

EXECUTIVE SUMMARY

Executive Summary

The Report

Based on the audited accounts of the Government of Manipur for the year ending March 2021, this Report provides an analytical review of the finances of the State Government. The Report is structured in five Chapters.

Chapter I-Overview of State Finances

This Chapter provides brief profile of the State and basis of the report, structure of the Government accounts, Budgetary processes, macro-fiscal analysis of key indices and fiscal position of the State including the deficit/surplus.

Chapter II-Finances of the State Government

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt management of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter III- Budgetary Management

This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter IV- Quality of Accounts and Financial Reporting Practices

This Chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

Chapter V- Functioning of State Public Sector Enterprises

This Chapter provides a ‘bird eye view’ on the functioning of the State Public Sector Enterprises (SPSEs). The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned/ controlled Government Companies set up under the Companies Act, 2013 and Statutory Corporations setup under the statutes enacted by the Parliament and State legislature.

Audit findings

Overview

- The State’s GSDP increased by ₹ 1,062.16 crore (3.34 *per cent*) from ₹ 31,790.30 crore in 2019-20 to ₹ 32,852.46 crore in 2020-21. During the last five years, there was a steady increase in GSDP from ₹ 21,293.89 crore in 2016-17 to ₹ 32,852.46 crore in 2020-21.
- The GSDP growth rate for Manipur (3.34 *per cent*) was higher than the all India GDP growth rate (-2.97 *per cent*) in 2020-21. Services Sector was the major

contributor of GSDP during the year with 62.74 *per cent*. Agriculture was the second largest contributor with 27.98 *per cent* while Industry and Taxes on products were the third and fourth respectively.

- The State's Revenue Receipts increased by 21.51 *per cent* (₹ 2,298.49 crore) over the previous year, mainly due to increase in Grants-in-Aid (GIA) and Contributions (₹ 1,967.38 crore), State's Share of Union Taxes/Duties (₹ 224.20 crore) and Own Tax Revenue (₹ 93.37 crore). However, the State could not achieve the targets of Budget Estimates.
- The State's Own Tax Revenue increased by 7.77 *per cent* over the previous year 2019-20. State's share of Union Taxes/Duties in comparison to the previous year increased by ₹ 224.20 crore (5.54 *per cent*).
- The State's Total Expenditure for the year, which was ₹ 14,877.85 crore, increased by 30.58 *per cent* (₹ 3,483.98 crore) over the previous year due to increase in both Revenue Expenditure (₹ 2,189.84 crore) and Capital Expenditure (₹ 1,294.14 crore).
- Revenue Expenditure increased by 21.39 *per cent* (₹ 2,189.84 crore) over the previous year. The increase was mainly due to increase in General Services (₹ 610.40 crore), Social Services (₹ 411.62 crore), and Economic Services (₹ 1,099.55 crore).
- Capital Expenditure increased by 112.02 *per cent* (₹ 1,294.14 crore) over the previous year expenditure. It was mainly due to increase in Capital Outlay on Water Supply and Sanitation (₹ 342.22 crore), Capital Outlay of Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹ 206.25 crore) and Capital Outlay on Roads and Bridges (₹ 152.85 crore).
- The State's Revenue Surplus which was ₹ 554.18 crore for the year, increased by 24.39 *per cent* (₹ 108.65 crore) over the previous year mainly due to increase in Grants-in-Aid (GIA) and Contributions (₹ 1,967.38 crore) and State's share of Union Taxes/Duties (₹ 224.20 crore).
- Fiscal Deficit increased by 166.87 *per cent* (₹ 1,182.99 crore) as compared to the previous year. The Government was able to meet the target fixed by Manipur FRBM Act during the year for maintaining Revenue Surplus. As compared to 2019-20, Revenue Surplus increased by ₹ 108.65 crore in 2020-21 mainly due to increase in Grants-in-Aid (GIA) and Contributions (₹ 1,967.38 crore) and State's Share of Union Taxes/Duties (₹ 224.20 crore).
- Post audit, the Revenue Surplus was overstated by ₹ 88.62 crore and Fiscal Deficit was understated by ₹ 86.93 crore, due to certain transactions such as non-payment of interest in Defined Contribution Pension Scheme for Government Employees, non-adjustment of interest on balances in State Compensatory Afforestation Fund, Short Transfer of Employer's share to Defined Contribution Pension Scheme,

non-transfer of Central share of SDRF to Public Account under MH 8121, non-transfer of NDRF grant to MH 8235 etc.

