
CHAPTER-IV

QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

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A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with the financial rules, procedures and directives, as well as the timeliness and quality of reporting on the status of such compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government to meet its basic stewardship responsibilities, including strategic planning and decision making.

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 during the year 2021-22.

4.1 Delay in submission of Utilisation Certificates to the State Government

Rule 238(1) read with Rule 235 of the General Financial Rules (GFR)¹, 2017 as adopted by Government of Manipur, provides that Utilisation Certificates (UCs) in respect of Grants-in-Aid received by the grantee should be submitted to the Grantor within 12 months of the closure of the financial year by the institution or organisation concerned in Form GFR 12-A in which the grants was sanctioned.

However, it was noticed that 7,723 UCs aggregating to ₹ 14,651.89 crore in respect of grants were in arrears as on 31 March 2022 in respect of 36 departments². During the year 2021-22, ₹ 426.95 crore pertaining to 346 outstanding UCs for the period up to 2020-21 was cleared. The Department-wise break-up of outstanding UCs is given in **Appendix 4.1** and the year-wise break-up of outstanding UCs is summarized in the following table:

Table 4.1: Age-wise arrears in submission of Utilisation Certificates

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2018-19	4166	6,311.69	1,198	2,505.83	138	248.34	5226	8,569.18
2019-20	5226	8,569.18	1,285	2,652.16	193	139.33	6318	11,082.01
2020-21*	6318	11,082.01	1,649	3,747.08	244	177.2	7723	14,651.89

Source: O/o the Principal Accountant General (A&E), Manipur.

* Except sanction orders state otherwise, Utilisation Certificates for grants disbursed during 2020-21 become due during 2021-22.

¹ Also, as per Rule 212 (1) and Rule 210 of GFR 2005.

² Sl. Nos. 1 to 38 of Appendix 4.1 except Sl. Nos. 3 & 38

Table 4.2: Year wise break up of outstanding UCs

(₹ in crore)

Year	Number of UCs	Amount
2003-04	23	4.02
2004-05	32	4.96
2005-06	55	4.11
2006-07	49	4.64
2007-08	51	3.82
2008-09	57	25.93
2009-10	113	37.1
2010-11	106	81.18
2011-12	228	168.95
2012-13	405	244.47
2013-14	418	198.02
2014-15	437	819.81
2015-16	461	1,085.03
2016-17	631	1,478.31
2017-18	1,100	2,151.34
2018-19	1,060	2,257.49
2019-20	1,092	2,512.83
2020-21	1,405	3,569.88
Total	7,723	14,651.89

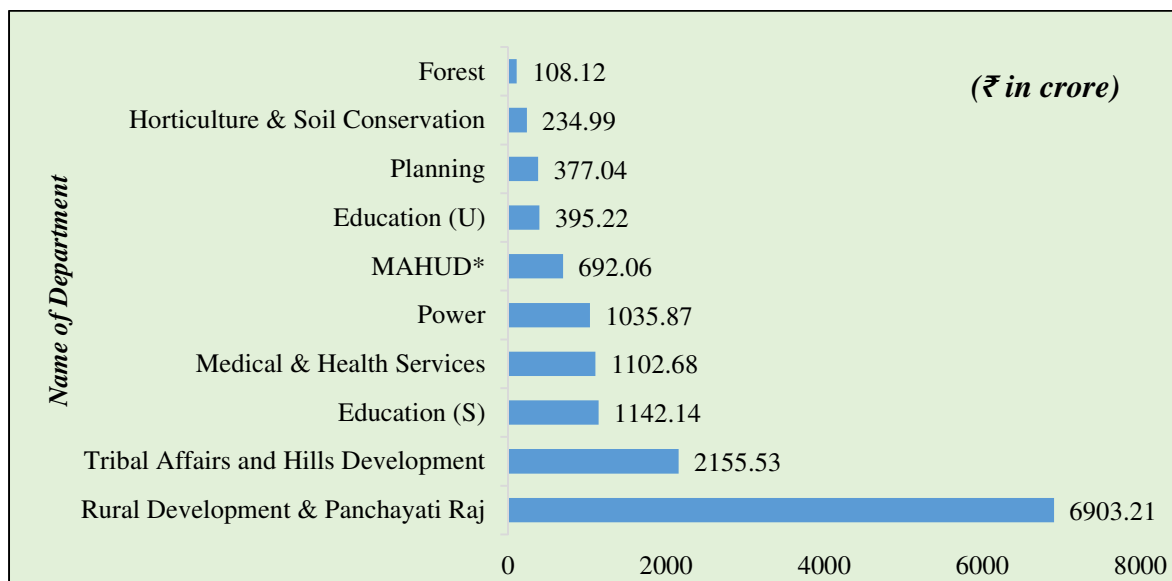
Source: O/o the Principal Accountant General (A&E), Manipur.

It can be seen from the above tables that 7,723 UCs involving an amount of ₹ 14,651.89 crore were awaited as on 31 March 2022 with the oldest UCs pertaining to the year 2003-04. It was also observed that 9.25 per cent (714 UCs) of the UCs were outstanding for 10 years or more. The UCs were awaited mainly in respect of the ten departments (i) Rural Development and Panchayati Raj (743 UCs: ₹ 6903.21 crore); (ii) Tribal Affairs and Hills Development³ (3,032 UCs: ₹ 2,155.53 crore); (iii) Education (S) (1131 UCs: ₹ 1,142.14 crore); (iv) Medical and Health Services (128 UCs: ₹ 1102.68 crore); (v) Power (178 UCs: ₹ 1,035.87 crore); (vi) Municipal Administration, Housing and Urban Development (308 UCs: ₹ 692.06 crore); (vii) Education (U) (379 UCs: ₹ 395.22 crore); (viii) Planning (167 UCs: ₹ 377.04 crore); (ix) Horticulture (200 UCs: ₹ 234.99 crore); and (x) Forest (119 UCs: ₹ 108.12 crore).

