# Overview

# OVERVIEW

This Report has been prepared in six chapters. Chapters I to V deal with General, Economic (Other than Public Sector Undertakings), Economic (Public Sector Undertakings), Revenue and Social Sectors and Chapter VI deals with Follow up of Audit Observations. The Report contains two Performance Audits *viz*., 'Direct Benefit Transfer *(covering in-cash transfers only)*' and 'Efficacy of the Implementation of 74th Constitutional Amendment Act', two Subject Specific Compliance Audit paragraphs and eight Compliance Audit paragraphs.

According to existing arrangements, copies of the Performance Audits and Compliance Audit paragraphs were sent to the Administrative Heads of the concerned Departments with a request to furnish replies within six weeks.

Performance Audits and subject specific Compliance Audit paragraphs were discussed with the concerned Administrative Heads of the Departments and other departmental officers. Replies from the State Government, wherever received, have been incorporated in the Report.

## CHAPTER I: GENERAL SECTOR

During 2019-20, against a total budget provision of ₹ 4,940.09 crore under General Sector, a total expenditure of ₹ 3,740.78 crore was incurred by 17 Departments.

Audits were conducted during 2019-20 involving expenditure of ₹ 2,645.77 crore including expenditure of previous years of the State Government under General Sector. This chapter contains one Performance Audit *viz*., 'Direct Benefit Transfer *(covering in-cash transfers only)*".

## PERFORMANCE AUDIT

### Performance Audit on 'Direct Benefit Transfer *(covering in-cash transfers only)'*

Direct Benefit Transfer (DBT) is a major reform initiative of Government of India to ensure better and timely delivery by direct transfer of financial assistance and entitlements to eligible beneficiaries' bank accounts in a fair, transparent, efficient and reliable manner. In Manipur, the State DBT Cell was constituted in October 2016 and nine schemes were brought on DBT portal during 2017-18. There are 78 schemes on the DBT portal being implemented by 15 Departments as of July 2020.

The Audit covered State DBT Cell and three schemes *viz*., (i) Indira Gandhi National Old Age Pension Scheme (IGNOAPS), (ii) Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) and (iii) Pradhan Mantri Matru Vandhana Yojana (PMMVY) for the period from 2017-18 to 2020-21 (up to July 2020) in four selected districts. Significant findings of the PA are as below:

- State Government constituted a Committee on DBT to act as Advisory having members from 16 Government Departments but did not include members from Unique Identification Authority of India, State Level Banking Committee, Telecom Service Providers, *etc.*

  ***(Paragraph 1.2.7.1(i), Page 8)***

- As the DBT related activities were carried out independently by the departments concerned, the role of the DBT Cell was limited to forwarding of instructions received from the Centre to various implementing departments.

  ***(Paragraph 1.2.7.1 (ii), Page 8)***

- State DBT Coordinator operated without any Implementation Support *viz.*, Technical, Non-technical and Finance & Admin and was assisted by two officers of the Institutional Finance Cell of Finance Department. No subordinate staff were posted even after 5 years of its creation. Hence the State DBT Cell was not adequately manned to provide unity of command.

  ***(Paragraph 1.2.7.2, Page 9)***

- DBT Cell could not provide one-stop point to coordinate all efforts for seamless on-boarding of schemes on to the DBT platform and for monitoring and evaluation of progress made by various departments on DBT against targets, milestones and indicators as envisaged in the guidelines.

  ***(Paragraph 1.2.8.1, Page 9)***

- DBT portal could not provide for dynamic up-dation of data and daily tracking of progress, report generation *etc.,* could not be done. DBT portal showed 78 schemes but the number of beneficiaries and amount transferred scheme-wise could not be generated or viewed. Two schemes in the DBT portal were not presently implemented by the departments.

  ***(Paragraphs 1.2.8.4 & 1.2.8.6, Pages 10 &11)***

- The flow of funds from GoI to State Government for transfer of government benefits to the eligible beneficiaries was not consistent and effective. Delays were at various stages such as, release of funds to State, submission of UCs, and transfer of funds to implementing departments and agencies by the State, and release of benefits to the beneficiaries' accounts.

