

Chapter II
Economic Sector
(Other than Public Sector Undertakings)

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ECONOMIC SECTOR (OTHER THAN PUBLIC SECTOR UNDERTAKINGS)

2.1 Introduction

The Chapter contains findings based on audit of the State Government Departments under the Economic Sector other than the State Public Sector Undertakings.

The Economic Sector is one of the most important sectors of economy of any State. This Sector is directly responsible for production of goods and services and responsible for generation of employment in the economy. The Economic Sector has three sub-sectors *i.e.*, Primary sector includes raw materials, mining, fishing, agriculture, *etc.*, Secondary sector includes production of finished goods and the Tertiary sector includes production and supply of the intangible goods and services to the consumers *e.g.*, retail, tourism, banking, insurance, transport, entertainment, IT services, *etc.* Government's investment in this Sector and the health of an economy has direct relationship and thus, it requires steady attention of the government.

The Government of Manipur has accorded due importance to the Economic Sector in the State by allocating a significant part of its financial resources to this Sector. During 2019-20, the Primary, Secondary and Tertiary sectors grew at the rate of 3.0 *per cent*, 15.3 *per cent* and 18.2 *per cent* respectively as compared to the previous year 2018-19²⁰. The following table shows the expenditure incurred by major departments pertaining to the Economic Sector during the last five years.

Table 2.1.1 Expenditure of the major departments during 2015-20

(₹ in crore)

Years	Public Works	Power	Public Health Engineering	Total on Social Sector (In per cent)	Total Expenditure [#]
2015-16	590.51	692.40	224.48	2,364.25 (25.99)	9,098.16
2016-17	722.04	765.87	275.29	2,814.63 (25.94)	10,852.06
2017-18	553.76	573.50	309.84	2,324.31 (20.39)	11,397.17
2018-19	692.76	556.79	372.14	2,673.17 (18.32)	14,590.22
2019-20	392.34	408.89	351.55	2,033.12 (11.84)	17,165.50

Source: Appropriation Accounts.

General, Economic (Other than PSUs) and Social Sectors.

Besides, GoI transferred ₹ 434.88 crore directly to the different implementing agencies out of which, ₹ 262.81 crore (60 *per cent*) pertained to the Economic Sector as detailed in **Appendix 2.1**.

Department-wise details of budget provisions of ₹ 4,239.38 crore and expenditure of ₹ 2033.12 crore incurred by the 18 departments pertaining to the Economic Sector during 2019-20 are as follows.

²⁰ Based on Quick Estimates furnished by Directorate of Economic and Statistics, Manipur.

Table 2.1.2 Budget Provision and Expenditure of departments during 2019-20

(₹ in crore)

Sl. No.	Department	Budget Provision	Expenditure
1	Public Works	924.41	392.34
2	Forest Department (including environment)	663.92	136.76
3	Water Resources Department	486.10	153.70
4	Power	440.43	408.89
5	Public Health Engineering	426.16	351.55
6	Agriculture	331.86	170.78
7	Minor Irrigation	255.26	54.31
8	Commerce and Industries	179.36	60.80
9	Veterinary and Animal Husbandry	169.73	79.15
10	Horticulture and Soil Conservation	102.70	63.85
11	Tourism	60.28	32.65
12	Fisheries	36.99	27.38
13	Transport	35.03	9.98
14	Co-operation	34.74	20.45
15	Sericulture	34.17	23.26
16	Information Technology	31.93	30.99
17	Economic and Statistics	20.91	12.51
18	Science and Technology	5.39	3.77
Total		4,239.37	2,033.12

Source: Budget documents and Appropriation Accounts.

As it can be seen from table above, there were savings of ₹ 2,206.25 crore (52.04 per cent) from Budget provision under Economic (Other than Public Sector Undertakings) Sector of which Forest Department had the maximum savings of ₹ 527.16 crore (79.40 per cent) followed by Minor Irrigation ₹ 200.95 crore (78.72 per cent) and Water Resources Department ₹ 332.40 crore (68.38 per cent) against their respective Budget provisions. Thus, the Budget Provisioning may be done more realistically by the departments.