These 10 departments together accounted for 6,385 UCs (82.68 per cent) out of 7,723 outstanding UCs, involving an amount of ₹ 14,146.86 crore (96.55 per cent) out of the total outstanding amount of ₹ 14,651.89 crore. The outstanding UCs in respect of ten major departments are shown in the following chart.

³ Includes Grants-in-Aid released to ADC, Chandel; ADC, Churachandpur; ADC, Sadar Hills, Kangpokpi; ADC, Senapati; ADC, Tamenglong; and ADC, Ukhrul by the State Government for implementation of various schemes

Chart 4.1: UCs outstanding in respect of major Departments as on 31 March 2022



*Municipal Administration, Housing & Urban Development.

Source: O/o the Principal Accountant General (A&E), Manipur.

In absence of UCs, there is no assurance that the funds were utilised for the purpose for which they were sanctioned and that the intended objectives of providing these funds have been achieved.

Since high pendency of UCs was fraught with the risk of misappropriation of funds and fraud, the State Government should monitor this aspect closely, particularly the ones which are outstanding for 10 years or more, and hold the concerned persons accountable for submission of UCs in a timely manner.

4.2 Abstract Contingent bills

Abstract Contingent (AC) bills are used for drawing advances with specific sanction for departmental purposes. As per the Central Treasury Rules⁴, as adopted by Government of Manipur, AC bills must be regularised by submitting Detailed Countersigned Contingent (DCC) bills containing details and supporting records for the actual expenditure incurred. An AC bill should not be encashed without a certificate to the effect that DCC bills in respect of the earlier AC bills drawn more than a month before the date of that AC bill, have been submitted to the Controlling Officer. The Controlling Officer must submit DCC bills to the Principal Accountant General (A&E) within a month from the date of receipt of such bills in his office within the same financial year to show that amounts shown in the AC bills correspond to the DCC bills.

As on 31 March 2022, a total of 1,282 DCC bills in respect of 44 Departments amounting to ₹ 3,135.67 crore up to the 31 March 2022 were outstanding. Non-submission of supporting DCC bills within the stipulated period breaches the financial discipline and enhances risk of misappropriation of public money. Out of ₹ 1,195.75 crore drawn against 233 AC bills during 2021-22, 91 AC bills amounting to ₹ 207.83 crore (17.38 per cent) were drawn in March 2022 alone, out of which, 41 AC bills amounting to ₹ 87.32 crore

⁴ Rule 308, Rule 309 and Note under Rule 312.

were drawn on the last day of the financial year. DCC bills against 31 AC bills amounting to ₹ 35.11 crore up to the period of 2020-21 was cleared during 2021-22.

Department-wise position of outstanding AC bills is shown at **Appendix 4.2**. The year-wise position of AC bills, DCC adjusted amount and outstanding AC bills is shown in the following table:

Table 4.3: Year wise progress in submission of DCC bills against AC bills

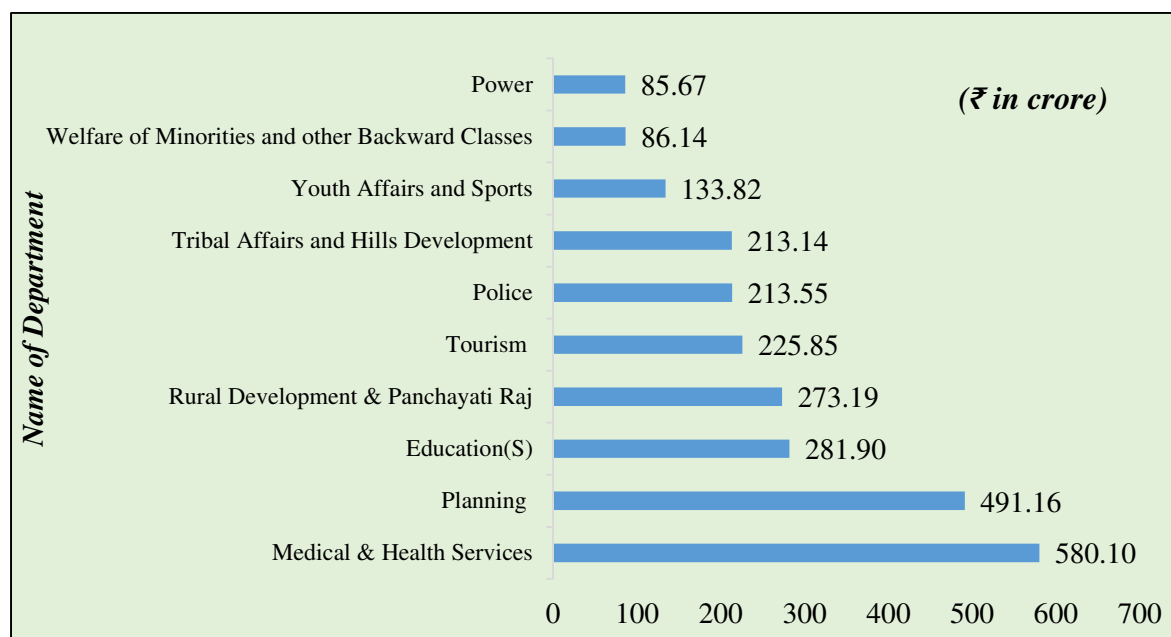
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2019-20	817	1417.71	76	105.21	19	25.11	874	1497.81
2020-21	874	1497.81	193	497.19	4	24.65	1063	1970.35
2021-22	1063	1970.35	233	1195.75	14	30.43	1282	3135.67