  ***(Paragraph 1.2.10.1, Page 14)***

- In respect of IGNOAPS, overall delays in transfer of funds from GoI to State was to the extent of three months to four months during 2017-2020 adversely affecting monthly disbursement of pensions. All 100 selected beneficiaries received their pensionary benefits with delays ranging from four months to 44 months during 2017-18 to 2020-21 against the prescribed monthly payment of pension.

  ***(Paragraphs 1.2.10.1 (i), Page 14 & 1.2.10.2 (i), Page 19)***

- In PMAY-G, delay in transfer of funds from State Government to SNA ranged from 23 to 212 days. The balance amount of ₹ 3.11 crore was still lying in the bank as of 31 March 2021. In 89 out of 100 beneficiaries test checked, first instalments were paid with delays ranging from two days to 98 days beyond the stipulated time of one week. Second instalments with delays of two days to 207 days after completion of Plinth level for all the 100 beneficiaries and for the third instalments delay ranged from one day to 236 days after completion of Lintel level.

***(Paragraphs 1.2.10.1 (ii), Page 16 & 1.2.10.2 (ii), Page 19)***

- In PMMVY, ₹ 4.27 lakh was yet to be released by the State Government as of March 2021. The delays in release of funds to the beneficiaries ranged from 12 months to 25 months. Out of 100 beneficiaries test checked, payment of first instalment in 69 cases were delayed ranging from one day to 863 days. The second instalment of 67 cases were delayed ranging from two days to 672 days. For the third instalment, the delay ranged from one day to 557 days in 49 cases.

***(Paragraphs 1.2.10.1 (iii) Page 17 & 1.2.10.2 (iii), Page 19)***

- Even under DBT platform, the delay in transfer of benefits to the beneficiaries' accounts was very significant. The very objective of achieving timely and reliable transfer of government benefits to the eligible recipients remained to be achieved. This was mainly due to delays in fund flow from GOI to State and then from the State to the implementing departments which in turn further delayed the transfers of the benefits to the beneficiaries.

***(Paragraph 1.2.10.2, Page 18)***

- Monitoring mechanism for implementation of the selected schemes were found to be inadequate.

***(Paragraph 1.2.10.3 (iii), Page 21)***

***Recommendations***

- *State DBT Cell should be strengthened with required manpower to operationalise its organisational structure with the assigned responsibilities to enable the DBT Cell to act as one-stop point or nodal point for smooth on-boarding of schemes on to DBT platform and to effectively monitor the progress made by each Implementing Department by setting targets and milestones for implementation of DBT in a time bound manner;*
- *State DBT Cell should take up steps to further develop the DBT portal establishing the required linkages with all beneficiary-oriented schemes being implemented in the State under DBT platform, so as to generate MIS on current status of DBT implementation;*

- *Benchmarking studies on best practices may be conducted to enhance the effectiveness of benefit delivery;*
- *A dedicated body to deal with complaints and grievances of beneficiaries pertaining to various issues like delays in receiving subsidy amount in the bank accounts of beneficiaries, incorrect set of entitlements received by the end beneficiary as per SOP Module of DBT may be constituted; and*
- *State Government should review fund flow from Centre to the State and from the State Government to the Implementing Agencies/ Department and finally to beneficiaries' accounts in order to ensure timely transfer of benefits, and undertake necessary process re-engineering with the implementing departments for ensuring reliable and time-bound transfer of Government benefits under DBT platform.*

## CHAPTER II: ECONOMIC SECTOR

During 2019-20, against total budget provision of ₹ 4,239.37 crore, a total expenditure of ₹ 2,033.12 crore was incurred by 18 Departments under Economic Sector. During 2019-20, audits were conducted involving expenditure of ₹ 1,717.31 crore including expenditure of previous years of the State Government under Economic Sector.

