

Executive Summary

Background

This Report on the finances of the Government of Manipur is being brought out with a view to assess objectively the financial performance of the State during the year 2010-11. The aim of this Report is to provide the State Government with timely inputs based on actual data so that there is better insight into both performing as well as non 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 2010-11.

The Report

Based on the audited accounts of the Government of Manipur for the year ending March 2011, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is in three chapters.

Chapter I is based on audit of Finance Accounts and makes an assessment of the Government of Manipur's fiscal position as on 31 March 2011. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of Central funds transferred directly to the State implementing agencies.

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 Manipur Government's compliance with various reporting requirements and financial rules.

Audit findings and recommendations

FINANCES OF THE STATE GOVERNMENT

Revenue receipts

During 2006-11, around 89 to 91 *per cent* of the revenue receipts of the State came from the Central Government. There has been a significant increase of ₹ 1557 crore in revenue receipts in 2010-11 mainly due to increase in Grants-in-aid (₹ 1072 crore) in the current year. This had a favourable impact on the revenue receipt of the State. The increase in Share of Union Taxes / Duties, Own Tax and Non-tax collection augmented the healthy revenue receipts during the current year. (Paras 1.1, 1.6 and Table 1.8).

Efforts should be made to increase tax compliance and reduce administrative costs. Timely compliance on all conditionalities that are pre-requisites to release of funds and timely utilisation of central funds would help in increasing of State's revenue receipts.

Expenditure status

During 2006-11, expenditure on capital accounts had increased significantly by 121 *per cent* from ₹ 867 crore to ₹ 1918 crore; exhibiting a steady growth than revenue expenditure which grew by 69 *per cent* during the period. (para 1.7.1). Plan expenditure as percentage of total expenditure increased from 40 *per cent* in 2006-07 to 50 *per cent* in 2010-11 (para 1.7.1).

A similar trend was also noticed in terms of expenditure by activities, and was orienting more towards developmental activities of Social Services and Economic Services. However, Non-Plan Revenue Expenditure exceeded the limits set in MTFPS/budget/ThFC (para 1.7.1).

A monitoring mechanism to focus on timely completion of projects should be in place to ensure that completed projects yield back resources to the economy of the State. Critical areas in planning needs to be focused while allocating funds so that capital/plan/development activities undertaken during the last five years do not falter. Expenditure on NPRE should remain a focal point of attention of the Government.

Fiscal position, fiscal liabilities and sustainability of debt

During 2010-11, due to an increase in the devolution of Grants-in-aid from the Central Government and share of taxes and duties, the revenue surplus increased by ₹ 493 crore. This increase in revenue surplus has enabled the State Government to contain both fiscal deficit and primary deficit, despite increase in total expenditure (para 1.12.1). At 6.18 *per cent* of GSDP, the fiscal deficit is still way off the mark of the ThFC target to limit the ratio at 3.5 *per cent* of GSDP by 2012-13 and at 3 *per cent* thereafter (para 1.2).

Fiscal Liabilities have been increasing during the last five years, and have increased at a faster rate during the last two years (2009-11) as compared to the previous years. The fiscal liabilities during the current year exceeded by ₹ 1472 crore than the assessed figure of ₹ 4652 crore in the MTFPS (Para 1.10.2).

Though there are signs of recovery, cautious and prudent management of expenditure and revenue mobilization need to be addressed so that financial position returns to a comfortable position. The State Government may need to give special attention to limit fiscal deficit-GSDP ratio as recommended by the ThFC.

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

During 2010-11, there was an overall saving of ₹ 679.14 crore. The overall saving was the net result of saving of ₹ 741.56 crore offset by excess of ₹ 62.42 crore. The excess of expenditure requires regularization under Article 205 of the Constitution of India. Excess expenditure for the period 2007-10 is yet to be regularized, awaiting recommendation of the Public Accounts Committee to regularize the excess expenditure (Paras 2.2 and 2.3).

There were cases of expenditure without any provision, unnecessary/insufficient supplementary provision and cases of substantial surrenders. There were also cases of surrender despite having no funds in the respective heads of accounts (Para 2.3). Out of ₹ 2,019.49 crore paid through Abstract Contingent (AC) bills during 2003-11, Detailed Countersigned Contingent bills for ₹ 653.29 crore are outstanding as on October 2011 (Para 2.4).

Expenditure without provision and surrender of whole amount/ funds without funds indicate that the budgetary process needs to be improved so as to avoid re-occurrence of such irregularities in future. Supplementary provisions should be used as an instrument to fine tune the flow of expenditure and should be applied in a judicious manner so that budget provisions and actual expenditure are matched to the extent possible. While a marked improvement in settling of

outstanding AC bills was visible in the current year, a close and rigorous monitoring mechanism needs to be applied to adjust AC bills within thirty days from the date of drawal of the amount.

FINANCIAL REPORTING

Utilization Certificates in respect of 1,659 grants and loans paid during 2007-11 involving ₹ 693.95 crore were in arrear as of March 2011. There were also delays in placement of Separate Audit Reports before the Legislature, and significant arrears in finalization of accounts by the Autonomous District Council/autonomous bodies. Out of 51 departments/autonomous bodies, only seven replies were received to ascertain the status of non-adjustment of temporary advances, misappropriation, losses *etc.* (Paras 3.1, 3.2, 3.3 and 3.4).

Government departments should take urgent action for timely receipt of utilization certificates and necessary steps for finalization of accounts. Inordinate delay in placement of Separate Audit Reports before the Legislature are a cause of concern and prompt action needs to be initiated in this regard.