PRESS BRIEF

The Audit Reports of the Comptroller and Auditor General of India for the year ended 31 March 2018 (Report No. 1 and 2 of 2019) in respect of Government of Manipur have been prepared for submission to the Governor under Article 151 of the Constitution of India.

The portion relating to expenditure and revenue from the Consolidated Fund of the State stands referred to the Public Accounts Committee and the portion relating to Public Sector Undertakings stands referred to the Committee on Public Undertakings. These Committees examine the Report and issue recommendations for remedial action by the Government.

The Reports has been placed on the table of the State Legislature on **27 August 2019 (Report No. 1)** and **17 February 2020 (Report No. 2)** and are being uploaded in the CAG's website: *www.cag.gov.in***.** Copy of the Audit Reports can also be obtained from the office of the Principal Accountant General (Audit), Manipur, Imphal.

STATE FINANCES AUDIT REPORT

(Report No. 1 of 2019)

Based on the audited accounts of the Government of Manipur for the year 2017-18, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters. Chapter I is based on the audit of Finance Accounts and makes an assessment of the Government of Manipur's fiscal position as on 31 March 2018. It provides an insight into trends of committed expenditure and borrowing pattern, besides a brief account of Central funds transferred directly to the State Implementing Agencies. Chapter II is based on audit of Appropriation Accounts and gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. And Chapter III is an inventory of the State Government's compliance with various reporting requirements and financial rules.

Chapter I: Finances of the State Government

Revenue Receipts

Revenue Receipts increased by ₹ 1228.71 crore (13.46 *per cent*) over the previous year. The increase was mainly due to increase in GIA from Government of India (GoI) (₹ 617.97 crore) and increase in Share of Union Taxes/duties (₹ 397.20 crore).

Contribution of the State's Own revenue to the Revenue Receipts was in the range of 8 *per cent* to 10 *per cent* for the period 2013-18. The State's share of Union taxes and duties and GIA from GoI contributed in the range of 90 *per cent* to 92 *per cent* to the Revenue Receipts during 2013-18 and remained the main contributor to Revenue Receipts of the State.

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

(Paragraphs 1.1.2, 1.3 and 1.3.1, Page Nos. 2, 10 and 11)

Expenditure Status

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

Capital Expenditure exhibited a fluctuating trend during 2013-14 to 2017-18. Revenue Expenditure, on the other hand has increased steadily during 2013-18. Revenue Expenditure as a percentage of the Total Expenditure increased from 81.57 *per cent* in 2013-14 to 86.63

per cent in 2017-18. This shows that a bulk of the total expenditure has been increasingly spent to meet expenditure on maintenance, salary, *etc*.

(Paragraph 1.6.1, Page No. 18)

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

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

(Paragraph 1.8.2, Page No. 29)

Loans and Advances by the State Government

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

(Paragraph 1.8.3, Page No. 30)

Fiscal liabilities and fiscal position

The overall Fiscal liabilities of the State Government maintained an increasing trend during 2013-14 to 2017-18, which increased from ₹ 7060.68 crore in 2013-14 to ₹ 9565.94 crore in 2017-18. The Fiscal liabilities increased by 8.61 *per cent* (₹ 758.12 crore) in 2017-18 over the previous year (2016-17). This was mainly due to increase of ₹ 655.51 crore under Internal Debt, which constituted 86.47 *per cent* of the increase of the Fiscal liabilities in 2017-18. This underlines the extent of increase of Fiscal liabilities in 2017-18. Such a trend, if continued in coming years, would put pressure on the State Government in meeting the burden on re-payment of debt and interest thereon.

(Paragraph 1.9.2, Page No. 32)

Chapter II: Financial Management and Budgetary Control

During 2017-18, an expenditure of ₹ 11397.17 crore was incurred against a total budget provision of ₹ 13739.49 crore resulting in overall savings of ₹ 2342.32 crore. The overall savings was the net result of savings of ₹ 2809.53 crore offset by an excess of ₹ 467.21 crore. The excess requires regularisation under Article 205 of the Constitution of India. Excess expenditure (₹ 3203.20 crore) for the period 2010-16 had been recommended for regularisation by Public Accounts Committee (PAC). However, the excess expenditure was still pending for regularisation.