This Chapter contains two Compliance Audit Paragraphs.

## COMPLIANCE AUDIT

### Fisheries Department

Department of Fisheries withdrew ₹ 26.64 lakh for six works for payment to contractors out of which, ₹ 16.73 lakh for two works was suspected to have been misappropriated as the amount drawn was neither supported by APR as proof of payment nor was deposited back to Government Account as assured by the Department.

***(Paragraph 2.2, Page 27)***

***Recommendation***

*State Government needs to fix responsibility on the DDO concerned for fabrication of records with an intention to defraud the Government by misappropriation of funds; and*

*State Government may conduct* investigation for the suspected misappropriation *at the earliest and strict action, including filing of FIR, if necessary, should be initiated against the delinquent officials for misappropriation of Government funds.*

### Department of Commerce and Industries

Department of Commerce and Industries procured 73 equipment worth ₹ 4.30 crore to set up nine Livelihood Business Incubators, out of which, 42 equipment worth ₹ 3.26 crore were kept idle and two equipment worth ₹ 0.10 crore remained traceless.

***(Paragraph 2.3, Page 29)***

***Recommendation***

*Government may take urgent steps to get operationalise the idle equipment, trace the two missing equipment so as to use them for their intended purpose in order to achieve the objectives of LBI Scheme.*

## CHAPTER III: ECONOMIC SECTOR (STATE PUBLIC SECTOR UNDERTAKINGS)

### Functioning of Public Sector Undertakings

As on 31 March 2020, the State of Manipur had 13 PSUs (10 working companies and three non-working companies) wherein the investment of the State Government (capital and long-term loans) was ₹ 66.07 crore, consisting of ₹ 65.39 crore (98.97 *per cent*) towards capital and ₹ 0.68 crore (1.03 *per cent*) towards long-term loans.

***(Paragraphs 3.1.1 and 3.1.2, Page 33)***

The number of PSU accounts in arrears had increased from 78 (2015-16) to 103 (2019-20). Further, out of 103 accounts pending finalisation by 10 PSUs as of 2019-20, 54 Accounts (52 *per cent*) pertained to two PSUs namely, Manipur Tribal Development Corporation Limited (32 Accounts) and Manipur Police Housing Corporation Limited (22 Accounts).

***(Paragraph 3.1.5, Page 36)***

***Recommendations***

- *State Government may make special arrangements to oversee the clearance of arrears and set the targets for individual PSUs, which may be monitored strictly by them;*
- *State Government may ensure that existing vacancies in the accounts department of PSUs are filled up with knowledgeable persons having experience; and*
- *PSUs may get the figures of equity and loans reconciled with the State Government Departments to reflect correct position in the State Finance Accounts.*

➢ Manipur State Power Company Limited and Manipur State Power Distribution Company Limited were the major recipients of State Government funding amounting to ₹ 1,834.47 crore (Grants) during the period when their accounts were in arrears since 2016-17.

***(Paragraph 3.1.6, Page 38)***

***Recommendations***

*Government may consider setting up a special cell under the Finance Department to oversee expeditious clearance of arrears of accounts of PSUs. Where there is lack of staff expertise, Government may consider outsourcing the work and take punitive action against Company Management responsible for arrears of accounts. Until the accounts are made as current as possible, Government may consider not giving further financial assistance to such companies.*

- As per information furnished by the PSUs, during 2019-20, State Government has provided budgetary support of ₹ 537.36 crore in the form of grants/subsidy. Major recipient of the budgetary support during last three years was Manipur State Power Distribution Company Limited.

***(Paragraph 3.1.7, Page 38)***

- As per the latest finalised accounts of PSUs as on 30 September 2020, accumulated losses (₹ 159.26 crore) of five out of 10 working PSUs had completely eroded their paid-up capital (₹ 53.14 crore). During 2019-20, out of 10 working PSUs, only one PSU earned profit of ₹ 0.29 crore and seven PSUs incurred loss of ₹ 41.85 crore as per their latest finalised accounts. Remaining two working PSUs had not finalised their first accounts as of September 2020.

