

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 2017-18. 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 2017-18.

The Report

Based on the audited accounts of the Government of Manipur for the year 2017-18, 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 2018. 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 Receipts increased by ₹ 1228.71 crore (13.46 per cent) over the previous year. The increase was mainly due to increase in GIA from Government of India (GoI) (₹ 617.97 crore) and increase in Share of Union Taxes/duties (₹ 397.20 crore).

Contribution of the State's Own revenue to the Revenue Receipts was in the range of 8 per cent to 10 per cent for the period 2013-18. The State's share of Union taxes and duties and GIA from GoI contributed in the range of

90 per cent to 92 per cent to the Revenue Receipts during 2013-18 and remained the main contributor to Revenue Receipts of the State.

Both Own Tax revenue and Non-tax revenue could not achieve the targets/assessment of XIV FC and Budget estimates during 2017-18.

(Paragraphs 1.1.2, 1.3 and 1.3.1)

➤ ***Expenditure Status***

The Total Expenditure of the State increased by ₹ 3694.95 crore (52.70 per cent) from ₹ 7010.76 crore in 2013-14 to ₹ 10705.71 crore in 2017-18. The Revenue Expenditure of the State increased by ₹ 3555.17 crore (62.17 per cent) from ₹ 5718.83 crore in 2013-14 to ₹ 9274.00 crore in 2017-18.

Capital Expenditure exhibited a fluctuating trend during 2013-14 to 2017-18. Revenue Expenditure, on the other hand has increased steadily during 2013-18. Revenue Expenditure as a percentage of the Total Expenditure increased from 81.57 per cent in 2013-14 to 86.63 per cent in 2017-18. This shows that a bulk of the total expenditure has been increasingly spent to meet expenditure on maintenance, salary, etc.

(Paragraph 1.6.1)

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

During 2013-18, investment in companies, corporations and co-operative societies ranging from ₹ 160.30 crore to ₹ 177.57 crore was made by the State Government. Against this, the State Government could earn only ₹ 16,000 during 2013-18. The State Government paid an average rate of interest ranging from 6.13 per cent to 6.67 per cent on its borrowings. However, the rate of return from the investment was insignificant.

(Paragraph 1.8.2)

➤ ***Loans and Advances by the State Government***

The opening balance of outstanding Loans and Advances as on 1 April 2017 was ₹ 204.19 crore. Against repayment of Loans and Advances of ₹ 8.02 crore, an amount of ₹ 3.40 crore was disbursed during 2017-18, resulting in closing balance of outstanding Loans and Advances of ₹ 199.57 crore as on 31 March 2018. Interest Receipts decreased from ₹ 0.35 crore in 2013-14 to ₹ 0.17 crore in 2017-18. Pertinently, Interest Receipts of ₹ 0.17 crore against Loan of ₹ 204.19 crore was insignificant.

(Paragraph 1.8.3)

➤ ***Fiscal liabilities and fiscal position***

The overall Fiscal liabilities of the State Government maintained an increasing trend during 2013-14 to 2017-18, which increased from ₹ 7060.68 crore in 2013-14 to ₹ 9565.94 crore in 2017-18. The Fiscal liabilities increased by 8.61 *per cent* (₹ 758.12 crore) in 2017-18 over the previous year (2016-17). This was mainly due to increase of ₹ 655.51 crore under Internal Debt, which constituted 86.47 *per cent* of the increase of the Fiscal liabilities in 2017-18. This underlines the extent of increase of Fiscal liabilities in 2017-18. 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.

(Paragraph 1.9.2)

Recommendations

- *The State Government should take measures to increase its own resources of revenue.*
- *The State Government needs to ensure realisation of commensurate receipts of interest from the outstanding Loans and Advances.*
- *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.*
- *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 2017-18, an expenditure of ₹ 11397.17 crore was incurred against a total budget provision of ₹ 13739.49 crore resulting in overall savings of ₹ 2342.32 crore. The overall savings was the net result of savings of ₹ 2809.53 crore offset by an excess of ₹ 467.21 crore. The excess requires regularisation under Article 205 of the Constitution of India. Excess expenditure (₹ 3203.20 crore) for the period 2010-16 had been recommended for regularisation by Public Accounts Committee (PAC). However, the excess expenditure was still pending for regularisation.

(Paragraphs 2.2 and 2.3.5)

- Supplementary provision aggregating to ₹ 545.94 crore in 28 cases, during the year proved unnecessary as the expenditure did not come up to the level of original provision.

(Paragraph 2.3.7)

- Out of 81 Controlling Officers (COs), 14 COs did not reconcile their expenditure with the expenditure booked in the books of accounts maintained by the Accountant General (A&E), Manipur.

(Paragraph 2.4)

Recommendations

- *The Government should strengthen budgetary and expenditure monitoring/management and take timely action in order to avoid large savings of funds.*
- *The Government should ensure that all anticipated savings are surrendered on time so that the funds can be utilised for other development purposes.*
- *The Government should ensure timely budgetary and expenditure monitoring/ management to avoid inadequate/excessive/unnecessary re-appropriation of funds.*
- *The Government should ensure that the Controlling Officers carry out timely reconciliation of their expenditure figures with the books of the AG (A&E) in the interest of financial discipline.*

Chapter III: Financial Reporting

- During 2003-04 to 2017-18, an amount of ₹ 4,814.30 crore was drawn as AC bills, out of which an amount of ₹ 3,179.42 crore has been adjusted with DCC bills (position as of December 2018). Thus, an amount of ₹ 1,634.88 crore (34 per cent) is outstanding for which DCC bills are yet to be submitted.

(Paragraph 3.1)

- There were 4706 Utilisation Certificates aggregating to ₹ 6077.96 crore in arrears in respect of grants given to 38 Departments as of 30 September 2018.

(Paragraph 3.2)

- There were also delays and arrears in finalisation 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.

(Paragraphs 3.3, 3.4 and 3.5)

Recommendations

The Government may consider to:

- *put in place a mechanism in the Departments for timely submission of DCC bills against drawal made on AC bills,*

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

