PREFACE

1. *This Report has been prepared for submission to the Governor under Article 151 of the Constitution.*

2. *Chapters - I, II, III, IV and V of this Report deals with the findings of performance audit and audit of transactions in various departments including the Public Work Department, Revenue Receipts, audit of Government Companies, Statutory Corporations of the State Government for the year 2008-2009.*

3. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2008-09 have also been included wherever necessary.*

4. *The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.*

Report of the
Comptroller and Auditor General
of India

For the year ended 31 March 2009

GOVERNMENT OF MANIPUR

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OVERVIEW

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Report of the
Comptroller and Auditor General
of India

For the year ended 31 March 2009

GOVERNMENT OF MANIPUR

OVERVIEW

This Report includes five chapters containing five performance reviews, including integrated audit of Agriculture Department, 19 (excluding general paragraphs) paragraphs dealing with the results of audit of selected schemes, programmes, financial transactions of the Government and its commercial and trading activities.

Copies of the performance reviews and paragraphs were sent to the Administrative Heads of the Departments concerned by the Accountant General for furnishing replies within six weeks. All the five reviews were discussed with the concerned Principal Secretaries/ Commissioners/Secretaries and other departmental officers. In respect of two audit paragraphs reply/partial reply of the Government was received and in 17 audit paragraphs, replies had not been furnished by the State Government.

Performance reviews (Civil)

Irrigation and Flood Control and Minor Irrigation Departments

1.1 Accelerated Irrigation Benefits Programme

Accelerated Irrigation Benefits Programme was launched with the main objective of accelerating completion of on-going irrigation/multi-purpose projects on which substantial investment had already been made and beyond the resource capability of the State Government. Two major projects, one medium project and 453 minor irrigation projects in the State were included under AIBP during 2004-09. Till March 2009, no major and medium projects could be completed, however, only 413 minor irrigation projects were completed though substantial amount of investment of Rs.1,213.63 crore had been made on these projects. Against targeted irrigation potential of 81,264 hectares, only 41,130 hectares (51 *per cent*) had been created. Out of the irrigation potential created so far 61 *per cent* was from minor irrigation projects. Productivity of major crops in the State either remained stagnant or improved marginally during 2004-09, indicating that the programme had little impact on agriculture production of the State. No evaluation studies were carried out to ascertain the success parameters and utilisation of the potential created in the State. As such, the objective of speedy development of irrigation potential and its eventual utilisation for the benefits of the farmers was not achieved to the desired extent in the State due to inherent deficiencies in planning, poor financial management, execution and monitoring of the projects.

(Paragraph 1.1)

Public Health Engineering Department

1.2 Accelerated Rural Water Supply Programme

The Accelerated Rural Water Supply Programme aimed at accelerating the coverage of uncovered habitations in rural areas with provision of safe and adequate drinking water, besides revival of traditional water sources. A performance review of the programme revealed poor planning, execution of works with time and cost overrun, inadequate monitoring of quality of water and short achievement of targeted objectives. Adequate drinking water was yet to be provided to 68 *per cent* habitations as of March 2009. Despite spending Rs.272 crore during 2004-09 on the programme, no evaluation studies had been carried out to ascertain the extent of the achievement of the objectives of the programme.

(Paragraph 1.2)

Audit of Transactions (Civil)

Irregularities in records led to suspicion that work of construction of ring bund may not have been executed, resulting in suspected fraudulent payment of Rs. 32.65 lakh.

(Paragraph 2.1)

Rupees 50 lakh appears to have been paid fraudulently to two contractors purportedly for hiring of machinery for a canal work.

(Paragraph 2.4)

Rupees 9.95 lakh deposited in the DDO's account for implementation of a scheme has been misappropriated.

(Paragraph 2.5)

Government suffered a loss of Rs.21.63 lakh due to excess payment of Rs.1.63 lakh, and fraudulent payment of Rs.20 lakh to contractors.

(Paragraph 2.7)

As fish fingerlings were issued to beneficiaries without ascertaining their possession of pond of requisite size and by not following conventional norm of stocking ratio of species combination, expenditure of Rs.73 lakh incurred in implementation of a fishery scheme appears to be doubtful.

(Paragraph 2.8)

Integrated Audit

Agriculture Department

3. Integrated Audit of Agriculture Department

State agricultural planning lacked emphasis on regional priorities and needs of field formation and beneficiaries. Retention of huge cash balances at year-ends, diversion of funds, low revenue realisation of departmental farms, drawal of advances through fully vouched bills and utilisation of departmental receipts instead of depositing them into Government accounts warrants rigid streamlining of financial management and the ways expenditure are controlled. While implementation of Oil Production Programme and Soil Testing Laboratories programmes deviated from the works-plans, the review also exposed more serious issues in distribution of quality seeds, organisation of farmers' field training, rodent control measures and execution of works at two departmental farms that needs further investigation. The Department also needs to revamp their man-power utilisation and their internal control measures.

(Paragraph 3.1)

Revenue Receipts

4. Revenue Receipts

4.1 Trend of revenue receipts

Revenue raised by the State Government during 2007-08 was 11 *per cent* of the total revenue receipts against 9 *per cent* in the previous year. The balance 89 *per cent* of receipts during the year was from the Government of India.

(Paragraph 4.1)

The tax revenue receipts of the State Government during 2007-08 increased by 15.33 *per cent* as compared to the previous year while that of non-tax revenue increased by 53.88 *per cent*.

(Paragraphs 4.1.1 & 4.1.2)

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 10.56 crore of which Rs. 5.74 crore was outstanding for more than five years.

(Paragraph 4.5)

Performance Reviews (Revenue)

Taxation Department

4.13 Transition from Sales Tax to VAT System

No time limit was fixed by the department either by way of circulars or notifications to bring all the eligible Pre-VAT dealers, liable to be registered within the ambit of the VAT Act. Only 22 *per cent* of the dealers registered under repealed Act could be brought within the purview of the VAT Act.

(Paragraph 4.13.7.1)

Important registers like "Register of receipt of returns", "Register of defaulters", "Register of casual dealers", "Registers to watch the recovery of the arrears of tax, interest, penalty etc." under the repealed Act and the VAT Act were not maintained.

(Paragraph 4.13.10)

Seven dealers did not pay tax of Rs. 1.58 crore for the period from 2005-06 to 2007-08. No action was taken by the department to recover the dues. The dealers were, also liable to pay interest of Rs. 1.22 crore.

(Paragraph 4.13.13)

Two dealers had defaulted in the payment of tax of Rs. 1.51 crore along with the relevant returns for the period from 2005-06 to 2007-08. The penalty of Rs. 45.64 lakh though leviable was not levied.

(Paragraph 4.13.16.1)

Value added tax of Rs. 24.08 lakh was required to be deducted at source from the bill of a contractor dealer. However, Rs. 7.87 lakh only was deducted from the bill of the contractor. This resulted in short deduction of VAT of Rs. 16.21 lakh.

(Paragraph 4.13.19)

Transport Department

4.14 Review on "Information Technology Audit of the Department of Transport"

In five DTOs selected for the implementation of the computerisation programme, it is yet to be implemented despite availability of computer equipment and trained manpower since 2006-07.

(Paragraph 4.14.6.1)

Though computerisation programme was introduced in DTO, Imphal West in 2003, the software modules available are still only partially utilised.

(Paragraph 4.14.6.2)

Insurance details were not entered in respect of most of the vehicles.

(Paragraph 4.14.7.8)

Tax amount was not entered in respect of 62 vehicles registered from 2003 onwards.

(Paragraph 4.14.7.10)

Fine was not imposed in respect of 4,214 vehicles registered after more than 30 days of the date of purchase after 2003.

(Paragraph 4.14.7.11)

Hand Held Terminals had not been purchased by MANITRON[1] as per the terms of the contract even after seven months of the implementation of the smart card.

(Paragraph 4.14.8.3)

There was no documentation of modifications made to the application software.

(Paragraph 4.14.11.1)

Audit of Transactions (Revenue)

Professional tax amounting to Rs. 43.23 lakh including Rs. 26 lakh which had remained unrealised for more than three years was not realised from the Principal Officers.

(Paragraph 4.15)

Professional tax amounting to Rs. 24.95 lakh was not realised from 2,495 permit holders of goods vehicles, trucks and three wheelers by Director of Transport, Manipur and District Transport Officer, Bishnupur.

(Paragraph 4.16)

Home department failed to realise Rs. 73.50 lakh towards charges for deployment of security guards at various banks.

(Paragraph 4.17)

Electricity bill amounting to Rs. 15.60 lakh paid by a consumer was utilised for unofficial purpose.

(Paragraph 4.18)

Application of incorrect rate of billing resulted in short levy of electricity charges of Rs. 39.67 lakh.

(Paragraph 4.19)

[1] Manipur Electronics Development Corporation Ltd., a State PSU.

Government Commercial and Trading Activities

5. Commercial

5.1 Overview of Government Companies and Statutory Corporations

As on 31 March 2009, 14 Government companies (eight working and six non-working) of the State registered a turnover of Rs. 9.25 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was very insignificant: 0.15 *per cent* of State Gross Domestic Product (GDP) for 2008-09.

(Paragraphs 5.1.1 and 5.1.2)

As on 31 March 2009, the investment (capital and long-term loans) in 14 PSUs was Rs. 99.92 crore (Working PSUs: Rs. 43.08 crore and Non-working PSUs: Rs. 56.84 crore).

(Paragraph 5.1.5)

Return on Capital Employed for the 14 PSUs in the State for 2008-09 was 2.66 *per cent* while their accumulated losses amounted to Rs. 5.22 crore.

(Paragraph 5.1.14

Accounts of working PSUs as on September 2009 were in arrears for period ranging from 10 to 26 years.

(Paragraph 5.1.24)

5.2 Audit of Transactions (Commercial)

Manipur Industrial Development Corporation Limited did not deposit Value Added Tax amounting to Rs 66.77 lakh deducted from contractors' bills.

(Paragraph 5.2)

Six Public Sector Undertakings (PSUs) ignored opportunity to recover money amounting to Rs.1.75 crore.

(Paragraph 5.3)

Eight PSUs did not take remedial action on audit observation in respect of 26 Inspection Report paras thereby foregoing the opportunity to improve their functioning**.**

(Paragraph 5.4)

CHAPTER I

PERFORMANCE REVIEWS (CIVIL)

IRRIGATION AND FLOOD CONTROL AND MINOR IRRIGATION DEPARTMENTS

1.1 Accelerated Irrigation Benefits Programme

Highlights

Accelerated Irrigation Benefits Programme was launched with the main objective of accelerating completion of on-going irrigation/multi-purpose projects on which substantial investment had already been made and beyond the resource capability of the State Government. Two major projects, one medium project and 453 minor irrigation projects in the State were included under AIBP during 2004-09. Till March 2009, only 413 minor irrigation projects were completed though substantial amount of investment of Rs.1,213.63 crore have been made on these projects. No evaluation studies were carried out to ascertain the success parameters and utilisation of the potential created in the State. As such, the objective of speedy development of irrigation potential and its eventual utilisation for the benefits of the farmers was not achieved to the desired extent in the State due to inherent deficiencies in planning, poor financial management, execution and monitoring of the projects.

Projects under AIBP in the State were being implemented without preparing any perspective plan and detailed project report. No major and medium projects could be completed despite spending Rs.1,085.60 crore.

(Paragraph 1.1.7)

Central funds were released by the State Government to the implementing agencies with delays ranging from 10 to 337 days.

(Paragraph 1.1.8)

Repair of crack developed in the retaining wall in a short span and department having no details of repair work raises doubt. The possibility of water sneaking into the weaker portions of the dam and breaching the dam in future could not be ruled out.

(Paragraph 1.1.9 (a) (i))

Payment amounting to Rs.15.27 crore released by two Khuga Canal divisions to 66 contractors (during July to October 2008) on hand receipts for construction of canals without any agreements and recorded measurements for the works appear to be fraudulent.

(Paragraph 1.1.9 (a) (iv))

Selection of incorrect alignment of canals has led to breaching of canal/failure of canal.

(Paragraphs 1.1.9(a) and (b))

In Thoubal Multipurpose Project, there were number of irregularities noticed in non recovery of interest amount on mobilisation and machinery advances, undue benefit to contractor due to non-adoption of justified rates, unjustified closure of works, infructuous expenditure on syphon construction and there was doubtful payment without construction of any weir in a minor irrigation project.

(Paragraph 1.1.9 (b) and (c))

The department's claim of achieving irrigation potential of 41,130 hectares (51 *per cent*) against targeted irrigation potential of 81,264 hectares raises a question, as in Khuga Project, water was conveyed only for about 12 km against completed canal length of 59 km, while in Thoubal Project and the 13 minor irrigation projects physically verified during audit, water could flow in canals only during rainy seasons. Productivity of major crops in the State either remained stagnant or improved marginally during 2004-09, indicating that the programme had little impact on agriculture production of the State.

(Paragraphs 1.1.10)

1.1.1 Introduction

Accelerated Irrigation Benefits Programme (AIBP) was launched by the Government of India (GOI) during 1996-97 to provide financial assistance to the States for accelerating the implementation of on-going irrigation projects on which substantial investment had already been made and which were beyond the resource capability of the State Governments. The scheme initially covered only major and medium irrigation projects, but was later extended to minor irrigation schemes during 1999-2000 for projects with irrigation potential of less than 2000 hectares. In the case of special category States, the central assistance comprised of 90 *per cent* of the project cost and the States were to contribute the remaining portion. In the State, the programme covered two major[1], one medium[2] and 453 minor irrigation projects during 2004-09.

[1] Thoubal Multipurpose Project and Khuga Multipurpose Project
[2] Dolaithabi Barrage Project.

1.1.2 Organisational Set up

Irrigation works under AIBP are executed by two departments *viz*. Irrigation and Flood Control Department (major and medium projects) and Minor Irrigation Department (minor irrigation projects). The organograms of the two departments are given below:

- Commissioner (Irrigation & Flood Control)
  - Chief Engineer, Irrigation and Flood Control Department
    - Superintending Engineer (Thoubal Circle)
      - Executive Engineers (5)
    - Superintending Engineer (Khuga Circle)
      - Executive Engineers (4)

- Commissioner (Minor Irrigation)
  - Chief Engineer, Minor Irrigation Department
    - Superintending Engineer (Minor Irrigation)
      - Executive Engineers (4)

1.1.3 Scope of Audit

The performance review of the programme was carried out for the period 2004-09 during May to September 2009 covering the two major irrigation projects – the Khuga Multipurpose Project (KMP)[3] and the Thoubal Multipurpose Project (TMP)[4] under the Irrigation and Flood Control Department. In addition, 30 minor projects of the Minor Irrigation Department were test-checked. The review covered an expenditure of Rs.609.95 crore (61 *per cent*) out of the total expenditure of Rs.1,006.93 crore[5].

1.1.4 Audit Objectives

The objectives of the performance review were to assess whether:

- planning of the projects was effective and the objective of the scheme were achieved;
- targeted irrigation potential was created;
- release and utilization of funds were done in a judicious and effective manner;
- implementation of the projects was done effectively, efficiently and economically; and
- monitoring and evaluation systems were functioning effectively.

[3] Implemented by Khuga Headworks Division, Khuga Spillway & Intake Division, Khuga Canal Division I and Khuga Canal Division II.
[4] Implemented by Thoubal Project Division I, II, IV and VI and Task Force Division
[5] Rs. 647.53 crore (Thoubal), Rs.349.70 (Khuga), and Rs. 9.70 crore (30 Minor Irrigation Projects)

1.1.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Scheme guidelines;
- Detailed Projects Reports of the selected projects;
- Other circulars/instructions issued by Ministry of Water Resources and Central Water Commission, and
- General Financial Rules and Works Manuals.

1.1.6 Audit Methodology

The audit methodology included selection of projects based on simple random sampling without replacement method, holding of an entry conference (April 2009) with the officials of the departments, checking of records and documents of the selected offices, analysis of data and documentary evidences on the basis of audit criteria to arrive at audit findings, conclusions and recommendations. Audit findings were discussed with the departmental officers in an exit conference (October 2009) and their views, wherever available, had been incorporated in the review.

Audit findings

The important points noticed in implementation of the programme are discussed in the succeeding paragraphs.

1.1.7 Planning

Planning is an integral part of programme implementation. The Department did not prepared any perspective plan for systemic implementation of the scheme under AIBP. The details of financial and physical status of the two major, one medium and 453 minor irrigation projects under AIBP in the State as on March 2009 are shown in the table below:

Table 1

(Rupees in crore)

Name of the projects	Estimated cost		Scheduled date of completion		Actual commencement of work	Total expenditure (March 2009)	Creation of irrigation potential (in hectare)	
	Original	Revised	Original	Revised			Target	Actual
Thoubal	47.25	715.81	1987	3/2009	1982	647.53	33,400	10,061
Khuga	15.00	381.28	1987	3/2010	1982-83	349.70	14,750	6,000
Dolaithabi	18.86	98.37	1996-97	2008-09	1992	88.37	7,545	Nil
Minor Irrigation	142.19	—	2009-10	—	2005-06	128.03	25,569	25,069
Total	**223.30**	**1195.46**				**1213.63**	**81,264**	**41,130**

Source: Departmental records

As can be seen from the above table, there was inordinate delay in completion of the major and medium irrigation projects. The revised cost of these projects has shot up by five to twenty five folds against the original estimated cost.

Detailed Project Report containing information about cropping pattern, detailed calculation of Benefit-Cost ratio, financial return, agriculture production in the under pre-project area and after completion of the project was not furnished to audit.

The main objective of the AIBP of speedy development of irrigation potential and its eventual utilisation for the benefit of the farmers, however, was not achieved due to poor planning for systematic implementation of the schemes and execution of works. As a result, against total target of irrigation potential of 81,264 hectares, only 41,130 hectares of irrigation potential was achieved as on March 2009.

1.1.8 Financial Management

The project-wise position of allotment of funds and expenditure during 2004-09 is shown in the table as below:

Table 2

(Rupees in crore)

Project	Funds released by Centre	Central funds released by State Govt.	State share released during 2004-09	Total funds made available	Total Expenditure**
(1)	(2)	(3)	(4)	(5)	(6)
Khuga	98.77	103.27*	77.16	180.43	181.67
Thoubal	291.66	263.70	131.31	395.01	418.54
Dolaithabi	65.96	34.92	27.14	62.06	62.06
Minor Irrigation	114.50	108.82	14.75	123.57	128.90
Total	**570.89**	**510.71**	**250.36**	**761.07**	**791.17**

* includes carry forward balances of the previous years

** Total Expenditure in column (6) is inclusive of sales tax, income tax *etc*. which are deductable from the contractor's bill through book-adjustment

Source: Departmental records

As seen from the table, the Government of India released a total of Rs.570.89 crore during the period 2004-09 for implementation of the two major, one medium and 453 minor irrigation projects. However, the State Government released only Rs.510.71 crore to the implementing agencies, withholding Rs.60.18 crore.

Test check also revealed that as against AIBP guidelines to release central assistances within 15 days of their receipt to the implementing agencies, the State Government released central funds with delays ranging from 165 to 206 days (Khuga Multipurpose Project), 10 to 337 days (Thoubal Multipurpose Project) and 10 to 252 days (Minor Irrigation projects).

(i) Rush of expenditure

As per General Financial Rules, money should not be spent hastily just to avoid the lapse of fund. It was, however, noticed that the Department incurred 16 to 71 *per cent* (Khuga), 23 to 67 *per cent* (Thoubal) and 11 to 46 *per cent* (Minor Irrigation) of the total expenditure in March alone, indicating that financial control mechanism as envisaged in the GFRs had not been exercised.

(ii) Parking of funds

Due to poor financial control, the following central funds was drawn and placed in '8449 – Other Deposits' and then withdrawn as follows:

- Rs.10.83 crore of Khuga Project deposited in March 2007, and withdrawn in piecemeal between July 2007 and July 2008;
- Rs.48.97 crore of Thoubal Project deposited between March 2007 and March 2009, and withdrawn between April 2007 and July 2009; and
- Rs.1.04 crore of Minor Irrigation projects deposited in March 2007, and withdrawn during March 2008.

AIBP funds were parked in this head of accounts on the instruction of the Finance Department to enable submission of utilisation certificates so as to obtain further AIBP funds from the Central Government. It was also noticed that subsequent withdrawals from the deposit head could only be withdrawn on the specific sanctions of the Finance Department.

Thus, release of Central funds was delayed and parking of funds hindered timely implementation of the projects.

(iii) Diversion of funds

Test check revealed that an amount of Rs.85.99 lakh of AIBP funds in respect of Minor Irrigation projects was utilized for other purposes *viz*., purchase of petrol, photocopier machine, Maruti Gypsy, repair works, payment of electricity bills, wall fencing, approach road, remuneration of Work Charged and Muster Roll staff *etc*. resulting in diversion of AIBP funds.

The Department admitted (October 2009) the fact and stated that the amount would be recouped when the State funds were available. However, no information on recouping of the diverted amount had been intimated (December 2009).

1.1.9 Programme Implementation

Important audit findings noticed in two major and 30 minor irrigation projects selected in the review are discussed project-wise as below:

(a) Khuga Multipurpose Project

The project work commenced in 1982-83 and was scheduled to be completed by 1987, later revised to March 2010. As of March 2009, only the dam and spillway portion had been completed, and canals works of about 59 km (70 *per cent*) of 84 km of targeted length had been reported as completed, achieving partial irrigation potential of 6,000 hectares.

However, joint inspection (June/July 2009) revealed that the only about 46 km of canal work was completed. Water on right side main canal could be

conveyed up to 10 km though construction up to 40 km had been completed. On left side main canal, water could be conveyed up to 2.20 km, as work had been completed up to that point. However, as of August 2007 the Department had already incurred Rs.2.39 crore on works beyond 6.50 km. This expenditure will be infructuous till the intervening stretches of the canal are connected. There was also no detail of irrigation potential of 6,000 hectares claimed to have been created by 2008-09.
Audit findings noticed are as follows:

(i) Sloughing down of the dam

The top portion of the dam developed a crack apparently due to subsidence of the underneath layers soon after its completion in March 2009. During a joint inspection (May 2009), it was noticed that a portion of dam in the upstream side near the Spillway had sloughed down for about 10 metres in length, due to which the retaining wall above the dam was found cracked in two portions on the downstream side, as evident from the photograph below:

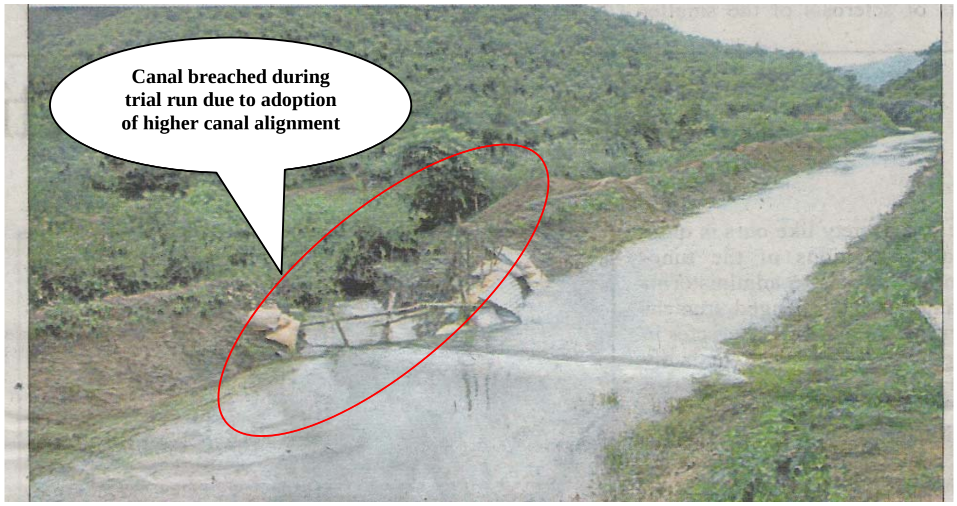
Crack developed in the retaining wall

During exit conference the Department stated (October 2009) that the defects had since been repaired. However, information regarding the amount involved, the design adopted, the man-power and technique used and the party who bore the cost of repairs could not be furnished. It is not clear how repairing work as serious as sloughing of dam could be done in such short time of six months and without department having any details of the repair work.

Thus, the prospect of 86.08 million cubic metres of water held by the dam gradually sneaking into the weak portions and breaching the dam at some point of time in future with catastrophic result cannot be ruled out.

(ii) Selection of alignment of canals

The alignment of the right side canal of the project for the first few kilometres was chosen at a higher level on the hill slopes, despite Executive Engineer's, Khuga Canal Division I observation (June 2004) that the alignment was three metres higher than designed and therefore could breach. The apprehension turned out to be correct, for on trial runs during June and July 2009 the embankments of the right side canal breached at three places *i.e.* RD 3.1, 5.3 and 9 km, as shown in the photograph below:



Breached canal of Khuga Project

Further, alignment of canal at higher level also led to abandonment of micro hydel project that was included in the initial project design, as pressure head of water was reduced due to the incorrect canal alignment.

Thus, incorrect canal alignment not only led to breaching of canal at three places during trial run but also abandonment of micro hydel project. The objective of providing irrigation facilities was also frustrated.

(iii) Undue benefit to contractor

For construction of right side main canal (RD 49.02 to RD 49.08 km) awarded (May 2000) to a local contractor, steel materials worth Rs.10.67 lakh had been issued to him. As the contractor neither took up the work nor returned the construction materials issued to him, cost of unreturned materials was recoverable at double the issue rate. However, no amount was recovered, resulting in undue benefit of Rs. 10.67 lakh to the contractor.

During exit conference the Department stated (October 2009) that they had sent circular to all the divisions of the department for effecting recovery of the dues from the contractor's payments available with them.

(iv) Suspected fraudulent expenditure

During July to October 2008, two Divisions[6] released an amount of Rs.15.27 crore to 66 contractors on hand receipts for construction of canals at different stretches. However, there were no agreements and recorded measurements for the works stated to have been done by the contractors.

The Department stated (October 2009) that it released the payments on the hand receipts due to urgency of utilisation of the cheque drawal authority

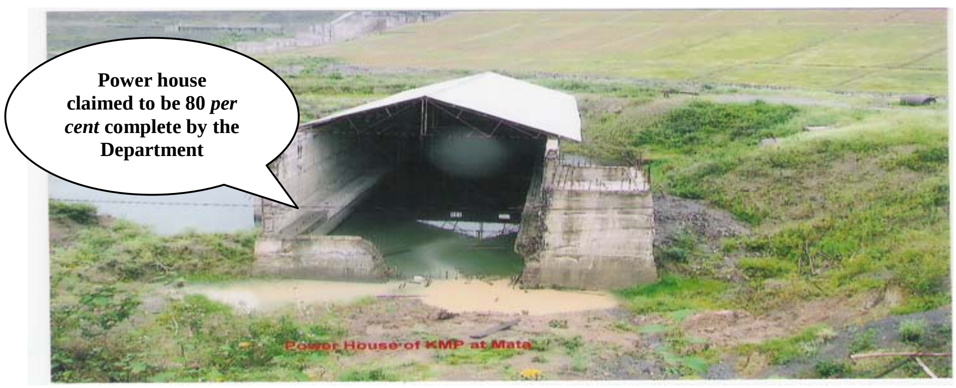
[6] Khuga Canal Division I and Khuga Canal Division II

within a limited period and the bills were prepared after the payments. The reply is not acceptable as there was no work order and no record of measurements in the measurement books for the works stated to have been executed and therefore, the payments appear to be fraudulent.

(v) Power Component

Although the department claimed to have achieved 40 *per cent* on the power component (3 x 500 KW) as a whole and 80 *per cent* on the civil construction works at a total expenditure of Rs.340.53 lakh, physical verification of the power house and electrical equipments did not corroborate the claim of the Department.

As of December 2009, the trifurcation penstock pipes have not yet been fitted, the motors were broken and some of the equipments stated to have been procured as early as 1991 were left uncared for in the open lawn for 18 years, as shown in the photographs below:



Power House

Trifurcation penstock pipes **Broken motors**

Transformers **Turbines**

(vi) Water Supply Component

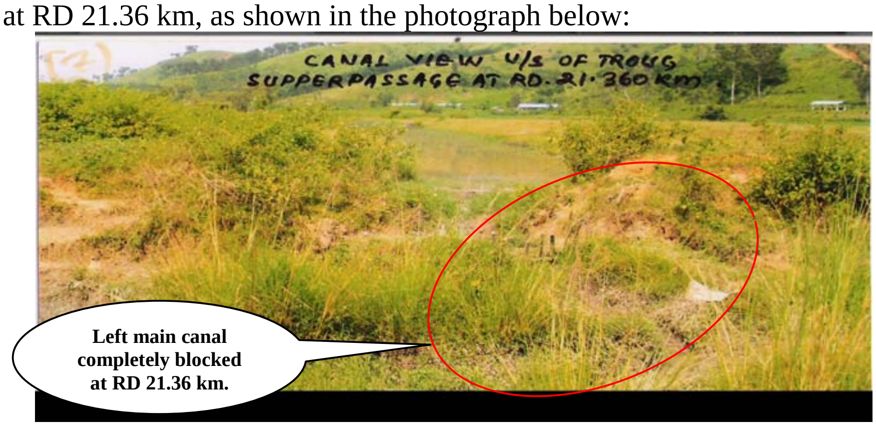
The water supply component[7] of the project was completed (February 1995) at a cost of Rs. 6.24 crore. However, during trial runs (February to May 1995) the delivery pipes failed. A vigilance enquiry (May 1997) pointed out design defects and it was decided that the work should be executed under the supervision of the Public Health Engineering Department. However, no rectification work had been taken up as of December 2009.

The initial decision to execute the water supply works by IFCD was incorrect as it did not possess the required technical experience, and led to not only wasteful expenditure of Rs. 6.24 crore but also deferring the intended benefits of providing drinking water facility to the 1.4 lakh inhabitants of Churachandpur town and its surrounding area.

The project scheduled to be completed by 1987 is still not complete even after 22 years, and is presently re-scheduled to be completed by March 2010. Till canal works are complete, the targeted irrigation potential of 14,750 hectares will not be achieved, despite completion of dam and spillway of the project.

(b) Thoubal Multipurpose Project

As of March 2009, only 60 *per cent* (dam), 70 *per cent* (spillway), 89 *per cent* (main canals) and 68 *per cent* (distribution system) had been completed. Joint inspection (August and September 2008) observed that though the left main canal had been constructed up to RD 24.418 km, water could be conveyed up to RD 13.939 km. during rainy season only. Beyond this point, the flow of water was hindered by siltation, weeds and grasses and was completely blocked at RD 21.36 km, as shown in the photograph below:



Left side main canal blocked at RD 21.36 km.

In the Charangpat Branch Canal though construction had been completed up to RD 6.30 km, water could be conveyed in this branch canal only during the rainy season as there was insufficient water during lean seasons. Other audit observations noticed are as follows:

[7]Supply of 5 MGD by 1999-2000 to Churachandpur town.

(i) Extra expenditure due to delay in payment of arbitration award

An arbitration award of Rs.2.40 crore was to be paid (October 2008) to M/s Ansal Properties & Infrastructures Ltd. in respect of various claims raised by them, failing which the Department was liable to pay the contractor an interest at the rate of 18 *per cent* per annum from the date of award.

The Department requested (December 2008) for a cheque drawal authority for payment of the award. However, the Finance Department delayed issuing cheque drawal authority till 27 March 2009. Consequently, the Department had to pay an avoidable interest of Rs.18.36 lakh[8] to the contractor.

The arbitration award could have been paid from central fund of Rs.24.54 crore withhold by the State Government during 2008-09 and thus the interest payment could have been avoided.

(ii) Recovery of interest

Over the years the Department had given several mobilization and machinery advances to the contractors engaged in construction of the spillway. However, the Department did not recover the full interest amount due from the contractors. Test check of three running account (RA) bills[9] revealed that the department recovered Rs. four crore short from these RA bills, extending undue financial aid to the contractor. The Department stated (October 2009) that they would soon recover the balance amount. However, no recovery has been intimated as of December 2009.

(iii) Undue benefit to contractor due to non-adoption of justified rates

The Department made (April 2005) a second revision of rates of the balance works of the project and worked out a justifiable cost of Rs.289.72 crore (dam) and Rs.77.74 crore (spillway). These were done on the base price of 2005 by adopting the norms of cost control of CWC for working out a justifiable amount.

The firms, however, refused to execute the balance works at these amounts stating that they had to incur huge additional expenses due to adverse law and order situation. The Government ultimately approved the cost of the balance works at their negotiated rates of Rs.294.18 crore (dam) and Rs.78.90 crore (spillway). These were respectively Rs.4.46 crore and Rs.1.16 crore above the justified rates. This resulted in extending undue benefit of Rs.5.62 crore to the firms.

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[8] Of this, to the end of March 2009, the Department had paid Rs.14.30 lakh (Cheque No. D 059 530 dt. 26.3.09 – Rs.12.30 lakh and Cheque No. D 059 562 dt. 30.3.09 – Rs.2.00 lakh). A sum of Rs.4.06 lakh was adjusted by short recovery of Machinery Advance from the contractor in the 111th RA bill.

[9] Rs.57.55 lakh (101st RA bills), Rs.185.49 lakh (110th RA bills) and Rs.156.60 lakh (113th RA bills)

In another case, the Department sanctioned (February 2008) two extra items[10] in the Spillway and allowed rates higher than the justified rates giving an undue benefit of Rs.7.44 lakh to the contractor; of which Rs.4.47 lakh[11] had been so far paid as of July 2009.

The Department stated (October 2009) that in view of the disturbed situation under which the contractor was working the excess was negligible. The reply was not acceptable as by that time the Government had posted adequate security and good working atmosphere had been restored to the site.

(iv) Infructuous expenditure on shifting of canal alignment

Contract of right main canal (November 1989) from RD 6 km. to 7 km was closed (January 1995) after payment of Rs.48.23 lakh and the balance work was awarded (December 2000) to another contractor and was paid a total amount of Rs.95.22 lakh[12] up to March 2007. However, during execution extensive sinking/depression of the canal banks were noticed at several places associated with heaving up of the adjoining paddy fields.

