

## **EXECUTIVE SUMMARY**

## 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 2014-15. 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 2014-15.

There was an overall deterioration of key fiscal parameters of the State at the close of 2014-15 as compared with the previous year. Against Fiscal surplus of ₹ 273.26 crore in 2013-14, there was Fiscal deficit of ₹ 600.83 crore. Primary surplus of ₹ 718.18 crore of 2013-14 also turned into Primary deficit of ₹ 127.64 crore in 2014-15. Against an opening cash balance of ₹ 463.84 crore at the beginning of 2014-15, the cash balance closed at an amount of ₹ 121.77 crore at the end of 2014-15.

### The Report

Based on the audited accounts of the Government of Manipur for the year ending March 2015, 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 2015. 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 ₹ 715.48 crore (9.82 *per cent*) in 2014-15 over the previous year (2013-14). The increase was mainly due to increase in Grants-in-Aid from Government of India (₹ 660.22 crore), Share of Union Taxes/duties (₹ 88.10 crore) and Tax revenue (₹ 44.10 crore) in 2014-15 over the previous year (2013-14). 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 2010-15. The State's share of Union taxes and duties and Grants-in-aid from GoI contributed in the range of 88 *per cent* to 92 *per cent* to the Revenue receipt during 2010-15 and remained the main contributor to Revenue receipt of the State. Own Tax revenue was more than the normative assessment of the 13<sup>th</sup> FC by ₹ 146.67 crore (39.62 *per cent*) but was less than the budget estimates/MTFPS projection by ₹ 104 crore (16.75 *per cent*). The Own non-Tax revenue realised during the year was less than the normative assessment made by the 13<sup>th</sup> FC projection by ₹ 68.54 crore (27.17 *per cent*) and also less than the budget estimates/MTFPS projection by ₹ 100.33 crore (35.32 *per cent*). Non-tax revenue collection was less than the 13<sup>th</sup> FC projections/Budget estimates/MTFPS projections as receipts from Power sector has been excluded after corporatization of the State Electricity Department. **(paras 1.1.2, 1.2.1 and 1.3.1)**

The State Government may consider to maintain the trend of Tax collection in coming years for overall positive fiscal health of the State; focus more on Non-tax revenue as collection under Power sector is outside the State Accounts.

#### ***Expenditure Status***

The total expenditure of the State increased by ₹ 2600.20 crore (43.34 *per cent*) from ₹ 5999.87 crore in 2010-11 to ₹ 8600.07 crore in 2014-15. The Revenue expenditure of the State increased by ₹ 3189.28 crore (78.21 *per cent*) from ₹ 4078.01 crore in 2010-11 to ₹ 7267.29 crore in 2014-15. A similar trend of increase was also depicted by the Non-plan Revenue Expenditure, which increased by ₹ 1988.67 crore (66.75 *per cent*) from ₹ 2979.44 crore in 2010-11 to ₹ 4968.11 crore in 2014-15. However, Capital expenditure decreased by ₹ 585.62 crore (30.53 *per cent*) from ₹ 1918.06 crore in 2010-11 to ₹ 1332.44 crore in 2014-15. Revenue expenditure as a percentage of the total expenditure increased from 67.97 *per cent* in 2010-11 to 84.5 *per cent* in 2014-15. This shows that a bulk of the total expenditure has

been increasingly spent to meet expenditure on maintenance, salary, *etc.* Salaries and Wages accounted for about 33 *per cent* of the Revenue receipts of the State during 2014-15 and increased by ₹ 102.74 crore (4 *per cent*) over the previous year (2013-14). Interest payment increased by ₹ 28.27 crore from ₹ 444.92 crore in 2013-14 to ₹ 473.19 crore in 2014-15. Interest payment increased continually from ₹ 364.78 crore in 2010-11 to ₹ 473.19 crore in 2014-15. **(paras 1.6.1 and 1.6.2)**

The State Government may consider to focus more on Capital expenditure to ensure the long term economic health of the State; and rationalise Non-Plan Revenue expenditure as it has grown substantially during 2014-15.

