

CHAPTER IV
AUDIT OF TRANSACTIONS (CIVIL)

COMMERCE AND INDUSTRIES DEPARTMENT

4.1 Unproductive expenditure

Arts Crafts Training-cum-Production Centre, Thoubal incurred unproductive expenditure of Rs.20.50 lakh on salaries of idle staff as no training was organised in any trade by the Centre for more than one year due to its failure to select trainees.

The Arts Crafts Training-cum-Production Centre (ACTC), Thoubal was set up (1967) to impart elementary, advanced and short term training on various trades such as, tailoring, weaving, carpentry, blacksmithy, foundry, cane and bamboo *etc.* to selected trainees.

Test-check of records of the Principal, ACTC in September 2004 however revealed that for the period April 2003 to August 2004, the ACTC did not conduct any training programme on any of these trades as the Director, Commerce and Industries did not hold any meeting for selection of trainees despite people's willingness to receive training in the above trades. As a result, the expenditure of Rs.20.50 lakh incurred from April 2003 to August 2004 by the ACTC on salaries of 19 staff and officers earmarked for the training purpose proved unproductive.

The next training session for the year 2004-05 was also started as late as 1 December 2004 as per reply furnished by ACTC in July 2005.

Failure of ACTC to regularly organise training programmes during 2003 and 2004 not only resulted in idle manpower in the training centre, but also denied training to the unemployed local youth in various trades.

The matter was referred to Government in May 2005; their reply was not received as of September 2005.

EDUCATION DEPARTMENT

4.2 Misappropriation of cash

Misappropriation of Rs.22.88 lakh in the office of the Director of Education (Schools).

Scrutiny of records (February 2005) of the Director of Education (Schools) revealed that closing cash balance of Rs.23.25 lakh including bank balance of Rs.22.92 lakh in the Current Account No.100531 on 11 March 2004 was not carried forward to the opening balance of the next transaction day (*i.e.* 24 March 2004) and the opening balance was shown as Nil. Subsequently, between April 2004 and January 2005, seven self cheques amounting to Rs.22.88 lakh were drawn and encashed from the above Current Account standing in the name of the Director of Education (Schools) in the United Bank of India, Paona Bazar, Imphal. Scrutiny further disclosed that these transactions were neither recorded in the payment side of the cashbook nor could the vouchers pertaining to the payment of Rs.22.88 lakh be produced to Audit despite specific requisition thereof. Details of cheques and amounts drawn from the bank by the Director of Education (Schools) are given in the table below:

Sl. No.	Cheque No. and date	Amount Rs.	Date of drawal from Bank
1.	025350 dated 6.4.04	7,34,131	6.4.2004
2.	025354 dated 12.4.04	10,12,592	12.4.2004
3.	025360 dated 21.4.04	1,71,201	21.4.2004
4.	025425 dated 18.5.04	27,064	18.5.2004
5.	823917 dated 1.6.04	1,27,607	2.6.2004
6.	823980 dated 2.7.04	1,15,000	3.7.2004
7.	826342 dated 12.1.05	1,00,000	12.1.2005
	Total:	22,87,595	

Non-observance of rules relating to cashbook maintenance by the Director of Education (Schools) resulted in misappropriation of Rs.22.88 lakh.

Incorrect reporting of cash balance, suppression of transactions of cash drawal from the cashbook and non-production of the connected vouchers is irregular and needs to be investigated immediately.

The matter was referred to Government (July 2005); their reply was not received as of September 2005.

FINANCE DEPARTMENT

4.3 Unadjusted Abstract Contingent bills

Abstract Contingent bills involving Rs.105.08 crore have not been adjusted by various departments for long periods violating provisions of Treasury Rules and instructions of the Finance Department.

According to Rules 308 and 309 of the Central Treasury Rules, an Abstract Contingent (AC) bill requires adjustment by presenting Detailed Countersigned Contingent (DCC) bills to the Controlling Officer (CO) for countersignature and onward transmission to the Accountant General. A certificate should be attached to every AC bill certifying that DCC bills in respect of all one month old AC bills drawn earlier have been submitted to CO.

The Government had decided (December 1980) that drawal of money through AC bills should be stopped except in the case of discretionary grants for high dignitaries and relief measures in case of natural calamities.

