# CHAPTER VII

# GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

## Overview of Government Companies and Statutory Corporations

## 7.1 Introduction

As on 31 March 2008 there were 15 Government companies (eight working companies and seven non-working companies[1]) as against the same number of Government companies as on 31 March 2007 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956.

## 7.2 Working Public Sector Undertakings (PSUs)

***Investment in working PSUs***

**7.2.1** As on 31 March 2008, the total investment in eight working PSUs (eight Government companies) was Rs. 43.49 crore[2] (equity: Rs. 29.34 crore; long term loans Rs. 14.15 crore) as against Rs. 39.37 crore (equity: Rs. 29.34 crore; long term loans[3]: Rs. 10.03 crore) in same number of working PSUs as on 31 March 2007. The analysis of investment in PSUs is given in the following paragraphs.

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[1] Non-working companies are those that are in the process of liquidation/closure/merger *etc*.

[2] Figure as per Finance Account 2007-08 is Rs. 35.71 crore, the difference is under reconciliation.

[3] Long term loans mentioned in paras 7.2.1, 7.2.2, 7.2.3 and 7.8.1 are excluding interest accrued and due on such loans.

***Sector-wise investment in working Government companies***

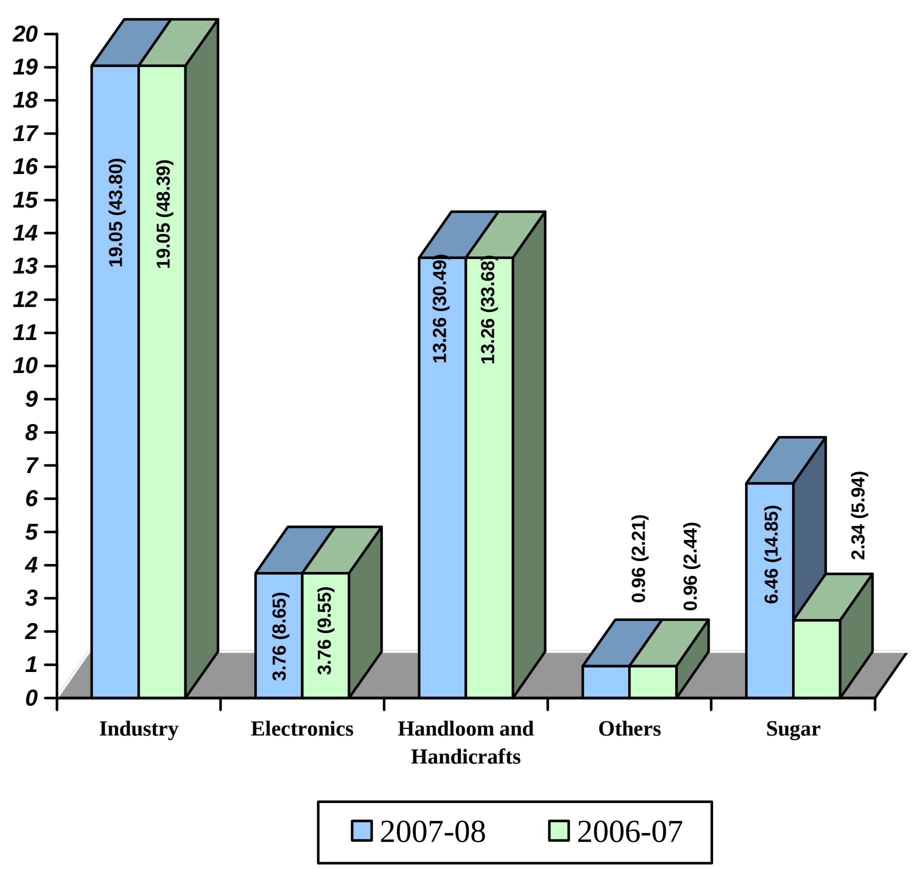
**7.2.2** The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 are indicated below in the bar chart:

