Executive Summary

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 2015-16. 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, effort was 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 2015-16.

The Report

Based on the audited accounts of the Government of Manipur for the year 2015-16, 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 2016. 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 receipt

Revenue receipt increased by ₹ 281.83 crore (3.52 *per cent*) over the previous year (2014-15). The increase was mainly due to increase in Share of Union Taxes and duties (₹ 1615.53 crore) offset by decrease in Grants-in-Aid from Government of India (₹ 1333.06 crore). Contribution of the State's own revenue to the Revenue receipt was in the range of 8 *per cent* to 12 *per cent* for the period 2011-16. The State's share of Union taxes and duties and Grants-in-Aid from Government of India contributed in the range of 88 *per cent* to 92 *per cent* to the Revenue receipt during 2011-16 and remained the main contributor to Revenue receipt of the State.

During 2015-16, Own tax revenue and Non-tax revenue was less than the targets/assessment of Fourteenth Finance Commission (XIV FC), Budget estimates and Medium Term Fiscal Policy Statement (MTFPS).

(paras 1.1.2, 1.3 and 1.3.1)

The State Government should enforce adequate measures to increase own resources of revenue.

Expenditure status

Total expenditure of the State increased by ₹ 1919.63 crore (28.65 *per cent*) from ₹ 6702.41 crore in 2011-12 to ₹ 8622.04 crore in 2015-16. The Revenue expenditure of the State increased by ₹ 2375.65 crore (47.45 *per cent*) from ₹ 5006.92 crore in 2011-12 to ₹ 7382.57 crore in 2015-16.

Capital expenditure exhibited a declining trend since 2011-12 to 2013-14. It increased in 2014-15 and then decreased again in 2015-16. Revenue expenditure, on the other hand has increased steadily during 2011-16. Revenue expenditure as a percentage of the Total expenditure increased from 74.70 *per cent* in 2011-12 to 85.62 *per cent* in 2015-16. This shows that a bulk of the Total expenditure has been increasingly spent to meet expenditure on maintenance, salary, *etc*.

(para 1.6.1)

The State Government may give priority to increase Capital expenditure.

Investment in companies, corporations and co-operative societies and returns

During 2011-16, investment in companies, corporations and co-operative societies ranging from ₹ 160.18 crore to ₹ 175.24 crore was made by the State Government. Against this, the State Government could earn only ₹ 15,000 during 2011-16. The State Government paid an average rate of interest ranging from 6.27 *per cent* to 6.67 *per cent* on its borrowings. However, the rate of return from the investment was insignificant.

(para 1.8.2)

The State Government may critically review the functioning of the corporations and companies to make their operations viable to ensure more returns on the investments.

Fiscal liabilities and fiscal position

The overall Fiscal liabilities of the State Government increased from ₹ 6483.16 crore in 2011-12 to ₹ 8125.39 crore in 2015-16. This was mainly due to increase of ₹ 523.84 crore under Internal Debt.

Fiscal liabilities in 2015-16 increased by 10.44 *per cent* as compared to 2014-15. However, the annual growth rate of Fiscal liabilities during 2011-12 to 2014-15 was around 4 *per cent.* This underlines the extent of increase of Fiscal liabilities in 2015-16. Such a trend, if continued in coming years, would put pressure on the State Government in meeting the burden on re-payment of debt and interest thereon.

(paras 1.9.2)

The State Government should review the Internal Debt of the State and devise a road map to handle re-payment of principal and interest.

Chapter II: Financial Management and Budgetary Control

During 2015-16, an expenditure of ₹ 9098.16 crore was incurred against a total budget provision of ₹ 10674.75 crore resulting in overall saving of ₹ 1576.59 crore. The overall savings was the net result of saving of ₹ 1720.19 crore offset by excess of ₹ 143.60 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 was still pending for regularisation.

(paras 2.2 and 2.3.5)

Supplementary provision aggregating to ₹ 4972.35 crore in 27 cases during 2015-16 proved unnecessary as the expenditure did not come up to the level of original provision.

(para 2.3.7)

There was outstanding balance of 1193 Abstract Contingent (AC) bills of ₹ 1561 crore as on June 2016. Out of 81 Controlling Officers (CO), 36 CO did not reconcile their expenditure with the expenditure booked in the books of accounts maintained by the Accountant General (A&E), Manipur.

(paras 2.4)

The Government may ensure timely regularization of excess expenditure, as required under Article 205 of the Constitution of India, strengthen budgetary *control to avoid unnecessary supplementary provision, put in place a mechanism in the Departments for timely submission of Detailed Countersigned Contingent bills against drawal made on AC bills and ensure reconciliation of accounts with Accountant General (A&E).*

Chapter III: Financial Reporting

There were 5160 Utilization Certificates aggregating to ₹ 3964.78 crore in arrears in respect of grants given to 34 Departments as of March 2016.

(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 and in the placement of SARs in the legislature. Six Undertakings have not submitted their accounts for more than 10 years, out of which three are non-working companies.

(paras 3.2, 3.3 and 3.4)

The State Government may strengthen internal controls of the departments to ensure timely submission of utilization certificates. The State Government may also ensure timely finalization of Annual Accounts by the Autonomous District Councils, Autonomous Bodies and Departmental Commercial Undertakings and timely placement of Separate Audit Reports in the State legislature.