Information available in the office of the Senior Deputy Accountant General (A&E), Manipur and test-check (February and March 2005) of records of 64 Drawing and Disbursing Officers revealed that DCC bills in respect of 223 AC bills drawn for a total amount of Rs.105.08 crore during the period from 1996-97 to 2004-05 (up to November 2004) have not been submitted by various departments as of March 2005. Thus, DDOs of various departments not only violated the provisions of Treasury Rules, they also did not comply with the directions issued by the Finance Department of the State Government. Moreover actual utilisation of funds (Rs.105.08 crore) could not be verified in the absence of DCC bills.

The practice of drawal of large amounts on AC bills without submitting DCC bills for years together is not only irregular but also fraught with the risk of fraud, embezzlement and misappropriation of Government funds. It dilutes the system of legislative financial control over public expenditure and also affects accuracy of accounts as many DDOs, to avoid lapse of grant, draw money on AC bills. The matter regarding non-receipt of DCC bills was also brought to the notice of the Heads of respective departments during April 2005.

HOME DEPARTMENT

4.4 Parking of Government funds outside Government accounts

Delay in according purchase approval for Communication equipment and rescue gear resulted in retention of Rs.16.97 lakh outside the Government accounts.

Rule 290 of the Central Treasury Rules provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury just to prevent lapse of budget grant.

In March 2000, the Government of Manipur sanctioned Rs.44.35 lakh to the Director, Manipur Fire Service Department for procurement of sophisticated fire fighting equipment and rescue gear for modernisation and up-gradation of State Fire Services. The amount was apportioned out of a grant of Rs.2 crore released by the Central Government under the 10th Finance Commission for the years 1996-2000. The entire grant was required to be utilised by 31 March 2000 and no carryover was allowed. Subsequently the above deadline was extended up to 31 March 2001.

Test-check of records (August 2004) revealed that the sanctioned amount of Rs.44.35 lakh was drawn in full by the department in March 2000 but the department could not utilise Rs.16.97 lakh (Rs.12.05 lakh meant for High Frequency Synthesized Trans-Receiver and Rs.4.92 lakh for Pneumatic Lifting Bags) and was holding this unspent amount as demand drafts and bankers cheque till the date of audit (August 2004). Hence, Rs.16.97 lakh was kept unauthorisedly outside Government Account for more than 5 years and was not surrendered before 31 March 2001.

On this being pointed out in audit, the department deposited Rs.12.05 lakh to the Government account under MH 0070- Other Administrative Services in July 2005.

Regarding the balance amount of Rs.4.92 lakh kept for purchase of the Pneumatic Lifting Bag, the department stated that fresh tenders had been floated in December 2004 and the amount would be utilised to make payments to the suppliers on receipt of supplies. Thus, it is evident that the department had drawn the entire amount of Rs.16.97 lakh to avoid lapse of grant. Non-adherence by DDOs to the rules relating to budgetary controls and accounting, and keeping of Government funds outside the Government accounts is irregular.

4.5 Blocking of funds

The Commandant, India Reserve Battalion modified the supply order for purchase of vehicles without sanction of the competent authority and without ensuring availability of requisite funds resulting in blocking of funds of Rs.7.16 lakh for more than 3 years as the supplier withheld delivery of the vehicle due to failure of the Battalion to release full payment.

According to the General Financial Rules, a subordinate authority incurring expenditure will be responsible for ensuring that the allotment placed at its disposal is not exceeded, and where any excess over the allotment is apprehended, it will obtain additional allotment before incurring the excess expenditure.

Test-check of records (January 2005) of the Commandant, 3rd India Reserve Battalion, Manipur revealed that the Battalion had placed orders (March/April 2002) on a local firm for supply of 12 vehicles of various categories and paid the entire cost of Rs.98.70 lakh to the firm in advance in April 2002. The order included, among others, two Minibuses and five Troop Carrier trucks each costing Rs.7.16 lakh and Rs.8.02 lakh respectively. Later in May 2002, the Battalion modified the supply order and requested the firm to supply one truck with 4x4 troop carrier facility (cost: Rs.9.23 lakh) against one of the five trucks ordered earlier. This modification in the supply order which required additional payment of Rs.1.21 lakh to the supplier was made without the sanction of the competent authority. The Battalion sought Government sanction for the differential cost (Rs.1.21 lakh) in February 2003 after modifying the supply order. The sanction thereof was awaited as of April 2005.

