
EXECUTIVE SUMMARY

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The Report

Based on the audited accounts of the Government of Manipur for the year ending March 2022, this Report provides an analytical review of the finances of the State Government. The Report is structured in four Chapters.

Chapter 1-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 2-Finances of the State

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 3- 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 4- 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.

Audit findings

Overview

The GSDP increased by ₹ 3,651.00 crore (10.70 *per cent*) from ₹ 34,110.00 crore in 2020-21 to ₹ 37,761.00 crore in 2021-22. During the last five years, there was a steady increase in GSDP from ₹ 25,789.23 crore in 2017-18 to ₹ 37761.00 crore in 2021-22.

The GSDP growth rate for Manipur (10.70 *per cent*) was lower than the GDP growth rate (19.51 *per cent*) in 2021-22. Services Sector was the major contributor of GSDP during the year with 65.86 *per cent*. Agriculture was the second largest contributor with 21.32 *per cent* while Industry was the third largest contributor with 8.31 *per cent*.

The State's Revenue Receipts increased by 8.54 *per cent* (₹ 1,108.35 crore) over the previous year mainly due to increase in State's Share of Union Taxes/Duties

(₹ 1,737.68 crore) and Own Tax Revenue (₹ 354.01 crore). However, the State could not achieve the projections of Budget Estimates.

The State's Own Tax Revenue increased by 27.35 per cent over the previous year 2020-21.

The State's Total Expenditure for the year, which was ₹ 15,896.57 crore, increased by 6.85 per cent (₹ 1,018.72 crore) over the previous year due to increase in both Revenue Expenditure (₹ 213.68 crore) and Capital Expenditure (₹ 805.04 crore).

The State's Revenue Surplus which was ₹ 1,448.85 crore for the year, increased by 161.44 per cent (₹ 894.67 crore) over the previous year mainly due to increase in State's Share of Union Taxes/Duties (₹ 1,737.68 crore) and Own Tax Revenue (₹ 354.01 crore).

Fiscal Deficit decreased by 4.69 per cent (₹ 88.72 crore) as compared to that of the previous year which was 4.78 per cent of GSDP and could not achieve the projection of the Manipur FRBM Act during the year.

By 31 March 2020, the Fifth and Sixth SFCs should have been constituted. However, the State Government has extended the term of the Third SFC till such time the recommendations of the Fourth SFC is implemented.

Post audit, the Revenue Surplus was overstated by ₹ 208.44 crore and Fiscal Deficit was understated by ₹ 205.90 crore, due to 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 State Disaster Response Fund to Public Account etc.

(Chapter 1)

Recommendations

- *The State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2021-22 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.*
- *The State Government should constitute Finance Commission as per the Article 243 I of the Constitution.*
- *The state Government needs 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

During 2021-22, the State had a Revenue surplus of ₹ 1,448.85 crore which was 3.84 *per cent* of GSDP during the year. Fiscal deficit during 2021-22 was ₹ 1,803.18 crore which was 4.78 *per cent* of GSDP and primary deficit was ₹ 1,112.38 crore (2.95 *per cent* of GSDP).

Revenue Receipts during the year 2021-22 were ₹ 14,091.00 crore which increased by ₹ 1,108.35 crore (8.54 *per cent*) over the previous year. State's Own Tax Revenue (₹ 1,648.50 crore) increased by ₹ 354.01 crore (27.35 *per cent*) compared to the previous year (₹ 1,294.49 crore), while Non-Tax Revenue (₹ 108.13 crore) decreased by ₹ 39.94 crore (26.97 *per cent*) during the year. State Goods and Services Tax (SGST) (₹ 1,125.56 crore) was the main contributor of the State's Own Tax Revenue and the SGST along with Taxes on Sales, Trades accounted for 93.25 *per cent* of the State's total Own Tax Revenue. During 2021-22, receipts under SGST (₹ 1,125.56 crore) increased by ₹ 259.05 crore (29.90 *per cent*) as compared to the previous year (₹ 866.51 crore). The SGST receipts included ₹ 156.98 crore received as 'Apportionment of Taxes from IGST'.

Grants-in-Aid from GoI increased by ₹ 943.40 crore (12.98 *per cent*) and State's Share of Union taxes and Duties increased by ₹ 1,737.68 crore (40.68 *per cent*) during 2021-22 as compared to the previous year.

Revenue Expenditure during the year 2021-22 was ₹ 12,642.15 crore (79.53 *per cent*) against the Total Expenditure of ₹ 15,896.57 crore. During the year, Committed Expenditure like salary & wages, pension, interest payments increased by ₹ 761.20 crore (10.72 *per cent*) from ₹ 7,099.92 crore during 2020-21 to ₹ 7,861.12 crore during 2021-22. The Committed Expenditure during 2021-22 was 55.79 *per cent* of the total Revenue Receipts (₹ 14,091.00 crore) and 62.18 *per cent* of the total Revenue Expenditure (₹ 12,642.15 crore).