Geological Survey of India (GSI) advised (October 2004) to shift the alignment of the canal to a higher level as the soil conditions were unsuitable for canal alignment. The alignment was subsequently changed and work order for the new alignment was issued to a contractor in November 2006. Thus, the defective planning resulted in infructuous expenditure of Rs.1.43 crore on the old alignment.

The Department stated (October 2009) that soil testing was not generally done for canal embankments. The reply was not acceptable because GSI in a preliminary note had pointed out (April 1993) that the alignment between 5.9 to 7.3 km of the canal was not technically suitable. The Department while not considering the opinion of the GSI, awarded the balance work in December 2000, which led to infructuous expenditure of Rs.1.43 crore.

(v) Unjustified closure of works

Three canal works awarded to three contractors were closed without any justification after execution of 45 to 95 *per cent* of the works and the remaining portions of the works were awarded to new contractors at rates much higher than those of the original contracts resulting in extra expenditure of Rs.3.77 crore as of March 2009. Had the works been completed through the original contractors, this extra expenditure could have been avoided.

The Department stated (October 2009) that the construction works on the right main canal was suspended on the advice (February 1994) of the then Chief Engineer. When the works was decided to be resumed, the contractors

[10] Providing & fixing 25 mm dia anchors 2.5 M long dowel bars and Providing & fixing 25 mm dia anchors 3 M deep on Chute floor and anchored walls

[11] 1366 cum x (Rs.807 - Rs.782) + 7944 cum x (Rs.1718 - Rs.1666) = Rs.4.47 lakh

[12] up to 13th RA bill paid in March 2007

expressed their inability to continue at the old rates and the balance works were awarded to new contractors at the then prevailing market rates. Therefore, the extra expenditure was unavoidable. The reply was not acceptable as there were no justification for suspension of the works.

(vi) Infructuous expenditure on syphon construction

A canal syphon constructed (August 2000) at RD 25.518 km at a total cost of Rs.1.30 crore on the left main canal did not serve any useful purpose as construction of the canal was discontinued (November 1995) from RD 24.418 km, about one kilometre ahead of the syphon.

The Department stated (October 2009) that the canal syphon was necessary for some “policy of the Department” and in consideration of the Wangjing River Project though construction of the left main canal beyond 24.418 km could not be taken up due to land dispute. However, the Department did not elaborate what “the policy of the Department” was and how a structure of the Thoubal Multipurpose Project had anything to do with another river project not connected with it.

(vii) Power Component

The work of power component (3 X 2.50 MW) was awarded (June 1992) to a firm[13] at Rs.5.52 crore for completion by July 1994. The firm supplied power equipment worth Rs.2.90 crore up to November 1995 and was paid (April 1997) Rs.2.26 crore. Thereafter, no further supplies were made.

As the shed where the power equipment was kept was burnt down (July 2001) by militants, the equipment becoming unusable/obsolete by the time it is actually put to use after completion of dam cannot be ruled out.

The Department stated (October 2009) that the contract with the firm would be rescinded and works for acquiring the remaining electrical parts, construction of the power channel and construction of the power house had been initiated.

The project scheduled to be completed by 1987 could not be completed even after lapse of 22 years. The date of completion was last revised on March 2009. However, subsequent revision beyond this has not been furnished. Considering the pace of construction of the project, the prospect of realising irrigation potential of 33,400 hectares in near future looks bleak.

(c) Minor Irrigation Projects

The State Government had completed 413 minor irrigation projects during 2004-09 with irrigation potential of 25,069 hectares. However, joint inspection (June/July 2008) of 13 minor irrigation projects (out of 30 projects selected in

[13] M/S Triveni Engineering Ltd.

the review) revealed that in most of the sites visited the farmers were getting water mainly during rainy seasons and there was insufficient water during lean seasons. Other audit observation is as follows:

(i) Construction of weirs

"Construction of pick up weir across Kongba River at Karongthong near Khabeisoi" sanctioned under AIBP during 2005-06 was awarded[14] (April 2006) to a local contractor at Rs.13.75 lakh and had been paid Rs.13.72 lakh[15] up to March 2009. During 2007-08 the same work was included under AIBP and the work was again awarded (January 2008) to the same contractor at Rs.17.51 lakh and had been paid (February and March 2009) Rs.10.42 lakh[16].

However, during field visit no structure was found at the stated site, except for a stack of about 2-3 truckloads of shingles, as shown below:

Proposed site for construction of the pick up weir **Shingles stacked for construction of the pick up weir**

The Department stated (October 2009) that the work was taken up in two phases – the first phase for construction of coffer dam, cut off walls, side walls below the ground level, wing walls and dam floor, and the second phase for extra cut off wall, piers, slabs, shutters, apron and other super structures. The weir had been constructed at different site at the request of the local MLA and produced photographic evidence of construction of the work.

The reply of the department is not acceptable as in both the occasions proposals of funds and work orders were made for construction of weir at Karongthong and not at another location. Department's contention of taking up the work in two phases is also not correct as the work was stated to have been completed in March 2007. Further, the Department could not specify the other location where the weir was constructed and the photographic evidence was that of a larger work of a barrage with provisions of gates/shutters and not that of a pick-up weir where gates/shutters are not to be fitted. Therefore, the possibility of payments of Rs.24.14 lakh without constructing any weir cannot be ruled out.

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[14] Agreement No.MID-III/Agrt/2005-06/82 dated 14.4.2006
[15] 4th and final bill - 31.3.2009
[16] 18.2.2009: Rs.2.89 lakh and 31.3.2009: Rs.7.53 lakh

1.1.10 Impact assessment

The viability of irrigation schemes is measured by the economic benefits that would accrue to the beneficiaries through increase of irrigation. Against targeted irrigation potential of 81,264 hectares, only 41,130 hectares (51 *per cent*) had been created as of March 2009. Out of the irrigation potential created so far 61 *per cent* was from minor irrigation projects.

However, creation of irrigation potential of 41,130 hectares raises a question on the veracity of the achievement claimed by the Departments, as evident from the preceding paras. In Khuga Project, water was conveyed only for about 12 km against completed canal length of 59 km while in Thoubal Project and the 13 minor irrigation projects physically verified during audit, water could flow in canals only during rainy seasons.

Audit also analysed the success of the programme by measuring agricultural productivity in the State. Production of major crops in the State during 2004-09 is shown in the table below:

Table 3

(in thousand MT)

Year	Rice	Wheat	Maize	Pulses	Oilseeds	Sugarcane
2004-05	457	3	32	18	22	224
2005-06	393	5	29	20	22	237
2006-07	418	5	32	19	23	255
2007-08	516	5	32	21	25	263
2008-09	518	5	36	23	26	298

Source: Records of State Agriculture Department

As can be seen from the above table, crop productions have either remained stagnant or improved marginally during these years, and is indicative of the fact that irrigation potential created have marginal or no impact on the agriculture of the State.

1.1.11 Monitoring and Evaluation

As per guidelines, the Central Water Commission (CWC) was required to monitor the major projects through field visits at least twice a year. However, in respect of the two Projects only six such visits had been made by the CWC during 2003-09. The CWC observed that the length and discharge of the canals had been altered from the original plan which would alter the scope of the project, late release of central assistance, non-availability of adequate construction materials in time, and that funds were used on components not included in the AIBP. Monitoring of minor irrigation projects was to be done by the State Government through independent agencies periodically and assessed against pre-determined targets. However, no such monitoring was conducted. The Department stated (October 2009) that representatives of the Government, the Chief Engineer of the Department and the Executive Engineers concerned monitored the projects on earlier occasions. This was not acceptable as monitoring was to be done by independent agencies.

Monitoring of the programme was essential to judge extent of success or failure of projects and for taking remedial measures. However, no evaluation studies of AIBP were carried out to ascertain the success parameters and utilisation of the potential created in the State. Therefore, the much delayed major and medium projects needs more stringent monitoring.

1.1.12 Conclusion

The objective of speedy development of irrigation potential and its eventual utilisation for the benefit of the farmers was not achieved to the desired extent in the State, due to inherent deficiencies in planning, financial management, execution, major deficiencies in selection of canal alignments and monitoring. Funds were released with inordinate delays. The major projects had not been completed even after 22 years after the original schedule date of completion. Due to inordinate delay in completion of the major and medium projects, the latest estimated cost of the projects shot up by Rs. 1,114.35 crore, nearly 15 times of the original estimated cost. As against creation of total irrigation potential of 81,264 hectares, irrigation potential of 41,130 hectares (51 *per cent*) has only been created as of March 2009. Evaluation studies of AIBP were not carried out to ascertain the success parameters and utilisation of the potential created in the State.

1.1.13 Recommendations

- The Department should adopt adequate planning process for taking up/execution of projects so as to avoid cost and time over-run of project.
- Financial management should be streamlined to ensure timely release of available funds to the implementing agencies and avoid diversion of funds.
- Special efforts should be taken up for completion of projects on war footing so that targeted irrigation potential could be created timely for its eventual utilisation for the benefits of the farmers.
- Regular monitoring of the projects should be carried out by an agency independent of the construction agency. There should be regular evaluation to assess impact of the completed projects.

PUBLIC HEALTH ENGINEERING DEPARTMENT

1.2 Accelerated Rural Water Supply Programme

Highlights

The Accelerated Rural Water Supply Programme aimed at accelerating the coverage of uncovered habitations in rural areas with provision of safe and adequate drinking water, besides revival of traditional water sources. A performance review of the programme revealed poor planning, execution of works with time and cost overrun, inadequate monitoring of quality of water and short achievement of targeted objectives. Adequate drinking water was yet to be provided to 68 *per cent* habitations as of March 2009. Despite spending Rs.272 crore during 2004-09 on the programme, no evaluation studies had been carried out to ascertain the extent of the achievement of the objectives of the programme.

The significant audit findings are highlighted below:

There were significant deficiencies in the conduct of Habitation Survey which adversely affected the quality and reliability of the survey data, and thus its utility for planning purposes.

(Paragraph 1.2.7)

In the absence of adequate and detailed planning, works were taken up in an *adhoc* fashion, without a clear prioritisation of problem habitations. This impacted the coverage of habitations, especially prioritisation of incomplete works and uncovered/partially covered habitations.

(Paragraph 1.2.8)

The State Government was deprived of Central assistance of Rs.39.10 crore due to late submission of proposals for second instalment and excess opening balances.

(Paragraph 1.2.9 (i))

Delay in completion of 94 schemes resulted in cost overrun of Rs.8.01 crore.

(Paragraph 1.2.10 (i))

The slip back of fully-covered habitations continued to be a major problem, thus, raising the issue of indefinite continuity of the programme.

(Paragraph 1.2.10 (iv))

1.2.1 Introduction

The Accelerated Rural Water Supply Programme (ARWSP) was introduced by GOI in 1972-73 to assist the States and Union Territories with 100 *per cent* grants-in-aid to provide drinking water in problem villages[17]. This was withdrawn in 1974-75 with the introduction of the "Minimum Needs Programme" (MNP). However, as the MNP was not found satisfactory, ARWSP was re-introduced in 1977-78 to accelerate the pace of coverage of problem villages. The entire programme was given a mission approach with the introduction of the National Drinking Water Mission (NDWM) in 1986. The NDWM was renamed as Rajiv Gandhi National Drinking Water Mission (RGNDWM) in 1991 and covered ARWSP, sector reforms programme, sub-mission projects and support services. The sector reforms programme, launched by the GOI on a pilot basis during 1999-2000, was modified and launched as Swajaldhara on 25 December 2002.

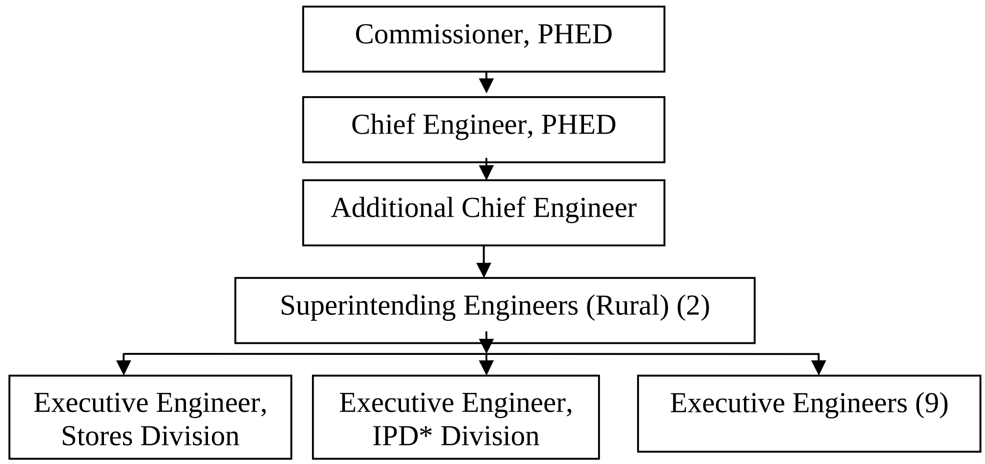
The objectives of the programme were as follows:

- To ensure coverage of all rural habitations with access to safe drinking water;
- To ensure sustainability of drinking water systems and sources;
- To tackle the problem of water quality in affected habitations; and
- To institutionalise the reform initiative in the rural drinking water supply sector.

1.2.2 Organisational Set up

The Public Health Engineering Department (PHED) is the nodal department for implementation of the programme in the State with the Commissioner (PHED) as the Administrative Head. He is assisted by the Chief Engineer, who is the Head of the Department and assisted by an Additional Chief Engineer and two Superintending Engineers. At the district level, nine Executive Engineers are responsible for implementation of the programme. The organisational structure of the Department is given below:

[17] Habitations not having a water source within 1.6 km (or within 100 m elevation in hilly areas) of its location, or habitations having a water source but affected with quality problems, or habitations where quantum of available safe water from any source is not enough to meet drinking and cooking need.



* Investigation, planning and design

1.2.3 Scope of Audit

The implementation of the programme in the State during 2004-05 to 2008-09 was reviewed during April to June 2009 by a test check of the records of the Chief Engineer, PHED. Records of four districts[18], out of nine districts implementing the programme and also Stores Division, Monitoring and Evaluation and IPD Division were selected by Simple Random Sampling Without Replacement (SRSWOR) method for detailed scrutiny, covering an expenditure of Rs.117.40 crore, out of a total expenditure of Rs.272.38 crore.

1.2.4 Audit Objectives

The main audit objectives were to assess whether:

- Survey of habitations was conducted effectively for authentic and reliable data;
- Projects under ARWSP were formulated in conformity with programme guidelines;
- Financial Control was sufficient and effective;
- Execution of schemes was done economically, efficiently and effectively;
- There was an adequate and effective mechanism at different levels for monitoring and evaluation of the scheme;
- The objective of the programme to provide rural habitation with safe drinking water was achieved.

1.2.5 Audit Criteria

Audit findings were benchmarked against the following audit criteria:

- Guidelines for implementation of ARWSP (August 2000);

[18] (i) Imphal East (ii) Bishnupur (iii) Ukhrul (iv) Churachandpur

- Guidelines on Survey of Drinking Water Supply Status in Rural Habitations (February 2003);
- Guidelines for National Rural Drinking Water Quality Monitoring and Surveillance Programme.

1.2.6 Audit Methodology

The methodology included selection of units/schemes based on SRSWOR method, holding of an entry conference (April 2009) with the Department, checking of the relevant records, analysis of the data and documentary evidence on the basis of audit criteria to arrive at audit findings, conclusions and recommendations. Joint physical verification of six schemes was also conducted. Audit findings were discussed with the Commissioner, PHED and other Departmental officials in an exit conference (September 2009) and the replies of the Department have been incorporated in the review at appropriate places.

Audit Findings

The important points noticed in the course of the review are discussed in the succeeding paragraphs.

1.2.7 Status of Habitations

For the effective implementation of Rural Water Supply Programmes, availability of basic data is an essential pre-requisite condition. For this purpose, the GOI issued (February 2003) detailed guidelines to conduct a survey in order to ascertain the status of the rural habitations with regard to availability of drinking water.

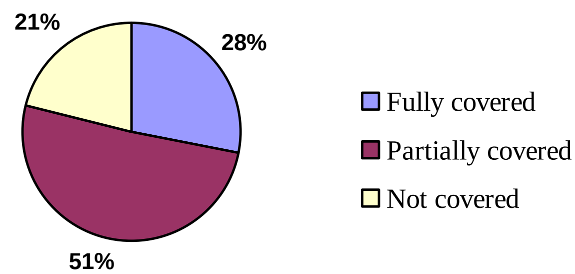
The survey work in the State started in 2003 through an NGO (Community Polytechnic Society, Imphal). However, the NGO, after a delay of more than three years, submitted the survey report to the GOI in December 2006. An amount of Rs.12.74 lakh was paid to the NGO for the survey. The delay was attributed (December 2009) by the Department, mainly to the adverse law and order problem in the State, and also due to the time taken in modifying and updating the survey data, which was necessary to correct the inconsistencies in the survey data.

The above reasons do not justify the delay of the survey work by more than three years and indicates a slack attitude of the Department in planning the survey work. As per the survey report there was a total of 2,734 habitations[19] (FC-602, PC-1,293 and NC-839). However, the Department arrived at a total

[19] Habitations include Fully Covered (FC): Habitations which receive 40 litres of water per capita per day (lpcd) and are located within 1.6 km of water source or at an elevation of 100 metres in hilly areas; Partially Covered (PC): Habitations which have a safe source within 1.6 km in plains and 100 metres in hill areas, but whose water availability ranges from 10 to 40 lpcd and Not Covered(NC): Habitations which do not have any water source within 1.6 km in plains and 100 metres in hill areas.

habitation of 2,870 habitations (FC-789, PC-1,467 and NC-614) after the necessary updation and modification as shown below.

Status of coverage of habitations
Total number of habitations=2,870



However, audit scrutiny revealed the following deficiencies in the conduct of survey:

- No survey form was printed.
- Chief District Co-ordinators/Joint Co-ordinators were not appointed for the survey and training was not provided to the staff carrying out the survey.
- Detailed maps were not prepared.

Moreover, the stipulated five *per cent* test checks of the survey data by the supervisory officers at State/District level were not conducted. The Department stated (September 2009) that necessary five *per cent* test check was conducted. However, no documentary evidence could be produced to audit in support of their contention.

Thus, as the survey was not conducted as per the guidelines, the quality and reliability of the survey data could not be vouchsafed and therefore, its usefulness for planning purposes could not be ensured. Further, the delay in bringing out the survey report by more than three years had adverse implications in the interim changes in the status of habitations.

1.2.8 Planning

The guidelines of ARWSP envisaged preparation of an Annual Action Plan (AAP) by the State Government within six months before the commencement of the financial year, to provide a framework for execution of the schemes and for monthly/quarterly monitoring of physical and financial progress. The AAP should give priority to completion of the incomplete works over taking up of new works, ensuring completion of works on schedule, indicating target of coverage of NC/PC habitations and also whether habitations would be covered fully or partially and population to be benefited indicating separately the SC/ST population.

While the AAPs were prepared at the State level, the Divisional level AAPs were not prepared. The AAPs did not indicate the shelf of schemes, likely size of allocations, and priority for completion of incomplete works over taking up of new works. Further, the AAPs were not prepared at the prescribed time schedule and funds were released by the GOI without any reference to the AAPs. The Department also did not prepare any revised AAP during 2004-09 on receipt of yearly fund allocation.

The Department accepted the fact (October 2009) that details of shelf of schemes, likely size of allocations, and priority for completion of incomplete works over taking up of new works were not indicated in the AAPs. Further, they admitted that the AAPs could not be prepared in time and assured that the AAP shall henceforth be prepared in time as per GOI's guidelines.

Thus, it is clear that in the absence of adequate and detailed planning, works were taken up in an *adhoc* fashion, without a clear prioritisation of problem habitations. This had an adverse impact on the coverage of habitations, especially prioritisation of incomplete works and habitations with SC/ST population.

1.2.9 Financial Management

ARWSP is fully funded by the GOI. The State Government is required to match the funds released by the GOI on 1:1 basis under MNP. Under the ARWSP, 15 *per cent* of allocation is earmarked for operation and maintenance and 35 *per cent* is to be spent on the coverage of SC/ST habitations. 15 *per cent* of funds can be utilised to take up projects to tackle water quality problems and 5 *per cent* to ensure source sustainability.

(i) Allocation and utilisation of funds

The year-wise details of the GOI releases and expenditures under ARWSP and MNP during 2004-05 to 2008-09 are shown below.

Table 1

(Rupees in crore)

Year	Funds allocated by GOI	Funds released by		Expenditure		Savings (-)/ Excess (+)	
		GOI ARWSP	State MNP	ARWSP	MNP	ARWSP *(per cent)*	MNP *(per cent)*
2004-05	21.03	21.03	8.80	18.13	10.28	(-) 2.90 *(14)*	(+) 1.48 *(17)*
2005-06	34.31	27.03	11.15	18.61	15.32	(-) 8.42 *(31)*	(+) 4.17 *(37)*
2006-07	33.79	16.90	40.00	31.65	34.40	(+) 14.75 *(87)*	(-) 5.60 *(14)*
2007-08	45.59	45.59	36.27	33.00	29.67	(-) 12.59 *(28)*	(-) 6.60 *(18)*
2008-09	50.16	35.23	37.55	38.27	43.05	(+) 3.04 *(9)*	(+) 5.50 *(15)*
Total	**184.88**	**145.78**	**133.77**	**139.66**	**132.72**	**(-) 6.12 *(4)***	**(-) 1.05 *(1)***

Source: Departmental records

A detailed analysis of the table revealed that during 2004-09, out of the total receivable funding amount of Rs.184.88 crore from the GOI, the State Govt. received only Rs.145.78 crore. The short release was attributable to late submissions of proposals for release of second instalments and excess opening balances. The Department stated (September 2009) that the excess opening balances were due to late release of funds by the GOI and the State Finance

Department to the PHED at the fag end of the year. Resultantly, the Department could not spend the allocated fund during the year. The Department also added (October 2009) that the failure of the State Government in releasing the required state matching shares was responsible for short release of central funds.

Thus, the State Government was deprived of the benefit of Central assistance of Rs.39.10 crore.

1.2.10 Programme Implementation

The year-wise targets for coverage of habitations and achievement there against during 2004-09 are shown below:

Table 2

Year	PC habitations			NC habitations		
	Target	Achievement	Shortfall *(Per cent)*	Target	Achievement	Shortfall *(Per cent)*
2004-05	80	56	24 *(30)*	20	14	6 *(30)*
2005-06	48	41	7 *(15)*	85	39	46 *(54)*
2006-07	172	104	68 *(40)*	204	74	130 *(64)*
2007-08	93	80	13 *(14)*	85	64	21 *(25)*
2008-09	184	89	95 *(52)*	60	26	34 *(57)*
Total	**577**	**370**	**207 *(36)***	**454**	**217**	**237 *(52)***

Source: Departmental records

It can be seen from the above table that out of 1,031(577 PC and 454 NC) habitations targeted for coverage during 2004-09, 587 (370 PC and 217 NC) habitations were covered during the period. Thus, there was a shortfall in coverage of habitations ranging between 25 and 64 *per cent* in respect of NC habitations and 14 and 52 *per cent* in respect of PC habitations.

The Department stated (September 2009) that the shortfall was mainly due to inadequate funds, adverse law and order situation prevailing in the State, bad road connectivity from place to place, restrictions in movement of staff and machinery, frequent bandhs and blockades, and restrictions in transportation of pipes and other store materials from outside as well as inside the State. The Department's contention in regard to inadequate fund is not acceptable as even the released/available amounts were not fully utilised.

(i) Execution of works

Test check of records in five divisions (Bishnupur, Churachandpur, Imphal-East, Ukhrul and IPD) revealed that 94 Water supply schemes taken up at an estimated cost of Rs.7.72 crore were completed at a total cost of Rs.15.73 crore resulting in cost overrun of Rs.8.01 crore due to delay in completion of the works ranging from one to seven years. Further, scrutiny of the records pertaining to the four selected districts disclosed that the implementing divisions could not complete 127 schemes under ARWSP (approved prior to July 2006) up to the end of March 2009.

The Department stated (September 2009) that the main reasons for execution of works with cost and time overrun were non finalisation of tenders in time due to disputes among the tenderers, restriction in timely transportation of materials and short duration of working season and bad road connectivity.

The fact, however, remains that execution of works with cost and time overrun is an indication of lack of proper planning as the problems stated by the Department were known to them earlier and these should have been taken into account while formulating plans for execution of the schemes.

(ii) Drinking Water facilities in Rural Schools

ARWSP Guidelines laid down that all rural Schools, Anganwadi Centres and Sub-centres were to be covered with drinking water facility by the end of Ninth Plan (31 March 2002). However, the department initiated no action for coverage of rural schools as of July 2009 and as such schools continued to be deprived of drinking water facility. The Department stated (September 2009) that steps have now been taken up by incorporating 273 schemes under Jalmani Programme (providing water to rural schools) and initiating Total Sanitation Campaign in various districts.

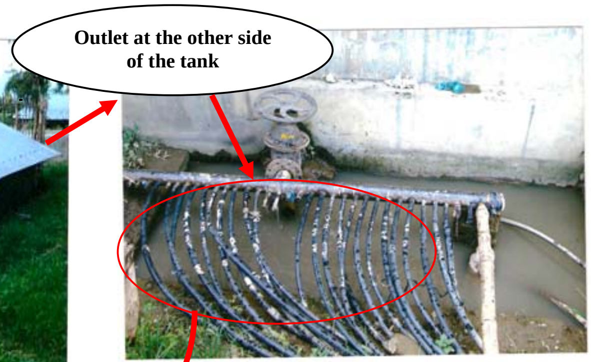
The fact, however, remains that due to delay in taking up the project in rural schools; no rural school was covered under this scheme during the period covered under audit.

(iii) Physical verification of Schemes

In order to ascertain the operational position of schemes on ground, a joint inspection team of the audit and the representatives of the Department physically verified (July 2009) six water supply schemes in two districts – (Churachandpur-4 and Bishnupur-2). Out of the six schemes, four were working properly and in two schemes, the audit noticed shortcomings, details of which are discussed below:

(a) ARWS Scheme/Rehabilitation of W.S. Scheme at Pearsonmun: The scheme which was to cover a habitation (Pearsonmun) of 1,574 ST population (2001 census) was commissioned (March 2008) at a cost of Rs.19.77 lakh. The joint inspection team found the following shortcomings:

- Pipes carrying water to the Reservoir and distribution to the public were all Polythene pipes instead of GI pipes.
- Drinking water was distributed without any public hydrant.
- Raw Water from the source was directly collected to the Service reservoir.
- Settling tank and slow sand filter were not constructed.



Collection of raw water from source directly to the service reservoir

Supply of raw water from the service reservoir using polythene pipes

Supply of raw water to the public without stand post public hydrant

The Department stated (October 2009) that polythene pipes were used due to shortage of G.I pipes. The fact, however, remains that as the raw water collected was directly supplied to the public without getting it passed to the settling tank and slow sand filter, the quality of water supplied to the public cannot be ensured as being free from harmful chemical and bacteriological elements. As such the villagers were exposed to the hazard of water borne diseases like cholera, typhoid and gastroenteritis.

(b) ARWS Scheme at Potshangbam: The scheme which was to cover habitation (Potshangbam) with population of 3,035 (2001 census) was commissioned in November 2008 at a cost of Rs.38.98 lakh. During joint inspection, it was found that the scheme was not functioning properly, as the pipe from the settling tank to the slow sand filter (SSF) was broken and the SSF was completely dried up, as shown in the photographs.

Broken pipe between Settling Tank and Slow Sand Filter

Dried up Slow Sand Filter

The Department stated (October 2009) that the scheme was handed over (November 2008) to the Potshangbam Water and Sanitation Committee for maintenance. Though, clearance of SSF was needed to be done periodically, the Committee did not have the technical skill to do the job. As such, they directly disconnected the pipes from the treatment unit and joined the raw water pipe directly to the distribution pipe. The Department further added that necessary training for operation and maintenance has been imparted to the Committee and the scheme is now functioning normally as per norms to make a sustainable method.

The reply is not acceptable as the schemes are to be maintained properly after its commissioning so as to tackle the problem of slip back and the schemes are to be handed over to the PRIs, cooperatives, women groups, Self Help Groups *etc*. for maintenance, only after imparting the essential technical know-how of their operation and maintenance.

(iv) Slip back[20] of habitations

The status of habitations, as on 1 April 2003 and 1 April 2009, is given in the table below:

[20] Slip back means FC becoming PC or NC and PC becoming NC.

Table 3

Habitations	Status of Habitations (March 2003)	No of habitations covered during 2004-09	Expected total no. of habitations (March.2009)	Actual status of Habitations (March 2009)	Slip back
1	2	3	4	5	6
Fully Covered (FC)	789	587 habitations were converted to FC	1376	904	472
Partially Covered (PC)	1467	370 PC were converted to FC	1097	1378	281 FC slip-back to PC
Not Covered (NC)	614	217 NC were converted to FC	397	588	191 FC slip back to NC
Total	**2870**			**2870**	

Source: Departmental records

Thus, it is clear from the table that, 472 FC habitations slip-backed to PC and NC habitations as of March 2009. Neither reasons were recorded in the Departmental records nor the Department conducted any analysis of the reasons for slip-back of habitations from FC to PC/NC.

However, the Department stated (September 2009) that 15 *per cent* of funds provided for maintenance work were not enough, and in spite of handing over the completed schemes to the Panchayati Raj Institutions (PRIs) for maintenance, the PRIs did not take any interest and schemes handed over to them were to be taken back by the Department for maintenance. The Department further added that slip-back is a countrywide phenomenon and attributed it to drying up of water sources, meagre fund provided by the State and increase in population and assured that they were trying to control this issue.

The reply of the Department itself is an admission of the fact that if the issue of slip-back is not controlled properly, it would lead to indefinite continuation of the programme and also raise a question on the achievement of the scheme.

1.2.11 Operation and Maintenance

Guidelines provide that up to 15 *per cent* of the funds released every year under ARWSP to the States may be utilised for operation and maintenance of the existing Water Supply Schemes.

Test check of the records in four divisions revealed that during 2007-09, these divisions had incurred Rs.4.38 crore (Bishnupur-Rs.51.46 lakh, Churachanpur-Rs.104.40 lakh, Imphal East-Rs.153.76 lakh and Ukhrul-Rs.128 lakh) out of MNP funds on operation and maintenance of schemes by way of payment of salaries of work charged staff and Muster Roll wages. The divisions did not maintain any record regarding functional and non-functional schemes. As such, the extent of assets becoming non-functional due to non-maintenance could not be ascertained.

1.2.12 Water Quality Monitoring and Surveillance

(i) Procurement and Distribution of Field Testing Kits

ARWSP envisaged building capacity of Panchayats to own Field Test Kits and take up full operation and maintenance responsibility for water quality monitoring of all drinking water sources in their respective PRI areas. Further, hundred *per cent* testing of all sources at the village level was to be done by grass root level workers from Gram Panchayat (GP)/Village Water and Sanitation Committee.

It was, however, noticed in audit that no field testing kits were issued to GP level functionaries. As such, the objective of institutionalising water quality testing at the grass root level was not achieved. In response, the Department stated (December 2009) that Field Testing Kits were to be distributed to GP level functionaries after giving proper training to them and as no training was imparted to them during the period covered under audit; Field Testing Kits were not distributed.

Thus, delay in distribution of the Field Testing Kits by the Department to GP level functionaries would impact in realising the objective of institutionalising water quality testing at the grass root level.

(ii) Establishment of Water Quality Laboratories and Institutions

According to the ARWSP Guidelines, establishing of water quality laboratories, implemented at three levels, consisting of a nodal unit at the top level, intermediary level (district laboratories) and grass-root level units, should be one of the components of the water quality monitoring and surveillance programme and hundred *per cent* funding was to be provided to the States for strengthening water quality monitoring facilities. The Department identified (November 2006) the Ecology and Environment Wing (Forest and Environment Department) as State referral institute. However, it was found that no samples have so far been referred to the institute. Though the Department has a central Water Testing Laboratory at Lamphelpat, but at the intermediary and grassroots levels, there were no laboratories in the District and village levels. The position of water samples collected from the districts for conducting tests during 2004-09 by the Central Laboratory is given in Table below.

Table 4

Districts	Minimum number of samples to be tested as per norm	Number of samples collected and tested	Shortfall	Number of samples found to be potable water
Bishnupur	60	14	46	10
Thoubal	60	19	41	8
Tamenglong	60	Nil	60	Nil
Ukhrul	120	6	114	5
Churachandpur	600	9	591	4
Chandel	60	9	51	4
Senapati	120	8	112	6
Imphal East	120	10	110	8
Imphal West	60	Nil	60	Nil
Total	**1260**	**75**	**1185**	**45**

Source: Departmental records

As can be seen from the above table that during 2004-09, the Central Laboratory could collect and test only 75 (6 *per cent)* samples against prescribed norm of 1,260 samples and that, out of 75 samples collected and tested, only 45 were found to be potable. This illustrates that the quality of water which the Department supplied to the public for drinking was not safe. The Department stated (October 2009) that inadequate testing of water quality was mainly due to shortage of staff and lack of fund *etc*. and assured that it will look into the matter seriously and try to strengthen the water quality testing laboratory.

However, the fact remains that failure to ensure adequate testing of water quality is fraught with serious implications on health of the people and expose them to hazard of water borne diseases.

1.2.13 HRD and IEC activities

As per ARWSP Guidelines, States were required to set up State Level Human Resource Development Cell (HRD Cell) aimed at empowerment of Panchayati Raj Institutions/Local bodies with the objective of enabling them to take up operation and maintenance activities related to rural water supply systems and also for capacity building of local communities by giving requisite Grass Root Level Training (GRLT). In addition, awareness programmes were to be taken up on water borne diseases through Information, Education and Communication (IEC) activities. However, audit found that there was no State level HRD cell and no training under GRLT was imparted. Thus, lack of HRD and IEC activities resulted in poor/negligible participation of the PRIs/Local bodies in operation and maintenance activities which impacted the implementation of the ARWSP schemes.

