

Chapter II
Economic Sector
(Other than Public Sector Undertakings)

CHAPTER II

ECONOMIC SECTOR OTHER THAN PUBLIC SECTOR UNDERTAKINGS

2.1 Introduction

The Chapter contains findings based on audit of the State Government Departments under the Economic Sector other than the State Public Sector Undertakings.

The Economic Sector is one of the most important sectors of economy of any State. This Sector is directly responsible for production of goods and services and responsible for generation of employment in the economy. The Economic Sector has three sub-sectors *i.e.* Primary sector includes raw materials, mining, fishing, agriculture, *etc.*, Secondary sector includes production of finished goods and the Tertiary sector includes production and supply of the intangible goods and services to the consumers *e.g.* retail, tourism, banking, insurance, transport, entertainment, IT services, *etc.* Government's investment in this Sector and the health of an economy has direct relationship and thus, it requires steady attention of the government.

The Government of Manipur has accorded due importance to the Economic Sector in the State by allocating a significant part of its financial resources to this Sector. During 2018-19, the primary and tertiary sectors grew at the rate of 6.07 *per cent* and 3.55 *per cent* respectively as compared to the previous year whereas the secondary sector registered a negative growth of (-) 5.60 *per cent*. The following table shows the expenditure incurred by major departments pertaining to the Economic Sector during the last five years.

Table No. 2.1.1 Expenditure of the major departments during 2014-19

(₹ in crore)

Years	Public Works	Power	Public Health Engineering	Total on Social Sector (In per cent)	Total Expenditure
2014-15	466.27	492.73	245.77	2,206.79 (24.84)	8,884.61
2015-16	590.51	692.4	224.48	2,364.25 (25.99)	9,098.16
2016-17	722.04	765.87	275.29	2,814.63 (25.94)	10,852.06
2017-18	553.76	573.5	309.84	2,324.31 (20.39)	11,397.17
2018-19	692.76	556.79	372.14	2,673.17 (18.32)	14,590.22

Source: Appropriation Accounts.

Besides, GoI transferred ₹ 55.92 crore directly to the different implementing agencies out of which, ₹ 35.62 crore (64 *per cent*) pertained to the Economic Sector as detailed in **Appendix 2.1**.

Department-wise details of budget provisions of ₹ 3,869.06 crore and expenditure of ₹ 2,673.17 crore incurred by 17 departments pertaining to the Economic Sector during 2018-19 are as follows.

Table No. 2.1.2 Budget Provision and Expenditure of departments during 2018-19

(₹ in crore)

Sl. No.	Department	Budget Provision	Expenditure
1	Public Works	1,137.18	692.76
2	Power	566.13	556.79
3	Water Resources Department	470.72	291.08
4	Public Health Engineering	403.16	372.14
5	Agriculture	314.99	134.48
6	Forest Department (including Environment)	211.56	173.52
7	Commerce and Industries	177.28	69.06
8	Minor Irrigation	156.45	60.64
9	Veterinary and Animal Husbandry	130.22	93.68
10	Horticulture and Soil Conservation	98.19	71.69
11	Tourism	62.25	51.64
12	Fisheries	39.11	29.37
13	Co-operation	30.06	23.52
14	Sericulture	28.76	27.02
15	Information Technology	20.08	7.31
16	Economic and Statistics	17.26	13.23
17	Science and Technology	5.66	5.24
Total		3,869.06	2,673.17

Source: Budget documents and Appropriation Accounts.

2.1.1 Planning and execution of Audit

Compliance audit is conducted in accordance with an Annual Audit Plan for the year approved by the Comptroller and Auditor General of India. Topicality, financial profile, social relevance, internal control system of the units and occurrence of defalcation/ misappropriation/ embezzlement as well as the past audit findings form the basis of risk assessment for selection of audit units.

After completion of the compliance audit, Inspection Reports (IRs) are issued to the heads of units as well as to the concerned heads of departments. In the light of replies received, audit observations are reviewed and settled if action taken by the audited entities is satisfactory. However, if no action is taken or action taken is not enough, the audit findings are retained and units are advised to take further suitable remedial measures. However, some serious and selected audit findings are processed for inclusion in the Audit Report of the Comptroller and Auditor General of India for placing of the same before the State Legislative Assembly as mandated by the Constitution.

