

OVERVEIW

This Report includes two chapters containing observations of Audit on the Finance Accounts and Appropriation Accounts of the State for the year 2006-07 and five other chapters with six performance reviews, including the review on internal control system in Health Department, 30 paragraphs dealing with the results of audit of selected schemes, programmes and the financial transactions of the Government and its commercial and trading activities.

Copies of the performance reviews and paragraphs were sent to the Commissioners/Secretaries of the Departments concerned by the Accountant General for furnishing replies within six weeks. All the reviews were discussed with the concerned Commissioners/ Secretaries and other officers of the State Government. Replies were received in respect of four audit paragraphs.

1. Finances of the State Government

The fiscal position of the State viewed in terms of the key fiscal parameters – revenue, fiscal and primary deficit – has indicated a mixed trend in 2006-07 relative to the previous year, i.e. revenue surplus has shown a marginal improvement of Rs.43 crore while the other parameters exhibited significant deterioration. Even the improvement in revenue surplus needs to be viewed in the light of the fact that debt waiver pertaining to 2005-06 was also adjusted in Finance Accounts of the current year. Had the adjustment on account of debt waiver been made in relevant years, *ceteris paribus*, the improvement in revenue surplus would have been only marginal (Rs.5.46 crore) and fiscal and primary deficits would have further deteriorated by Rs.37.54 crore. Moreover, the fiscal performance of the State *vis-à-vis* targets set in FCP/MTFPS as well as the stipulations prescribed under FRBM Rules indicates dismal picture during the current year. Apart from the fact that 89 *per cent* of State's revenue receipts are being contributed by Central transfers comprising of State's share of Union taxes and duties and grants-in-aid from GOI, the expenditure pattern of the State reveals that the revenue expenditure as a *percentage* to total expenditure although indicated a declining trend, still constituted around 72 *per cent* during the current year leaving inadequate resources for expansion of services and creation of assets. Within revenue expenditure, NPPE at Rs.1995 crore in 2006-07 constituted around 83 *per cent* and remained significantly higher than the normatively assessed level of Rs.1430 crore by TFC for the year. The continued prevalence of fiscal and primary deficits in the Finance Accounts of the State indicates the increasing reliance of the State on the borrowed funds resulting in increasing fiscal liabilities over this period. The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to unsustainable debt situation in medium to long run unless suitable measures are initiated to compress the non-plan revenue

expenditure and to mobilize additional resources both through the tax and non-tax sources in ensuing years.

(Paragraph 1.1)

2. Allocative Priorities and Appropriation

The overall saving of Rs.118.13 crore was the result of saving of Rs.400.92 crore in 71 cases of grants and appropriations offset by excess of Rs.282.79 crore in 13 cases of grants. The excess of Rs.282.79 crore requires regularisation under Article 205 of the Constitution.

Supplementary provision of Rs.83.94 crore made in 14 cases during the year proved unnecessary as the expenditure in each case was even less than the original provision.

(Paragraph 2.1)

3. Performance reviews (CIVIL)

Home Department

3.1 Modernisation of State Police Force

The scheme 'Modernisation of Police Force' is an important initiative of Ministry of Home Affairs (MHA) and is under implementation in Manipur since 1969. Manipur has been classified as 'A' category State under the scheme and accordingly receives 100 *per cent* Central assistance for modernisation of its Police Force.

Although the Manipur Police Housing Corporation had spent only Rs.7.02 crore up to March 2007 on construction of police stations, buildings and barracks, it showed an expenditure of Rs.18.97 crore.

There was 30 to 51 *per cent* shortage of vehicles impacting the mobility of the force adversely.

Despite acute shortage of residential buildings, the satisfaction level achieved as of March 2007 was only 11 *per cent* which is very poor in insurgency prone State of Manipur.

The objective of sharing/disseminating information with other police organisations/CPMF through POLNET system could not be achieved despite spending Rs.2.63 crore.

Forensic science laboratory was not functioning properly due to 82 *per cent* vacancies in respect of technical posts. Also, 73 to 82 *per cent* cases were pending during 2002-07 for want of analysis in FSL.

Shortfall of arms and ammunitions ranged from 17 to 100 *per cent* and 37 to 95 *per cent* respectively, which hindered the capacity of the force to combat insurgency.

