

EXECUTIVE SUMMARY

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Based on the audited accounts of the Government of Tamil Nadu for the year ending March 2011, this report provides an analytical review of the Annual Accounts of the State Government. The financial performance of the State has been assessed based on the Tamil Nadu Fiscal Responsibility Act, 2003 (FRBM Act) and its amendment in 2010, Budget Documents, Economic Review 2010-11, 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 Tamil Nadu Government's fiscal position as on 31 March 2011. It provides an insight into trends in committed 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 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 Tamil Nadu Government's compliance with various reporting requirements and financial rules. The report also has an appendage of additional data collated from several sources in support of the findings.

Audit findings

Revenue Receipts: During the current year, the State's revenue receipts (₹ 70,188 crore) increased by 25.69 *per cent* over the previous year. The robust growth in revenue receipts was mainly due to improved tax revenue. On the other hand, the non-tax revenue (₹ 4,652 crore) of the State decreased by 7.46 *per cent* over the previous year. The State's revenue receipts as a percentage of Gross State Domestic Product (GSDP) marginally declined from 13.17 *per cent* in 2006-07 to 12.83 *per cent* in 2010-11, which indicates that the growth in tax revenue had not kept pace with that of GSDP.

Revenue expenditure: Of the total expenditure of ₹ 87,604 crore during 2010-11, revenue expenditure (₹ 72,916 crore) accounted for 83.23 *per cent* of the total expenditure. Nearly 71 *per cent* of the revenue receipts of the State were spent on committed expenditure such as interest payments, salaries, pension and subsidies leaving little for other purposes.

Capital expenditure: Capital expenditure (₹ 12,436 crore) during the current year increased by ₹ 3,863 crore (45.06 *per cent*) over the previous year and it accounted for 14.19 *per cent* of the total expenditure of the State. However, the ratio of capital expenditure as a proportion of aggregate expenditure in the current year was lower than 2007-08.

Adequacy and priority of expenditure: In the year 2010-11, the State had spent more or less the same proportion of its GSDP on aggregate expenditure as compared to the general category states in the country, implying satisfactory level of adequacy. But the development expenditure (expenditure on social and economic services) as a proportion of the aggregate expenditure

in the State had been lower than the general category states, implying low priority.

Investment and returns: As of March 2011, the State had invested ₹ 10,222 crore in various Government Companies and Corporations and the outstanding loans and advances due to be recovered was ₹ 8,999 crore. But the average returns from the investments and outstanding loans were only 0.22 *per cent* and 0.94 *per cent* respectively when Government paid an average interest rate of 7.53 *per cent* on its borrowings during 2010-11.

Debt Management: The outstanding fiscal liabilities steeply increased from ₹ 66,320 crore in 2006-07 to ₹ 1,11,657 crore at the end of 2010-11. The State continued to experience a negative resource gap in 2010-11 also and its fiscal deficit as of March 2011 was ₹ 16,646 crore. The net availability of borrowed funds had decreased from ₹ 7,287 crore in 2009-10 to ₹ 4,375 crore in 2010-11. The continued negative resource gap, reduction in net availability of borrowed funds and continued high burden of interest payments indicate risk of straining of sustainability of debt.

Fiscal imbalances: The State experienced revenue deficit in 2009-10 and it continued to be so in 2010-11 with a deficit of ₹ 2,728 crore. The fiscal deficit increased from ₹ 11,807 crore in 2009-10 to ₹ 16,646 crore in 2010-11. Similarly, the primary deficit had been on the increasing trend since 2008-09 and it reached to ₹ 8,706 crore in 2010-11.

Financial management and budgetary control: During 2010-11, there were overall savings of ₹ 6,248.77 crore, which were a result of the total savings of ₹ 6,261.55 crore being offset by the excess of ₹ 12.78 crore. This excess requires regularisation under Article 205 of the Constitution of India. Cases were noticed where the amounts surrendered were in excess of the actual savings, indicating lack of or inadequate budgetary control. In 23 cases, as against savings of ₹ 2,048.77 crore, the amount surrendered was ₹ 2,827.71 crore. There were three grants/appropriations in which savings of ₹ 254.31 crore occurred but the amounts had not been surrendered by the concerned departments. Similarly, out of total savings of ₹ 2,786.00 crore under 40 other grants/appropriations, ₹ 882.99 crore was not surrendered.

Financial reporting: There were delays in furnishing utilisation certificates against the loans and grants received by various grantee institutions. Submission of Annual Accounts to the Principal Accountant General was delayed by 206 autonomous bodies/authorities receiving Government grants. The Government reported 540 cases of misappropriations, shortage, theft, losses etc., involving Government money of ₹ 20.26 crore up to March 2011, on which final action was pending.