***(Paragraph 3.1.8, Page 39)***

- Action Taken Notes (ATNs) relating to 114 recommendations pertaining to five Reports of CoPU presented to the State Legislature between March 1986 and March 2020 had not been received from the Government.

***(Paragraph 3.1.14, Page 44)***

***Recommendation***

*State Government may review and revamp the mechanism of responding to audit observations. They may ensure that responses and explanatory notes to draft paragraphs/performance audits and ATNs on the recommendations of CoPU are provided as per the prescribed time schedule and loss/outstanding advances/overpayments flagged in audit are recovered within the prescribed period.*

## Compliance Audit Paragraphs

**Manipur Food Industries Corporation Limited**

Cold Storage facility constructed at Food Park, Nilakuthi remained un-utilised even after nine years of its completion, resulting in idle and unfruitful expenditure of ₹ 2.79 crore by Manipur Food Industries Corporation Limited.

***(Paragraph 3.2, Page 45)***

***Recommendations***

*State Government should conduct proper investigation to ascertain the bottlenecks leading to these Cold Storages remaining idle.*

*Keeping in mind that the PSU is running into losses, this was an injudicious/ not well thought out investment and the Corporation should be more careful in investment/ expenditure and operationalise these facilities.*

## CHAPTER IV: REVENUE SECTOR

During the year 2019-20, revenue raised by the State Government was ₹ 1,338.21 crore being 13 *per cent* of the total revenue receipts of ₹ 10,684.16 crore. Balance receipts of ₹ 9,345.95 crore (87 *per cent*) during 2019-20 were from the Government of India.

Tax Revenue raised during 2019-20 (₹ 1,203.68 crore) increased by 15.07 per cent as compared to the previous year (₹ 1,046.05 crore). On the other hand, Non-Tax Revenue raised during 2019-20 (₹ 134.53 crore) decreased by 19.07 *per cent* as compared to the previous year (₹ 166.23 crore).

***(Paragraph 4.1, Page 47)***

## Response of Departments to the draft audit paragraphs

Audit Inspection Reports issued up to March 2020 disclosed that 677 paragraphs involving ₹ 158.99 crore relating to 182 Inspection Reports remained outstanding at the end of 2019-20 which required prompt and appropriate action on the audit findings.

***(Paragraph 4.3.1, Page 55)***

This Chapter contains two Subject Specific Compliance Audit Paragraphs.

## Compliance Audit Paragraphs

**Taxation Department**

***Subject Specific Compliance Audit of GST Refunds***

Timely refund mechanism constitutes a crucial component of tax administration, as it facilitates trade through release of blocked funds for working capital, expansion and modernization of existing business. Due to unavailability of electronic refund module on common portal, a temporary mechanism was devised and implemented by Ministry of Finance, Government of India in 2017 wherein the applicants were required to file refund applications in Form GST RFD-01A on common portal, take a print out of the same and submit it physically to the jurisdictional tax office along with all supporting documents. Further processing of those refund applications, *i.e.* issuance of acknowledgement, issuance of deficiency memo, passing of provisional/final refund orders, payment advice, *etc*., were being done manually. Compliance Audit of GST Refunds revealed the followings observations:

- Though as per Rule 90 (1) of GST Rules, 2017, claim for refund from the electronic cash ledger shall be acknowledged in FORM GST RFD-02 through the common portal electronically, there were delays in issuance of acknowledgement to the taxpayer with delay ranging from 41 to 354 days in 15 out of 24 Refund claims.

***(Paragraph 4.8.1.1, Page 59)***

- As per Rule 92 (1) of GST Rules, 2017 read with Para 3.2 Circular No. 17/17/2017 - GST dated 15 November, 2017 issued by CBEC, in case a refund is due and payable to the applicant, the amount shall be refunded to the applicant within sixty days of the date of receipt of complete application form. However, in 13 out of 24 Refund Cases, there were delays in sanction of refunds ranging from two to 309 days. Department was liable to pay interest for late sanction of refunds u/s 56 amounting to ₹ 0.53 lakh to 13 refund applicants.