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

As of 31 March 2015, the State Government had invested ₹ 167.13 crore in statutory corporations, rural banks, joint stock companies and co-operatives. Against Investment ranging from ₹ 160.18 crore to ₹ 176.31 crore during 2010-15, the State Government could earn ₹ 16,000 only during 2010-15 from the investment made on these corporations/companies *etc.* which constituted 0.001 *per cent* of the investment on equity and other capital. It paid an average rate of interest ranging from 6.21 *per cent* to 6.56 *per cent* on its borrowings. The opening balance of outstanding Loans and Advances as on 31 March 2015 was ₹ 205.13 crore. Against repayment of Loans/Advances of ₹ 0.97 crore, an amount of ₹ 0.34 crore was disbursed during 2014-15. Interest receipt has decreased significantly from ₹ 7.37 crore in 2010-11 to ₹ 0.35 crore in 2013-14 before it increased marginally to ₹ 0.55 crore in 2014-15. Pertinently, Interest receipt of ₹ 0.55 crore against an opening balance of ₹ 205.13 crore is insignificant. **(paras 1.8.2 and 1.8.4)**

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 receipt of interest from Loans and Advances.

### ***Fiscal liabilities and fiscal position***

The Fiscal Deficit – GSDP ratio (3.67 *per cent*) exceeded the targets of 13<sup>th</sup> FC and FRBM Act (3 *per cent* and below) and MTFPS (3.41 *per cent*). The overall Fiscal liabilities of the State Government increased by ₹ 296.70 crore from ₹ 7060.68 crore in 2013-14 to ₹ 7357.38 crore in 2014-15. The increase in Fiscal liabilities (₹ 296.70 crore) was mainly due to increase in Internal Debt (₹ 260.32 crore) and Small Savings, Provident Funds *etc.* (₹ 86.30 crore) partially offset by decrease in Loans and Advances from the Central Government (₹ 44.16 crore). Resource gap in 2014-15 was minus ₹ 874.09 crore. This indicates that Incremental Non-debt receipt was not sufficient to meet incremental Total expenditure in 2014-15. Net availability

of borrowed funds was in negative figures during 2011-15. This indicates that during 2011-15 borrowed funds was solely utilised for re-payment of past loans and its interest liabilities. The fiscal scenario deteriorated as there was Fiscal Deficit of ₹ 600.83 crore in 2014-15 from a corresponding Fiscal Surplus of ₹ 273.26 crore in 2013-14. Primary Surplus of ₹ 718.18 crore in 2013-14 also turned into Primary Deficit of ₹ 127.64 crore in 2014-15. This indicates that nearly 79 per cent of Fiscal Deficit of 2014-15 was due to past obligations. **(paras 1.9.2, 1.10.2 and 1.11.1)**

The State Government may consider to ensure that borrowings are channelized for asset creation and the development activities in order 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 may be evaluated as there is deterioration of financial situation, as experienced by the State Government in the current year (2014-15).

## **Chapter II: Financial Management and Budgetary Control**

During 2014-15, an expenditure of ₹ 8884.61 crore was incurred against a total budget provision of ₹ 12478.56 crore resulting in overall saving of ₹ 3593.95 crore. The overall savings was the net result of saving of ₹ 3613.91 crore offset by excess of ₹ 19.96 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 has not been regularised. **(paras 2.2 and 2.3.5)**

Supplementary provision aggregating to ₹ 523.20 crore in 20 cases during 2014-15 proved unnecessary as the expenditure did not come up to the level of original provision. Of these, in eight cases, unnecessary supplementary provision provided exceeded ₹ 10 crore in each case. In two cases, supplementary provision of ₹ 14.12 crore was insufficient, and there was an aggregate excess expenditure of ₹ 19.96 crore. **(para 2.3.7)**

There was outstanding balance of 1138 AC bills of ₹ 1591.89 crore as on June 2015. Out of 81 Controlling Officers (CO), 44 CO did not reconcile their accounts with the Office of the Accountant General (A&E), Manipur. Errors in budgeting process like incorrect operation of heads of accounts and Grants-in-aid were also noticed. **(paras 2.4 and 2.7)**

The Government may consider to ensure 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.*, put in place a mechanism in the Departments to adjust the arrears drawn on AC bills

within the same financial year, and ensure annual accounts are reconciled and strive to adopt error-free budgetary process.

### **Chapter III: Financial Reporting**

There were 5893 Utilization Certificates aggregating to ₹ 4570.66 crore in respect of grants to 34 Departments in arrears as of March 2015. **(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. Four Commercial Undertakings have not submitted their accounts 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, take special drive to expedite the submission of pending Annual accounts and utilization certificates.