(Paragraphs 2.2 and 2.3.5, Page Nos. 45 and 50)

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

(Paragraphs 2.3.7, Page No. 51)

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

(Paragraphs 2.4, Page No. 55)

Chapter III: Financial Reporting

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

(Paragraph 3.1, Page No. 61)

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

(Paragraph 3.2, Page No. 63)

There were also delays and arrears in finalisation of accounts by the Autonomous District Councils (ADCs), Autonomous Bodies and Departmental Commercial Undertakings and in the placement of SARs in the legislature. Six Undertakings have not submitted their accounts for more than 10 years, out of which three are non-working companies.

(Paragraphs 3.3, 3.4 and 3.5, Page Nos. 64, 65 and 66)

AUDIT REPORT ON SOCIAL, ECONOMIC, REVENUE AND GENERAL SECTORS FOR THE YEAR 2017-18

(Report No. 2 of 2019)

This Report has been prepared in six chapters. Chapters I to V deal with Social, Economic (Other than Public Sector Undertakings), Economic (Public Sector Undertakings), Revenue and General Sectors and Chapter VI deals with Follow-up of Audit Observations. The Report contains two Performance Audits *viz.*, 'Performance Audit of Solid Waste Management', 'Performance Audit on Implementation of rural connectivity projects funded through National Bank for Agriculture and Rural Development (NABARD) Loan', one 'Information Technology Audit of Computerisation of Personnel Information System' and 19 Compliance Audit paragraphs.

SOCIAL SECTOR

Performance Audit Paragraph

Performance Audit on Solid Waste Management

There was lack of planning for management of solid waste in the sampled ULBs except those included in the Cluster based waste management. Planning was also inadequate and ineffective in respect of those ULBs in Cluster as it did not represent seasonal variations. The ULBs did not prepare separate budgets for meeting the expenditure of solid waste management and also did not prepare plans which limited the effective execution of waste management activities. Moreover, there was no reliable information about the quantum and composition of waste generated in their respective jurisdiction in six out of 11 sampled ULBs. There was huge gap between the quantum of waste generated and disposed. The majority of the waste was disposed of as mixed waste without processing as per existing norm, thereby creating threat to the environment and health of the public.

There were instances of burning of waste disposed at the disposal sites owned by the municipalities. There were no facilities in any of the 11 sampled ULBs for disposal of domestic hazardous waste which resulted in mixing up of such hazardous waste with other wastes. The landfills maintained in the sampled ULBs had not adhered to the conditions specified in the Solid Waste Management Rules, 2016. The ULBs were not submitting annual reports containing basic information on progress of solid waste management to their respective Deputy Commissioners, MAHUD and MPCB. The MPCB, as was required, did not conduct monitoring of environmental standards and adherence to conditions for waste processing and disposal sites which resulted in non-assessment of environmental impact of the Plant. The Plant operator did not conduct quality testing of compost in line with the specification of Fertilizer Control Orders 2009 and 2013. Thus, based on the audit findings from 11 ULBs sampled out of 27 ULBs, it could be concluded that the objectives of implementation of SWM was not fully achieved in the State.

(Paragraph 1.2, Page No. 3)

Compliance Audit Paragraphs

Rural Development and Panchayati Raj Department

Erroneous adoption of rates in preparation of estimates resulted into a liability of extra expenditure of ₹ 91.21 lakh as undue benefit to Construction Committees, of which ₹ 53.92 lakh had been paid.

(Paragraph 1.3, Page No. 46)

Scheme funds amounting to ₹ 63 lakh was irregularly diverted towards payment of salary and wages, leading to mis-utilization of funds.

(Paragraph 1.4, Page No. 48)

Failure of the DRDA to ensure timely completion of works led to the parking of funds of ₹ 1.18 crore for a period of three years and seven months.

(Paragraph 1.5, Page No. 49)

Funds amounting to ₹ 50.36 lakh from MLALADP funds and administrative funds of MGNREGA were utilized for non-permissible works in violation of the guidelines of the programme/scheme.

