

EXECUTIVE SUMMARY

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Background

This Report on the Finances of the Government of Manipur is being brought out with a view to assess the financial performance of the State during the year 2013-14. 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 2013-14.

There was an overall improvement of key fiscal parameters of the State at the close of 2013-14. The State Government could achieve Revenue surplus, Fiscal surplus and Primary surplus. Against opening cash balance of minus ₹ 55.37 crore at the beginning of 2013-14, the closing cash balance was ₹ 463.84 crore at the end of 2013-14. During 2013-14, an expenditure of ₹ 7555.33 crore was incurred against a total budget provision of ₹ 9976.16 crore, resulting in overall saving of ₹ 2420.83 crore against the budget provision.

The Report

Based on the audited accounts of the Government of Manipur for the year ending March 2014, 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 2014. 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.

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

Chapter I: Finances of the State Government

Revenue receipts

Revenue receipt increased by ₹ 463.03 crore in 2013-14 over the previous year. The increase was mainly due to increase of Grants-in-aid from the GoI (₹ 173.28 crore), Tax revenue (₹ 139.90 crore), and Share of Union Taxes/duties (₹ 120.96 crore) in 2013-14 over the previous year. Increase of

Grants-in-aid from the GoI and Share of Union Taxes/duties constituted 64 *per cent* of increase of Revenue receipts. Significant achievement was made by the State Government in increasing Tax revenue by ₹ 139.90 crore (42 *per cent*) in 2013-14 over the previous year. Non-tax collection, however, could increase marginally by ₹ 28.89 crore. However, the State Government made unrealistic estimates of Non-tax collection in the Budget estimates and MTFPS despite low collection of Non-tax revenue during 2009-10 to 2013-14. **(paras 1.1.1 and 1.3)**

The State Government may ensure maintenance of the trend of Tax collection in coming years also for overall positive fiscal health of the State. Non-tax revenue needs greater attention of the State Government, especially collection under Power sector. Budget estimates of Non-tax collection also needs to be made more realistic.

Expenditure Status

During 2013-14, the Total expenditure increased by ₹ 189.37 crore (3 *per cent*) from the previous year. Increase in Total expenditure was restricted mainly due to decline in Capital expenditure. It decreased by ₹ 209.67 crore in 2013-14 from the previous year. Salaries and Wages accounted for about 35 *per cent* of Revenue receipts of the State during 2013-14 and increased by ₹ 191.67 crore (8 *per cent*) over the previous year. Interest payment increased by ₹ 11.91 crore in 2013-14 from the previous year. Further, Pension payment also increased from ₹ 760.28 crore in 2012-13 to ₹ 771.48 crore in 2013-14. Capital expenditure is showing a declining trend since 2010-11. Revenue expenditure, on the other hand has increased steadily during 2009-14. Revenue expenditure as a percentage of the total expenditure increased from 65.40 *per cent* in 2009-10 to 81.57 *per cent* in 2013-14. This shows that a bulk of the total expenditure is increasingly being spent on meeting maintenance expenditure, salary *etc.* **(paras 1.6.1 and 1.6.2)**

The State Government may ensure that financial surplus is not achieved at the cost of restricting Capital expenditure, as such trend of diminishing Capital expenditure may affect adversely the long term economic health of the State by restricting investment and infrastructure creation.

Investment made in Government corporations/companies and recovery of Loans and Advances

Against the investment of ₹ 160.29 crore at the beginning of the financial year 2013-14 in statutory corporations, rural banks, joint stock companies and co-operatives, the State Government could earn only ₹ 3,000 during 2013-14.

Further, opening balance of outstanding Loans and Advances as on 31 March 2013 was ₹ 206.32 crore. Against this outstanding Loans and Advances, Interest of ₹ 0.35 crore (0.17 *per cent* of outstanding Loans and Advances) was received during 2013-14. Earning on account of such returns against Investment/ Loans and Advances is negligible. **(paras 1.8.2, 1.8.4 and 1.8.5)**

The State Government may critically review the functioning of the corporations, companies and co-operatives and may initiate appropriate actions to make their operation viable and also ensure appropriate returns from Loans and Advances.

