

## OVERVIEW

This Report includes two chapters containing observations of Audit on the Finance and Appropriation Accounts of the State for the year 2005-06 and five other chapters with five performance reviews, one review on internal control system in Public Health Engineering Department, 22 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. All the reviews were discussed with the Administrative Commissioners, Secretaries and other officers of the State Government. Replies were received in respect of 8 audit paragraphs. Wherever expedient, the departmental views and explanations have been incorporated in this Report.

### 1. Finances of the State Government

After three years of revenue deficit, the State had revenue surplus of Rs.92 crore in 2004-05 and Rs.405 in 2005-06. The problem of fiscal deficit was, however, persisting and the State had fiscal deficit for the fifth consecutive year in 2005-06 indicating continued macro imbalances in the State's finances. During 2005-06 the fiscal deficit of the State however went down from Rs.448 crore in 2004-05 to Rs.271 crore.

Overall revenue receipts increased from Rs.1,177 crore in 2001-02 to Rs.2,409 crore in 2005-06 at an average rate of 26.16 *per cent* per year. During the current year, the revenue receipts grew by 38.20 *per cent*. The State generated only 7.09 *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.2,192 crore in 2004-05 to Rs.2,681 crore in 2005-06. The rate of growth of expenditure during the year was 22.30 *per cent* as compared to 28.49 *per cent* in the previous year.

Debt burden (fiscal liabilities) of the State at the end of 2005-06 was Rs.3,905 crore, up by 26.70 *per cent* over that of the previous year.

**(Paragraph 1.1)**

### 2. Allocative Priorities and Appropriation

The overall saving of Rs.848.96 crore was the result of saving of Rs.865.89 crore in 69 cases of grants and appropriations offset by excess of Rs.16.93 crore in 16 cases of grants. The excess of Rs.16.93 crore requires regularisation under Article 205 of the Constitution.

Supplementary provision of Rs.74.72 crore made in 10 cases during the year proved unnecessary as the expenditure in each case was even less than the original provision.

Expenditure of Rs.113.81 crore was incurred in 22 grants/appropriations without provisions having been made in the original estimates/supplementary demands and without re-appropriation.

Out of 92 Controlling Officers, 65 Controlling Officers did not reconcile expenditure figure before the final closing.

**(Paragraph 2.1)**

### **3. Performance reviews (CIVIL)**

#### **Food and Civil Supply Department**

##### **3.1 Food security, subsidy and management of foodgrains**

Due to incorrect identification of the poorest of the poor amongst the State's BPL households, the Central Government was subjected to a loss of subsidy of Rs.1.92 crore.

The State Government fixed the end retail prices for BPL and AAY rice at rates higher than the prescribed limits and overcharged the beneficiaries by Rs.3.13 crore.

Benefit of reduced interest rates on the cash credit account was not passed on to the beneficiaries by reducing the prices of rice consequently imposing on them extra financial burden of Rs.90.15 lakh.

Despite the State Government claim of distributing rice of 35 kg per month to each AAY family in the State at the rate of Rs.3.47 per kg, survey of AAY beneficiaries indicates that 99 *per cent* were not receiving foodgrains regularly. Quantity of rice issued varied from 5 to 35 kg as against the norm of 35 kg per month per beneficiary. 43 *per cent* reported charging of rate higher than the end retail price of Rs.3.47 per kg fixed by the State Government.

**(Paragraph 3.1)**

#### **Power Department**

##### **3.2 Energy Management**

The department had not been able to meet the local demand by ensuring sufficient power supply to all. There were enormous transmission and distribution losses. The financial management was poor and revenue collection dismal. Power reforms remained stalled. Cent per cent rural electrification was still to be achieved. Material and manpower management suffered from lack of oversight.

The operational efficiency of heavy fuel based Power Project was very low resulting in loss to Government amounting to Rs.1.22 crore.

The Department failed to clear its liabilities for payment of outstanding dues for power purchase and the liabilities stood at Rs.519.80 crore.

The Department purchased Static CT operated Trivector meters prior to finalisation of project report leading to blocking of Rs.2.72 crore.