(Paragraph 1.6, Page No. 51)

ECONOMIC SECTOR
(OTHER THAN PUBLIC SECTOR UNDERTAKINGS)

Performance Audit Paragraph

Performance Audit on Implementation of rural connectivity projects funded through NABARD Loan

The implementation of rural connectivity projects funded through National Bank for Agriculture and Rural Development (NABARD) Loan in the State suffered from many lapses. There was no streamlined procedure for proper prioritisation of Projects. The projects were proposed without following any defined criteria as per NABARD Guidelines and infrastructure gap analysis *etc*. NABARD loans amounting to ₹ 9.13 crore bearing interest liability of ₹ 2.59 crore were availed for four ineligible projects.

The Public Works Department had prepared inflated Statement of Expenditure which were, without ensuring their correctness, submitted by the Finance Department to NABARD. Further, NABARD also failed to verify the correctness of the claims before making the reimbursement of expenditure and subsequently made excess reimbursements ranging from ₹ 2.03 crore to ₹ 16.21 crore then the actual expenditure.

The Detailed Project Reports of the 16 road projects were prepared without proper survey and were deficient, with lack of basic data such as design traffic, design life, strength and thickness of the existing pavement. There were numerous deficiencies in project execution such as non-invitation of open tenders, grant of undue benefits to contractors due to non-collection of Performance Guarantee Bonds, incorrect analysis of rates, non-levy of compensation for delay in completion of works and unauthorised execution of works *etc*.

The Quality Control and Monitoring Mechanism was weak. The Department did not have any functional laboratory for performing the required quality control tests and contractors also did not set up any testing laboratory for conducting the Quality Control tests as required. As a result, due to deficiencies in implementation, creation of infrastructure conceived under the scheme could only partially achieve the intended objectives of better rural connectivity in the State.

(Paragraph 2.2, Page No. 55)

Compliance Audit Paragraphs

Fisheries Department

Funds amounting to ₹ 81.90 lakh meant for construction of houses and community tanks of BPL fishermen were drawn by presenting fictitious bills and the amount was fraudulently shown as spent without actual/partial execution of works.

(Paragraph 2.3, Page No. 84)

Public Works Department

Adoption of a higher rate for earthwork excavation based on manual rate instead of lower mechanical rate led to extension of undue benefit to contractors amounting to ₹ 70.85 lakh.

(Paragraph 2.4, Page No. 86)

Purchase of furniture items despite sluggish progress of construction of building complex in violation of provisions of General Financial Rules and without proper planning and immediate requirement led to idle expenditure of ₹ 14.77 crore.

(Paragraph 2.5, Page No. 90)

Provision of additional lead of one km for disposal of excavated earth led to inflated rate in analysis of rate and thereby leading to extension of undue benefit to the contractor by ₹ 36.78 lakh.

(Paragraph 2.6, Page No. 92)

In absence of an effective monitoring mechanism, machineries valued at ₹ 2.61 crore which were not returned by the contractors for a period ranging from four years four months to 29 years four months, resulted in extending undue benefit to the contractors.

(Paragraph 2.7, Page No. 94)

Due to adoption of higher rate for earthwork excavation based on manual rate instead of adopting lower mechanical rate, undue benefit of ₹ 60.78 lakh was extended to the firm.

(Paragraph 2.8, Page No. 96)

ECONOMIC SECTOR
(PUBLIC SECTOR UNDERTAKINGS)

Compliance Audit Paragraph

Manipur State Power Distribution Company Limited

Payment of excess Mobilization Advance on the recommendation of Tender Committee beyond its delegated financial power and without charging any interest in violation of provisions of the Manipur Public Works Department Manual resulted in extension of undue benefit to two private firms besides incurring interest loss of ₹ 1.11 crore.

(Paragraph 3.2, Page No. 112)

REVENUE SECTOR

Compliance Audit Paragraphs

Taxation Department

Failure of the Assessing Authority to assess the sales figure of a dealer as per Manipur Value Added Tax (MVAT) Act led to non-detection of suppression of sale and consequent evasion of tax of ₹ 79.70 lakh with recoverable penalty of ₹ 1.59 crore.