(Chapter I)

Recommendations

- *The State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2020-21 by focusing on other potential areas, apart from SGST to have a sustained increase in Own Tax Revenue collection.*
- *The State Government needs to keep up the trend of increasing its Capital Expenditure and give more impetus to asset creation for sustained economic growth.*
- *They need to keep up the trend of achieving the projections on major fiscal parameters, made in the Manipur FRBM Act through prudent financial management and increase their Revenue surplus.*

Finances of the State Government

- During 2020-21, the State had a Revenue surplus of ₹ 554.18 crore which was 1.69 *per cent* of GSDP during the year. Fiscal deficit during 2020-21 was ₹ 1,891.90 crore which was 5.76 *per cent* of GSDP and Primary Deficit was ₹ 1,060.30 crore (3.23 *per cent* of GSDP).
- Revenue Receipts during the year 2020-21 were ₹ 12,982.65 crore which increased by ₹ 2,298.49 crore (21.51 *per cent*) over the previous year. State's Own Tax Revenue (₹ 1,294.49 crore) increased by ₹ 93.37 crore (7.77 *per cent*) compared to the previous year (₹ 1201.12 crore), while Non-Tax Revenue (₹ 148.07 crore) increased by ₹ 13.54 crore (10.06 *per cent*) during the year. State GST (₹ 866.51 crore) was the main contributor to the State's Own Tax Revenue and SGST along with Taxes on Sales, Trades accounted for 92.93 *per cent* of the State's total Own Tax Revenue. During 2020-21, receipts under SGST (₹ 866.51 crore) increased by ₹ 13.93 crore (1.63 *per cent*) as compared to previous year (₹ 852.58 crore). The SGST receipts included ₹ 90.86 crore received as 'Apportionment of Taxes from IGST'.
- Grants-in-Aid from GoI increased by ₹ 1,967.39 crore (37.12 *per cent*) and State's Share of Union Taxes and Duties increased by ₹ 224.20 crore (5.54 *per cent*) during 2020-21 as compared to the previous year.
- Revenue Expenditure during the year 2020-21 was ₹ 12,428.47 crore (83.54 *per cent*) against the Total Expenditure of ₹ 14,877.85 crore. During the year, Committed Expenditure like salary & wages, pension, interest payments increased by ₹ 837.23 crore (13.37 *per cent*) from ₹ 6,262.69 crore during 2019-20 to ₹ 7,099.92 crore during 2020-21. The Committed Expenditure during 2020-21 was 54.69 *per cent* of the total Revenue Receipts (₹ 12,982.65 crore) and 57.13 *per cent* of the total Revenue Expenditure (₹ 12,428.47 crore).

- Salary and Wages expenditure constituted *35.57 per cent* of Revenue Receipts and *46.43 per cent* of Revenue Expenditure (excluding Interest Payment and Pensions) during the year 2020-21.
- Capital Expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, etc. It is noticed that during the year Capital Expenditure increased by ₹ 1,283.94 crore (*111.14 per cent*) from ₹ 1,155.24 crore during 2019-20 to ₹ 2,439.18 crore during 2020-21.
- Under National Pension System, against contribution of ₹ 873.58 crore of the State Government employees up to March 2021, the State Government contributed ₹ 752.77 crore only, resulting in a shortfall of ₹ 120.81 crore in the matching share of the State Government. Further, the State Government was yet to transfer ₹ 103.50 crore to NSDL till the end of 31 March 2021. The shortfall/non contribution of funds are liabilities of the State Government, which need to be discharged promptly.
- The Government incurred an expenditure of ₹ 748.18 crore on 67 projects, which remained incomplete and the time overrun on these projects ranged between 13 days and five years. Further, there was cost overrun of ₹ 5.20 crore in three incomplete projects.
- During 2020-21, the State Government invested ₹ 4.73 crore in Government Companies, statutory corporation, co-operative societies and joint stock companies. As on 31 March 2021, the State Government's investment stood at ₹ 227.84 crore in those Companies/ Corporations and Co-operative societies, whereas the returns on investment were negligible.
- As against the mandated contribution of ₹ 4.67 crore under SDRF, the State Government did not make any contribution during the current year which was violative of the SDRF guidelines.
- The total outstanding guarantees as on 01 April 2020 was ₹ 411.63 crore, which was within the limits (thrice the State's Own Tax Revenue for the year 2018-19) prescribed under FRBM Act. As on 31 March 2021, there was an outstanding guarantee of ₹ 598.32 crore. The State Government was yet to collect ₹ 2.37 crore as guarantee commission for the additional guarantee given (₹ 236.54 crore) in 2020-21.
- The outstanding Public Debt rapidly increased from ₹ 5,265.88 crore (*8.36 per cent*) in 2016-17 to ₹ 9,001.74 crore (*24.07 per cent*) in 2020-21 and the Debt/ GSDP ratio increased from *24.73 per cent* to *27.40 per cent* during the same period due to increase in growth rate of GSDP. About six *per cent* of the Revenue Receipts were used by the State for payment of interest on the outstanding Public Debt at an average rate of interest, which ranged between *4.58 per cent* and *5.37 per cent*, during last five-year period from 2016-17 to 2020-21.

