

## OVERVIEW

This Report has been prepared in six chapters. Chapters I to V deal with General, Social, Economic (Other than State Public Sector Enterprises), Economic (State Public Sector Enterprises) and Revenue Sectors and Chapter VI deals with Follow up of Audit Observations. The Report contains three Performance Audits viz. “Performance Audit on Welfare of Building and Other Construction Workers”, “Performance Audit on Solid Waste Management in Urban Areas” and “Performance Audit on Development and Promotion of Tourism” and nine compliance audit paragraphs including one Subject Specific Compliance Audit viz. “Subject Specific Compliance Audit on Department’s Oversight on GST Payments and Returns Filing”.

According to existing arrangements, copies of the Performance Audits and Compliance audit paragraphs were sent to the Administrative Heads of the concerned Departments with a request to furnish replies within six weeks.

All the Performance Audits and Subject Specific Compliance Audit Paragraphs were discussed with the concerned Administrative Heads of the Departments and other departmental officers. Replies from the State Government wherever received have been incorporated in the Report.

## CHAPTER I GENERAL SECTOR

During 2022-23, we conducted audit of 18 units pertaining to General Sector involving expenditure of ₹ 399.65 crore. As of March 2023, four Inspection Reports containing 19 paras were issued to the State Government with copies to the Heads of the Departments concerned.

This chapter contains one compliance audit paragraph.

### COMPLIANCE AUDIT

#### TRIBAL AFFAIRS AND HILLS DEPARTMENT

Non-collection of Performance Guarantee from contractors led to extension of undue benefit to contractors to the tune of ₹ 2.4 crore.

*(Paragraph 1.2)*

## CHAPTER II SOCIAL SECTOR

During 2022-23, we conducted audit of 58 units involving expenditure of ₹ 1,569.32 crore including expenditure of previous years. As of March 2023, 29 IRs containing 95 paras were issued to the State Government with copies to the heads of the departments concerned.

This chapter contains two Performance Audits *viz.* “**Welfare of Building and Other Construction Workers**” and “**Solid Waste Management in Urban Areas**” and two Compliance Audit paragraphs.

## PERFORMANCE AUDIT

### Welfare of Building and Other Construction Workers

The main responsibility of the Labour Department is to protect and safeguard the interests of workers in general and those who constitute the poor, deprived and disadvantaged sections of the society, in particular, with due regard to creating a healthy work environment for higher production and productivity and to develop and coordinate vocational skill training and employment services. With a view to achieve this aim, the Government of India enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (Act) and Building and Other Construction Workers Welfare Cess Act in 1996 with an aim to provide safety, health and welfare measures for the benefit of building and other construction workers through levy/collection of cess.

Accordingly, for implementation of the Act in Manipur, the Government of Manipur notified the Manipur Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2008 and constituted the Manipur Building and Other Construction Workers’ Welfare Board for implementation of the welfare schemes provided in the Act and Rules *ibid* for which it levied labour cess (cess) at the rate of one *per cent* of the cost of construction.

A Performance Audit was carried out to assess consistency of the Rules notified by the Government of Manipur under the Act with the objectives of the Act; effectiveness of system for registration of establishments and beneficiaries; efficiency of cess assessment, collection and transfer; and efficiency of administration and utilisation of fund on implementation of welfare schemes covering the period 2017-22. Some of the major findings of the Performance Audit are as follows:

There was delay in implementation of the provisions of the Act as the State Government notified the “The Manipur Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules 2008” in October 2008 after a gap of 12 years from enactment of the Act. The State Advisory Committee (SAC) was not reconstituted till March 2023 and only two meetings of the State Advisory Committee were held (November 2010 and December 2015). The Labour Department had not made any significant effort to identify and register establishments or employers within the State. None of the 52 registered employers had furnished requisite annual returns to the Department and to the Board during the period 2017-18 to 2021-22. Further, no follow-up action was taken to ensure submission of these returns by the employers. There was no systematic or uniform pattern of assigning registration numbers to the registered building workers as the workers were registered

offline. Analysis of beneficiaries records revealed that there were 433 cases having same name, same father's name, same address and same date of birth but allotted with multiple registration numbers. During the audit period no assessment of cess was conducted by the Deputy Labour Commissioner.