The Department stated (October 2009) that HRD Cell was discontinued after the establishment of Communication and Capacity Development Unit (CCDU) in 2006 and since then various IEC activities has been taken up. However, no documentary evidence for conduct of any HRD and IEC activity during 2004-09 could be produced to audit.

1.2.14 Sustainability of water sources

Guidelines provide that five *per cent* of ARWSP funds were to be kept aside for sustainability projects including ground water recharge and rain water harvesting. Different technological options need to be explored depending on the local requirement. The Department was to adopt and implement a model bill to regulate and control development of ground water, especially in water stressed areas.

Audit scrutiny, however, revealed that the Department had not passed and implemented the model bill for controlling development of ground water in stressed areas. No record for ground water based schemes was maintained. No fund was earmarked for sustainability. The Department accepted (October 2009) the fact and stated that they have no scheme for source sustainability as of now and further added that the augmentation of schemes has been taken up for the schemes which are affected by source depletion by identifying another perennial source.

The reply of the Department is not acceptable as in the absence of adequate attention being paid to sustainability, slip-back of habitations will continue to be a major problem and thus, the long term future of rural water supply and ARWSP would certainly be adversely affected.

1.2.15 Material Management

Scrutiny of records in two divisions (Ukhrul and Imphal-East) revealed that material valued at Rs. 57.30 lakh – (Rs.39.08 lakh for Ukhrul and Rs. 18.22 lakh for Imphal East) were procured from the Stores Division during April 2003 – August 2006. However, the materials were lying unused for the last three to six years (July 2009). The Division stated (October 2009) that all the materials have been issued and utilized for the respective works. However, no documentary evidence was produced to audit despite audit requisition.

Thus, procurement of material worth Rs.57.30 lakh in excess of requirement had not only resulted in blocking of funds but also hampered coverage of habitations where funds were needed.

1.2.16 Management Information System

The guidelines of ARWSP provide for establishment of a computerised Management Information System (MIS). Against the approved amount of Rs.224.62 lakh by the GOI for the purpose, an amount of Rs.41.15 lakh was received by the State Government as first instalment. The Department utilized the amount to impart computer training to 78 staff, development of seven office software and for procurement of hardware like server, desktops *etc*. No further fund has been released after the first instalment. As such, computerization of the Department is in the initial stage and the basic objective of MIS is yet to be achieved (March 2009).

1.2.17 Inventory of assets

As per guidelines, each village panchayat, block and district is required to maintain a complete inventory of drinking water sources created under ARWSP, indicating the date of commencement and completion of the project, cost of completion, agency responsible for operation and maintenance and other relevant details. The inventory of assets created is also required to be available with the field functionaries of the implementing Department. It was, however, noticed in the test-checked divisions that no records of assets created had been maintained. Thus, due to non availability of the proper records, assets created during implementation of the programme could not be ascertained.

1.2.18 Swajaldhara

Swajaldhara is a modified form of Sector Reforms Programme launched on 25 December 2002, and is a part of the transformation of ARWSP from a supply driven model to a participatory, demand driven approach. Under Swajaldhara, the assets created were to be fully owned by the appropriate levels of PRIs, which would have the power to plan, implement, operate and maintain all water and sanitation schemes (hundred *per cent* responsibilities of operation and maintenance by the users).

As per the Swajaldhara Programme, States were required to enter into a Memorandum of Understanding (MOU) with the GOI, but no MOU had been signed as of August 2009. As per information furnished by the test checked divisions, only four projects had so far been implemented under the Swajaldhara in Churachandpur district. The schemes were completed in June 2008. Thereafter, no scheme was undertaken by the Department. Details of the four projects are given below:

Table 5

(Rupees in lakh)

Name of the Projects implemented	Funds released by the GOI	Expenditure incurred as of June 2008	Status of the Projects
Rural Drinking Water Supply Project under Swajaldhara at Muallum	43.00	12.46	The projects were completed by June 2008
Rural Drinking Water Supply Project under Swajaldhara at S. Molen		8.62	
Rural Drinking Water Supply Project under Swajaldhara at Dumlien		10.53	
Rural Drinking Water Supply Project under Swajaldhara at B Salvaphai		11.06	

Source: Departmental records

Out of the four schemes, two schemes[21] were physically verified and found to be functioning. Thereafter, no scheme has been taken up under Swajaldhara

[21] i) Rural Drinking Water Supply Project under Swajaldhara at Dumlien
ii) Rural Drinking Water Supply Project under Swajaldhara at B. Salvaphai

Thus, due to non-submission of proposals for new schemes by the State Government, the GOI had not released any fund for Swajaldhara projects from the year 2007-08 onwards and consequently, it could not avail of the benefit of Central assistance to achieve the objective of the programme.

1.2.19 Monitoring and Evaluation

ARWSP Guidelines envisage setting up of Vigilance and Monitoring Committees at State, District and Village level and regular meeting of the Committees are required to be held. No such committees were, however, set up in the test-checked divisions. Reasons for not setting up the Committees were not stated and there was no record to show that monitoring through field inspection was carried out. In addition, no evaluation of the impact of implementation under ARWSP had ever been carried out by the PHED or any Government agency since the beginning of the programme. Thus, monitoring was poor both at the Departmental and Governmental level.

Timely submission of Annual Progress Reports for the period 2004-09 to the Centre could not be verified in audit, as no documentary evidence was produced by the Department. However, the Department stated (October 2009) that the Annual Reports were not sent in time due to non submission of timely reports from the divisions.

The delay in their submission would handicap the Central Government to monitor the progress and quality of the programme and hamper in taking timely appropriate corrective measures.

Internal control is a management tool to ensure that the objectives are achieved in an effective and orderly manner, assets are safeguarded and rules and procedures are complied with. Reconciliation of monthly cash remittances to treasury and encashment of cheques through banks have not been conducted for years together. As a result possible cases of misappropriation of cash during transit and over-encashment of cheques by tempering the original amounts remain undetected. The Chief Engineer's office did not maintain any record on the date and amount of release of Cheque Drawal Authority. Works related records such as Works registers, Contractors' ledger, Works Abstracts and Deposits registers were not maintained. As such, progress of expenditures, amounts due to and recoveries to be made from contractors, progressive expenditures at any point of time and deposits awaiting refund to contractors could not be ascertained. Thus, the Department's internal control mechanism was weak and inadequate.

1.2.20 Conclusion

The objective of providing safe drinking water to rural habitations was not fulfilled due to significant deficiencies in conducting of survey and planning being not based on detailed habitation-wise survey and analysis. Due to deficiencies in planning, delay in execution of schemes, poor monitoring and evaluation mechanism, adequate drinking water was yet to be provided to 68 *per cent* habitations as of March 2009. There were cost and time overrun in the execution of the schemes. Inadequate attention to sustainability measures led to slip-back of schemes. The supply of safe drinking water was not ensured as the water quality monitoring and surveillance programme was not implemented fully. No field testing kits were issued to the Gram-Panchayat level functionaries. The Department did not ensure quality of water supplied to the public which had serious health implications. No Vigilance and Monitoring Committees at State, District and Village level had been set up and impact evaluation of the programme had neither been carried out by the Department nor by the Government.

1.2.21 Recommendations

- The Department should conduct surveys as per the guidelines to give authentic and reliable data for effective planning.
- The State Government should draw up a comprehensive plan to cover all rural habitations with adequate and safe drinking water, within a specified time frame.
- Financial management should be streamlined so as to utilise the available fund.
- Funds for sustainability and operation and maintenance should be properly utilised to address the issues of sustainability of water sources and systems and slip backs.
- Government should give special attention to covering water quality affected habitations and strengthen water testing facilities.
- Monitoring and evaluation mechanism should be strengthened to ensure timely completion of schemes to avoid cost overruns.

CHAPTER II
AUDIT OF TRANSACTIONS (CIVIL)

Fraud/misappropriation/embezzlement/losses

AGRICULTURE DEPARTMENT

2.1 Suspected fraudulent payment on fictitious work

Irregularities in records led to suspicion that work of construction of ring bund may not have been executed, resulting in suspected fraudulent payment of Rs. 32.65 lakh.

As per General Financial Rules (GFR) no work shall be commenced or liability incurred in connection with any work until administrative approval, expenditure sanction, sanction of detailed estimates have been accorded by competent authority. The Rules also stipulates that payments for all works be made on the basis of measurements recorded in measurement books. These provisions are applicable whether the work(s) is executed directly by the Department or through contractor(s).

Scrutiny (July 2008) of records of the State Mechanised Farm (SMF), Agriculture Department revealed that the Government accorded two Administrative Approvals (AA) and Expenditure Sanctions (ES) (August 2006 and March 2007) amounting to Rs. 32.65 lakh for construction of ring bunds covering 191 hectares of land at SMF, Lamphelpat and Regional Foundation Seed Farm (RFSF), Kharungpat under the scheme of Strengthening of State Seed Farm/Macro Management Mode of Agriculture (Centrally Sponsored Scheme). The sanctioned amount was paid in August 2006 and March 2007.

Essential records, as defined in the GFR, like detailed estimates, abstract of cost, measurement books, technical sanction *etc*. were not produced during audit. The only records shown to Audit were two work orders issued to a local supplier, four bills amounting to Rs. 32.65 lakh for supply of 3,265 truck loads of soil @ Rs.1,000 per truck load and two completion reports of the works of the two AAs/ESs, the details of which are as follows:

Date of AA/ES	Date of work order	Serial no. & date of the bill (Farm)	Voucher no. (date)	Date of completion report
24.8.06	21.8.06	066 of September 06 (SMF) 070 dated 22.9.06 (RFSF)	43 (26.8.06)	27.8.06
21.3.07	21.8.06	067 dated Nil (SMF) 069 dated Nil (RFSF)	81 (22.3.07)	27.8.06

(Source: Departmental records)

The records furnished to Audit revealed the following irregularities:

- The work orders pre-dates both AAs/ESs and the second work order pre-dates even the first AA/ES;

- In respect of the 1st AA/ES, the voucher number pre-dates the bills of the contractor and in respect of 2nd AA/ES, the voucher was prepared on the next day of issuing AA/ES; and

- In respect of 2nd AA/ES, the completion report pre-dates the AA/ES.

The SMF stated (May 2009) that other records[1] are not available in their office and to approach the Director, Agriculture Department. The information was called for (September 2009) from the Agriculture Department followed by reminders (October 2009 and December 2009) to the higher authorities. However, the reply is awaited (December 2009). In the absence of any information as regards to the exact location of these ring bunds, physical verification by Audit was also not possible.

In the light of the above facts, construction of ring bunds appears to be fictitious, resulting in suspected fraudulent payment for work that may not have been executed. The matter needs further investigation.

The matter was referred (June 2009) to the Government; reply has not been received (December 2009).

IRRIGATION AND FLOOD CONTROL DEPARTMENT

2.2 Loss to the Government

Instead of paying the rate for transportation of excavated earth for a lead of 100 metres, the contractor was paid at the rate applicable for carriage charge of 1 km, resulting in loss of Rs 7.87 lakh.

Scrutiny (January 2009) of records of Khuga Head Works Division, Irrigation and Flood Control Department (IFCD) revealed that the work of formation cutting and ground development for the construction of helipad at Khuga Dam Project (portion A and B) were awarded (June 2008) to a local contractor at a cost of Rs. 12.37 lakh and Rs. 11.98 lakh respectively.

For portion A, value of work of Rs.13.07 lakh had so far been executed (8641.65 cum @ Rs.151.20 per cum) and for portion B value of work of Rs. 5.80 lakh was executed (3838.70 cum @ Rs.151.20 per cum).

As per the estimate and tender, earth excavated for formation cutting was to be disposed off upto a lead of 1 km by mechanical transport. The rates quoted by the contractor was negotiated at Rs. 151.20 per cum after assessing the justified rate payable for the works taking into account the cost of transportation upto 1 km lead and cost of excavation at the present prevailing rate *i.e.* Manipur Schedule of Rates, 2008.

[1]Detailed estimates, technical sanction, tender notice, measurement book *etc*.

However, after rate negotiation, the specification of transportation of the excavated earth up to a lead of 1 km was modified to 100 metres in the work order, the reason of which was not on record and accordingly, the contractor had transported the excavated earth for a lead of 100 metres.

Since the contractor had transported the excavated earth upto a lead of 100 metres only, rate payable to the contractor was to be reduced to Rs.88.11[2] per cum. However, the contractor was paid @ Rs.151.20 per cum at the rate applicable for transportation for 1 km. This resulted in loss of Rs. 7.87[3] lakh to the Government.

The Department stated (July 2009) that transportation of excavated earth for a lead of 100 m as mentioned in the work order was a typing mistake and the lead in work order should have been 1 km. Department's reply is not acceptable due to the following reason:

- lead as mentioned in both work orders were clearly corrected by the department as 100 m by hand over a typed figure and therefore, the lead as mentioned in the work orders are unlikely to be erroneous; and

- leads were clearly recorded as 100 m in measurement books of both works.

The matter was referred (April 2009) to the Government; their reply has not been received (December 2009).

2.3 Suspected fraudulent payment

Fraudulent billing of hand receipt in a canal work has led to a loss of Rs.8.29 lakh to the Government.

As per CPWD works manual, the authorised forms of bills for payment of contractors/suppliers are First and Final Bill and Running Account (RA) Bill. Advance payment on hand receipt may be made when there is likely to be delay in authorizing payment for special reasons on a contractor's bill which is under check.

Scrutiny (February 2009) of records of the Khuga Canal Division-I, IFCD revealed that the work of "Improvement of Right Side Main Canal (RSMC) from Reduced Datum (RD) 6,115 m to 7,105 m" involving earthwork in excavation and banking of canal was awarded (November 2005) to a local contractor for Rs.60.56 lakh allowing a period of six months for completion of the work. The Department rescinded (August 2007) all the contract of improvement works of RSMC from RD 0 km to 20 km, including the above

[2] Rs.50 per cum (cost of excavation) *plus* Rs. 29.08 per cum (carriage charge for a lead of 50 metre; transportation for the 1st 50 m being free) *plus* Rs.4.36 (15% as contractor's profit on carriage charge) *plus* 5.6 % thereon as sales tax = Rs. 88.11 per cum

[3] 12,480.35 cum (quantity executed) X Rs.(151.20 - 88.11)= Rs.7.87 lakh

work due to slow progress of works and decided to take up the balance works departmentally by hiring heavy machinery.

The value of work done executed by the contractor up to 4th RA bill (November 2006) was Rs.48.77 lakh and as per the 5th RA bill (December 2007) the value of work done had progressed to Rs. 53.88 lakh, entailing a payment of Rs. 5.11 lakh to the contractor in the 5th RA bill. The contractor was paid (December 2007) Rs 2.40 lakh withholding Rs 2.71 lakh.

However, between these two RA bills (November 2006 to December 2007), the Executive Engineer (EE) concerned paid (March 2007) the contractor Rs.11 lakh on a hand receipt. The hand receipt bill was prepared without any basis, as no detail was recorded in the bill. There was also no justification to prepare a hand receipt bill between the two RA bills and the amount paid through the hand receipt had not been adjusted in the subsequent bill *i.e.* 5th bill. Thus, fraudulent billing of Rs.11 lakh on hand receipt has led the Government to suffer a loss of Rs.8.29 lakh[4].

When pointed out by Audit, the EE admitted (February 2009) the fact and stated that the amount will be recovered from the bills of other works executed by the contractor. Details of recovery made have not yet been furnished (December 2009).

The matter was referred (June 2009) to the Government; reply has not been received (December 2009).

2.4 Suspected fraudulent payment

Rupees 50 lakh appears to have been paid fraudulently to two contractors purportedly for hiring of machinery for a canal work.

As per Central Public Works Account Code, payments for work done should be made on the basis of measurements recorded in measurement books.

Scrutiny (February 2009) of records of the Khuga Canal Division No.-I, IFCD revealed that a decision was taken (May 2007) to discontinue the contracts for canal works due to slow progress of work and to take it up departmentally. For this, construction machinery were to be hired from private agencies @ Rs.11,400 (D-50 Bull Dozer), Rs.6,900 (JCB) and Rs.3,551 (Tipper Truck) per day.

The Department issued (August 2007) work order to a local contractor for hiring these machinery for the canal work between Reduced Datum (RD) 14,835 m to 19,475 m of the right side main canal. The work order did not specify the number of days for which these machinery were to be hired by the Department and the amount involved for hiring.

[4] minus the withheld amount of Rs.2.71 lakh of 5th RA bill.

The Executive Engineer concerned released (December 2007) an amount of Rs.25 lakh to the contractor on a hand receipt for hiring machinery for the above work. Another Rs.25 lakh was also released (December 2007) on hand receipt to another contractor for the same work, without issuing any work order to him. These hand receipts did not specify any reference to measurement book (MB), the details of the work or the quantum of machinery used for the above work.

When pointed out (June 2009) by Audit, the Department stated (December 2009) that the work from RD 14,835 m to 19,475 m of the canal was awarded (August 2007) to the two contractors in two separate stretches and enclosed relevant copies of file noting, work orders, bills received from the contractors and MB. The details of work orders, MBs and bills, as furnished by the Department are as follows:

Canal stretch (Name of the contractor)	**Date of commencement *(Date of completion)***	**Days taken for completion**	**Other remarks**
14,835 to 17,985 m (Contractor 'A')	20.10.07 *(30.11.07)*	42	Hire charge claimed for two machinery not included in the work order viz. hydraulic excavator and water pump.
17,985 to 19,475 m (Contractor 'B')	21.8.07 *(14.12.07)*	116	Hire charge claimed for 280 days (truck) and for 135 days (JCB), Bill dated 2.12.07

(Source: Departmental records)

Further analysis based on the reply of the Department revealed the following irregularities:

- 1st work - while the bill included two machinery that was not included in the work order, no justification nor any explanation to allow the contractor to deviate from the work order was furnished;
- 2nd work - the bill dated 2.12.07 claimed by the contractor pre-dates the date of completion by twelve days and hiring of machinery was claimed for 135 /280 days when the work was completed in 116 days;
- No output analysis had been made for any of the machinery hired by the Department to justify the amount claimed by the contractors; and
- While hiring of road rollers was required as per the work specification and departmental noting, no road roller was put to use or hired.

Further, the Department's reply of awarding the work to the two contractors in two separate stretches is not correct, as work order for the whole stretch from RD 14,835 m to 19,475 m was awarded to Contractor 'B' as per the records produced during audit.

Thus, Rs.50 lakh appears to have been paid fraudulently to the contractors on hand receipts without hiring any machinery from them.

The matter was referred (October 2009) to the Government; reply has not been received (December 2009).

MINORITIES AND OTHER BACKWARD CLASSES DEPARTMENT

2.5 Misappropriation of fund

Rupees 9.95 lakh deposited in the DDO's account for implementation of a scheme has been misappropriated.

Scrutiny of records (July/August 2009) of the Director, Minorities and Other Backward Classes Department revealed that the State Government accorded (March 2008) sanction of Rs.10.05 lakh for implementation of Para Medical Training of Minorities and Other Backward Classes under the Skill Development Programme for the year 2007-08. There was no Detailed Project Report and Guidelines for implementation of the scheme. As on August 2009, the beneficiaries had not been selected and the scheme was yet (August 2009) to be implemented.

The amount was drawn (March 2008) on Abstract Contingent bill and deposited in the current bank account[5] of the Drawing and Disbursing Officer (DDO) on 31 March 2008 in violation of the prevailing instruction of the Finance Department not to deposit any fund in the DDO's account except for the pay and allowances of the staff. The deposit was reflected in the cash book and shown as cash balance as of May 2009. Details of closing balances and its analysis were not maintained. No verification of closing balance and no certificate to this effect were on record in the cash book.

However, cross verification with the DDOs bank account revealed that there was a balance of Rs.10,083 only as on May 2009. The dates on which Rs.9.95 lakh was withdrawn could not be furnished to Audit. Thus, Rs.9.95 lakh appears to have been misappropriated.

The Department stated (August 2009 and November 2009) that explanation has been called from two staffs[6] and that the irregularity had been confirmed and requested the higher authority to recover the amount from the DDO.

The matter was referred (October 2009) to the Government; reply has not been received (December 2009).

[5] SBI Imphal Secretariat branch A/C no.10329727698
[6] Sr. Accountant and Head Clerk (former cashier)

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.6 Loss to the Government

Backfilling of excavated trenches with sand and gravel under sewerage project was paid at the rate applicable for backfilling with compaction by power roller of 8-10 tonnes capacity when such compaction by power roller was not possible, subjecting the Government to a loss of Rs.16.04 lakh.

According to the initial design and estimate of laying sewerage-pipe-network for Sewerage Project Phase-I (Zone-I) in Imphal town, sewer pipes of sizes ranging from 400 mm to 600 mm in diameter were to be laid in trenches up to a depth of around five metres. The pipes were to be laid in a protective bedding of alluvial gravel of thickness of at least 400 mm below and 200 mm above. Thereafter, the trenches should be backfilled with the excavated earth.

Scrutiny (March 2009) of records of the Drainage and Sewerage Division, Public Health Engineering Department revealed that the item of "back filling of the trenches with the excavated earth" included in the original work order was substituted by "filling with naturally occurring sand gravel" during execution on the advice of the state PWD. The description of the substituted item conforms to the specification for construction of road layer using naturally occurring sand gravel and compacting the road surface in layers not exceeding 150 mm by rolling with power roller of 8 to 10 tonnes capacity.

Scrutiny of records of 20 works revealed that the average depth of backfilling is 2.81 m in trenches of width of 2.10 m. Compaction of the filled sand gravel in layers of 150 mm with 8 to 10 tonne power roller at trenches of such depth and width is just not possible. There was no record to show that compaction of backfilling either by power roller or by other compaction techniques had been done.

The contractors were, however, paid Rs.112.30 lakh at the rate applicable for compaction with power roller for 19,301.90 cum of backfilling, as follows:

- Rs 77.06 lakh for 13,987.93 cum of backfilling @ Rs 550.91 per cum in 13 works; and
- Rs 35.24 lakh for 5,313.97 cum of backfilling at a higher rate of Rs 663.22 per cum for an unjustified longer lead for transporting backfilling material in 7 works.

The actual rate payable for these works at admissible transportation lead without compaction charges works out to Rs. 498.71 per cum[7]. The admissible

[7]Rs.62.70 per cum (cost of sand) *plus* Rs.309.73 per cum (carriage charges) *plus* Rs.56.90 (Spreading & levelling cost) *plus* Rs. 24.04 per cum (sales tax) *plus* 10 *per cent* thereon (percentage quoted above estimated cost)

payment for the total backfilling of 19,301.90 cum @ Rs.498.71 per cum accordingly works out to Rs.96.26 lakh. Thus, payment at higher rates which is inclusive for compaction of road surface has resulted in a loss of Rs.16.04 lakh to the Government.

The Department admitted (November 2009) the fact and stated that recovery would be made from the contractors.

The matter was referred (June 2009) to the Government; reply has not been received (December 2009).

PUBLIC WORKS DEPARTMENT

2.7 Loss to the Government

Government suffered a loss of Rs.21.63 lakh due to excess payment of Rs.1.63 lakh, and fraudulent payment of Rs.20 lakh to contractors.

Scrutiny (July 2009) of the records of the Ukhrul Division, PWD revealed that the work of "Improvement of Ukhrul Town Road (left out portion)" was awarded (November 2007) to a local contractor at a cost of Rs. 86.80 lakh. The work was completed in March 2008 at the awarded cost for which an amount of Rs. 58.37 lakh was payable to the contractor, after deducting Rs.28.43 lakh (Rs. 23.57 lakh being cost of bitumen supplied and Rs.4.86 lakh being VAT @ 5.6 *per cent* of Rs. 86.80 lakh). The contractor was, however, paid (March 2008) Rs.60 lakh in the First and Final bill leading to excess payment of Rs.1.63 lakh[8].

Further scrutiny of records revealed that the contractor was also paid (March 2008) Rs.15 lakh[9] and this expenditure was booked against the said work. No requisite records relating to the payment or change in the scope of the work could be produced to Audit. Further, an amount of Rs.5 lakh[10] was also paid to another contractor also charging the expenditure against the same work. The matter was pointed out (July 2009) to the Department. However, reply is awaited despite reminders (October, November and December 2009) to the higher authority. As the work has been completed at the awarded cost, further payment of Rs.20 lakh without any supporting documents was fraudulent.

Thus, the Department gave away a sum of Rs.21.63 lakh to contractors without any justification or even without any apparent reason and suffered a loss accordingly.

The matter was referred (August 2009) to the Government; reply has not been received (December 2009).

[8] Rs.60 lakh –Rs.58.37 lakh = Rs.1.63 lakh
[9] Voucher no. 4 dated 25.3.08 vide cheque no. D023763/000238
[10] Voucher no. 9 dated 26.3.08 vide cheque no. D023769/000238

Excess payment/wasteful/infructuous expenditure/Avoidable expenditure and other payment

MINORITIES AND OTHER BACKWARD CLASSES DEPARTMENT

2.8 Doubtful expenditure in scheme implementation

As fish fingerlings were issued to beneficiaries without ascertaining their possession of pond of requisite size and by not following conventional norm of stocking ratio of species combination, expenditure of Rs.73 lakh incurred on implementation of a fishery scheme appears to be doubtful.

As per the guidelines of Economic Development Programme (EDP) of the Government, selection of the beneficiaries of any scheme under EDP shall be based on their socio-economic conditions and a certificate to this effect shall be given by the Deputy Commissioner/ Sub-Deputy Commissioner (DC/SDC) concerned. Fishery scheme was a scheme under EDP that was being implemented by the Minorities and Other Backward Classes Department based on the technical know-how of the State Fishery Department that stipulates that 5,000 to 6,000 fingerlings can be reared in a pond size of one hectare. When reared in combination of four species of catla, rohu, mrigal and pengba, the stocking ratio of the first three species shall be 30 *per cent* each and that for pengba shall be 10 *per cent*.

Scrutiny (July-August 2009) of records of the Director, Minorities and Other Backward Classes Department revealed that 730 beneficiaries (Minority communities: 440; Other Backward Classes communities: 290) were selected under fishery scheme for the year 2007-08 to improve their socio-economic condition without framing any specific guidelines of rearing of fingerlings. The scheme envisaged providing each beneficiary 3,605 fingerlings in combination of four species at a unit cost of Rs.10,000[11] per beneficiary as follows:

Species	Catla	Rohu	Mrigal	Pengba
Number (*per cent*)	691 (*19*)	1381 (*38*)	921 (*26*)	612 (*17*)

(Source: Departmental records)

As per records, an amount of Rs.73 lakh was incurred on implementation of the scheme during 2007-08.

Further scrutiny revealed that the Department had neither conducted any survey to ascertain whether the enlisted beneficiaries owned any pond/ponds of requisite size nor followed the norm of the Fishery Department of stocking ratio of rearing fingerlings in combination of four species. There was also no detailed project report and detailed guidelines for implementation of the scheme.

[11] Rs. 8,747-fingerlings; Rs.1,000-capital cost and Rs.253-training orientation fee

Thus, a scheme of such nature, where possession of ponds of requisite size is necessary, had been implemented without ascertaining this essential pre-requisite condition. Therefore, the expenditure of Rs.73 lakh incurred in implementation of the scheme in absence of any survey, detailed project report or guidelines appears to be doubtful.

The Department stated (November-December 2009) that availability of the ponds and its sizes were made on the basis of the information furnished by the beneficiaries in their application forms duly verified by the concerned DC/SDC. The scheme was implemented based on technical know-how of the Fishery Department and the beneficiaries were selected based on the EDP guidelines. However, the Department admitted that no survey in respect of ponds had been conducted.

The reply of the Department is not acceptable because of the following reasons:

- The application forms did not indicate any information on pond and the district authorities only certified the bio-data of the applicants;
- The norm of stocking ratio of rearing the four species in combination had not been followed; and
- The EDP guidelines laid down only a general norm of selecting beneficiaries based on their socio-economic conditions and are applicable to any scheme under EDP.

The matter was referred (October 2009) to the Government; reply has not been received (December 2009).

HOME (POLICE) DEPARTMENT

2.9 Infructuous expenditure

Construction of a temporary accommodation for CRPF personnel to be deployed along the National Highway No. 53 at Nungba was closed due to selection of unsuitable site, rendering the entire expenditure of Rs.20.78 lakh infructuous.

The State Government accorded (December 2005) sanction of Rs.2.80 crore for construction of temporary barracks, kitchen-cum-dining hall and toilets at 17 locations for providing temporary accommodations for 20 coys of Central Reserve Police Force (CRPF) personnel to be deployed along the National Highway No. 53 and entrusted the work to the Manipur Police Housing Corporation Ltd (MPHC Ltd.).

Scrutiny (February/March 2008) of records of MPHC Ltd. revealed that the work of construction of the accommodation at one of the locations at Nungba was awarded (December 2005) to a local contractor at a cost of Rs. 21.23 lakh with stipulated period of completion within one month. While construction of barracks at the other locations was completed and handed over to the Home Department (August 2007), the Nungba work was stopped mid-way purportedly due to unsuitability of work-site; after incurring (July 2006) an expenditure of Rs. 20.78 lakh. The Department eventually selected a new site for barrack construction at Taudaijang, 10 Km away from Nungba.

Thus, due to selection of an unsuitable site an expenditure of Rs.20.78 lakh incurred on construction for the accommodation of CRPF personnel was rendered infructuous.

The Corporation while accepting the fact stated (November 2008) that the unfavourable condition of the work-site was due to its distant location (3 km) away from the National Highway and that it was situated at the top of a hill without any approach road, water and electricity.

The matter was referred (May 2009) to the Government; reply has not been received (December 2009).

PUBLIC WORKS DEPARTMENT

2.10 Excess payment due to incorrect adoption of rates

Adoption of incorrect rates for disposal of excavated earth led to excess payment of Rs.16 lakh.

Scrutiny (July 2009) of the records of the Ukhrul Division, PWD revealed that the work of "Site levelling for construction of DC complex at Ukhrul" was awarded (October 2006) to a local contractor. The work included a single item of work *i.e.* excavation of the elevated portion and levelling of the complex site. While executing the levelling work an estimated 12,158.76 cum of earth was found surplus, which needed to be disposed off 6 km away from the site. This work was also executed by the contractor as an extra item at an estimated cost of Rs.31.62 lakh.

It was noticed that the Division had adopted a rate of Rs.260.10 per cum for disposal of the excavated earth, based on MSR 2004 instead of Rs.136.25[12] per cum, due to calculation mistake in rate analysis.

The contractor had disposed 12,924.76 cum of earth as of June 2009 and had been paid an amount of Rs.33.62 lakh. This has led to excess payment of Rs.16 lakh[13] due to incorrect adoption of rates.

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[12] Rs.101.73 per cum (transportation cost up to 5 km) *plus* Rs.7.63 per cum (transportation cost for 5-6 km) *plus* 10 *per cent* thereon as contractors profit *plus* 5.60 *per cent* thereon as sales tax *plus* 7.25 *per cent* thereon at the rate quoted above estimated cost.

[13] 12,924.76 x (260.10 – 136.25) =Rs.16 lakh.

When pointed out (July 2009), the Divisional Officer concerned admitted the observation and stated that recovery would be made from the contractor.

The matter was referred (August 2009) to the Government; reply has not been received (December 2009).

SERICULTURE DEPARTMENT

2.11 Avoidable expenditure due to delay in payment of income-tax

Failure to pay income tax liability on time on behalf of the Consultant engaged for implementation of Manipur Sericulture Project has led to avoidable payment of interest amounting to Rs.3.40 crore.

As per Section 115A (1) of the Income Tax Act, 1961, where the total income of a foreign company, includes any income by way of fees for technical services received from Government or an Indian concern in pursuance of an agreement made by the foreign company with the Government or the Indian concern, the income tax payable shall be at the rate of 20 *per cent* of the amount received by way of fees for technical services, if any included in the total income. Further, according to Section 201 of the Act *ibid*, if any such person, principal officer or company does not deduct the whole or any part of the tax or after deducting fails to pay the tax as required by the Act, he or it shall be liable to pay simple interest per annum at the prescribed rate[14] on the amount of such tax from the date on which such tax was deductible to the date on which such tax is actually paid.

Scrutiny (May 2009) of the records of the office of the Director of Sericulture revealed that the Government of India entered (December 1997) into a Loan Agreement with the Overseas Economic Corporation Fund, Japan to borrow an amount of Rs.116.19 crore for implementation of Manipur Sericulture Project (MSP). The Agreement stipulated engagement of a consultant and accordingly Government of Manipur (GOM) entered (June 1998) into an agreement with M/S Nippon Koei Co Ltd.(Consultant), Japan for the consultancy service of the project at a cost of Rs.18.53 crore for the technical services. It was agreed between the two parties that the client *i.e.* GOM shall pay on behalf of the consultant any taxes, duties, fees, levies and other imposition levied under the applicable law on the consultant.

The Department paid Rs.18.53 crore to the consultant between March 1999 and January 2002 for which the income–tax payable as per Section 115 A (1) of the Act *ibid* amounted to Rs.3.71 crore. The Department paid the tax in January 2007 after a delay ranging from 56 months to 90 months. The delay in payment of the tax on time attracted an interest of Rs.3.40 crore as per the

[14] 18 *per cent*: up to 31-05-2001; 5 *per cent*: 01-06-2001 to 07-09-2003; 12 *per cent*: from 08-09-2003

provision of Section 201 of the Act *ibid*. The interest of Rs.3.40 crore was paid in July 2007.

While admitting the fact, the Government stated (September 2009) that the avoidable expenditure had occurred as no personnel in the Department had expertise in international taxation matters. Thus, due to failure to pay the income tax liability on time, the Department incurred an avoidable expenditure amounting to Rs.3.40 crore.

2.12 General

2.12.1 Follow up on Audit Reports

As per recommendations made by the High Powered Committee (HPC) which were also accepted by the State Government in October 1993, *suo moto* explanatory notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the Departments duly vetted by the Accountant General to PAC within three months from the date of placing of Audit Reports in the Legislature.

However, as of December 2009 explanatory notes pertaining to 243 paragraphs/reviews for the years 1999-2008 were not received *suo moto* either from the Departments or through the PAC.