Source: VLC data of the O/o the PAG (A&E) Manipur

It was found that major defaulting Departments with total outstanding AC Bills above ₹ 100 crore included Youth Affairs and Sports (₹ 133.82 crore), Tribal Affairs & Hills Development (₹ 213.14 crore), Police (₹ 213.55 crore), Tourism (₹ 225.85 crore), Rural Development & Panchayati Raj (₹ 273.19 crore), Education (S) (₹ 281.90 crore), Planning (₹ 491.16 crore), and Medical & Health Services (₹ 580.10 crore). Pendency of DCC Bills in respect of major ten departments is shown in the following chart:

Chart 4.2: Pending DCC bill in respect of major Departments as on 31 March 2022



Source: Finance Accounts 2021-22), Manipur.

The State Government should ensure timely submission of Detailed Countersigned Contingent (DCC) bills against the amount drawn through Abstract Contingent (AC) bills.

4.3 Use of Minor Head 800

Minor Head 800 – ‘Other Receipts/Other Expenditure’ is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head 800 is to be discouraged, since it renders the accounts opaque.

During the year 2021-22, out of the total Revenue receipts of ₹ 14,091.00 crore, receipts of ₹ 84.71 crore under 24 Major Heads of accounts on the receipts side, constituting 0.60 *per cent* of the total Revenue receipts, was recorded under the Minor Head 800- ‘Other Receipts’ below the concerned Major Heads. Similarly, out of the Revenue and Capital expenditure of ₹ 15,894.94 crore, the State Government booked expenditure of ₹ 2,277.81 crore under 65 Major Heads of accounts constituting 14.33 *per cent* of the total expenditure (Revenue and Capital), under the Minor Head 800-‘Other Expenditure’ below the concerned Major Heads.

In the case of receipts, cases where over 50 *per cent* of receipts and also more than ₹ one crore were classified under Minor Head – ‘Other Receipts’, are given in the table below:

Table 4.4: Significant receipts booked under Minor Head 800 – Other Receipts during 2021-22

<i>(₹ in crore)</i>				
Major Head	Description	Total Receipts	Receipts under Minor Head 800	Per cent
0075	Miscellaneous General Services	83.30	81.35	98.00
0049	Interest Receipts	1.36	1.08	79.00
Total		84.66	82.43	97.37

Source: Finance Accounts 2021-22), Manipur.

Instances of substantial proportion (50 *per cent* or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Expenditure’ are given in the table below:

Table 4.5: Significant expenditure booked under Minor Head 800 – Other Expenditure during 2021-22

<i>(₹ in crore)</i>				
Major Head	Description	Total Expenditure	Expenditure under Minor Head 800	Per cent
4575	Capital Outlay on other Special Areas Programmes	231.85	231.85	100.00
4700	Capital Outlay on Major Irrigation	117.84	117.84	100.00
2801	Power	424.32	420.08	99.00
4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, OBC & Minorities	175.26	171.70	97.97
2501	Special Programmes for Rural Development	61.07	59.08	96.74
4202	Capital Outlay on Education, Sports, Art and Culture	106.06	95.40	89.95
5425	Capital Outlay on Other Scientific and Environmental Research	68.41	61.47	89.86
4217	Capital Outlay on Urban Development	142.12	113.50	79.86
3435	Ecology and Environment	33.52	24.07	71.81
2217	Urban Development	71.55	47.38	66.22
2401	Crop Husbandry	162.76	103.66	63.69
2408	Food, Storage and Warehousing	43.19	26.16	60.57
Total		1,637.95	1,472.19	89.88

Source: O/o the Principal Accountant General (A&E), Manipur.

Classification of large amount under omnibus minor hear 800 effects transparency and nature of transactions.

4.4 Personal Deposit Account

The State Government is authorised to open Personal Deposit (PD) accounts to deposit funds required for specific purpose by transfer of funds from consolidated fund or by transfer of funds from sources other than from the consolidated fund. Personal Deposits are, maintained in the nature of a bank account in the treasury. Balances in the PD accounts do not lapse to Government up to three to five complete accounting years as defined in the financial rules though the operation and maintenance of PD accounts vary from State to State.

During the year 2021-22, State Government did not open any PD account. However, ₹ 0.07 crore (by Planning and Development Authority) was deposited during 2021-22 in one out of two PD accounts. This includes ₹ 0.01 crore transferred in March 2022, and no amount was transferred on the last working day of March 2022. The unspent balance up to 2021-22 was ₹ 3.25 crore.

Non transfer of balances lying for a long period of time in PD Accounts entails the risk of misuse of public fund, fraud and misappropriation. Thus, these accounts need to be reviewed and balance should be credited to Government accounts.

