

EXECUTIVE SUMMARY

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The Report

Based on the audited accounts of the Government of Tripura for the year ending March 2021, this report provides an analytical review of the finances of the State Government. The report is structured in five Chapters.

Chapter I: Overview of State Finances

This chapter provides brief profile of the State and basis of the report, structure of the Government accounts, budgetary processes, macro-fiscal analysis of key indices and fiscal position of the State including the deficit/surplus.

Chapter II: Finances of the State

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 III: 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 IV: Quality of Accounts and Financial Reporting Practices

This Chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

Chapter V: Functioning of State Public Sector Enterprises

This Chapter provides a 'bird's eye view' on the functioning of the State Public Sector Enterprises (SPSEs). The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned/controlled Government Companies set up under the Companies Act, 2013 and Statutory Corporations setup under the statutes enacted by the Parliament and State legislature.

Audit findings

Chapter-I: Overview of State Finances

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and the ratio of Outstanding Debt to GSDP.

The GSDP of Tripura grew from ₹ 39,479 crore in 2016-17 to ₹ 58,880 crore (Advance Estimates) in 2020-21 with Compounded Annual Growth Rate (CAGR) of 8.32 per cent. However, there was a decline in the growth rate from 13.97 per cent in 2018-19 to 12.11 per cent in 2019-20 and further 5.42 per cent in 2020-21.

The State could achieve Revenue Surplus only during two years out of the five-year period from 2016-17 to 2020-21. During 2020-21, the State ended up with a Revenue Deficit of ₹ 1,075.42 crore.

The State was successful in containing the Fiscal Deficit below the target as per Tripura State Fiscal Responsibility and Budget Management (FRBM) Act, 2005 of GSDP in two out of the last five years. During the current year i.e., 2020-21, Fiscal Deficit of the State stood at 3.24 *per cent* of GSDP, which was within the limit fixed by State FRBM Act.

During the five-year period 2015-20, outstanding debt of the State remained within the norms prescribed in the State FRBM Act. However, the outstanding debt during 2020-21 (₹ 13,319.17 crore) increased by ₹ 2106.97 crore (18.79 *per cent*) as compared to ₹ 11,212.20 crore during 2019-20.

During the year, Revenue Deficit was understated by ₹ 77.63 crore and Fiscal Deficit was also understated by ₹ 63.72 crore due to misclassification of Grants-in-Aid of ₹ 13.91 crore under Capital Section instead of Revenue Section, short contribution of ₹ 49.06 crore to earmarked funds and non-discharge of interest liabilities of ₹ 14.66 crore by the State Government as observed in Audit.

Recommendations

- *Considering the increasing outstanding debt of the State, the Government may take appropriate steps to rationalise its committed revenue expenditure.*
- *The State Government may book grants- in -aid as revenue expenditure to present correct financial position of the State. Similarly, it may consider discharging its interest liabilities on time, transfer money to the Consolidated Fund and reconcile the accounting discrepancies with the Reserve Bank of India/Banks as regards pension payments of the State.*

Chapter-II: Finances of the State

During 2020-21, the State had a Revenue deficit of ₹ 1,075.42 crore which was 1.82 *per cent* of GSDP during the year. Fiscal deficit was ₹ 1,909.14 crore during 2020-21 which was 3.24 *per cent* of GSDP and primary deficit was ₹ 624.33 crore (1.06 *per cent* of GSDP). Fiscal deficit target as percentage to GSDP was achieved in 2020-21 against the target fixed of 5.00 *per cent* for the year. The State achieved the target set in FRBM Act in respect of outstanding liabilities to GSDP in all five years of 2016-17 to 2020-21 and it was 35.81 *per cent* in 2020-21 against the target of 36.30 *per cent* for the year.

Revenue Receipts during the year 2020-21 were ₹ 13,292.40 crore which increased by ₹ 2,290.81 crore (20.82 *per cent*) during the year. State's Own Tax increased by ₹ 230.65 crore (10.97 *per cent*) from ₹ 2,101.79 crore (2019-20) to ₹ 2,332.44 crore (2020-21) while Non-Tax revenue increased by ₹ 13.84 crore (5.09 *per cent*) only during the year from ₹ 271.65 crore (2019-20) to ₹ 285.49 crore (2020-21). The State had collected ₹ 1,056.01 crore as GST during 2020-21, an increase of 2.86 *per cent* over the previous year.

Grants-in-aid from GoI increased by ₹ 2,039.65 crore (46.18 *per cent*) from ₹ 4,416.37 crore (2019-20) to ₹ 6,456.02 crore (2020-21) and State's Share of Union taxes and Duties during 2020-21 increased by ₹ 6.67 crore (0.16 *per cent*) from ₹ 4,211.78 crore (2019-20) to ₹ 4218.45 crore (2020-21).