Test check of the Bank Account of the Board for the years 2017-18 to 2021-22 revealed that 73 cheques for an amount of ₹ 16.08 crore presented for deposit into account of the Board were dishonoured by the Bank, resulting in loss of Cess. The State Government had released the Cess collected amounting to ₹ 63.61 crore to the Board only on two occasions out of total cess collection of ₹ 101.15 crore, leaving a balance of ₹ 37.54 crore. Board had invested ₹ 5.31 crore in Manipur State Corporative Bank (MSCB), which is not a nationalised bank, contrary to the direction of the Hon'ble Supreme Court of India. Analysis of records of 74,838 registered beneficiaries of the State who had availed benefits under one scheme or more during the period covered by audit revealed irregular payment through DBT and payment to beneficiaries whose names did not match with registration data. Out of payment made to 675 beneficiaries for Natural Death, there were 242 cases where financial assistance was given after a delay ranging from 61 days to 1947 days.

### **Recommendations**

*The Government may consider the following recommendations:*

- *The State Advisory Committee should be re-constituted for better administration of the Act and hold regular meetings as prescribed;*
- *The Board should make efforts to identify and register establishments/employees and properly assess the cess amount;*
- *Registration of workers should be done online with user friendly options and special efforts should be made to register all workers including migrant workers under the Board;*
- *Responsibility should be fixed against concerned Departments/Officers for dishonoured cheques;*
- *The State Government should transfer the Labour Cess amount lying in the Government account to the Board without delay;*
- *Funds should be invested in Nationalised Banks only in compliance to the direction of the Hon'ble Supreme Court;*
- *The Board should carry out a comprehensive exercise to identify and de-register all ineligible persons.*

**(Paragraph 2.2)**

## **Performance Audit on Solid Waste Management in Urban Areas**

Solid Waste Management (SWM) is a part of public health and sanitation since solid waste poses a threat to the environment and human life if not handled or disposed of properly.

The most important task of waste management in our country is to protect the environment. The poor management of solid waste not only causes land and water pollution but also generates many vector and water-borne diseases like cholera, dysentery, jaundice, typhoid and diarrhea. Therefore, solid waste management is one of the major environmental areas that needs to be addressed effectively. Waste management is a State subject and local bodies are responsible for performing waste management related activities. In Manipur, the Urban Local Bodies (ULBs) are spread out in six valley districts of the State.

A Performance Audit was conducted to assess the “Strategy and planning” of solid waste management in ULBs; economy, efficiency, effectiveness and sustainability of (a) municipal tasks associated with solid waste management, (b) planning, construction, commissioning, operation and maintenance of solid waste management projects in ULBs; and adequacy and effectiveness of Monitoring and Evaluation of solid waste management system covering the period 2018-22, which brought out the following major findings:

None of the test-checked ULBs assessed requirement of funds for waste management and no budget was also prepared in these ULBs. All seven test checked ULBs neither assessed daily generation of Solid Waste nor submitted their Annual Report on SWM to the State Pollution Control Board or to the Director or Commissioner, Municipal Administration. Solid waste was not being segregated at source/household level in any of the seven test-checked ULBs which resulted in mixing up of different kinds of wastes together for disposal. High percentage of unregistered households showed that collection of segregated solid waste from these households has not been effected which posed risks to health and environment. Uncovered and un-partitioned vehicles were used in six test checked ULBs (except in Jiribam MC) for door-to-door collection and transportation of solid waste. In all the test-checked ULBs, waste was not processed before its disposal but being dumped without processing in open dumping sites and landfills. This not only showed ineffective waste management by the ULBs but also resulted in reduction of quality and quantity of compost. During joint physical verification audit observed in the test-checked ULBs that the work force handling waste were without protective equipment particularly gloves and boots though these were provided by the ULBs.

### ***Recommendations***

*The Government may ensure that:*

- *The Department should earmark funds for management of Municipal Solid Waste in its budget;*
- *Segregation of solid waste at source should be strictly enforced and implemented and weighbridge should be installed in all the ULBs for assessment of Solid Waste generated;*

- *Transportation of Solid Waste should be done in an environmentally sound manner to prevent spreading of odour, littering etc.;*
- *ULBs should ensure stoppage of the practice of burning solid waste in open/dumping site;*
- *Assessment of risks to environment and human health posed by waste should be conducted periodically in consultation with stakeholders.*

*(Paragraph 2.3)*

## RURAL DEVELOPMENT

### RURAL DEVELOPMENT AND PANCHAYATI RAJ DEPARTMENT (RD&PR)

Two Programme Implementation Units (PIUs) did not adhere to contractual terms and conditions while recovering liquidated damages from contractors executing Pradhan Mantri Gram Sadak Yojana (PMGSY) works.

