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 2011-12. 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 2011-12.

The Report

Based on the audited accounts of the Government of Manipur for the year ending March 2012, 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 Manipur's fiscal position as on 31 March 2012. 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

Despite significant increase in own Tax revenue and own Non-tax revenue, Revenue receipts of the State as a whole increased marginally by 4 *per cent* (₹ 223.61 crore) only due to decrease in Grants-in-aid from GoI. Against this, the Revenue expenditure increased by 23 *per cent* (₹ 928.91 crore). The mismatch between Revenue receipts and Revenue expenditure resulted in sharp decline in Revenue surplus from ₹ 1352 crore in the previous year to ₹ 647 crore in 2011-12. The Total receipts of the State in the current year increased by ₹ 1792.90 crore, of which 88 *per cent* of the increase (₹ 1573.66 crore) was contributed by

Public Accounts Receipts, for which the State Government had to bear payment liabilities in future (paras 1.1 and 1.5.1).

Funds transferred directly from GoI to the State implementing agencies

The GoI directly transferred ₹ 1259.23 crore to State implementing agencies during 2011-12. Direct transfer of funds from the GoI to the State implementing agencies run the risk of inadequate monitoring of utilization of funds by these agencies in the absence of uniform accounting policies and effective monitoring system.

In most of the test checked units, no proper cash book was maintained and in one case some amount transferred by the State implementing agencies had not been still received by the implementing unit. In one case, no co-operation was extended to Audit by the implementing unit despite taking up the matter with the highest level.

Expenditure status

During 2011-12 the total expenditure increased by ₹ 702.54 crore (12 *per cent*) from the previous year. The increase was due to increase in Revenue expenditure (₹ 928.91 crore) offset by decrease in Capital expenditure (₹ 222.65 crore). During 2007-12, Revenue expenditure had increased significantly by 118 *per cent* as compared to increase of 53 *per cent* in respect of Capital expenditure. There was a similar trend in increase of Non-plan Revenue expenditure (NPRE), which constituted major portion of Revenue expenditure. Non-plan Revenue expenditure which remained around 50 *per cent* of the Total expenditure during 2007-11 increased to 59 *per cent* in the current year at the expense of Plan expenditure. Committed expenditure as percentage of Revenue receipts increased from 41 *per cent* (2007-08) to 45 *per cent* (2009-10) to 57 *per cent* (2011-12). As such, the State's expenditure scope for developmental activities has been increasingly limited over the years.

Salaries expenditure has increased substantially during the last two years and account for 39 *per cent* of Revenue receipts during 2011-12. The Non-plan salary expenditure in 2011-12 was more by ₹ 803.90 crore (62 *per cent*) than what was assessed by the ThFC.

Increase of Revenue expenditure and Non-plan expenditure at the expense of Plan expenditure may deter stimulus for economic growth. As substantial portion of Revenue receipts are confined to Committed expenditure like Salaries and Wages, Interest payment *etc*., the State has limited scope for other development activities. The State may need to re-look this aspect with the Revenue receipts and fiscal liabilities profile of the State (paras 1.7.1 and 1.7.2).

Fiscal position, fiscal liabilities and sustainability of debt

Decrease in devolution of Grants-in-aid from the GoI has an adverse effect on the economy of the State in terms of fiscal position and sustainability of debt. This is despite increase in Own tax and Non-tax collection by the State and decrease in Capital expenditure (paras 1.1 and 1.12.3). In terms of key fiscal indicators, the deficit experienced by the State was the worst during the last five years (2007-12). Fiscal deficit increased from ₹ 569 crore to ₹ 1047 crore while Primary deficit increased from ₹ 204 to ₹ 650 crore over the previous year (para 1.12.1).

Fiscal deficit scenario experienced by the State is a cause of concern, especially from the fact the year 2011-12 ended with negative closing cash balance. In case the position does not improve in the coming years, the State may face the prospect of an unmanageable debt scenario. The State's flow of revenue resources should keep up with the pace of expenditure obligations, and the Government may need to explore avenues for further raising the revenue realizations from both tax and non-tax revenue sources.

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

During 2011-12, an expenditure of ₹ 6881.85 crore was incurred against a total budget provision of ₹ 8711.53 crore, resulting in overall saving of ₹ 1829.68 crore. The overall savings was the net result of saving of ₹ 1919.06 crore offset by excess of ₹ 89.38 crore. The excess requires regularization under Article 205 of the Constitution of India. Excess expenditure amounting to ₹ 276.02 crore for the period 2007-11 are still awaiting regularization, despite recommendation of the Public Accounts Committee to regularize the excess expenditure (Paras 2.2 and 2.3).

Supplementary provision aggregating ₹ 97.21 crore in 10 cases was unnecessary as the expenditure did not come up to the level of original provision while in 12 cases, supplementary provision of ₹ 74.64 crore proved insufficient by more than ₹ 10 lakh in each case. Substantial surrenders (amount exceeding ₹ 10 crore in each case) were made in respect of 16 sub-heads, out of which in twelve schemes/programmes, the whole provision amounting to ₹ 649.60 crore was surrendered. There was one case in which an amount of ₹ 2.26 crore was surrendered despite having excess expenditure over the total provision (Para 2.3).

Out of ₹ 2411.95 crore paid through Abstract Contingent (AC) bills during 2003-12, Detailed Countersigned Contingent bills for ₹ 948.35 crore are outstanding as on November 2012 (Para 2.4).

The Government should regularize the excess expenditure as it is not only a violation of constitutional provision but also a disregard of the recommendations made by the PAC. Provision of funds through 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 convergent to each other as nearly as possible. A close and rigorous monitoring mechanism should be put in place to adjust AC bills within thirty days from the date of drawal of the amount, and the Government needs to take a firm action to arrest the trend of rising drawal of Abstract Contingent Bills and pendency in submission of Detailed Countersigned Contingent Bills.

FINANCIAL REPORTING

As of March 2012, 2410 Utilization Certificates involving ₹ 1425.34 crore in respect of grants were in arrear. There were also delays in placement of Separate Audit Reports on Autonomous District Councils to Legislature and huge arrears in finalization of accounts by the ADC/Autonomous Bodies. Five Departmental undertakings of certain Government Departments have not submitted their accounts for more than 10 years. Out of 50 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).