

Executive Summary

Background

This Report on the Finances of the Government of Tripura is being presented to the State Legislature, along with the Finance and Appropriation Accounts, with a view to assess objectively the financial performance of the State during the year 2008-09. 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 2008-09. A comparison has been made to see whether the State has given adequate fiscal priority to developmental, social sector and capital expenditure compared to other States in the country and whether the expenditure has been effectively absorbed by the intended beneficiaries.

The Comptroller and Auditor General (C&AG) has been commenting upon the Government's finances for over three years since the FRBM legislation and have published three Reports already. Since these comments formed part of the Civil Audit Report, it was felt that the audit findings on State finances remained camouflaged in the large body of audit findings on compliance and performance audits. The obvious fallout of this well-intentioned but all-inclusive reporting was that the financial management portion of these findings did not receive proper attention. In recognition of the need to bring State finances to centre-stage once again, a stand-alone Report on State Government finances is considered an appropriate audit response to this challenge. Accordingly, from the report year 2009 onwards, C&AG has decided to bring out a separate volume titled "Report on State Finances."

The Report

Based on the audited accounts of the Government of Tripura for the year ending March 2009, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of the Government of Tripura's fiscal position as on 31 March 2009. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of Central funds transferred directly to the State implementing agencies through off-budget route.

Chapter II 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 III is an inventory of Tripura Government's compliance with various reporting requirements and financial rules. This chapter also provides details on non-submission of annual accounts and also delays in placement of Separate Audit Reports in the Legislature by the autonomous bodies. Besides, the cases of misappropriation and losses that indicate inadequacy of controls in the Government departments are also detailed in this chapter. The report also has an appendage of additional data collated from several sources in support of the findings.

Audit findings and recommendations

Return to fiscal correction: Though the State had achieved three out of four targets as set out in the FRBM Act, 2005, the State has the reasonable prospect of achieving the TFC targets as well by making an effort to increase tax compliance, reduce tax administration costs, make efforts to collect revenue arrears and prune unproductive expenditure so that deficits are contained. Ensuring that the Government of India releases all grants due to the State by timely action on all conditionalities that are pre-requisites to the release will also increase the total receipts of the State. Efforts should be made to increase non-tax revenue so that recourse to borrowed funds from GOI can be reduced.

Greater priority to capital expenditure: There is an urgent need to prioritise spending under capital heads and contain revenue expenditure. An internal control mechanism should be put in place to watch if the Government money is expended prudently so that value for money is channelised in its entirety to the beneficiaries.

Enhancing fiscal priority: From the point of view of improving developmental expenditure, it is important for the Government of Tripura to take appropriate expenditure measures and lay emphasis on provision of expending more under social and economic sectors. The ratio of developmental expenditure to aggregate expenditure indicates fiscal priority of the State, which in turn improves its fiscal health.

Review of Government investments: A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify if high cost borrowings are worth to be channelised there.

Prudent cash management: To match the State's flow of resources with its expenditure obligations, retention of cash balances need to be minimised. During 2008-09, interest receipts, as percentage of outstanding loans and advances was 0.98 whereas interest paid by the Government as percentage of outstanding liabilities was 7.78. Proper debt

management through advance planning could reduce the need for the State Government to hold large cash surplus.

Debt sustainability: The State can reasonably achieve the debt-GSDP ratio of 40 *per cent* by 31 March 2010 by initiating measures like utilising the borrowed funds under capital heads and meet revenue expenditure from the revenue receipts only. To establish a prudent debt management in the State, the debt-GSDP ratio should be kept stable by following the FRBM principles all through. Efforts should be made to maintain primary surplus and zero revenue deficit. Maintaining a calendar of borrowings to avoid bunching towards the end of the fiscal year and a clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.

Oversight of funds transferred directly from the GOI to the State implementing agencies: As long as these funds remain outside the State budget, there is no single agency monitoring its use and there is no readily available data on how much is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by State implementing agencies but are funded directly by the GOI. A system has to be put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government as well as the Accountant General.

Financial management and budgetary control: This chapter deals with the position of actual expenditure against 56 grants/appropriations during 2008-09. It is observed that there is an overall saving of Rs. 1,329.97 crore and excess expenditure of Rs. 16.56 crore during 2008-09. This excess expenditure of 2008-09 compounded with an excess expenditure amount of Rs. 1,231.80 crore pertaining to 2001-08, require regularisation by the Legislature under Article 205 of the Constitution of India. A rush of expenditure was also observed towards the end of the year. In respect of 38 grants/appropriations, more than 50 *per cent* of the total expenditure during the year was incurred in the last month of the financial year, despite clear directions to the contrary. The Abstract Contingent Bills had not been adjusted for long periods of time which is fraught with the risk of misappropriation and therefore needs to be monitored closely.

Financial Reporting: This chapter provides an account of the Tripura Government's compliance with various reporting requirements and financial rules. It was observed that 1,854 Utilisation Certificates amounting to Rs. 196.74 crore were pending as of August 2009. This chapter also provides details of non-submission of annual accounts for more than nine years and also delays in placement of Separate Audit Reports in the Legislature by more than five months to two years by the autonomous bodies. Besides, the cases of misappropriation and losses that indicate inadequacy of controls in the Government departments are also detailed in this chapter.