(Paragraph 3.1)

Public Health Engineering Department

3.2 Imphal Water Supply Scheme

The State Government failed to formulate its State Water Policy as envisaged in the National Water Policy 2002 leading to absence of policy initiatives and directives. Baseline survey for assessing actual requirement of potable water and preservation of water resources had never been conducted. Contamination of water was prevalent due to inadequate and ineffective water treatment, leakages and unauthorised diversions. Improvement and augmentation works could not be executed in a timely manner. Non- revision of water tariff and laxity in revenue collection led to wide gap between the revenue realized and O&M costs. Supply of quality drinking water could not be ensured due to lack of effective quality control mechanism.

Of the Central assistance of Rs.33.97 crore, the State Government was yet to release Rs.1.16 crore to the implementing agency.

Revenue amounting to Rs.7.41 crore was yet to be collected as of March 2007. The cost of operation and maintenance far exceeded the revenue billed.

Wastage in the system was as high as 30 *per cent* as against the Central norm of 10 *per cent*. Unless the abnormal wastage is checked, there is no possibility of meeting even the present requirement of 97 MLD.

Quality control was found to be inadequate. En-route contaminations were not checked and there were numerous instances of water-borne diseases.

(Paragraph 3.2)

Education Department

3.3 Sarva Shiksha Abhiyan

The programme was launched in 2001; however actual implementation of the programme in the State could begin only in 2004 due to legal wrangles. The delay has had a cascading effect on capacity building (both physical and human), adversely affecting the overall objectives. The implementation of the programme was plagued by delays, lack of full time administrator, absence of financial control over expenditure and lack of participatory approach in planning. Thus, there was little impact of various initiatives and interventions at the ground level.

Proper planning for implementation of the programme could not be done as there was no Perspective Plan and the implementation was based on inaccurate data in the absence of a proper household survey report.

1,349 out of 4,850 habitations were still without access to primary school/EGS up to the end of 2006-07.

The objective of having all children in school by the year 2005 could not be achieved. Even up to the end of March 2007, 12 *per cent* of the children in the age group 6–14 years remained out-of-school.

Teacher pupil ratio was 1:20 as against the norm of 1:40 in Government schools. 396 out of the 2,029 primary schools in the State had only a single teacher.

SMA incurred excess expenditure of Rs.1.29 crore on management cost in contravention of SSA guidelines.

(Paragraph 3.3)

Department of Development of Scheduled Castes and Scheduled Tribes

3.4 Educational Development of Scheduled Castes and Scheduled Tribes in Manipur

The Department for Development of Tribals and Scheduled Castes was implementing various schemes for the educational development of Scheduled Castes (SCs) and Scheduled Tribes (STs) in Manipur during 2002-07. Non-Governmental Organisations were also involved in the implementation of the schemes. Performance review revealed that the schemes were not being effectively implemented in the State thereby resulting in the target groups being deprived of most of the benefits provided under these schemes.

Gross drop out rate of ST students remained alarmingly high throughout the years for all age groups.

Five hostel buildings had been used as colleges/schools, defeating the purpose for which the buildings were constructed.

There was delay ranging from 6 to 20 months in supply of books by the firms thereby depriving timely benefits to the SC/ST students.

Ashram school buildings are in a dilapidated state and no requisite facilities were provided to the students due to lack of funds. The buildings have become unsuitable for running classes.

(Paragraph 3.4)

4. Audit of Transactions (Civil)

Fraud/misappropriation/embezzlement/losses

Pensionary benefits amounting to Rs.92.31 lakh were fraudulently paid during 2004-07 on fictitious PPOs/GPOs in the Thoubal Treasury.

(Paragraph 4.1)

Rupees 10.45 lakh was withdrawn fraudulently from the accounts of four subscribers from their General Provident Funds Accounts.

(Paragraph 4.2)

Rupees 32.90 lakh had been paid to a contractor on the basis of fictitious measurements.

(Paragraph 4.3)

Allowing a lead of 17 kms for earth quarry, while the earth was actually transported from a distance of 1-2 kms, led to undue benefit to the contractor by Rs. 1.93 crore.

(Paragraph 4.4)

Inflating the quantum of work done over the capacity of the machinery used, the Department had billed Rs.23.07 lakh in excess of the quantity of work possible.

(Paragraph 4.5)

Rupees 27.06 lakh was paid to two contractors before execution of work by the Executive Engineer, Ukhrul Division.

(Paragraph 4.6)

Payment for Rs.19.94 lakh had been made to a supplier without receiving the goods.

(Paragraph 4.7)

Rupees 1.51 crore were spent on procuring 503 cows meant for distribution to selected beneficiaries of Minorities and Other Backward Classes. In the absence of any record pertaining to the receipt and distribution of these cows, the expenditure could not be vouchsafed in Audit.