Keeping in view the importance accorded to the Economic Sector by the State, we in Audit also accorded due importance to the audit of this Sector. Out of total 254 units selected for the compliance audit during 2018-19, 69 units (27 per cent) pertained to Economic Sector. As of March 2019, 62 Inspection Reports containing 431 paras involving expenditure of ₹ 1,739.75 crore under Economic Sector were issued to the Unit heads with copies to the heads of the concerned departments. Year-wise details of expenditure audited in respect of Economic Sector during 2018-19 are given in **Appendix 2.2**.

2.2 Recovery at the instance of audit

During execution of the work “Construction of Right Main Canal from RD 5.74 km to 17.30 km” by Dolaithabi Barrage Division–II, we noticed (November 2018) that ‘Banking of Canal’ work was carried out by ferrying Hard Dense Soil (HDS) from a quarry situated at a distance of four kms from the work site. In the Measurement Book, the required quantity of HDS was shown as obtained through hill cutting by the contractor. Thus, the HDS not being brought from the quarry the payment of ₹ 34.25 lakh made to the contractor for the item was irregular.

On this being pointed out, the Division (Dolaithabi) recovered the irregular payment of ₹ 34.25 lakh from the fifth Running Account Bill (June 2020) paid to the contractor.

Recommendation: *Public Works Department needs to verify all such claims of contractors where excavation work was claimed to have been done / stone and other minerals brought from quarries. An enquiry may be done at the Division to ascertain further such instances in other works and Departmental action be taken accordingly by fixing accountability.*

This Chapter contains three compliance audit paragraphs as discussed in the succeeding paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

WATER RESOURCES DEPARTMENT

2.3 Blocking of public funds on idle stores

Procurement of Thermo Mechanical Treated steel bars in excess of requirement and absence of monitoring by the authorities of Water Resources Department led to blocking of public funds of ₹ 4.91 crore on idle stores.

As per Rule 137 of General Financial Rules 2005, procurement of goods in excess of requirement should be avoided to avoid inventory carrying costs.

Audit scrutiny (December 2018) of store accounts (Goods Received Sheets, Bin Cards, Stock Registers, Priced Stores Ledger) at the Executive Engineer (EE), Project Stores Division, Water Resources Department, Manipur showed that the Department purchased 4640 Tonnes of Thermo Mechanical Treated (TMT) steel bars between February 2009 and February 2014 for utilisation in the construction of Dolaithabi Barrage Project and Thoubal Multipurpose Project at a cost of ₹ 21.68 crore. However, 1040.954 Metric Tonnes of TMT steel bars worth ₹ 4.91 crore were lying unused in stores for a period ranging from four to nine years from its purchase as per the following details.

Table No. 2.3.1 Balance of TMT Steel Bars

Sl. No.	Particulars	Date of last purchase	Details of closing stock		
			Quantity (MT)	Rate (₹ per MT)	Total cost (₹ in lakh)
Stock Balance of Steel for Dolaithabi Barrage Project					
1	TMT Steel Bar-12mm	04 February 2009	194.940	54,224.00	105.70
2	TMT Steel Bar-16mm	23 November 2009	603.676	42,400.00	255.96
Sub-total			798.616	-	361.66
Stock Balance of Steel for Thoubal Multipurpose Project					
1	TMT Steel Bar-32mm	09 April 2012	2.088	64,200.00	1.34
2	TMT Steel Bar-16mm	25 February 2014	158.891*	53,209.95	84.55
3	TMT Steel Bar-20mm	25 February 2014	81.359	53,209.95	43.29
Sub-total			242.388	-	129.18
Grand Total			1040.954	-	490.84

* Includes balance of previous purchases of 58.891 tonnes and last purchase of 100 MT.

Further, we noticed that despite availability of unused stock of 603.676 MT of 16 mm TMT steel bars at Dolaithabi Barrage Project since 2009, Thoubal Multipurpose Project Division procured 100 MT of 16 mm TMT steel bar worth ₹ 45.35 lakh in February 2014. This indicated absence of any monitoring and supervision by the Head of the Department to utilise unused stock materials before procuring them afresh in other Divisions.

Further, on physical verification (December 2018) of the store site along with the divisional authorities, we noticed that steels bars were kept in open and had rusted due to prolonged dumping and exposure to moisture as shown in the photographs placed below.