*(Paragraph 2.4)*

There was extra expenditure of ₹ 1.73 crore due to award of works at higher rates.

*(Paragraph 2.5)*

## CHAPTER III ECONOMIC SECTOR (OTHER THAN STATE PUBLIC SECTOR ENTERPRISES)

During 2022-23, we conducted audit of 125 units pertaining to Economic Sector involving expenditure of ₹ 2,536.12 crore including expenditure of previous years. As of March 2023, 37 Inspection Reports containing 171 paras were issued to the State Government with copies to the heads of the concerned departments.

This Chapter contains one Performance Audit on “*Development and Promotion of Tourism*” and two Compliance Audit paragraphs.

### PERFORMANCE AUDIT

#### Development and Promotion of Tourism

Manipur is a promising tourist destination for adventure and nature lovers alike. For growth of tourism in the State, the Government of India and the State Government have been funding several tourism projects for creation of infrastructure, promotion and publicity.

The Tourism Department and the Tourism Corporation of Manipur Limited, a public sector undertaking established in 2016, are responsible for development and promotion of tourism in the State. They take up various infrastructure works such as development of spiritual circuit, amusement park, eco-tourism

destination lodges, *etc.*, and promotes tourism through publicity, tourism festivals *etc.*

A Performance Audit on ‘Development and Promotion of Tourism’ covering the period from 2017-18 to 2022-2023 revealed inadequate planning, poor financial management and instances of wasteful/idle/excess expenditure. The major audit findings are as below:

Due to non-preparation of Tourism Master Plan, Perspective Plan and Annual Action Plans, the tourism development projects were taken up in an ad hoc manner. No State Level Tourism Steering Committee and Tourism Advisory Committee had been constituted though envisaged in the State Tourism Policy. During 2017-18 to 2022-23, the Department did not involve private entrepreneurs to promote tourism in the State. Against total budget provision of ₹ 1,124.59 crore during 2017-18 to 2022-23, the total expenditure was ₹ 350.09 crore, indicating overall savings of ₹ 774.50 crore and sub-optimal utilisation of the budgetary allocation. There were delays in release of funds by the State Government to the implementing agencies, which ranged from 83 days to 421 days for NLCPR projects, 69 days to 468 days for NESIDS projects and 40 days to 573 days for NEC projects.

The State Government could not avail GoI grant amounting to ₹ 92.45 crore in respect of 13 Product Infrastructure Development for Destinations and Circuits (PIDDC) projects due to non-completion of the projects. The 13 projects were lying incomplete/abandoned after incurring ₹ 50.85 crore and even after delays ranging from seven to 13 years from the stipulated date of completion. In respect of the project “Development of Eco-Tourism Destinations in each Assembly Constituency” items of work worth ₹ 2.88 crore were not executed though payments had been made.

The non-opening of the light and sound show at Kangla under Swadesh Darshan Scheme after its inauguration on 14 August 2018 rendered the light and sound show non-functional, thereby resulting in wasteful expenditure of ₹ 6.35 crore. In respect of the project “Development of Spiritual Circuits” taken under Swadesh Darshan Scheme, assets created at a cost of ₹ 16.83 crore were either lying idle/ unutilised or not utilised for the intended purposes. During 2017-18 to 2022-23, three Projects with a total approved cost of ₹131.61 crore were taken up under Special Assistance to States for Capital Expenditure, however the projects were yet to be completed despite delays ranging from three months to 11 months. There was no structured monitoring system in place to oversee the execution and management of tourism projects.

### ***Recommendations***

*The following recommendations may be considered by the State Government:*

- *To prepare Tourism Master Plan, Perspective Plan and Annual Action Plans and the development of tourism infrastructure based on these plans to ensure sustainable development of Tourism in the State;*

- *To review and strengthen its budgetary management to ensure optimal utilisation of budget provisions to avoid persistent savings;*
- *To ensure that the completed projects are properly utilised through proper arrangements for their operation & maintenance;*
- *To ensure that all projects are completed in a timely manner and to fix responsibility on the concerned officers/officials for undue delay in execution or non-completion of projects;*
- *To ensure effective monitoring in implementation of the projects.*

*(Paragraph 3.2)*

## COMPLIANCE AUDIT

### **PUBLIC WORKS DEPARTMENT (PWD)**

The work taken up in May 2014 was not yet completed due to inability of the Department to take timely action.

