

Executive Summary

The Report

Based on the audited accounts of the Government of Tripura for the year ending March 2022, this report provides an analytical review of the finances of the State Government. The report is structured in four 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.

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 ₹ 43,716 crore in 2017-18 to ₹ 64,778 crore (Provisional) in 2021-22 with Compounded Annual Growth Rate (CAGR) of 11.81 *per cent*. However, there was an increase in the growth rate of GSDP from 0.49 *per cent* in 2020-21 to 19.04 *per cent* in 2021-22 in the State.

The State had achieved Revenue Surplus only during two years out of the five-year period from 2017-18 to 2021-22. During 2021-22, the State ended up with a Revenue surplus of ₹ 1,488.71 crore against the Deficit of ₹ 1,075.42 crore during 2020-21.

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 three

out of the last five years. During the current year i.e., 2021-22, there was Fiscal surplus of the State and stood at 0.10 *per cent* of GSDP.

During the five-year period 2017-22, outstanding debt to GSDP ratio of the State remained within the norms prescribed in the State FRBM Act. However, the outstanding debt during 2021-22 (₹ 21,732.32 crore) increased by ₹ 649.22 crore (3.08 *per cent*) as compared to ₹ 21,083.10 crore during 2020-21.

During the year, Revenue surplus was overstated by ₹ 527.91 crore and Fiscal Deficit was also overstated by ₹ 32.92 crore due to misclassification of Grants-in-Aid of ₹ 494.99 crore under Capital Section instead of Revenue Section, non-transferring of ₹ 16.22 crore to Deposits and non-discharge of interest liabilities of ₹ 16.70 crore by the State Government as observed in Audit.

Recommendations

- 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 and transfer fund to the Deposit Account as per Rules.

Chapter II: Finances of the State

During 2021-22, the State had a Revenue surplus of ₹ 1,488.71 crore which was 2.30 *per cent* of GSDP during the year. Fiscal surplus was ₹ 66.55 crore during 2021-22 which was 0.10 *per cent* of GSDP and primary surplus was ₹ 1,464.71 crore (2.26 *per cent* of GSDP). The State achieved the target set in FRBM Act in respect of outstanding liabilities to GSDP in all five years of 2017-18 to 2021-22 and it was 33.55 *per cent* in 2021-22 against the target of 34.71 *per cent* for the year.

Revenue Receipts during the year 2021-22 were ₹ 17,613.95 crore which increased by ₹ 4,321.55 crore (32.51 *per cent*) during the year. State's Own Tax increased by ₹ 283.87 crore (12.17 *per cent*) from ₹ 2,332.44 crore (2020-21) to ₹ 2,616.31 (2021-22) while Non-Tax revenue decreased by ₹ 11.38 crore (3.99 *per cent*) during the year from ₹ 285.49 crore (2020-21) to ₹ 274.11 crore (2021-22). The State had collected ₹ 1,282 crore as GST during 2021-22, an increase of 21.47 *per cent* over the previous year.

Grants-in-aid from GoI increased by ₹ 2,189.99 crore (33.92 *per cent*) from ₹ 6,456.02 crore (2020-21) to ₹ 8,646.01 crore (2021-22) and State's Share of Union taxes and Duties during 2021-22 increased by ₹ 1,859.07 crore (44.07 *per cent*) from ₹ 4,218.45 crore (2020-21) to ₹ 6,077.52 crore (2021-22). Overall increase of Central transfer during 2021-22 was ₹ 4,049.06 crore (37.93 *per cent*) over the previous year. However, the State had received 83.59 *per cent* of Revenue from the GoI as Central transfer during the year 2021-22.

Revenue expenditure during the year 2021-22 was ₹ 16,125.24 crore which was 92 *per cent* of the total expenditure of ₹ 17,548.27 crore. Moreover, there was a misclassification of ₹ 494.99 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 2021-22. Committed expenditure comprising salary & wages, pension, interest payments etc., was 58.22 per cent of the Revenue expenditure during the year 2021-22.

Capital expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, etc. It is noticed that during the year 2021-22, Capital expenditure increased by ₹ 536.87 crore (64.52 per cent) from ₹ 832.08 crore in 2020-21 to ₹ 1,368.95 crore in 2021-22 of which ₹ 494.99 crore was incurred as grant-in-aid for creation of Capital Assets.