- As on 31 March 2021, the State had outstanding Internal Debt of ₹ 8,430.65 crore out of which ₹ 1,391.65 crore will mature in the next one to three years and ₹ 1,098.79 crore will be maturing during the next four to five years. Maximum amount of Internal Debt bearing interest will mature after next seven years.
- During 2020-21, ₹ 8,458.83 crore (83.13 *per cent*) was utilised in repayment of earlier borrowings.
- The State Government had availed Ways and Means Advances for 113 days amounting to ₹ 7,482.66 crore and repaid ₹ 7,268.42 during the year 2020-21. The Cash Balance of the State at the end of 31 March 2021 was ₹ 53.67 crore.

(Chapter II)

Recommendations

- *The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments.*
- *The State Government needs to keep up the trend of increasing its Capital Expenditure and give more impetus to asset creation for sustained economic growth.*
- *To avoid possible future liabilities under NPS, the State Government needs to fulfil their obligation by releasing arrears of its contributions and transferring the outstanding funds already accumulated to NSDL for management of the NPS.*
- *The State Government may seriously review the functioning of the Corporations, Companies and Societies to ensure returns on their investments and consider closing of non-functional units in a time bound manner.*
- *Increasing trend of debt maturity profile vis-à-vis the level of borrowings needs to be reviewed so as to ensure that mobilised financial resources are used adequately for incurring capital expenditure for creation of assets.*

Budgetary Management

- Against the total budget provision of ₹ 26,757.53 crore, State Departments incurred an expenditure of ₹ 22,505.98 crore during 2020-21, resulting in net savings of ₹ 4,251.55 crore. The overall savings was the net result of gross savings of ₹ 8,336.62 crore offset by an excess of ₹ 4,085.07 crore.
- In three cases, expenditure of ₹ 5.74 lakh was incurred during 2020-21 in three grants, without budget provision, in violation of financial regulations and without authority of the State Legislature.
- During 2020-21, Supplementary grants of ₹ 1,950.13 crore provided in 29 cases proved unnecessary as the expenditure did not come up to the level of original provision, indicating that Supplementary grants were provided in an *adhoc* manner without adequate review.

- In 79 cases, savings exceeded ₹ one crore or by more than 25 *per cent* of total provision during 2020-21. Out of these, 100 *per cent* savings occurred in five Grants *viz.* (5. Finance Department) under Revenue charged and (2. Council of Ministers, 23. Power, 27. Election and 42. State Academy of Training) under Capital voted. Further, there were 10 cases of persistent savings during the last five years 2016-21, indicating lack of systemic and closer budget review by the Government.
- During 2020-21, there was excess expenditure over provision in two cases under one Appropriation, amounting to ₹ 4,085.07 crore. Of these, in one case *viz.* Appropriation No. 2 – Interest Payment and Debt Services (Capital Charged), there was persistent excess expenditure during the last five years from 2016-21, which reflects improper budgeting.
- Under eight grants, more than 50 *per cent* of the total expenditure under the grant was incurred in March 2021 indicating breach of financial propriety.

(Chapter III)

Recommendations

- *Excess of expenditure over budgetary provisions under different grants is a serious lapse of budget rules and dilutes legislative approval over budgets. Departments which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and to seek supplementary grants/re-appropriations in time.*
- *Supplementary grants should be provided in such grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments to avoid under or over spending by them.*
- *Rush of expenditure during the closing months of the financial year is a breach of financial propriety leading to unplanned expenditure. The Government should strengthen monitoring mechanism in each Department to regulate fund flow and its utilisation on quarterly basis.*

Quality of Accounts and Financial Reporting Practices

- Utilisation Certificates (UCs) in respect of 6,664 cases aggregating ₹ 11,331.76 crore given to Departments of the State Government during the period up to March 2021 were not submitted to the Accountant General. Non submission of UCs is fraught with the risk of fraud and misappropriation of funds.
- During 2020-21, ₹ 497.19 crore was drawn through 193 Abstract Contingent (AC) Bills of which 189 Detailed Countersigned Contingent (DCC) Bills for ₹ 478.88 crore were awaited for submission of as on 31 March 2021. Further, as on 31 March 2021, there were 1,094 AC bills for ₹ 2,005.46 crore, which remained outstanding for adjustment due to non-submission of DCC Bills. Non-adjustment of advances for long period is fraught with the risk of misappropriation and booking of expenditure without supporting documents.