*(Paragraph 3.3)*

### **TRADE, COMMERCE AND INDUSTRIES DEPARTMENT**

Lack of monitoring and inability of the State Government to contribute its share for Honey Processing Facilities at Toupokpi, Bishnupur resulted in wasteful expenditure to the tune of ₹ 3.23 crore.

*(Paragraph 3.4)*

## CHAPTER IV ECONOMIC SECTOR (STATE PUBLIC SECTOR ENTERPRISES)

As of 31 March 2023, the State of Manipur had 14 State Public Sector Enterprises (SPSEs) (all Government Companies including one non-working). However, none of these SPSEs were listed on the Stock Exchange.

*(Paragraph 4.1.1)*

During the last five years, the overall pendency of SPSE accounts had increased from 94 Accounts (2018-19) to 114 Accounts (2022-23) which was attributable to less number of Accounts finalised (25 Accounts) by the SPSEs during 2019-23 as compared to the number of accounts due for finalisation (52 Accounts) during the said period.

Against the total arrears of 114 Accounts (11 SPSEs) as on 30 September 2023, 60 Accounts (53 *per cent*) pertained to two SPSEs namely, Manipur Tribal Development Corporation Limited (35 Accounts) and Manipur Police Housing Corporation Limited (25 Accounts).

*(Paragraph 4.1.5)*

### ***Recommendations***

- *State Government may ensure the clearance of arrears of accounts and set targets for individual SPSEs; and*

- *State Government may consider taking appropriate action against the Company Management responsible for arrears of accounts.*

## CHAPTER V REVENUE SECTOR

During 2022-23, the revenue raised by the State Government was ₹ 2,325.49 crore which was 14.63 *per cent* of its total revenue receipts of ₹ 15,893.15 crore. The balance receipts of ₹ 13,567.66 crore (85.37 *per cent*) during 2022-23 were from Government of India as State's share of net proceeds of Union taxes and duties and GIA.

*(Paragraph 5.1)*

During the year 2022-23, there were 93 auditable units, of which eight units were planned and audited.

*(Paragraph 5.3)*

This Chapter contains one Subject Specific Compliance Audit and three compliance audit paragraphs involving financial effect of ₹ 81.55 crore.

*(Paragraph 5.5)*

## COMPLIANCE AUDIT

### TAXATION DEPARTMENT

#### *Subject Specific Compliance Audit (SSCA) on "Department's Oversight on GST Payments and Returns Filing"*

In the MIS GST back-end portal 4,785 taxpayers in the five sampled zones did not file 68,623 returns for the years 2017-18 to 2020-21. Out of 68,623 cases of non-filers identified, GSTR-3A was issued in 8,027 cases only for the year 2020-21 and the due process of issue of GSTR-3A followed by ASMT 13 was not observed in all the other remaining cases. Total estimated loss for the years 2017-18 to 2020-21 for the five zones amounted to ₹ 13.22 crore as per MIS report.

*(Paragraph 5.6.7.1)*

**Recommendation:** *The Department may ensure scrutiny of returns for all Zones with reference to the prescribed SoP.*

Out of total 951 cases of cancellation on taxpayers' request, 430 cases were cancelled with effect from dates prior to the date of application of the taxpayers.

Out of 1610 cases of GSTR-10 which were liable to be filed during the financial year 2017-18 to 2020-21 for five zones, only 101 cases of GSTR-10 were filed before due date and 22 cases of GSTR-10 were filed after due date. However, no action was taken on defaulters in filing GSTR-10, as the Superintendent of Taxes (ST) neither issued notice in GSTR-3A nor was any ASTM 13 issued during the period. Thus, no recovery proceedings were initiated by the ST against the defaulters.

*{Paragraph 5.6.7.3.1 & 5.6.7.3.2}*

**Recommendation:** *The Department may exercise due diligence in cancellation of registrations.*

There were deviations from the provisions of the Act in 104 cases involving mismatch in ITC/tax liability of ₹ 34.04 crore constituting 68.87 per cent of the 151 inconsistencies/mis-matches in data for which the Department provided responses. Relatively higher rates of deviations were noticed in risk parameters such as mismatch in availing of ITC, mismatch in tax paid, short payment of interest on delayed payment etc.

In 26 cases constituting 17.22 per cent, where the Department's reply was acceptable to Audit involving mismatch in tax paid, mismatch in availing of ITC amounting to ₹ 11.14 crore, data entry errors by taxpayers comprised three cases.