2.12.2 Action taken on recommendation of Public Accounts Committee

The Administrative Departments were required to take suitable action on the recommendations made in the Report of the PAC presented to State Legislature. Following circulation of the Reports of the PAC, heads of Departments were to prepare comments on action taken or proposed to be taken on the recommendations of the PAC and submit to the Assembly Secretariat

Seven hundred and twenty one (721) recommendations of the PAC, made in its Eleventh to Thirty third Report were pending settlement as of December 2009 due to non-receipt of Action Taken Notes/Reports.

2.12.3 Response to audit observations and compliance thereof

The Accountant General (Audit) arranges to conduct periodical inspection of Government Departments to test check the transactions and verify the maintenance of significant accounting and other records according to prescribed rules and procedures. When important irregularities detected during inspection are not settled on the spot, Inspection Reports (IRs) are issued to the Heads of the concerned offices with a copy to the next higher authorities.

As of March 2009, 2,307 IRs issued from 1985-86 were outstanding for settlement. Of these, 920 IRs had not been settled for more than 10 years. Even the initial replies, which are required to be received from the Heads of Offices within six weeks from the date of issue, were not received from 20 major Departments in respect of 318 IRs. Non-furnishing of replies and inaction against the defaulting officers facilitates continuation of serious financial irregularities and loss to the Government.

It is recommended that Government review the matter and ensure that effective system exists for (a) action against defaulting officials, who failed to send replies to IRs/Paragraphs as per the prescribed time schedule, (b) action may be taken to recover loss/outstanding advances/overpayments in a time bound manner and (c) revamp the system to ensure prompt and timely response to audit observations.

CHAPTER III

INTEGRATED AUDIT

AGRICULTURE DEPARTMENT

3.1 Integrated Audit of Agriculture Department

Highlights

Agriculture Department is to promote agricultural production and productivity, improve the performance of seed farms, farm mechanisation and farmers' training programmes to bring about a socio-economic development of the State. A review of the functioning of the Department revealed the following shortcomings.

Annual Plans were prepared at the directorate level without ascertaining regional priorities and needs from field functionaries and beneficiaries.

(Paragraph 3.1.7)

Rupees 14.47 lakh meant for Oilseed Production Programme was diverted to other purposes, resulting in shortfall in distribution and production of certified oilseeds.

(Paragraph 3.1.8 (iii))

Sale proceeds of farm produce amounting to Rs.15.43 lakh was utilised for departmental expenditure, instead of depositing into Government account.

(Paragraph 3.1.9 (iv))

An expenditure of Rupees 39.50 lakh meant for purchase of rat traps and rodenticides for rodent control in three hill districts appears to have been misappropriated.

(Paragraph 3.1.9 (xi))

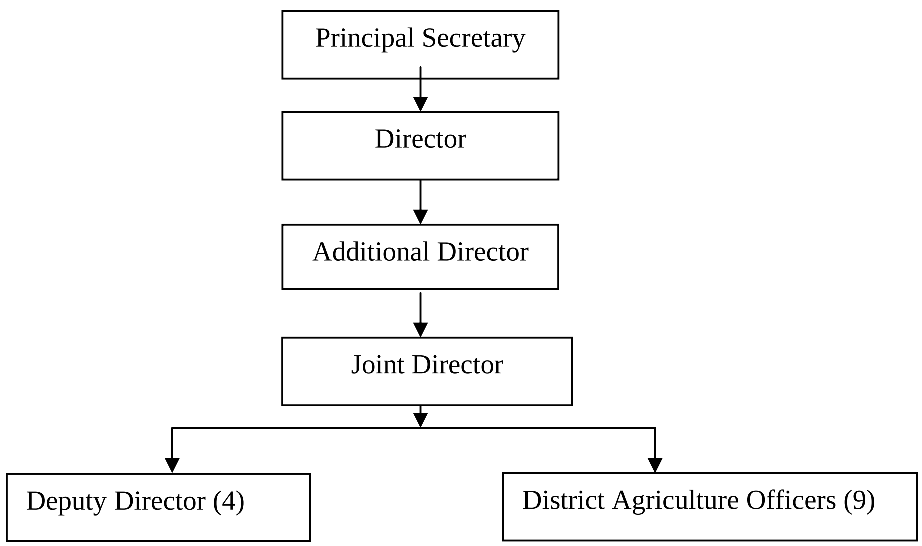
3.1.1 Introduction

Manipur has a total geographical area of 22,327 square km comprising four valley districts (2,238 square km) and five hill districts (20,089 square km). About ten *per cent* of the State's geographical area of only 2,340 square km is under cultivable area and seventy *per cent* of the population is mainly dependent on agriculture and allied activities. Agriculture and allied services contribute about 27 *per cent* of the Gross State Domestic Product (GSDP). Contribution of Agriculture alone to the GSDP is about 24 *per cent*. Agriculture in the State largely depends on rain as irrigation system has not been fully developed.

The objective of Agriculture Department is to promote agricultural activities by implementing various programmes such as production and distribution of High Yielding Variety and hybrid variety of seeds, promotion of farm mechanization, increasing cropping intensity through soil and water conservation activities. The Department also undertakes farmers training programmes and other specific activities as required.

3.1.2 Organisational Set up

The Principal Secretary (Agriculture) is the administrative head of the Department. The agricultural activities are managed through the Department headed by the Director, who is assisted by the Additional Director, Joint Director and a number of Drawing and Disbursing Officers (DDO)[1]. The organizational set up of the Department is as given in the chart below:



3.1.3 Scope of Audit

Integrated audit of the Department for the period 2004-09 was conducted during April to July 2009 covering an expenditure of Rs.127.54 crore (59 *per cent* of total expenditure) in respect of 17 (out of 29) offices[2] that were selected by simple random sampling without replacement method.

[1] Three Agriculture Officers, two Executive Engineers, one Assistant Engineer and eight other DDOs.

[2] (i) Director of Agriculture (ii) District Training officer, (iii) Dy. Director (State Mechanised Farm) (iv) Executive Engineer (Custom Service Centre) (v) Rice Research Station, Wangbal (vi) Seed Analyst, Mantripukhri (vii) Dy. Director (Chemistry) (viii) Agriculture Officer (Plant Protection) (ix) Agriculture Officer (Marketing Intelligence Mantripukhri (x) Cotton Development Officer, Mantripukhri (xi) Assistant Engineer (MI-I) (xii) Agriculture Officer (Public Relations) (xiii) to (xvii) District Agriculture Officer of Thoubal, Churachandpur, Bishnupur, Imphal East and Ukhrul.

3.1.4 Audit Objectives

The review was undertaken to assess whether:

- the programmes were planned properly and implemented efficiently;
- the funds provided for the programmes were utilized properly;
- the implementation was monitored to achieve the desired objectives;
- an effective internal control mechanism existed; and
- the available human resources were effectively utilized.

3.1.5 Audit criteria

Audit findings were benchmarked against the following criteria:

- National Agriculture Policy 2000
- Macro Management of Agriculture (MMA) guidelines
- Plan documents
- General Financial Rules

3.1.6 Audit Methodology

Audit methodology included selection of auditee units, holding of entry conference (May 2009) with the auditee management, scrutiny of records, analysis of data and documentary evidences to arrive at audit findings, conclusions and recommendations. An exit conference was held (October 2009) with the departmental officers to discuss the audit findings and replies of the Department, wherever available, had been incorporated at the appropriate places.

Audit findings

The important points noticed during the review are discussed in the succeeding paragraphs.

3.1.7 Planning

The Department is to prepare perspective plan by giving thrust in achievement of self sufficiency in foodgrains by increasing production of foodgrains, cropping intensity, quality seed production, farm mechanisation and development of skill and technology. As per Macro Management of Agriculture (MMA) guidelines, the State Agriculture Plans should be based on the District Agriculture Plans (DAPs). These should indicate physical targets and benefit stream in terms of area, production and productivity level, backed by concrete action plans to achieve these targets. However, these were prepared at the directorate level without ascertaining regional priorities and needs from field functionaries and beneficiaries. Target and achievement for distribution of quality seeds had no basis and were fixed in an *ad-hoc* manner. As a result targets for distribution of quality seed, organisation of trainings for farmers for capacity building and production of certified seeds by the farmers could not be achieved.

3.1.8 Financial Management

As per General Financial Rules, budget estimates should be prepared based on inputs from lower formations. The Department however, prepared the budget estimates at the directorate level based on the previous year's budgeted figures and without collecting inputs from the districts, in violation of financial rules. Thus, the needs of the district level programmes have been sidelined, as their inputs had not been considered during budget preparation.

(i) Allocation and expenditure

The allocation of fund and expenditure trend of the Department is given in the table below:

Table 1

(Rupees in crore)

Year	Funds made available				Expenditure incurred			
	Plan	Non-Plan	CSS*	Total	Plan	Non-plan	CSS*	Total
2004-05	7.82	13.92	7.04	28.78	5.68	15.74	5.38	26.80
2005-06	7.78	17.11	15.18	40.07	7.61	18.53	14.66	40.80
2006-07	8.88	14.92	18.18	41.98	8.74	15.10	15.52	39.36
2007-08	11.77	17.11	20.17	49.05	11.77	16.81	20.09	48.67
2008-09	15.11	19.08	48.10	82.29	15.70	19.31	27.37	62.38
Total	**51.36**	**82.14**	**108.67**	**242.17**	**49.50**	**85.49**	**83.02**	**218.01**

* Centrally Sponsored Scheme
(Source: Detailed Appropriation Accounts)

As seen from the table above, while the Department could spent the fund made available at its disposal during 2004-08, it under-performed during 2008-09 with a savings of Rs.19.91 crore (24 *per cent*). However, there was savings of CSS funds in all the years while there was excess of expenditure under non-plan head barring 2007-08. This is an indication of the fact that the Department was unable to spend the developmental funds under CSS while non-developmental expenditure under non-plan was being exceeded.

Further, test-check of records revealed that in five cases during 2006-09 the Department released central funds to the implementing agencies with a delay ranging from 43 to 106 days, in violation of MMA guidelines to pass on the central funds to the implementing agencies within 14 days of their receipt. The delay in release of fund affected the timely implementation of farmer's field training and demonstration of post harvest technology.

(ii) Retention of heavy cash balance

As per Central Treasury Rules, money should not be drawn unless it is required for immediate disbursement. The directorate however, retained large cash balances at the close of the financial years during 2004-09 as follows:

(Rupees in lakh)

Year end	March 2005	March 2006	March 2007	March 2008	March 2009
Amount retained	120	27.11	93.43	19.50	36.03

The closing balance of March 2009 was inclusive of Rs.10.12 lakh drawn during July 2003 for payment of compensation to three retrenched staff and salary of one clerk under suspension. The Department admitted (October 2009) the fact and stated that amount could not be disbursed pending finalisation of court case/departmental inquiry and that would be deposited into treasury. Reasons for retention of heavy balances for other cases were not furnished to Audit.

(iii) Diversion of funds

The GOI sanctioned (June 2008) Rs.30.80 lakh[3] for distribution and production of certified seeds under Oilseed Production Programme (OPP). Of this, the Department diverted Rs. 14.47 lakh[4] to other areas *viz*. Rs.3.40 lakh for organizing Farmers Field School, Rs.9 lakh on trainings, Rs.1.37 lakh for purchase of petroleum and Rs.0.70 lakh for stationery and miscellaneous items. The diversion has resulted in shortfall in distribution of certified seeds by 11.21 MT and production of certified seeds by 11 MT.

The Department stated (October 2009) that organization of Farmers Field School, and farmers training, miscellaneous expenses on petroleum, stationery *etc*. were sanctioned by the Administrative Department. The reply was not acceptable as the central assistance were specifically meant for distribution and production of certified seeds under OPP.

(iv) Revenue realization

There were 12 seed multiplication farms of the Department of which only five were operational. Position of revenue generated by these farms during 2004-09 from the sale of farm products is as below:

Table 2

(Rupees in lakh)

Year	Revenue target	Revenue achievement	Percentage of shortfall
2004-05	5.25	1.64	*69*
2005-06	5.25	1.19	*77*
2006-07	6.60	1.23	*81*
2007-08	13.20	1.30	*90*
2008-09	23.30	2.05	*91*

(Source: Departmental records)

The table disclosed that while revenue achievement has remained stagnant, the Department's projection of revenue target during 2007-09 was

[3] Distribution of certified seeds: Rs.20.80 lakh (2600 quintal @ Rs.800 per quintal) and Production of certified seeds: Rs.10 lakh (2000 quintal @ Rs. 500 per quintal).
[4] Rs.8.97 lakh (Distribution of certified seeds) and Rs.5.50 lakh (Production of certified seeds)

unrealistically high, resulting in sharp increase in percentage of shortfall of revenue realisation.

The Department stated (October 2009) that the farms are semi-research and not revenue earning farms. The farms lack infrastructure such as approach road, irrigation channels, ponds *etc*.

The Department's reply is not acceptable because revenue targets should have been more realistic, based on the past trends of revenue collection as also on the constraints in the infrastructure. Further, the Department needs to also emphasise on revenue collection in order to improve their infrastructure.

3.1.9 Programme Execution

(i) Targets and achievements of production

Production of major crops *viz*. rice, wheat, maize, pulses, oilseeds and sugarcane against the targets during 2004-09 are as shown below:

Table 3

(In thousand MT)

Year	**Rice**		**Wheat**		**Maize**		**Pulses**		**Oilseeds**		**Sugarcane**	
	T	**A**	**T**	**A**	**T**	**A**	**T**	**A**	**T**	**A**	**T**	**A**
2004-05	517	457	4	3	34	32	19	18	24	22	240	224
2005-06	528	393	5	5	35	29	19	20	24	22	260	237
2006-07	539	418	5	5	36	32	20	19	24	23	280	255
2007-08	559	516	5	5	38	32	21	21	25	25	286	263
2008-09	572	518	5	5	42	36	23	23	26	26	298	298
Total	**2715**	**2302**	**24**	**23**	**185**	**161**	**102**	**101**	**123**	**118**	**1364**	**1277**

(Source: Annual Plan and Administrative Report) (T-indicates target and A-indicates achievement)

There were adequate productions of wheat, pulses, oilseeds and sugarcane vis-à-vis their targets during 2004-09. However, there were substantial shortfall in the production of rice (15 *per cent*) and maize (13 *per cent*), of which rice is the main crop of the State. The shortfall was attributed by the Department (October 2009) to uneven rainfall and poor irrigation facilities in the State. Audit scrutiny however, disclosed that shortfall in production of major crops was partially due to irregular distribution of seeds, non-training of farmers and unequipped soil testing laboratories, as discussed in the succeeding paragraphs.

(ii) Irregular drawal of funds

As per GFR, fully vouched contingent bills supported by actual bills should be drawn only when the services were rendered or the supplies made. However, during 2006-09, three DDOs[5] drew Rs.360.64 lakh from the treasury before execution of the works or receiving supplies by presenting fully vouched contingent bills supported by abstract of cost of the works and proforma bills of the firms.

[5] Dy. Director (Soil Chemist), District Training Officer and Agriculture Officer (Hqtrs)

The Department stated (October 2009) that the funds were drawn on such bills due to urgency. The reply is not acceptable as drawal of advance on account of urgency is to be made on Abstract Contingent bills and then adjusted by Detailed Countersigned Contingent bills at a later date.

In another case, the Directorate drew (August 2008) Rs.8.68 lakh for purchase of fertilizers (Rs. 4.63 lakh) and sprayers (Rs 4.05 lakh) on a fully vouched contingent bill on the basis of 21 proforma bills received from three suppliers. The stock register recorded receipt of the fertilizers and sprayers between 2 June and 1 July 2008. However, the proforma bills enclosed with the contingent bill recorded that the fertilisers and the sprayers had not been received as of August 2008.

Thus, entries of the stock register cannot be accepted. As such, drawal of Rs.8.68 lakh on a fully vouched contingent bill without actually receiving the materials was not in order.

As the advance payments were drawn on fully vouched contingent bills, their regularisation by DCC bill at a later date is doubtful and therefore, the payments are risk with financial irregularities.

(iii) Deposit of sale proceeds

The State Mechanised Farm, Lamphelpat and Seed Multiplication Farm, Chakpikarong realized an amount of Rs.1.52 lakh and Rs.0.40 lakh respectively as sale proceeds of farm produce during 2007-08. The amount was neither reflected in the cash book nor credited to the Government account. When pointed out by Audit (June 2009), the Lamphelpat farm deposited (October 2009) the amount into Government account while in the case of Chakpikarong farm, no remedial action of the Department has been furnished (December 2009).

(iv) Irregular utilisation of sale proceeds

Test-check of yield stock register of the State Mechanised Farm, Lamphelpat revealed that sale proceeds of 84.42 MT of paddy and 13.70 MT of mustard seeds, valued at Rs.15.43 lakh for the years 2007-09 were not traceable (October 2009) in the departmental records. In clarification, it was stated that some of the farm produce had been given to labourers in lieu of wages while sale proceeds of the rest were utilized for maintenance of the farm machinery. The reply was not acceptable as departmental receipts cannot be used for expenditure and kept outside the consolidated fund of the State.

(v) Distribution of HYV and quality seeds

High Yield Variety (HYV) and quality seeds are meant to increase production of foodgrains. The distributions of HYV/quality seeds during 2007-09 are as follows:

Table 4

(Quantity in MT)

Year*	Paddy		Maize		Oilseeds		Pulses	
	Target	Achievement *(percentage)**	Target	Achievement *(percentage)**	Target	Achievement *(percentage)**	Target	Achievement *(percentage)**
2007-08	3100	3097 *(100)*	313	200 *(64)*	450	34 *(8)*	987	132 *(13)*
2008-09	5850	5850 *(100)*	313	200 *(64)*	260	25 *(10)*	361	25 *(7)*

* Targets for the years 2004-07 not furnished by the Department and Percentage figures are rounded off.
(Source: Departmental records)

The above table disclosed that except for distribution of paddy seeds, there were significant shortfalls of distribution of quality seeds in respect of other crops during 2007-09. The under-distribution of quality oilseeds during 2008-09 was partially due to diversion of Rs.14.47 lakh to other areas as already discussed in Paragraph 3.1.8 (iii). Reasons for significant shortfall of distribution of HYV/quality seeds in respect of maize and pulses were not on record.

In respect of paddy seeds, the Department procured only 1,255.66 MT[6] seeds during 2008-09 and there was no record to show that additional seeds had been procured for distribution during the year. Therefore, its claim of distribution of 5,850 MT of paddy seeds is doubtful. Besides, in the absence of distribution register or beneficiary list, the departmental claim of *cent per cent* achievement of distribution of paddy seeds could not be vouchsafed.

(vi) Implementation of Oil seed Production Programme

The GOI sanctioned (June 2008) Rs.30.80 crore as subsidy under Oil seed Production Programme (OPP) for the year 2008-09 as financial assistance for distribution of 2,600 quintals of certified seeds (Rs.20.80 lakh) and for production of 2,000 quintals certified seeds (Rs.10 lakh). GOI assistance was to be limited to Rs.800 per quintal for seed distribution and Rs.500 per quintal for seed production.

Out of Rs.20.80 lakh for seed distribution, the Department diverted an amount of Rs.8.97 lakh and spent the remaining amount of Rs.11.83 lakh on procurement of 247.50 quintals of certified Mustard seed (137.50 quintals) and Soya bean seed (110 quintals) and distributed them to farmers without realising any amount from them.

Out of Rs.10 lakh for seed production, an amount of Rs.5.50 lakh was diverted and the remaining amount of Rs. 4.50 lakh was utilised for production of 450 quintals of seeds without realising any amount from them. The details are shown in the table below:

[6] HYV: 1000MT, Upland rice: 250 MT and Hybrid seed: 5.66 MT

Table 5

(Rupees in lakh)

Particulars of scheme	Expen-diture incurred	Quantity (in quintal)	Rate per quintal (in Rupee)	Admissible subsidy per quintal (in Rupee)	Farmers'con-tribution per quintal (in Rupee)	Amount unrealised from farmers (Admissible GOI subsidy)
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)(4-5)**	**(7)(3x6(5))**
Distribution of certified seeds	11.83	137.50 (Mustard) 110.00 (Soya bean)	5100(Mustard) 4375(Soya bean)	800	4300 (Mustard) 3575 (Soya bean)	9.85 (1.98)
Production of certified seeds	4.50	450.00	1000	500	500	2.25 (2.25)
Total	**16.33**	**697.50**				**12.10 (4.23)**

Source: Departmental records

Thus, due to diversion of funds and non-realisation of contribution from the farmers, implementation of OPP during 2008-09 could not be fully achieved and resulted in shortfall of 2,352.50 quintal of seed distribution and 1,550 quintal of seed production.

The Department stated (November 2009) that financial assistance for seed distribution was given free of cost to poor farmers and assistance for seed production @ Rs.1,000 per quintal was provided as per MMA 2008 guidelines. The reply was not acceptable because distribution of seeds free of cost was a deviation from approved work plan. Besides, non-realisation of farmers' contribution resulted in less coverage of other beneficiaries. Financial assistance for seed production at a higher rate of Rs.1,000 per quintal against admissible amount of Rs.500 per quintal was also not acceptable because the guidelines were issued in July 2008 while the sanction was issued in June 2008.

(vii) Integrated Pest Management programme

The GOI provided financial assistance of Rs. 800 per beneficiary for purchase of knapsack sprayer. The extra cost, if any, was to be borne by the beneficiary himself.

During 2005-08, the Department procured 2,299 knapsack sprayers costing Rs.28.21 lakh at the rate of Rs.1,227 per sprayer. Therefore, the beneficiary was required to contribute Rs.427 per sprayer from his side. However, the Department distributed the sprayers without realising any contributions from the beneficiaries, resulting in lesser coverage of beneficiaries.

While admitting the case, the Department stated (October 2009) that it bore the entire expenditure as the beneficiaries were poor and assured that strict compliance of financial assistance as per approved plan would be followed in future.

(viii) Farmers Field Schools

MMA guidelines provide for organisation of Farmers Field Schools (FFS) to impart field training to help farmers in capacity building of crop production and protection technologies.

During 2006-07, the District Training Officer (DTO) drew (March 2007) Rs.25.84 lakh and handed it over to the Agriculture Officer (AO) (SUBACS[7]) for conducting 152 FFSs. During 2007-08, Rs.25.50 lakh was drawn (September 2007) for conducting 150 FFSs by five non-Government Organisations (NGOs) (Rs.4.25 lakh for 20 FFSs) and eight DAOs (Rs.21.25 lakh for 130 FFSs). However, relevant records in support of the expenditure like the locations of the FFSs, the programme schedule, areas to be covered and the list of facilitators and farmers who attended the training was not produced to Audit for detailed scrutiny. Further, expenditure of Rs.21.25 lakh made by DAOs was not reflected in the cash book. In the absence of these vital records in support of organising field trainings, the expenditure of Rs.51.34 lakh spent on 302 FFSs could not be vouchsafed.

The Department stated (October 2009) that 152 FFSs of 2006-07 was continued up to May 2007 and relevant records of 150 FFSs of 2007-08 were called for from the NGOs and the DAOs concerned. The fact, however, remains that despite pointing out (April to July 2009) by audit, no records have been produced as of December 2009.

(ix) Soil Testing Laboratories

MMA guidelines provide financial assistance of Rs.10 lakh for strengthening of an existing Soil Testing Laboratory (STL) with micronutrient testing facilities, Rs.5 lakh in case of STL without micronutrient testing facilities, and Rs.10 lakh in case of establishment of a new STL without micronutrient testing facilities.

The Department purchased (November 2008) 126 number of ten different equipments from a local supplier at a cost of Rs.65 lakh for setting up of three new STLs[8], for strengthening three STLs[9] and one mobile STL. The purchase was made without calling for open tenders on the pretext of urgency.

As per work plan 2008-09, the existing Stalls were to be strengthened by procuring Atomic Absorption Spectrophotometer (AAS) for micronutrient testing facilities. However, the Department did not purchase any AAS, in absence of which testing of micronutrient of soil could not be conducted. As a result, judicious and balanced use of chemical fertilizers based on AAS soil test could not be ensured.

Though procurement of AAS was included in their work plan, the Department stated (October 2009) that procurement of AAS is not permissible under MMA guidelines. The stand taken by the Department is not correct as AAS can be procured for strengthening of STLs as per the guidelines.

Further, test-check of stock register revealed that 126 different equipments received in November 2008 remained in stock as of September 2009, even after one year of their procurement. Thus, not only the urgency in

[7] Sugarcane based cropping scheme.
[8] at Ukhrul, Tamenglong and Senapati districts
[9] at Bishnupur, Thoubal and Imphal West districts

procurement and non-observance of tender norms was not proved but also the objective of early strengthening and setting up of the STLs was defeated. The Department stated (October 2009) that equipments had been issued to the DAOs.

(x) Doubtful execution of works

The State Government sanctioned (October 2008) Rs.20 lakh for two items of works *viz.*, land shaping of State Mechanised Farm(SMF), Lamphelpat (Rs. 6.93 lakh) and renovation of irrigation channels of SMF, Lamphelpat and Rice Research Station (RRS), Wangbal (Rs.13.07 lakh). The amount was drawn and paid to the Assistant Engineer (Refrigeration) in October 2008 for execution of the works.

During test-check of the work, measurement books (MB) of 12 works were produced, which showed a single item of work *viz*. earthwork excavation that was carried out by two local contractors. Other records like technical sanctions, estimates, tenders, work-orders and pay bills to the contractors could not be produced. The record of the MB did not indicate the locations where the earth excavation had been executed or the lead for disposal of the excavated earth. The MBs only showed a total quantity of 13,614 cum of ordinary rock had been excavated at a total cost of Rs.22.48 lakh as against Rs.20 lakh sanctioned by the Government. It was not clear as to how rocks could be encountered at the clayey and marshy Lamphelpat area.

The Department stated (October 2009) that the work was executed departmentally and that the observations were noted for future compliance. The reply, however, is a contradiction of their MBs records that showed that the work was done through contractors. Further, RRS, Wangbal had earlier stated (May 2009) that they were not aware of the execution of the work. As such, actual execution of the works in the absence of vital documents was doubtful.

(xi) Implementation of rodent control programme

The State Government sanctioned Rs. 25 lakh (August 2008) and Rs.15 lakh (January 2009) for rodent pest management in three rodent affected hill districts of Churachandpur, Tamenglong and Chandel.

The Agriculture Officer (Plant Protection) purchased (March 2009) 16,336 rat traps (Rs.24.50 lakh) and 7,500 kg of rodenticide (Rs.15 lakh) from a local firm[10]. The balance amount (Rs.0.50 lakh) was utilised for purchase of stationery articles which was not provided in the approved works plan.

It was recorded on the vouchers that receipt of the materials had been entered in the stock register on 21.10.2008 and 18.3.2009. However, the entry of the vouchers could not be cross verified with relevant supply orders and stock registers, as these records were not produced for verification. Further, the District Agriculture Officers (DAO) (Churachandpur, Tamenglong, and

[10]M/s Emoinu Traders, Imphal

Chandel) stated (August 2009) that they had not received any rodent control equipment/chemicals, indicating that the programme was not implemented in the affected districts. Thus, an amount of Rs.39.50 lakh for control of rodent menace appears to have been misappropriated.

The Department stated (October 2009) that relevant supply orders; stock receipt and issue register was maintained in the office of the Agriculture Office (Plant Protection). The reply of the Department was not acceptable as they could not produce the relevant records to audit as of December 2009 and audit contention was further strengthened by the statement (August 2009) of the DAOs of the three hill districts affected by rodents.

3.1.10 Manpower Management

Periodical review of deployment of staff should be conducted for optimal utilisation of manpower. As of March 2009, there was 1,173 staff *vis-à-vis* sanctioned strength of 1,211 staff. Despite having shortage of 38 staff only, no staff was posted in three[11] DDOs. The Regional Pulse and Oilseed Development Farm, Gamphazol incurred an expenditure of Rs.87.85 lakh as pay and allowances of 15 staffs even though no production or activity was carried out in the farm during 2004-09. Similarly, though the Executive Engineer (Custom Service Centre) office did not have any tractors or vehicles, the number of tractor drivers was increased from eight to nine and handymen four to twelve during 2004-09, incurring an expenditure of Rs.90.27 lakh on their remuneration.

While admitting the fact, the Department stated (October 2009) that action would be taken for proper deployment and manpower utilisation.

3.1.11 Internal Control

Internal control system is a process by which an organization directs its activities to achieve its objectives. Despite having five operating seed production farms, the Department did not carry out any physical verification of their produce. Therefore, pilferage, loss or deterioration, if any, remained undetected. Further, out of 20 departmental vehicles, nine were off-road since May 2001. However, no action to repair or dispose them has been taken as of May 2009. The Department noted (October 2009) the observation of seed production farms and stated that stock verification would be conducted. However, no reply had been furnished (December 2009) in respect of off-road vehicles.

Thus, the internal control mechanism adopted in the Department is weak and needs further strengthening.

3.1.12 Monitoring

National Policy for Farmers 2007, *inter alia* envisaged that State should have an effective mechanism for continuous feedback from the farmers to ensure

[11] (i) EE (K&SL); (ii) AE (MI-I) and (iii) AE (MI-II)

that measures taken under the policy address the problems of farmers. However, the Department did not maintain any feedback database from the farmers.

3.1.13 Conclusion

State agricultural planning lacked emphasis on regional priorities and needs of field formation and beneficiaries. Retention of huge cash balances at year-ends, diversion of funds, low revenue realisation of departmental farms, drawal of advances through fully vouched bills and utilisation of departmental receipts instead of depositing them into Government accounts warrants rigid streamlining of financial management and the ways expenditure are controlled. While implementation of Oil Production Programme and Soil Testing Laboratories programmes deviated from the works-plans, the review also exposed more serious issues in distribution of quality seeds, organisation of farmers' field training, rodent control measures and execution of works at two departmental farms that needs further investigation. The Department also needs to revamp their man-power utilisation and their internal control measures.

3.1.14 Recommendations

- The State Government should strengthen planning process and give more focus on regional priorities and needs of field formations and framers.
- Financial management should be strengthened effectively.
- The State seed multiplication farms need to be strengthened so that objectives of the schemes could be achieved as far as possible.
- Monitoring and implementation mechanism should be strengthened to ensure implementation of the schemes in an effective and time bound manner.

CHAPTER IV

REVENUE RECEIPTS

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Manipur during the year 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

		2004-05	2005-06	2006-07	2007-08	2008-09
I.	**Revenue raised by the State Government**					
	• Tax revenue	81.40	95.00	121.56	147.45	170.06
	• Non-tax revenue	69.75	76.46	181.04	164.71	253.46
	Total:	**151.15**	**171.46**	**302.60**	**312.16**	**423.52**
II.	**Receipts from the Government of India**					
	• State's share of net proceeds of divisible Union taxes	287.02	342.09	436.33	550.40	580.81[1]
	• Grants-in-aid	1,304.59	1,895.40	2,123.80	2,645.71	2868.28
	Total:	**1,591.61**	**2,237.49**	**2,560.13**	**3,196.11**	**3449.09**
III.	**Total receipts of State Government (I+II)**	**1,742.76**	**2,408.95**	**2,862.73**	**3,508.27**	**3872.61**
IV.	**Percentage of I to III**	**9**	**7**	**11**	**9**	**11**

The above table indicates that during the year 2008-09, the revenue raised by the State Government was eleven *per cent* of the total revenue receipts (Rs. 3,872.61 crore) against nine *per cent* in the previous year. The balance was from the Government of India.

4.1.2 The following table presents the details of tax revenue raised during the years 2004-05 to 2008-09:

[1] For details refer "tax revenue" of statement 11, detailed account of revenue by minor heads of the Finance Account of the Government of Manipur, 2008-09. The amount under the minor head 901 - share of net proceeds assigned to the state booked under the major heads 0020 - Corporation tax, 0028-other taxes on income and expenditure, 0032 - taxes on wealth, 0037 - Union excise duty, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services under 'A-tax revenue' have been excluded from the revenue raised by the state and included in the state's share of divisible Union taxes in this statement.

(Rupees in crore)

Sl. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Sales tax/VAT	54.73	71.17	96.64	120.76	141.38	(+) 17.08
2.	State excise	3.05	3.26	3.62	3.75	3.91	(+) 4.27
3.	Stamps and registration fees	2.20	2.81	2.83	2.93	3.18	(+) 8.53
4.	Taxes and duties on electricity	4.95	0.27	0.19	[2]	0.39	(+) 43,233.33
5.	Taxes on vehicles	3.35	3.34	3.19	3.57	4.03	(+) 12.89
6.	Taxes on goods and passengers	0.71	0.68	0.60	0.76	0.80	(+) 5.26
7.	Other taxes on income and expenditure	11.52	11.99	13.30	14.73	15.46	(+) 4.96
8.	Other taxes and duties on commodities and services	0.21	0.16	0.18	0.20	0.13	(-) 35.00
9.	Land revenue	0.68	1.32	1.01	0.75	0.78	(+) 4.00
Total		**81.40**	**95.00**	**121.56**	**147.45**	**170.06**	**(+) 15.33**

There was an overall increase of 15.33 *per cent* in tax revenue raised during 2008-09 as compared to 2007-08.

The reasons for variation in receipts for 2008-09 from that of 2007-08 in respect of principal heads of revenue as furnished by the concerned departments were as under:

Sales tax/VAT: The increase in revenue collection was attributed to increase in the registration of new dealers.

Taxes and duties on electricity: The increase in revenue realised was attributed to recovery of Manipur tax from the National Hydro Electric Power Corporation, Loktak.

Taxes on vehicles: The increase in revenue was attributed to increase in the registration of new vehicles.

Other taxes and duties on commodities and services: The decrease in revenue was attributed to irregular cinema shows.

4.1.3 The following table presents the details of major non-tax revenue raised during the years 2004-05 to 2008-09:

[2] Rs. 9,000 only.

