Executive Summary

Background

This Report on the Finances of the Government of Tripura is being brought out with a view to assess objectively the financial performance of the State during the year 2011-12. 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 2011-12. A comparison has been made to see whether the State had given adequate fiscal priority to developmental, social sector and capital expenditure and whether the expenditure had been effectively absorbed by the intended beneficiaries.

The Report

Based on the audited accounts of the Government of Tripura for the year ending March 2012, 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 2012. 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, 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

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit, primary deficit etc. indicated that the State had maintained revenue and primary surplus during the TFC award period i.e. 2005-10 (in 2009-10, the State had witnessed primary deficit) and also in 2010-11 (the first year of the XIII FC period). During the current year, there was a considerable improvement in revenue surplus and primary surplus, and the State had managed to achieve fiscal surplus which was running in deficit.

Revenue Receipts

During 2011-12, 83 *per cent* of the total revenue was from the Government of India as State share of central taxes (20 *per cent*) and Grants-in-aid (63 *per cent*). The Own Tax Revenue of the State constituted 13 *per cent* of the total revenue receipts. The OTR during 2011-12 remained above the normative assessment (by 30 *per cent*) made by the Thirteenth Finance Commission (XIII FC) for the State and had also remained above (by 27 *per cent*) the State's own projections. The non-tax revenue constituted 4 *per cent* of the total revenue receipts which was higher than the projections made both by the XIII FC (by 52 *per cent*) and the State (by 66 *per cent*).

The tax compliance efforts appeared to have been enforced by the State Government as all the deficits had turned into surplus during the current year. The Government should maintain the same momentum to ensure 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 which would also increase the total receipts of the State.

Expenditure of the State Government

During 2011-12, the Revenue expenditure stood at ₹ 4,809.23 crore (77 *per cent* of the total expenditure) and grew by ₹ 449.75 crore over the previous year. In spite of the fact that capital expenditure during 2011-12 increased by ₹ 338.93 crore over the previous year, 39 projects on which an expenditure of ₹ 249.37 crore had been expended were still incomplete.

During 2011-12, the development expenditure (₹ 3,907.31 crore) increased by ₹ 628.63 crore over the previous year but was much below the Budget Estimate (₹ 4,356.57 crore) for 2011-12. The relative share of the revenue development expenditure was 43 *per cent* of the total expenditure while the share in respect of capital development expenditure was only 20 *per cent*. The expenditure pattern of the State, thus, revealed that as always there was an increasing pressure on revenue expenditure whereas in respect of capital expenditure during 2011-12, the percentage increase was only nominal.

The expenditure on non-plan salary component during 2011-12 was also significantly higher by ₹ 347.75 crore (around 23 *per cent*) than the assessment made by the XIII FC for the State (₹ 1,528.20 crore).

The high proportion of salaries to total revenue expenditure much beyond the assessment of the XIII FC may impact on the State's financial health as the State's own resources are meagre.

Fiscal Correction Path

During 2011-12, the State had witnessed a significant growth in revenue surplus which stood at ₹ 1,667.67 crore and the fiscal deficit turned into fiscal surplus during 2011-12, which stood at ₹ 258.62 crore. The State, however could not achieve the fiscal surplus target of 3.0 *per cent* of GSDP as prescribed in the TFRBM Act, 2005 for the year 2011-12, which stood at 1.31 *per cent* of GSDP.

Keeping in view the recommendations of the Thirteenth Finance Commission, the State should continue to maintain fiscal surplus in order to achieve the targets as fixed in the FRBM in the ensuing years.

Fiscal liabilities

The percentage of fiscal liabilities to GSDP during 2011-12 was 34.84, which was fractionally higher than the projection in the Fiscal Indicator (34.68 *per cent*) in the Medium Term Fiscal Policy Statement (MTFPS), but was less than the projection (44.90 *per cent*) made in the TFRBM Act. During 2011-12, interest receipts as percentage of outstanding loans and advances was 0.96 whereas interest paid by the Government as percentage to outstanding liabilities was 7.18.

Investment and Returns

Investment of Government money in Government Companies and Statutory Corporations is increasing year after year, but a meagre return of ₹ 25.95 crore from this investment had been received by the Government during 2011-12. Against the average rate of interest on Government borrowings of 8.41 *per cent*, the return on investment was only 2.71 *per cent* during 2011-12.

A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to improve profitability and enhance efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which may yield low financial but high socio-economic returns and analyse whether it is justified to invest high cost borrowings in these Companies.

Financial Management and Budgetary Control

There was an overall saving of ₹ 1,834.26 crore and excess expenditure of ₹ 69.76 crore against 58 grants/appropriations during 2011-12. The excess expenditure of ₹ 1,331.15 crore over provision up to 2010-11 increased to ₹ 1,400.91 crore in 2011-12. This excess requires 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 six grants/appropriations, more than 50 *per cent* of the total expenditure during the year was incurred in the last month of the financial year in respect of Capital Section. The Abstract Contingent Bills were not adjusted for long periods and therefore, were fraught with the risk of mis-appropriation.

As per financial rules, the spending departments are required to surrender the anticipated savings to the Finance Department. The Department should follow more reliable mechanism in budgeting to avoid persistent savings or excess. A close and rigorous monitoring mechanism should be put in place by the DDOs to adjust the Abstract Contingent Bills within sixty days from the date of drawal of the amount as required under the extant Rules.

Financial Reporting

100 *per cent* reconciliation of the Government receipts and expenditure with that of expenditure booked in the books of Accountant General (Accounts and Entitlement) by the Controlling Officers during 2011-12 was indicative of good governance observed in the State.

However, the practice of non-furnishing of Utilisation Certificates in time against grants received, non-furnishing of detailed information about financial assistance received by various Institutions and non-submission of accounts in time indicates non-compliance with the financial rules. There were also delays in placement of Separate Audit Reports to Legislature and huge arrears in finalisation of accounts by the Autonomous Bodies/Authorities. There is a need to ensure that the audit reports of the Autonomous Bodies are placed in the legislature on time and submission of UCs within the prescribed time should be maintained by the recipients of grants. The cases of misappropriation and losses indicated inadequacy of control in the departments.

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