## Background

This State Finances Audit Report of the Government of Tripura is being brought out with a view to assess the financial performance of the State during the year 2017-18. 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 2017-18. A comparison has been made to see whether the State had given adequate fiscal priority to developmental 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 ended 31 March 2018, 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 2018. It provides an insight into trends in committed expenditure and 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 provides details on non-submission of annual accounts and delays in placement of Separate Audit Reports in the Legislature by the Autonomous Bodies. The report also has an appendage of additional data collated from several sources in support of the findings.

## Audit findings and recommendations

### 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. The State had not maintained Revenue Surplus during 2017-18. During 2017-18, Revenue Deficit was ₹ 289.27 crore against the Revenue Surplus of ₹ 790.32 crore in 2016-17. There was a Fiscal Deficit of ₹ 2,071.64 crore during 2017-18 as compared to ₹ 2,529.62 crore in 2016-17, which decreased by 18 *per cent* during the year. There was also a Primary Deficit of ₹ 1,184.75 crore in 2017-18 which was decreased by ₹ 550.55 crore from ₹ 1,735.31 crore in 2016-17.

**Revenue Receipts**

During the year 2017-18, total Revenue Receipts of the State was ₹ 10,067.95 crore of which ₹ 8,152.45 crore (81 *per cent)* of the total revenue was from Government of India. The State's Share of Union Taxes and Duties was ₹ 4,322.08 crore (53 *per cent*) and Grants-in-aid was ₹ 3,830.37 crore (47 *per cent*) during the year 2017-18. The Tax Revenue of the State was ₹ 1,422.02 crore which constituted 14 *per cent* of the total Revenue Receipts. The Tax Revenue during 2017-18 remained below the normative assessment of ₹ 2,261.00 crore made by the XIV Finance Commission (XIV FC) for the State and also below the State's own projections of ₹ 1,450.00 crore in Budget Estimate. The Non-tax Revenue was ₹ 493.48 crore which constituted only 2 *per cent* of the Revenue Receipts (₹ 10,067.95 crore) which was above the projection made by the XIV FC (₹ 464.00 crore) and the Budget Estimates made by the State (₹ 290.00crore) for the year 2017-18.

*The State Government should enforce adequate measures to increase own resources of revenue.*

**Expenditure of the State Government**

During the year 2017-18, the Revenue Expenditure increased to ₹ 10,357.22 crore from ₹ 8,855.14 crore in 2016-17 recording a growth of 16.96 *per cent* over the previous year. Capital Expenditure during 2017-18 decreased by ₹ 1,516.52 crore (46.04 *per cent*) over the previous year. The Capital Expenditure was ₹ 1,777.05 crore which was 14.64 *per cent* of total expenditure (₹ 12,141.28 crore) during the year against ₹ 3,293.57 crore (27.05 *per cent* of total expenditure of ₹ 12,175.99 crore) in 2016-17.

During the year 2017-18, the Development Expenditure (₹ 7,391.42 crore) decreased by 10.62 *per cent* over the previous year and constituted 60.88 *per cent* of the total expenditure during the year. The relative share of the Revenue Development Expenditure was 55.33 *per cent* of the total Revenue Expenditure while the share in respect of Capital Development Expenditure was 93.10 *per cent* of the total Capital Expenditure during 2017-18.

During the year 2017-18, Non-plan Revenue Expenditure (NPRE) on Salaries was ₹ 4,872.34 crore. NPRE on Salary component during 2017-18 was higher by ₹ 1,584.63 crore (48.20 *per cent*) as compared to the previous year.

**Fiscal Correction Path**

The Fiscal Deficit as percentage of Gross State Domestic Product (GSDP) of the State during 2017-18 stood at 5.22 *per cent* of GSDP against the target of Fiscal Deficit of 3.25 *per cent* as projected in the Tripura Fiscal Responsibility and Budget Management Act, 2005 for the year 2017-18.

*Keeping in view the XIV FC projections, the State should reduce the Fiscal Deficit gap in the ensuing years of FC award period.*

**Fiscal Liabilities**

The percentage of outstanding liabilities to GSDP during 2017-18 was 33.72 which was lower than the projection (34.53 *per cent*) in the Medium Term Fiscal Policy Statement and the projection made by the XIV FC. During 2017-18, Interest Receipts as percentage of outstanding Loans and Advances by the Government was 1.01 *per cent* whereas interest paid by the Government as a percentage of outstanding liabilities was 7.50 *per cent* during the year 2017-18.

**Investment and Returns**

Investment of Government money in Government Companies and Statutory Corporations was increasing year after year and stood at ₹ 1,503.88 crore at the end of 31 March 2018 against ₹ 1,446.06 crore at the end of 31 March 2017. The Government received an amount of ₹ 14.27 crore only as Dividend from a Government company during 2017-18. The average rate of interest on Government borrowings was 7.50 *per cent* during the year 2017-18.

*The State Government may review the functioning of the Companies and Statutory Corporations to improve their efficiency.*

**Financial Management and Budgetary Control**

The overall net savings of ₹ 4,857.70 crore was the result of saving of ₹ 4,862.88 crore in 62 Grants/Appropriations offset by excess of ₹ 5.18 crore in four Grants/ Appropriations. The excess expenditure of ₹ 230.15 crore over provision during 2011-12 to 2016-17 increased by ₹ 5.18 crore to ₹ 235.32 crore in 2017-18. This excess expenditure requires regularisation by the Legislature under Article 205 of the Constitution of India. In 22 cases, there were savings of more than ₹ 20 lakh each but no amount was surrendered by the department concerned. There were substantial savings of more than ₹ 10 crore in five Grants but no part were surrendered till the end of the year. The Abstract Contingent (AC) Bills were not adjusted for long periods thereby inviting the risk of fraud and misappropriation.

*Budgetary controls should be strengthened in all the Government departments, specially in the departments where savings/excess persisted for the last five years. A close and rigorous monitoring mechanism should be put in place by the Drawing and Disbursing Officers to adjust the AC Bills within sixty days from the date of drawal of the amount as required under the extant rules.*

**Financial Reporting**

Reconciliation of the Government receipts and expenditure was done with that of expenditure booked in the books of the Accountant General (Accounts and Entitlement) by all the Controlling Officers during 2017-18.

However, the practice of not furnishing of Utilisation Certificates (UCs) in time against grants received, not furnishing of detailed information about financial assistance received by various Institutions and not submitting of accounts in time indicated non-compliance with financial rules. There were also delays in placement of

Separate Audit Reports to Legislature and 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 UCs are submitted by the recipient of grants within the prescribed time.*