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 2012-13. 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 2012-13.

The Report

Based on the audited accounts of the Government of Manipur for the year ending March 2013, 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 2013. It provides an insight into trends of committed expenditure and borrowing pattern, besides a brief account of Central funds transferred directly to the State Implementing Agencies. It also contains audit findings on Market Borrowings made during 2008-13.

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

Audit findings and recommendations

FINANCES OF THE STATE GOVERNMENT

Revenue receipts

Revenue receipts increased significantly by ₹ 1166.21 crore (21 *per cent*) over the previous year. Despite the decrease in Tax revenue (₹ 35.24 crore) and Non tax revenue (₹ 79.75 crore) over the previous year, Revenue receipts increased by ₹ 1166.21 crore due to increase in Grants-in-aid. Increase in Grants-in-aid from the Government of India (GoI) constituted 96 *per cent* of increase of Revenue receipt of the State. The State's share of Union Taxes and Duties also increased by ₹ 163.80 crore over the previous year (paras 1.1.1 and 1.12.1).

Funds transferred directly from GoI to the State Implementing Agencies

During the year 2012-13 central funds of ₹ 1349.46 crore were transferred directly to the State implementing agencies, of which an amount of ₹ 590.23 crore (about 44 *per cent* of the total funds transferred) was for Mahatma Gandhi National Rural Employment Guarantee Scheme, ₹ 186.14 crore (about 14 *per cent*) for Pradhan Mantri Gram Sadak Yojana and ₹ 173.62 crore (about 13 *per cent*) for Sarva Shiksha Abhiyan. As there is no single agency monitoring the funds directly transferred by the GoI and there is no readily available data on how much is actually spent in any particular year on major flagship schemes, utilization of these funds runs the risk of poor accountability. It would be helpful if the accounts are kept in a uniform manner to ensure transparent reporting of the actual expenditure, for facilitating tracking of end use of funds (para 1.2.2).

Expenditure status

The total expenditure of the State increased from ₹ 4090.16 crore in 2008-09 to ₹ 6821.39 crore in 2012-13 and increased by ₹ 118.98 crore (2 *per cent*) to ₹ 6821.39 crore in 2012-13 from ₹ 6702.41 crore in 2011-12.

The Revenue expenditure of the State increased from ₹ 2622.28 crore in 2008-09 to ₹ 5316.53 crore in 2012-13 and increased by 6 *per cent* from ₹ 5006.92 crore in 2011-12 to ₹ 5316.53 crore in 2012-13. The Capital expenditure increased from ₹ 1466.80 crore in 2008-09 to ₹ 1501.56 crore in 2012-13 and decreased by 11 *per cent* from ₹ 1695.41 crore in 2011-12 to ₹ 1501.56 crore in 2012-13.

Capital expenditure had exhibited a declining trend since 2010-11. Revenue expenditure, on the other hand has been increasing steadily during 2008-13. Revenue expenditure as a percentage of total expenditure increased from 74.70 *per cent* in 2011-12 to 77.94 *per cent* in 2012-13.

Non-plan expenditure as a percentage of total expenditure increased from 59 *per cent* in 2011-12 to 62 *per cent* in 2012-13, and remained around 50 *per cent* during 2008-13 (paras 1.6.1 and 1.6.2).

Review on Market Borrowings

During 2008-13, Market Borrowings increased by ₹ 910.18 crore from ₹ 1452.45 crore (2008-09) to ₹ 2362.63 crore (2012-13); and constituted more than 50 *per cent* of the Public debt during this period. After 2018-19, the quantum of maturing market loans as a percentage of outstanding loans (as on 31 March 2013) would rise beyond 10 *per cent*. Given the fact that borrowings will continue to be made by the State Government to service their past debt as is presently being done, the redemption pressure in coming years will undoubtedly exert pressure on the finances of the State. Planning for Market Borrowings needs to be driven on need-based basis and a policy needs to be framed. The budgetary estimate should commensurate with borrowing requirements (para 1.11).

Fiscal position and sustainability of debt

The Fiscal deficit (₹ 1.04 crore) reduced significantly in 2012-13 over the previous year, mainly due to the increase in Revenue surplus by ₹ 856.60 crore (132 *per cent*) over the previous year, and was the lowest during the last five years (2008-13). The Primary deficit experienced during 2008-12 turned into Primary surplus of ₹ 431.97 crore in 2012-13.