Meanwhile the firm supplied all the vehicles except one Minibus. Scrutiny of Battalion records disclosed that the supplier was holding up the delivery of the Minibus (cost: Rs.7.16 lakh) for the last three years due to non-payment of the differential cost (Rs.1.21 lakh) of the 4x4 facility truck.

Thus, improper action on the part of the Commandant to modify the supply order without first ensuring availability of additional funds and sanction of the competent authority resulted in delay of more than three years in procuring the Minibus and blocking of capital of Rs.7.16 lakh for the same period.

MINOR IRRIGATION DEPARTMENT

4.6 Irregular award of tender

Misusing special provisions of award of work in the cases of extreme urgency, three Executive Engineers of the Minor Irrigation Department awarded 126 contracts valuing Rs.5.85 crore without calling for tenders.

The Government of Manipur, Minor Irrigation Department set up a three man committee (TMC) consisting of Chief Engineer/Additional Chief Engineer, Superintending Engineer and Executive Engineer for each division to award works up to Rs.5 lakh without call of tenders in the cases of extreme urgency at the current Schedule of Rates subject to following conditions:

- The value of the contract shall not exceed the estimated cost of the work;
- Works shall be completed within the stipulated time;
- Convincing reasons shall be recorded in writing for not resorting to tender; and
- Such award of work shall be done only in cases of extreme urgency and there is no adverse observation by the Accountant General.

Test-check (August/September 2004) of records of the Executive Engineers of Minor Irrigation Division I, II and III, Lamphelpat revealed that during four years (2001-04), 126 works valued at Rs.5.85 crore¹ were awarded by the three man committee of the divisions without call of tenders to 41 contractors. The value of the contracts was 3.11 *per cent* above the estimated cost in the aggregate and reasons for not resorting to tender (open or limited) or extreme urgency which required short-circuiting the procedure were not found on record.

None of these works were completed within the stipulated period and were delayed by 12 to 24 months (October 2005). The department stated that the balance works would be completed by December 2005. No action was taken against the contractors for the delays. The Department also failed to cancel the orders and get the balance works executed through other contractors.

As per State Government orders, the three man committee could award works without call of tender only in cases of extreme urgency. It was noticed in audit that on the recommendation of the three man committee, the divisions

¹ MID I:64 works–Rs.251.71 lakh, awarded at Rs.259.78 lakh(3.20% above the schedule rate)
MID II:18 works–Rs.119.48 lakh, awarded at Rs.122.68 lakh(2.67% above the schedule rate)
MID III:44 works–Rs.213.90 lakh, awarded at Rs.220.86 lakh(3.25% above the schedule rate)

awarded works to individual contractors in a routine manner without inviting tenders. The contractors approached the department for award of work and the department obliged them by accepting their requests. Such practice of avoiding invitation of tenders and competitive bidding is highly irregular and is fraught with the risk of frauds and undue favour or preference being accorded to certain contractors in award of works by the Government.

Award of works at 3.11 *per cent* above the estimated cost in violation of Government orders also resulted in extra expenditure to the tune of Rs.18.23 lakh.

The Chief Engineer, Minor Irrigation Department, Manipur stated that the process of TMC to award works without call of tenders was adopted to avoid time taken in issue, processing and finalisation of tenders. The reply is not acceptable as the practice of awarding works without call of tenders in cases not involving extreme urgency is irregular and in contravention of rules.

The matter was referred to Government (July 2005); their reply was not received as of September 2005.

PLANNING DEPARTMENT

4.7 Diversion of Border Area Development funds

Violating the guidelines of Central Government, the Secretariat Planning Department, Manipur diverted Rs.36.29 lakh from the Special Central Assistance under BADP for renovation of an Inspection Bungalow at Moreh.

The Central Government launched the Border Area Development Programme (BADP) for balanced development of border areas of States sharing the international border.

For effective implementation of the programme, the guidelines issued by the Government of India required the State Governments to undertake a study of remote villages in the border blocks to assess the needs of the people and the critical gaps in the physical and social infrastructure in these border areas. Only the schemes which addressed problems such as inadequacies relating to provision of essential needs, strengthening of the social infrastructure, filling up critical gaps in the road network *etc.*, were to be taken up under this programme. Emphasis was to be laid on schemes for employment generation, production oriented activities and schemes which provide for critical inputs in the social sector.

