

# EXECUTIVE SUMMARY

## Executive Summary

### The Report

Based on the audited accounts of the Government of Tamil Nadu for the year ending March 2012, 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 2010 and 2011, Budget documents, 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 2012. It provides an insight into trends in inevitable 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 the 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

During the year 2011-12, the State has made some positive achievements such as moving from revenue deficit into revenue surplus, better mobilisation of resources, containing the percentage of outstanding fiscal liabilities to the Gross State Domestic Product (GSDP) and percentage of fiscal deficit to GSDP within the norms prescribed in the Tamil Nadu Fiscal Responsibility Act, 2003 and living within the budgeted estimates for some of the fiscal parameters. Summary of the Audit analysis of State finances are as under:-

**Revenue Receipts:** During the year, revenue receipts of the State increased by ₹ 15,014 crore (21.39 *per cent*) over the previous year. The growth in revenue receipts was mainly due to improved tax and non-tax revenue mobilisation. Though the State's revenue receipts, as a percentage of GSDP marginally increased from 12.39 *per cent* in 2010-11 to 13.33 *per cent* in 2011-12, it remained more or less at the same level of about 13 *per cent* during 2007-12.

The non-tax revenue of the State increased by ₹ 1,032 crore in 2011-12 (22.18 *per cent*) over the previous year. As a proportion to the States' own resources, it was 10.04 *per cent* in 2007-08 and 8.72 *per cent* in 2011-12.

**Revenue expenditure:** Of the total expenditure of ₹ 1,05,657 crore during 2011-12, revenue expenditure (₹ 83,838 crore) accounted for 79.35 *per cent* of the total expenditure. Out of the revenue expenditure ₹ 66,262 crore (79.04 *per cent*) was incurred on the non-plan component. The committed expenditure (₹ 55,172 crore) stood at 64.75 *per cent* of the total revenue receipts of the State during 2011-12.

**Capital expenditure:** The capital expenditure (₹ 16,336 crore) during the current year increased by ₹ 3,900 crore (31.36 *per cent*) over the previous year. It ranged between 12.21 *per cent* and 15.46 *per cent* of the total expenditure during 2007-12 showing no significant improvement.

**Adequacy and priority of expenditure:** In the year 2011-12, the State had spent marginally higher proportion of its GSDP on aggregate expenditure (16.53) as compared to general category states (16.09) in the country. Development expenditure (Expenditure on Social and Economic services) as a proportion of aggregate expenditure in the State was lower (65.06) than the general category states' average (66.44) implying low priority.

**Investment and returns:** As of March 2012, the State had invested ₹ 14,455.65 crore in various Government companies and corporations. While the Government paid at an average interest rate of 7.43 *per cent* on its borrowings during 2011-12, the average return on its investments was only 0.21 *per cent*.

**Debt management:** The outstanding fiscal liabilities steeply increased from ₹ 71,072 crore in 2007-08 to ₹ 1,27,128 crore at the end of 2011-12. However, the outstanding liabilities as a percentage of GSDP was 19.89, which was well within the norm of 24.50 *per cent* prescribed for the year 2011-12 in the Tamil Nadu Fiscal Responsibility Act. However, the negative debt stabilisation and resource gap, continued burden of interest payment at about 11 *per cent* of revenue receipts every year suggest that the State's sustainability of debt is continued to be strained. Due to borrowings made by the State in excess/close to the level of fiscal deficits, there were huge cash balances varying between ₹ 12,172 crore at the end of 2007-08 to ₹ 19,487 crore in 2009-10 and ₹ 15,212 crore in 2011-12.

**Fiscal position:** The State had revenue deficit of ₹ 2,728 crore in 2010-11, but, it turned into a revenue surplus of ₹ 1,364 crore in 2011-12. The primary deficit had marginally decreased from ₹ 8,706 crore in 2010-11 to ₹ 8,404 crore in 2011-12. In absolute term, though the fiscal deficit increased from ₹ 16,646 crore in 2010-11 to ₹ 17,275 crore in 2011-12, the ratio of fiscal deficit to GSDP, which was 2.70 in 2011-12 was within the target of three *per cent* to be achieved by 31 March 2012.

**Financial management and budgetary control:** During 2011-12 expenditure of ₹ 1,12,427.48 crore was incurred against the total grants and appropriations of ₹ 1,23,744.35 crore, resulting in savings of ₹ 11,316.87 crore. This overall savings were the net result of savings of ₹ 11,672.44 crore offset by excess expenditure of ₹ 355.57 crore. There were persistent savings of more than five *per cent* of the total grant in 16 cases. Excess expenditure of ₹ 6,247.51 crore pertaining to the period 1998 to 2011 was not regularised. Supplementary provisions of ₹ 1,070.44 crore obtained in 31 cases of ₹ 50 lakh or more in each case during 2011-12 proved unnecessary as the

expenditure was less than the original provisions. In 33 cases, the amounts surrendered (₹ 50 lakh or more) were in excess of the actual savings. As against savings of ₹ 4,404.54 crore, the amount surrendered was ₹ 5,685.70 crore, resulting in excess surrender of ₹ 1,281.16 crore. In 48 cases of surrender of funds in excess of ₹ 10 crore, ₹ 5,520.10 crore were surrendered on the last working day of March 2012. In 62 out of 105 sanctions issued by Government for drawal of advances from the Contingency Fund, advances to the tune of ₹ 78.63 crore were not drawn implying no urgency for the advances.

**Financial reporting:** Some departmental officers failed to ensure adherence to the terms and conditions relating to timely submission of utilisation certificates and annual accounts by the grantee institutions. Temporary advances drawn upto 31 March 2012 by the Drawing and Disbursing Officers involving an amount of ₹ 369.47 crore in 5080 cases remained unadjusted. The State Government departments reported 493 cases of misappropriation, defalcation, etc., involving a total amount of ₹ 20.27 crore up to March 2012, on which final action was pending. As per the books of three Pay and Accounts Officers, 49,568 cheques involving an amount of ₹ 518.50 crore remained uncashed for a period upto 25 years.