During 2021-22, the State Government invested ₹ 52.35 crore in Government Companies, statutory corporation, co-operative societies and joint stock companies of which ₹ 47.26 crore was invested in seven Government Companies during the year. As on 31 March 2022 the State Government made investment of ₹ 1,766.54 crore in those companies/corporations and co-operative societies and got negligible amount of ₹ 1.63 crore as dividend during the year from two joint stock companies.

As on 31 March 2022, there was outstanding loans and advances of ₹ 251.38 crore of which no recovery had been effected (Principal and interest) from 12 Departments involving ₹ 152.98 crore during past several years. Even some of loans were 10 years old.

The outstanding liabilities including outstanding public Debt increased from ₹ 21,083.10 crore in 2020-21 to ₹ 21,732.43 crore which was 33.55 per cent of GSDP for the year 2021-22. However, the effective outstanding overall debt would be ₹ 21,105.05 crore (32.58 per cent of GSDP), as the Department of Expenditure, GoI decided that GST compensation given to the State as back to back loan under debt receipts (₹ 226.00 crore in 2020-21 and ₹ 401.37 crore in 2021-22) would not be treated as debt of the State.

As on 31 March 2022, the State had outstanding Market loan of ₹ 10,733.83 crore out of which ₹ 4,733.85 crore would mature in next five to seven years.

As on 31 March 2022, 63 projects involving estimated cost of ₹ five crore and above remained incomplete after incurring an expenditure of ₹ 403.30 crore. Out of 63 incomplete projects, the target date of completion of 21 works already expired as on 31 March 2022 for which ₹ 164.12 crore were blocked, some of which were started since 2012-13.

The State Government had not contributed of interest liability of ₹ 12.57 crore to the State Compensatory Afforestation Fund during 2021-22. In addition, there was a short transfer of Central Road Fund of ₹ 16.22 crore to the Deposit Account during 2021-22.

The cash balances of the State at the end of 31 March 2022 was ₹ 3,424.61 crore which increased by ₹ 1,010.10 crore, of which, ₹ 2,755.52 crore was held in cash balance investment account during the year.

Recommendations

- State Government may take necessary steps 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.
- Necessary steps may be taken to recover the old loans from the loanee.

Chapter III: Budgetary Management

Budgetary assumptions of the State Government were not realistic during 2021-22 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 as there were savings in most of the grants/appropriations during the year.

Supplementary Grants/Appropriations were obtained without adequate justification. In most of grants the expenditure was even less than the original provision for the year 2021-22.

The State had overall savings of ₹ 7,906.74 crore, which was more than twice the size of the supplementary budget of ₹ 3,267.58 crore obtained during the year, which raised questions over the budget formulation process. Savings during the year accounted for about 30.12 *per cent* and one third of the total budget; however, the Controlling Officers did not surrender the funds on time. During 2021-22, 70 *per cent* savings were not surrendered by the Controlling Officers. 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.
- 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 2022, 435 UCs amounting to ₹ 263.23 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 2021-22, ₹ 9.43 crore were drawn through 112 AC Bills of which 51 AC Bills for ₹ 1.38 crore were drawn in March 2022. As on 31 March 2022, there were 405 AC bills for an amount of ₹ 32.52 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 2021-22, the State Government transferred/deposited ₹ 362.16 crore into 831 DDOs Bank Account. As per information furnished by the State Government, there was an unspent balance of ₹ 834.18 crore in 578 DDOs' Bank Account as on 31 March 2022.

During 2021-22, ₹ 294.97 crore was credited in the Personal Deposit Account of which ₹ 22.90 crore was transferred from the Consolidated Fund of the State including ₹ 12.72 crore transferred during March 2022. There was a balance of ₹ 416.14 crore in 154 PL Account as on 31 March 2022.

The State Government classified ₹ 135.21 crore as Receipts in 40 Major Head under Minor Head 800-Other Receipts constituting 0.77 *per cent* of total Revenue receipts. Similarly, the State booked as expenditure of ₹ 96.63 crore in 18 Major Head under Minor Head 800-Other Expenditure constituting 0.53 *per cent* of total expenditure during the year 2021-22.

Out of 53 bodies and authorities in the State the accounts of the 41 bodies and authorities were pending for one to 22 years as on 31 October 2022.

There was an outstanding amount of ₹ 387.90 crore in respect of various claims which pertains up to the end of December 2021. 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 45 days by the Treasuries, one to 64 days by the Public Works Divisions and one to 15 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 monitor the utilization of unspent balances remained in DDOs bank account.
- 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 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.