(Paragraph 4.8)

Excess payments/wasteful/infructuous expenditure

Rupees 1.80 crore was paid to a construction agency as cost escalation at pre-revised rate resulting in excess payment.

(Paragraph 4.10)

Health Department

5. Internal control system

Internal control system is a process by which an organisation directs its activities to achieve its objectives. Such a system consists of methods, systems and procedures for protecting resources from waste, loss, theft, misuse or mismanagement and provides reasonable assurance that the organizational goals and objectives are achieved. Evaluation of the internal control system in the Health Department revealed deficiencies in its budgetary, financial, administrative and supervisory controls, non-maintenance of basic records and non-reconciliation of expenditure. Internal audit arrangements were also deficient and unable to provide assurance against possibilities of financial irregularities. These lapses adversely affected delivery of primary health care services in the State.

Unrealistic budget estimates resulted in overall savings of Rs.81.82 crore during 2002-07 affecting State's financial interest and hindering departmental activities.

Ineffective internal control resulted in non-adjustment of Abstract Contingent bills amounting to Rs.45.18 crore for a period ranging from five months to five years.

Huge vacancies of Medical Officers (16 *per cent*) and Group C posts including essential para-medical staff (20 *per cent*) adversely affected the health care delivery service to the public.

(Paragraph 5.1)

6. General

Trend of revenue receipts

(Paragraph 6.1)

Audit of transactions (receipts)

Non-application of the correct rate of energy charges led to short levy of Rs. 29 lakh.

(Paragraph 6.2)

Short levy of energy charges by Rs. 14.23 lakh.

(Paragraph 6.3)

Revenue of Rs. 4.27 lakh was not deposited in Government account in violation of rules.

(Paragraph 6.4)

Defective decision of a Government department led to non-realisation of revenue and undue benefit to the contractors of Rs. 71.69 lakh.

(Paragraph 6.5)

Interest amounting to Rs. 4.78 lakh was not realised on delayed payment of tax.

(Paragraph 6.6)

Timely action was not taken to recover outstanding dues of Rs. 8.29 lakh as arrear of land revenue.

(Paragraph 6.7)

Non-realisation of professional tax of Rs. 55.45 lakh from the permit holders of mill owners and motor vehicles due to inaction on the part of assessing authorities.

(Paragraph 6.8)

7. Commercial

7.1 *General overview of Government companies and Statutory corporations*

As on 31 March 2007, there were 15 Government companies (eight working and seven non-working) in the State. The total investment in working Government Companies was Rs.39.37 crore.

(Paragraphs 7.1 and 7.2.1)

The accounts of eight working Government companies were in arrears for periods ranging from 10 to 24 years.

(Paragraph 7.4.3)

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

(Paragraph 7.5.2)

One loss making company (Manipur Handloom and Handicrafts Development Corporation) had accumulated losses aggregating Rs.2.21 crore which

exceeded its paid up capital of Rs.1.20 crore but continued to receive financial support from the Government.

(Paragraph 7.6.2)

The total investment in seven non-working PSUs (all non-working Government companies) was Rs.72.74 crore as on 31 March 2007.

(Paragraph 7.8.1)

7.2 Performance Review on the working of Manipur Film Development Corporation Limited

The Manipur Film Development Corporation prepared a draft Manipur State Film Policy in 2004 after seven years of its incorporation. The draft policy was submitted to the State Government of Manipur in 2005 which was yet to be approved.

Delay ranging from one year to 11 years in release of meagre financial assistance to the film producers and non-production of celluloid Manipuri films after 2005 proved casual approach and lack lustre performance of the Company in promotional activities.

The accounts of the Company were not finalised for past thirteen years as required under Section 166, 210, 230, 619 and 619 (B) of the Companies Act, 1956.

Five meetings of the Board of Directors were held during the last five years against requirement of twenty meetings as per Companies Act, 1956. This prevented any mid-term evaluation of the performance of the Company.

Only one AGM was held during last five years which discussed the Director's Report for 1991-92.

(Paragraph 7.15)

7.3 Audit of Transactions (Commercial)

Manipur Industrial Development Corporation limited incurred a loss of Rs.24.18 lakh due to delay in payment of outstanding dues of Subsidiary Company and extended loan of Rs.19.50 lakh to Subsidiary Company which was under liquidation since January 2003.

(Paragraphs 7.16 and 7.17)

Manipur Spinning Mills Corporation Limited suffered loss of Rs.9 lakh due to improper financial management.

(Paragraph 7.18)