

Executive Summary

EXECUTIVE SUMMARY

This Report has been prepared in six chapters. Chapters I to V deal with Social, Economic, Public Sector Undertakings, Revenue and General Sectors, and Chapter VI deals with Follow up of Audit observations. The Report contains five performance audits on Functioning of Industrial Training Institutes in Manipur, Implementation of Pradhan Mantri Gram Sadak Yojana, Effectiveness of Manipur Pollution Control Board, Implementation of Re-Structured Accelerated Power Development and Reforms Programme and Admissibility of Input Tax Credit; two mini reviews/thematic audits on Energy Billing System (EBS) of Manipur State Power Distribution Company Ltd. and Implementation of Smart Card Project for Driving Licence and Registration Certificates of vehicles and 17 paragraphs. Follow up Audit on “CCO based audit of Department of Horticulture & Soil Conservation” is also featured.

According to existing arrangements, copies of the performance audits and paragraphs were sent to the Administrative Heads of the concerned departments with the request to furnish replies within six weeks. All the performance audits were discussed with the concerned Administrative Heads of the departments and other departmental officers. In respect of six paragraphs, reply of the Government/Department was received. The Government/Department did not furnish reply for 11 paragraphs.

CHAPTER I SOCIAL SECTOR

PERFORMANCE AUDIT

Performance Audit on Functioning of Industrial Training Institutes in Manipur

Planning for functioning of ITIs and implementation of projects lacked professional and systematic approach. The department did not formulate long term perspective plan/vision document for smooth and effective functioning of ITIs in the State. The functioning of the ITIs suffered due to lack of infrastructure facilities such as adequate buildings, classrooms, power supply and hostels. Particularly distressing was the lack of basic facilities such as drinking water and toilets in the academic institutions. There was shortfall in the availability of tools and equipment as compared to the standard list of tools and equipment in eight ITIs. Moreover, some machineries also remained uninstalled in four ITIs. There was shortage in manpower for imparting trainings in eight ITIs. The decreasing trend of enrolment and the increasing trend of dropout is an indicator of the poor quality of trainings provided by the ITIs. Due to failure of the department to have new trades affiliated to National Council of Vocational Training (NCVT), trainees were yet to receive National

Trade Certificates thereby affecting their job opportunities as the State Council of Vocational Training (SCVT) certificates are valid only in the State. Apprenticeship and placement programmes fared badly in the State. Huge amount sanctioned by GoI were idling in civil deposits. Maintenance of machineries was very poor. The ITI campus and workshop were being used for entrepreneur purposes. Weakness in financial management and monitoring has resulted in leakage and misappropriation of funds, delay in creating of necessary infrastructure and poor quality of assets.

(Paragraph 1.2)

Performance Audit on Implementation of Pradhan Mantri Gram Sadak Yojana (PMGSY)

The system and procedures for identification and preparation of Core Network under PMGSY was not standardized. The basic records for preparation of the District Rural Road Plan were not maintained. Prioritization and execution of work was not as envisaged in Comprehensive New Connectivity Priority List (CNCPL)/Comprehensive Upgradation Priority List (CUPL). Road works were being executed on the basis of Core Network and recommendation of Members of Legislative Assembly (MLAs) and Members of Parliament (MPs). There was leakage of funds, financial irregularity, loopholes in execution of works with monetary value to the extent of ₹ 80.70 crore due to non-adherence to provisions laid out in the Standard Bidding Document (SBD), the contract agreements and canons of financial propriety. The programme suffered from short release of Programme Fund, Administrative Fund and Maintenance Fund. As of March 2015, only 63 *per cent* of the targeted road length and 71 *per cent* of the targeted habitations were covered. There were huge unutilized balances in the range of ₹ 0.68 crore to ₹ 176.37 crore in the Programme fund during 2010-15. This indicates poor programme management. 39 *per cent* of the routine maintenance works were left unattended. However, maintenance work could have been improved had the Manipur State Rural Road Development Agency (MSRRDA) utilized ₹ 4.79 crore of the maintenance fund available with them, which remained unutilised. The monitoring and quality control systems of the programme did not function as envisaged in the guidelines.

(Paragraph 1.3)

COMPLIANCE AUDIT PARAGRAPHS

Consumer Affairs, Food and Public Distribution Department: By raising the end retail price of Targeted Public Distribution System (TPDS) rice for Antyodaya Anna Yojana (AAY) beneficiaries by ₹ 1.65 per kg above the rate specified in the guidelines, the Department put extra burden of ₹ 48.14 lakh on the beneficiaries.

(Paragraph 1.4)

Department of Education (Schools): The Department incurred extra expenditure of ₹ 65.08 lakh on engagement of cook cum helper in 322 schools under Midday Meal Scheme.

