	22
<i>State's Own Resources</i>	2.3.2.2	23
<i>Transfers from the Centre</i>	2.3.2.3	25
Capital receipts	2.3.3	28
State's performance in mobilization of resources	2.3.4	29
<b>Application of resources</b>	<b>2.4</b>	30

	Paragraph	Page
Growth and composition of expenditure	2.4.1	30
Revenue Expenditure	2.4.2	32
<i>Major changes in Revenue Expenditure</i>	2.4.2.1	33
<i>Committed Expenditure</i>	2.4.2.2	35
<i>Avoidable Expenditure under National Pension System</i>	2.4.2.3	37
<i>Subsidies</i>	2.4.2.4	39
<i>Recoveries under 'Minor Head – 911'</i>	2.4.2.5	40
<i>State Finance Commission-Non-sharing of GST compensation with Local Bodies</i>	2.4.2.6	41
Capital Expenditure	2.4.3	42
<i>Major changes in Capital Expenditure</i>	2.4.3.1	43
<i>Quality of capital expenditure</i>	2.4.3.2	44
Expenditure priorities	2.4.4	47
Object head wise expenditure	2.4.5	47
<b>Public Account</b>	<b>2.5</b>	48
Net Public Account Balances	2.5.1	48
Reserve Funds	2.5.2	50
<i>Consolidated Sinking Fund</i>	2.5.2.1	50
<i>State Disaster Response Fund</i>	2.5.2.2	50
<i>State Disaster Mitigation Fund</i>	2.5.2.3	52
<i>Guarantee Redemption Fund</i>	2.5.2.4	52
<b>Public Liability Management</b>	<b>2.6</b>	52
Liability profile: Components	2.6.1	53
<i>Off Budget Borrowings</i>	2.6.1.1	56
<i>Composition of fiscal deficit and financing pattern</i>	2.6.1.2	57
Debt profile: Maturity and Repayment	2.6.2	59
<b>Debt Sustainability Analysis (DSA)</b>	<b>2.7</b>	60
Utilisation of borrowed funds	2.7.1	64
Status of Guarantees – Contingent Liabilities	2.7.2	65
Management of Cash Balances	2.7.3	65

	Paragraph	Page
<b>Conclusion</b>	<b>2.8</b>	68
<b>Recommendations</b>	<b>2.9</b>	68
<b>CHAPTER III - BUDGETARY MANAGEMENT</b>		
<b>Introduction</b>	<b>3.1</b>	69
<b>Budget Process</b>	<b>3.2</b>	69
<b>Gender Budgeting</b>	<b>3.3</b>	71
Overview of Gender Budget Statement 2022-23	3.3.1	71
Analysis of Gender Budget Statement 2022-23	3.3.2	72
Withdrawal of provision under Part A schemes	3.3.3	73
Other audit observations	3.3.4	74
<b>Appropriation Accounts</b>	<b>3.4</b>	75
Summary of total provisions, actual disbursement and savings / excess during 2022-23	3.4.1	75
Charged and Voted disbursements	3.4.2	76
Budget marksmanship	3.4.3	76
<i>Aggregate Expenditure Outturn</i>	<i>3.4.3.1</i>	76
<b>Audit of Appropriation</b>	<b>3.5</b>	77
Comments on integrity of budgetary and accounting process	3.5.1	77
<i>Expenditure incurred without authority of law</i>	<i>3.5.1.1</i>	77
<i>Drawal of funds to avoid lapse of budget grant</i>	<i>3.5.1.2</i>	78
<i>Misclassification of Expenditure</i>	<i>3.5.1.3</i>	79
<i>Unnecessary or excessive Supplementary grant</i>	<i>3.5.1.4</i>	79
<i>Unnecessary/excess/insufficient re-appropriation of funds</i>	<i>3.5.1.5</i>	80
<i>Provision met only through re-appropriation of funds but 'nil' expenditure</i>	<i>3.5.1.6</i>	83
<i>Unspent amount and surrendered appropriations and/or large savings / surrenders</i>	<i>3.5.1.7</i>	83
<i>Excess expenditure and its regularisation</i>	<i>3.5.1.8</i>	87
Comments on effectiveness of budgetary and accounting process	3.5.2	88