4.5 Building and Other Construction Workers' Welfare Cess

The GoI had levied a cess under Building and Other Construction Workers' Welfare Cess Act, 1996 at the rate of one *per cent* of the cost of construction incurred by an employer or any executing agency as the case may be. Rule 5 of the Cess Rules, 1998 provides that the proceeds of the cess collected shall be transferred by such Government office/Establishment as the case may be, to the Manipur Building and Other Construction Workers' Welfare Board (the Board) within 30 days of its collection. Further, the State Government instructed (January 2011) all the departments of the State to deduct at source, labour cess at the rate of one *per cent* of the cost of construction works and transfer the cess collected by challan in favour of Secretary of the Board.

During the year 2021-22, an amount of ₹0.22 crore (2020-21: ₹ 0.70 crore) as Labour Cess was collected by Departments of Government of Manipur and accounted under Major Head 0045-112 and no amount was transferred to the Building and Other Construction Workers Welfare Board as required under Rule 5 of Cess Rules, 1998. The total un-transferred amount of ₹38.57 crore as on 31 March 2022 is lying with the State Government.

The details of amount collected and actual expenditures incurred during the period from 2017-18 to 2021-22 are shown in the following table:

Table 4.6: Position of cess collection and expenditure of the Board during 2017-18 to 2021-22

(₹ in crore)

Year	Opening balance (as per Bank Statement)	Cess collection during the year ⁵	Misc. collection during the year*	Interest credit during the year	Available fund	Expenditure			Closing Balance (as per Bank Statement)
						Administrative Expenses (as percentage of TE)	Others	Total Expenditure (TE)	
1	2	3		4	5	6	7	8	9
2017-18	7.28	60.65	0.68	0.80	69.41	0.57 (1.21)	46.35	46.92	22.49
2018-19	22.49	35.18	0.27	1.14	59.08	1.18 (5.92)	18.76	19.94	39.14

⁵ The figures under this column are as per the latest information furnished by the Board and differs with the last year report (2020-21).

Year	Opening balance (as per Bank Statement)	Cess collection during the year ⁵	Misc. collection during the year*	Interest credit during the year	Available fund	Expenditure			Closing Balance (as per Bank Statement)
						Administrative Expenses (as percentage of TE)	Others	Total Expenditure (TE)	
1	2	3		4	5	6	7	8	9
2019-20	39.14	29.23	0.39	0.83	69.59	1.50 (2.93)	49.76	51.26	18.33
2020-21	18.33	74.74	0.59	0.67	94.33	1.08 (5.21)	19.64	20.72	73.61
2021-22	73.61	50.06	(-) 0.31 [#]	2.34	125.70	1.14 (1.67)	67.30	68.44	57.26

* Registration & Renewal Fees and Refund of Cess.

Refund of Cess exceeded total amount of Registration and Renewal fees.

Source: Information furnished by Manipur Building and Other Construction Workers' Welfare Board.

As per Section 24(3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, the administrative expenses of the Board in any financial year shall not exceed five *per cent* of its total expenses during that financial year. However, the administrative expenses of the Board exceeded the prescribed limit by 0.92 to 0.21 *per cent* during 2018-19 and 2020-21 out of last five years period 2018-22.

Further, as per sections 26 and 27 of the Act *ibid*, the Board has to prepare its annual report, giving a full account of its activities during the previous financial year and also prepare an annual statement of accounts and submit them to the State Government. Further, the Board has to furnish to the State Government its audited copy of accounts together with the auditor's report which shall be laid before the State Legislature. The Board, however, has not prepared the annual report and annual accounts till the year 2021-22.

4.6 Non-submission/pendency of Annual Accounts by Autonomous Bodies/ Authorities

There are six Autonomous District Councils (ADCs) in Manipur and two Autonomous Bodies i.e. Manipur State Legal Services Authority (MASLSA) and State Compensatory Afforestation Fund Management and Planning Authority (CAMPA). These Autonomous Bodies/Authorities are audited by the Comptroller & Auditor General of India under Sections 14 and 19(3) of the Duties, Power and Condition of Service (DPC) Act, 1971. The approved and authenticated Annual Accounts of these Bodies are to be submitted by 30 June of the succeeding year to the Principal Accountant General (Audit) for audit. There were 10 Annual Accounts in respect of eight Autonomous Bodies/Authorities which had not been received (December 2022) for 2019-20 to 2021-22 as shown in the table below.

Table 4.7: Autonomous Bodies/Authorities for which Accounts had not been received as on September 2022

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to financial year 2021-22
1	ADC, Chandel	2021-22	1
2	ADC, Churachandpur	2021-22	1
3	ADC, Sadar Hills, Kangpokpi	2021-22	1
4	ADC, Senapati	2021-22	1
5	ADC, Tamenglong	2021-22	1
6	ADC, Ukhrul	2021-22	1
7	MASLSA	2021-22	1
8	State CAMPA	2019-20	3
Total			10

The delays in finalisation of accounts carry risk of financial irregularities remaining undetected, apart from violation of the provision of the respective legislations under which the Bodies were constituted.

4.7 State Public Sector Enterprises

4.7.1 Non-submission/pendency of Annual Accounts by State Public Sector Enterprises

The Administrative Departments of the State Public Sector Enterprises (SPSEs) have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalized and adopted within the period stipulated (30 September following the relevant financial year) under Section 96(1) of the Companies Act, 2013.

The Principal Accountant General (Audit), Manipur has not received 105 annual accounts of nine SPSEs due for audit up to 2021-22 (September 2022) and no accounts has been received from one⁶ SPSE since its inception. The details of accounts due from these SPSEs are in Table No. 4.8.