Salary and Wages expenditure constituted 34.66 *per cent* of Revenue Receipts and 38.63 *per cent* of Revenue Expenditure during the year 2021-22.

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 ₹ 813.61 crore (33.36 *per cent*) from ₹ 2,439.18 crore during 2020-21 to ₹ 3,252.79 crore during 2021-22.

Under National Pension System, against contribution of ₹ 1,059.20 crore of the State Government employees up to March 2022, the State Government contributed ₹ 858.84 crore only, resulting in a shortfall of ₹ 200.36 crore in the matching share of the State Government. Further, the State Government was yet to transfer ₹ 182.76 crore to NSDL as of 31 March 2022.

The Government incurred an expenditure of ₹ 346.45 crore on 115 projects which were due to be completed by 31 March 2022, which remained incomplete and the time overrun on these projects ranged between 2 years and 11 years.

During 2021-22, the State Government invested ₹ 4.18 crore in Government Companies, statutory corporation, co-operative societies and joint stock companies. As on 31 March 2022, the State Government's investment stood at ₹ 232.02 crore in those Companies/Corporations and Co-operative societies, whereas the returns on investment were negligible.

As against the mandated contribution of ₹ 3.73 crore under State Disaster Response Fund (SDRF), the State Government did not make any contribution during the current year which was in violation of the SDRF guidelines. During the year State Government did not contribute mandated amount of 2.99 crore to the Guarantee Redemption Fund.

The outstanding Public Debt rapidly increased from ₹ 5,886.25 crore in 2017-18 to ₹10,751.82 crore (82.66 *per cent*) in 2021-22 and the Debt/ GSDP ratio increased from 37.00 *per cent* to 40.66 *per cent* during the same period.

As on 31 March 2022, the maturity profile of outstanding stock of Public Debt was ₹ 10,052.01 crore out of which ₹ 8,839.29 crore (87.94 *per cent*) was to attain maturity in the coming 10 years. Interest payable on outstanding public debt will be approximately ₹ 4,053.69 crore. Out of this, interest of ₹ 4,032.40 crore was payable during the next 10 years up to 2031-32.

During 2021-22, ₹ 10,902.29 crore (86.17 *per cent*) was utilised in repayment of earlier borrowings.

The State Government had availed Ways and Means Advances for 61 days amounting to ₹ 10,741.47 crore and repaid ₹ 10,480.80 during the year 2021-22. The Cash Balances of the State at the end of 31 March 2022 was ₹ (-)2.43 crore.

(Chapter 2)

Recommendations

- *State Government may take necessary steps to reduce the Revenue and Fiscal deficits.*
- *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 these corporations, companies and societies to ensure finalisation of the financial statement, returns on the investments and to take considered decision in public interest so that losses are minimised.*

- *The State Government may contribute to the State Disaster Response Fund as per the guidelines and Guarantee Redemption Fund.*
- *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 ₹ 38,125.43 crore, State Departments incurred an expenditure of ₹ 26,855.94 crore during 2021-22, resulting in net savings of ₹ 11,269.49 crore. The overall savings was the net result of gross savings of ₹ 14,585.89 crore offset by an excess of ₹ 3,316.41 crore.

In six cases, expenditure of ₹ 1,081.02 crore was incurred during 2021-22 in one Grant and one Appropriation without budget provision, in violation of financial regulations and without the knowledge of the State Legislature.

During 2021-22, an expenditure of ₹ 281.45 crore was incurred under 22 grants/Appropriations by creating provision through re-appropriation in violation of financial regulation as well as the will of the State legislature.

During 2021-22, Supplementary grants of ₹ 698.06 crore provided in 25 cases proved unnecessary as the expenditure did not come up to the level of original provision, indicating that Supplementary grants were provided in an *ad hoc* manner without adequate review.

In 67 cases, savings exceeded more than 25 *per cent* of total provision during 2021-22. Out of these, 100 *per cent* savings occurred in four Grants (2. Council of Ministers, 23. Power, 29. Sales Tax, Other Taxes/Duties on Commodities and Services and 48. Relief and Disaster Management) under Capital voted.

During 2021-22, there was excess expenditure over provisions in one case under one Appropriation, amounting to ₹ 3,316.41 crore which requires regularisation by the State Legislature. There was persistent excess expenditure during the last five years from 2017-22 under this Appropriation, which reflects improper budgeting.

Under two grants, more than 50 *per cent* of the total expenditure under the grant was incurred in March 2022 indicating breach of financial propriety.

(Chapter 3)

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 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 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.

(Chapter 4)

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.*

