CHAPTER II

GENERAL SECTOR

2.1 Introduction

The findings based on audit of State Government units under General Sector are featured in this chapter. During 2015-16, against a total budget provision of ₹ 2,975.41 crore, a total expenditure of ₹ 2,526.56 crore was incurred by 16 Departments under the General Sector. The Department-wise details of budget provision and expenditure incurred there against are shown in the following table.

Table No. 2.1.1 Budget provision and expenditure of Departments in General Sector

(₹ in crore)

Sl. No.	Department	Budget Provision	Expenditure
1	Planning	405.66	73.04
2	Election	10.55	7.30
3	Police	1163.53	1083.67
4	General Administration	75.63	69.72
5	Finance *	1061.48	1061.97
6	Local Fund Audit		
7	Stationery and Printing	5.37	5.02
8	Administration of Justice	78.17	69.50
9	Land Revenue, Stamp and Registration and District Administration	80.32	70.82
10	Fire Protection and Control	10.48	9.42
11	Secretariat	58.44	53.36
12	Vigilance	3.08	2.94
13	Manipur Public Service Commission	4.37	3.76
14	State Academy of Training	5.71	4.65
15	Governor Secretariat	4.94	4.53
16	Rehabilitation	7.68	6.86
Total		**2,975.41**	**2,526.56**

Source: Appropriation Accounts

** Excluding Appropriation No. 2 – Interest Payment and Debt Services*

Besides, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies of the State Government for implementation of various programmes of the Central Government. During 2015-16, out of total release of ₹ 124.75 crore directly released to different implementing agencies, ₹ 10.16 crore was under General Sector. The details are shown in ***Appendix 2.1.***

2.1.1 Planning and conduct of Audit

Test audits were conducted during 2015-16 involving expenditure of ₹ 2,268.30 crore (including expenditure of ₹ 2,088.38 crore of previous years) of the State Government under General Sector, as shown in ***Appendix 2.2.***

This chapter contains two compliance audit paragraphs as discussed in the succeeding paragraphs.

COMPLIANCE AUDIT

FINANCE DEPARTMENT

2.2 Labour cess not transferred

Due to non-transfer of labour cess by State Government, Manipur Building and Other Construction Workers' Welfare Board was deprived of their statutory dues to the tune of ₹ 48.61 crore

Section 3(1) and 3(3) of the Building and Other Construction Workers' Welfare Cess Act, 1996 mandates levy and collection of cess not less than one *per cent* of the cost of construction works to fund labour welfare schemes and the proceeds of the cess collected by the local authority or State Government shall be paid to Manipur Building and Other Construction Workers' Welfare Board (the Board) after deducting the cost of collection of such cess not exceeding one *per cent* of the amount collected. Accordingly, Government of Manipur directed (January 2011) the concerned Drawing and Disbursing Officers (DDOs) to deduct at source one *per cent* of the basic cost of construction and deposit the amount to a specified Head of Account[46] by challan. As per Rule 5(3) of Building and Other Construction Workers' Welfare Cess Rules, 1998, the amount collected shall be transferred to the Board within thirty days of the collection. As per Section 9 of the Act *ibid*, delay in transferring the amount collected as cess to the Board would attract a penalty not exceeding the amount of cess.

Further, as per Clause 8(c) of the Supreme Court of India (SCI) order (February 2012) in respect of Writ Petition (Civil) No 318 of 2006, the funds available with the Board which have not been disbursed or are not likely to be disbursed within a short period should be properly invested with the nationalised banks only.

Audit of accounts (February 2016) of the Manipur Building and Other Construction Workers' Welfare Board revealed that the labour cess collected by various departments of the Government were deposited in the appropriate receipt head but not transferred to the Board since 2011-12 till 2014-15 in spite of several reminders to the Finance Department (June and November 2011) from the Secretary of the Board. It was also noticed that as per the Finance Accounts of the State, an aggregate of ₹ 49.10 crore remained accumulated in the receipt head during 2011-15, out of which ₹ 48.61crore[47] should have been transferred to the Board as shown in the following table.

[46] Major Head 0045- Other Taxes and Duties on Commodities and Services, Minor Head 112- Receipts from Cesses under Other Acts.

[47] 99 *per cent* (after deduction of 1 *per cent* for collection charges) of the amount.