BADP was a *cent per cent* Centrally funded programme and funds were allocated only for addressing special problems faced by the people of border areas. The guidelines clearly spelt out that these funds should not be used to replace normal State Plan flows.

Test-check of records of the Secretariat Planning Department (December 2004), Manipur, however, revealed that during 2003-04 the department had diverted Rs.36.29 lakh of the BADP funds (Rs.26.52 lakh during December 2003 and Rs.9.77 lakh during March 2004) for “Renovation and extension of Moreh Forest Inspection Bungalow” which was a rest camp of Government officials and was located in the heart of the town.

The renovation and extension of the Inspection Bungalow under the Forest Department did not have any connection with development of physical and social infrastructure for the essential needs of the people and should have been financed from State funds.

Thus, release of funds to the Forest Department for extension and renovation of the Inspection Bungalow was a diversion of Central funds for an activity ineligible under the BADP.

POWER DEPARTMENT

4.8 Blocking of funds due to excessive purchase

Excessive purchase of Swaged type Steel tubular poles led to blocking of funds of Rs.13.33 lakh for nearly nine years.

Test-check of records of Executive Engineer, Transmission Construction Division No.I, Lamphelpat (January 2005) revealed that from March to September 1996, the division had procured 1,400 numbers of swaged type steel tubular poles for the work “Construction of 33 KV High Tension electrical lines from Tengnoupal to Moreh” from a Delhi based firm against the requirement of only 595 poles (at the rate of 17 poles per kilometre) for the work.

Of these, only 1,271 poles had been utilised as of January 2005 (712 poles in the work concerned and 559 in other works) leaving a balance of 129 poles valued at Rs.13.33 lakh² still lying unutilised. The excessive purchase without immediate requirement led to blocking of Rs.13.33 lakh for nearly nine years.

The matter was reported to Government (May 2005); their reply was not received as of September 2005.

4.9 Irregular payment of Central Excise Duty

Central Excise Duty of Rs.10.59 lakh had been irregularly paid to a manufacturer without production of any proof of payment of excise duty to the Central Excise Authority by the manufacturer.

Central Excise Duty is payable by a manufacturer to the Central Excise Authority in respect of raw materials consumed by him in his premises in the process of manufacturing the products.

In April 2000, the Additional Chief Engineer placed a supply order on an Imphal based manufacturer (Messrs. Modern Iron and Steel Industries) for supply of 1,750 numbers of 8 metres long swaged type steel tubular poles at the rate of Rs.4,840 per pole. The rate was inclusive of Excise Duty of Rs.605 per pole (15 *per cent* of the basic cost of Rs.4,035 per pole) and the conditions of the supply order stipulated that any increase or decrease in the Excise Duty

² 129 poles xRs.10,333

shall be to the account of the department. Being a small scale industry, the supplier was exempted from payment of local Sales Tax.

Test-check of records of the Executive Engineer, Stores Division, Yurembam (January 2005) revealed that the manufacturer had supplied the material in full from October 2000 to May 2003 and was paid Rs.82.50 lakh after withholding a sum of Rs.2.14 lakh for time extension and Rs.0.06 lakh due to shortage of funds.

Though the manufacturer did not produce any proof of payment of the Central Excise Duty to the Central Excise Authority, the Executive Engineer concerned paid the firm full amount including the Excise Duty component of Rs.10.59 lakh³. The Government therefore, suffered an avoidable loss of Rs.10.59 lakh.

The matter was referred to Government (May 2005); their reply was not received as of September 2005.

³ 15 per cent of Rs.70.61 lakh, the basic cost of 1750 poles

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.10 Infructuous expenditure

Expenditure of Rs.7.79 lakh on laying of RCC foundation for construction of an overhead tank proved unfruitful as the overhead tank was not constructed.

As the existing capacity of 0.166 million litres a day (MLD) of the Wangoi Water Supply Plant, which was designed at the rural standard of 40 litres per capita a day (LPCD), could not meet the increasing water requirement of the whole Wangoi town, a new project for augmentation of the existing plant was taken up during August 1999 at an estimated cost of Rs.1.25 crore with the objective of meeting the demand of 0.850 MLD and to enhance the per capita water supply to 70 LPCD for the town. The project comprised several components, including one overhead water storage reservoir of 15,000 gallons capacity.