***(Paragraph 4.8.1.2, Page 60)***

- Five out of 24 Refund Cases, amounting to ₹ 1.95 crore were rejected without offering the applicants an opportunity to represent his/her case in violation of Rule 92 GST Rules, 2017.

***(Paragraph 4.8.1.3, Page 61)***

***Recommendations***

*The Department should put in place a mechanism to ensure that the extant provisions of the MGST Act, 2017 are complied with; and*

*The Department needs to put in place a monitoring mechanism to track refund applications so as to ensure timely disposal of refund claims as the delays accrue interest liability.*

### *Subject Specific Compliance Audit on Transitional Credits under GST*

Goods and Services Tax (GST) came into force from 1 July 2017. It subsumed various existing indirect taxes such as Value Added Tax (VAT), Excise duties, Service Tax *etc.* To ensure the seamless flow of input tax from the existing laws to the GST regime, a transitional arrangement for input tax was included in Manipur GST Act, 2017 to provide for the entitlement and manner of claiming input tax in respect of appropriate taxes or duties paid under the existing laws. Audit of Transitional Credits under GST revealed the following observations:

Though, Central GST officers shall have jurisdiction for verification of CGST component of transitional credit, irrespective of the jurisdiction of the taxpayer and the verification process can only be done by the tax authority which had legal jurisdiction under the erstwhile law and also has the requisite past records of the taxpayers, there was no such guidance note or directives for conduct of verification by the State Tax Department.

***(Paragraph 4.9.3.1, Page 62)***

The verification mechanism was not envisaged for verification of the SGST component of the transitional credit claims. Failure to generate a list of GST taxpayers in Back office module resulted in lack of information on those who had applied for transitional credits through TRAN1 Form.

***(Paragraph 4.9.3.1(A), Page 63)***

As the Department did not send intimation to the Central tax office for verification of State GST component of four taxpayers under the jurisdiction of the central GST Commissionerate, Manipur, SGST component of the transitional credit claims of taxpayers under the State jurisdiction amounting to ₹ 0.52 lakh and the SGST component of the transitional credit claims amounting to ₹15.15 lakh under the central jurisdiction was not verified.

***(Paragraph 4.9.3.1 (B), Page 63)***

One taxpayer had availed an inadmissible claim of ₹ 0.15 lakh as SGST component *arising* from VAT paid for purchase of items from an unregistered firm. Also his claim for CGST credit of ₹ 1.12 lakh for the Central Excise Duties paid on stock as for purchase from a Guwahati based firm was not acceptable as VAT returns of the firm showed nil outside purchase. Further, another taxpayer had availed transitional credit claim of ₹ 0.36 lakh without filing the requisite VAT returns.

***(Paragraph 4.9.3.2, Page 63)***

## CHAPTER V: SOCIAL SECTOR

During 2019-20, against a total budget provision of ₹ 7,723.93 crore under Social Sector, a total expenditure of ₹ 4,817.06 crore was incurred by 17 Departments. Audits were conducted during 2019-20 involving expenditure of ₹ 806.80 crore including expenditure of previous years of the State Government under Social Sector.

This chapter contains one Performance Audit *viz.*, 'Efficacy of the implementation of the 74$^{th}$ Constitutional Amendment Act' and five Compliance Audit Paragraphs.

## PERFORMANCE AUDIT

### Performance Audit on Efficacy of the Implementation of 74$^{th}$ Constitutional Amendment Act

The 74$^{th}$ Amendment Act, 1992 (CAA), introduced 18 Articles under Part IX A (the Municipalities) in the Constitution of India, providing constitutional status to Urban Local Bodies (ULBs). Article 243W of the CAA authorised the State

Legislatures to enact laws to endow local bodies with powers and authority to enable them to function as institutions of self-government and provisions for devolution of powers and responsibilities. In Manipur, Urban Local Bodies (ULB) are spread out in six valley districts of the State. The ULBs are governed by the provisions of Manipur Municipalities (MM) Act, 1994. The ULBs are divided into wards as notified by the State Government and are represented by elected Councillors.