(Paragraph 1.5)

Irregular maintenance of Cash Book resulted in misappropriation of fund to the tune of ₹ 30.55 lakh

(Paragraph 1.6)

Rural Development and Panchayati Raj Department: An amount of ₹ 42.65 lakh earmarked for Administrative expenses under Mahatma Gandhi National Rural Employment Guarantee Scheme was diverted for civil works in contravention of the MGNREG Act, 2005.

(Paragraph 1.7)

Social Welfare Department: The Remand Homes/Juvenile/Correction Homes in the State did not have amenities and facilities as required under the existing Act and Rules. Behavioral correction efforts were minimal and not regular. No steps were taken to promote reintegration of juvenile offenders into the society. One caretaker looked after the maintenance of the Home as Superintendent-in-charge. Though the trend of juvenile offenders accommodated in the Remand Homes (35 to 65 juvenile offenders) was on the rise during 2010-11 to 2014-15, the State Government did not contribute its due share of funding.

(Paragraph 1.8)

The Department incurred doubtful expenditure of ₹ 44.02 lakh in the absence of any evidence of disbursement of the amount to the intended beneficiaries.

(Paragraph 1.9)

As the Department could not account for unspent balance of ₹ 50.57 lakh meant for implementation of Indira Gandhi Matritva Sahyog Yojana (IGMSY) and Supplementary Nutrition Programme (SNP), there was an apparent danger of misappropriation of fund.

(Paragraph 1.10)

CHAPTER II

ECONOMIC SECTOR

PERFORMANCE AUDIT

Performance Audit on Effectiveness of Manipur Pollution Control Board

Manipur Pollution Control Board (MPCB) did not take proactive steps like maintenance of inventory of polluting industries, etc. Scheme/project implementation was not a priority as indicated by financial resource allocation of only 19 *per cent* of the total expenditure of the Board for it. The Board failed in its role as the custodian for identification, prevention, control and abatement of pollution as basic functions like monitoring of water quality, monitoring of air pollution, treatment of effluent etc. were either not taken up or efforts were inadequate. Regulatory role was not fulfilled as industries were functioning without authorization/consent of the Board and no efforts were made to penalise the defaulters.

(Paragraph 2.2)

COMPLIANCE AUDIT PARAGRAPHS

Irrigation and Flood Control Department: The Department incurred wasteful expenditure of ₹ 165.40 lakh and extra expenditure of ₹ 54.88 lakh due to faulty design/drawing and deviation from recommendations respectively.

(Paragraph 2.3)

The Department incurred wasteful expenditure of ₹ 69.71 lakh on transportation of earth due to unplanned and un-coordinated execution of work

(Paragraph 2.4)

Public Health Engineering Department: Irregular drawal of ₹ 6.41 crore made through self cheque by the Drawing and Disbursing Officer without any records of disbursement of the amount.

(Paragraph 2.5)

Public Works Department: Excess expenditure of ₹ 55.05 lakh was incurred due to erroneous calculation of rate, adoption of higher rates and payment for inadmissible work.

(Paragraph 2.6)

Expenditure of ₹ 4.91 crore was incurred on new construction works without approval of the competent authority

(Paragraph 2.7)

Horticulture and Soil Conservation Department: The efforts made to implement the recommendations featured in the Audit Report (Report No. 2) of the Comptroller and Auditor General (CAG) of India, Government of Manipur for the year ended 31 March 2011 under the paragraph 3.1 are yet to produce results. The revamped sick farms are yet to start production. The project for revival of MAGFRUIT factory is yet to commence.

(Paragraph 2.8)

CHAPTER III

ECONOMIC SECTOR (Public Sector Undertakings)

Overview of Government Companies and Statutory Corporations

As on 31 March 2015, there were 11 State Public Sector Undertakings (SPSUs) (eight were working and three were non-working), none of which were listed on the stock exchange(s). The State working SPSUs registered a turnover of ₹ 35.22 crore as per their latest finalised accounts as of September 2015. This turnover was equal to 0.22 *per cent* of State Gross Domestic Product (GDP) for 2014-15. The working SPSUs incurred an aggregate loss of ₹ 20.69 crore as per their latest finalised accounts as of September 2015.

(Paragraph 3.1.1)

As on 31 March 2015, the investment (capital and long-term loans) in 11 SPSUs was ₹ 55.47 crore (Working SPSUs: ₹ 50.11 crore/90.34 *per cent* and Non-working SPSUs: ₹ 5.36 crore/9.66 *per cent*).

(Paragraph 3.1.6)

The accounts were in arrears for periods ranging from two years to 27 years. The delays in finalisation of accounts were due to lack of required control over the Companies by the Government, abnormal delay in compilation and approval of the accounts, delay in submission of the same to the Statutory Auditors by the management and delay in adoption of accounts in the Annual General Meeting.

(Paragraph 3.1.10)

The overall loss of working SPSUs increased from ₹ 0.02 crore in 2010-11 to ₹ 20.69 crore in 2014-15. Though four of the working SPSUs earned profit of ₹ 1.86 crore during 2014-15, the remaining four working SPSUs incurred loss of ₹ 22.54 crore.

