

## OVERVIEW

This Report includes two chapters containing observations of Audit on the Finance Accounts and Appropriation Accounts of the State for the year 2007-08 and five other chapters with three performance reviews, including integrated audit of Irrigation and Flood Control Department, 23 (excluding general paragraphs) paragraphs dealing with the results of audit of selected schemes, programmes, 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 three reviews and eleven paragraphs were discussed with the concerned Principal Secretaries/Commissioners/Secretaries and other officers of the State Government. In respect of twelve audit paragraphs, replies had not been received from the State Government.

### 1. Finances of the State Government

The fiscal position of the State viewed in terms of the key fiscal parameters - revenue surplus, fiscal deficit and primary deficit - indicated significant improvement during 2007-08 over the previous year. While revenue surplus nearly tripled, both fiscal and primary deficits turned into surplus during the current year. The targets set by FRBM Act as well as by TFC/FCP/MTFPS in terms of deficit indicators were achieved earlier than the time limit set for them. The improvement in fiscal position of the State should however be considered keeping in view the fact that significant share (exceeding 90 *per cent*) of revenue receipts of the State is contributed by Central transfers comprising the State's share in Union pool of taxes and duties and grants-in-aid from the GOI during 2007-08. During the current year, around 98.6 *per cent* of the incremental revenue receipts were contributed by Central transfers relative to previous year. The expenditure pattern of the State reveals that although the revenue expenditure as a percentage of total expenditure declined from 86 *per cent* in 2003-04 to 67 *per cent* in the current year, NPRE continued to share the dominant proportion (79 *per cent*) during the current year. The NPRE at Rs.1,812 crore in 2007-08 remained significantly higher than the normatively assessed level of Rs.1563 crore by TFC for the year as well as the projections made by the State Government in its FCP and MTFPS for 2007-08. Further, the salaries and wages, pensions, interest payments and subsidies continued to consume a major share of NPRE, which was around 77 *per cent* during 2007-08. The continued prevalence of fiscal deficit during the period 2003-08 except in the current year when the State experienced fiscal surplus, indicates increasing reliance of the State on borrowed funds, resulting in increasing fiscal liabilities of the State over this period, which stood at 79.4 *per cent* of the GSDP in 2007-08 and further increases to 83 *per cent* after incorporating the contingent liabilities in the fold of total liabilities on Consolidated Fund of the State during the year. This is high especially if compared with the norm of 31 *per cent* to be

achieved by all the States by the terminal year of the TFC award period (2009-10). The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable fiscal situation in medium to long run unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilize the additional resources both through the tax and non tax sources in the ensuing years.

**(Paragraph 1.1 to 1.10)**

## **2. Allocative Priorities and Appropriation**

The overall saving of Rs.555.18 crore was the result of saving of Rs.636.77 crore in 70 cases of grants and appropriations offset by excess of Rs.81.59 crore in 13 cases of grants/appropriations. The excess of Rs.81.59 crore during 2007-08 requires regularisation under Article 205 of the Constitution.

Supplementary provision of Rs.75.11 crore made in 14 cases during the year proved unnecessary as the expenditure in each case was even less than the original provision.

**(Paragraph 2.3)**

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

### **Planning Department**

#### **3.1 Non-lapsable Central Pool of Resources**

The Non-Lapsable Central Pool of Resources (NLCPR) was established in 1998 for speedy development of infrastructure projects in the North Eastern States. In Manipur, 87 projects were sanctioned by the Government of India (GOI) during 1998-08. Performance review of execution of NLCPR funded projects revealed that project proposals were formulated without carrying out a gap analysis of infrastructural requirements and without considering the utilisation capacity of the funds. There were persistent savings of the funds released, ranging from 34 to 83 *per cent* during 2002-08. Although projects in critical sectors were given adequate priority and funding, implementation of projects under these sectors was poor.

**(Paragraph 3.1)**

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**Education (Schools) Department**
**3.2 Nutritional Support to Primary Education (Mid-day Meal scheme)**

The National Programme of Nutritional Support to Primary Education, a Centrally Sponsored Scheme, commonly known as “Mid-day-Meal scheme (MDM)” was launched on 15 August 1995 with the principal objective of boosting the universalisation of primary education by increasing enrolment, retention and learning levels of children and simultaneously improving nutritional status of primary school children of 6 to 11 years age group. The scheme is currently being implemented in 2,945 primary schools. Performance review of implementation of the scheme revealed that implementation of the scheme was based on unreliable enrolment data. Cooking cost was released with delays ranging from 109 to 394 days. The benefit of the scheme was not extended to about 68,000 students attending EGS/AIE centres due to non-finalisation of formalities.