**Chart No 7.1**

**Investment as on 31 March 2008 and 31 March 2007**

**(Rupees in crore)**

***(Figures in brackets indicate percentage of total investment)***



***Working Government companies***

**7.2.3** The total investment in working Government companies at the end of March 2008 and March 2007 was as follows:

**Table 1**

**(Rupees in crore)**

| **Year** | **Number of Government companies** | **Investment in working Government companies** | | |
|---|---|---|---|---|
| | | **Equity** | **Loan** | **Total** |
| 2006-07 | 8 | 29.34 | 10.03 | 39.37 |
| 2007-08 | 8 | 29.34 | 14.15 | 43.49 |

Source: Data compiled from the respective companies' accounts

Investment in the current year has increased over the previous year due to grant of loan during the year under Sugar sector.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in ***Appendix 7.1.***

As on 31 March 2008, the total investment in working Government companies, comprised 67.46 *per cent* of equity capital and 32.54 *per cent* of loans as compared to 74.52 *per cent* and 25.48 *per cent* respectively as on 31 March 2007.

## 7.3 Budgetary outgo, grants/subsidies, guarantees and waiver of dues and conversion of loans into equity

**7.3.1** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies are given in ***Appendices 7.1*** and ***7.3.***

**7.3.2** The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies for three years up to 2007-08 are as follows:

**Table 2**

**(Rupees in crore)**

| | **2005-06** | | | | **2006-07** | | | | **2007-08** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Companies** | | **Corporations** | | **Companies** | | **Corporations** | | **Companies** | | **Corporations** | |
| | **No.** | **Amt.** | **No.** | **Amt.** | **No.** | **Amt.** | **No.** | **Amt.** | **No.** | **Amt.** | **No.** | **Amt.** |
| Equity Capital outgo from budget | 1 | 0.05 | — | — | - | - | — | — | - | — | — | — |
| Grants/subsidy toward:<br>(i) Projects/Programmes/ Schemes<br>(ii) Other subsidy | - | - | — | — | — | — | — | — | — | — | — | — |
| **Total outgo** | **1** | **0.05** | — | — | | | — | — | — | — | — | — |

Source: Information as furnished by the companies

**7.3.3** No information regarding guarantee given by State Government was received from the companies (September 2008).

## 7.4 Finalisation of accounts by working PSUs

**7.4.1** The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year.

**7.4.2** It would be noticed from ***Appendix 7.2***, out of eight working PSUs (all Government companies) none has finalised the accounts for the year 2007-08 within stipulated period. During the period from October 2007 to September 2008, two working Government companies i.e. Manipur Industrial Development Corporation Ltd. and Manipur Food Industries Corporation Ltd. finalised one accounts each for previous years (1990-91 and 1997-98 respectively).

**7.4.3** The accounts of eight working Government companies were in arrears for periods ranging from 10 to 25 years as on 30 September 2008 as per details given below:

**Table 3**

| Sl. No. | Name of working Government companies | Year from which accounts are in arrears | Number of years for which accounts are in arrear |
|---|---|---|---|
| (1) | (2) | (4) | (5) |
| 1 | Manipur Tribal Development Corporation Ltd. | 1983-84 to 2007-08 | 25 |
| 2 | Manipur Handloom and Handicrafts Development Corporation Ltd. | 1988-89 to 2007-08 | 20 |
| 3 | Manipur Industrial Development Corporation Ltd. | 1991-92 to 2007-08 | 17 |
| 4 | Manipur Film Development Corporation Ltd. | 1992-93 to 2007-08 | 16 |
| 5 | Manipur Electronics Development Corporation Ltd. | 1996-97 to 2007-08 | 12 |
| 6 | Manipur Police Housing Corporation Ltd. | 1996-97 to 2007-08 | 12 |
| 7 | Manipur State Power Development Corporation Ltd. | 1997-98 to 2007-08 | 11 |
| 8 | Manipur Food Industries Corporation Ltd. | 1998-99 to 2007-08 | 10 |

Source: Data compiled from quarterly returns on status of accounts

***Investment made by State Government in PSUs whose accounts are in arrears***

**7.4.4** The State Government had invested Rs. 14.51 crore as equity in six working PSUs during the years for which accounts have not been finalised as detailed in ***Appendix 7.5***. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed time to time by the Audit, of the arrears in finalisation of accounts, no remedial measures had been taken. As a result of which the net worth of these PSUs could not be assessed in audit.

