

EXECUTIVE SUMMARY

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The Report

Based on the audited accounts of the Government of Tamil Nadu for the year ending March 2015, 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 Government of Tamil Nadu's fiscal position as on 31 March 2015. It provides an insight into trends in committed expenditure and borrowing pattern.

Chapter II is based on the audit of Appropriation Accounts and it gives a description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter III is an inventory of Government of Tamil Nadu's compliance with various reporting requirements and financial rules.

The Report also includes appendices of additional data collated from several sources in support of the findings. A glossary of selected terms has been given at the end of the Report.

Audit findings

Fiscal position: The State which had maintained revenue surplus during 2011-12 and 2012-13 registered a revenue deficit during 2013-14 which increased to ₹ 6,408 crore during 2014-15. The State thus failed to achieve one of the fiscal management targets as prescribed in the Tamil Nadu Fiscal Responsibility (TNFR) Act. It, however, kept fiscal deficit relative to GSDP within the limit laid down under the TNFR Act. The fiscal deficit increased from ₹ 20,583 crore in 2013-14 to ₹ 27,163 crore during 2014-15 and the ratio of fiscal deficit to GSDP was 2.78 *per cent* in 2014-15 which was within the target of three *per cent*. One factor contributing to the increase in fiscal deficit was increase in revenue deficit during the year.

Accuracy of Revenue Deficit/Fiscal Deficit: The revenue deficit and fiscal deficit were understated by ₹ 926.99 crore and ₹ 876.99 crore respectively.

Revenue Receipts: During the current year, the State's revenue receipts (₹ 1,22,420 crore) increased by 13.31 *per cent* over the previous year. The compound annual growth rate of revenue receipts during 2013-15 stood at 13.31 *per cent* which was less than that of the other General Category States (16.10 *per cent*). The growth rate of revenue receipts which was on a downward trend from 25.69 *per cent* in 2010-11 to 9.32 *per cent* in 2013-14 has reversed during 2014-15 and increased to 13.31 *per cent*. However it still

remained below the average annual growth rate of 18.10 *per cent* during 2010-14. The increase in growth rate was mainly due to increase in Grants-in-aid from Central Government. The State's own tax revenue increased by ₹ 4,938 crore over the previous year and the growth rate, which was 19.72 *per cent* in 2012-13 decreased sharply to 3.46 *per cent* in 2013-14. However, during 2014-15 the same had increased to 6.70 *per cent*. The State's revenue receipts, as a percentage of GSDP decreased from 12.65 in 2013-14 to 12.53 in 2014-15.

The non-tax revenue of the State decreased by ₹ 992 crore in 2014-15 (10.62 *per cent*) over the previous year. As a proportion of the State's own resources, the non-tax revenue decreased from 11.25 *per cent* in 2013-14 to 9.60 *per cent* in 2014-15.

Revenue expenditure: Of the total expenditure of ₹ 1,50,950 crore during 2014-15, revenue expenditure (₹ 1,28,828 crore) accounted for 85.35 *per cent*. Out of the revenue expenditure, 73.48 *per cent* (₹ 94,668 crore) was incurred on the non-plan components. The committed expenditure (₹ 75,338 crore) stood at 61.54 *per cent* of the total revenue receipts (₹ 1,22,420 crore) of the State during 2014-15 as against 61.58 *per cent* during 2013-14.

Capital expenditure: The capital expenditure (₹ 17,803 crore) during the current year increased by ₹ 630 crore (3.67 *per cent*) over the previous year due to more investment under Energy, Transport, Irrigation and Flood Control, Education, Sports, Art and Culture and Agriculture and Allied Activities.

Adequacy and priority of expenditure: In 2014-15, the proportion of Aggregate Expenditure to GSDP (15.46 *per cent*) was low as compared to the General Category States (16.49 *per cent*). Development expenditure as a proportion of aggregate expenditure in the State was lower (64.84 *per cent*) than the General Category States average (69.12 *per cent*).

Investments and returns: The State invested ₹ 23,065 crore in various Government Companies and Corporations up to March 2015. While the Government paid interest at an average rate of 8.12 *per cent* on its borrowings during 2014-15, the average return on its investments was only 0.42 *per cent*.

Debt Management: The outstanding fiscal liabilities have shown a steady increase from ₹ 1,11,657 crore in 2010-11 to ₹ 1,91,847 crore at the end of 2014-15. These represented 156.71 *per cent* of the revenue receipts. However, the outstanding liabilities as a percentage of GSDP was 19.64, which was within the norm of 25.20 *per cent* prescribed for the year 2014-15 in the TNFR Act.

Financial management and budgetary control: During 2014-15 expenditure of ₹ 1,60,576.18 crore was incurred against the total grants and appropriations of ₹ 1,82,805.18 crore, resulting in savings of ₹ 22,229 crore. These overall savings were the net result of savings of ₹ 22,307.56 crore offset by excess expenditure of ₹ 78.56 crore. There were persistent savings of more than five *per cent* of the total provision in 22 grants and four appropriations. Expenditure of ₹ 82.53 crore was incurred in 30 cases without appropriations by the Legislature. Excess expenditure of ₹ 1,565.96 crore pertaining to the period 2005 to 2014 was pending regularisation. Supplementary provisions of

₹ 2,359.84 crore obtained in 26 cases, ₹ 50 lakh or more in each case, during 2014-15 proved unnecessary as the expenditure was less than the original provisions. In 36 grants and one appropriation, as against savings of ₹ 6900.68 crore, the amount surrendered was ₹ 7,319.37 crore resulting in excess surrender of ₹ 418.69 crore. Rush of expenditure at the end of the year reflects poor expenditure control.

Financial reporting: Certain departmental officers failed to ensure adherence to the terms and conditions relating to timely submission of utilisation certificates in respect of grants released. Similarly, 369 autonomous bodies/authorities did not submit their accounts due up to 2014-15 to Audit. Temporary advances drawn up to 31 March 2015 by the Drawing and Disbursing Officers involving an amount of ₹ 211.43 crore in 1,151 cases remained unadjusted. The State Government departments reported 403 cases of misappropriation, losses, defalcation, etc., involving a total amount of ₹ 13.07 crore up to March 2015 on which final action was pending.