**(Paragraph 3.2)**

**4 Audit of Transactions (Civil)**
*Fraud/misappropriation/embezzlement/loss*

Inaction by the Department to get back 287 pump-sets or to realise their cost has subjected the Government to a loss of Rs.72.62 lakh.

**(Paragraph 4.1)**

The Government suffered a loss of Rs.10.89 lakh as penal interest due to delay in reporting currency transfer transaction by 153 days.

**(Paragraph 4.2)**

Three cheques amounting to Rs.9.45 lakh issued in the name of one contractor were encashed without entering in the cash book.

**(Paragraph 4.3)**

Measurement of a layer of Water Bound Macadam of a hill road was recorded with abnormal and unconventional specification resulting in excess payment of Rs.21.34 lakh.

**(Paragraph 4.4)**

By inflating the quantum of work done beyond the capacity of machinery used, the Department had billed Rs.12.66 lakh in excess of the quantity of work possible.

**(Paragraph 4.5)**

## IRRIGATION & FLOOD CONTROL DEPARTMENT

### 5. Integrated Audit

The Irrigation and Flood Control Department is responsible for developing irrigation potential by construction/improvement of irrigation projects and management of flood control programmes in the State. Integrated audit of the Department revealed that ineffective budgetary control resulting in overall saving of Rs.87.75 crore against budget provision during 2003-08 affecting the Departmental activities. The Department incurred 21 to 61 *per cent* of its total expenditure in March alone during 2003-08. The Department could not complete three on-going projects even after a delay ranging from 11 to 21 years after their targeted dates of completion.

(Paragraph 5.1)

### 6. Revenue Receipts

#### 6.1 Trend of revenue receipts

Revenue raised by the State Government during 2007-08 was nine *per cent* of the total revenue receipts against 11 *per cent* in the previous year. The balance 91 *per cent* of receipts during the year was from the Government of India.

(Paragraph 6.1)

The tax revenue receipts of the State Government during 2007-08 increased by 21.30 *per cent* as compared to the previous year.

(Paragraph 6.1.1)

The non-tax revenue receipts decreased by 9.02 *per cent* as compared to the previous year.

(Paragraph 6.1.2)

#### 6.2 Audit of Transactions (receipts)

Failure of the Power Department to recover energy charges from consumers within the prescribed period led to loss of revenue amounting to Rs. 5.50 crore.

(Paragraph 6.2)

Failure of the Public Works Department to claim registration fee for enlistment of contractors resulted in non-realisation of Rs. 5.32 lakh.

**(Paragraph 6.3)**

Failure of the Taxation Department to detect escaped/suppressed turnover resulted in short levy of tax of Rs. 48.01 lakh including penalty.

**(Paragraph 6.4)**

Due to concealment of turnover, penalty of Rs. 2.46 crore was levied against the leviable penalty of Rs. 4.90 crore resulting in short levy of penalty by Rs. 2.44 crore.

**(Paragraph 6.5)**

The department allowed concessional rate of tax on account of inter-State sales without insisting on declaration in form 'C' resulting in short levy of tax amounting to Rs. 9.39 lakh.

**(Paragraph 6.6)**

Profession tax amounting to Rs. 20.38 lakh remained unrealised due to failure of the department to levy/recover the tax due.

**(Paragraph 6.9)**

## **7. Commercial Activities**

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

As on 31 March 2008, there were 15 Government companies (eight working and seven non-working) in the State. The total investment in working Government Companies was Rs.43.49 crore and in non-working Government Companies was Rs. 72.74 crore.

**(Paragraphs 7.1, 7.2.1 & 7.8.1)**

The accounts of eight working Government companies were in arrears for periods ranging from 10 to 25 years.

**(Paragraph 7.4.3)**

As per the latest finalised accounts, three working companies incurred an aggregate loss of Rs. 55 lakh while three working companies earned an aggregate profit of Rs. 1.35 crore. Two companies had not commenced commercial activities.

**(Paragraph 7.5.2)**

**7.2 Audit of Transactions (Commercial)**

Manipur Tribal Development Corporation Ltd. failed to deposit revenue amounting to Rs. 45.36 lakh being Sales tax/VAT deducted from the bills of contractors.

**(Paragraph 7.15)**

Manipur Cement Limited suffered loss of plant and machinery worth Rs. 56.47 lakh due to non disposal of assets.

**(Paragraph 7.16)**

Manipur Industrial Development Corporation gave undue financial benefit to a contractor by paying advance of Rs. 2.10 crore in violation of specific provision of the work order.

**(Paragraph 7.17)**