## 7.5 Financial position and working results of working PSUs

**7.5.1** The summarised financial results of working PSUs (Government companies) as per their latest finalised accounts are given in ***Appendix 7.2.***

**7.5.2** According to the latest finalised accounts of eight working Government companies, three companies had incurred an aggregate loss of Rs. 55 lakh, three companies earned an aggregate profit of Rs. 1.35 crore and two companies had not commenced commercial activities.

## 7.6 Working Government companies

***Profit earning working Government companies***

**7.6.1** During the period from October 2007 to September 2008, one Company namely Manipur Industrial Development Corporation Ltd., out of the three profit earning companies had finalised its accounts for the year 1990-91.

***Loss incurring working Government companies***

**7.6.2** One company, out of three loss making working Government companies (A-3 of ***Appendix 7.2****)* had accumulated losses aggregating Rs. 2.21 crore which exceeded its paid up capital of Rs. 1.20 crore.

***Return on capital employed***

**7.6.3** As per the latest finalised accounts, the capital employed[4] worked out to Rs. 26.28 crore in eight working companies and total return[5] thereon amounted to Rs. 1.72 crore which was 6.54 *per cent* as compared to total return of Rs. 1.21 crore (7.03 *per cent*) in the previous year (accounts finalised

[4] Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

[5] For calculating total return on capital employed, interest on borrowed funds is added to net profit/ subtracted from the loss as disclosed in the profit and loss account.

upto September 2007). The details of capital employed and total return on capital employed in case of working Government companies are given in ***Appendix 7.2.***

## 7.7 Reforms in Power Sector

**7.7.1** A Memorandum of Agreement (MOA) was signed on 26 July, 2004 between the Ministry of Power, Government of India (GOI) and the Department of Power, Government of Manipur as a joint commitment for implementation of reforms programme in power sector with identified milestones.

Major milestones of the reforms programme are as under:

| Milestone | Achievement |
|---|---|
| For generation, transmission and distribution of electricity in the State, Corporation to be set up by August 2004 and made fully functional by July 2005. | The progress of implementing power sector reforms was slow and the Corporation has not become operational as of October 2008. |
| State Government will set up State Electricity Regulatory Commission (SERC)/ Joint Electricity Regulatory Commission (JERC) by November 2004 and file tariff petition immediately thereafter. | The State Government intimated (August 2008) that the Central Government had constituted a Joint Electricity Regulatory Commission (JERC) for the States of Manipur and Mizoram on 18 January 2005. The draft Regulation of the JERC has been submitted to the Government for approval. |
| State Government will provide full support to the SERC/JERC to enable it to discharge its statutory responsibilities. The tariff orders issued by SERC/JERC will be implemented fully unless stayed or set aside by a court order. | |
| State Government will ensure timely payment of subsidies required in pursuance of orders on the tariff determined by the SERC/JERC. | |
| State Government will undertake Energy Audit and Accounting at all levels to promote accountability and reduce Transmission and Distribution losses and bring them to the level of 20 *per cent* by 2007 and achieve break even in current distribution operation in three years and positive returns thereafter. | For Energy Audit, 731 numbers of electronic energy meters had been purchased for installation at Distribution Sub Stations (11/0.4 KV sub-stations). The Government of India had also sanctioned 4 Schemes under Accelerated Power Development Reform Program (APDRP) and efforts are being made to implement the schemes in the spirit to bring down the Aggregate Technical and Commercial (ATC) loss to desired level. |
| State Government would achieve 100 *per cent* electrification of villages by 2007 subject to adequate funds being provided by the GOI under PMGY or any other relevant scheme. | The State Government was to complete 100 *per cent* metering and billing of all consumers by March 2003 but only 1,65,557 consumers (out of 1,80,696) were provided with energy meters (October 2008). |
| State Government would install meters on all 11 KV feeders by 31.12.2004. | Out of 105 numbers of 11 KV outgoing feeders, 91 feeders are provided with energy meters as of October 2008. |