Table 4.8 Arrears of accounts of working State Commercial Undertakings

Sl. No.	Name of working SPSEs	Account arrears since	No. of Accounts pending up to 2021-22
1	Manipur Industrial Development Corporation Ltd.	2010-11	12
2	Manipur Handloom & Handicrafts Development Corporation Ltd.	2010-11	12
3	Manipur Tribal Development Corporation Ltd.	1988-89	34
4	Manipur Electronics Development Corporation Ltd.	2018-19	4
5	Manipur Food Industries Corporation Ltd.	2011-12	11
6	Manipur Police Housing Corporation	1998-99	24
7	Manipur State Power Company Ltd.	2021-22	1
8	Manipur State Power Distribution Company Ltd.	Nil	0
9	Tourism Corporation of Manipur Ltd.	2016-17	6
10	Cyber Corporation Manipur Ltd.	2021-22	1
Total			105

As it can be seen from the above, there was huge arrears of annual accounts of the State PSEs ranging from one to thirty-four years and accumulating to 105 accounts.

Thus, in absence of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

Recommendations: The Government may consider fixing of targets for finalisation of arrears of accounts for individual companies and closely monitor the clearance of these arrears in a time bound manner.

⁶ Tourism Corporation of Manipur Ltd.

4.7.2 Non-working State Public Sector Enterprises

There are three non-working State Public Sector Enterprises (SPSEs) in Manipur. The year from which the SPSEs have been non-working and the investment made by the State Government in these SPSEs up to 31 March 2022 are shown in the following table:

Table 4.9: Details of non-working State Commercial Undertakings

(₹ in crore)

Sl. No.	Name of SPSE	Non-working since	State Government's total investment as on 31.03.2022	State Government's investment after becoming non-working (up to 31.03.2022)
1	Manipur Agro Industries Corporation Ltd.	2003-04	4.21	0.48
2	Manipur Plantation Crops Corporation Ltd.	2004-05	6.92	0
3	Manipur Pulp & Allied Products Ltd.	2000-01	3.84	3.74
Total			14.97	4.22

As can be seen from the above table that the investment made by the State Government in the equity of these non-working SPSEs up to 2021-22 is ₹ 14.97 crore, out of which ₹ 4.22 crore⁷ was invested in two non-working SPSEs after these SPSEs had become non-working. However, no action has been taken up by the Government to revive the operations of these non-working SPSEs.

Considering idle investment in non-working SPSEs, the concerned Administrative departments of the State Government should take considered decision regarding their continuance.

4.8 Delays in placement of Separate Audit Reports of Autonomous Bodies before the Assembly

In Manipur, two Autonomous Bodies i.e. Manipur State Legal Services Authority (MASLSA) and State Compensatory Afforestation Fund Management & Planning Authority (CAMPA) are audited by the Comptroller & Auditor General of India with regard to the verification of their transactions, operational activities and accounts, conducting regulatory compliance audit of the transactions scrutinised in audit, review of systems and procedures, etc. The status of rendering of accounts to audit, issuance of Separate Audit Report (SAR) and its placement in the Legislature as on 31 March 2022 are indicated in table no 4.10.

⁷ ₹ 4.22 crore = (i) Manipur Agro Industries Corporation Ltd. {₹0.48 crore (2003-04)} and (ii) Manipur Pulp & Allied Products Ltd. {₹ 0.81 crore (2003-04) + {₹ 2.93 crore (2020-21) = ₹ 3.74 crore}

Table 4.10: Position of placement of SARs of State Autonomous Bodies as on 31 March 2022

Name of Autonomous Body	Year up-to which accounts were rendered	Position of SAR placed in the State Legislature				Position of SARs issued but not placed	
		Year of SAR	Date of issue	Date of placement of SAR	Delay in placement of SAR	SARs issued	Date of issue
MASLSA*	2020-21	2017-18	04.12.19	19.12.19	No delay	-	-
State CAMPA	2018-19	-	-	-	-	2015-16	28.05.19
		-	-	-	-	2016-17	10.02.20
		-	-	-	-	2017-18	10.02.20

* The accounts of MASLSA for the year 2018-19 is yet to be re-audited and the accounts of the authority for the years 2019-20 and 2020-21 are yet to be approved by the competent authority till date.

4.9 Interest liability towards interest bearing deposits

State Government has liability to provide and pay interest on the previous year's balance amounts in the Interest bearing Deposits. As on 01 April 2021, there was an opening balance of ₹ 2.36 crore and ₹ 103.50 crore under the Major Heads 8336-800 Other Deposits and 8342-117 Defined Contribution Pension Scheme for Government Employees respectively as per details given below:

Table 4.11: Non discharge of interest liability towards interest bearing deposits

(₹ in crore)			
Sl. No.	Name of the Interest bearing deposit	Balance as on 31 March 2021	Amount of Interest not provisioned
1	MH-8336-800 Other Deposits	2.36	0.09
2	MH-8342-117 Defined Contribution Pension Scheme for Government Employees	103.50	7.35
Total		105.86	7.44

Source: Statement 21 of Finance Accounts.

However, the State Government did not provide budget provision for the interest payable of ₹ 7.44 crore on the balance of the Interest bearing Deposits during the year 2021-22.

Non-discharge of interest liability towards interest bearing deposits by the State Government only defers and accumulates its future liability and would further impact fiscal health in the future. State Government should take into account provisions of interest liabilities at the time of budget formulation in the relevant years for better fiscal management.

4.10 Funds directly transferred to the Implementing Agencies in the State

As per Government of India (GoI) decision dated 08 July 2015, all assistance to the Centrally Sponsored Schemes (CSS) and Additional Central Assistance (ACA) under various schemes would be released to the State Government and not directly to the Implementing Agencies in the State⁸.

