

OVERVIEW

This Report includes two chapters containing observations of Audit on the Finance and Appropriation Accounts of the State for the year 2004-05 and five other chapters with three performance reviews, one review of internal controls, one long paragraph and 23 other paragraphs dealing with the results of audit of selected schemes, programmes and the financial transactions of the Government and its commercial and trading activities.

Copies of the performance reviews and paragraphs were sent to the Commissioners/Secretaries of the departments concerned by the Accountant General for furnishing replies within six weeks. 13 audit paragraphs, one long paragraph, and one review were discussed with the Administrative Commissioners, Secretaries and other officers of the State Government. Replies were received in respect of six audit paragraphs and two reviews. Wherever expedient, the departmental views and explanations have been incorporated in this Report.

1. Finances of the State Government

After five years of revenue deficit, the State had revenue surplus of Rs.92 crore in 2004-05. The problem of fiscal deficit, however, persists and the State had fiscal deficit for the sixth consecutive year in 2004-05 indicating continued macro imbalances in the State's finances. The fiscal deficit of the State went up from Rs.286 crore in 2003-04 to Rs.448 crore in 2004-05.

Overall revenue receipts increased from Rs.1,045 crore in 2000-01 to Rs.1,743 crore in 2004-05 at an average trend rate of 10.46 *per cent*. During the current year, the revenue receipts grew by 22.75 *per cent*. The State generated only 8.66 *per cent* of revenue receipts from its own sources and continued to remain dependent on transfers from the Union Government.

Total expenditure of the State increased from Rs.1,706 crore in 2003-04 to Rs.2,192 crore in 2004-05. The rate of growth of expenditure during the year was 28.49 *per cent* as compared to 8.18 *per cent* in the previous year.

In 2004-05, the share of Plan, Capital and Development expenditures in the total expenditure increased by 10.5 *per cent*, 9.91 *per cent* and 4.21 *per cent* respectively over the previous year.

Debt burden (fiscal liabilities) of the State at the end of 2004-05 was Rs.3,082 crore, up by 34 *per cent* over the previous year.

(Paragraph 1.1)

2. Allocative Priorities and Appropriation

The overall saving of Rs.1,635.48 crore was the result of saving of Rs.1,655.55 crore in 75 cases of grants and appropriations offset by excess of Rs.20.07 crore in 10 cases of grants. The excess of Rs.20.07 crore requires regularisation under Article 205 of the Constitution.

Supplementary provision of Rs.79.07 crore made in 26 cases during the year proved unnecessary as the expenditure in each case was even less than the original provision. In eight cases, supplementary provision of Rs.22.85 crore proved insufficient by more than Rs.10 lakh each, leaving an aggregate uncovered excess expenditure of Rs.20.05 crore.

Financial rules require that the Departmental Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General. Out of 91 Controlling Officers, 69 Controlling Officers did not reconcile expenditure figure before the final closing.

(Paragraph 2.3)

3. Performance reviews (CIVIL)

Rural Development Department

3.1 Pradhan Mantri Gram Sadak Yojana

The objectives of the Pradhan Mantri Gram Sadak Yojana for providing road connectivity through good all weather roads to all unconnected rural habitations with a population of more than 1,000 persons and 250 persons by the end of 2003 and 2007 respectively could not be achieved. This was due to delayed release of funds by the State Government, delay in finalisation and execution of works, and a poor control and monitoring system. Records of the scheme also revealed instances of slow progress in execution of works, awarding of road works (Rs.26.30 crore) in Churachandpur, Bishnupur and Imphal West districts to pre-qualified contractors without calling for tenders, non-submission of utilisation certificates (Rs.22.71 crore), incurring of expenditure (Rs.81.11 lakh) in seven works which were closed before their completion, and diversion of funds (Rs.1.21 crore).

(Paragraph 3.1)

3.2 Member of Legislative Assembly Local Area Development Programme

The objective of the Member of Legislative Assembly Local Area Development Programme of taking up developmental works on the basis of recommendations of the MLAs was not achieved due to poor management of

the programme. Implementation of the programme also revealed instances of non-submission of utilisation certificates (Rs.26.55 crore) and non-observance of rules and procedures in execution of works (Rs.82.52 lakh).

(Paragraph 3.2)

Veterinary and Animal Husbandry Department

3.3 Veterinary and Animal Husbandry Services

The objectives of veterinary and animal husbandry services of producing improved variety of cattle, preservation, protection and improvement of livestock, poultry and piggery for increasing production of milk, poultry meat, eggs, pork *etc.* were not achieved due to poor management of the programme. Poultry and piggery development units are defunct, animal health coverage was low and the dairy development programme could not be revived. There was unfruitful expenditure (Rs.17.18 crore) under the cattle development programme, loss due to inefficient operation of Central Dairy, Porompat (Rs.2.69 crore), blocking of capital (Rs.36 lakh) and unproductive expenditure (Rs.47.11 lakh) under the piggery development programme, infructuous expenditure (Rs.1.58 crore) on the poultry development programme and the level of immunisation of livestock was just nine *per cent.*

(Paragraph 3.3)

4. Audit of transactions (Civil)

Non-observance of the rules relating to cashbook maintenance by the Director of Education (Schools) resulted in misappropriation of Rs.22.88 lakh.