(Rupees in crore)

Sl. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase(+)/ decrease (-) in 2008-09 over 2007-08
1.	Interest receipts	6.40	6.14	35.05	27.61	39.99	(+) 44.84
2.	Housing	0.98	1.11	0.68	1.72	1.30	(-) 24.42
3.	Water supply and sanitation	1.58	1.69	1.39	1.58	6.89	(+) 336.08
4.	Forestry and wild life	0.74	1.49	1.52	1.45	1.02	(-) 29.66
5.	Education, Sports, Art and Culture	0.82	0.97	0.94	0.90	0.91	(+) 1.11
6.	Miscellaneous general services	[3]	6.62	82.46[4]	54.24[5]	92.77[6]	(+) 71.04
7.	Power	54.41	49.87	40.24	62.29	88.28	(+) 41.72
8.	Major and medium irrigation	1.13	1.97	7.85	5.26	8.00	(+) 52.09
9.	Medical and public health	0.25	0.29	0.24	0.25	0.52	(+) 108.00
10.	Co-operation	0.13	0.14	0.12	0.12	0.16	(+) 33.33
11.	Public works	1.60	3.09	7.83	6.14	7.96	(+) 29.64
12.	Police	0.34	0.64	0.57	0.42	3.36	(+) 700.00
13.	Other administrative services	0.51	0.70	0.63	1.07	0.59	(-) 44.86
14.	Crop husbandry	0.04	0.07	0.30	0.10	0.07	(-) 30.00
15.	Others	0.82	1.67	1.22	1.56	1.64	(+) 5.13
Total		**69.75**	**76.46**	**181.04**	**164.71**	**253.46**	**(+) 53.88**

The non-tax revenue increased from Rs. 164.71 crore in 2007-08 to Rs. 253.46 crore in 2008-09 showing an increase of 53.88 *per cent*.

The reason for variation in receipts for 2008-09 from that of 2007-08 in respect of principal heads of revenues as furnished by the concerned departments were as under:

Forestry and wild life: The decrease in revenue was attributed to fluid law and order situation and the frequent bandhs and strikes which resulted in setback in transportation of forest produce.

Miscellaneous general services: The increase in revenue was attributed to sales proceeds of statistical publications.

Power: The increase in revenue was attributed to heavy collection of unofficial interchange[7] (UI) charges.

[3] Rs. 6,413 only.

[4] Includes debt relief of Rs. 75.08 crore given by Government of India on repayment of consolidated loan.

[5] Includes debt relief of Rs. 37.54 crore given by Government of India on repayment of consolidated loan.

[6] Includes debt relief of Rs. 37.54 crore given by Government of India on repayment of consolidated loan.

[7] A term used by the department denotes recovery of energy charges from the states to whom electricity was supplied.

Major and medium irrigation: The increase in revenue was attributed to higher collection of interest from mobilisation and machinery advance of the Thoubal Project.

The other departments did not inform (November 2009) the reasons for variation despite being requested (July 2009).

4.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2008-09 in respect of principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actuals	Variations excess(+)/ shortfall(-)	Percentage of variation
A. Tax revenue					
1.	Sales tax/VAT	128.80	141.38	(+) 12.58	(+) 9.77
2.	Other taxes on income and expenditure (taxes on professions, trades, callings and employment)	15.72	15.46	(-) 0.26	(-) 1.65
3.	Other taxes and duties on commodities and services	0.23	0.13	(-) 0.10	(-) 43.48
4.	Stamp duty and registration fees	3.36	3.18	(-) 0.18	(-) 5.36
5.	Taxes on vehicles	4.91	4.03	(-) 0.88	(-) 17.92
6.	State excise	4.47	3.91	(-) 0.56	(-) 12.53
7.	Land revenue	1.20	0.78	(-) 0.42	(-) 35.00
8.	Taxes on goods and passengers	0.86	0.80	(-) 0.06	(-) 6.98
9.	Taxes and duties on electricity	0.34	0.39	(+) 0.05	(+) 14.71
Total tax revenue		**159.89**	**170.06**	**(+) 10.17**	**(+) 6.36**
B. Non-tax revenue					
1.	Miscellaneous general services	54.54	92.77	(+) 38.23	(+) 70.10
2.	Power	75.00	88.28	(+) 13.28	(+) 17.71
3.	Public works	9.47	7.96	(-) 1.51	(-) 15.95
4.	Forestry and wild life	2.31	1.02	(-) 1.29	(-) 55.84
5.	Police	0.60	3.36	(+) 2.76	(+) 460.00
6.	Interest receipts	35.00	39.99	(+) 4.99	(+) 14.26
7.	Water supply and sanitation	2.31	6.89	(+) 4.58	(+) 198.27
8.	Education, Sports, Art and Culture	1.37	0.91	(-) 0.46	(-) 33.58
9.	Other administrative services	1.22	0.59	(-) 0.63	(-) 51.64
10.	Major and medium irrigation	9.50	8.00	(-) 1.50	(-) 15.79
11.	Medical and public health	0.37	0.52	(+) 0.15	(+) 40.54
12.	Crop husbandry	0.15	0.07	(-) 0.08	(-) 53.33
13.	Housing	1.58	1.30	(-)0.28	(-) 17.72
14.	Co-operation	0.12	0.16	(+) 0.04	(+)33.33
15.	Others	1.68	1.64	(-) 0.04	(-) 2.38
Total Non-Tax Revenue		**195.22**	**253.46**	**(+) 58.24**	**(+) 29.83**
Grand total revenue		**355.11**	**423.52**	**(+) 68.41**	**(+) 19.26**

The concerned departments mentioned the following reasons for variations between the budget estimates and actuals for the year 2008-09.

Other taxes and duties on commodities and services: The shortfall in revenue collection was attributed to irregular show in cinema halls.

Taxes on vehicles & taxes on goods and passengers: The shortfall in revenue collection was attributed to less registration of heavy vehicles, vehicles taken out of the State and condemnation of old commercial vehicles.

State excise: The department stated that the main source of revenue is the excise duty of liquor paid by the Security Forces. Shortfall in revenue collection was attributed to fluctuation in the number of Security Forces deployed in the State and also the curtailment in the entitlement imposed by the Army Headquarters from time to time.

Land revenue: The shortfall was attributed to various land acquisition process taken up recently.

Taxes and duties on electricity: The excess over estimates was attributed to recovery of Manipur tax from the National Hydro Electric Power Corporation, Loktak.

Power: The excess over estimates was attributed to heavy collection of unofficial interchange (UI) charges.

Miscellaneous general services: The excess over estimates was attributed to sales proceeds of statistical publications.

Forestry and wild life: The shortfall was attributed to non completion of working plan for eight territorial forest divisions due to which extraction and sale of timber could not take place.

Education, Sports, Art and Culture: The shortfall was attributed to decrease in the enrolment of students in Government Colleges.

Co-operation: The excess over estimates was attributed to recovery of pending audit fees from the Co-operative Societies, Voluntary Organisations and NGOs.

The other departments did not inform (December 2009) the reasons for variation despite being requested (July 2009).

4.3 Analysis of collection

The break-up of the total collection at pre-assessment stage and after regular assessment of Sales tax, Professional tax and Amusement tax/Luxury tax for the year 2008-09 as furnished by the Commissioner of Taxes are mentioned below:

(Rupees in crore)

Head of revenue	Amount collected at pre - assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 2 to 6
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales tax/VAT	140.71	0.83	[8]	0.17	141.38	99.53
Profession tax	15.46	Nil	Nil	Nil	15.46	100
Amusement tax/Luxury tax	0.13	Nil	Nil	Nil	0.13	100

[8] Rs. 54,000 only

The above table indicated that collection of revenue at pre-assessment stage was almost hundred *per cent* in respect of these heads during the year.

4.4 Cost of collection

The gross collection of sales tax, taxes on vehicles and percentage of expenditure to gross collection during the years 2006-07, 2007-08 and 2008-09 along with the relevant all India average percentage for 2007-08 were as mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average cost of collection for the year 2007-08
1.	Sales tax	2006-07	96.64	1.47	1.52	0.83
		2007-08	120.76	1.41	1.17	
		2008-09	141.38	1.62	1.15	
2.	Taxes on vehicles	2006-07	3.19	1.46	45.77	2.58
		2007-08	3.57	1.66	46.50	
		2008-09	4.03	1.96	48.64	

The above table indicated that the cost of collection under taxes on vehicles was much higher than the all India average while it was marginally higher in case of the sales tax. The reasons for the same though called for in July 2009 have not been received (December 2009). The Government may examine the reasons for the extremely high cost of collection and take appropriate action.

4.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 10.56 crore of which Rs. 5.74 crore was outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than 5 years as on 31 March 2009
1.	Sales tax	1.23	Nil
2.	Land revenue	9.33	5.74
Total		**10.56**	**5.74**

4.6 Arrears in assessment

The details of sales tax assessment cases pending at the beginning of the year 2008-09, cases which became due for assessment during the year, cases disposed during the year and number of cases pending at the end of the year 2008-09 as furnished by the Commissioner of Taxes in respect of sales tax/VAT are as mentioned below:

Name of tax	Opening balance as on 31 March 2008	New cases due for assessment during 2008-09	Total assessments due	Cases disposed of during 2008-09	Balance at the end of the year 2008-09	Percentage of disposals to the total assessments 5 to 4
1.	**2.**	**3.**	**4.**	**5.**	**6.**	**7.**
Sales tax/VAT	366	2,004	2,370	2,244	126	94.68

4.7 Refund

The number of refund cases pending at the beginning of the year 2008-09, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2008-09 as furnished by the Department of Taxes are mentioned below:

(Rupees in lakh)

Particulars of claims/refunds	Sales tax/VAT	
	No. of cases	Amount
Claims outstanding at the beginning of the year 2008-09	3	2.23
Claims received during the year 2008-09	8	19.71
Refunds made during the year	3	16.73
Balance outstanding at the end of the year	8	5.21

The Government may consider taking effective steps to dispose the cases early.

4.8 Failure to enforce accountability and protect interest of the Government

Accountant General (Audit), Manipur, arranges to conduct periodical inspection of the Government departments concerned with tax revenue and non-tax revenue to test check the transactions and verify the maintenance of important records in accordance with the prescribed rules and procedures. These inspections are followed up with inspection reports (IR). When important irregularities detected during audit are not settled on the spot, IRs are issued to the head of offices inspected, with a copy to the next higher authority.

The number of IRs and audit observations relating to the revenue receipts issued up to 31 December 2008 and pending settlement by the departments as on 30 June 2009 along with the corresponding figures for the preceding three years is mentioned below:

	June 2007	June 2008	June 2009
Number of pending IRs	399	418	360
Number of outstanding audit observations	1,210	1,277	1,104
Amount of revenue involved (Rupees in crore)	523.79	596.12	678.97

Department-wise break-up of the pending IRs and audit observations as on 30 June 2009 is mentioned below:

(Rupees in crore)

Sl. no.	Name of department	Inspection report	Audit obser-vations	Amount involved	Year to which observations relate	No. of IRs to which even first replies have not been received
1.	PHED	27	65	6.33	1994-95 to 2008-09	20
2.	Electricity	96	288	616.08	1990-91 to 2008-09	52
3.	Land Revenue	61	167	11.02	1991-92 to 2008-09	47
4.	Registration	3	7	0.11	1991-92 to 2008-09	3
5.	Hospital	4	9	0.25	2002-03 to 2008-09	0
6.	Fishery	16	41	0.41	1991-92 to 2008-09	6
7.	Excise	15	37	4.65	1990-91 to 2008-09	6
8.	Taxation	41	209	13.07	1990-91 to 2008-09	37
9.	Lottery	4	25	19.37	1990-91 to 2008-09	2
10.	Motor vehicle	47	152	3.56	1990-91 to 2008-09	28
11.	Forest	46	104	4.12	1990-91 to 2008-09	28
Total		**360**	**1,104**	**678.97**		**229**

Thus out of 360 IRs pending for settlement, even first replies have not been received (June 2009) for 229 IRs. Pendency of these IRs was reported to the Government from time to time. However, no remedial action has been taken for speedy settlement of the IRs and audit observations outstanding as on 30 June 2009.

Since the outstanding amount represents unrealised revenue, **the Government need to take speedy and effective action on the issues raised in the IRs.**

4.9 Departmental audit committee meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, departmental audit committee meetings are constituted by the Government. These committees are chaired by the secretaries of the concerned administrative department and attended by the concerned officers of the state Government and officers of the Accountant General (Audit).

In order to expedite clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly. During the year 2008-09, no audit committee meetings were held, despite being requested.

The Government may ensure holding of frequent meetings of these committees for ensuring effective action on the audit observations leading to their settlement.

4.10 Response of the departments to the draft audit paragraphs

Seven draft paragraphs (clubbed into five paragraphs) and two reviews proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2009 (Civil) were forwarded to the Secretaries/Commissioners of the respective departments during May, June, July, August and October 2009 through demi-official letters. The administrative Secretaries/Commissioners did not furnish replies (December 2009) in respect of five draft paragraphs and one review. The replies in respect of other two draft paragraphs and one review have been received and reflected in the report.

4.11 Recovery of revenue of accepted cases

During the years from 2002-03 to 2007-08, the departments/Government accepted audit observations involving Rs. 3.96 crore of which only Rs. 0.26 crore had been recovered till March 2009 as mentioned below.

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2002-03	0.72	0.51	0.02
2003-04	1.82	1.10	0.16
2004-05	0.63	0.25	0.00
2005-06	0.99	0.13	0.02
2006-07	1.87	1.01	0.02
2007-08	6.75	0.96	0.04
Total	**12.78**	**3.96**	**0.26**

The above table indicates the amount recovered was only 6.57 *per cent* of the accepted amount. **The Government needs to take effective steps to recover the outstanding amount in the interest of revenue.**

4.12 Results of audit

Test check of the records of tax receipts and other non-tax receipts conducted during the year 2008-09 revealed underassessment, non-levy, short levy and loss of revenue amounting to Rs. 111.68 crore in 101cases.

This chapter contains two reviews and five paragraphs relating to non/short levy (including penalty) of sales tax/value added tax; non-assessment/non-collection of professional tax; non-realisation of cost for deployment of armed guards from banks and others involving Rs. 6.77 crore. The department/ Government accepted audit observations involving Rs. 3.81 crore, out of which Rs. 5.90 lakh has been recovered (December 2009). No reply has been received in respect of one performance review and three paragraphs (December 2009). The cases included are discussed in the succeeding paragraphs.

PERFORMANCE REVIEWS (REVENUE)

TAXATION DEPARTMENT

4.13 Transition from Sales Tax to Value Added Tax (VAT) System

Highlights

No time limit was fixed by the department either by way of circulars or notifications to bring all the eligible Pre-VAT dealers, liable to be registered within the ambit of the VAT Act. Only 22 *per cent* of the dealers registered under repealed Act could be brought within the purview of the VAT Act.

(Paragraph 4.13.7.1)

Important registers like "Register of receipt of returns", "Register of defaulters", "Register of casual dealers", "Registers to watch the recovery of the arrears of tax, interest, penalty *etc*." under the repealed Act and the VAT Act were not maintained.

(Paragraph 4.13.10)

Seven dealers did not pay tax of Rs. 1.58 crore for the period from 2005-06 to 2007-08. No action was taken by the department to recover the dues. The dealers were, also liable to pay interest of Rs. 1.22 crore.

(Paragraph 4.13.13)

Two dealers had defaulted in the payment of tax of Rs. 1.51 crore along with the relevant returns for the period from 2005-06 to 2007-08. The penalty of Rs. 45.64 lakh though leviable was not levied.

(Paragraph 4.13.16.1)

Value added tax of Rs. 24.08 lakh was required to be deducted at source from the bill of a contractor dealer, however, Rs. 7.87 lakh only were deducted from the bill of the contractor. This resulted in short deduction of VAT of Rs. 16.21 lakh.

(Paragraph 4.13.19)

4.13.1 Introduction

The Government of India decided to implement State Level Value Added Tax (VAT) in all the states on the basis of decision taken on 23 January 2002 by the empowered committee of the States' Finance Ministers. The empowered committee brought out on 17 January 2005 a white paper on state level VAT. The following are the main features of VAT:

- it would eliminate cascading effect due to credit of tax paid on purchase for resale or for use in production;
- other taxes will be abolished and overall tax burden will be rationalised;

- overall tax will increase and there will be higher revenue growth; and
- there would be self assessment by the dealers and set off will be given for input and tax paid on the previous purchases.

The Government of Manipur repealed the Manipur Sales Tax Act, 1990 (the repealed Act) and enacted the Manipur Value Added Tax Act, 2004 (the VAT Act) from 1 July 2005. The Manipur Value Added Tax Rules, 2005 (the Rules) were introduced from 1 August 2005. The cases relating to prior to the enactment of the Act were to be finalised in accordance with provisions of the repealed Act.

Some of the differences between the existing VAT Act and the Repealed Act were as under:

- VAT is a multi point tax system while sales tax was single/double point tax system;
- VAT system relies more on the dealers to pay the tax willfully and submit the returns and deemed self assessment in VAT while supporting documents are required along with the returns in repealed Sales Tax Act;
- A fixed percentage of check was provided in the VAT Act while hundred *per cent* cases are required to be assessed in the repealed Sales Tax Act;
- The role of the executive in assessing the dealers is reduced under the VAT Act.

The salient features of the Manipur VAT Act are mentioned below:

The VAT Act comprises 12 chapters and two schedules. The chapters relating to registration of dealers, returns; assessment; recovery and refund of tax, accounts and records, inspection of accounts, appeal and revision, offences and penalties *etc*. are incorporated in the VAT Act. Each tax payer registered under the Act is assigned a unique Tax-payer Identification Number (TIN).

Schedule-I-consists of 170 items/goods, taxable at three different rates[9] while all other goods not specified elsewhere are taxable @ 12.5 *per cent*.

Schedule- II consists of 57 items/goods which are exempt from payment of tax *i.e.* taxable at the rate of zero *per cent.*

4.13.2 Organisational set up

The Department of Taxes functions under the administrative control of the Finance Department, Government of Manipur. The department is headed by a Commissioner of Taxes who is assisted by one Deputy Commissioner, one Assistant Commissioner, Superintendents of Taxes and Accounts Officer.

[9] 3 items/goods taxable at 1 *per cent* VAT rate, 162 items at 4 *per cent*, 4 items at 20 *per cent* and 1 residual item.

The Assistant Commissioner and the Superintendents of Taxes are the assessing authorities (AAs) assisted by Inspectors.

4.13.3 Audit objectives

The review was aimed to ascertain whether:

- the planning for implementation and the transition from the Sales Tax Act to VAT Act was effected timely and efficiently;
- the organisational structure was adequate and effective;
- the provisions of the VAT Act and the Rules made thereunder were adequate and enforced properly to safeguard the revenues of the State; and
- internal control mechanism existed in the Department and was adequate and effective to prevent leakage of the revenue.

4.13.4 Scope of audit

The review covering the period from 2004-05 to 2008-09 was carried out during the period from April to June 2009 and covered *cent per cent* units *i.e.* 10 (ten) Zones including three check posts/gates of Kangpokpi (Camp Sekmai), Moreh and Jiribam.

4.13.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation of the Department of Taxes and their officers and staff in providing necessary information and records for audit. An entry conference was held in June 2009 with the representatives of the Government and the officers of the department, in which the audit objectives and methodology were explained. The draft review report was forwarded to the department and the Government in June 2009. The exit conference was held in July 2009 with the representatives of the Government headed by the Deputy Secretary (Finance) and the departmental authorities headed by the Commissioner of Taxes in which the audit findings and recommendations were discussed. The replies of the department given during the exit conference and at other points of time have been appropriately reflected in the review report.

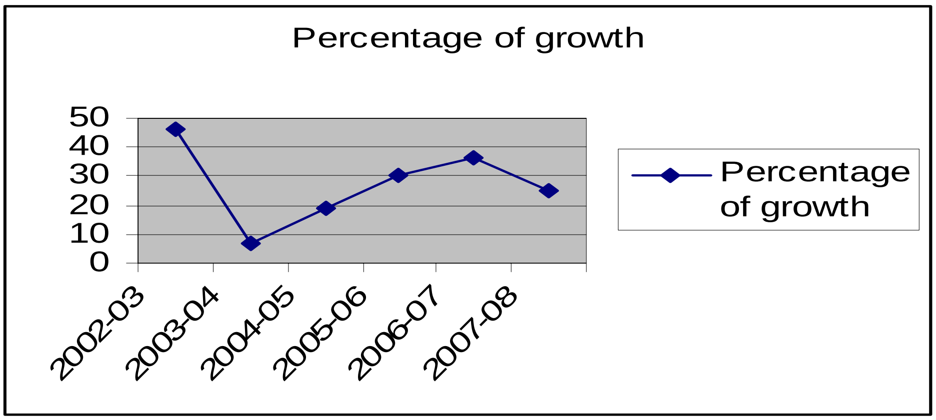
4.13.6 Pre-VAT and VAT collection

The comparative position of pre-VAT sales tax collection (2002-03 to 2004-05) and VAT period (2005-06 to 2007-08) tax collection and the growth rate in each of the years is furnished below:

(Rupees in crore)

Pre-VAT				VAT period			
Year	**Actual collection**	**Annual growth of revenue**	**Percentage of growth**	**Year**	**Actual collection**	**Annual growth of revenue**	**Percentage of growth**
2002-03	43.18	13.66[10]	46	2005-06	71.17	16.44	30
2003-04	46.12	2.94	7	2006-07	96.64	25.47	36
2004-05	54.73	8.61	19	2007-08	120.76	24.12	25
Total	**144.03**	**25.21**		**Total**	**288.57**	**66.03**	
Average growth rate	**48.01**	**8.40**	**17**	**Average growth rate**	**96.19**	**22.01**	**23**

The *percentage* of growth during 2002-03 was the highest. However, the average growth rate during 2002-03 to 2004-05 was 17 *per cent* while the average growth rate for 2005-06 to 2007-08 was 23 *per cent*. Thus after the implementation of VAT the average growth rate increased during the period 2005-2008.



The reasons for increase in the revenue growth for the period from 2005-06 to 2007-08 was attributed by the department to their effort and introduction of VAT in the state.

Audit findings

System deficiencies

4.13.7 Preparedness and transitional process

There was lack of adequate preparedness by the Government for switching over from the Sales Tax system to VAT system as discussed in the subsequent paragraphs. Out of the total of Rs. 40.48 lakh received (2002-02 to 2008-09) from the State Government for introduction of VAT/awareness programme, only Rs. 23.86 lakh[11] (58 *per cent*) were utilised.

[10] Actual collection during 2001-02: Rs. 29.52 crore.

[11] Rs. 8.14 lakh parked under MH 8449 – other deposits in compliance with the directive of the Government, Rs. 3.13 lakh in DDO's account and remitting Rs. 5.35 lakh to Government account.

4.13.7.1 Registration of new dealers

As per section 24 of the VAT Act, a dealer, liable to pay tax shall not carry on business unless he has been registered. The Act further provides that if the gross turnover of sales of a dealer during a period of twelve consecutive months exceeds Rs. 50,000, he may apply for registration even if he is not liable to pay tax. As per the VAT Rule a certificate of registration shall be issued to a VAT dealer already registered under the repealed Act. However**, audit noticed that no time limit was fixed by the department either by way of any circular or by any notification for registering all pre-VAT dealers registered under the VAT Act.**

The position of the registered dealers during the last five years as furnished by the Department is shown below:

Year	Dealers under the repealed Act	No. of registered dealers under the VAT Act					
		Conversion	New	Total	Cancelled	Net registered	Total (Cumulative)
2004-05	6,219	—	—	—	—	—	—
2005-06	5,345	874	216	1,090	34	1,056	1,056
2006-07	4,989	356	179	535	4	531	1,587
2007-08	4,842	147	236	383	1	382	1,969
2008-09	—	—	402	402	1	401	2,370
	Total	**1,377**	**1,033**	**2,410**	**40**	**2,370**	

The table above indicated that out of 6,219 dealers registered under the repealed Act, only 1,377 dealers (*i.e.* 22 *per cent*) were registered under the VAT Act, thus leaving 78 *per cent* of the dealers outside the tax net.

After this was pointed out, the department stated (November 2009) that the registration of those dealers who did not register themselves under the VAT Act had been treated as cancelled vide Notification dated 17 December 2007 of the Commissioner of Taxes. However, the reply was silent on why action was not taken to register those dealers who were liable to be registered under the Act.

The Government may consider prescribing a time limit within which all Pre-VAT dealers liable to be registered under the VAT Act are brought within the ambit of the VAT Act.

4.13.7.2 Surveys for registration of dealers

Section 27(1) of the VAT Act provides that if a dealer does not get himself registered within two months from the date from which he is first liable to pay tax, the prescribed authority may, after giving the dealer an opportunity of being heard, impose by way of penalty a sum not less then five thousand rupees and not exceeding ten thousand rupees for each month of default. Section 65 of the Act requires that the Commissioner of Taxes shall from time to time cause a survey of unregistered dealers. However, **audit noticed that no norm/target regarding the number of surveys to be conducted was prescribed for each Inspector, Assistant Commissioner or by any other authority either in the VAT Rules or by the issue of any notification/instruction**.

During audit, it was noticed that neither the Zonal offices nor the office of the Commissioner of Taxes had carried out any survey/raid to detect the unregistered dealers. Test check of the records of Jiribam check post, however, disclosed that 10 casual dealers imported goods involving VAT of Rs. 0.88 lakh from outside the state after 1 July 2005. Neither did these casual dealers file any tax return nor did the assessing authority initiate any action to get the dealers registered. Penalty to the extent of Rs. 14.10 lakh was also leviable.

The Commissioner of Taxes replied (November 2009) that necessary action would be taken against the unregistered dealers and detailed information was also being called for from the officer in-charge of the Jiribam Check Post in respect of 10 casual dealers who imported goods from outside the State. The department stated (November 2009) that periodic surveys were being organised to detect unregistered dealers. However, the fact remains that not a single survey was conducted during the period under review. As discussed at paragraph 4.13.7.1, 78 *per cent* of the dealers registered under the repealed Act remained outside the tax net, **as such the Government may consider prescribing minimum norms/target for conducting surveys to catch the unregistered dealers.**

4.13.7.3 Registration of dealers under threshold limit

The VAT Act provides that a dealer whose gross turnover of sales during a period of twelve consecutive months exceeds Rs. 50,000 may apply for registration under the Act.

The department had not put in place any system for periodical scrutiny of the books of the accounts of those dealers who were under the threshold limit, to register the dealers within the purview of the VAT Act. As such, the number of dealers who should have been registered could not be ascertained.

The Government may consider putting in place a system for periodical scrutiny of the books of the accounts of the dealers under the threshold limit to ensure their registration under the Act.

4.13.7.4 Dubious/risky and bogus dealers

The department had not prepared a separate database for dubious/risky dealers. Since such data are very useful and are an important control measure to prevent bogus transactions and utilisation of fraud and invalid forms, the Government may direct the department to maintain the data of dubious/risky and bogus dealers.

The Government may consider directing the department to prepare a database for effective administration of the VAT Act and the rules made there under and for maintaining data of dubious/risky and bogus dealers.

4.13.7.5 Position of unused TINS

Audit noticed that the department had not installed any system for periodic review of the registration certificates to detect TINs that had

remained unused for long periods. The VAT Act also does not provide for a time limit for cancellation of the unused TINs.

The position of the unused TINs was not available with the department. The department, however, stated (November 2009) that the dealers who failed to submit returns for considerable periods had been served notices for submission of returns and in case of their failure necessary action would be taken. Audit, however, did not find a single case where any action of cancellation or calling for returns was taken on unused TINS.

4.13.7.6 Computerisation of the Taxation Department on check gates

The Government of India had entered into an agreement with M/s Tata Consultancy Services (TCS) to computerise the VAT system implemented in the North East States with effect from April 2005. The objectives were to facilitate computerisation of registration of the dealers under VAT and CST, computerisation of check gates and related monitoring of inter-State movement of goods, processing of returns, challans *etc*. The VAT and CST Management System (VCMS) is a web based system and the project is fully funded by the Government of India.

Audit observed that several modules had still not been made operational and VCMS failed to generate all important returns and reports essential for day to day work. It was also seen that the data entries were not being made properly into the system, defeating the purpose of the computerisation. Further, the records maintained at the check gates at Jiribam and Moreh were not computerised. Thus, cross verification of return with the check gates records could not be done effectively by the assessing officers.

For effective implementation of VAT, the Government may adopt computerisation of all records.

4.13.8 Shortage of staff

Manpower management is a key factor for smooth and efficient working of a department and shortage of personnel is a serious problem that impacts output, besides delaying the disposal of urgent cases.

From the information furnished by the Commissioner of Taxes, Manipur, it was seen that there was manpower shortage during the last three years in various cadres in the key areas like assessment, survey, registration, raising of demands, collection of tax *etc*. At the end of March 2009, out of 161 sanctioned posts, 40 posts in various cadres, which is more than 25 *per cent* of sanctioned posts, were lying vacant.

For better tax administration under VAT, the department was required to computerise its operation in a big way and accordingly create new posts of system analyst, programmers, assistant programmers and data entry operators. However, as on 31 March 2009, no such posts were created.

It is therefore, recommended that the department may reassess the requirement of strength in post-computerisation scenario, for better tax administration.

The department agreed (November 2009) that there were shortages and intimated that efforts were being made to fill up the vacant posts.

4.13.9 Creation of operation manual and training of staff

In the course of scrutiny of the MVAT Act and Rules made thereunder it was noticed that no provision has been kept for creation of operation manual for officers and other subordinate staff working in the department. **No operation manual has been prepared by the taxation department for effective implementation of VAT.**

The department intimated (November 2009) that during the year 2007-08 and 2008-09, 41 out of 119 staff members were imparted training through various computer courses. Thus, 66 *per cent* of the staff was yet to be trained to meet the challenges of the VAT system.

The Government may consider directing the department to prepare a manual and reorganise itself based on proper manpower planning and adequate training.

4.13.10 Non-maintenance of records

Important registers like register of receipt of returns, register of defaulters, register of casual dealers, registers to watch the recovery of the arrears of tax, interest, penalty *etc*. under the repealed Act and the VAT Act separately were not maintained.

Arrears of Rs. 59.45 lakh were pending under the repealed Act as on 31 March 2005, while arrears amounting to Rs. 1.58 crore were pending on account of sales tax/VAT as on 31 March 2009. In absence of the records, the progress made in recovery of the outstanding amounts of tax each under the repealed Act or under VAT Act, could not be ascertained by audit. The chances of delay in collection of these arrears cannot be ruled out.

4.13.11 Deficiencies in VAT Act

The review revealed a number of deficiencies in the provisions of the VAT Act and the Rules, which persisted during the period covered under the review. Some of the important deficiencies are mentioned below:

4.13.11.1 Deficiencies in return format and monitoring their receipts

As per Rule 24 of the Rules, registered dealers are required to file monthly/ quarterly tax return in Form-10 to the appropriate tax authority. **Audit noticed that the format of the return "Form-10" did not provide for important information relating to value of opening and closing stock of goods held by the dealers, discount allowed and tax collected, details of treasury**

challan and details of the selling dealers in the returns. No mechanism was put in place by the department to monitor filing of the returns by each registered dealer.

The information regarding the runaway/missing dealers, assessment pending finalisation, tax due *etc*. in respect of these dealers were not available with the department. Test check of the assessment records maintained in 7 Zones[12], revealed that 95 dealers registered under the Repealed Act/VAT Act did not file returns for various quarters up to March 2009. 32 dealers had not submitted any return from the dates of their registration. Of these, 42 dealers were issued various declaration Forms like ST '35', '27', 'C' and 'F'. The tax authorities, however, did not take any action to get the dealers traced out or cancel the "Forms" issued to these dealers. The misutilisation of these forms cannot be ruled out. Even the department had not issued notices to the dealers to file the outstanding returns except in respect of 21 dealers under Zone-VII and VIII.

4.13.11.2 Tax audit

Section 33 of the Act provides *inter alia* that the Commissioner or any other tax officer as directed by him shall undertake tax audit of the records, stock in trade and the related documents of the dealers, who are selected by the Commissioner in the manner as may be prescribed for the purpose. For the purpose of tax audit, the Commissioner or any other Tax Officer directed by him shall examine the correctness of return or returns filed and admissibility of various claims including input tax credit.

Audit noticed that the department had not selected any case for test audit. No procedure/system for selection of dealers for tax audit was framed by the department. Moreover, time frame within which the tax audit should be taken up and completed was also not prescribed in the VAT Act.

4.13.11.3 Lack of monitoring at the higher level

Neither the Government nor the department had installed any Management Information System for submission of the returns/report to the respective higher authority for monitoring their receipt, disposal and correctness.

After this was pointed out, the department stated (November 2009) that a format for this purpose had been devised. However, the time period within which it shall be made applicable has not been intimated (December 2009).

The Government may consider:

- **revising the format of the returns for providing necessary information like opening and closing stock of goods held by the dealers, discount allowed and tax collected details of treasury challan, details of the selling dealers *etc*.;**

[12] Headquarters III, IV, V, VII, VIII, IX including Moreh check post.

- **putting in place a mechanism to enable the department to monitor filing of returns by each registered dealer.**

4.13.12 Internal audit

Audit noticed that though the white paper on VAT envisaged the creation of an independent audit wing for checking a percentage of dealers' self-assessments, yet no provision for such an audit wing has been incorporated in the VAT Act.

No internal audit was conducted during the years from 2005-06 to 2007-08. The department had no internal audit wing of its own. Internal audit aids, advises and guides the administration for better results. Absence of the internal audit wing indicates that the department was unaware of the malfunctioning and other weakness pointed out by audit. The Director of Local Fund Audit, Manipur, conducted the audit of the accounts of the department for the period from February 2004 to May 2006. But the audit was not concluded and no inspection report was issued to the department.

The department stated (November 2009) that a proposal for creation of an independent Internal Audit Wing under the supervision of a Senior Audit Officer would be submitted to the Government and in the mean time the Director of Local Fund Audit, Manipur would be requested to complete the audit of the accounts of the department for the period of February 2004 to May 2006 and submit the inspection report.

Government may consider putting in place a separate internal audit wing for the department.

Compliance deficiencies

4.13.13 Non-levy of interest

Section 29 (1) (a) read with Section 50 (4) of the MVAT Act, provides that if a dealer fails to pay the amount of tax due as per the return/self assessment/provisional assessment, such dealers shall be liable to pay interest at the rate of 2 *per cent* per month from the date the tax payable had become due to the date of its payment.

