

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

BACKGROUND

This Report on the Finances of the Government of Meghalaya is being brought out with a view to assess the financial performance of the State during the year 2015-16. 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. An effort has been made to compare the achievements with the targets envisaged by the State Government in the budget estimates of 2015-16, Meghalaya Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 (amended in October 2011) and projections made by the Thirteenth/Fourteenth Finance Commissions (XIII/XIV FC).

Based on the audited accounts of the Government of Meghalaya for the year ending March 2016, this report provides an analytical review of the Annual Accounts of the State Government. The report is structured in three Chapters.

THE REPORT

Chapter I is based on the audit of Finance Accounts and makes an assessment of Meghalaya Government's fiscal position as on 31 March 2016. It provides an insight into trends in 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 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 Meghalaya Government's compliance with various reporting requirements and financial rules.

The report also has an appendage of additional data collected from several sources in support of the findings.

AUDIT FINDINGS

❖ *Return to fiscal correction*

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit, primary deficit – indicated improvement in the financial health of the State during 2015-16 relative to previous three years (2011-12, 2012-13 and 2014-15). During 2015-16, the State continued to maintain the status of revenue surplus, this surplus increased to ₹ 695.40 crore against ₹ 176.39 crore during 2014-15.

The fiscal deficit as well as primary deficit of the State had decreased significantly during 2015-16 compared to previous year.

❖ *Revenue receipts*

Revenue receipts during 2015-16 grew by 9.57 per cent (₹ 614.88 crore) over previous year. The Central transfers comprising State's share of central taxes and grants-in-aid from the Government of India increased by ₹ 611.94 crore in 2015-16 over the previous year which was 99.52 per cent of the total increase in revenue receipts during the year indicating that central transfers were the key in the increase in revenue receipts of the State. The tax revenue receipts fell short of normative assessment made by XIV FC by 25.94 per cent, and the non-tax revenue was 65.47 per cent lower than the target of XIV FC. State's own resources (tax and non-tax revenue) during 2015-16 (₹ 1285.42 crore) were 0.23 per cent more than those of previous year (₹ 1282.48 crore) and constituted only 18.25 per cent of the revenue receipts of the year.

❖ *Revenue / capital / total expenditure*

The revenue expenditure of the State increased by 1.53 per cent from ₹ 6251.86 crore in 2014-15 to ₹ 6347.73 crore in 2015-16. The expenditure pattern of the State revealed that though the revenue expenditure as a percentage of total expenditure marginally decreased from 84.18 per cent in 2014-15 to 83.84 per cent in the current, it hovered around 84 per cent during the period (2011-16) leaving inadequate resources for expansion of services and creation of assets. Within the revenue expenditure, non-plan revenue expenditure at ₹ 4307.64 crore in 2015-16 constituted 67.86 per cent and plan revenue expenditure at ₹ 2040.09 crore constituted 32.14 per cent. Further, expenditure on salaries and wages, pensions, interest payments and subsidies continued to consume a large share of revenue expenditure which was 52.40 per cent (₹ 3326.33 crore) during 2015-16. Capital outlay during 2015-16 (₹ 1110.89 crore) decreased by ₹ 7.60 crore (0.68 per cent) over previous year and fell short by 30.72 per cent (₹ 492.52 crore) of the projection (₹ 1603.41 crore) made by the State Government in its budget estimates for the year.

❖ *Government investments*

The average return on Meghalaya Government's investments in Statutory Corporations, Government Companies and Co-operative Societies was less than one per cent during 2011-16, whereas the average interest payment was in the range of 6.22 to 6.70 per cent.

❖ *Debt sustainability*

During 2015-16, there was significant improvement in all the three major fiscal indicators, viz., revenue surplus, fiscal deficit and primary deficit over previous year. The fiscal deficit decreased from ₹ 978.45 crore in 2014-15 to ₹ 554.76 crore during the current year. Primary deficit also decreased significantly by ₹ 484.47 crore

from ₹ 573.35 crore in 2014-15 to ₹ 88.88 crore in 2015-16. The fiscal deficit-GSDP ratio stood at 2.03 *per cent* during 2015-16 against the ceiling of 3 *per cent* or less prescribed in the MFRBM Act, 2006 (as amended) and also the recommendation of the XIV FC. The prevalence of fiscal deficit during 2011-16 indicated continued reliance of the State on borrowed funds, resulting in increasing the fiscal liabilities of the State over the period 2011-16. Fiscal liabilities increased by 5.97 *per cent* during 2015-16 compared to previous year. The fiscal liabilities during 2015-16 stood at 26.20 *per cent* of the GSDP during the current year against 28.06 *per cent* during 2014-15 and exceeded the limit of total outstanding Debt-GSDP ratio projected in Medium Term Fiscal Plan (25.28 *per cent*) for the year.

❖ *Financial management and budgetary control*

During 2015-16, there was an overall saving of ₹ 2670.61 crore, which was the result of saving of ₹ 2838.10 crore offset by excess of ₹ 167.49 crore. The excess of ₹ 167.49 crore requires regularisation under Article 205 of the Constitution of India. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations. In many cases, the anticipated savings were either not surrendered or surrendered on the last day of the year leaving no scope for utilising these funds for other development purposes. All this shows that budgetary procedure and expenditure control of the Government was weak.

❖ *Financial reporting*

There were delays in furnishing utilisation certificates for grants given by Government departments. Delays also figured in submission of annual accounts by some autonomous bodies. There were also instances of loss and misappropriation.

RECOMMENDATIONS

The recommendations are:

Greater priority to capital expenditure: The State needs to give more priority to capital expenditure and ensure that it does not decrease over the years.

Government investments: State Government may review the working of the units which were incurring losses to avoid further financial burden on the Government.

Financial management and budgetary control: The budget should be more realistic and cases of persistent non-utilisation of funds, excessive provision of funds should be avoided. Anticipated savings should be surrendered early so that there is sufficient scope for utilising these for other development purposes.

Financial reporting: There is a need to ensure that utilisation certificates are submitted by recipient of grants within the prescribed time. Departmental enquiries in all misappropriation cases should be expedited and internal controls strengthened to prevent such cases