(Paragraph 4.2)

Abstract Contingent bills involving Rs.105.08 crore have not been adjusted by controlling officers of various departments for long periods, violating provisions of Treasury Rules and instructions of the Finance Department.

(Paragraph 4.3)

Misusing special provisions applicable to award of work in cases of urgency, three Executive Engineers of Minor Irrigation Department awarded 126 contracts valuing Rs.5.85 crore without calling tenders. Four Divisions of the Public Works Department also awarded 83 contracts valuing Rs.5.08 crore for execution of normal repair and maintenance works without inviting tenders.

(Paragraphs 4.6 and 4.12)

Central Excise Duty of Rs.10.59 lakh had been irregularly paid to a supplier by the Electricity Department without production of any proof of payment of Excise Duty by him to the Central Excise Authority.

(Paragraph 4.9)

Payment of Rs.8.78 lakh was made to a contractor by the Public Works Department for a survey work not actually done by him.

(Paragraph 4.11)

Failure of the Stores Division, Public Works Department to supply construction materials worth Rs.1.13 crore resulted in inordinate delay in construction of 107 primary school buildings and three college buildings.

(Paragraph 4.13)

A Hot Mix Plant and a Paver Finisher costing Rs.34.81 lakh were procured by the Public Works Department without immediate requirement. The machines could be put to use for only 30 days during the last 10 years resulting in unproductive expenditure.

(Paragraph 4.15)

Department of Education (Schools)

5. Internal Control System

5.1 Internal Control System in the Department of Education (Schools)

The Internal Control System in the Department of Education (Schools) was ineffective due to non-observance of prescribed procedures and rules. Review of the internal control mechanism during 2000-01 to 2004-05 in the department also revealed deficient budgetary and expenditure control, poor cash controls and poor operational controls. There were cases of fake appointments, inadequate control over sanction/withdrawals (Rs.38.07 lakh) from General Provident Fund and irregular procurement of stores (Rs.7.43crore).

(Paragraph 5.1)

6. Audit of transactions (Revenue)

Inadequate internal control resulted in non-deduction of sales tax from the supplier's bill thereby leading to non-realisation of tax of Rs.10.72 lakh including penalty of Rs.6.43 lakh.

(Paragraph 6.6)

Charging of royalty at the rate of Rs.10 per cum of earth extracted without permit instead of royalty at increased rate by 100 percent resulted in non-levy of penalty and the sales tax of Rs.20 lakh and Rs.1.60 lakh respectively.

(Paragraph 6.7)

Application of incorrect rates of billing on account of non-providing of meters resulted in short realisation of revenue of Rs.4.73 lakh.

(Paragraph 6.8)

Concealment of purchase turnover led to underassessment of tax of Rs.4.60 lakh.

(Paragraph 6.9)

Professional tax amounting to Rs.16.02 lakh for the period from April 2002 to November 2004 was not realised from 1,602 permit holders of goods vehicles, trucks and three wheelers by District Transport officer, Imphal West.

(Paragraph 6.12)

7. Commercial

7.1 General view of Government companies and Statutory corporations

As on 31 March 2005, there were 15 Government companies (seven working companies and eight non-working companies) and one non-working Statutory corporation in the State. The total investment in working Public Sector Undertakings (seven working Government companies) was Rs.51.91 crore.

(Paragraphs 7.1 & 7.2.1)

The accounts of seven working Government companies were in arrears for periods ranging from eight to 22 years.

(Paragraph 7.4.3)

Out of seven working Government companies, three companies had incurred an aggregate loss of Rs.0.26 crore; three companies earned an aggregate profit of Rs.1 crore and one Company had not commenced commercial activities.

(Paragraph 7.5.2)

One company, out of three loss incurring working Government companies, had accumulated losses aggregating Rs.1.70 crore which exceeded its paid up capital of Rs.1 crore; it continued to receive financial support from the Government.

(Paragraph 7.6.2)

The total investment in nine non-working PSUs (eight non-working Government companies and one non-working Statutory corporation) was Rs.118.82 crore as on 31 March 2005.

(Paragraph 7.8.1)

7.2 Activities of Manipur Tribal Development Corporation Limited towards tribal welfare and development

The Company was incorporated with the main objective of assisting, financing, protecting and promoting welfare of scheduled tribes, scheduled

castes, minorities and other backward classes population in the State. The Company, however, failed in achieving the objective of economic upliftment of the targeted population as the Company did not contribute its share of Rs.24.34 lakh towards project costs and the beneficiaries were made to bear this extra financial burden. The Company was not able to mobilise adequate amount of loans from the apex financing corporations as its repayment to these institutions was not satisfactory and as a result no loans were released by these corporations in the last two years *i.e.* 2003-04 and 2004-05. Funds received from the financial corporations were not released to the beneficiaries; loan agreements were entered into by accepting financially weak guarantors; system of scrutiny of applications, maintenance of accounts and records and monitoring of recovery was weak and prone to frauds and misappropriations. There was lack of monitoring of the projects financed by the Company.

(Paragraph 7.16)

7.3 Transaction audit observations

After incurring expenditure of Rs.51.03 lakh on the work of construction of a theatre complex, the work had been suspended for over 10 years rendering the expenditure unfruitful.

(Paragraph 7.17)