## 7.8 Non-working PSUs

***Investment in non-working PSUs***

**7.8.1** As on 31 March 2008, the total investment in seven non-working PSUs (all Government companies) was Rs. 72.74 crore (equity: Rs. 55.99 crore; loans: Rs. 16.75 crore) as against the same amount of investment in same number of non-working Government Companies as on 31 March 2007. All the seven non-working Government companies were under closure as at the end of March 2008. As these non-working PSUs involve substantial investment of Rs. 72.74 crore, effective steps need to be taken for their expeditious liquidation.

***Sector-wise investment in non-working Government companies***

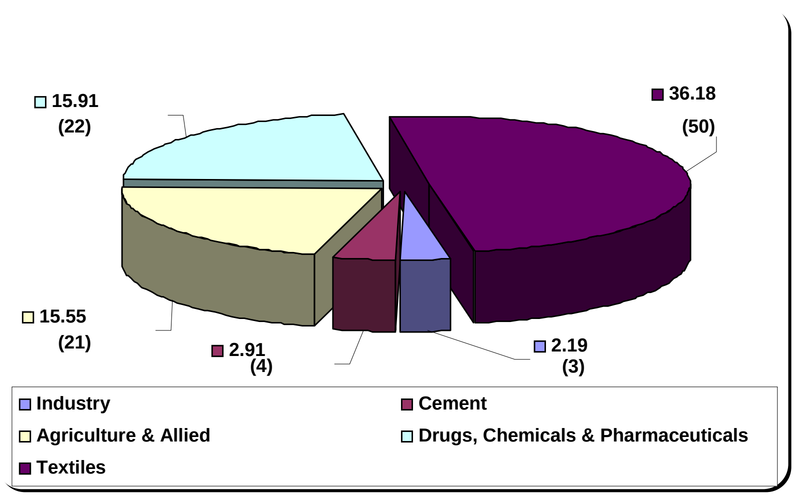
**7.8.2** The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2008 is indicated below in the pie chart. The position of investment as on 31 March 2008 remains unchanged as compared to the position as on 31 March 2007.

**Chart No. 7.2**

**Investment as on 31 March 2008**

**(Figure in bracket indicate percentages of total investment)**

**(Rupees in crore)**




***Budgetary outgo, grants/subsidies, guarantees and waiver of dues and conversion of loans into equity to non-working companies***

**7.8.3** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working Government companies are given in ***Appendices 7.1*** *and* ***7.3.***

***Finalisation of accounts by non-working PSUs***

**7.8.4** During the period from October 2007 to September 2008, three non-working Government companies finalised three accounts for previous years.

**7.8.5** The accounts of seven non-working Government companies were in arrears for periods ranging from 11 to 24 years as on September 2008.

***Financial position and working results of non working PSUs***

**7.8.6** The summarised financial results of non-working PSUs as per their latest finalised accounts are given in ***Appendix 7.2.***

The summarised details of paid-up capital, net worth, cash loss and accumulated loss of non-working PSUs as per their latest finalised accounts are given below:

**Table 4**

**(Rupees in crore)**

| Particular of Companies | Paid-up capital | Net worth[6] | Cash loss | Accumulated losses |
|---|---|---|---|---|
| Non-working companies | 7.26 | (-)0.38 | - | 7.64 |
| **Total** | **7.26** | **(-)0.38** | **-** | **7.64** |

Source: Data compiled from annual accounts of respective companies

## 7.9 Results of audit by Comptroller and Auditor General of India

**7.9.1** During the period from October 2007 to September 2008, the accounts of three Government companies were selected for review. Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above Government companies are mentioned below:

(a) Comments offered by the Comptroller & Auditor General of India

***Manipur Industrial Development Corporation Ltd.***

- Fixed Assets worth Rs. 11.87 lakh destroyed by fire have not been deducted in the Balance Sheet resulting in overstatement of Gross Fixed Assets in the Balance Sheet.