Revenue expenditure during the year 2020-21 was ₹ 14,367.82 crore which was 94.51 *per cent* of the total expenditure of ₹ 15,202.79 crore. Moreover, there was a misclassification of ₹ 13.91 crore booked as Capital expenditure instead of Revenue expenditure which was given by the State Government as grants-in-aid to the local bodies or individual entities under various Central Schemes during the year, resulting in overstatement of Capital expenditure and understatement of Revenue expenditure to that extent during 2020-21. Committed expenditure comprising salary & wages, pension, interest payments *etc.*, was 61.89 *per cent* of the Revenue expenditure during the year 2020-21.

Capital expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, *etc.* It is noticed that during the year 2020-21 Capital expenditure decreased by ₹ 51.14 crore (5.79 *per cent*) from ₹ 883.22 crore during 2019-20 to ₹ 832.08 crore.

During 2020-21, the State Government invested ₹ 65.53 crore in Government Companies, statutory corporation, co-operative societies and joint stock companies. As on 31 March 2021, the State Government made investment of ₹ 1714.19 crore in those companies/ corporations and co-operative societies and got negligible amount of ₹ 6.62 crore as dividend during the year from two joint stock companies.

The State Government contributed ₹ 45.00 crore to the Consolidated Sinking Fund against the admissible contribution of ₹ 89.23 crore calculated at the rate of 0.5 *per cent* of the outstanding liabilities of ₹ 17,845.58 crore at the beginning of the year. There was short contribution of ₹ 44.23 crore to the CSF during 2020-21. The State Government contributed un-transferred amount of ₹ 1.90 crore for the year 2019-20 in the State Disaster Response Fund in addition to ₹ 3.78 crore for the year 2020-21.

The State short contributed ₹ 0.91 crore to the guarantee redemption fund at rate of 0.5 *per cent* of outstanding guarantees of ₹ 734.57 crore at the beginning of the year 2020-21, including interest as on 31 March 2020.

The outstanding liabilities including outstanding Public Debt increased from ₹ 11,258.96 crore in 2016-17 to ₹ 21,083.10 crore in 2020-21 with an increase of 87.26 *per cent* during the period. About nine to 10 *per cent* of the revenue receipts were used by the State for payment of interest on the outstanding Public Debt at the average rate of interest ranged between 7.50 *per cent* to 7.89 *per cent* during last five years period from 2016-17 to 2020-21.

As on 31 March 2021, the State had outstanding Market loan of ₹ 10,733.83 crore out of which ₹ 2,127.00 crore would mature in next five to seven years and ₹ 5,170.83 crore would mature during next seven to 10 years.

The State Government had availed ₹ 85.67 crore as Special Drawing facility against the operative limit of ₹ 90.37 crore as on 31 March 2021 and repaid the same during the year 2020-21. The cash balances of the State at the end of 31 March 2021 was ₹ 2,414.51 crore out of which, ₹ 1,940.78 crore was held in cash balance investment account during the year. It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use and further increasing its debt liabilities.

Recommendations

- *State Government may take necessary steps to reduce the Revenue and Fiscal deficits and to review the accounting treatment of the expenditure met out for grants-in-aid from the Capital account instead of Revenue Account as it affects the transparency of accounting and has significant impact on the computation of the Revenue Surplus/deficits.*
- *State Government should review the functioning of its loss making State Public Sector Enterprises (SPSEs) in the State considering the investment as well as returns.*
- *The State Government may contribute to the Consolidated Sinking Fund and State Disaster Response Fund as per the guidelines.*

Chapter-III: Budgetary Management

Budgetary assumptions of the State Government were not realistic during 2020-21 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. Control over the execution and monitoring of budget by Departments 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. The State Government had incurred excess expenditure of ₹ 221.69 crore over budget provision in two Grants/Appropriations which is required to be regularised by the State Legislature as per Article 205 of the Constitution.

The State had overall savings of ₹ 5,493.30 crore, which was more than thrice the size of the supplementary budget of ₹ 1,614.47 crore obtained during the year, which raised questions over the budget formulation process. Savings during the year accounted for about a fourth of the total budget; however, the Controlling Officers did not surrender the funds on time. Proper explanations were not provided to the Accountant General (A&E) for variations in expenditure *vis-à-vis* allocations. Departments were neither cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

Recommendations

- *Government may prepare budgetary assumptions more realistically and ensure efficient control mechanisms to curtail savings/ excess expenditure.*