Fiscal liabilities and fiscal position

Fiscal liabilities increased by ₹ 259.74 crore from the previous year to ₹ 7060.68 crore in 2013-14. The increase in Fiscal liabilities was mainly due to increase in Internal debt (₹ 169.69 crore) and State Provident funds (₹ 103.11 crore). Of the outstanding fiscal liability of ₹ 7060.68 crore as of 31 March 2014, liabilities with repayment obligations was ₹ 5480.30 crore¹ (77 per cent of Fiscal liability) comprising Public debt and Small Saving, Provident funds etc. Increase of devolution of Grants-in-aid from the GoI and significant increase in Tax revenue collection and a tightly controlled expenditure has resulted in managing Fiscal position in 2013-14. **(paras 1.9.2 and 1.11.1)**

The State Government may ensure that borrowings are channelized for asset creation and the development activities to increase growth and productivity. Otherwise, the accumulated liability may prove to be a strain to the economy of the State. The fiscal position of the State needs to be evaluated with due consideration to obtain optimal benefits out of the improved financial situation experienced by the State Government in the current year (2013-14).

Chapter II: Financial Management and Budgetary Control

During 2013-14, an expenditure of ₹ 7555.33 crore was incurred against a total budget provision of ₹ 9976.16 crore resulting in overall saving of ₹ 2420.83 crore. The overall savings was the net result of saving of ₹ 2791.34 crore offset by excess of ₹ 370.51 crore. The excess requires regularization under Article 205 of the Constitution of India. Excess expenditure (₹ 151.80 crore) for the period 2010-12 had been recommended for regularization by Public Accounts Committee (PAC). However, the excess expenditure (₹ 541.42 crore) for the period 2012-13 was yet to be discussed by the PAC. **(paras 2.2 and 2.3.5)**

Supplementary provision aggregating to ₹ 155.50 crore in 17 cases during the year proved unnecessary as the expenditure did not come up to the level of original provision. In four cases, unnecessary supplementary provision provided exceeded ₹ 10 crore in each case. In one case, supplementary provision of ₹ 8.20 crore was insufficient, and there was an aggregate excess expenditure of ₹ 9.39 crore. **(para 2.3.7)**

In 35 sub-heads re-appropriation proved insufficient by ₹ one crore or more resulting in excess expenditure of ₹ 178.21 crore while in 105 sub-heads re-appropriation proved excessive by ₹ one crore or more thereby resulting in savings of ₹ 1287.33 crore. Substantial surrenders exceeding ₹ 10 crore in

¹ Without taking into account the repayment obligations under Deposit heads.

each case were made in 17 sub-heads. In one case, the whole provision of ₹ 50 crore was surrendered indicating lack of adequate planning. **(paras 2.3.8 and 2.3.9)**

The Government may consider timely regularization of excess expenditure which is pending regularization, as required under Article 205 of the Constitution of India, strengthen budgetary control to avoid cases of expenditure without provision, unnecessary/ excessive/ inadequate supplementary provision, and unnecessary re-appropriation of funds etc., and put in place a mechanism in the Departments to adjust the arrears drawn on AC bills within a reasonable time frame within the same financial year.

Chapter III: Financial Reporting

There were 4611 Utilization Certificates involving ₹ 2770.18 crore in respect of grants to 34 Departments in arrears as of 31 March 2014. **(para 3.1)**. There were also delays and arrears in finalization of accounts by the Autonomous District Councils (ADCs), Autonomous Bodies and Departmental Commercial Undertakings. Three Departmental Undertakings have not submitted their accounts for more than 10 years and another three for more than 20 years. **(paras 3.2 and 3.4)**

The State Government may consider to strengthen internal controls of the executing agencies to utilize the funds within the stipulated time so as to avoid delays in submission of utilization certificates, put in place an appropriate mechanism to ensure timely finalization and submission of Annual accounts by the Autonomous District Councils, Autonomous Bodies and Departmental Commercial Undertakings to the Office of the Principal Accountant General (Audit), Manipur, and take special drive to expedite the submission of pending Annual accounts and utilization certificates.