- Provision for loss has not been made in respect of Investment worth Rs. 10 lakh made to Meerless Steel Ltd., a loss incurring defunct company.

[6] Net worth represents paid-up capital plus free reserves less accumulated losses.

***Manipur Food Industries Corporation Ltd.***

- Vital records such as Register of Fixed Assets, Register of Moveable Assets, Register of Deposits, and Register of Share Capital have not been maintained.

***Manipur Cement Ltd.***

- Cost of temporary structure and repairing cost on it amounting to Rs. 3.44 lakh was shown as Fixed Assets in the Balance Sheet.

(b) Comments offered by the statutory auditors on the accounts of the working Government companies are given below:

***Manipur Industrial Development Corporation Ltd.***

- Sales Tax deducted from sale of raw materials was not deposited.
- The company had neither provided for nor deposited Income Tax for the year under review.

***Manipur Food Industries Corporation Ltd.***

- The company did not maintain adequate records showing full particulars including quantitative details and situation of Fixed Assets.

## 7.10 Internal audit/Internal control

**7.10.1** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the companies audited by them in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. Accordingly, the Statutory Auditors observed deficiencies in respect of internal audit system in case of two companies. A resume of major recommendations/comments made by Statutory Auditors is as follows:

**7.10.2** Manipur Industrial Development Corporation Ltd. had no Internal Audit system and no Audit Committee.

**7.10.3** Manipur Spinning Mills Corporation Ltd. did not have adequate internal control procedures in respect of the purchase of raw materials, stores including components for plant & machinery, equipment and other assets.

## 7.11 Response to inspection reports, draft paras and reviews

**7.11.1** Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned administrative departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2008 pertaining to 11 PSUs disclosed that 176 paragraphs relating to 32 inspection reports remained outstanding at the end of September 2008. Out of these, replies in respect of 132 paragraphs relating to 21 inspection reports have not been furnished for periods ranging from two to 16 years. Department-wise break-up of inspection reports and paragraphs outstanding as on 30 September 2008 is given in ***Appendix 7.4.***

**7.11.2** It is recommended that (a) the Government should ensure that procedure exists for action against the officials who fail to send replies to inspection reports as per prescribed time schedule; (b) action is taken to recover losses/outstanding advances/overpayments in a time bound schedule; and (c) the system of responding to the audit observations is revamped.

## 7.12 Position of discussion of Commercial Chapters of Audit Reports by the Committee on Public Undertakings (COPU)

**7.12.1** The status of Commercial Chapters of the Audit Reports and number of reviews/paragraphs pending for discussion at the end of 30 September 2008 are as shown below:

**Table 5**

| Period of Audit Report | Number of reviews and paragraphs appeared in the Audit Report | | Number of reviews/paragraphs pending for discussion | |
|---|---|---|---|---|
| | Reviews | Paragraphs | Reviews | Paragraphs |
| 1995-96 | — | 3 | — | 3 |
| 1996-97 | 1 | 4 | 1 | 4 |
| 1997-98 | — | 2 | — | 2 |
| 1998-99 | — | 2 | — | 2 |
| 99-2000 | 2 | 4 | 2 | 4 |
| 2000-01 | 1 | 2 | 1 | 2 |
| 2001-02 | — | 1 | — | 1 |
| 2002-03 | — | 1 | — | 1 |
| 2003-04 | — | 2 | — | 2 |
| 2004-05 | 1 | 1 | 1 | 1 |
| 2005-06 | 1 | 1 | 1 | 1 |
| 2006-07 | 1 | 3 | 1 | 3 |
| **Total** | **7** | **26** | **7** | **26** |

During the period from September 2007 to March 2008, no paragraph was discussed by COPU.

## 7.13 619-B Companies

There was no Company under Section 619-B of the Companies Act, 1956.