Test check of the assessment records maintained by two Zones[13] disclosed that seven dealers failed to pay tax due amounting to Rs. 1.58 crore for the period from 2005-06 to 2007-08. No action was taken by the department to recover the dues .The dealers were also liable to pay interest of Rs. 1.22 crore.

After this was pointed out, the Commissioner of Taxes stated (November 2009) that necessary steps for realisation of both the tax due and interest would be initiated.

[13] Headquarters and Zone III.

4.13.14 Non-determination of opening stock under the VAT Act

Under Section 88 of the Act, the Commissioner may, by notification in the Official Gazette, require that any class of registered dealers as may be specified in the notification declare details regarding the stock of goods held by them on the day immediately preceding the date on which the Act comes into force.

Test check of the records maintained in zone I revealed that none of the dealers except one dealer[14] declared stock position as on above cited date. Further, there was no database for uploading the stock position of the dealers for future reference.

The department stated (November 2009) that the audit observation was noted for future guidance.

4.13.15 Non-operation of TINXSYS

The empowered committee of State Finance Ministers had authorised a website **tinxsys.com** to serve as a repository of inter-state trade transactions.

No data relating to dealers was uploaded on the site during the period from 2005-06 to 2007-08. Non-uploading of information in the site defeated the objective of creation of the website.

The department stated (November 2009) that lack of preparedness for the transitional process from Sales Tax to VAT system, non-operation of TINXSYS had been noted and corrective measures were being initiated.

4.13.16 Non-levy of penalty

4.13.16.1 Under Section 29 (3) of the Act, if a registered dealer fails to pay the amount of tax due and the interest along with the return, penalty at the rate of 2 *per cent* per month on the tax due and interest is also leviable from the date it became due to the date of its payment or to the date of order of assessment, whichever is earlier.

Test check of the assessment records maintained by Headquarters zone revealed that two dealers were defaulters in payment of tax due amounting to Rs. 151.12 lakh along with the relevant returns for the period from 2005-06 to 2007-08. The penalty of Rs. 45.64 lakh though leviable was not levied.

After this was pointed out, the Commissioner of Taxes stated (November 2009) that necessary steps for realisation of both the tax and penalty would be initiated.

4.13.16.2 Section 58 of the VAT Act provides that if the gross turnover of a dealer, in any year exceeds Rs. 20 lakh or any other amount as fixed by the Commissioner, such dealer's account shall be audited by the Chartered

[14] By trade name M/s Jaipur Medical Hall (TIN–1411017522), a dealer in medicine, drugs *etc*.

Accountant within six months from the end of the relevant year and the dealer shall furnish a copy of the certificate of the audit of accounts in Form '25' to the tax authority by the end of the month after expiry of the six months failing which the Commissioner shall impose on the dealer a sum, by way of penalty, equal to 0.1 *per cent* of the turnover.

Test check of the records maintained in eight zones[15] revealed that the turnover of each of the 28 registered dealers exceeded Rs. 20 lakh during 2005-06 to 2007-08 but none of these dealers submitted the certificate of the audit of accounts. Their assessments involving taxable turnover of Rs. 166.58 crore were finalised (between July 2006 and February 2009) without imposing the penalty of Rs. 16.66 lakh.

The department stated (November 2009) that the penalty at the rate 0.1 *per cent* was being realised from the dealers who failed to submit certificates of Audit of Accounts.

4.13.16.3 Section 66 of the VAT Act provides for establishment of the check gates to prevent leakage/avoidance of revenue. As per section 66 (2) (a), the driver or person in charge of vehicle or carrier of goods in movement shall carry with him the records of the goods and declaration Form '27' indicating the details relating to movement of goods by the consignor of the goods carried; failing which a penalty equal to the amount of 5 times of the tax shall be leviable on such goods or 20 *per cent* of the value of goods whichever is higher.

Test check of the records like "the daily goods movement register" (ST-48) and "detailed statement of trucks carrying goods" maintained by the Jiribam check gate revealed that during the period from November 2005 to February 2006 ten registered dealers/26 truck owners imported/transported various goods worth Rs. 1.65 crore from outside the State without valid declaration Form '27' involving VAT of Rs. 11.51 lakh[16]. The dealers were liable to pay the penalty of Rs. 57.57 lakh[16] which was not imposed by the AAs.

Audit also noticed that the check gate at Kangpokpi (Sekmai) was abolished in March 2006. Similar movement of goods without valid declaration Forms by the dealers along the NH 39 could not be ruled out.

The department stated (November 2009) that a check post at Mao and a temporary check post at Senapati were proposed to be constructed. The check posts at Jiribam and Moreh would also be strengthened, fully computerised and entry and exit of goods would be monitored. However, the reply was silent about the non-levy of penalty.

[15] Headquarters, I, II, III, IV, V, VI and VIII.
[16] Rs. 11,51,360. The penalty @ 5 times of tax due is Rs. 57,56,800.

4.13.17 Suppression of sales turnover

Test check of the assessment records maintained in two zones disclosed that two dealers declared their taxable sales turnover as Rs. 58.37 lakh instead of the actual taxable turnover Rs. 242.45 lakh for the period ending December 2006 to December 2008 thereby concealing the sales turnover of Rs. 184.08 lakh with tax effect of Rs. 8.02 lakh. The AAs, incorrectly accepted the self assessment (April 2007 to January 2009) of dealers. Penalty to the extent of Rs. 16.04 lakh was also leviable.

The department stated (November 2009) that one dealer[17] had furnished documents relating to sales turnover for the period December 2006 to September 2007. However, no such record was produced to audit. In respect of another dealer[18] the department stated that a show cause notice has been served for levy of additional tax along with penalty.

4.13.18 Suppression of purchase turnover

Test check of the assessment records maintained in eight zones revealed that the AAs while finalising the assessment (December 2005 to November 2008) of thirteen dealers for the period ending September 2005 to September 2008 accounted for the purchase turnover and value of stock transfer of goods amounting to Rs. 31.65 crore as against the actual value of Rs. 38.93 crore as disclosed by the utilisation statements of statutory Forms ‘F’, ‘C’, ‘27’ and ST-35 issued to the selling dealers and the records maintained at the check gate of Kangpokpi (Camp: Sekmai) thereby concealing the purchase turnover etc of Rs. 7.28 crore. Failure on the part of the AAs to detect the suppression of the purchase turnover resulted in evasion of tax of Rs. 63.51 lakh and non-levy of penalty of Rs. 1.27 crore.

Further, another dealer[19] (not yet assessed) depicted the value of goods imported as Rs. 59.23 lakh instead of the actual value of Rs. 75.79 lakh thereby suppressing the purchase turnover amounting to Rs. 16.56 lakh with tax effect of Rs. 0.66 lakh. The penalty leviable on the additional tax of Rs. 0.66 lakh worked out to Rs. 1.33 lakh.

The department stated (November 2009) that the three dealers had furnished the documents relating to purchase turnover for the relevant period and that notices had been served to the 10 dealers[20] to furnish the necessary documents. The reply of the Department regarding receipt of the relevant documents relating to purchase turnover could not, however, be substantiated as the department could not produce the related documents (December 2009).

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[17] By trade name M/s Steel Trading Corporation (14510015182).

[18] By trade name M/s Baani Sales & Services (14110020124).

[19] By trade name M/s Ericsson India Private Limited (1401115376) under jurisdiction of Headquarters Zone, a dealer in telecommunication parts *etc*.

[20] By trade names M/s Manipur Steel Mart (14310010175), M/s Ganeshlal Bagri & Co (14210056123), M/s R. K. Steel (1471001193), M/s Kulabidhu Singh (14710021102), M/s Zingsho Enterprise (14510012152), M/s D.K. Enterprises (14410114175), M/s Belgium Glass Corner (14610057144), M/s New Calcutta Hardware Store (14110083172), M/s Golden Enterprises (14610056134) & M/s Kim-Joe Gas Service (14910010143).

4.13.19 Non-deduction of tax at source

As per the Government of Manipur, Finance Department OM dated 20 March 2006 and 13 July 2007, VAT at the rate of 5.6% of the amount of the bills of the contractors dealers shall be deducted at source.

Test check of the records of PWD, Manipur revealed that VAT of Rs. 24.08 lakh (5.6% of Rs. 4.30 crore) was required to be deducted at the source from the bill of a contractor dealer[21] as on March 2009. The division deducted VAT of Rs. 7.87 lakh only from the bill. This resulted in short deduction of VAT of Rs. 16.21 lakh. The dealer had not filed return for the quarter ending March 2009. The department had at no time asked the dealer to submit the returns. Thus, lack of action on the part of department resulted in non-realisation of Rs. 16.21 lakh.

After this was pointed out, the department stated (November 2009) that the Chief Engineer, PWD, Manipur was requested to furnish the details of tax deducted from the contractor. Further reply has not been received (October 2009).

4.13.20 Grant of incorrect Input tax credit

Section 17 of the VAT Act provides that no input tax credit claim shall be allowed to a registered dealer where tax invoice is either not available or has not been issued by the selling dealer.

Test check of the assessment records maintained by three zones revealed that the AA while finalising the assessments (April 2006 and January 2009) of three dealers[22] for the period from September 2005 to December 2008 allowed input tax credit of Rs. 22.01 lakh despite the fact that these claims were not supported by the tax invoices of the selling dealers. This resulted in short levy of VAT of Rs. 22.01 lakh.

4.13.21 Conclusion

The review revealed that there was ineffective implementation of the provisions of the VAT Act and the Rules. Instead of widening the tax base it was noticed that 78 *per cent* of the dealers registered under the repealed Act could not be brought under the purview of the VAT Act. Though a large number of dealers were defaulters in payment of tax due thereby attracting interest and penal provisions of the Act, the relevant provisions were not implemented promptly leading to non-levy of tax and penalty. No internal audit was conducted during the years 2005-2008. The department had no separate internal audit wing and the Director of Local Fund Audit, Manipur

[21] By trade name M/s Simplex Project Ltd., Kolkata (14010280175 – Hqtr), a dealer in works contract.

[22] By trade names M/s Parash Agency (14110003148 - I), a dealer in milk powder, edible oil *etc*: Rs. 5.03 lakh; M/s J. K. Steel (14310616158 - III), a dealer in G.C, Sheet *etc*: Rs. 11.06 lakh; M/s Bhagchand Kailashchand (14210037127 - II), a dealer in Safety matches, mosquito coil, cosmetic, soap *etc*: Rs. 5.92 lakh.

who had conducted the audit of the accounts of the department for the period from February 2004 to May 2006 had not submitted any report. The department was, therefore, unaware of the malfunctioning and other weaknesses.

Failure of the Department to make the TINXSYS operational, closing of the check gate along the National Highway 39 and making the dealers submit to the tax authorities, the details of the goods imported with value thereof, which was not insisted upon, made the assessment finalised under Section 34(3) tainted with concealment of purchase turnover and evasion of tax.

4.13.22 Summary of recommendations

The Government may:

- prescribe a time limit within which all Pre-VAT dealers liable to be registered under the VAT Act will be brought within the ambit of the VAT Act;
- prescribe norms/target for each Inspector, Assistant Commissioner or for any other authority regarding the number of surveys to be conducted during a year;
- direct the department to prepare a manual for effective administration of the VAT Act and the rules made thereunder and for maintaining data of dubious/risky and bogus dealers;
- put in place a system for periodical scrutiny of the books of the accounts of the dealers under the threshold limit to ensure their registration under the Act;
- revise the format of the returns for providing necessary information like opening and closing stock of goods held by the dealers, discount allowed and tax collected, details of treasury challan and details of the selling dealers *etc*;
- put in place a mechanism to enable the department to monitor filing of returns by each registered dealer; and
- strengthen its internal controls and putting in place a separate internal audit wing for the department.

TRANSPORT DEPARTMENT

4.14 Information Technology Audit of the Department of Transport

Highlights

In five DTOs selected for the implementation of the computerisation programme, it is yet to be implemented despite availability of computer equipment and trained manpower since 2006-07.

(Paragraph 4.14.6.1)

Though computerisation programme was introduced in DTO, Imphal West in 2003, the software modules available are still only partially utilised.

(Paragraph 4.14.6.2)

Insurance details were not entered in respect of most of the vehicles.

(Paragraph 4.14.7.8)

Tax amount was not entered in respect of 62 vehicles registered from 2003 onwards.

(Paragraph 4.14.7.10)

Fine was not imposed in respect of 4,214 vehicles registered after more than 30 days of the date of purchase after 2003.

(Paragraph 4.14.7.11)

Hand Held Terminals had not been purchased by MANITRON[23] as per the terms of the contract even after seven months of the implementation of the smart card.

(Paragraph 4.14.8.3)

There was no documentation of modifications made to the application software.

(Paragraph 4.14.11.1)

4.14.1 Introduction

The Department of Transport, Government of Manipur (Department) is entrusted with the responsibility of implementing the various provisions relating to assessment, levy and collection of taxes, fees, permits and fines on motor vehicles under the provisions of the Motor Vehicle Act (1988) (the Act) and Central Motor Vehicles Rules (1989) (the Rules); Manipur Motor vehicles Taxation Act 1998; Manipur Passenger and Goods Taxation Rules 1979 and other such notifications issued from time to time. A major function performed by the department is the registration of vehicles and issue of driving licence.

[23] Manipur Electronics Development Corporation Ltd., a State PSU.

The Department of Road Transport and Highways (DRTH), Government of India instructed (January 2001) all the states to adopt a standardised data format and software for front end and back end applications for the purpose of issuing driving licence and registration of motor vehicles and maintaining their database so that a National Register of motor vehicle and driving licence could be prepared. The DRTH directive envisages faster and better services, transparency, monitoring of state revenue and modernisation of RTOs through computerisation and interlinking thereby maintaining a State Register of motor vehicle and driving licences also.

DTO, Imphal West was selected as a pilot site of Manipur Transport Department for computerisation of vehicle registration activity in February 2002. Accordingly, the standardised software *VAHAN* and *SARATHI* developed by National Informatics Center (NIC), New Delhi was taken up for implementation from December 2003 onwards at DTO, Imphal West District. Computer hardware were installed in DTO, Imphal East District in 2006 and also in four other DTOs in 2007[24].

The system also provided for a Smart Card with a micro processor chip of minimum 4K bytes to be introduced using standardised and uniform format for certificate of registration of motor vehicles and driving licences, wherein data would be tamper proof and leakage of revenue would be prevented and the cards are readable throughout the country by using Hand Held Terminals (HHT). The Smart Card became operational from November 2008.

The *VAHAN* package was developed on Windows operating system using Visual Basic 6.0 for the front end application program and SQL server 7.0 for the back end data base. The software automates management of information relating to the vehicle registration, identity of its owner and technical details of the vehicles, tax, fitness, permit and their corresponding validity, authorisation including interstate aspects and insurance details.

An IT review on computerisation of the Transport Department was conducted which revealed a number of system and compliance deficiencies. These are mentioned in the succeeding paragraphs.

4.14.2 Organisational structure

The Director of Transport is the head of the Department under the administrative control of the Commissioner of Transport. He is assisted by two Deputy Directors (Administration and Planning). The activities for computerisation of the Department is executed by the Chief Information Technology Officer (CITO) under the Deputy Director (Planning) in consultation with the NIC, Manipur. The Deputy Director (Administration) controls the six district transport officers of the State.

CITO coordinates and looks after the work of computerisation in the various District Transport Offices in consultation with the NIC, Manipur.

[24] Thoubal, Bishnupur, Churachandpur and Kangpokpi.

4.14.3 Audit objectives

The objectives of the IT Audit were to ascertain whether:

- the project was commissioned within a reasonable time frame,
- the data captured were accurate and comprehensive,
- adequate controls are in place,
- the Department has in-house technical expertise to run the system and
- the Department has been able to effectively apply the software for management of registration of vehicles, realisation of fees/road tax and issue of driving licence.

4.14.4 Scope of audit

The scope of the review of IT Audit included the audit of the system implementation and examination of controls in selected operational applications viz. registration of vehicles and its allied activities, collection of taxes and fines and issue of driving licence for the period from 2003 to May 2009. DTO, Imphal West district where the software *i.e. VAHAN* and *SARATHI* has been implemented was selected for detailed audit examination.

4.14.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing the necessary information and records for audit. An entry conference was held with the Department in February 2009 to explain the audit objectives and scope of this review. The draft review was forwarded to the Government and the Department on 1 October 2009. An exit conference was held on 3 October 2009 in which the results of audit and the recommendations were discussed with the Commissioner of Transport. The replies received during the exit conference and at other points of time have been appropriately included in the respective paragraphs.

Audit findings

4.14.6 System implementation

4.14.6.1 Delay in implementation of computerisation and non-implementation in five DTOs

Audit scrutiny revealed that no IT Strategic Plan/policy and planning were in place. Only DTO Imphal West has implemented the software on a partial basis since December 2003. The other five DTOs are still functioning manually despite the availability of trained manpower and necessary equipments up to the date of audit (July 2009), resulting in non-utilisation of the resources as shown in the following table:

Details of installed hardware and present status

Name of DTO	Type of hardware	Number	Date of installation	Present status
Imphal West	Desktop	10, including server	December 2003	DL and RCs of vehicles are being issued.
Imphal East	Desktop	4, including server	September 2006	Installed facilities not being utilised
Thoubal	Desktop	4, including server	July 2007	
Churachandpur	Desktop	4, including server	August 2007	
Bishnupur	Desktop	3, including server	September 2007	
Kangpokpi	Desktop	3, including server	October 2007	

Further, six generator sets (2.4 KVA each) were provided to the six DTOs in 2007.

Details of training in *VAHAN* and SARATHI

DTO	Number of persons	Held in
Imphal West	21	Nov-Dec 2003
Imphal East	3	2005
Churachandpur	2	
Thoubal	2	2006
Bishnupur	2	
Kangpokpi	2	

This is indicative of poor planning for implementation of the IT programmes and the Department should formulate an IT Plan which will provide necessary direction for its timely implementation at the other targeted DTOs.

The department admitted that no strategic plan/policy was in place and stated that though computerisation was started in all five DTOs in 2006, the computerised functioning was stopped for sometime due to local problems like space constraint and lack of regular power supply. The problems are being addressed through shifting of DTO, Imphal East to bigger premises and generator sets have been provided to each DTO. However, DTO Bishnupur is still functioning manually. Interlinking of servers of all the DTO is not yet started.

Audit pointed out that even after providing the generator sets to each DTO in 2007, the other five DTOs were still functioning manually in most of their registration activities. As a result, investment to the tune of Rs. 10.51 lakh[25] in terms of hardware and software is lying unutilised.

4.14.6.2 Partial utilisation of *VAHAN* in DTO Imphal West

VAHAN software has registration/renewal of vehicles, taxation, fitness, and enforcement modules available. These are for both private and commercial vehicles, through the use of Smart Cards, implying that the data be stored by the States in a server at a central location, thus creating a State Register of Vehicles.

In DTO Imphal West, registration of light motor vehicles, three wheelers and two wheelers only are computerised. Registration of heavy transport vehicles,

[25] Rs. 7.07 lakh for Desktop and Rs. 3.44 lakh for Generator set.

taxation relating to commercial and heavy transport vehicles and information relating to permit and its validity including interstate permits, enforcement *etc*. have not yet been started through *VAHAN*, even after five years of its implementation. The present arrangement is for the computerised database to be maintained in separate servers for each DTO as infrastructure has not yet been developed for interlinking the databases.

Consequently, each DTO remains unaware of the database being maintained in the other DTOs and as a result the department failed to achieve the objective of maintaining a State Register of Motor Vehicles.

The Department admitted that the taxation module available under VAHAN could not be made fully operational as taxation is a State subject and developing common software is difficult. The Department also admitted that Smart Card for transport vehicles has not been issued as the quarterly/half yearly payment of taxes would require frequent updation of the Smart Card. The matter is under consideration with the NIC headquarters, New Delhi.

4.14.7 Analysis of database

4.14.7.1 VAHAN

4.14.7.2 System Design Government Rules/Regulations not incorporated in the software

Audit noticed that the software did not provide adequate validation checks to ensure conformity with the applicable rules and regulations of the Government regarding registration of the vehicles as indicated below:

4.14.7.3 Repeated entry of the records

Chassis numbers and engine numbers are unique identification marks of a vehicle which are essential for its registration under the provisions of the Act and Rules. Moreover, registration number is the identification of a vehicle. Rule 48 provides that on receipt of an application under Rule 47 and after verification of the documents furnished therewith, the registering authority shall subject to the provisions of Section 44 of the Act, issue to the owner of the motor vehicle a certificate of registration in form 23.

Analysis of the database revealed that out of 35,250 registered vehicles there were 17 sets of repeated chassis numbers involving 48 records. The level of repetition ranged from two to five. Further analysis of the database ***VT_OWNER***[26] (35,250 records) revealed that four records involving four owners registered under different registration numbers had the same chassis and engine numbers in two records each as shown in *Appendix 4.1*.

[26] *VT_OWNER*- Table containing details of the vehicle owners.

Similarly, there were 69 sets of repeated engine numbers involving 156 records. The level of repetition ranged from two to five. Out of the 156 records, 69 vehicles had repeated (two to three times) engine numbers but different owner and different registration numbers. Further 63 records had no engine numbers.

Cross verification of the data available in the system with the "combined" register further revealed that 28 vehicles under different registration numbers and 27 different owners were registered under 14 pairs of engine numbers and under different chassis numbers. However, a pair of vehicles with the same engine number differed in their chassis numbers either in alpha 'I' with numeric '1' or alpha 'O' with numeric '0' as shown in *Appendix 4.2*. This indicated lack of validation control in the system to ensure uniqueness of engine/chassis/ registration numbers. Such a system flaw could lead to a risk of stolen vehicles being registered under engine/chassis/registration number other than their own. The department needs to investigate the matter in depth to rule out such irregularities.

The Department stated in the exit conference that all the discrepancies noticed by audit will be scrutinised with original records and appropriate remedial action will be taken under intimation to audit.

4.14.7.4 Vehicles with lapsed registration

As per the Act and Rules, a certificate of registration in respect of a motor vehicle, other than a transport vehicle, is valid only for a period of 15 years from the date of issue of such certificate. No vehicle can be used in any public place until its certificate of registration is renewed. An application for renewal of a certificate of registration shall be made to the registering authority, in Form 25 not more than sixty days before the date of its expiry, accompanied by the appropriate fee. If the owner fails to make an application within the prescribed period, the registering authority may, having regard to the circumstances of the case require the owner to pay, in lieu of any action that may be taken against him, such amount not exceeding rupees one hundred.

Analysis of the database revealed that as on 31 December 2008, registration certificates in respect of 750 non-transport vehicles had expired. Neither had the registration certificate of the vehicles been renewed nor had they surrendered their registration certificate. As such, renewal fee for registration of Rs. 79,160[27] and a maximum fine of Rs. 75,000[28] for non-renewal of registration of the vehicle is realisable. The number of vehicles and the amount of registration fee and fine, however, stand qualified to the extent of the correctness of the data.

The Department stated that all the discrepancies noticed by audit will be scrutinised with the original records and appropriate remedial action will be taken under intimation to audit.

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[27] 270 Scooter/moped (@ Rs. 60), 236 motor cycle (@ Rs. 60), 96 LMV (car) (@ Rs. 200), 79 LMV (van) (@ Rs. 200) and 69 LMV (jeep/gypsy) (@ Rs. 200).

[28] 750 vehicles @ Rs. 100.

4.14.7.5 Tax availability more than 15 years

As per the Act, a certificate of registration in respect of a motor vehicle, other than a transport vehicle, is valid only for a period of 15 years from the date of issue of such certificate.

Analysis of the database revealed that there was inadequate validation control in the system to check validity of the registration period in the database, as the validity of the certificate of registration was more than 15 years in respect of 13 vehicles registered since July 2002.

The Department while admitting the audit findings stated that the data might have been entered as backlog entry and it will be verified from the records as to why it was so entered.

4.14.7.6 Partial capture of database

As per Rule 47, Form 20 has been prescribed for registration of the vehicles which contains information of the vehicles in 34 fields. The '*VAHAN*' package provides for capture of all the information.

Analysis of the database ***VT_OWNER*** (35,250 records), however, revealed that the data capture was partial even in the mandatory fields like father's name, engine number, address, maker model *etc*. (*Appendix 4.3*).

The Department admitted that full information was not captured properly as the data was entered through backend to capture the backlog portion.

4.14.7.7 Incorrect data relating to seating capacity

The road tax is charged in case of transport vehicles depending on their seating capacity, wrong data of seating capacity would have adverse impact on the tax assessment. Analysis indicated that the seating capacity in some cases has been incorrectly entered, as shown in *Appendix 4.4*. These show the lack of validation control.

Since the function relating to permit is still being managed manually by the department, there is no immediate impact. However, these data errors need to be rectified in order to ensure system readiness for switching over to computerised application.

The Department admitted that it might be due to clerical error. NIC also stated that the issue of seating capacity to be provided in the software was under examination.

4.14.7.8 Registration of vehicles without insurance cover note

According to Section 146 of the Act, no person shall use, except as passenger, or cause or allow any other person to use, a motor vehicle in a public place, unless there is in force in relation to the use of the vehicle by that person or that other person, as the case may be, a policy of insurance complying with the requirements of the Act.

Audit observed that there was no validation check in the system to ensure that at the time of registration of a vehicle, a valid insurance certificate/cover note was in place. Analysis of the database (***VT_OWNER*** joined with ***VT_VEHINS***[29]) revealed that out of 36,795 records only 105 records had insurance cover note. Absence of a valid insurance certificate/cover note number results in vehicle getting registered without paying the insurance amount, a patently illegal act.

The Department stated that the audit findings will be checked from the original records under intimation to audit.

4.14.7.9 Lack of continuity of registration numbers

In a single series, 9,999 vehicles *i.e.* up to four digits can be awarded registration numbers. These numbers should be awarded in a sequence to monitor the year of registration of the vehicle.

Analysis of database revealed that registration in a subsequent series was started before the ongoing series was exhausted. The number of registration numbers unutilised in the 22 series checked is as shown in *Appendix 4.5*. This practice apart from indicating improper management of vehicle registration also gives rise to the possibility of misuse of the unused numbers.

The Department stated in the exit conference that rules regarding issue of choice registration numbers have been drafted and will be implemented after obtaining approval of the Government.

4.14.7.10 Non-entry of tax payment

As per Section 5 of the Manipur Motor Vehicles Taxation Act, 1998, tax leviable shall be paid in advance in a one-time tax valid till the vehicle attains the age of fifteen years at the prescribed rate.

Analysis of the database revealed that out of 27,911 vehicles, the tax amount was left blank in respect of 62 vehicles registered from 2003 onwards. This shows the lack of validation control in the system to ensure that the data relating to all the mandatory fields are entered. Accepting of blank entry in respect of an important mandatory field (tax) by the system in case of the new registration needs a detailed examination as it may give rise to the risk of evasion of tax.

The Department while admitting the observation stated that it will be verified whether the data were deliberately entered as backlog or exempted vehicles.

[29] *VT_VEHINS*:- Table containing insurance details of vehicles.

4.14.7.11 Inconsistency in the imposition of fine

Under Section 41 of Motor Vehicles Act 1988 read with Rule 47 of the CMV Rules 1989, an application for registration of a motor vehicle shall be made in Form 20 to the registering authority within a period of seven days from the date of taking delivery of such vehicle, excluding the period of journey and as per Rule 48, on receipt of an application under Rule 47 and after verification of the documents furnished therewith the registering authority shall issue to the owner of the motor vehicle a certificate of registration, within the period of thirty days from the receipt of such an application.

If the owner fails to make an application within the prescribed period, the registering authority may, having regard to the circumstances of the case, require the owner to pay, in lieu of any action that may be taken against him under Section 177, such amount not exceeding one hundred rupees. Moreover, the system has an inbuilt programme whereby fine is automatically imposed if the vehicle is registered after 30 days of the date of purchase.

Analysis of the database (***VT_ACCOUNT***[30] and ***VT_OWNER***), however revealed inconsistency in the imposition of fine. Out of 28,014 records, 6,255 vehicles were registered after more than 30 days of the date of purchase. Further, out of the 6,255 vehicles, fine was imposed in respect of 2,041 vehicles, but, fine was not imposed in respect of 4,214 vehicles registered after 2003 onwards, *i.e.* after the introduction of computerisation in DTO Imphal West.

Such inconsistency needs detailed examination to ensure fair application of the provisions of the Rule/Act, thereby resulting in the realisation of the due revenue.

The Department stated in the exit conference that all the discrepancies noticed by audit will be scrutinised with original records and appropriate remedial action will be taken under intimation to audit.

4.14.8 Analysis of Smart Card table in *VAHAN*

4.14.8.1 Records repeated

Each entry for vehicle registration in the Smart Card database should be unique. Analysis of the database, however, revealed that there was repeated entry of 207 registration numbers involving 441 records (ranging between two to six times). This shows lack of validation control to ensure uniqueness of the Smart Card of a particular vehicle, resulting in redundancy of the data.

4.14.8.2 Different registration numbers assigned to the same vehicle

Registration number is the identification of a vehicle. Rule 48 of Central Motor Vehicles Rules 1989 provides that on receipt of an application under

[30] *VT_ACCOUNT*:- Table containing transactions of money like tax *etc*.

Rule 47 and after verification of the documents furnished therewith, the registering authority shall, subject to the provisions of Section 44, issue to the owner of the motor vehicle a certificate of registration in Form 23.

Analysis of the Smart Card table in *VAHAN* database revealed that two different registration numbers were assigned to the same vehicle in three cases involving three vehicles.

This shows lack of adequate validation controls in the system to ensure that only one unique registration number is assigned to a vehicle.

NIC stated that a different table should have been analysed, as this table recorded intermediate transactions in the process of the issue of the smart card. However, audit was of the view that even if it was intermediary in character, different registration numbers should not have been issued to the same vehicle.

4.14.8.3 Non-fulfillment of the terms of contract

As per Clause 4 of the agreement entered into between the Government of Manipur represented by the Commissioner of Transport and *MANITRON* on 15 April 2008 on the implementation of Smart Card, *MANITRON* was to provide all additional required machines/equipments/man-power for maintaining smooth operations of the Smart Card Project. The items of equipment inter alia included Smart Card readers and hand held terminals (HHT).

Test check, however, revealed that the HHTs which are essential for checking the Smart Cards had not been procured, even after seven months of the implementation of the Smart Card. The HHTs are necessary for the enforcement of the Act and Rules and the Department, Traffic and Police personnel needs to be imparted proper and timely training for successful implementation. Moreover, without the HHT the authenticity/reliability of the smart cards could not be ascertained. The Department needs to pursue with *MANITRON* for early procurement to ensure proper enforcement.

The Department stated that the matter will be pursued with MANITRON.

4.14.8.4 Partial implementation of smart card

The Smart Card based driving licence and registration certificate was implemented *w.e.f.* 2 November 2008 in DTO Imphal West. However, smart cards for the issue of permits for the commercial vehicles have not been implemented.

Analysis of the database (Smart Card table) revealed that 2,763 Smart Cards had been issued from 5 November 2008 to 30 May 2009 against 4,670 registration certificates issued during the same period. This shows 59 *per cent* implementation through the Smart Card. This shows that paper based registration certificates are still being issued in addition to the Smart Card. This shows lack of consistency in the implementation of Smart Card, thus defeating the objective of maintaining a uniform tamper proof format of RCs/permits readable throughout the country.

The Department while admitting the observation stated that both paper and smart cards were used as there was no specific instruction that only smart cards should be used. However, audit was of the view that it did not serve the objective of maintaining a uniform format readable throughout the country.

4.14.9 SARATHI

4.14.9.1 System Design: Government Rules/Regulations not incorporated in the software

Audit noticed that the software did not provide adequate validation checks to ensure conformity with applicable rules and regulations of the Government regarding issue of the licences. The observations are as follows:

4.14.9.2 Repeated entry of records

Learners licence and driving licence are unique for each person. As per Rule 10 of the Central Motor Vehicles Rules, 1989, an application for the grant of a learner's licence shall be made in Form 2 accompanied by the necessary documents and as per Rule 13 every learner's licence issued by the licensing authority shall be in Form 3.

Analysis of the database revealed that out of a total of 1,794 records in the learner's license table, 616 learner's licence numbers were entered repeatedly involving 1,754 records. This indicated lack of validation control in the system to ensure uniqueness of learner's licence numbers by rejecting identical entries.

The Department stated that a written reply will be furnished. The reply is, however, awaited (December 2009).

4.14.9.3 Issue of driving licence before the expiry of the mandatory period after issue of learner's licence

As per Rule 15 of the Central Motor Vehicles Rules, 1989, no person shall appear for the test of competence to drive unless he has held a learner's licence for a period of at least thirty days.

Analysis of the database revealed that five driving licences were issued before the expiry of thirty days of the issue of learner's licence, the period ranging from three to fourteen days. This indicates weakness of the system to ensure adequate check in the proper implementation of the provisions of the relevant Act/Rules.

4.14.10 Management information system

An important feature of a computerised system is the possibility of readily generating the required information from it, for better management decisions. However, audit observed that though the system had the relevant information (vehicles with: lapsed registration, expired tax validity *etc*.) the department never made use of it in its enforcement activities.

4.14.11 General controls

General controls create an environment in which the application systems and application controls operate *e.g.*, IT policies, standards and guidelines pertaining to IT security and information protection. The observations on the adequacy of general controls are mentioned below:

4.14.11.1 Change management procedure

SARATHI software had not yet incorporated the additional fields in respect of place of birth and declaration of citizenship status as provided for by the Central Motor Vehicles (Amendment) Rules, 2007 vide notification no GSR 276(E) dated 10 April 2007. The same changes had not yet been incorporated in Form 2 (application for Learner's Licence) and Form 4 (application for Driving Licence).

Minor modifications were carried out to the software by NIC, Manipur from time to time as and when requested by the department. The changes/modifications as carried out had, however, not been documented. This resulted in the complete absence of trail to ascertain whether the changes sought for and carried out had been approved.

NIC stated that they maintain log of all the changes made on the software and the NIC Headquarters did not disclose the source code, but the Department admitted that they did not maintain any documented records of the changes made on the system.