Table No. 2.2.1 Labour cess collected by various departments of the Government

(₹ in crore)

Year	Amount of Cess received	Amount of Cess to be transferred [*99%* x *(1)*]	Interest rate for the years (SBI)			Interest[48]
			Period	No. of years	Rate (%)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2011-12	0.77	0.76	2012-13 to 2015-16	4	8.75[49]	0.30
2012-13	16.14	15.98	2013-14 to 2015-16	3	8.75[49]	4.57
2013-14	12.46	12.34	2014-15 to 2015-16	2	9.00[50]	2.32
2014-15	19.73	19.53	2015-16	1	7.50[51]	1.47
Total	**49.10**	**48.61**				**8.66**

Thus, due to non-transfer of labour cess to the Board, the State Government had deprived the board their statutory dues of ₹ 48.61 crore. Further, the Board was denied an opportunity to supplement their revenue through probable interest income to the tune of ₹ 8.66 crore[52] by investing in term deposits with a nationalised bank as per the directives of the Supreme Court of India *ibid*.

As per provisions *ibid*, the State Government is also liable to pay penalty not exceeding ₹ 48.61 crore to the Board due to delay in transfer of the cess collected.

The matter was referred to the Finance Department/Government (July 2016). The Finance Department stated (September 2016) that as the fund was lying in Government Account, there is no question of misappropriation or misutilisation of money and will initiate steps to transfer the amount to the Board in a phased manner.

The reply is not tenable as the State Government is not only depriving the Board their statutory dues but also curtailing their opportunity to plan and spend for the welfare of the Building and Other Construction Workers. Further, it also foreclosed the opportunity to supplement the Board's resources by regular investment of surplus funds with nationalised banks.

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48 The interest is assumed to be compounded annually.
49 Rate as on the beginning of the financial year for duration of 3 to 10 years period.
50 Rate as on the beginning of the financial year for duration of 2 to 3 years period.
51 Rate as on the beginning of the financial year for duration 211 days to less than 1 year.
52 Benchmarked against the term deposit rates of State Bank of India (SBI).

PLANNING DEPARTMENT

2.3 Irregular expenditure

Non-signing of contract agreements prior to execution of works and payment without proper measurement of works resulted in irregular expenditure of ₹ 11.40 crore

As per Rule 204 of the General Financial Rules 2005, no work of any kind should be commenced without proper execution of an agreement, which where necessary, should be executed within 21 days of the issue of acceptance. Non-fulfilment of this condition of executing a contract by the contractor or supplier would constitute sufficient ground for annulment of the award and forfeiture of Earnest Money Deposit. Further, Para 7.1(4) of the CPWD Works Manual states that the payments to contractors for work done or other services rendered should be made on the basis of measurements recorded in the Measurement Book (MB). Para 9.1(3) *ibid* states that before payment of a contractor's bill, the entries in the MB relating to the description and quantities of work should be scrutinised by the Assistant Engineer.

Audit of accounts (August 2015) of the Project Director, Manipur Development Society (MDS), which is under the administrative control of the Planning Department, revealed that during 2008-15, the Society had awarded not less than nine works to contractors at a tendered cost of ₹ 13.30 crore without executing agreements. As of August 2015, eight out of the nine works were in progress and the Society had paid ₹ 11.40 crore to contractors without measurement of the works done by the contractors as shown in ***Appendix 2.3***. Clearing the contractors' bills without measurement of work done was irregular and violates codal provisions *ibid*.

The Society accepted (August 2016) the audit observation and stated that the signing of contract agreement for all works is underway with retrospective effect. Payments were made on the basis of physical position and bill of quantities of the works executed. Non-preparation of detailed MBs was attributed to shortage of manpower.

The reply of the Society is not acceptable as bill of quantities is only for reference purpose and the physical position of the works would only be ascertainable after proper measurement of the works done.

The matter was referred to the Government (September 2016). The Project Director, MDS responded and stated (October 2016) that the contract agreements could not be drawn on time due to exigencies of the work and effort are on to record all the on-going projects in the MBs. The contention is not acceptable as there was no proof of emergency in construction of lodge, market complex, multipurpose hall *etc*. Moreover, it would not be possible to take measurement for items of work like earthwork in foundation once the superstructure is reached.