(Paragraph 3.1.15)

PERFORMANCE AUDIT

Performance Audit on Implementation of Re-Structured Accelerated Power Development and Reforms Programme

Planning for implementation was beset with delays in - constitution of Distribution Reforms Committee (DRC), appointment of IT Consultant, submission of Detailed Project Reports (DPRs) and non-prioritisation of projects based on prevailing Aggregate Technical and Commercial (AT&C) losses which stands at an average of 84.06 percent. Inefficient financial management led to diversion of scheme fund, delay in obtaining counterpart fund from Financial Institution and non-opening of separate bank accounts. Ineffective programme implementation caused delay in appointment of IT Implementing Agency, extension of undue benefits to Turn-Key firms, diversion of materials and issue of Letter of Awards in excess of approved cost. Monitoring of the programme implementation and evaluation was inadequate as regular meetings of DRC and Project Monitoring Unit were not being held.

(Paragraph 3.2)

Audit of Energy Billing System (EBS) of Manipur State Power Distribution Company Limited

The Energy Billing System (EBS) was implemented without any IT policy and long-term IT strategy. There was no documented Business Continuity plan. Thus continuation of the billing function in case of any eventuality was not ensured. The Company did not have effective management controls such as delineation of duties and responsibilities. This led to application of wrong tariff. There were several deficiencies in input controls and processing controls in the system. Consequently, the system failed to ensure data integrity. Lack of effective controls resulted in generation of erroneous bills and non-billing of certain periods.

(Paragraph 3.3)

COMPLIANCE AUDIT PARAGRAPHS

Manipur Industrial Development Corporation Limited: Payment of irregular advance amounting to ₹ 167.41 lakh to a contractor, out of which supplies for ₹ 115.49 lakh had not been received by the Company even after

expiry of more than one year of contract agreement, resulted in extension of undue benefit to the supplier.

(Paragraph 3.4)

CHAPTER IV REVENUE SECTOR

Trend of revenue receipts

During the year 2014-15, the revenue raised by the State Government (₹ 700.56 crore) was nine *per cent* of the total revenue receipts of ₹ 7998.27 crore as against ten *per cent* in the preceding year (₹ 733.40 crore). The balance 91 *per cent* of receipts of ₹ 7297.71 crore during 2014-15 was from the Government of India.

(Paragraph 4.1.1)

The Tax Revenue raised during 2014-15 (₹ 516.83 crore) increased by 9.33 *per cent* as compared to the previous year (₹ 472.73 crore). The Non-Tax Revenue raised during 2014-15 (₹ 183.73 crore) decreased by 29.52 *per cent* as compared to the previous year (₹ 260.67 crore).

(Paragraph 4.1.2 and 4.1.3)

Response of the Departments/Government towards Audit

In respect of the Inspection reports (IRs) issued upto December 2014, 755 paragraphs involving ₹ 97.38 crore relating to 256 IRs remained outstanding at the end of June 2015.

(Paragraph 4.6)

PERFORMANCE AUDIT

Performance Audit on Admissibility of Input Tax Credit (ITC)

Taxation Department failed to detect apparent deficiencies in the ITC claims as there was no system for verification of tax invoices submitted by dealers in support of ITC claims. System for tax audit and audit assessment as provided in the MVAT Act and MVAT Rules was not activated. There were no Audit and Enforcement wings. Record maintenance by dealers as well as by the Assessing Authority was poor.

(Paragraph 4.12)

Implementation of Smart Card Project for Driving Licence (DL) and Registration Certificates (RCs) of Vehicles

Transport Department, Government of Manipur had outsourced the Smart card project to Manipur Electronic Development Corporation Ltd (MANITRON) without any time frame for completion. The overall shortfall on issue of smart card was 82 *per cent* even after six years from date of commencement of the project. Also there was inordinate delay in issuing of Smart Card Registration Certificates. The Department had neither issued instruction nor given any direction to field offices with regard to conversion of the backlog registration certificates/driving licences. There was mismatch between MANITRON and National Informatics Centre (NIC) data on issue of smart card driving licence. The department was still issuing manual Driving Licences (in four District Transport Offices) even after implementation of smart card project.

(Paragraph 4.13)

COMPLIANCE AUDIT PARAGRAPHS

Taxation Department: Evasion of tax upto ₹ 11.28 lakh due to suppression of purchase turnover and consequent penalty to the tune of ₹ 22.54 lakh.

(Paragraph 4.14)

The Department failed to impose penalty amounting to ₹ 48.86 lakh leviable on 77 dealers for not getting their accounts audited.

(Paragraph 4.15)

The Department failed to collect outstanding tax of ₹ 108.38 lakh and penalty of ₹ 23.64 lakh from the dealers.

(Paragraph 4.16)

Transport Department: Arrears of annual Tax from the owners of vehicles amounting to ₹ 4.28 lakh along with penalty of ₹ 6.75 lakh was not realised.

(Paragraph 4.17)