# AUDIT OF TRANSACTIONS (COMMERCIAL)

## MANIPUR TRIBAL DEVELOPMENT CORPORATION LTD.

### *7.14 Suspected misappropriation*

**Suspected misappropriation due to non adjustment of advances drawn for repair and renovation of office building – Rs. 70 lakh.**

Under Article 75 of the Article of Association of the Manipur Tribal Development Corporation Ltd. (Corporation), Finance Committee (comprising of the Chairman, the Finance Secretary and Secretary, Tribal Welfare Department) is delegated to accord sanction up to Rs. 5 lakh for all purposes at a time and Rs. 1 lakh at a time by the Chairman.

Test check of records (June 2008) of the Corporation revealed that the Executive Engineer of the Corporation was paid (December 2006) an advance of Rs. 70 lakh for repair and renovation of Corporation's office building and the complex with the approval of the Chairman of the Corporation. The advance given to the Executive Engineer exceeded the financial limit of the Chairman. Audit scrutiny further revealed that the relevant documents for adjustment of the above advance were not available with the Corporation even after a lapse of 18 months (June 2008). The copy of technical sanction, measurement book (MB) and other related documents of the said work were not produced to audit.

Thus the Corporation not only violated the prescribed financial power but also risked the possibility of misappropriation of the amount which cannot be ruled out in view of non availability of relevant records.

The matter was referred to the Government/Corporation (June 2008), their replies were awaited (October 2008).

### *7.15 Non deposit of revenue*

**Non deposit of Sales tax/VAT deducted from the bills of contractors – Rs. 45.36 lakh.**

As per Government of Manipur, Finance Department OM No. 5/45/2006-FD (TAX) Dated 20 March 2006, Sales Tax/VAT at prescribed rate shall be deducted at source from the bills of suppliers/contractors and the tax so deducted shall be deposited within three days from the date of passing the bills for payment.

Test check of records (June 2008) of Manipur Tribal Development Corporation Ltd. (Corporation) revealed that the Corporation deducted sales tax/VAT from 87 bills of contractors amounting to Rs. 45.36 lakh which was required to be deposited into Government account during the period from

2005-06 to 2007-08[7]. The said amount was also accounted for in the Cash Book as remitted to treasury by drawing 87 numbers of cheques in favour of the Accounts Officer, MTDC. Audit scrutiny further revealed that these cheques were not deposited in the treasury and were lying with the Corporation till the date of audit (June 2008).

Thus, due to failure on the part of the Corporation, Government revenue amounting to Rs. 45.36 lakh was not deposited to Government account for period ranging from 10 months to 36 months[8] in violation of the OM *ibid*.

The matter was referred to the Government/Corporation (June 2008); their replies were awaited (October 2008).

## MANIPUR CEMENT LIMITED

### *7.16 Loss of plants and machinery*

**Non initiation of any action to dispose of assets of Manipur Cement Ltd. resulted in loss of Rs. 56.47 lakh.**

Manipur Cement Ltd. (Company) in its 33rd meeting of Board of Directors held on 19 December 2001 decided to close down the Cement Factory at Hundung with effect from 1 March 2002 due to sinking of the site under Section 25 FFA of Industrial Disputes Act, 1947. The serviceable machine/ equipments of the plant was to be given to Government departments/Deputy Commissioner, Ukhrul as per their requirements and remaining material was to be disposed of through auction sale.

Test check (March 2008) of the records of the Company revealed that 64 staff out of 78 men-on-roll were retrenched with effect from 11 January 2003. Thereafter, the factory site was left unattended and the management did not take any action to dispose/safeguard fixed assets at depreciated value of Rs. 54.14 lakh[9] as on 31 March 2003 apart from current inventory worth Rs. 2.33 lakh as on that date. Consequently, the Company reported to the police (February 2004) robbery of items valued at Rs. 40 lakh. Thereafter, the officers deputed to inspect the factory site (March 2005) reported that plant and machinery of the unit were not available on the factory site and the main

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| Year | No of Contractor's bills | Amount deducted as tax (Rs) |
|---|---|---|
| 2005-06 | 17 | 8,00,093.00 |
| 2006-07 | 31 | 21,55,269.00 |
| 2007-08 | 39 | 15,81,004.00 |
| **Total** | **87** | **45,36,366.00** |

8 As of June 2008. Tax was deducted at source and cheques drawn in favour of the Accounts Officer, MTDC from June 2, 2005 to August 18, 2007.