The substantial checks in managing debt in 2012-13 was due to a significant increase of ₹ 1117.40 crore of Grants-in-aid from the GoI in 2012-13 over the previous year, despite decrease of ₹ 114.99 crore in collection of the State's Tax and Non-tax revenue. Secondly, there was a reduction of expenditure in some key areas. Plan Revenue expenditure decreased by ₹ 14.89 crore in 2012-13 while Capital expenditure decreased by ₹ 193.85 crore in 2012-13.

Thus, while the State Government may have temporarily controlled Fiscal deficit, this was achieved mainly with the help of Grants-in-aid from the GoI and at the expense of expenditure meant for asset creation. Given the backdrop that – (i) more devolution from the GoI is not a certainty; (ii) the State Government may not be able to prolong suppression of expenditure for too long; (iii) growth of Own Revenue collection is not impressive; and (iv) that a poor cash position continues to constrain the State Government; it may be imperative to explore more tenable ways to manage the deficits (para 1.12.1).

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

There was overall saving of ₹ 1486.47 crore in 2012-13. This was the net result of saving of ₹ 2027.89 crore in 48 Grants and two Appropriations under Revenue Section and 28 grants under Capital Section, offset by excess of ₹ 541.42 crore in two grants under Revenue Section and one Appropriation. Excess expenditure occurred mainly in Appropriation No. 2 – Interest Payment and Debt Services, both under Capital Charged (₹ 522.85 crore) and Revenue Charged (₹ 17.07 crore) (para 2.2).

During the period 2008-13, there were persistent savings of more than ₹ 50 lakh in ten sub-heads of accounts. On the other hand, there were seven cases of persistent excess expenditure during 2008-13 (paras 2.3.2 and 2.3.3).

Supplementary provision aggregating to ₹ 208.49 crore in 22 cases, during 2012-13 proved unnecessary as the expenditure did not come up to the level of original provision. In three cases, supplementary provision of ₹ 7.43 crore proved insufficient by more than ₹ 50 lakh in each case, leaving an aggregate uncovered excess expenditure of ₹ 18.57 crore. In case of Appropriation No. 2 – Interest Payment and Debt Services (Capital Charged), no supplementary provision had been made despite a huge excess of expenditure of ₹ 522.85 crore, indicating a gross deficiency in budgetary management and control. (para 2.3.8).

There were 20 heads of accounts in the budget which did not conform with the list of Major and Minor heads of Accounts. In case of 8 Minor heads and 2 Sub Major heads, the code reflected in the budget was not included in the list of Major and Minor heads and therefore was unauthorised. In 18 cases, the scheme under which the Grants-in-aid were given had not been indicated against the Sub head of accounts. In three cases, the expenditure on Grants-in-aid had been booked under Capital expenditure, which was irregular (para 2.7).

FINANCIAL REPORTING

There were 3560 Utilization Certificates (UCs) aggregating to ₹ 2185.95 crore, in arrears in respect of grants as of March 2013. Six departments *viz.* Tribal Affairs and Hills Department, Rural Development and Panchayati Raj Department, Planning Department, Forest Department, Medical and Family Welfare Department, Municipal Administration, Housing and Urban Development Department together accounted for 2050 UCs (57.58 *per cent*) out of 3560 outstanding UCs; involving an amount of ₹ 1780.66 crore (81 *per cent*) of outstanding amount of ₹ 2185.95 crore. Heads of Department should initiate prompt action to submit utilization certificates (para 3.1).

The State Government took suitable action on the assurance (26 November 2013) made to the Public Accounts Committee, and placed 40 outstanding Separate Audit Reports (SARs) of five Autonomous District Councils and 7 outstanding SARs of the Manipur State Legal Service Authority before the State Legislative Assembly on 19 December 2013. Such action would need to be continued so that SARs are placed timely before the State Legislative Assembly (para 3.3).

As of September 2013, there were ten undertakings which had not prepared their accounts upto 2012-13. Two undertakings (Manipur Plantation Crop Corporation and Manipur Agro Industries Corporation) have not submitted their accounts for more than twenty years, and three undertakings (Manipur Tribal Development Corporation, Manipur Police Housing Corporation and Manipur Film Development Corporation) have not submitted their accounts for more than 10 years. The State Government may need to consider having in place appropriate mechanisms to ensure timely finalization and submission of accounts (para 3.4).