2.1.1 Planning and execution of Audit

Compliance audit is conducted in accordance with an Annual Audit Plan for the year approved by the Comptroller and Auditor General of India. Topicality, financial profile, social relevance, internal control system of the units and occurrence of defalcation/ misappropriation/ embezzlement as well as the past audit findings form the basis of risk assessment for selection of audit units.

After completion of the compliance audit, Inspection Reports (IRs) are issued to the heads of units as well as to the concerned heads of departments. In the light of replies received, audit observations are reviewed and settled if action taken by the audited entities is satisfactory. However, if no action is taken or action taken is not enough, the audit findings are retained and units are advised to take further suitable remedial measures. However, some serious and selected audit findings are processed for inclusion in the Audit Report of the Comptroller and Auditor General of India for placing of the same before the State Legislative Assembly as mandated by the Constitution.

Keeping in view the importance accorded to the Economic Sector by the State, we in Audit also accorded due importance to the audit of this Sector. Out of total 355 units selected for the compliance audit during 2019-20, 97 units (27 per cent) pertained to Economic Sector. As of March 2020, 84 Inspection Reports containing 493 paras involving expenditure of ₹ 1,717.31 crore including expenditure of previous years under Economic Sector were issued to the unit heads with copies to the heads of the concerned departments. Year-wise details of expenditure audited in respect of Economic Sector during 2019-20 are given in **Appendix 2.2**.

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

COMPLIANCE AUDIT

FISHERIES DEPARTMENT

2.2 Suspected Misappropriation

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.

Rule 290 of the Central Treasury Rules (CTR) as adopted by State of Manipur, states that no money shall be drawn from the Treasury unless required for immediate disbursement or in anticipation of demand and to prevent lapse of budget grants. Further, as per Order²¹ dated 21.08.2010 of the Finance Department, Government of Manipur, Drawing and Disbursing Officers (DDOs) Bank Accounts shall not be used for any transaction under any circumstance, other than salary and personal entitlements. Any violation of these instructions will invite disciplinary action against the concerned DDOs and Heads of Department apart from culpability under Manipur Public Servants Personal Liability Act, 2006.

Scrutiny of records (July to August 2018) of Directorate of Fisheries for the period from April 2016 to July 2018 revealed that 14 Work Orders costing ₹ 58.90 lakh were sanctioned and issued (March 2018) for different works such as construction of ponds, reservoirs, training hall, etc., as per details given in **Appendix 2.3**. The works were to be executed during the period from 20/01/2016²² to 12/08/2018²³ and to be completed within one month to 10 months. Further, as per clause 11 of the Work Orders, payments were to be released only on completion of works as per specifications without any consideration for extension of the time allowed in the Work Orders.

²¹ No. 1/95/99-D/IF Pt I dated 21.08.2010.

²² Date of start reckoned from the 7th day of issue of work orders.

²³ Maximum time allowed i.e., 10 months taken into account.

Audit observed that in violation of Rules and extant instructions of the Finance Department, the entire amount of ₹ 58.90 lakh was withdrawn against 14 works²⁴ (**Appendix 2.3**) from Imphal Treasury in advance of actual requirement and deposited into DDO's Account on 31 March 2018 to avoid lapse of funds while not a single work that had commenced, was completed.

Further scrutiny of records revealed that Director, Department of Fisheries, withdrew ₹ 26.64 lakh²⁵ out of ₹ 58.90 lakh from the same DDO's Accounts against six works²⁶ (₹ 16.73 lakh for two works and ₹ 9.91 lakh for four works) through withdrawal form²⁷ on 12 April 2018 in violation of Finance Department Order issued vide Memo No. 9/2/2007-FR (Misc) dated 13 March 2008²⁸. Audit further noticed that ₹ 16.73 lakh was shown to have been paid in cash on 12 April 2018 against two works viz., (i) Providing IEI and ceiling of Training Hall at Directorate (**Sl. No. 6 of Appendix 2.3**) and (ii) Construction of water reservoir tank at Directorate of Fishery, Lamphel (**Sl. No. 10 of Appendix 2.3**) though these works were still incomplete. Moreover, there was no evidentiary proof of actual payment in the form of payment order/ APR for audit verification. In absence of any evidence, the payment as shown in Cash Book for works was doubtful. The remaining funds amounting to ₹ 9.91 lakh, drawn for other four works was deposited back to the Government Accounts under Major Head 8449 on 12 April 2018 itself.