	Paragraph	Page
<i>Budgetary projection and gap between expectations and actuals</i>	3.5.2.1	88
<i>Major policy pronouncements in budget and their actual funding for ensuring implementation</i>	3.5.2.2	92
<i>Rush of Expenditure</i>	3.5.2.3	93
<b>Advances from the Contingency Fund</b>	<b>3.6</b>	94
<b>Outcome of review of selected grants</b>	<b>3.7</b>	95
Higher Education Department	3.7.1	95
<i>Allocation and Expenditure</i>	3.7.1.1	95
<i>Rush of expenditure under Higher Education Department</i>	3.7.1.2	98
Tourism – Art and Culture (Tourism, Culture and Religious Endowments Department)	3.7.2	98
<i>Allocation and Expenditure</i>	3.7.2.1	98
<i>Persistent savings under capital heads</i>	3.7.2.2	99
<b>Conclusion</b>	<b>3.8</b>	101
<b>Recommendations</b>	<b>3.9</b>	102
<b>CHAPTER IV- QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES</b>		
<b>Loans of State Government not being credited to the Consolidated Fund</b>	<b>4.1</b>	103
<b>Non-discharge of liability in respect of interest towards interest bearing deposits</b>	<b>4.2</b>	104
<b>Funds transferred directly to State Implementing Agencies (SIAs)</b>	<b>4.3</b>	104
<b>Tax on electricity kept outside consolidated fund of the state</b>	<b>4.4</b>	106
<b>Delay in furnishing of Utilisation Certificates</b>	<b>4.5</b>	107
<b>Recording of Grantee Institution as “Others”</b>	<b>4.6</b>	108
<b>Non-Adjustment of Temporary Advances</b>	<b>4.7</b>	109
<b>Personal Deposit Accounts</b>	<b>4.8</b>	110
<b>Accumulation of unencashed cheques and return Electronic Clearance Service</b>	<b>4.9</b>	111
<b>Indiscriminate use of Minor head ‘800’</b>	<b>4.10</b>	112

	Paragraph	Page
<b>Outstanding balances under Suspense and Debt, Deposit and Remittance (DDR) heads</b>	<b>4.11</b>	115
<b>Non-reconciliation of Departmental figures</b>	<b>4.12</b>	115
<b>Reconciliation of Cash balances</b>	<b>4.13</b>	116
<b>Impact on Post Audit Analysis of certain transactions on fiscal indicators during 2022-23</b>	<b>4.14</b>	118
<b>Compliance with Accounting Standards</b>	<b>4.15</b>	118
<b>Non-submission/ Delay in submission of accounts</b>	<b>4.16</b>	119
<b>Pendency in placement of Separate Audit Report of the Tamil Nadu Legal State Authority in the State Legislature</b>	<b>4.17</b>	120
<b>Misappropriation, Losses and Thefts</b>	<b>4.18</b>	120
<b>Follow up on State Finances Audit Report</b>	<b>4.19</b>	122
<b>Conclusion</b>	<b>4.20</b>	122
<b>Recommendations</b>	<b>4.21</b>	123
<b>CHAPTER V- STATE PUBLIC SECTOR UNDERTAKINGS</b>		
<b>Definition of Government Companies</b>	<b>5.1</b>	125
<b>Mandate of Audit</b>	<b>5.2</b>	125
<b>PSUs and their contribution to the GSDP of the State</b>	<b>5.3</b>	125
<b>Investment in PSUs and Budgetary support</b>	<b>5.4</b>	126
Equity holding and Loans in PSUs	5.4.1	126
Disinvestment, Restructuring and Privatisation	5.4.2	127
Power Sector Companies	5.4.3	127
<b>Returns from PSUs</b>	<b>5.5</b>	128
Profit earned by PSUs	5.5.1	128
Dividend paid by PSUs	5.5.2	129
<b>Debt Servicing</b>	<b>5.6</b>	129
Interest Coverage Ratio	5.6.1	129
<b>Performance of PSUs</b>	<b>5.7</b>	130
Return on Capital Employed	5.7.1	130
Return on Equity by PSUs	5.7.2	130
<b>PSUs incurring losses</b>	<b>5.8</b>	131
Losses incurred	5.8.1	131