4.14.11.2 Logical access control

Logical access controls are aimed at protecting computer resources (data, programs and terminals) against unauthorised access attempts, amendment or deletion to ensure that:

- users have only the access needed to perform their duties,
- access to very sensitive resources is limited to very few individuals and
- employees are restricted from performing incompatible functions or functions beyond their responsibility.

It was observed that although each and every operator had different user ID and password, the operators shared their password with each other and in case of one person who had been transferred, the user ID and password was being retained. Also, no documented password policy specifying the need to change the password periodically was framed and circulated. There was no restriction of logon attempts to prevent access by the unauthorised users. As such the system was exposed to the risk of unauthorised access, amendments or deletion and consequent losses.

4.14.11.3 Environment controls

Environment controls are aimed at ensuring that the assets of the project are not put to risk due to fire/water damage, power cuts, failure of equipment due to temperature or humidity extremes *etc*. This requires that risk assessment and preventive measures be undertaken prior to implementing the project.

During audit it was seen that the department had neither undertaken any risk assessment nor had put any preventive measures like offsite storage, fire detection equipment and fire extinguishers, disaster management plans, *etc*. in place before putting the system in use.

The Department may undertake risk assessment and take appropriate measures to protect the data and equipments from various environmental risks.

4.14.11.4 Business continuity plan

Business continuity plan is necessary for recovering key business processes in the event of disaster. The objective is to reduce downtime and minimise loss to business.

Scrutiny of the vehicle registration system revealed that the department has no methodology of backing-up data. The department stated that the NIC regularly took back-up and stored the data at NIC, Manipur. However, no records were maintained by the department to indicate the date (s) on which the mock trials were conducted. There was no provision for off-site storage of the back-up data. The department also has no formal arrangement with the NIC, Manipur to ensure that back-up are taken regularly by the NIC.

The Department may consider having a proper back up and regular testing mechanism to ensure the backups are in a working condition.

4.14.11.5 Lack of security policy

In view of the inadequacy of the controls pointed out above, it is important to put in place security practices to protect its assets and data to ensure confidentiality, integrity and availability of the system that stores and process the data. The department has, however, not yet framed its IT security policy.

4.14.11.6 Monitoring and supervision

Involvement of senior management in implementation of the project was found to be deficient. There has been over reliance on the NIC for system maintenance, administration and back-up. There is no monitoring of data entry as has been evidenced by large number of incorrect/improbable data. There is also duplicity in the fee collection and deposit in the treasury. Over and above the computer generated receipt, TR 5 is being made against each receipt for departmental accounting and deposit as the Government revenue.

4.14.12 Impact of computerisation

After the implementation of registration through *VAHAN*, the DTO Imphal West has been able to provide better and faster service to the public in the case of renewal as data can be accessed instantaneously. There has been better management of data and less storage space. However, the actual impact achieved by the Department due to computerisation cannot be assessed as the computerisation has not been made fully operational for all the modules.

4.14.13 Conclusion

There has been inordinate delay in commissioning the project. The system is operational in one DTO only, even though all necessary equipment, software and training of personnel had been provided for all the DTOs. Even after a lapse of more than five years from the date of installation (*DTO Imphal West*), all the modules are not yet operational and some of the applications are being done manually. There is lack of in-house expertise for running the system as there is over reliance on NIC for system maintenance, administration and backup. Involvement of top level management in the system implementation was inadequate. Lack of adequate supervision has resulted in erroneous data capture thereby resulting in data redundancy. The department has not implemented the practice of extracting useful information from the system regarding defaulters and has thus failed to exploit the full potential of the system.

4.14.14 Summary of recommendations

The Government should consider

- setting a fixed time frame for different stages of the computerisation and ensuring early completion of the project;

- maintenance of a well documented change management procedure for ensuring transparency and effective internal controls. The Department should maintain documents regarding approved changes/modifications made to the system;

- strengthening the validation control (duplicate engine/chassis number) at the time of data capture and also establishing links with the State/National Crime Record Bureau to pre-empt the scope for registration of stolen/lost vehicles;

- data integrity should be periodically checked and data capture should be complete;

- generation of MIS to be utilised for revenue collection and better enforcement of the Act and Rules; and

- drawing up an IT security policy with adequate documentation with a credible threat assessment mechanism and disaster recovery and business continuity plan for harnessing optimum output from the system.

The matter was reported to the Government (August 2009). Their reply is awaited (December 2009).

AUDIT OF TRANSACTIONS (REVENUE)

TAXATION DEPARTMENT

4.15 Non-assessment of professional tax

Professional tax amounting to Rs. 43.23 lakh including Rs. 26 lakh which had remained unrealised for more than three years was not realised from the Principal Officers

As per Section 7 of the Manipur Professions, Trades, Callings and Employment Taxation Act, 1981, every principal officer or employer registered or person enrolled under the Act shall submit to the assessing authority a return of professional tax in such form and within such time as may be prescribed.

Further, under Section 9 of the Act *ibid*, if income of any person has not been assessed or has been under assessed for any financial year, the Commissioner of Taxation Department {Assessing Authority (AA)} may, at any time within three years, serve the assessee a notice and proceed to assess or re-assess his income for assessing the actual professional tax payable by him.

Test check of the records (February - March 2009) of the Station Director, All India Radio (AIR), Imphal and the Station Director, Doordarshan Kendra, (DDK), Imphal revealed that the concerned principal officers had not paid professional tax amounting to Rs. 43.23 lakh[31] due for the period from 2001-02 to 2008-09. However, no notice was served by the AA to the principal officers to assess their income and realise the tax despite the fact that out of this amount, Rs. 26 lakh had remained unrealised for more than three years.

The matter was reported to the Taxation Department/Government in June 2009. The department admitted the fact and stated (December 2009) that Rs. 0.97 lakh had been recovered so far and efforts for recovery of the remaining amount had been initiated.

[31] Rs. 21.68 lakh (AIR) and Rs. 21.55 lakh (DDK), of which Rs. 13.12 lakh (AIR) and Rs. 12.88 lakh (DDK) was more than three years.

TRANSPORT DEPARTMENT

4.16 Non-collection of professional tax

Professional tax amounting to Rs. 24.95 lakh was not realised from 2,495 permit holders of goods vehicles, trucks and three wheelers by the Department

Under the provisions of the Manipur Professions, Trades, Callings and Employment Taxation Act, 1981, the Government appointed (October 2000) District Transport Officer (DTO) posted in districts as additional taxation officers for collection of professional tax in their administrative jurisdiction. Person(s) holding permit(s) for taxies, goods vehicles, trucks, buses and three wheelers were required to pay the professional tax at the rate of Rs. 1,000 per annum from 1 January 2001.

Test check of the records (April 2008) of the Director of Transport and the DTO, Bishnupur revealed that 2,495 permits were issued/renewed during 2005-08 in respect of various vehicles but professional tax amounting to Rs. 24.95[32] lakh was not collected from the permit holders of these vehicles as shown below:

Category of vehicle	No of permits issued	No. of permits renewed	Total
Director of Transport			
Trucks & Goods vehicles	537	-	537
Bus	17	430	447
Taxi	57	473	530
Three Wheeler	450	-	450
Sub-total	**1,061**	**903**	**1,964**
DTO Bishnupur			
Trucks	382	Nil	362
Three wheelers	149	Nil	149
Sub-total	**531**		**531**
Grand total	**1,592**	**903**	**2,495**

After this was pointed out in audit, the DTO, Bishnupur stated (October 2008) that professional tax could not be collected as the permit holders did not come forward to pay the tax due, inspite of wide publicity for its timely payment. Demand notices were also stated to have been served to the concerned permit holders to clear the professional tax due against them. Progress on realisation of the tax due has not been received (May 2009).

The matter was reported to the Government (June-July 2008), their reply has not been received (December 2009).

[32] 2,495 X 1,000 = 24,95,000 Say Rs. 24.95 lakh.

HOME DEPARTMENT

4.17 Non-realisation of cost of armed guards from banks

The department failed to realise Rs. 73.50 lakh towards charges for deployment of security guards in various banks

The Government of Manipur issued orders, from time to time, prescribing the rates of cost of armed guard for deployment of Police/Manipur Rifles/CRPF for bank security from time to time. The concerned banks were required to deposit the charges in the treasury and submit a copy of the challan to the Director General of Police (DGP) within the 10th day of the succeeding month. The DGP was responsible for monitoring regular deposit of such charges. In case of default for three consecutive months or more, the DGP shall withdraw the security from the defaulting bank. Restoration of security guards will be considered only after clearance of all outstanding charges plus penalty equivalent to the arrear amount.

Test check of the records (January 2009) of the office of the DGP Manipur revealed that the armed guard charges amounting to Rs. 73.50 lakh for security guards deployed for periods ranging from 7 months to 17 years to 11 branches of six banks[33] were not paid by the concerned banks. Of this, Rs. 29.45 lakh was pending for more than five years. Though the charges were not paid, the security guards were continued to be deployed in these defaulting banks/branches. There was nothing on record to indicate that the security guards were at any time withdrawn. Thus, revenue amounting to Rs. 73.50 lakh was not realised.

After this was pointed out the department intimated (December 2009) that Rs. 4.90 lakh out of Rs 17.13 lakh had been recovered from three[34] banks. Report on recovery of the remaining amount and that due from other banks has not been received (October 2009).

The matter was referred to the Government (July 2009); their reply has not been received (December 2009).

[33] (1) State Bank of India at Canchipur (2) to (6) Imphal Urban Co-operative Bank at M.G Avenue, Lamlong, Paona bazaar, B.T. Road and Singjamei (7) to (8) United Bank of India at Ukhrul and Tamenglong (9) Manipur women co-operative Bank, Imphal (10) Manipur Rural Bank, Keishampat and (11) Manipur State Co-Operative Bank, Imphal.

[34] (1) Imphal Urban Co-operative Bank at M.G Avenue (2) United Bank of India, Tamenglong and Manipur State Co-Operative Bank, Imphal.

POWER DEPARTMENT

4.18 Misappropriation of Government revenue

Electricity bill amounting to Rs. 15.60 lakh paid by a consumer was utilised for unofficial purpose

As per Rule 7(1) of the Central Treasury Rules Vol.-I as applicable in the State, all moneys received on account of Government revenues shall without undue delay be paid into the treasury and money so received shall not be kept apart from the accounts of the Government.

Test check of the records (September 2008) of the Executive Engineer (EE), Kangpokpi Electrical Division revealed that the Garrison Engineer, 869 – Engine, Leimakhong (Consumer No L-12), had paid energy and demand charges amounting to Rs. 15.60 lakh vide two cheques dated January 2007 and November 2007. The details of remittance of the said revenue including copies of the relevant challans were not on record. This amount was neither taken into the cash book nor accounted for in the monthly accounts of the division.

After this was pointed out in audit, the divisional officer stated (July 2009) that the said cheques were deposited into the division's bank account with State Bank of India in February 2007 and December 2007 respectively and encashed for unofficial purposes in piecemeal basis by self cheque between March 2007 and January 2008, by a former executive engineer who retired on 28 February 2008. As such the amount was neither depicted in the cash book nor was it depicted in the monthly accounts. Thus, Government revenue amounting to Rs. 15.60 lakh has been misappropriated. The police and other action taken by the department against the persons responsible for the criminal act of misappropriation and efforts made to recover the amount were not intimated to audit (December 2009).

The matter was referred to the Government (July 2009); their reply has not been received (December 2009).

4.19 Short levy of electricity charges

Application of incorrect rate of billing resulted in short levy of electricity charges of Rs. 39.67 lakh

As per Manipur Electricity Supply (Amendment) Regulations, 2002, energy charge for bulk consumer (load above 10 KW) without meter shall be levied at a flat rate of Rs. 458.50 per KW of the contract demand per month. In the case of medium industries (load above 10 KW but less than 50 KW) and large industries (load above 50 KW) without meter, monthly energy charges shall be Rs. 342 and Rs. 399 per KW of the contract demand respectively. Consumers with meter, however, shall be billed as per meter reading subject to a minimum prescribed amount[35]. In all these cases, an additional demand charge shall be levied at the rate of Rs. 74 per KW on 60 *per cent* of the contract demand per month.

Test check of the records of the Executive Engineer (EE), Churachandpur Electricity Division, (August 2008), EE, Bishnupur Electricity Division and EE, Kangpokpi Division (November 2008) revealed that the six bulk consumers were not provided meters while in one industrial unit[36] meter was not in working condition. Thus, the consumers were liable to pay energy charges at flat rates and demand charges as per the Regulation ibid, which amounted to Rs. 1.04 crore. However, the department levied energy charges either at the minimum rate applicable to power connection with meter or at a rate lesser than the minimum rate. Demand charges were also worked out incorrectly. The revenue realised due to adoption of incorrect rates of energy charges and demand charges was Rs. 64.34 lakh, resulting in short realisation of revenue of Rs. 39.67 lakh.

After this was pointed out, the EE, Bishnupur Division stated (November 2008) that revised bills would be served to the consumers and the position of recovery of electricity charges short levied would be furnished to audit. However, position of revenue realisation as per revised bill has not been intimated (December 2009).

The matter was pointed out (May-June 2009) to the Government. While the Government stated (July 2009) that revised bill amounting to Rs. 36.57 lakh had been served to the consumers of Kangpokpi Division, no reply in respect of Churachandpur Division has been furnished (December 2009).

[35] Rs. 273 (Bulk consumers), Rs. 204 (medium industries) and Rs. 235 (large industries) per KW of contract demand per month.

[36] The unit was medium industry up to December 2005 and thereafter a large industry.

CHAPTER V

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of Government Companies and Statutory Corporations

Introduction

5.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Manipur, the State PSUs occupy an insignificant place in the state economy. The State PSUs registered a turnover of Rs. 9.25 crore[1] for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 0.15 *per cent* of State Gross Domestic Product (GDP) for 2008-09. The State PSUs incurred an aggregate loss of Rs. 0.22 crore during 2008-09 as per their latest finalised accounts.

5.1.2 As on 31 March 2009, there were fourteen PSUs as given below. None of the companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government Companies	8	6	14
Statutory Corporations	Nil	Nil	Nil
Total	**8**	**6**	**14**

Audit Mandate

5.1.3 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

5.1.4 The accounts of State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by CAG as per the provisions of Section 619 of the Companies Act, 1956.

[1] Working *plus* Non-working PSUs
[2] Non-working PSUs are those which have ceased to carry on their operations.

Investment in State PSUs

5.1.5 As on 31 March 2009, the investment (capital and long-term loans) in fourteen PSUs was Rs. 99.92 crore as per details given below.

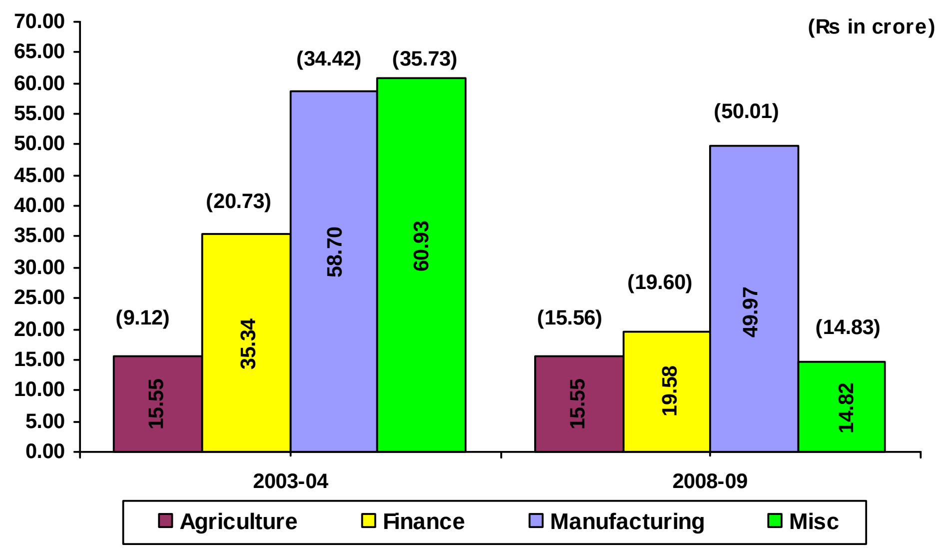
(Rs in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	29.34	13.74	43.08	-	-	-	43.08
Non-working PSUs	51.08	5.76	56.84	-	-	-	56.84
Total	**80.42**	**19.50**	**99.92**	**-**	**-**	**-**	**99.92**

A summarised position of government investment in State PSUs is detailed in ***Appendix 5.1.***

As on 31 March 2009, of the total investment in State PSUs, 43.11 *per cent* was in working PSUs and the remaining 56.89 *per cent* in non-working PSUs. This total investment consisted of 80.48 *per cent* towards capital and 19.52 *per cent* in long-term loans.

5.1.6 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart.



(Figures in brackets show the percentage of total investment)

The decrease in total investment in 2008-09 was mainly due to decrease in loans in Finance Sector and exclusion of one non-working company[3] and one statutory corporation[4] (Misc. Sector) which have been liquidated.

[3] Manipur State Drugs & Pharmaceuticals Ltd

[4] Manipur State Road Transport Corporation.

Budgetary outgo, grants/subsidies, guarantees and loans

5.1.7 There were no budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived during the year 2008-09 and guarantee committed at the end of March 2009 in respect of State PSUs.

Reconciliation with Finance Accounts

5.1.8 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Rs. in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	84.16	75.04	9.12
Loan	NA	19.50	

5.1.9 Audit observed that the differences occurred in respect of 12 PSUs and some of the differences were pending reconciliation for more than 18 years. The matter has been taken up with the Administrative Department of respective PSUs and the Managing Directors of PSUs periodically to reconcile figures. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

5.1.10 The financial results of PSUs are detailed in ***Appendix 5.2***. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period 2003-04 to 2008-09.

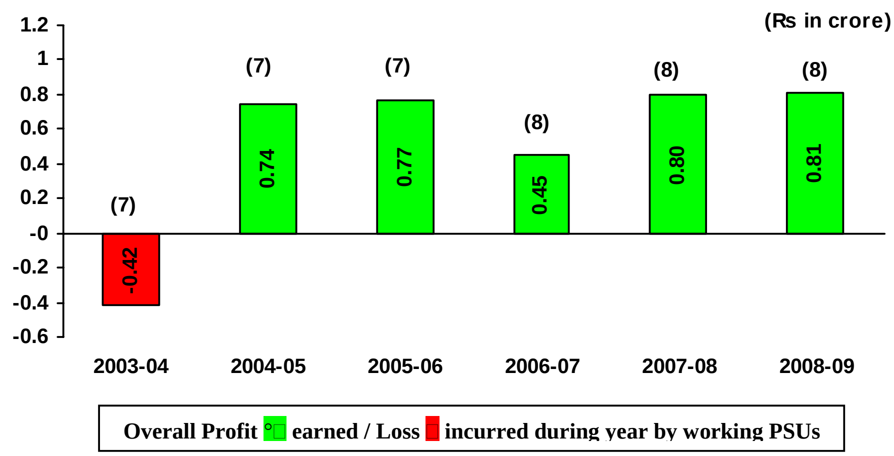
(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[5]	4.17	6.42	6.42	6.39	6.75	6.77
State GDP	4062	4024	4693	6501	5704	6344
Percentage of Turnover to State GDP	0.10	0.16	0.14	0.10	0.12	0.11

The turnover of working PSUs increased from Rs. 4.17 crore in 2003-04 to Rs. 6.77 crore in 2008-09. The percentage of turnover to State GDP increased from 0.10 in 2003-04 to 0.16 in 2004-05 and again declined to 0.11 in 2008-09 as the increase in turnover did not commensurate with the growth in State GDP.

5 Turnover as per the latest finalised accounts as of 30 September.

5.1.11 Profit earned by State working PSUs during 2004-05 to 2008-09 is given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

During the year 2008-09, out of eight working PSUs, three PSUs earned combined profit of Rs. 1.35 crore[6] and three PSUs incurred combined loss of Rs. 0.54 crore[6]. Two working PSUs have not started commercial activities. The major contributors to profit were Manipur Industrial Development Corporation Ltd. (Rs 1.00 crore) and Manipur Police Housing Corporation Ltd. (Rs 0.24 crore). The loss was incurred by Manipur Handloom & Handicrafts Development Corporation Ltd. (Rs 0.52 crore).

5.1.12 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, inefficient running of their operations and lack of proper monitoring. A review of three latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 2.85 crore and infructuous investment of Rs. 0.19 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rs. in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Loss [6]	1.35	1.43	0.22	3.00
Controllable losses as per CAG's Audit Report	2.29	0.56	Nil	2.85
Infructuous Investment	0.19	Nil	Nil	0.19

5.1.13 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

[6] as per the latest finalised accounts as of 30 September 2009.

5.1.14 Some other key parameters pertaining to State PSUs are given below.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*Per cent*)	Nil	Nil	Nil	2.83	2.52	2.66
Debt	39.23	38.94	34.37	26.79	30.91	19.50
Turnover[7]	4.17	6.42	6.42	6.39	6.75	6.77
Debt/ Turnover Ratio	9.41	6.07	5.35	4.19	4.58	2.88
Accumulated losses	4.86	5.00	5.55	7.17	7.17	5.22

(Above figures pertain to all PSUs except for turnover which is for working PSUs)

As per latest finalised accounts of eight working companies, the capital employed worked out to Rs. 26.27 crore and total return thereon amounted to Rs. 1.71 crore in 2008-09 as compared to capital employed of Rs. 19.94 crore and total return on capital employed of Rs. 1.54 crore in 2003-04.

5.1.15 The State Government has not formulated (September 2009) any dividend policy.

Performance of major PSUs

5.1.16 The investment in working PSUs and their turnover together aggregated to Rs. 49.85 crore during 2008-09. Out of eight working PSUs, the following four PSUs accounted for individual investment plus turnover of more than five per cent of aggregate investment plus turnover. These four PSUs together accounted for 95.95 *per cent* of aggregate investment plus turnover.

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	**(2)**	**(3)**	**(4)**	**(5)**
Manipur Industrial Development Corporation Ltd.	18.64	2.68	21.32	42.77
Manipur Handloom & Handicrafts Development Corporation Ltd.	13.26	0.09	13.35	26.78
Manipur Electronics Development Corporation Ltd.	3.76	2.93	6.69	13.42
Manipur Food Industries Corporation Ltd.	6.47	-	6.47	12.98
Total	**42.13**	**5.70**	**47.83**	**95.95**

5.1.17 The eight working Companies had arrears of accounts ranging between 10 to 26 years as of September 2009. The reasons for delay in finalization of accounts are attributable to:

- Lack of required control over the companies by Government;

[7] Turnover of working PSUs as per the latest finalised accounts as of 30 September of respective years.

- Abnormal delay in compilation/approval of the accounts and delayed submission of the same to the Statutory Auditors by the management;

- Delay in adoption of accounts in the Annual General Meeting.

5.1.18 The profit of the eight working companies has risen in past three years from Rs. 0.77 crore in 2005-06 to Rs. 0.81 crore in 2008-09. Similarly, the turnover too has risen from Rs. 6.42 crore to Rs. 6.77 crore during this period. However, the return on capital employed has declined from 9.02 *per cent* to 6.52 *per cent.*

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

5.1.19 Deficiencies in planning

Manipur Cement Ltd.

Non-initiation of any action to dispose/safeguard assets resulted in loss of plants, machineries, building and inventories valued at Rs. 56.47 lakh. *(Para 7.16 of Audit Report 2007-08).*

Manipur Industrial Development Corporation Ltd.

The company advance loan of Rs 19.50 lakh (September 2006) to a subsidiary Company under liquidation (since January 2003). *(Para 7.16 of Audit Report 2006-07).*

5.1.20 Deficiencies in monitoring

Manipur Industrial Development Corporation Ltd.

- ✓ The company incurred a loss of Rs 24.18 lakh due to delay in payment of outstanding dues of Subsidiary Company. (Para 7.16 of Audit Report 2006-07).

- ✓ The company paid a contractor an advance of Rs. 2.10 crore in violation of specific provision of the work order. (Para 7.17 of Audit Report 2007-08).

Manipur Tribal Development Corporation Ltd.

Suspected misappropriation of Rs. 70 lakh due to non adjustment of advance drawn for repair and renovation of office building. *(Para 7.14 of Audit Report 2007-08).*

5.1.21 Non-achievement of objectives

Manipur Film Development Corporation Ltd.

Work on a theatre complex, on which the company had already incurred an expenditure of Rs.51.03 lakh, remained suspended for over 10 years (September 2005). *(Para 7.15 of Audit Report 2006-07).*

Manipur Handloom & Handicrafts Development Corporation Ltd.

Fund meant for two schemes (Voluntary Retirement Scheme and Project Package Scheme) amounting to Rs. 30.21 lakh was utilised for organizing National Level Handicrafts Fair (Craft Bazars). *(Para 7.18 of Audit Report 2007-08).*

5.1.22 Deficiencies in financial management

Manipur Tribal Development Corporation Ltd.

The company did not deposit Sales Tax/VAT amounting to Rs. 45.36 lakh deducted from the bills of contractors. *(Para 7.15 of Audit Report 2007 - 08).*

Conclusion

5.1.23 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

5.1.24 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	7	7	8	8	8
2.	Number of accounts finalised during the year	1	1	1	2	2
3.	Number of accounts in arrears	95	101	117	123	129
4.	Average arrears per PSU (3/1)	13.57	14.42	14.62	15.37	16.12
5.	Number of Working PSUs with arrears in accounts	7	7	8	8	8
6.	Extent of arrears	8 to 22 years	9 to 23 years	10 to 24 years	10 to 25 years	10 to 26 years

The reasons for delay in finalization of accounts are attributable to

- Lack of required control over the companies by Government,
- Abnormal delay in compilation/approval of the accounts and delayed submission of the same to the Statutory Auditors by the management and
- Delay in adoption of accounts in Annual General Meeting.

5.1.25 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Six non-working PSUs had arrears of accounts for 12 to 25 years.

5.1.26 The State Government had invested Rs. 59.15 crore (Equity) in eleven PSUs during the years for which accounts have not been finalised as detailed in ***Appendix 5.3***. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

5.1.27 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by Audit of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary/Finance Secretary to expedite the backlog of arrears in accounts in a time bound manner.

5.1.28 In view of above state of arrears, it is recommended that:

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.

- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

Winding up of non-working PSUs

5.1.29 There were six non-working Government companies as on 31 March 2009. None of these PSUs have commenced liquidation process. The numbers of non-working PSUs at the end of each year during past five years are given below.

Particulars	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
No. of non-working companies	8	8	7	7	6
No. of non-working corporations	1[8]	1	-	-	-
Total	**9**	**9**	**7**	**7**	**6**

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. Although closing instructions have been issued in respect of six non-working PSUs but liquidation process has not yet started.

[8] Manipur State Road Transport Corporation

5.1.30 The process of voluntary winding up under the Companies Act is much faster and needs to be adopted vigorously. The Government may also consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

5.1.31 Two working companies[9] forwarded their audited (two) accounts to AG during the year 2008-09. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially.

5.1.32 During the year, the statutory auditors had given unqualified certificates for two accounts and qualified certificate for one account.

5.1.33 Some of the important comments in respect of accounts of companies are stated below.

Manipur Food Industries Corporation Ltd.

- The company did not implement Provident Fund scheme.
- No provision has been made for gratuity liability.

Manipur Film Development Corporation Ltd.

- The company has deducted Sales Tax but the same was not deposited to Treasury.
- Provision for leave and pension contribution for employees on deputation from Government of Manipur has not been made.

5.1.34 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of three companies[10] for the year 2007-08 and two companies[11] for the year 2008-09 are given below.

---

[9] Manipur Food Industries Corporation Limited and Manipur Film Development Corporation Limited.
[10] Sr. No. A-1, B-5, B-6 in Appendix – 5.2.
[11] Sr. No. A-5, B-4 in Appendix – 5.2.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 5.2
1	Absence of internal audit system commensurate with the nature and size of business of the company	4	A-1, B-4, B-5, B-6
2	Non maintenance of cost record	1	B-7
3	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	4	A-1, A-5, B-4, B-5

Disinvestment, Privatisation and Restructuring of PSUs

5.1.35 There are no cases of disinvestment/privatization of PSUs in the State.

Reforms in Power Sector

5.1.36 Joint Electricity Regulatory Commission (JERC) for the states of Manipur and Mizoram was formed (January 2005) under Section 83(5) of the Electricity Act, 2003 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the States and issue of licences.

5.1.37 Memorandum of Understanding (MoU) was signed in July 2004 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. One of the objectives of reforms was to setup Corporation for generation, transmission and distribution of electricity in the State by August 2004 and made fully functional by July 2005. However, State Government although has formed a Company (Manipur State Power Development Corporation Limited) in March 1997 but it was not made functional even after 12 years.

Discussion of Audit Reports by COPU

5.1.38 The status as on 30 September 2009 of reviews and paragraphs on PSUs that appeared in Audit Reports and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1995-96	-	3	-	3
1996-97	1	4	1	4
1997-08	-	2	-	2
1998-99	-	2	-	2
1999-2000	2	4	2	4
2000-01	1	2	1	2
2001-02	-	1	-	1
2002-03	-	1	-	1
2003-04	-	2	-	2
2004-05	1	1	1	1
2005-06	1	1	1	1
2006-07	1	3	1	3
2007-08	-	5	-	5
Total	**7**	**31**	**7**	**31**

5.1.39 The matter relating to clearance of backlog of reviews/ paragraphs was also informed to the Chairperson of COPU in November 2008.

AUDIT OF TRANSACTIONS (COMMERCIAL)

Manipur Industrial Development Corporation Limited

5.2 Non deposit of revenue

Non deposit of VAT deducted from the bills of contractors – Rs. 66.77 lakh.

Government of Manipur, Finance Department issued (March 2006) Office Memorandum that Sales Tax/VAT at prescribed rate shall be deducted at source from the bills of suppliers/contractors and the tax so deducted shall be deposited within three days from the date of passing the bills for payment.

Test check (February-March 2009) of the accounts of Manipur Industrial Development Corporation Ltd. (Corporation) indicated that the Corporation deducted VAT from 147 bills of contractors amounting to Rs.66.77 lakh during the period from 2006-07 to 2007-08. The amount so deducted was retained by the Corporation without depositing into Government account. Except for the fact of deduction recorded on the body of the contractor's bills, no specific accountal was made in the books of accounts and the amount so deducted was subsumed in the cash balance of the Corporation. During audit discussion (May 2009), the Corporation stated that the above stated amount will be remitted to Government account under intimation to Audit. Progress on remittance has not been received (December 2009).

Thus, retention of Government revenue amounting to Rs. 66.77 lakh was unauthorised and irregular.

The matter was referred to the Government/Corporation (July 2009); their reply is awaited (December 2009).

The shortfall pointed out above is for events that had occurred in the Corporation over a period of two financial years and is indicative of lax control and monitoring mechanism. The Corporation should put in place a monthly/quarterly return mechanism to be furnished to the Management to watch the deduction/recovery of Government revenue and their prompt remittance into Government account.

Paragraphs on Outstanding Paras of PSUs/Corporations

5.3 Opportunity to recover money ignored

Six Public Sector Undertakings (PSUs) did not either seize the opportunity to recover their money or pursue the matters to their logical end. As a result, recovery of money amounting to Rs. 1.75 crore remains doubtful

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods up to 2003-04 showed that there were 26 paras in respect of six PSUs involving a recovery of Rs. 1.75 crore. As per provisions of Para – 197 Chapter – 14 of Regulations on Audit and Accounts, 2007, the PSUs are required to take remedial action within four weeks after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end *i.e.*, to recover money from the concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money which could have augmented their finances.

PSU wise details of paras and recovery amount are given below. The list of individual paras is given in ***Appendix 5.4***

Sl No	Name of PSU	No. of paras	Amount for Recovery (Rs in crore)
1	Manipur Industrial Development Corporation Ltd.	2	0.27
2	Manipur Electronics Development Corporation Ltd.	5	0.36
3	Manipur Tribal Development Corporation Ltd.	8	0.51
4	Manipur Police Housing Corporation Ltd.	6	0.08
5	Manipur Food Industries Corporation Ltd.	1	0.43
6	Manipur Film Development Corporation Ltd.	4	0.10
	Total	**26**	**1.75**

The paras mainly pertain to recovery on account of loans given to Industrial units, sale proceeds of Company's products and advance given to contractors/suppliers.

Above cases point out the failure of respective PSU authorities to safeguard their financial interests. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically; have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

The matter was referred to the Government/Corporations (August 2009). Reply received (December 2009) has been reflected/incorporated in the ***Appendix ibid*.**

5.4 Lack of remedial action on audit observation

Eight Public Sector Undertakings (PSUs) did not either take remedial action or pursue the matters to their logical end in respect of 26 Inspection Reports (IRs) paras, resulting in foregoing the opportunity to improve their functioning.

A review of unsettled paras from IRs pertaining to periods up to 2003-04 showed that there were 26 paras in respect of eight PSUs, which pointed out deficiencies in the functioning of these PSUs. As per provisions of Para – 197 Chapter – 14 of Regulations on Audit and Accounts, 2007, the PSUs are required to take remedial action within four weeks after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end *i.e.*, to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard.

PSU wise details of paras are given below. The list of individual paras is given in ***Appendix 5.5***

Sl No	***PSU name***	***No. of paras***
1	Manipur Tribal Development Corporation Ltd.	14
2	Manipur Police Housing Corporation Ltd.	3
3	Manipur Film Development Corporation Ltd.	3
4	Manipur Industrial Development Corporation Ltd.	2
5	Manipur Food Industries Corporation Ltd.	1
6	Manipur Handloom & Handicrafts Development Corporation Ltd.	1
7	Manipur Electronics Development Corporation Ltd.	1
8	Manipur Cycle Corporation Ltd.	1
Total		**26**

The paras mainly pertain to irregularities in implementation of various schemes/projects, avoidable expenditure on purchases, non remittance of Government revenue, diversion of funds *etc*.