Recovery of an advance of Rs.13.78 lakh paid to a supplier for purchase of 745 kilometres of conductors without bank guarantee has become bleak.

Failure to pay balance amount of an advance of Rs.0.71 crore led to closure of contract for erection and stringing of 33 KV double circuit line from Leimakhong to Iroisemba.

**(Paragraph 3.2)**

## Rural Development Department

### 3.3 Special Programmes for Rural Development

Sampoorna Grameen Rozgar Yojana was not implemented in the State with right earnestness to achieve its objectives. Four to 44 per cent of its funds were carried over from year to year without fully spending them during the years for which these were sanctioned. An amount of Rs.29 lakh was retained in fixed deposit account; Rs.22.13 lakh was loaned out for other purposes; and Rs.10.33 lakh was spent on unauthorised areas. The beneficiaries were deprived of their full entitlements by deducting taxes (Rs.33.01 lakh) from their dues.

Lack of adequate planning and earnestness at DRDA level resulted in non-completion of 13,952 works against 40,030 works undertaken during 2001-06 resulting in shortfall of 35 per cent in achievement.

One DRDA released SGRY funds of Rs.55.48 lakh and 4,555 quintals of rice (valued at Rs.56.25 lakh) to 992 village chiefs without any sanctioned work.

One DRDA irregularly issued 34,280.17 quintals of rice (worth Rs.4.13 crore) as wage component against works already completed with cash component resulting in fraudulent/doubtful issue of foodgrains.

Because of non-revision of rates for construction/upgradation of houses, 3034 beneficiaries under Indira Awas Yojana had been deprived of their entitlement to the extent of Rs.1.99 crore.

Due to non-submission of utilisation certificates, the State Government could not obtain Rs.38.11 crore of Central aid during 2001-06 under Integrated Wasteland Development Project.

**(Paragraph 3.3)**

## **Social Welfare Department**

### **3.4 Children Welfare Schemes**

Irregular identification of beneficiaries for Supplementary Nutrition Programme under Pradhan Mantri Gram Udyog Yojana led to diversion of funds amounting to Rs.10.31 crore.

Programme objective of removing malnutrition in children of the age group of six months to three years under Supplementary Nutrition Programme was defeated as meals with less calorific and protein value were provided to beneficiaries and that too for only 98 days in a year against the norm of 300 days per year.

Because of non-provision of essential medical and pre-school facilities to the beneficiaries, the objectives of providing essential medical and pre-school facilities under ICDS scheme were frustrated.

Inefficient contract management resulted in sub-standard construction works in 655 Anganwadi centre buildings and extension of an undue benefit of Rs.73.64 lakh to the contractors.

The State Government did not release Rs.6.16 crore received from the Central Government for Integrated Child Development Services during the period 2001-06 adversely affecting its implementation.

**(Paragraph 3.4)**

## **4. Audit of transactions (Civil)**

Steel and cement valued at Rs.24.88 lakh were issued by one division under Irrigation & Flood Control Department to a contractor who retained them without execution of the work for the last six to seven years resulting in undue benefit to the contractor.

**(Paragraph 4.2)**

Failure of the Government to provide adequate funds in time for clearing imported goods and their transportation led to avoidable expenditure of Rs.2.22 crore.

**(Paragraph 4.4)**

65 cheques for Rs.56.21 lakh were fraudulently drawn during March 2005 for payment to contractors against fictitious works by one division of the Public Works Department.

**(Paragraph 4.5)**

Hill cutting for widening of narrow portion of road length of 32 Km was shown completed within unreasonably short period of eight days resulting in doubtful payment of Rs.41.98 lakh without execution of work.

**(Paragraph 4.6)**

Undue benefit of Rs.36.23 lakh was given to a contractor by one division of PWD, by awarding the work without following the tender procedures, and by allowing payment for completion of the work in unduly short time of 6 days.

**(Paragraph 4.7)**

Relief funds amounting to Rs.15.28 lakh was withdrawn by the Drawing and Disbursing Officer of the Deputy Commissioner, Churachandpur without submission of any document in support of the utilization of the amount resulting in misappropriation of funds.