Test-check of records (August 2002) of the implementing division (Other Town Division), however, revealed that though all the components of the project had already been completed, the overhead reservoir had still not been constructed till the date of audit. It was seen that the reinforced cement concrete foundation for laying the overhead reservoir was constructed at a cost of Rs.7.79 lakh in February 2001 but further work for construction of the overhead reservoir was not taken up.

To an audit query, the Executive Engineer concerned stated (October 2004) that as the total expenditure on the project had far exceeded⁴ the administrative approval and the sanctioned cost, construction of the overhead reservoir could not be taken up. He, however, added that water supplies to the public were made by boosting the water to the main distribution pipelines using electrical pumps. During discussion of the audit paragraph with the departmental officers, it was disclosed that the overhead reservoir had not been constructed till October 2005 and the division had no option but to continue to boost the water to the main distribution pipelines using electrical pumps.

Thus, the expenditure of Rs.7.79 lakh incurred on construction of the foundation for laying the overhead reservoir proved unfruitful.

The matter was referred to Government in May 2005; their reply was not received as of September 2005.

⁴ Spent Rs.1.73 crore against the sanctioned cost of Rs.1.25 crore.

PUBLIC WORKS DEPARTMENT

4.11 Injudicious payment

Payment of Rs.8.78 lakh was made to a contractor for a survey work not actually done by him.

The North Eastern Council provides funding for certain projects for improvement of roads in the State. In March and September 2003, North Eastern Council Division No.II, Imphal awarded nine work orders to a contractor for survey and investigation of three roads — Tadubi-Pfutsero Road (0-7.5 km), Churachandpur- Singhat Road (0-32 km) and Singhat-Sinzawl-Tuivai Road (0-128.17 km) at the total cost of Rs.37.51 lakh. Survey and investigation reports were required for submission to the North Eastern Council for their approval.

Examination of records of NEC Division No-II (November 2004) disclosed the following irregularities:

Work orders issued without calling tenders

All the nine work orders valuing Rs.37.51 lakh, the technical sanctions of which were accorded by the Additional Chief Engineer-I of the department, were awarded irregularly by the division to one contractor without calling tenders.

Payment made without actual execution of works

Any survey and investigation work for improvement of roads involves examination of the existing pavements, cross sections of the road and cross drainages and to propose changes/improvements on the basis of the desirable strength vis-à-vis the available strength.

The Superintending Engineer therefore ordered (March 2003) the division to incorporate the following conditions in the work orders for survey and investigation work for compliance by the contractor:

- Proposed and existing details of the cross-sections of the roads should be given for every 30 metres.
- Design of the pavement should be based on two or three soil sample tests to be conducted for every kilometre.
- The contractor should prepare a preliminary report and rough cost estimate.

- The contractor must prepare a detail project report (DPR) based on the proposed final centre line, including estimates for construction/reconstruction of cross drainages as per Indian Road Congress standard.
- The contractor must submit all the drawings, estimates and reports in 15 sets in addition to mother sheets, floppies and compact discs.

Audit examination disclosed that while issuing the work orders (March 2003 and September 2003), the Executive Engineer (EE) did not include the above specific conditions in the work orders ignoring the directions of the SE.

Further, despite specific requisition being made during audit, the EE could not produce soil testing documents, preliminary reports, rough cost estimate, DPR and other connected documents which the contractor was required to submit as a proof of survey work actually being carried out. The measurements recorded in the measurement books (MB) did not mention details of these items of work except the distance covered by the contractor, the rate allowed and the payment due to him.

Examination of Site Plans and L-Sections of the DPR for one road (Singhat-Sinzawl-Tuivai Road) submitted by the department to NEC revealed that these were prepared during the period from February to April 2003 *i.e.* earlier than the issue of the work orders to the contractor in September 2003 and therefore, the DPR submitted to the North Eastern Council cannot be considered to have been prepared by the contractor.

Non-availability of necessary documentation such as soil testing records, preliminary reports, rough cost estimates, DPR or any other documentary evidence to prove actual execution of survey and investigation work by the contractor indicates that the department made payments to the contractor without the survey work actually being carried out by him. The payment of Rs.8.78 lakh made to the contractor for Singhat-Sinzawl-Tuivai Road (0-44 Km) is, therefore, a loss to the Government.