(Paragraph 4.7, Page No. 125)

Irregular claim by a dealer for exemption of payable tax resulted in loss of Government Revenue amounting to ₹ 87.97 lakh, out of which ₹ 10 lakh had been paid by the dealer.

(Paragraph 4.8, Page No. 126)

Failure to assess tax liability of nine dealers who had stopped filing returns but had huge stock balances, led to non-realization of revenue to the tune of ₹ 5.35 crore and penalty amounting to ₹ 10.70 crore, of which tax amounting to ₹ 78.38 lakh only had been paid by four dealers.

(Paragraph 4.9, Page No. 128)

Failure of the Department to take timely steps to realize outstanding tax from a dealer resulted in non-recovery of tax revenue amounting to ₹ 25.51 lakh in addition to interest of ₹ 23.31 lakh.

(Paragraph 4.10, Page No. 129)

Failure of the Department to detect non-submission of returns and to make best judgment on assessment of tax as per the Manipur Value Added Tax Act/Rules resulted in non-recovery of tax amounting to ₹ 1.57 crore and penalty of ₹ 3.14 crore from five dealers, of which tax amounting to ₹ 12.65 lakh had been paid by one dealer.

(Paragraph 4.11, Page No. 130)

Transport Department

Due to failure of the District Transport Officer, Thoubal to initiate action for collection of Professional Tax, an amount of ₹ 4.71 lakh and penalty not exceeding ₹ 4.71 lakh were remaining outstanding from the permit holders of 141 vehicles, leading to loss of revenue to that extent.

(Paragraph 4.12, Page No. 131)

Failure of the Tax Authorities to realise tax resulted in non-realisation of tax to the tune of ₹ 11.74 lakh, of which tax amounting to ₹ 0.38 lakh had been recovered from 12 vehicles.

(Paragraph 4.13, Page No. 133)

GENERAL SECTOR

Performance Audit Paragraph

Performance Audit on Computerisation of Personnel Information System (CPIS)

The Computerisation of Personnel Information System (CPIS) application was developed with a view to providing accurate details of the staffing pattern of the Government employees, capture details of employees to facilitate policy decision on deployment, redeployment and transfer of employees, estimate budget for salaries, *etc*., and thus to help the Government in proper administration. However, the CPIS was developed without obtaining URS resulting in lack of provision for capturing full employees' details limiting the usefulness of the system. The existing CPIS was being used to a very limited extent for preparing salary bills. However, it was not being used effectively for transfer and posting of the Government employees as envisaged.

The usefulness and effectiveness of CPIS had been significantly compromised by inaccurate and incomplete data imported into CPIS from the erstwhile MGEL application, inordinate delays in sending input forms by DDOs, weak input controls, non-existent IT policies, lack of staff development and succession planning, lack of business continuity measures, absence of involvement of senior management, *etc*. It also exposed the system to the risk of unauthorised access, amendments or deletion of data and consequent losses.

There were employees who had crossed the age of retirement but were still being shown in the CPIS database which defeated the objective of CPIS to provide accurate staffing pattern of employees. The lack of correct employee details also defeated the intended objective. Moreover, the CPIS was also not being used for the intended purpose of proper deployment of the staff to various offices.

(Paragraph 5.2, Page No. 137)

<u>Compliance Audit Paragraph</u>

Home Department

Failure of the Department to enforce provisions of Government's decision for the recovery of armed guard charges from seven banks resulted in non-realization of security charges of ₹ 1.47 crore, of which ₹ 31.24 lakh had been recovered.

(Paragraph 5.3, Page No. 164)

<u>Follow-up Audit</u>

As of March 2018, 2,793 Inspection Reports issued from 2003-04 onwards were pending for settlement. Even the initial replies, which were required to be received from the Heads of Offices of the Government Departments within four weeks from the date of issue of the Inspection Reports, were also not received.

(Paragraph 6.4, Page No. 168)