However, as per Public Financial Management System (PFMS) portal of the Controller General of Accounts, the Government of India transferred funds directly to Implementing Agencies in the State in violation of the above GoI decision for implementation of various

⁸ State Implementing Agencies include any organisation/institution including Non-Governmental organisations, which are authorised by the State Government to receive funds from the GoI for implementing specific programmes in the State.

schemes/programmes pertaining to the Social and Economic sectors. Thus, these funds were neither routed through the State Budget/State Treasury system nor reflected in the Finance Accounts of the State.

During the year 2021-22, substantial Central funds of ₹ 1,025.36 crore were transferred directly to the Implementing Agencies in the State. There was an increase of 74.21 per cent over the previous year 2020-21 (₹ 588.58 crore). Out of ₹ 1,025.36 crore directly transferred to the implementing agencies funds of ₹ 582.64 crore are under Centrally Sponsored Schemes and ₹ 442.72 crore are under Central Sector Schemes.

The programmes assisted by GoI where funds were transferred directly to the Implementing Agencies are given in **Appendix 4.3**. Three Agencies received 65.77 per cent of the funds directly for implementation of major schemes during 2021-22 as given below:

Table 4.12: Funds transferred by GoI directly to State Implementing Agencies

(₹ in crore)			
Sl. No.	Programme/Scheme	Name of implementing Agency	Amount
1	Jal Jeevan Mission (JJM)/National Rural Drinking Water Mission – Centrally Sponsored Scheme	Public Health Engineering Department, Government of Manipur	4,80.89
2	Assistance to State Agencies for intra-state movement of food grains and FPS dealers margin under NFSA – Central Sector Scheme	Directorate of Consumer Affairs, Food & Public Distribution, Manipur	81.19
3	Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) – Central Sector Scheme	Department of Agriculture, Manipur	112.26
Total			674.34

Source: Appendix VI of Finance Accounts Vol –II

As the funds of ₹ 1,025.36 crore directly transferred to the implementing agencies without routed through the State budget the same is not reflected in the Annual Accounts of the State.

4.11 Suspense and Remittance Balances

Suspense heads are operated in Government accounts to reflect transactions that cannot be booked initially to their final Head of Account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/PAOs, non-receipt of clearance memos from RBI, non-receipt of vouchers etc. These are finally cleared by minus debit or minus credit when the amount is taken to its final Head of Account. If the amounts under suspense heads remain unadjusted, the balances under these heads get accumulated resulting in understatement of Government’s receipts and payments.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting. The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc. The position of net figures under major suspense and remittance heads for the last three years from 2019-22 is given in the table below:

Table 4.13: Statement showing balances under Suspense Heads during 2019-22

(₹ in crore)

Minor Head	2019-20		2020-21		2021-22	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 – Suspense						
101 – PAO Suspense	104.08	-	121.00	-	126.20	-
Net increase (+)/decrease (-) over the previous year	Dr. (+) 6.68		Dr. (+) 16.92		Dr. (+) 5.20	
102 – Suspense Account - Civil	129.78	-	151.57	-	145.41	-
Net increase (+)/decrease (-) over the previous year	Dr. (-) 5.87		Dr. (+) 21.79		Dr. (-) 6.16	
107 – Cash Settlement Suspense Account	47.19	-	47.19	-	47.19	-
Net increase (+)/decrease (-) over the previous year	0		0		0	
110 – Reserve Bank Suspense – CAO	-	37.20	-	73.23	-	19.24
Net increase (+)/decrease (-) over the previous year	Cr. (-) 1.67		Cr. (+) 36.03		Cr. (-) 53.99	
111 – Departmental Adjusting Account	3.90	-	3.90	-	3.90	-
Net increase (+)/decrease (-) over the previous year	0		0		0	
112 – Tax Deducted at Source (TDC) Suspense	-	28.62	-	42.55	-	82.45
Net increase (+)/decrease (-) over the previous year	Cr. (+) 2.69		Cr. (+) 13.93		Cr. (+) 39.90	
123 – A.I.S Officers’ Group Insurance Scheme	-	3.37	-	3.20	-	3.14
Net increase (+)/decrease (-) over the previous year	Cr. (-) 0.05		Cr. (-) 0.17		Cr. (-) 0.06	
126 – Broadcasting Receiver License Fee Suspense	-	0.01	-	0.01	-	0.01
Net increase (+)/decrease (-) over the previous year	0		0		0	
129 – Material Purchase Settlement Suspense Account	-	3.17	-	3.17	-	3.17
Net increase (+)/decrease (-) over the previous year	0		0		0	
Major Head 8782 – Cash Remittances						
102 – P.W. Remittances	668.85	-	685.05	-	727.26	-
Net increase (+)/decrease (-) over the previous year	Dr. (-) 0.21		Dr. (+) 16.20		Dr. (+) 42.21	
103 – Forest Remittances	-	13.34	-	13.24	-	13.93
Net increase (+)/decrease (-) over the previous year	Cr. (+) 1.66		Cr. (-) 0.10		Cr. (+) 0.69	
105 – RBI Remittances	-	17.66	-	17.66	-	17.66
Net increase (+)/decrease (-) over the previous year	0		0		0	

Source: Finance Accounts of respective years.