**(Paragraph 5.6.8.1)**

Out of the 151 deviations, the Department accepted the audit observations or initiated departmental examination in 104 cases with mismatch in ITC/tax liability of ₹ 34.04 crore. Out of these cases, the department has recovered ₹ 1.08 crore in 15 cases and was in correspondence with the respective taxpayers in 89 cases involving mismatch in ITC/tax liability of ₹ 32.96 crore.

Out of the 151 replied cases, the Department has not accepted six cases amounting (including mismatch) to ₹ 0.61 crore. In these cases, the Department only forwarded explanation of the taxpayers either without explicitly commenting on the audit observations or without appropriate documentary evidence.

**{Paragraph 5.6.8.2 (1)&(2)}**

**Recommendation:** *The Department may take up the matter with the GST Council to insert validation controls in GST Portals as highlighted above to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny.*

There was scope limitation of audit due to non-production of granular record by the Department as during the desk review of taxpayers' records available in the back-end system, as in 13 cases out of 20 sampled cases with the risks related to excess ITC and tax liability mismatches for detailed examination, the Department did not produce the corresponding granular records such as the supplementary financial ledgers, invoices, agreement copies, returns, vouchers, credit note, debit note, etc. required for examining the causative factors for mismatches of ITC and tax liability. As a result, deviation/mismatches in ITC and tax liability amounting to ₹ 19.52 crore could not be examined in detail by Audit.

**(Paragraph 5.6.9.1)**

**Recommendation:** *The Government may instruct the Departmental units for ensuring timely and complete production of records to Audit.*

There were 25 instances of mismatches relating to Input Tax Credit (ITC), amounting to ₹ 23.65 crore out of 20 sampled cases examined. The deficiencies were due to availing ITC irregularly, availing ineligible ITC and non or short reversal of ITC.

*(Paragraph 5.6.9.3)*

**Recommendation:** *The Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.*

#### **TRANSPORT DEPARTMENT**

Inability of the Tax Authorities to realise tax led to non-realisation of government revenue to the tune of ₹ 34.92 lakh.

*(Paragraph 5.7)*

#### **TAXATION DEPARTMENT**

Inability of Taxation Department to detect suppression of sales turnover under GST Act resulted in evasion of tax amounting to ₹ 0.76 crore.

*(Paragraph 5.8)*

#### **RURAL DEVELOPMENT AND PANCHAYATI RAJ DEPARTMENT (RD&PR)**

There was loss of Government Revenue due to non-enforcement of GST Act on ongoing works applicable to work value amounting to ₹ 38.53 crore due to non-application of extant provisions of GST.

*(Paragraph 5.9)*

## **CHAPTER VI FOLLOW UP OF AUDIT OBSERVATIONS**

Audit Report for the year 2021-22 (Report No. 2 of 2023) featured two Subject Specific Compliance Audits and nine Compliance Audit paragraphs. The Report was placed in the State Legislature on 29 February 2024. In respect of earlier Audit Reports for the years 1999-2020, *suo moto* Explanatory Notes pertaining to 427 Performance Audits and Compliance Audit paragraphs were not received within the stipulated period of three months from the Departments.

*(Paragraph 6.1)*

As of March 2024, the PAC had published 38 Reports on the findings in the Audit Reports. These PAC Reports altogether contained 1,592 recommendations based on the examination of Audit Reports by the PAC. In respect of 21 Reports of the PAC containing 737 recommendations, the Action Taken Notes (ATN) had been received. Of the remaining 855 recommendations contained in 17 Reports of the PAC, no ATNs were received.

*(Paragraph 6.2)*

As of March 2023, there was 2,496 outstanding IRs with 11,865 audit paragraphs pertaining to General, Social and Economic Sectors (other than SPSEs) that were pending settlement.

In respect of Revenue Sector, there were 343 pending Inspection Reports with 1,263 outstanding audit paragraphs involving ₹ 299.83 crore as outstanding audit observations at the end of June 2023.

*(Paragraphs 6.4.1 and 6.4.2)*

### ***Recommendations***

It is recommended that the Government may review the matter and ensure:

- i. Submission of Action Taken Notes to the recommendations of the Public Accounts Committee (PAC)/ Committee on Public Undertakings (CoPU); and*
- ii. Convening of regular meetings of Departmental Audit and Accounts Committee (DAAC) and State Audit and Accounts Committee (SAAC) to review, discuss and monitor the progress in disposal of outstanding Inspection Reports and paragraphs.*