In reply, Department stated (August 2018) that ₹ 26.64 lakh was drawn against six incomplete works through oversight without Pay Order and proper verification. While ₹ 9.91 lakh was already deposited into Government Accounts, the balance amount of ₹ 16.73 lakh will be deposited back to the DDO's Account. Further, Department (October 2021) stated that the 10 Works including Sl. No. 6 and Sl. No. 10 of the Appendix (₹ 16.73 lakh) are being investigated by Vigilance Department. Four Works (Sl. No.11 to Sl. No. 14) had been completed.

The reply of Department confirms the Audit contention that payment of ₹ 16.73 lakh was not made to the contractors but retained by the DDO. Further, despite the assurance of the Department, the amount has not been deposited into the Government Account till April 2022. Further, had Audit not pointed this out to the Authorities concerned, the funds would have been siphoned off.

Recommendations:

- *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*

²⁴ Construction Works-8; Repair Works-3; Renovation Works-2 and Improvement Works-1.

²⁵ ₹ 47.43 lakh (inclusive of ₹ 26.64 lakh) drawn through withdrawal form on 12.04.2018.

²⁶ Sl. No. 6, 10, 11, 12, 13 and 14 of **Appendix 2.3**.

²⁷ Cheque was out of stock.

²⁸ Withdrawals through 'Self' cheques by any Government Department were banned with immediate effect till further orders.

- *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

2.3 Infructuous expenditures on idle equipment

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.

Livelihood Business Incubators (LBIs) is a sub-scheme under 'A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE)' of Ministry of Micro, Small and Medium Enterprises, Government of India (GOI). The LBIs are meant to incubate eligible youths in various skills, to impart entrepreneurship and Skill Development, to promote new low end technology/ livelihood based enterprises. GOI approved (October 2015) setting up of nine LBIs at nine District Industries Centres (DICs)²⁹ in Manipur with a cost of ₹ 7.92 crore. Further, as per the detailed Project Reports (DPRs), the LBIs were to be self-sustaining entities with own source of revenue from training, processing, marketing and sale of produce and exhibitions.

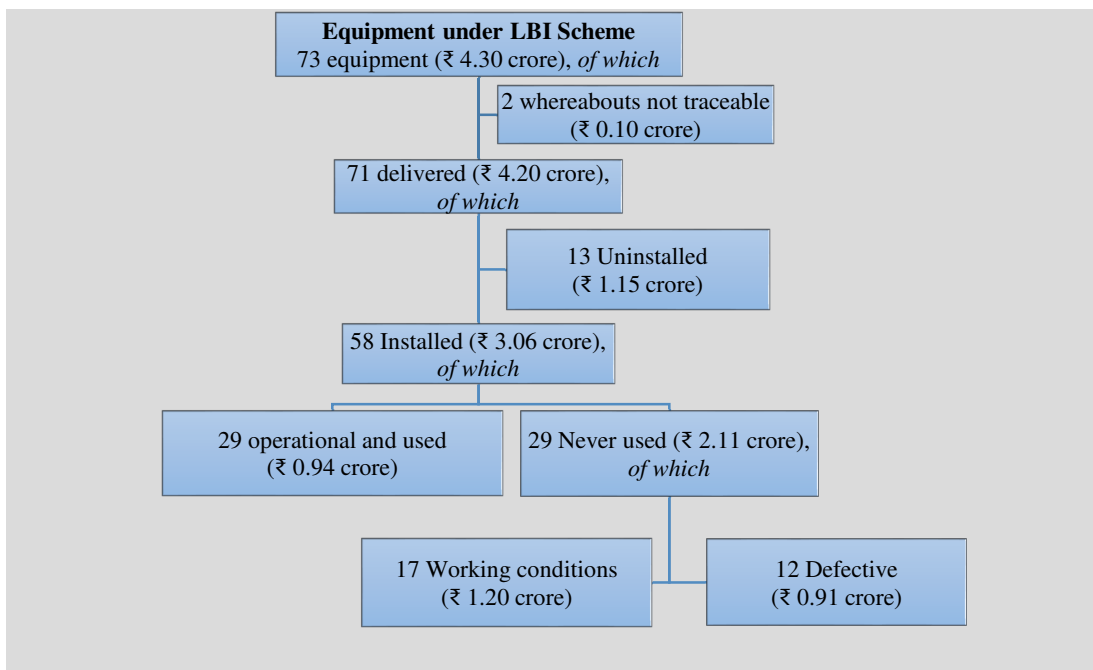
Examination of the records (October 2019 to January 2020) of the Directorate of Trade, Commerce and Industries Department and nine DICs revealed that the Department received (October 2015 to March 2019) approved funds of ₹ 7.92 crore in three instalments³⁰. Out of this, ₹ 4.30 crore was utilised (December 2015 to June 2016) for procurement of 73 equipment³¹, which were allotted to nine DICs for implementation of the LBI scheme. Audit conducted Joint Physical Verifications (JPV) during December 2019 to January 2020, which revealed the following:

²⁹ DIC Chandhel, Ukhrul, Imphal East, Imphal West, Thoubal, Senapati, Tamenglong, Bishnupur and Churachandpur

³⁰ (₹ in lakh)

1st Instalment Amount (Date)	2nd Instalment Amount (Date)	3rd Instalment Amount (Date)	Total Amount
396.24 (28.10.2015)	103.76 (10.03.2016)	158.49 (08.03.2019)	792.47
	133.98 (10.03.2016)		
	237.74		

³¹ 53 equipment worth ₹ 3.79 crore were purchased (December 2015 to June 2016) through Manipur Food Industries Corporation Limited (MFICL) and the rest of the 20 equipment worth ₹ 0.51 crore procured by DICs of Imphal West and Imphal East (March 2016).



- Out of 73 equipment (₹ 4.30 crore) procured, two equipment³² (₹ 0.10 crore) were not traceable during JPV. As the DICs could not produce records of delivery/ receipt of equipment, the whereabouts of these two equipment could not be ascertained. The remaining 71 equipment (₹ 4.20 crore) were delivered to the nine DICs.
- Out of the 71 equipment (₹ 4.20 crore) delivered, 13 equipment (₹ 1.15 crore) were lying uninstalled for more than four years³³ from the date of procurement. Since these equipment were not installed, their warranty/ guarantee would have expired, as such Department lost the opportunity to get the equipment replaced in case of any manufacturing defect.
- Out of 58 equipment, 29 equipment (₹ 2.11 crore) had never been put to use. Out of these, only 17 equipment (₹ 1.20 crore) were in working condition, and remaining 12 equipment (₹ 0.91 crore) were found to be defective. However, except DIC, Imphal West, no complaint was registered by the remaining five DICs in this regard.
- 29 equipment (₹ 0.94 crore) were found operational and were put to use.

Detailed findings of the JPV are given in **Appendix 2.4**.

Further, as per Operational Guidelines of LBI, apart from one Manager, the LBIs should have sufficient qualified manpower for its successful operation. It was noticed in JPV that one Technical Assistant each was employed for 10 months in all nine LBIs. However, after expiry of their contract (March 2017) no technical staff was employed. Basic records such as Assets Register, Log Book, Revenue Collection Register/

³² One Lemon Grass distillation unit (₹ 4.73 lakh) and one Ginger dryer & Cleaner (₹ 5.01 lakh).

³³ Date of purchase (December 2015 to June 2016) to date of JPV (December 2019 to January 2020).

Receipt/ Challans *etc.* for collection of revenue from operations *etc.* were not maintained at the DICs.

Thus, despite investment of ₹ 4.30 crore on purchase of 73 equipment for nine LBIs, 42 equipment worth ₹ 3.26 crore³⁴ were kept idle due to non-installation, defective parts and lack of trained manpower for operationalisation. Besides, two equipment worth ₹ 0.10 crore³⁵ were not traceable. Thus, objectives of the LBIs scheme to provide opportunity to set up business enterprises, to impart entrepreneurship and skill development training to youth and promote new low-end technology/ livelihood based enterprises remained unfulfilled.

The matter was referred to Government (December 2020); reply has not been furnished (April 2022).

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.

³⁴ Cost of 13 non-installed equipment (₹ 1.15 crore) + 29 never used equipment (₹ 2.11 crore).

³⁵ Cost of one Lemon Grass distillation unit (₹ 4.73 lakh) and one Ginger dryer & Cleaner (₹ 5.01 lakh).