9 This is inclusive of depreciated value of buildings worth Rs. 18.61 lakh.

building including quarters of the staff were not traceable. No recovery of any of the assets had been reported.

Thus, non initiation of action by the Company to safeguard its plants and machinery resulted in loss of assets worth Rs. 37.86 lakh,[10] besides damage of building worth Rs. 18.61 lakh.

The matter was referred to the Company/Government (May 2008); their replies were awaited (October 2008).

## MANIPUR INDUSTRIAL DEVELOPMENT CORPORATION

### *7.17 Undue financial benefit to contractor*

**Payment of advance of Rs. 2.10 crore in violation of specific provision of the work order.**

As per Section 31.1 & 31.3 of CPWD Works Manual, a contractor can be paid advance not exceeding 75 *per cent* of the net amount of the on-account bill under check for work already measured when there is likely to be delay in authorising payment. The advance so paid, including any overpayment which may occur, is to be adjusted/recovered when payment is made on the running account bill in respect of which the advance was paid.

Test check of records (August 2007) of Manipur Industrial Development Corporation Ltd (Corporation) revealed that an advance of Rs. 2.10 crore was paid to a contractor[11] (September 2006) against three works for "Construction of Project Management Complex at Sangaipat, Imphal East" (Project) in spite of specific provision in the work orders, which form part of agreement, that “No advance payment shall be made”, as detailed below:

[10] Plant & Machinery Rs. 35.53 lakh plus current inventories Rs. 2.33 lakh = Rs. 37.86 lakh
[11] Shri O. Oken Singh.

**Table 6**

**(Rupees in lakh)**

| Sl. No. | Name of work | Tendered value of work | Value of work up to Final bill | Date of Completion | Date of payment of final bill | Advance paid in September 2006 | Advance admissible i.e. 75 *per cent* of (4) | Inadmissible amount of advance (7)-(8) |
|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | |
| 1 | Land development Phase - I | 115.00 | 83.09 | 15/06/2006 | 21/02/2007 | 80.00 | 62.32 | 17.68 |
| 2 | C/o (rain – harvesting) Phase-II[12] | 95.12 | - | Work not started | - | 80.00 | - | 80.00 |
| 3 | C/o (rain-harvesting Phase-I[13] | 68.05 | 68.05 | 10/07/2006 | 21/02/2007 | 50.00 | 51.04 | - |
| | **TOTAL** | **278.17** | **151.14** | | | **210.00** | **113.36** | **97.68** |

It was also seen in audit that the advance paid against one work (Sl. No.1) was in excess of 75 *per cent* of the net amount of work already measured in contravention to codal provisions, whereas advance payment against another work (Sl. No.2) was inadmissible as the work was not yet commenced. In another case (Sl. No.3) the status of recovery of advance of Rs. 30.48 lakh[14] was not ascertainable due to non-availability of record even after completion of work.

On this being pointed out in audit, the Corporation stated (August 2008) that the advances were paid against progress of the works and that the advances have since been recovered in full.

The contention of the Corporation that the advances have been recovered in full is not correct as the recoveries stated were made from 12 (twelve) works (including the three against which advances were paid) executed by three contractors[15]. Further, though advances have been recovered from the contractors, the fact remained that the Corporation paid the advances in contravention of codal provisions and advance of Rs. 80 lakh relating to the rain-harvesting Phase-II unexecuted work[16] was still not recovered (August 2008). No responsibility for violation of codal provisions was fixed.

The matter was referred to the Government (August 2008); their reply was awaited (October 2008).