- *Government should enforce its commitment to achieve its promised/intended objectives for overall development of the State through improved execution, monitoring and financial management of schemes/projects.*
- *Excess expenditure over grants approved by the Legislature is in violation of the will of the Legislature. State Government should view such excess expenditure very seriously and regularised it at the earliest.*
- *State Government needs to formulate a realistic budget based on reliable assumptions of the needs of the departments and their capacity to utilise the allocated resources.*
- *Government should initiate an appropriate control mechanism to enforce proper implementation and monitoring of budget by various departments, to ensure that savings are curtailed, large savings within the Grant/ Appropriation are controlled, and anticipated savings are identified and surrendered within the specified timeframe.*
- *Controlling Officers should be aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.*

Chapter-IV: Quality of Accounts and Financial Reporting Practices

As on 31 March 2021, 581 UCs amounting to ₹ 259.62 crore in respect of grants given to departments of the State Government were pending for submission. Non submission of UCs is fraught with the risk of fraud and misappropriation of funds.

During 2020-21, ₹32.03 crore were drawn through 594 AC Bills of which 571 AC Bills for ₹ 18.36 crore were drawn in March 2021. As on 31 March 2021, there were 1,019 AC bills for an amount of ₹ 65.04 crore which remained outstanding for adjustment due to non-submission of DCC Bills. Non adjustment of advances for long period is fraught with the risk of misappropriation.

During 2020-21, the State Government transferred/ deposited ₹ 465.81 crore into 259 DDOs Bank Account. As per information furnished by the State Government, there was an unspent balance of ₹ 475.89 crore in 259 DDOs' Bank Account as on 31 March 2021.

The State Government classified ₹ 147.76 crore as Receipts in 41 Major Head under Minor Head 800-Other Receipts constituting 1.11 *per cent* of total receipts. Similarly, the State booked as expenditure of ₹ 138.75 crore in 18 Major Head under Minor Head 800-Other Expenditure constituting 0.91 *per cent* of total expenditure during the year 2020-21.

Out of 44 bodies and authorities in the State the accounts of the 40 bodies and authorities were pending for one to 21 years as on 31 October 2021.

There was an outstanding amount of ₹ 415.97 crore in respect of various claims which pertains up to the end of December 2020. Such unpaid claims will create miscellaneous liabilities of the State Government to the next financial years.

During the financial year 2020-21, there were delays in rendition of monthly accounts ranging from five to 16 days by the Treasuries, 11 to 40 days by the Public Works Divisions and three to 39 days by the Forest divisions respectively.

Recommendations

- *The Government may ensure submission of Utilisation Certificates (UCs) by the grantee within the time frame and institute a mechanism whereby subsequent release of funds is made consequent on furnishing of UCs of earlier releases.*
- *The Government may consider carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.*
- *Finance Department should review all Personal Deposit (PD) accounts to ensure that all amounts unnecessarily lying in these PD accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department should reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.*
- *Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position. It should also held the concerned officers responsible for delay in finalisation and submission of accounts.*
- *The Government may consider preparing a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.*
- *The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that in future all such receipts and expenditure are booked under the appropriate heads of account.*

Chapter-V: Functioning of State Public Sector Enterprises

As on 31 March 2021, the State of Tripura had total 16 SPSEs (15 Government companies and one Statutory Corporation), which included one non-working SPSE (Government Company). As on 31 March 2021, there were differences in the figures of State's investment in Equity (₹ 61.95 crore) and Loan (₹ 149.30 crore) of SPSEs as per State Finance Accounts *vis-à-vis* records of SPSEs.

During 2020-21, the State Government has provided budgetary support of ₹ 123.52 crore to SPSEs in the form of Equity (₹ 52.34 crore) and Grants/subsidy (₹ 71.18 crore). The major recipients of budgetary support during 2020-21 were Tripura State Electricity Corporation Limited (Grant/subsidy: ₹ 57.69 crore), Tripura Jute Mills Limited (Equity: ₹ 25.21 crore), Tripura Handloom and Handicrafts Development Corporation Limited (Equity: ₹ 14.12 crore) and Tripura Road Transport Corporation (Grant/subsidy: ₹ 13.49 crore).

During 2020-21, the nine working SPSEs incurred losses aggregating ₹ 111.16 crore. Further, the accumulated losses of four working SPSEs (₹ 470.52 crore) had completely eroded their paid-up capital (₹ 326.93 crore).

As on 30 September 2021, the 14 working SPSEs had an arrear of total 26 Accounts ranging from one to five Accounts.

Recommendations

- *The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long term Loans) of the State Government as appearing in the State Finance Accounts vis-à-vis SPSE records in a time-bound manner.*
- *Accumulation of huge losses by four out of fifteen working SPSEs had eroded public wealth, which is a cause of concern and the State Government may review the working of these SPSEs to either improve their profitability or close their operations.*
- *The Administrative Departments overseeing the SPSEs having backlog of Accounts may ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them be reviewed.*