4.12 Non-reconciliation of Department figures

To enable Controlling Officers of the Departments to exercise effective control over their expenditures, to keep it within the budget grants and to ensure accuracy of their accounts, expenditures recorded in their books should be monthly reconciled⁹ during the financial year with that recorded in the books of the Office of the Principal Accountant General (A&E), Manipur. Audit noticed that out of 81 Controlling Officers (COs), 9 COs reconciled partially and 13 COs did not reconcile their receipt and expenditure figure amounting to ₹ 1,259.94 crore (4.71 per cent of total receipts of ₹ 26,745.76 crore) and ₹ 3,546.89 crore

⁹ As per Rule 57(5) of General Financial Rules, 2017.

(13.24 per cent of total disbursement out of Consolidated Fund of ₹ 26,798.87 crore) respectively during 2021-22. Details of COs who have not reconciled their accounts are given at **Appendix 4.4**. Non-reconciliation of receipts and expenditure figure effects the accuracy and completeness of accounts.

4.13 Reconciliation of Cash Balance

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India (RBI). Cash balance as on 31 March 2022 as per Accountant General's records was ₹ 7.06 crore (Credit) and that reported by RBI was ₹ 1.26 crore (Debit). The net difference of ₹ 5.80 crore (Credit) was mainly due to erroneous reporting by the accredited banks to the RBI, misclassification by banks and treasuries which were not reconciled before closure of accounts.

Outstanding unreconciled Cash Balances with RBI by the Treasuries indicated weakness in reconciliation mechanism in place to analyse the discrepant items and its regular adjustment to reflect the correct cash balances in the State Government Accounts.

4.14 Non-submission of details of grants/loans given to bodies and authorities

In order to identify institutions/organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (C&AG'S DPC Act), the Government and HODs are required to furnish to Audit every year:

- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance is granted, and
- total expenditure of the institutions.

Further, Regulation on Audit and Accounts (Amendments), 2020 provides that Governments and HODs, who sanction grants and/or loans to bodies or authorities, shall furnish to Audit by the end of July every year a statement of such bodies and authorities to which grants and/or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

However, no such information or statements were furnished by the Government and HODs to Audit for the year 2021-22, showing inadequate monitoring and control of the State Government and HODs.

4.15 Compliance with Indian Government Accounting Standards

As per Article 150 of the Constitution of India, the President may, on the advice of the C&AG, prescribe the form of accounts of the States. Further, the C&AG set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for Government Accounting and Financial Reporting, to enhance accountability mechanisms. On the advice of the C&AG, the President has so far notified three Indian Government Accounting Standards (IGAS). Compliance to the above Accounting Standards for the year 2021-22 is given in the table below:

Table 4.14: Compliance to Accounting Standards

Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
IGAS-1: <i>Guarantees given by the Government-Disclosure requirements</i>	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year to ensure uniform and complete disclosure of such Guarantees.	Partly complied	While the State Government complied with the format prescribed by the Standard, the details required to disclose in the notes to the financial statement are not complete.
IGAS-2: <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified and accounted for as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.	Partly complied	While the State Government complied with the format prescribed by the Standard, the information regarding details of Grants-in-Aid in kind have not been provided to AG.
IGAS-3: <i>Loans and Advances made by Government</i>	This standard relates to recognition, measurement, valuation and reporting in respect of Loans and Advances made by the State Government in its Financial Statements to ensure complete, accurate and uniform accounting practices.	Partly complied	While the State Government complied with the format prescribed by the Standard, the information in this regard is incomplete, since the details of amount of interest in arrears in respect of loans and advances have not been provided to AG.

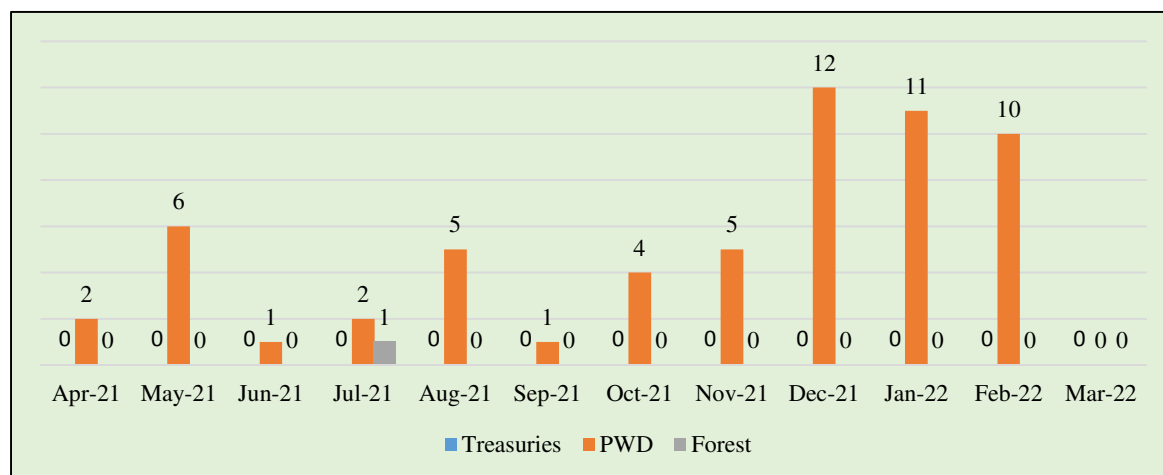
Source: IGAS-1,2,3 and Finance Accounts.

4.16 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Principal Accountant General (A&E) from the initial accounts rendered by 12 Treasuries, 58 Public Works Divisions (33 Building and Roads, 25 Public Health Engineering), 33 Forest Divisions, 26 Irrigation/Water Resources Divisions, 10 Pay and Accounts Offices and Advices of the Reserve Bank of India.

