

# *Executive Summary*

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## **Background**

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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 2012-13. 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 2012-13. 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**

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Based on the audited accounts of the Government of Tripura for the year ending 31 March 2013, 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 2013. 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**

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### **Position of key fiscal parameters**

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 XII FC award period i.e. 2005-10 except 2009-10 where it had primary deficit. In the first three years of XIII FC from 2010-11 to 2012-13 the State had revenue and primary surplus. The State had also managed to achieve fiscal surplus consecutively for a second year beginning from 2011-12 which was in deficit till 2010-11.

The fiscal correction target had been achieved as envisaged in the framework of fiscal responsibility legislation. However, there is also a need to increase the developmental expenditure as the development capital expenditure was 0.33 *per cent* lower than the previous year.

### **Revenue Receipts**

During 2012-13, ₹ 5866.90 crore (83 *per cent*) of the total revenue was from the Government of India as State share of central taxes ₹ 1493.18 crore (21 *per cent*) and Grants-in-aid ₹ 4373.72 crore (62 *per cent*). The Own Tax Revenue of the State constituted ₹ 1004.65 crore (14 *per cent*) of the total revenue receipts. The OTR during 2012-13 remained above the normative assessment of ₹ 732.49 crore which was 37.16 *per cent* made by the XIII Finance Commission for the State and had also remained above the State's own projections of ₹ 784.24 crore by 28.10 *per cent*. The non-tax revenue constituted ₹ 178.75 crore (3 *per cent*) of the revenue receipts of ₹ 7050.30 crore which was higher than the projections made both by the XIII FC (by 14.71 *per cent*) and the State (by 24.47 *per cent*).

*The tax compliance efforts appeared to have been enforced by the State Government. 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 of grants.*

### **Expenditure of the State Government**

During 2012-13, the Revenue expenditure stood at ₹ 5,212.88 crore (78 *per cent* of the total expenditure) and grew by ₹ 403.65 crore over the previous year. On the other hand capital expenditure in 2012-13 increased by ₹ 85.93 crore over the previous year, which as a percentage of total expenditure remained constant over the previous year and increased by only 6.15 *per cent* over 2011-12 in absolute term.

During 2012-13, the development expenditure (₹ 4,250.56 crore) increased by ₹ 343.25 crore over the previous year but the same was much below the Revised Estimate (₹ 5,358.51 crore) for 2012-13. The relative share of the revenue development expenditure was 44 *per cent* of the total expenditure while the share in respect of capital development expenditure was only 19 *per cent*. The expenditure pattern of the State, thus, revealed that as always there was an increasing pressure on revenue expenditure. On the other hand, the percentage of development capital expenditure relative to total development expenditure marginally decreased by less

than one *per cent* in 2012-13 as compared to the previous year.

The expenditure on non-plan salary component during 2012-13 was also significantly higher by ₹ 455.16 crore (around 29 *per cent*) than the assessment made by the XIII FC for the State (₹ 1,548.67 crore).

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

### **Fiscal Correction Path**

During 2012-13, the State had witnessed a significant growth in revenue surplus which stood at ₹ 1,837.42 crore from ₹ 1,667.67 crore in 2011-12 and the fiscal surplus stood at ₹ 336.56 crore from ₹ 258.62 crore in 2011-12. The fiscal surplus as percentage of GSDP of the State during 2012-13 stood at 1.41 *per cent* of GSDP against the target of fiscal deficit of 3 *per cent* as projected in the TFRBM Act, 2005 for the year 2012-13.

*Keeping in view the recommendations of the XIII 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 2012-13 was 34.21, which was lower than the projection (44.60 *per cent*) in the Medium Term Fiscal Policy Statement (MTFPS), and the projection made in the TFRBM Act. During 2012-13, interest receipts as percentage of outstanding loans and advances by the Government was 1.24 *per cent* whereas interest paid by the Government as a percentage of outstanding liabilities was 6.93.

### **Investment and Returns**

Investment of Government money in Government Companies and Statutory Corporations are increasing year after year but a meagre return of ₹ 0.67 crore from this investment had been received by the Government during 2012-13. Against the average rate of interest on Government borrowings of 8.44 *per cent*, the return on investment was only 0.06 *per cent* during 2012-13.

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 return on investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and analyse whether it is justified to invest high cost borrowings in those Companies.

### **Financial Management and Budgetary Control**

There was an overall saving of ₹ 2,827.58 crore and excess expenditure of ₹ 8.04 crore against 53 and 9 grants/appropriations respectively during 2012-13. The excess

expenditure of ₹ 1,400.91 crore over provision from 2000-01 to 2011-12 increased to ₹ 1,408.95 crore in 2012-13. This excess requires regularisation by the Legislature under Article 205 of the Constitution of India. Rush of expenditure was also observed at the end of the year 2012-13. In respect of three 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 52 cases, there were savings of more than 10 lakh each but were not surrendered till the end of the year. The Abstract Contingent Bills were not adjusted for long periods and therefore exposed to the possibility of fraud and misappropriation.

Budgetary controls should be strengthened in all the Government departments, particularly in the departments where savings/excesses persisted for last five years. 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 amounts as required under the extant Rules. The Departments should follow more reliable mechanisms in budgeting and control over expenditure to avoid persistent savings or excess.

### **Financial Reporting**

Reconciliation of the Government receipts and expenditure was done with that of expenditure booked in the books of Accountant General (Accounts and Entitlement) by all the Controlling Officers during 2012-13.

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 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 obtained from the recipients of grants.