

EXECUTIVE SUMMARY

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1 The Report

Based on the audited accounts of the Government of Tripura for the year ending March 2019, this report provides an analytical review of the finances of the State Government. The report is structured in three Chapters.

Chapter 1-Finances of the State Government

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt management of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter 2- Budgetary Management

This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter 3- Financial Reporting

This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

The Report has 18 appendices containing additional data collated from several sources in support of the audit observations.

2. Audit findings

2.1 Finances of the State Government

The fiscal position of the State is viewed in terms of key fiscal parameters—Revenue Surplus, Fiscal Deficit and Primary Deficit. During 2018-19, the State had a Revenue Surplus of 0.28 per cent of GSDP and Fiscal Deficit was 2.65 per cent of GSDP against the projection of 3.25 per cent by XIV FC. Revenue Surplus during the year has to be viewed in the light of the fact that expenditure met out of grants-in-aid has been classified under capital head rather than revenue head in violation of government Accounting Standards. The State would have a Revenue Deficit, if the correct accounting procedure is followed.

The State's achievement of key fiscal projections of MTFP showed a mixed bag. While it could not achieve the projections with regard to its own tax revenue, other key parameters like non-tax revenue, outstanding liabilities to GSDP ratio and growth of GSDP improved significantly as compared to the projections made in the MTFP, as the non-tax collection and growth rate of GSDP were higher than the projections and outstanding liabilities to GSDP ratio was lower than the MTFP projection during the year. The outstanding liabilities at the

end of 31 March 2019 were ₹15,078.81 crore and constituted 29.83 per cent of GSDP, which was within the projection in the MTFPS as well as by XIV FC (34.33 per cent) for the year.

Tax and Non-Tax Receipts of the State were below the projection of XIV FC for the year 2018-19. State's Own Resources constituted only around 18 per cent of the Revenue Receipts during 2018-19 with the Central transfers constituting 82 per cent. Grants-in-Aid from the GoI increased significantly from ₹3,830.37 crore in 2017-18 to ₹5,003.83 crore in 2018-19 due to transfer of major part of grants for Centrally Sponsored Schemes (CSS) through the State budget rather than direct release to the implementing agencies.

Revenue Expenditure accounted for 89 per cent of Total Expenditure leaving only 11 per cent for creation of assets. Capital Expenditure decreased by 17 per cent during 2018-19 over the previous year and constituted 11 per cent of the Total Expenditure.

Expenditure on Salary and Wages during 2018-19 constituted 40 per cent of Total Expenditure and 45 per cent of Revenue Expenditure. Salary expenditure increased by 9 per cent during 2018-19 over the previous year due to revision of pay of employees by the State Government.

A significant proportion of Government investment of ₹44.77 crore in two PSUs during 2018-19 was spent on payment of salaries and other benefits of the employees of the concerned PSUs rather than on productive assets.

(Chapter 1)

2.2 Budgetary Management

Budgetary assumptions of the State Government were not realistic during 2018-19 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark to a considerable extent, and control over the execution and monitoring of budget was inadequate.

Significant policy initiatives of the Government were not fulfilled during the year due to non-completion of the preparatory activities relating to these initiatives.

Supplementary Grants/Appropriations were obtained without adequate justification, and large amounts were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had not only failed to take corrective measures in this regard, but it did not also obtain legislative approval for regularization of expenditure in excess of budgetary provision.

Savings during the year accounted for about a fourth of the total budget; however, the Controlling Officers did not surrender the funds on time. Nor were proper explanations provided to the Accountant General (A&E) for variations in expenditure vis-à-vis allocations. Departments were not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

(Chapter 2)

2.3 Financial Reporting

State Government permitted drawal of money from the Consolidated Fund and park in the DDOs' bank accounts, which is fraught with the risk of misappropriation of public funds and their use for unauthorized purposes. It also violates the Legislative oversight over public finances.

Non-submission of UCs and DCC bills by Departments for funds drawn for specific developmental programmes/projects and non-submission of accounts by Autonomous Councils, Development Bodies and Authorities was violative of prescribed financial rules and directives; these point to inadequate internal controls and reflect poorly on the monitoring mechanism of the State Government. Due to non-submission of Accounts by Autonomous Bodies/Authorities on time proper utilisation of grants and loans disbursed to those Bodies/Authorities cannot be vouched.

Reconciliation of Government receipts and expenditure by the Controlling Officers with the amount booked in the accounts of Accountant General (A&E) during the year 2018-19 was commendable.

(Chapter 3)