Due to the failure of the account rendering units to furnish accounts in time, some accounts were excluded from the Monthly Civil Accounts by the Principal Accountant General (A&E) as per the details given below:

Chart 4.3: Number of accounts excluded from Monthly Civil Accounts during 2021-22



Source: O/o the Principal Accountant General (A&E), Manipur.

The delays in rendition of monthly divisional accounts of PWD ranged from one to 68 days, Public Health Engineering Department one to 54 days, Forest Department one to 64 days, Water Resources Department one to 122 days and Minor Irrigation Department ranged from two to 58 days during the year 2021-22. Due to exclusion of accounts, the Monthly Civil Accounts of the State could not depict the actual expenditure and receipt of the respective month and thus remained incomplete. Moreover, the monthly appropriation accounts of the State could not reflect the actual expenditure incurred up to the relevant month to enable effective budgetary control by various Controlling Officers (COs).

The State Government needs to put in place monitoring mechanism to ensure timely submission of initial accounts by all the account rendering authorities to the Accountant General (A&E) within the prescribed target date, to ensure timely and complete depiction of actual expenditure on a monthly basis so that meaningful monitoring of expenditure *vis-à-vis* the budgetary provisions can be exercised by the COs.

4.17 Follow up on State Finances Audit Report

As per Article 151 (2) of the Constitution of India, the State Finance Audit Reports (SFARs) of the Comptroller & Auditor General of India are submitted to the Governor of the State for placing the Reports before the State Legislative Assembly. Audit Reports placed before the Legislative Assembly stand referred to the Public Accounts Committee (PAC) of the State. The details of placing of Audit Reports of the last four years (2017-18 to 2020-21) to the Legislative Assembly and their discussion by the PAC are shown in the following table:

Table 4.15: Discussion of State Finances Audit Report (SFAR) by PAC on regularisation of excess expenditure

Year of SFAR	Date of placing SFAR to the Legislative Assembly	Date of discussion of SFAR by PAC (Date of placing recommendation of PAC)	Action taken notes	Remarks
2017-18	27.08.2019	<i>Suo-moto</i> examination made by PAC independently (10.02.2021)	Action taken notes yet to be received.	Excess expenditure over budget provision was discussed.
2018-19	05.02.2021	<i>Yet to be discussed by PAC</i>		
2019-20	25.03.2022	<i>Yet to be discussed by PAC</i>		
2020-21	<i>Yet to be placed in the State Legislative Assembly</i>			

Source: Recommendation Report of PAC.

The excess over provision of ₹ 467.21 crore relating to the year 2017-18 had been recommended (**Appendix 4.5**) by the PAC for regularization in its 53rd Report. The State Government has regularized the excess expenditure of ₹467.21 crore for the year 2017-18 on 1 August 2022.

4.18 Conclusion

- Utilisation Certificates (UCs) in respect of 7,723 cases aggregating ₹ 14,651.89 crore given to Departments of the State Government during the period up to March 2022 were not submitted to the Accountant General. Non submission of UCs is fraught with the misappropriation of funds and fraud.
- As on 31 March 2022, a total of 1,282 DCC bills in respect of 44 Departments amounting to ₹ 3,135.67 crore up to the 31 March 2022 were outstanding. Non-submission of supporting DCC bills within the stipulated period breaches the financial discipline and enhances risk of misappropriation of public money an unhealthy practice.
- The State Government classified ₹ 84.71 crore as Receipts under Minor Head 800–Other Receipts constituting 0.60 *per cent* of the Total Revenue Receipts. Similarly, the State booked expenditure of ₹ 2,277.81 crore under Minor Head 800–Other Expenditure constituting 14.33 *per cent* of total expenditure during 2021-22.
- During the year 2021-22, an amount of ₹0.22 crore (2020-21: ₹ 0.70 crore) as Labour Cess was collected by Departments of Government of Manipur and accounted under Major Head 0045-112 and no amount was transferred to the Building and Other Construction Workers Welfare Board as required under Rule 5 of Cess Rules, 1998. The total un-transferred amount of ₹38.57 crore as on 31 March 2022 is lying with the State Government.
- As on 01 December 2022, 10 Annual Accounts pertaining to the period 2019-20, 2020-21 and 2021-22 in respect of six Autonomous District Councils (ADCs) and Manipur State Legal Services Authority (MASLSA) and State Compensatory Afforestation Fund Management and Planning Authority (CAMPA) had not been received.
- There was huge arrears of annual accounts of the State Public Sector Enterprises (SPSEs) ranging from one to thirty-four years and accumulating to 105 accounts.
- During the financial year 2021-22, there were delays in rendition of monthly accounts ranging from one to 68 days, one to 54 days, one to 64 days, one to 122 days and two to 58 days by the PWD, Public Health Engineering Department, Forest Department, Water Resources Department and Minor Irrigation Department respectively.

4.19 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 DCC Bills within the prescribed timeline as required under the Rules.*
- *The State Government should transfer the un-transferred amount of Labour Cess to the Manipur Building and Other Construction Workers' Welfare Board as per the Act.*


- *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.*
- *The Government may consider fixing of targets for finalisation of arrears of accounts for individual companies and closely monitor the clearance of these arrears in a time bound manner.*

Imphal
Dated: 22 February 2023


(ATHIKHO CHALAI)
Principal Accountant General (Audit), Manipur

Countersigned

New Delhi
Dated: 24 February 2023


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India