In all, the contractor had so far been paid Rs.15.94 lakh up to March 2004 for four strips in respect of two roads, including Rs.8.78 lakh for Singhat-Sinzawl-Tuivai road. In addition, another bill for Rs.21.58 lakh was awaiting payment for the remaining strips.

The matter was referred to Government in May 2005; their reply was not received as of September 2005.

4.12 Irregular award of tender

Four divisions of the Public Works Department awarded 83 contracts valuing Rs.5.08 crore for execution of normal repair and maintenance works without calling tenders.

The Government of Manipur, Works Department set up a three man committee (TMC) consisting of Chief Engineer/Additional Chief Engineer, Superintending Engineer and Executive Engineer for each division to award works up to Rs.5 lakh without call of tenders in cases of extreme urgency at the current Schedule of Rates subject to following conditions:

- The value of contract shall not exceed the estimated cost of the work;
- Works will be completed within the stipulated time;
- Convincing reasons should be recorded in writing for not resorting to tender; and
- Such award of work is done only in cases of extreme urgency and there is no adverse observation by the Accountant General.

Test-check (August-November 2004 and February 2005) of records of four divisions⁵ revealed that during the period from July 2000 to April 2004, 83 works valued at Rs.5.08 crore were awarded by the three man committee of the divisions without call of tenders. The value of these contracts was 5.6 *per cent* above the estimated cost and reasons for not resorting to tender (open or limited) and extreme urgency which required short circuiting the procedure were not found on record.

As per State Government orders, award of work by the TMC without call of tender was to be done only in cases of extreme urgency but it was noticed in audit that on the recommendation of TMC, the divisions awarded works to individual contractors in a routine manner without inviting tenders even in cases of normal annual repairs, maintenance, improvements of roads *etc.* Contractors made specific requests to the department for award of work and the department obliged them by accepting their requests. Such practice of avoiding invitation of tenders (open or restricted) and competitive bidding in normal cases of repair and maintenance is irregular and leads to undue preference being accorded to certain contractors in award of works.

Works were awarded for Rs.3.36 crore at 5.6 *per cent* above the estimated cost (Rs.3.18 crore) in violation of Government orders, which resulted in extra expenditure of Rs.17.72 lakh.

The matter was referred to Government (July 2005); their reply was not received as of September 2005.

⁵ Engineering Cell Education Division, Imphal, Building Division No.IV, Imphal, Sadar Hills Division, Lamphelpat and Bishnupur Division, Bishnupur.

4.13 Delay in construction of educational buildings

Failure of the Stores Division, Public Works Department to supply construction material worth Rs.1.61 crore resulted in inordinate delay in construction of 107 primary school buildings and three college buildings.

The Executive Engineer, Engineering Cell Education Division, Imphal made an advance payment of Rs.177.46 lakh (March 1998: Rs.71.87 lakh, March 2002: Rs.105.59 lakh) to the Stores Division of the department for supply of corrugated galvanized iron sheets and steel rods for construction of 107 primary school buildings and three college buildings in the State.

From June 1998 to September 2001 the Stores Division could supply material valuing Rs.16.19 lakh only against the total demand of material worth Rs.177.46 lakh. Being unable to execute the order fully, it refunded Rs.132.12 lakh to the Engineering Cell and the balance Rs.29.15 lakh was yet to be refunded as of September 2005. Details of advances paid, material supplied and refunds made are given in the table below:

Year	Advance paid	Stores supplied	Amount refunded
(Rupees in lakh)			
1998-99	71.87	16.19	
1999-2000			1.13
2000-01			
2001-02	105.59		55.66
2002-03			75.32
2003-04			
2004-05			
Total	177.46	16.19	132.12

Thus, the Stores Division failed in its responsibility to promptly procure and supply materials to other divisions under the department for construction of important buildings and projects and also did not promptly refund the amounts to the division concerned when the required stores were not available with it.

Apart from blocking funds of Rs.29.15 lakh, the inefficiency on the part of Stores Division resulted in delay in construction of 107 primary schools and three college buildings in the State for periods ranging up to three to four years.

The matter was referred to Government (June 2005); their reply was not received as of September 2005.