Photograph No. 2.3.1 TMT Steel Bars lying in open



20 mm TMT steel bars (Thoubal Project)



16 mm TMT steel bars (Dolaithabi Project)

Thus, procurement of steel bars by the Department without assessing the actual requirement, absence of any co-ordination among the implementing Divisions and ineffective supervision by the Department resulted in idle stock of TMT steel bars worth ₹ 4.91 crore (December 2018) that remained unutilised for the last four to nine years, thereby blocking public funds. The steel bars stored in the open were fraught with risk of theft and deterioration.

While admitting the audit observation, the Government stated (January 2020) that 16mm and 32 mm bars were procured without final designs for the bays to avoid lapse of funds. The Department added that the surplus steel bars would be transferred to tunnel work of Thoubal Project.

The Government has furnished a routine reply which is obviously not convincing since had the Government been keen on utilising the excess quantity of TMT Bars in the Dolaithabi Multipurpose project, they would have utilised the TMT bars in 2014 itself or soon thereafter.

Recommendation: Project Stores Division should furnish monthly/ quarterly reports on the availability of each stock (steel, cement etc.) to the Chief Engineer who may carry out proper assessment of actual stock requirement at the time of receipt of indents from the Divisions and before procurement of stores.

FISHERIES DEPARTMENT

2.4 Misappropriation of funds

The Directorate of Fisheries could not provide any proof of payment of ₹ 31.91 lakh in absence of any supporting documents and entries in the Cash Book. The Department has admitted to suspected misappropriation of funds.

Rule 290 of the Central Treasury Rule states that no money shall be drawn from the treasury unless it is required for immediate disbursement. Funds are not to be drawn from the treasury in anticipation of demands or to prevent the lapse of budget grants.

Government of Manipur¹⁸ banned (March 2008) holding of funds by the Departments outside the Government account or to be deposited into Drawing and Disbursing Officer's (DDO) account, which was meant for salary transaction only, unless specifically permitted by the Finance Department. Any violation of these instructions will invite disciplinary action against the concerned DDOs and Heads of the Departments apart from culpability under the Manipur Public Servants Personal Liability Act, 2006.

Audit scrutiny of the Fisheries Department in January 2016 revealed that the Department had withdrawn ₹ 52.04 lakh¹⁹ over the period April to June 2016 lakh from the pool of funds lying in the DDO's account ostensibly for payments to contractor for four works²⁰ awarded by the Department, out of which, we could not vouchsafe the payment of ₹ 31.91 lakh²¹ (₹ 52.05 lakh *minus*

¹⁸ Vide Finance Department orders 1/17/2000-FC dated 20 Sept 2001 read with 9/2/2007-FR (Misc.) dated 13 March 2008.

¹⁹ ₹ 26.02 lakh + ₹ 20.14 lakh + ₹ 5.89 lakh .

(i) Vide cheque no. 817285 dated 5 April 2016 amounting ₹ 59.96 lakh inclusive of ₹ 26.02 lakh for payment for the four works drawn vide bill no. 52/Fy dated 29.03.2016 (actual bill value inclusive of was ₹ 29.60 lakh for six works) (ii) Vide cheque no. 817305 dated 02 May 2016 ₹ 20.14 lakh. (iii) Vide cheque no 817307 dated 07 June 2016 ₹ 5.89 lakh.

²⁰ (i) Construction of tubular structure at 2nd floor of Directorate of Fisheries (ii) Special repairing of Laboratory room of IFTC, Lamphel (iii) Construction of tubular structure at courtyard of old building and garage of Directorate of Fisheries, Lamphel (iv) Major repair of office building of FRC, Lamphel.

²¹ No documents like APRs *etc.* are available.

₹ 20.14 lakh) in absence of any supporting document or transaction entries in the Cash Book. The balance transactions of ₹ 20.14 lakh were accounted for in the Cash Book with due approvals for the payments to the contractors concerned. Further, on joint cash verification (21 August 2018), the cash-in-hand with the Directorate was found “Nil”.

On being pointed out about suspected misappropriation of ₹ 31.91 lakh, the Department, have admitted the audit finding. They have however not taken any action against the DDO/Cashier and the Director in violation of their own instruction. Matter was forwarded (August 2019) to the Government and reply is awaited (July 2020).