**(Paragraph 4.11)**

State Government employees were granted GPF advances/withdrawals by their drawing and disbursing officers of various departments in excess of their balances resulting in negative balances in the GPF accounts of 362 subscribers amounting to Rs.1.24 crore at the end of March 2005.

**(Paragraph 4.13)**

## **Public Health Engineering Department**

### **5. Internal Control System**

There were deficiencies in the budgetary, administrative and operational controls. Accuracy and completeness of the monthly accounts suffered due to non-maintenance of basic records. Internal audit arrangements were deficient and unable to provide assurance against possibilities of financial irregularities.

Due to lack of proper infrastructural facility the Department failed to test quality of drinking water supplied to the consumers, causing risk to public health.

Ineffective budgetary control resulted in overall savings of Rs.152.05 crore during 2001-06 affecting State's financial interest and hindering departmental activities.

Six Divisions had rushed 37 to 64 *per cent* of their expenditure in March alone during the years 2003-06, indicating non-existence of any departmental control over expenditure.

Monthly Accounts were submitted late by 19 to 200 days during 2004-06. No reconciliation of expenditure was carried out during the last five years.

Water tax of Rs.5.76 crore was lying un-recovered at the end of March 2006.

CI fittings worth Rs.1.21 crore were lying idle for two to 11 years due to excessive and unplanned purchase.

**(Paragraph 5.1)**

## **6. Audit of transactions (Revenue)**

Due to non adherence to the provisions of payment of room rent from occupants of the State guest house, Imphal, there was non realisation of Government revenue amounting to Rs.9.44 lakh.

**(Paragraph 6.2.1)**

Loss of revenue of Rs.2.29 lakh due to application of incorrect rate of room rent and irregular allowance of use of State guest house.

**(Paragraph 6.2.2)**

Failure of the department to compound offences of theft of electricity led to non realisation of Government revenue of Rs.5.68 lakh.

**(Paragraph 6.3)**

Failure of the department to enforce provisions of rules regarding recovery of arrears and discontinuation of electricity supply resulted in non-realisation of revenue of Rs.92.41 lakh and loss of Rs.35.89 lakh.

**(Paragraph 6.4)**

Professional tax amounting to Rs.7.32 lakh was not realised from 732 permit holders.

**(Paragraph 6.7)**

Non deposit of sales tax revenue of Rs.65.23 lakh and penalty of Rs.97.85 lakh.

**(Paragraph 6.9)**

## **7. Commercial**

### **7.1 General view of Government companies and Statutory corporations**

As on 31 March 2006, 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 Government Companies was Rs.47.39 crore.

**(Paragraphs 7.1 and 7.2.1)**

The accounts of 13 Government companies were in arrear for periods ranging from nine to 23 years.

**(Paragraph 7.15.4)**

As per the latest finalised accounts three working companies had incurred an aggregate loss of Rs.0.23 crore while three companies earned an aggregate profit of Rs. one crore. One Company had not commenced commercial activities.

**(Paragraph 7.5.2)**

One loss making company had accumulated losses aggregating Rs.1.70 crore which exceeded its paid up capital of Rs. one crore but 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 2006.

**(Paragraph 7.8.1)**

## **7.2 Construction Works undertaken by the Manipur Police Housing Corporation Limited**

The Company was incorporated in January, 1990 with the main objective to construct residential and non-residential buildings for the Manipur Police and other Departments/Bodies.

The Company could not complete 206 works out of 561 works targeted to be completed by 31 March 2006.

The Company awarded 90 *per cent* of the works without calling for tenders. 684 works entrusted to the Company for execution during 2001-02 to 2005-06 were irregularly split up into 870 works to avoid approval of competent authority and to bring the cost of these works within the delegated powers of the Works Advisory Committee and to avoid calling of open tenders.

The Company diverted Rs.21.33 crore as interest free temporary loan to various departments.

The Company has not finalised accounts for the last ten years and also did not maintain site accounts.

**(Paragraph 7.14)**