4.14 Non-employment of technical staff by the contractors

Violating terms of the agreements, three divisions did not recover penalty of Rs.27.65 lakh due from 24 contractors for non-employment of technical staff in their contract works.

Standard conditions of contract for execution of public works prescribe that the contractor shall employ one graduate engineer or one diploma holder with five years experience when the cost of work to be executed is more than Rs.5 lakh, and one qualified diploma holder in case the work costing more than Rs.2 lakh but less than Rs.5 lakh. Such technical staff should be available at work site whenever required by the Engineer-in-charge to take instructions on technical matters. In case the contractor fails to employ such technical staff, he should be liable to pay for each month of default a reasonable amount not exceeding Rs.2,000 (revised to Rs.4,000 from July 1996) in the case of works costing above Rs.5 lakh and Rs.1,000 (revised to Rs.2,000 from July 1996) in the case of works costing above Rs.2 lakh but less than Rs.5 lakh.

Test-check of records of three divisions—Engineering Cell Education Division, Imphal, Building Division No. IV, Imphal and Sadar Hills Division, Lamphelpat, during August to September 2004, however, disclosed that 24 contractors failed to comply with this requirement in 24 works executed during the period from April 1992 to October 2004. As a result they were liable to pay a compensation of Rs.27.65 lakh in terms of standard conditions of contract. Yet the divisions did not recover these dues from the contractors for reason not on record.

While accepting the facts, the Chief Engineer stated (October 2005) that the penalties due thereon would be recovered from the defaulting contractors.

The matter was referred to Government (July 2005); their reply was not received as of September 2005.

4.15 Idle outlay on machinery

One Hot Mix Plant costing Rs.25.44 lakh and one Paver Finisher costing Rs.9.37 lakh were procured without immediate requirement. The machinery could be put to use only for 30 days in the last 10 years resulting in unproductive expenditure.

The department procured a Maruti Double Drum Hot Mix Plant for construction of roads at a cost of Rs.25.44 lakh in June 1995 and a Maruti Paver Finisher costing Rs.9.37 lakh in February 1995. After seven years of their procurement, the two machines were issued to National Highway Division No.III (NH III), PWD for the first time in November 2002 for 30 days (Hire charge of Hot Mix Plant: Rs.8,125 per day and Paver Finisher: Rs.2,496 per day). The machines were not put to use further after utilization in NH III Division for 30 days. Hire charge so far received against the two machines was Rs.3.19 lakh only (Rs.2.44 lakh for Hot Mix Plant and Rs.0.75 lakh for Paver Finisher) in the last 10 years. Long idle period indicates that the machines were purchased without proper assessment of their requirement and cost effectiveness. Further, despite large number of roads being constructed in the State under PMGSY and other schemes since 2000-01, the department failed to explore the possibilities of putting these expensive machines into use for mechanised construction of roads.

On this being pointed out by Audit, the Executive Engineer concerned (Mechanical Division No.I, Chingmeirong) stated that action was being taken to re-activate the Hot Mix Plant. In a departmental reply furnished in September 2005, the Chief Engineer stated that the machines could not be used in State road works as the estimates provided for manual labour only. He also stated that the hire charges of these machines were also very high. He, however, assured that these idle machines would be used in new National Highway works.

Thus, Hot Mix Plant and Paver Finisher costing Rs.34.81 lakh were purchased without requirement and were not put to use except for the small period mentioned earlier during the last 10 years since their procurement which not only resulted in the machine lying idle but also frustrated the very purpose of procurement of the machines for mechanized construction of roads in the State.

The matter was referred to Government (July 2005); their reply was not received as of September 2005.

GENERAL

4.16 Lack of response to Audit

1641 paragraphs pertaining to 271 inspection reports involving Rs.187.17 crore concerning Public Works Department were outstanding as on 1 October 2005. Of these, 126 inspection reports containing 680 paragraphs have remained unsettled for more than 10 years.

Accountant General (Audit) conducts periodical inspection of Government departments to test-check financial transactions and to verify that important accounting and other records are maintained as per prescribed rules and procedure. Irregularities noticed in inspection are communicated through inspection reports (IRs) issued to the Heads of the inspected offices with copies to their next higher authorities. The Heads of offices are required to take corrective actions on IRs and rectify the defects and omissions promptly. The paragraphs in IRs are treated as settled or otherwise on the basis of replies furnished/action taken by the inspected offices.