- As on 01 September 2021, two annual accounts pertaining to the period 2019-20 and 2020-21 in respect of State CAMPA had not been received.
- The State Government classified ₹ 126.27 crore as Receipts under Minor Head 800—Other Receipts constituting 0.97 *per cent* of Total Revenue Receipts. Similarly, the State booked expenditure of ₹ 2,624.99 crore under Minor Head 800—Other Expenditure constituting 17.66 *per cent* of total expenditure during 2020-21.
- During the financial year 2020-21, there were delays in rendition of monthly accounts ranging from one to 142 days by the Public Works Divisions and one to 110 days by the Forest Divisions respectively.

(Chapter IV)

Recommendations

- *The Finance Department may draw up an action plan for monitoring and ensuring submission of all pending UCs especially keeping in view that UCs from 2003-04 onwards are still due for submission. Release of subsequent grants should be linked with submission of outstanding UCs.*
- *The State Government may ensure timely submission of utilisation certificates by the recipients of grants and of DCC Bills within the prescribed timeline as required under the Rules.*
- *The Finance Department should consider evolving a system to expedite the process of compilation and submission of Annual Accounts by Autonomous Bodies and departmentally run undertakings in order to assess their financial position. They may review giving of further financial assistance to persistent defaulters in preparation of Accounts.*
- *The State 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.*
- *The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate detailed/object heads of account.*

Functioning of State Public Sector Enterprises

- As on 31 March 2021, the State of Manipur had total 14 PSEs (all Government Companies), which included eleven working and three non-working Companies.
- The investment of the State Government (capital and long-term loans) in SPSEs as per the State Finance Accounts, 2020-21 was ₹ 67.92 crore as against the investment of ₹ 46.22 crore as per the records of SPSEs. Thus, there was a difference of ₹ 21.70 crore in the investment figures (equity: ₹ 19.67 crore; Loans: ₹ 2.03 crore) as per two sets of records. Besides, the State Finance Accounts,

2020-21 depicted equity investment of ₹ 104.73 crore by the State Government in eight SPSEs, which are no longer in existence as per the records of PAG, Manipur. The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in a time-bound manner.

- As per the Finance Accounts, the State Government has provided budgetary support of ₹ 411.21 crore to SPSEs during 2020-21, in the form of capital (₹ 11.93 crore) and grants/ subsidy (₹ 399.28 crore). The major recipients of budgetary support were Manipur State Power Distribution Company Limited (Grant/ subsidy: ₹ 285.57 crore) and Manipur State Power Company Limited (Grant: ₹ 100 crore).
- As per the latest finalised accounts of the SPSEs during 2020-21, out of eleven working SPSEs, only one SPSE (Manipur Police Housing Corporation Limited) earned a profit of ₹ 0.29 crore, while seven SPSEs incurred losses of ₹ 37.24 crore as per their latest finalised accounts. The remaining three working SPSEs had not finalised their first accounts. Two SPSEs (Manipur State Power Company Limited and Manipur State Power Distribution Company Limited) contributed around 94 *per cent* (₹ 34.97 crore) of the losses incurred by working SPSEs (₹ 37.24 crore).
- As per the latest finalised accounts of SPSEs as on 30 September 2021, the accumulated losses (₹ 242.28 crore) of 5 out of 11 working SPSEs had completely eroded their paid-up capital (₹ 47.19 crore).
- There was huge pendency in finalisation of accounts in respect of 10 out of 11 working SPSEs ranging from 1 to 30 years. The highest pendency of accounts pertained to Manipur Tribal Development Corporation Limited (30 Accounts) and Manipur Police Housing Corporation Limited (23 Accounts).

(Chapter V)

Recommendations

- *The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long Term Loans) of the State Government as appearing in the State Finance Accounts vis-à-vis SPSE records in a time-bound manner.*
- *Accumulation of huge losses by 5 out of 11 working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to either improve their working or review the working of these SPSEs for continuing their operations.*
- *The Administrative Departments overseeing the SPSEs having backlog of Accounts need to ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them may be reviewed.*