The PA included scrutiny of records of Municipal Administration, Housing and Urban Development (MAHUD), Manipur Urban Development Agency (MUDA), Planning and Development Authority (PDA) and Town Planning Department (TPD). Significant findings of the PA are as below:

***Compliance to provisions of 74th CAA***

The statutes of MM Act 1994 broadly conformed to the provisions of the 74th CAA on the institutional, legal and administrative framework for municipalities.

***(Paragraph 5.2.3.1, Page 72)***

Assignment of responsibilities was highly fragmented among parastatals, development agencies, State departments and municipal governments undermining the functional autonomy of ULBs and overlapping of roles indicated lack of clarity in responsibilities.

***(Paragraph 5.2.3.3.1, Page 76)***

Although the 74th CAA guaranteed greater autonomy to ULBs, overriding control of State Government over ULBs continued thus undermining the very objective of empowering ULBs to be institutions of self-government in urban areas. ULBs still functioned as units of State administration rather than as institutions of self-governance.

***(Paragraph 5.2.3.4, Page 78)***

***Empowerment of Urban local bodies***

District Planning Committees were yet to be constituted in all 10 test-checked ULBs indicating lack of socio-economic development planning in urban areas of districts. These ULBs executed mostly routine maintenance and minor works depending upon availability of funds as per the Annual Works Programmes. The ULBs were yet to participate in a big way in the development planning of the growing urban areas under their jurisdiction.

***(Paragraph 5.2.4.4, Page 81)***

***Devolution of Financial Powers and Resources to ULBs***

Six out of 10 sampled ULBs had not framed any bye-laws for collection of taxes, fees, duties, *etc*., undermining the power to collect revenues under their jurisdiction. Bye-laws even when passed and approved by the Government, the

ULBs still neither had the jurisdiction over collection of certain taxes nor collected taxes/fees due to their own weakness in revenue administration.

***(Paragraph 5.2.5.1(i), Page 84)***

There was substantial shortfall in Revenue Receipts against the budgetary provision for ULBs during five-year period 2015-20 to the tune of ₹ 315.07 crore (₹ 434.03 crore – ₹ 118.96 crore). The total Revenue Receipts of ULBs from different sources (without own revenue) ranged from ₹ 4.84 crore (2016-17) to ₹ 61.65 crore (2019-20). Own Revenue of ULBs remained low and stagnant at ₹ 2.4 crore to ₹ 4.53 crore during the review period constituting only 2.29 *per cent* to 3.55 *per cent* of the State budgetary provisions for ULBs.

***(Paragraph 5.2.5.2, Page 86)***

Shortfall in SFC transfers to ULBs was to the extent of ₹ 25.18 crore. Moreover, SFC transfer against total Revenue Receipts was showing a declining trend from 59.55 *per cent* in 2015-16 to 40.05 *per cent* in 2019-20. Though the Fourth FC was already due since April 2018, it was constituted only in October 2019 after a delay of 18 months. The recommendations of the Fourth FC presented in July 2021 are yet to be considered by the State Government.

***(Paragraph 5.2.5.2, Page 86)***

There was a total shortfall of ₹ 79.43 crore in CFC transfers to the ULBs as against the budget provision of ₹ 171.80 crore during the last five years. The yearly retention of CFC grants by the State Government ranged between ₹ 17.59 and ₹ 43.45 crore during the same period.