IRs issued up to March 2005 pertaining to different offices of the Public Works Department disclosed that 1,641 paragraphs relating to 271 IRs involving Rs.187.17 crore remained outstanding at the end of September 2005. Year wise position of the outstanding IRs is detailed in *Appendix-XXX*. Of these, 126 IRs containing 680 paragraphs had remained unsettled for more than 10 years for want of replies from the departmental officers.

Some of the important irregularities contained in 11 paragraphs involving Rs.2.01 crore commented upon in the outstanding IRs of the department which had not been settled as of September 2005 are indicated below:

Sl. No.	Nature of Irregularities	No. of Paras	Amount (Rs. In lakh)
1.	Idle outlay	1	114.00
2.	Excess payment	5	8.82
3.	Wasteful expenditure	3	53.32
4.	Undue aid to contractor	1	20.00
5.	Blockade of Government money	1	4.90
	Total:	11	201.04

The Heads of offices failed to furnish replies to a large number of IRs. Even first replies to 347 paragraphs pertaining to 54 IRs issued during last five years from 2000-01 to 2004-05 were still awaited. The Department did not take any corrective measures as per observations made by Audit and thereby

facilitated/encouraged continuation of the financial irregularities and loss to the Government.

For settlement of outstanding inspection reports and paragraphs, the Government, as far back as May 1992, set up Audit Committees and Audit Sub-Committees at the Secretariat and the Directorate level respectively. But the response of the department in holding Audit Committee meetings was unsatisfactory.

It is, thus, recommended that the Government should give priority to these matters and put effective procedure in place to ensure that (i) replies to IRs are furnished within prescribed time limit by departmental officers, and (ii) action is taken against officials who fail to respond to IRs for such long periods.

4.17 Delays in submission of annual accounts by Autonomous District Councils

Manipur (Hill Areas) Autonomous District Councils

Hill areas of Manipur are divided into six Autonomous Districts with each having its own District Council. These councils are governed by the Manipur (Hill Areas) District Council Act, 1971 and their functions *inter alia* include construction, repair and maintenance of roads, bridges, canals and buildings, establishment, maintenance and management of primary schools, dispensaries, markets *etc.*, supply and storage of drinking water, public health and sanitation *etc.* The councils have powers to levy taxes on professions, trades, callings and employments, taxes on animals, vehicles and boats, toll tax, taxes on maintenance of schools, dispensaries, roads and any other tax falling under List II of VIIth Schedule of the Constitution.

These Autonomous District Councils (ADCs) for Senapati, Ukhrul, Tamenglong, Churachandpur, Chandel and Sadar Hills are autonomous bodies and are audited under Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Every ADC is required to prepare annual accounts at the end of each financial year in the prescribed form and Rule 63 of the Manipur (Hill Areas) District Council Rules, 1972 specifically lays down that the council would forward a copy of the annual accounts to the Governor before the 1st of August each year.

ADCs in violation of the provisions of the above rules have not been submitting their accounts to Audit regularly. The position regarding arrears in certification of accounts of ADCs is given in *Appendix–XXXI*.

The matter regarding delay in submission of accounts by ADCs had been reported in the Audit Reports year after year and it was also brought to the

notice of the Commissioner (Hills), Government of Manipur and the Chief Executive Officers, ADC, Senapati in June 2005 and ADCs Ukhrol and Tamenglong in September 2005. No action has been taken by ADCs to liquidate arrears in accounts and bring the position up-to-date.

Due to delay on the part of the ADCs in submitting their accounts, the Legislature of the State was deprived of the information, status, working and financial results of these Councils. Delay in compilation of accounts, is fraught with the risk of embezzlement, misappropriation and loss of records.

Further, the forms of accounts of the Manipur (Hill Areas) District Councils are to be prescribed by the State Government in consultation with the Accountant General according to the provisions of Section 43 (4) of the aforementioned Act read with Rule 90 of the said Rules. The six ADCs in the State were established 32 years ago but the forms for keeping and rendering their accounts are yet to be prescribed by the Government. In the absence of prescribed forms of accounts, even basic principles of accounting were not followed by these councils. The matter was brought to the notice of the State Government and ADCs through separate Audit Reports but no action has been taken so far.