Above cases point out the failure of respective PSU authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically; have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

The matter was referred to the Government/Corporations (August 2009). Their reply where received (December 2009) is incorporated in the ***Appendix ibid.***

(STEPHEN HONGRAY)

Imphal **Accountant General (Audit), Manipur**

The

Countersigned

(VINOD RAI)

New Delhi **Comptroller and Auditor General of India**

The

Appendix 4.1
(Referred to in Para: 4.14.7.3)
Vehicles with different registration numbers having same chassis and engine numbers

Regn. No	Regn. Date	Owner's name	Owner Sr. No.	Maker Model	Chassis No.	Eng No.	Purchase date
MN06 S7823	13/03/2007	Thiyam Oken Singh	1	Honda Activa	ME4JF082M68469244	JF08E8647830	03/03/2007
MN01 Q4837	26/03/2007	Keithellakpam Ruhini Devi	1	Honda Activa	ME4JF082M68469244	JF08E8647830	09/03/2007
MN06 S7566	11/10/2006	Md. Aziz Khan	1	Honda Activa	ME4JF085G48488733	JF08E0502703	05/10/2006
MN01 M8636	06/10/2004	Lourembam Ibohal Singh	1	Honda Activa	ME4JF085G48488733	JF08E0502703	29/07/2004

Appendix 4.2
(Referred to in Para: 4.14.7.3)
Duplicate engine number having chassis number differing either in numeric "0"/alpha "O" or numeric "1"/alpha "I"

Regn. No.	Regn. Date	Owner name	Engine No.	Chassis No.	Maker Model
(1)	(2)	(3)	(4)	(5)	(6)
AS25 B0997	06/12/1999	L Chingthangkhomba Meitei	1962375	ST91**I**N368638	Maruti Van
MN01W 4339	06/12/1999	Naorem Ibomcha Singh	1962375	ST91**1**N368638	Maruti Van
MN01W 1158	24/03/2004	Thangjam Nityaichand Singh	2667618	SB3**O**8IN1918753	Maruti Car
MN01W 2704	24/03/2004	Unregistered/Unofficial	2667618	SB3**0**8IN1918753	Maruti Car
MN01W2806	15/09/2008	Mr. Priyokumar Kh	475S147KUZPD0368	6002**0**5KUZPC6348	Tata Indica Car
MNIK0005	04/10/2008	Kulwant Singh Cheema	475S147KUZPD0368	6002**O**5KUZPC6348	Tata Indica Car
MN01K3237	03/01/2004	Y. Lalbabu Singh	F8BIN2630060	SB308**I**N1893568	Maruti 800 MPI DX
MN01K3243	08/01/2004	Y. Lalbabu Singh	F8BIN2630060	SB308**1**N1893568	Maruti 800 MPI DX
MN01N0311	22/12/2005	Ningthoujam Adhunika	JF08E0614229	ME4JF**0**85K48596211	Honda Activa
MN01N0421	03/01/2005	Dayar Loitangbam	JF08E0614229	ME4JF**O**85K48596211	Honda Activa
MN01R2404	24/05/2008	Chingdinliu Kamei	JF08E5157252	ME4JF**0**83M78125678	Honda Activa
MN01R2470	28/05/2008	Laimayum Rameshwar Sharma	JF08E5157252	ME4JF**O**83M78125678	Honda Activa
MN01R2749	11/06/2008	Kanghujam Bimolchand Mangang	JF08E5355481	ME4JF083E88324**1**43	Honda Activa
MN01R3229	05/07/2008	Kambam Mangi Singh	JF08E5355481	ME4JF083E88324**I**43	Honda Activa
MN01N2791	06/05/2005	Tonjam Rana Singh	JF08E8041998	ME4JF087D5804242**0**	Honda Activa
MN01N3238	07/06/2008	Samurailatpam Dipankar Sharma	JF08E8041998	ME4JF087D5804242**O**	Honda Activa
MN01N6686	07/11/2005	Thiyam Deepa Devi	JF08E8187591	ME4JF**0**82K58009035	Honda Activa
MN01N6893	23/11/2005	Elangbam Nonibala Devi	JF08E8187591	ME4JF**O**82K58009035	Honda Activa
MN01Q4971	04/04/2007	Maisanam Iboton Singh	JF08E8282501	ME4JF**0**82A68103650	Honda Activa
MN01Q8771	14//11/2007	Lairellakpam Kora Singh	JF08E8282501	ME4JF**O**82A68103650	Honda Activa
MN01Q0129	28/06/2006	Mr. Samir	JF08E8449420	ME4JF082F6827**0**575	Honda Activa
MN01Q1601	22/08/2006	Wangkhem Bino Devi	JF08E8449420	ME4JF082F6827**O**575	Honda Activa
MN01Q3208	27/01/2007	Athokpam Sarat Singh	JF08E8547310	ME4JF**0**82M68468602	Honda Activa
MN01Q4531	28/02/2007	Chapamayum Chaoba Mangang	JF08E8547310	ME4JF**O**82M68468602	Honda Activa
MN01Q6019	22/06/2007	Ngangbam Tolpishak Singh	JF08E8854932	ME4JF**0**82E78676187	Honda Activa
MN01Q6102	28/06/2007	Amom Sangita Devi	JF08E8854932	ME4JF**O**82E78676187	Honda Activa
MN01Q8830	19/11/2007	John Phaomei	JF08E8970800	ME4JF**0**82H78792018	Honda Activa
MN01Q9080	04/12/2007	Leisangthem Raj Meetei	JF08E8970800	ME4JF**O**82H78792018	Honda Activa

Appendix 4.3
(Referred to in Para: 4.14.7.6)
Number of records with blank records in various fields

Sl. No.	Field name	Number of blank records
1.	Father's name	201
2.	Maker Model	628
3.	Engine Number	99
4.	Purchase date	6046
5.	Sale Amount	20317
6.	Address 1	101

Appendix 4.4
(Referred to in Para: 4.14.7.7)
Records with unusual seating capacity

Sl. No.	Seating capacity	No. of records	Maker Model
1.	0	106	Maruti van, Mahindra Bolero, Alto, Bajaj
2.	796	2	Alto LXI
3.	550	1	Tata Spacio
4.	500	1	Blank maker model
5.	252	1	Honda pleasure
6.	214	1	Honda Activa
7.	150	2	Bajaj Pulsar, LML NV

Appendix 4.5
(Referred to in Para: 4.14.7.9)
Lack of continuity in issue of registration numbers

Sl. No.	Series	Total registration numbers found unutilised in the series
1.	MN-01	5496
2.	MN-01E	8001
3.	MN-01K	4394
4.	MN-01M	1204
5.	MN01-N	4509
6.	MN-01Q	3274
7.	MN-01R	1335
8.	MN-01W	5701
9.	MN-04A	864
10.	MN-04 B	1448
11.	MN-06L	164
12.	MN-06S	477
13.	MN 1A	8277
14.	MN1B	7050
15.	MN1E	4916
16.	MN1H	7145
17.	MN1J	8925
18.	MN1K	4262
19.	MN1M	7151
20.	MNE	6981
21.	MNH1	9
22.	MN1A	4100

Appendix – 5.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2009 in respect of Government companies and Statutory corporations)

(Referred to in paragraphs 5.1.5 & 5.1.6)

(Figures in column 5 (a) to 6 (c) are Rupees in lakh[1])

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
A. Working Government Companies													
FINANCE													
1.	Manipur Industrial Development Corpn. Ltd.	Commerce & Industries	6/1969	803.00	421.00	-	1224.00	-	-	640.00	640.00	0.52:1 (0.55:1)	-
2.	Manipur Film Development Corpn. Ltd.	Arts & Culture	5/1987	6.00	-	-	6.00	-	-	-	-	-	-
3.	Manipur Tribal Development Corpn Ltd.	Tribal Area Backward Classes Development.	6/1979	77.50	-	-	77.50	10.00	-	-	10.00	0.13:1 (0.13:1)	-
Sector wise total				**886.50**	**421.00**		**1307.50**	**10.00**	**-**	**640.00**	**650.00**	**0.50:1**	**-**
INFRASTRUCTURE													
4.	Manipur Police Housing Corpn. Ltd.	Home	4/1986	2.00	-	-	2.00	-	-	-	-	-	118
Sector wise total				**2.00**	**-**	**-**	**2.00**	**-**	**-**	**-**	**-**	**-**	**118**
MANUFACTURING													
5.	Manipur Food Industries Corpn. Ltd.	Commerce & Industries	4/1987	97.66	-	-	97.66	-	549.00	-	549.00	5.62:1 (5.62:1)	6
6.	Manipur Electronics Development Corpn. Ltd.	-do-	4/1987	376.35	-	-	376.35	-	-	-	-	-	50
Sector wise total				**474.01**	**-**	**-**	**474.01**	**-**	**549.00**	**-**	**549.00**	**1.16:1**	**56**
POWER													
7.	Manipur State Power Dev Corpn. Ltd.	Power	3/1997	-	-	-	-	-	-	-	-	-	-
Sector wise total				**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
MISCELLANEOUS													
8.	Manipur Handloom & Handicrafts Development Corpn. Ltd.	Commerce & Industries	10/1976	1033.75	117.00	-	1150.75	-	175.38	-	175.38	0.15:1 (0.15:1)	20
Sector wise total				**1033.75**	**117.00**	**-**	**1150.75**	**-**	**175.38**	**-**	**175.38**	**0.15:1 (0.15:1)**	**20**
Total A (All sector wise working Government companies)				**2396.26**	**538.00**	**-**	**2934.26**	**10.00**	**724.38**	**640.00**	**1374.38**	**0.47:1**	**194**

[1] Figures are taken in lakh due to nominal value of figures involved.

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
B. Non working Government companies													
AGRICULTURE & ALLIED													
1.	Manipur Agro Industries Corpn. Ltd.	Agriculture	3/1981	354.78	-	-	354.78	-	-	-	-	-	-
2.	Manipur Plantation Crops Corpn. Ltd.	-do-	3/1981	1161.79	-	-	1161.79	-	-	38.25	38.25	0.03:1 (0.03:1)	-
Sector wise total				**1516.57**	**-**	**-**	**1516.57**	**-**	**-**	**38.25**	**38.25**	**0.03:1**	**-**
Misc.													
3.	Manipur Pulp & Allied Products	Commerce & Industries	10/1988	154.20	-	-	154.20	-	-	-	-	-	-
Sector wise total				**154.20**	**-**	**-**	**154.20**	**-**	**-**	**-**	**-**	**-**	**-**
MANUFACTURING[α]													
4.	Manipur Cement Ltd.	Commerce & Industries	5/1988	291.34	-	-	291.34	-	-	-	-	-	-
5.	Manipur Cycle Corpn. Ltd.	-do-	6/1985	64.22	-	-	64.22	-	-	-	-	-	-
6.	Manipur Spinning Mills Corpn. Ltd.	-do-	3/1974	3081.41	-	-	3081.41	-	-	537.47	537.47	0.17:1	4
Sector wise total				**3436.97**	**-**	**-**	**3436.97**	**-**	**-**	**537.47**	**537.47**	**0.16:1**	**4**
Total B (All sector wise non-working Government Companies)				**5107.74**	**-**	**-**	**5107.74**	**-**	**-**	**575.72**	**575.72**	**0.11:1**	**4**
Grand Total (A + B)				**7504.00**	**538.00**	**10.00**	**8042.00**	**-**	**724.38**	**1215.72**	**1950.10**	**0.24:1**	**198**

There is no Section 619-B company

$ Paid-up capital includes share application money.

** Loans outstanding at the close of 2007-08 represent long-term loans only.

α The audit in respect of ManipurState. Drugs & Pharmaceuticals Ltd has been entrusted to PDCA and MAB-II, Kolkota and is featuring in the Central Report. The detail in respect of the same has hence not been included in this report.

Appendix – 5.2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Referred to in paragraphs 5.1.1, 5.1.10, 5.1.11, 5.1.34)

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in lakh[1])

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-): Net Profit/ Loss before Interest & Depreciation	Net Profit (+)/ Loss (-): Interest	Net Profit (+)/ Loss (-): Deprecia-tion	Net Profit (+)/ Loss (-): Net Profit/ Loss	Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
FINANCE														
1.	Manipur Industrial Development Corpn. Ltd.	1990-91	2008-09	(+) 189.98	88.24	1.80	(+) 99.94	268.39	-	1006.48	(+) 182.25	2030.42	188.18	9.27
2.	Manipur Film Development Corpn. Ltd.	1992-93	2009-10	(+) 3.69	-	4.46	(-) 0.77	5.08	-	6.00	(-) 6.66	46.27	(-) 0.77	-
3.	Manipur Tribal Development Corpn. Ltd.	1982-83	2004-05	(-) 0.96	-	1.37	(-) 2.33	5.19	-	1.00	(+) 3.53	14.32	(-) 2.33	-
Sector wise total				**(+) 192.71**	**88.24**	**7.63**	**(+) 96.84**	**278.66**	**-**	**1013.48**	**(+) 179.12**	**2091.01**	**(+) 185.08**	**8.85**
INFRASTRUCTURE														
4..	Manipur Police Housing Corpn. Ltd.	1995-96	2003-04	(+) 26.61	-	2.31	(+) 24.30	96.78	-	2.00	(+) 26.44	48.44	24.30	50.16
Sector wise total				**(+) 26.61**	**-**	**2.31**	**(+) 24.30**	**96.78**	**-**	**2.00**	**(+) 26.44**	**48.44**	**24.30**	**50.16**
MANUFACTURING														
5.	Manipur Food Industries Corpn. Ltd.	1998-99	2009-10	-	-	-	-	-	-	78.39	-	46.72	-	-
6.	Manipur Electronics Development Corpn. Ltd.	1995-96	2003-04	(+) 16.42	-	5.23	(+) 11.19	292.85	-	269.28	(+) 61.90	372.57	11.19	3.00
Sector wise total				**(+) 16.42**	**-**	**5.23**	**(+) 11.19**	**292.85**	**-**	**347.67**	**(+) 61.90**	**419.29**	**11.19**	**2.67**
POWER														
7.	Manipur State Power Development Corpn Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-
Sector wise total				**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
MISCELLANEOUS														
8..	Manipur Handloom & Handicrafts Development Corpn. Ltd.	1987-88	2007-08	(-) 38.64	2.47	10.68	(-) 51.79	8.70	-	120.00	(-) 221.44	68.12	(-) 49.32	-
Sector wise total				**(-) 38.64**	**2.47**	**10.68**	**(-) 51.79**	**8.70**	**-**	**120.00**	**(-) 221.44**	**68.12**	**(-) 49.32**	**-**
Total A (All sector wise working Government companies)				**(+) 197.10**	**90.71**	**25.85**	**(+) 80.54**	**676.99**	**-**	**1483.15**	**(+) 46.02**	**2626.86**	**(+) 171.25**	**6.52**
B. Non working Government companies														

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-) Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss	Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
AGRICULTURE & ALLIED														
1.	Manipur Agro Industries Corpn. Ltd.	1988-89	2005-06	(-) 2.82	-	0.79	(-) 3.61	19.02	-	32.25	(-) 45.45	(-) 18.07	(-) 3.61	-
2.	Manipur Plantation Crops Corpn. Ltd.	1983-84	2000-01	-	-	-	-	-	-	51.15	-	60.00	-	-
Sector wise total				**(-) 2.82**	**-**	**0.79**	**(-) 3.61**	**19.02**	**-**	**83.40**	**(-) 45.45**	**41.93**	**(-) 3.61**	**-**
MISCELLANEOUS														
3.	Manipur Pulp & Allied Products Ltd.	1994-95	2007-08	(+) 2.20	14.29	10.41	(-) 22.50	95.11	-	89.31	(-) 195.46	71.02	(-) 8.21	-
Sector wise total				**(+) 2.20**	**14.29**	**10.41**	**(-) 22.50**	**95.11**	**-**	**89.31**	**(-) 195.46**	**71.02**	**(-) 8.21**	**-**
MANUFACTURING $^{\alpha}$														
4.	Manipur Cement Ltd.	1993-94	2009-10	(-) 23.17	-	22.66	(-) 45.83	38.55	-	49.79	(-) 234.17	168.06	(-) 45.83	-
5.	Manipur Cycle Corpn. Ltd.	1996-97	2008-09	(-) 6.34	-	1.18	(-) 7.52	2.30	-	59.26	(-) 69.56	(-) 0.32	(-) 7.52	-
6.	Manipur Spinning Mill Corpn. Ltd.	1985-86	2008-09	(-) 13.28	9.64	-	(-) 22.92	93.34	-	362.20	(-) 22.92	577.24	(-) 13.28	-
Sector wise total				**(-) 42.79**	**9.64**	**23.84**	**(-) 76.27**	**134.19**	**-**	**471.25**	**(-) 326.65**	**744.98**	**(-) 66.63**	**-**
Total B (All sector wise non working Government companies)				**(-) 43.41**	**23.93**	**35.04**	**(-) 102.38**	**248.32**	**-**	**643.96**	**(-) 567.56**	**857.93**	**(-) 78.45**	**(-) 9.14**
Grand Total (A + B)				**(+) 153.69**	**114.64**	**60.89**	**(-) 21.84**	**925.31**	**-**	**2127.11**	**(-) 521.54**	**3484.79**	**(+) 92.80**	**2.66**

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/(-)decrease in losses.

@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

α The audit in respect of Manipur State Drugs & Pharmaceuticals Ltd has been entrusted to PDCA and MAB-II, Kolkota and is featuring in the Central Report. The detail in respect of the same has hence not been included in this report.

1 Figures are taken in lakh due to nominal value of figures involved.

Appendix-5.3
Statement showing Investment made by State Government in PSUs whose accounts are in arrears
(Referred to in paragraph 5.1.26)

(Rupees in lakh[1])

Name of PSU	Year upto which accounts finalised	Paid up Capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears				Year in which Investment have been received
			Equity	Loans	Grants	Others to be specified	
Working Companies							
1. Manipur Industrial Development. Corporation Ltd.	1990-91	1006.48	217.52	-	-	-	1991-92 to 2004-05
2. Manipur Electronics Development. Corporation Ltd.	1995-96	269.28	107.07	-	-	-	1996-97 to 2004-05
3. Manipur Handloom & Handicrafts Development. Corporation Ltd.	1987-88	120.00	1030.75	-	-	-	1988-89 to 2005-06
4. Manipur Tribal Development. Corporation Ltd.	1982-83	1.00	76.50	-	-	-	1983-84 to 1991-92
5. Manipur Food Industries Corporation Ltd.	1998-99	78.39	19.27	-	-	-	1999-2000 to 2003-04
Total (A)		**1475.15**	**1451.11**	**-**	**-**	**-**	
Non-working companies [α]							
1. Manipur Cycle Corporation Ltd.	1996-97	59.26	4.96	-	-	-	1997-98 to 2002-03
2. Manipur Pulp & Allied Products Ltd.	1994-95	89.31	64.89	-	-	-	1995-96 to 2003-04
3. Manipur Agro Industries Corporation Ltd.	1988-89	32.25	322.53	-	-	-	1989-90 to 2003-04
4. Manipur Plantation Crops Corporation Ltd.	1983-84	51.15	1110.64	-	-	-	1984-85 to 2001-02
5. Manipur Spinning Mills Corporation Ltd.	1985-86	362.20	2719.21	-	-	-	1986-87 to 2003-04
6. Manipur Cement Ltd.	1993-94	49.79	241.55	-	-	-	1994-95 to 2002-03
Total (B)		**643.96**	**4463.78**	**-**	**-**	**-**	
Grand Total (A+B)		**2119.11**	**5914.89**				

[α] The audit in respect of Manipur State Drugs & Pharmaceuticals Ltd has been entrusted to PDCA and MAB-II, Kolkota and is featuring in the Central Report. The detail in respect of the same has hence not been included in this report.

[1] Figures are taken in lakh due to nominal value of figures involved.

Appendix 5.4
List of paras involving recovery of money
(Referred to in paragraph 5.3)

(All Amounts in Rs. Lakh[1])

1 Name of PSU: Manipur Industrial Development Corporation Ltd.

Sl. No.	*Para*	*Year of IR*	*Amount involved*	*Action taken by PSU*	*Reply of PSU (October 2009) / Audit's further comments*
1.	Advance outstanding against Engineering Cell	7/99-3/01	22.99	No reply from PSU.	The whole amount has been fully adjusted. / ***total of adjustment shown was Rs 23.52 lakh and not Rs 27.23 lakh as shown. Further, adjustment of March 2002 seems to have been entered on a latter page of the cash book then that made in June 2002[2]***
2.	Unadjusted advance against Engineering Cell	4/01-3/02	3.71	The balance adjustable amount of Rs. 3.71 lakh will be shown in next audit.	
		Total	**26.70**		

2 Name of PSU: Manipur Electronics Development Corporation Ltd.

Sl. No.	*Para*	*Year of IR*	*Amount involved*	*Action taken by PSU*	*Reply of PSU/Govt / Audit's further comments*
1	Outstanding sale proceeds of TV sets	4/93-3/95	6.64	Legal proceedings are being taken up. A sum of Rs. 6,63,799 is lying as recoverable.	Reply of the Corporation/Government is awaited (December 2009)
2	Outstanding advance	4/93-3/95	0.04	The Company recovered Rs. 37,890 and Rs. 4344 is unadjusted.	
3	Outstanding advance of fees	4/93-3/95	2.00	The Company requested to refund the fee.	
4	Unadjusted advance given to suppliers	4/93-3/95	0.65	Materials for Rs. 67,715 was supplied leaving a balance of Rs.65,397.	
5.	Outstanding sale proceeds of TV sets	4/2000-3/02	26.38	The Company collected Rs. 17.78 lakh & outstanding due balance is Rs. 26.38 lakh.	
		Total	**35.71**		

3 Name of PSU: Manipur Tribal Development. Corporation Ltd.

Sl. No.	*Para*	*Year of IR*	*Amount involved*	*Action taken by PSU*	*Reply of PSU/ Audit's further comments*
1	Unadjusted advance for purchase of cement and steel	4/91-3/93	0.26	No reply from PSU	Reply of the Corporation/Government is awaited (December 2009)
2	Non realisation of interest on Loans disbursed	4/93-3/96	1.77	No reply from PSU	
3	Non realisation of Loans	4/96-3/99	3.83	No reply from PSU	
4	Non realisation of hiring charge of Trucks	4/96-3/99	2.29	No reply from PSU	
5	Non employment of technical staff-amount recoverable	4/99-9/01	2.38	No reply from PSU	
6	Non recovery of over due loan amount	10/01-1/03	34.58	No reply from PSU	
7	Outstanding store materials with various authorities	10/01-1/03	4.66	No reply from PSU	
8	Undue financial aid to contractors	10/01-1/03	1.25	No reply from PSU	
		Total	**51.02**		

[1] Figures are taken in lakh due to nominal value of figures involved.

[2] Rs 10.72 lakh Dt 23/03/2002 at p/48 of cash book; Rs 0.16 lakh on 5/06/2002 at p/41 of cash book

4 Name of PSU: Manipur Police Housing Corporation Ltd.

Sl. No.	*Para*	*Year of IR*	*Amount involved*	*Action taken by PSU*	*Reply of PSU (September 2009) / Audit's further comments*
1	Non-recovery of hire charge of Pile Driving Machine	1/90-7/91	0.10	The amount could not be recovered for want of available amount.	The contractor has been directed to pay the amount.
2	Outstanding advance recoverable from contractors	1/90-7/91	1.66	Advance is outstanding for Rs. 1,65,955 only. Final position will be intimated.	Relevant records are not readily available and the same will be furnished to Audit when traced.
3	Amount recoverable from Railway Authority for damaged cement	1/90-7/91	0.13	The Railway Authority has not yet accepted the claim.	The Railway Authority has not yet accepted the claim.
4	Non realisation of cost of materials	8/91-7/96	2.50	Total recoverable amount is being worked out & final position will be intimated.	Processed for recovery of amount from other bills of the contractor initiated.
5	Non receipt of cement	8/96-9/98	1.35	The Company has been pursuing vigorously to get the cement.	Due to liquidation of the Company, the amount could not be recovered.
6	Outstanding advance towards purchase of steel materials	10/98-9/2000	2.11	No reply from PSU.	Material of the same value as the advance received./ ***Proof of delivery of materials was however not furnished.***
		Total	**7.85**		

5 Name of PSU: Manipur Food Industries Corporation Ltd.

Sl. No.	*Para*	*Year of IR*	*Amount involved*	*Action taken by PSU*	*Reply of PSU/Govt (September 2009) / Audit's further comments*
1	Irrecoverable advances amounting to Rs. 43.00 lakh	3/2000-10/2003	43.00	No reply from PSU.	The departments/Offices are being pursued for realisation of the amount due
		Total	**43.00**		

6 Name of PSU: Manipur Film Development. Corporation Ltd.

Sl. No.	*Para*	*Year of IR*	*Amount involved*	*Action taken by PSU*	*Reply of PSU/ Audit's further comments*
1	Outstanding hire charge of Film equipments	7/91-3/96	1.63	Efforts have been made to realise the outstanding hire charge.	The Corporation/ Govt stated (August 2009) that relevant files were gutted during fire at the Corporation on 27/10/2007 and hence the same could not be furnished.
2	Excess payment of Consultant fee & non deduction of delay fine	4/96-11/99	1.48		
3	Non deduction of Income Tax & Sales Tax from contractors	4/96-11/99	1.76	No reply from PSU	
4	Non realisation of outstanding revenues	12/99-8/02	5.27	No reply from PSU	
		Total	**10.14**		

Appendix 5.5
List of paras involving deficiencies
(Referred to in paragraph 5.4)

(All Amounts in Rs. Lakh[1])

1 Name of PSU: Manipur Tribal Development Corporation Ltd.

Sl No	*Para*	*Year of IR*	*Amount*	*Remarks*	*Reply of PSU*
1	Unfruitful expenditure on maintenance of staff without work	4/91-3/93	2.60	No reply from PSU	Reply of the Corporation/Govt is awaited (December 2009)
2	Delay in completion of work	4/93-3/96	2.64	No reply from PSU	
3	Disbursement of loan without obtaining APRs	4/93-3/96	45.78	No reply from PSU	
4	Injudicious payment	4/93-3/96	1.80	No reply from PSU	
5	Unadjusted TA advance	4/93-3/96	0.30	No reply from PSU	
6	Suspected embezzlement of recovery of Loan	4/96-3/99	16.21	No reply from PSU	
7	Diversion of Seed money towards repayment of Loan	4/96-3/99	45.05	No reply from PSU	
8	Non remittance of Sales Tax & Income Tax	4/96-3/99	0.93	No reply from PSU	
9	Suspected embezzlement	4/99-9/01	111.00	No reply from PSU	
10	Non deposit/remittance of recovered loans	10/01-1/03	11.83	No reply from PSU	
11	Non reflection of Rs. 8.65 lakh in Cash Book & other irregularities	10/01-1/03	8.65	No reply from PSU	
12	Payment of advance against works	10/01-1/03	96.34	No reply from PSU	
13	Avoidable expenditure in the shape of interest	10/01-1/03	1.56	No reply from PSU	
14	Irregularities in disbursement of Loan on 'General Stores'	10/01-1/03	5.27	No reply from PSU	
		Total	***349.96***		

2 Name of PSU: Manipur Police Housing Corporation Ltd.

Sl No	*Para*	*Year of IR*	*Amount*	*Remarks*	*Reply of PSU (September 2009) / Audit's further comments*
1	Loss of Rs. 7.50 lakh due to defective construction	8/91-7/96	7.50	The Board of Directors approved for completion of the work with new technology after cancellation of earlier contract.	The earlier contract was cancelled for execution with new technology. / A***voidable loss incurred due to poor management***
2	Loss of interest on Fixed Deposit	10/98-9/2000	21.81	No reply from PSU	Deposits were in the particular bank due to day-to-day operational constrains of the bank offering higher interest rate. / ***Since term deposits are held locked up with a bank for fixed period of time, their day-to-day operational capacity will not have any bearing on the deposits and hence the PSUs contention is not justifiable.***
3	Loss of Rs. 1.87 lakh towards hire charge of Bull Dozer	10/98-9/2000	1.87	No reply from PSU	The bulldozer broke down and was off road during the period for which Audit calculated the hire charge. / ***In the absence of log book of and proof/bill for repair etc the contention of the PSU cannot be sustained.***
		Total	**31.18**		

3 Name of PSU: Manipur Film Development Corporation Ltd.

Sl. No.	Para	Year of IR	Amount	Remarks	*Reply of PSU/Govt (August 2009) / Audit's further comments*
1	Avoidable liability on penal interest due to non depositing of EPF dues	12/99-8/02	3.51	No reply from PSU	Copy of challan for Rs 2.09 lakh furnished.
2	Poor performance of the Corporation-business loss to the tune of Rs. 65.38 lakh	9/02-11/03	65.38	No reply from PSU	The amount may be treated as investment as the Corporation's Theater Hall constructed at a cost of Rs 3.15 crore is likely to be completed by end of March 2009. / ***Status of work on the theatre hall is not known (December 2009)***
3	Penal interest to EPF organization	9/02-11/03	2.94	No reply from PSU	
		Total	***71.83***		

4 Name of PSU: Manipur Industrial Development. Corporation Ltd.

Sl No	*Para*	*Year of IR*	*Amount*	*Remarks*	*Reply of PSU (October 2009)/ Audit's further comments*
1	Suspected misappropriation	11/97-6/99	3.04	The Company issued notice for legal action	Rs 1.57 lakh recovered
2	Failure of Joint Sector Project 'Manipur Vanaspati & Allied Industries Ltd' resulting in loss	11/97-6/99	1500.00	The Company was declared sick & winding up order was given by BIFR.	Steps are taken up for winding up under the provisions of Sick Industrial Companies (Special Provision) Act 1985
		Total	***1503.04***		

5 Name of PSU: Manipur Food Industries Corporation Ltd.

Sl No	*Para*	*Year of IR*	*Amount*	*Remarks*	*Reply of PSU/Govt (September 2009) / Audit's further comments*
1	Loss of Rs. 3.35 lakh on disposal of land	3/2000-10/03	3.35	No reply from PSU	The amount could not be realise as the Bank where the amount was deposited is defunct
		Total	**3.35**		

6 Name of PSU: Manipur Handloom & Handicrafts Development Corporation Ltd.

Sl No	*Para*	*Year of IR*	*Amount*	*Remarks*	*Reply of PSU (September 2009) / Audit's further comments*
1	Unauthorised diversion of Fund	4/91-3/97	17.36	No specific reply from PSU	Admitted to diversion of Rs 7.26 lakh from the projects
		Total	**17.36**		

7 Name of PSU: Manipur Electronics Development. Corporation Ltd.

Sl No	*Para*	*Year of IR*	*Amount*	*Remarks*	*Reply of PSU/Govt / Audit's further comments*
1	Unadjusted advance received from customers	4/93-3/95	2.28	The Company could adjust Rs. 19,93,611 and Rs. 2,28,415 is lying unadjusted.	Reply of the Corporation/Govt is awaited (December 2009)
		Total	***2.28***		

8 Name of PSU: Manipur Cycle Corporation Ltd.

Sl No	*Para*	*Year of IR*	*Amount*	*Remarks*	*Reply of PSU/Govt / Audit's further comments*
1	Formation of an unfeasible & commercially non-viable Cycle Corporation and its closure-Loss of Government money	11/99-2/04	67.95	No reply from PSU	Reply of the Corporation/Govt is awaited (December 2009)
		Total	***67.95***		

[1] Figures are taken in lakh due to nominal value of figures involved.

GLOSSARY OF ABBREVIATIONS

Accelerated Irrigation Benefits Programme	AIBP
Accelerated Rural Water Supply Programme	ARWSP
Action Taken Notes	ATN
Administrative Approval	AA
Agriculture Officer	AO
Annual Action Plan	AAP
Atomic Absorption Spectrophotometer	AAS
Central Reserve Police Force	CRPF
Central Water Commission	CWC
Chief Information Technology Officer	CITO
Committee on Public Undertakings	COPU
Communication and Capacity Development Unit	CCDU
Department of Road Transport and Highways	DRTH
Deputy Commissioner/ Sub-Deputy Commissioner	DC/SDC
Director General of Police	DGP
District Agriculture Plans	DAP
District Training Officer	DTO
District Transport Officer	DTO
Drawing and Disbursing Officer	DDO
Economic Development Programme	EDP
Executive Engineer	EE
Expenditure Sanctions	ES
Farmers Field Schools	FFS
Fully Covered	FC
Galvanised Iron	GI
General Financial Rules	GFR
Geological Survey of India	GSI
Government of India	GOI
Gram Panchayat	GP
Grass Root Level Training	GRLT
Gross State Domestic Product	GSDP
Hand Held Terminals	HHT
High Yield Variety	HYV
Human Resource Development	HRD
Information, Education and Communication	IEC
Inspection Report	IR
Investigation, Planning and Design	IPD
Irrigation and Flood Control Department	IFCD
Joint Electricity Regulatory Commission	JERC
Khuga Multipurpose Project	KMP
Macro Management of Agriculture	MMA
Management Information System	MIS
Manipur Police Housing Corporation	MPHC
Manipur Sericulture Project	MSP

Measurement Book	MB
Member of Legislative Assembly	MLA
Memorandum of Understanding	MOU
Minimum Needs Programme	MNP
National Drinking Water Mission	NDWM
National Informatics Center	NIC
Non-Government Organisations	NGO
Non-Governmental Organisation	NGO
Not Covered	NC
Oilseed Production Programme	OPP
Panchayati Raj Institution	PRI
Partially Covered	PC
Public Accounts Committee	PAC
Public Health Engineering Department	PHED
Public Sector Undertaking	PSU
Rajiv Gandhi National Drinking Water Mission	RGNDWM
Reduced Datum	RD
Regional Foundation Seed Farm	RFSF
Right Side Main Canal	RSMC
Running Account	RA
Scheduled Caste	SC
Scheduled Tribe	ST
Simple Random Sampling Without Replacement	SRSWOR
Slow sand filter	SSF
Soil Testing Laboratory	STL
State Mechanised Farm	SMF
Tata Consultancy Services	TCS
Tax-payer Identification Number	TIN
Thoubal Multipurpose Project	TMP
Unofficial interchange	UI
Value Added Tax	VAT
VAT and CST Management System	VCMS