***(Paragraphs 5.2.5.2, Page 86 & 5.2.5.3(ii), Page 88)***

Expenditure of ULBs during 2015-20 (₹ 181.11 crore) constituted only 19.91 *per cent* of MAHUD's total expenditure (₹ 909.76 crore). ULBs' total expenditure *vis-à-vis* that of MAHUD declined from 63.81 per cent in 2015-16 to 12.63 per cent in 2016-17 which slightly increased to 23.95 *per cent* in 2019-20 from 14.91 *per cent* in 2018-19.

***(Paragraph 5.2.5.2, Page 86)***

State Government did not adhere to the norms prescribed by SFC for transfer of funds to the ULBs. There was substantial shortfall in release of grants to ULBs to the extent of ₹ 477.54 crore against total amount of ₹ 556.95 crore recommended by the Third SFC during 2015-16 to 2019-20.

***(Paragraph 5.2.5.3(i), Page 88)***

There was short release of CFC grants of ₹ 42.07 crore by GOI to State Government during the five-year period from 2015-16 to 2019-20. Against CFC grants of ₹ 132.62 crore released by GOI, the State Government released ₹ 92.37 crore to the ULBs with a shortfall of ₹ 40.25 crore at the end of 2019-20.

***(Paragraph 5.2.5.3(ii), Page 89)***

Share of own revenue to total Revenue Receipts of ULBs during 2015-20 was only 6.59 *per cent*. Majority of 10 sampled ULBs did not collect different types of taxes/fees under their purview and the potential for increasing revenue (tax and non-tax) collection remained untapped.

***(Paragraph 5.2.5.4, Page 90)***

**Human Resources of Urban Local Bodies**

ULBs have not been delegated with powers to appoint own cadre of staff and officers for running the Councils. All the sampled ULBs suffered from high vacancies in various categories of posts against the sanctioned posts; and existing staff and officers were highly inadequate to perform their assigned tasks effectively.

***(Paragraph 5.2.6.1, Page 92)***

***Recommendations***

*The State Government should:*

- *Review the provisions of MM Act, 1994 to include as appropriate such functions listed in the 12th Schedule of CAA to broaden the assignment of functions and responsibilities for the ULBs which were so far partially covered in the Act to enable them to play larger role in urban development in the State in view of the growing urban population and the corresponding demands for effective delivery of public services and to encourage economic growth in urban areas;*
- *Clearly delineate the functions assigned to ULBs to avoid overlapping of roles amongst different actors to ensure better accountability and performance of the ULBs. The State Government should also consider transferring the remaining 22 functions in compliance to the provisions of the MM Act in a phased manner and make mandatory for the ULBs to discharge such functions;*
- *Ensure that the elections to the ULBs are held within the due time;*
- *Ensure implementation of earlier SFC's recommendations in a time bound manner and urgently constitute State Finance Commission for transfer of financial resources covering the period from 2018-19 onwards taking into account the need for assessed requirement of the ULBs and for greater devolution of fiscal power to the ULBs;*
- *Consider formulating minimum expenditure norms for ULBs for mandatory transfer of financial resources in view of very low expenditure at the local government levels vis-à-vis State GSDP to boost planned development of urban areas;*
- *Strengthen collection of own revenue resources by framing bye-laws and by equipping enforcement mechanism for regular monitoring of performances;*

- *Empower the ULBs to facilitate collection of taxes and duties to make the ULBs self-reliant;*
- *Earmark CFC/SFC financial commitments as mandatory transfers to ULBs through annual budgetary process of the State Government to avoid shortfall in budgetary provisions and subsequent releases. The State Government should also strengthen accountability and monitoring mechanism for effective utilisation of the financial resources;*
- *State Government should immediately release the amount less transferred (CFC grants) to ULBs concerned along with penal interest at Bank rate of RBI, and*
- *Strengthen the man-power position in the ULBs by filling up the existing vacancies and by delegating the powers to manage own cadre of staff for better performance and accountability.*

## Compliance Audit Paragraphs

### Art and Culture Department

Even after incurring expenditure of ₹ 1.07 crore by Art and Culture Department, the Stack Room of Manipur State Archives Complex remained incomplete for more than nine years, rendering the expenditure unfruitful.