	Paragraph	Page
Erosion of Capital in PSUs	5.8.2	132
<b>Audit of PSUs</b>	<b>5.9</b>	132
<b>Appointment of statutory auditors of PSUs by C&amp;AG</b>	<b>5.10</b>	132
<b>Submission of accounts by PSUs</b>	<b>5.11</b>	133
Need for timely submission	5.11.1	133
Timeliness in preparation of accounts by PSUs	5.11.2	133
<b>CAG's oversight – Audit of accounts and supplementary audit</b>	<b>5.12</b>	134
Financial reporting framework	5.12.1	134
Audit of accounts of Government Companies by statutory auditors	5.12.2	134
Supplementary Audit of accounts of Government Companies	5.12.3	135
<b>Result of C&amp;AG's oversight role</b>	<b>5.13</b>	135
Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013	5.13.1	135
Revision of Auditors Report	5.13.2	135
Significant comments of the C&AG issued as supplement to the statutory auditors' reports on Government Companies	5.13.3	135
<b>Management letters</b>	<b>5.14</b>	136
<b>Conclusion</b>	<b>5.15</b>	136
<b>Recommendations</b>	<b>5.16</b>	137

## APPENDICES

Appendix No.	Subject	Reference to Paragraph	Page
1.1	State Profile	1.2	139
1.2	Structure and Form of Government Accounts	1.4	140
Part A			
Part B	Layout of Finance Accounts	1.4	140
1.3	Methodology adopted for assessment of fiscal position	1.4	142
Part A			
Part B	The Tamil Nadu Fiscal Responsibility Act, 2003	1.4	142
2.1	Time series data on the State Government finances	2.1	143

Appendix No.	Subject	Reference to Paragraph	Page
2.2	Delay in release of funds to Single Nodal Agency (SNA)	2.3.2.3	145
2.3	Recoveries of ₹ one crore and above under 'Minor Head – 911'	2.4.2.5	146
2.4	Differences in balances between Statement 16 and Statement 19	2.4.3.2 (i)	148
3.1	Token provision given and withdrawn under Gender Budgeting under Part A	3.3.4	150
3.2 (a)	Cases where Supplementary provision (₹ 50 lakh or more in each scheme) proved unnecessary	3.5.1.4	151
3.2 (b)	Excess Supplementary provision (₹ 10 crore or more in each scheme)	3.5.1.4	153
3.3	Cases where Supplementary provision (₹ 50 lakh or more in each scheme) is inadequate	3.5.1.4	155
3.4	Excessive/Insufficient re(-) appropriation of funds	3.5.1.5	158
3.5	Injudicious re-appropriations-Unnecessary provision by re-appropriation	3.5.1.5	162
3.6	Provision more than ₹ 100 crore withdrawn by re-appropriation and with 'NIL' Expenditure	3.5.1.5	164
3.7	Withdrawal of entire Provision towards interest liability under Major Head '8342'	3.5.1.5 and 4.2	166
3.8	Expenditure incurred without Final Modified Appropriation	3.5.1.5	167
3.9	Injudicious re-appropriations – Provisions made in first re-appropriation and withdrawn in second re-appropriation where expenditure is 'Nil'	3.5.1.5	169
3.10	Grants in which savings more than ₹ 100 crore	3.5.1.7 (a)	171
3.11	Cases of surrender of funds in excess of ₹ 10 crore on 31 March 2023	3.5.1.7 (b)	173
3.12	Cases where savings of ₹ one crore and above not surrendered	3.5.1.7 (b)	175
3.13	Surrender more than savings under the Grant/Appropriation	3.5.1.7 (b)	176
3.14	List of Grants having Persistent Savings during 2018-2023	3.5.1.7 (d)	177
3.15	Rush of Expenditure (100% Expenditure in March where provision more than one crore)	3.5.2.3	179
3.16	Details of Contingency Fund advances sanctioned during the year	3.6	183
4.1	List of outstanding Utilisation Certificates	4.5	185

<b>Appendix No.</b>	<b>Subject</b>	<b>Reference to Paragraph</b>	<b>Page</b>
4.2	Expenditure under Minor Head '800 – Other expenditure'	4.10	186
4.3	Receipts under Minor Head '800 – Other receipts'	4.10	187
4.4	List of bodies and authorities, the accounts of which had not been received as at the end of 2022-23	4.16	188
4.5	Status of placement of Separate Audit Report (SAR) in the State Legislature	4.17	195
4.6	Department/category-wise details of loss to Government due to theft, shortage and misappropriation	4.18	197
5.1	List of Public Sector Undertakings under jurisdiction of Audit in Tamil Nadu	5.3	198
5.2	Details of PSUs whose Net worth has eroded as per their latest finalised accounts	5.8.2	201
	<b>Glossary of terms and abbreviations used in the Report</b>	-	203