Recommendation: *The Department should maintain Measurement Book for each work as specified in the Works Manual so that payments are made according to the quantity of works executed and avoid such irregularities in future. The Department should fix responsibility on the concerned officials for such misappropriation of funds and take appropriate action.*

WATER RESOURCES, PUBLIC WORKS AND MINOR IRRIGATION DEPARTMENTS

2.5 Irregularities in tendering process

Thirty nine Divisions of Public Works Department, Water Resources Department and Minor Irrigation Department resorted to irregular and un-transparent bidding process for awarding 895 works involving contract value of ₹ 750.78 crore.

For execution of works, the General Financial Rules (GFRs), 2017 and the Central Public Department Works Manual (CPWDWM), 2014 adopted by the Government of Manipur stipulated that:

- Open tenders will be called for works costing ₹ five lakhs to ₹ 30 lakhs. [Rule 132 (iv) of the GFRs]
- Wide publicity should be given to the notice inviting tenders. Tenders must be invited in the most open and public manner possible, by advertisement in the press *etc.* [Section 17.1 (1) of CPWDWM]
- Restricted tender is resorted to when the work is required to be executed with very great speed, and not all contractors are in a position to generate; the work is of special nature requiring specialised equipment; the work is of secret nature and public announcement is not desirable; the list of pre-qualified contractors is required to be shortened to a suitable limited number *etc.* [Section 15.6.1 of CPWDWM]
- In case where restricted tender is resorted to, the Chief Engineer shall prepare a list of contractors who according to him are suitable to tackle the job under consideration, which should be as large as possible so that competitive tenders are received. [Section 15.6.2 of CPWDWM].

Further, for works costing ₹ one crore and above, the Finance Department, Government of Manipur ordered (August 2013)²² that, no tenders shall be floated except through e-tendering to ensure transparency and audit/ transaction trail. Government Departments/ agencies/ undertakings/ societies and the respective officials failing to follow the prescribed tendering process will be liable for their irregular actions under Section 4 of the Manipur Public Servants' Liabilities Act, 2006.

Test check of records of 39 Divisions of three Departments viz. Public Works Department, Water Resources Department and Minor Irrigation Department audited during 2017-18 and 2018-19 revealed that the Divisions had resorted to restricted tendering for 895 works involving contract value of ₹ 750.78 crore on the ground of urgency of the work (details given in **Appendix 2.3**). Not only restricted bids were followed where open/ global/ e-tendering system were to be followed, even the spirit of restricted bids was defeated by restricting the bid invitations only to a selected few contractors although there are 639 registered contractors²³ in the State. The details of the Divisions, number of works, with cost and number of contractors invited are tabulated below.

Table No. 2.5.1 No. of works, cost

Sl. No.	Name of the Division	No. of works	Estimated cost (₹ in crore)	No. of contractors invited
1	Building Division, PWD	107	207.16	4-10
2	Road & Bridge Division, PWD	427	450.76	4-31
3	Electrical Division, PWD	35	25.39	3-5
4	Water Resources Department	317	61.39	3-20
5	Minor Irrigation (MI)	9	6.08	12
Total		895	750.78	3-31

In many cases, the State Cabinet has given approvals for following restricted tendering calling it one-time measure. However, we did not find any documents in support of the exercise carried out by the Divisions to ascertain the resourcefulness, reliability and past performance of the contractors while shortlisting them for inviting bids.

While admitting the audit observation, the Government stated (October 2019) that they have abolished the limited tendering system and also constituted a Committee²⁴ to review the system of restricted tendering for execution of works. The Committee recommended (November 2019)²⁵ that Restricted Tender should be resorted to strictly by abiding the provisions of CPWD Works Manual, 2019 and Standard Operating Procedure for Work Manual, 2019 of the Directorate of General CPWD, Ministry of Housing and Urban Affairs, GoI and also adhering to the provisions contained in General Financial Rules.

²² Vide order No.1/1/2003-FD (Exp) dated 8 August 2013.

²³ 217 Special Class, 276 First Class and 146 Second Class Contractors.

²⁴ Consisting of (i) Administrative Secretary (Works) as the Chairman (ii) CE (PWD) (iii) CE (PHED) and (iv) CE (WRD) as its members.

²⁵ In its meeting held in the Office Chamber of the Administrative Secretary (Works) on 14 November 2019 at 3:00 p.m.

Recommendation: *The Government should specify the tendering process to be followed in the sanction orders and ensure so that the provisions of General Financial Rules and CPWD Works Manual are strictly adhered to.*