***(Paragraph 5.3, Page 98)***

***Recommendation***

*The State Government should investigate as to how the financial expenditure was not commensurate with the physical progress of the buildings. As the building is meant to provide storage facilities for archival materials, effective steps should be taken to complete the building without further delays.*

### Department of Labour and Employment

Manipur Building and Other Construction Workers' Welfare Board diverted and utilised Welfare Fund of ₹ 1.48 crore for construction of Office Building that was not permissible under the Workers' Welfare Scheme.

***(Paragraph 5.4, Page 101)***

***Recommendation***

*The State Government should refund the expenditure that had been spent from the Board's fund and the funds should be utilised only for the intended purpose in future.*

Failure of Deputy Labour Commissioner, Imphal to safeguard Government property created at ₹ 1.27 crore rendered the public property wasteful for more than twelve years.

***(Paragraph 5.5, Page 102)***

***Recommendation***

*The State Government should take all necessary action to secure the land and the buildings from the unauthorised occupant to avoid loss of State Government's property without further delay.*

**Tribal Affairs and Hills Department**

The Tribal Affairs and Hills Department withdrew Scheme funds deposited in the Bank Accounts in gross Violation of Financial Rules. Payment of ₹ 30.36 crore could not be verified in Audit due to non-availability of records, vouchers/ APRs which points toward doubtful expenditure and suspected misappropriation of funds.

***(Paragraph 5.6, Page 104)***

***Recommendation***

*The State Government should complete the investigation by the Departmental Enquiry at the earliest and strict action, including filing of FIR, if necessary, should be initiated against the delinquent officials for misappropriation of Government funds.*

**Youth Affairs and Sports Department**

Construction of District Sports Complex at Senapati District sanctioned since January 2007 at the cost of ₹ 13.23 crore by the Youth Affairs and Sports Department, Government of Manipur remained incomplete for more than eight years. There was no progress on the project since October 2014, the incomplete sport facilities have further deteriorated and the assets already created were being misused by unauthorised occupants.

***(Paragraph 5.7, Page 107)***

***Recommendation***

*State Government should take effective measures to complete the Complex at the earliest and the sports infrastructures are put to use to achieve the intended objective of the project.*

## CHAPTER VI: FOLLOW UP OF AUDIT OBSERVATIONS

Audit Reports for the year 2018-19 (Report No. 2 of 2021) featured three Performance Audit paragraphs and 13 Compliance Audit paragraphs. The Audit Report has been placed before the Legislative Assembly on 25 March 2022, however, no *suo moto* Explanatory Notes in respect of the Audit paragraphs has been received till date (April 2022). In respect of earlier Audit Reports for the years 1999-2018, *suo moto* Explanatory Notes pertaining to 399 Performance Audits and Compliance Audit paragraphs were not received from the Departments within the stipulated period of three months.

***(Paragraph 6.1, Page 111)***

As of April 2022, PAC had published 37 Reports on findings in the Audit Reports. These PAC Reports altogether contained 1,582 recommendations based on examination of the Audit Reports by the PAC. In respect of 21 Reports of PAC, containing 737 recommendations, Action Taken Notes (ATN) had been received. Of the remaining 845 recommendations contained in 16 Reports of PAC, no ATNs were received.

***(Paragraph 6.2, Page 111)***

As of March 2020, 3,350 Inspection Reports issued from 2003-04 onwards were pending for settlement. Even initial replies, which were required to be received from the Heads of Offices of Government Departments within four weeks from the date of issue of Inspection Reports, were not received.

***(Paragraph 6.4, Page 112)***

***Recommendations***

*It is recommended that the Government may review the matter and ensure that an effective system exists for:*

- *Submission of ATNs to the recommendations of the PAC/ CoPU;*
- *Regularly monitoring the functioning of the DAAC and SAAC; and*
- *Send replies to Audit within the prescribed time schedule.*