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[12] C/o moat, pond and water reservoir around the Management Complex for preservation of water (rain - harvesting) Phase-II.
[13] C/o moat, pond and water reservoir around the Management Complex for preservation of water (rain - harvesting) Phase-I.
[14] Rs. 50 lakh – Rs. 19.52 lakh (amount shown as recovered in the final bill) = Rs.30.48 lakh.
[15] (1) Shri O. Oken Singh, (2) M Boudhajit Singh and (3) W. Ranjit Meitei.
[16] C/o (rain – harvesting) Phase-II.

## Manipur Handloom & Handicrafts Development Corporation Ltd.

### *7.18 Diversion of fund*

**Fund meant for two schemes amounting to Rs. 30.21 lakh was utilised for other purposes.**

The State Government released Rs. 6.70 crore[17] for payment of retrenchment benefit and implementation of Voluntary Retirement Scheme (VRS) to the staff of Manipur Handloom & Handicrafts Development Corporation Ltd. (Company). The State Government also released Rs. 79.27 lakh[18] to the Company under Project Package Scheme (PPS) for extending assistance and training to weavers, artisans *etc*. throughout the State.

Scrutiny of records of the Company (May 2008) revealed that out of the stated amount released for VRS, a sum of Rs. 15 lakh was utilized (October 2004) for purchase of handloom and handicrafts items for India International Trade Fair 2004 (IITF) and for its New Delhi emporium.[19] Out of the VRS fund, a further amount of Rs. 11.49[20] lakh was utilized to meets the Company's share (25 *per cent*) towards the cost of organizing Government of India (GoI) sponsored (75 *per cent* GoI share) National Level Handcrafts Fair (Craft bazaars) during June 2006 - March 2007 at four locations. Further scrutiny of records also revealed that out of the amount received by the Company for PPS as stated above, a sum of Rs. 3.72 lakh was utilized (November 2007) for procurement of handloom and handicrafts items for emporium in New Delhi, Kolkata and Imphal.

Thus the total amount of funds utilized for purposes other than for which it was meant amounted to Rs. 30.21 lakh (Rs. 15 lakh + Rs. 11.49 lakh + Rs. 3.72 lakh).

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[17] Rs. 607.06 lakh in October & November 2003, Rs. 15 lakh in October 2004 and Rs. 47.84 lakh in October 2006.
[18] Rs. 52.56 Lakh in May 2005 and Rs. 26.71 lakh in October 2007.
[19] This was against the requirement of Rs. 10.93 lakh for Emporium at Delhi and Rs. 4.97 lakh for IITF.
[20]

| **Year** | **Location of C.B** | **Approved outlay** | **GoI Share (75 *per cent*)** | **Company Share (25 *per cent*)** | **Expendi-ture incurred** |
|---|---|---|---|---|---|
| June 2006 | Guwahati | 11.40 | 8.55 | 2.85 | 11.40 |
| September 2006 | Kolkata | 11.50 | 8.62 | 2.88 | 11.50 |
| March 2007 | Gangtok | 11.50 | 8.62 | 2.88 | 11.50 |
| February/March 2007 | Siliguri | 11.50 | 8.62 | 2.88 | 11.50 |
| | **TOTAL** | **45.90** | **34.41** | **11.49** | **45.90** |

On this being pointed out in audit, the Company stated (May 2008) that the VRS fund was diverted temporarily and would be adjusted with the share capital fund to be received from the State Government. The PPS fund was also diverted as a temporary measure because of non-release of share capital/working capital fund by the State Government during 2007-08.

While accepting the facts, the Government stated (September 2008) that adjustment would be done when adequate funds are released by the State Government. The reply neither indicates the time frame for the probable release of funds by the State Government nor specifies action taken by the Company for early release of funds.

Thus the amounts diverted, in contravention of Government instruction forbidding any diversion of fund, have remained unadjusted for period ranging from 10 to 49[21] months (November 2008).

**Imphal** **(STEPHEN HONGRAY)**
**The** **Accountant General (Audit), Manipur**

**Countersigned**

**New Delhi** **(VINOD RAI)**
**The** **Comptroller and Auditor General of India**

[21] This is with reference to VRS fund of Rs. 15 lakh utilized in October 2004 and PPS fund of Rs. 3.72 lakh diverted in November 2007.