CHAPTER IV

AUDIT OF TRANSACTIONS

AGRICULTURE DEPARTMENT

4.1 Unfruitful outlay on Cold Storage Plant

Lack of proper planning and defective execution of the project rendered the investment of Rs.1.29 crore on setting up of a cold storage plant at Mantripukhri, Imphal totally unproductive and infructuous. The plant commissioned in June 2000 for storing surplus fruits and vegetables remained non-operative since its commissioning due to lack of demand from farmers and defective design which rendered it unsuitable for low quantity storage.

To minimise post harvest loss of perishable agricultural products, the Government of Manipur decided in 1986 to set up a multipurpose cold storage plant with a total storage capacity of 1,000 tonnes at Mantripukhri, Imphal for storing surplus potatoes, vegetables, fish, eggs, seed potatoes and fruits produced by the growers in the state. The work of construction of building and supply and installation of the plant, which consisted of six chambers for storage of different products, was completed in December 1994 at a total cost of Rs.1.04 crore. The plant was commissioned after about $5^{1}/_{2}$ years (June 2000) with an additional expenditure of Rs.24.90 lakh. The delay in commissioning was due to technical problems as reported by the Department (August 2004).

Test-check (July-August 2004) of records of the Director of Agriculture revealed that only seven months after being commissioned, the plant was shut down in January 2001 due to (i) lack of commodity to be stored, (ii) lack of skilled manpower, (iii) erratic power and water supply and (iv) insufficient funds for running the plant. Since commissioning, only one to two tonnes of commodities were stored in the plant for about one month as against its storage capacity of 1,000 tonnes.

According to the project report prepared in 1986, the plant, by storing the surplus produce, was expected to help the growers in selling them at reasonable prices in lean seasons. On completion of the plant in 2000, growers however, did not utilise the facility at all and the defective design of the plant further compounded the problem as it did not permit operation of six storage chambers separately as per actual storage needs from time to time. Due to erratic power supply in the state, the plant had to run with a stand-by power generator for long hours further increasing the operational costs.

After the shut down of the plant, attempts were made to lease it out to a suitable private party/entrepreneur, but despite publication of notices in local newspapers, no one turned up in response.

Thus, installation of the cold storage plant without ensuring availability of commodities for storage, adequate power and water supply, requisite skilled manpower and sufficient fund for running it, rendered the plant non-functional since its commissioning in June 2000. Further, an expenditure of Rs.26.65 lakh was incurred on payment of salaries to the existing staff (1 Assistant Engineer, 1 Refrigeration Mechanic and 1 Electrician) who remained largely idle since commissioning of the plant till October 2004.

The matter was reported to Government in August 2004; in reply (October 2004) the Government accepted that the plant had no mechanism to operate each of six chambers separately thus making it difficult to use the cold storage plant economically depending on the actual requirement of the chambers. In a subsequent reply (January 2005), the Department also stated that the annual consumption of fruits and vegetables in the state was much higher as compared to the annual production and therefore, there was no surplus commodity to be stored in the cold storage plant. The reply of the Department confirms that no proper study was conducted, before establishment of the plant, to assess the actual storage needs of the farmers in the State based on production and consumption patterns of these crops. Thus, lack of proper planning and defective execution of the project resulted in unproductive and wasteful expenditure of Rs.1.29 crore on setting up this plant.

4.2 Irregular drawal of funds without immediate disbursement

Rupees 26.03 lakh was drawn from treasury and retained by a Drawing and Disbursing Officer for periods ranging between 5 and 14 months in violation of Central Treasury Rules.

Rule 290 of Central Treasury Rules (CTR) Volume I 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 in anticipation of demands or in order to prevent the lapse of budget grants. Rule 306 of CTR provides that money under Fully Vouched Contingent charges should be drawn from treasury in Form TR 30 showing full details of charges and number of sub-vouchers enclosed in support of supplies received/liabilities incurred.

Test check (June 2004) of records of the Seed Production Officer, Regional Pulses and Oilseed Production Farm, Gamphazol revealed that Centrally Sponsored Scheme funds for Oilseeds Production Programme (OPP) amounting to Rs.26.03 lakh were drawn under four Fully Vouched Contingent (FVC) bills between March 2003 and December 2003 without enclosing any sub-vouchers to the bills indicating details of supplies received/liabilities incurred. The amounts remained undisbursed with the DDO (Seed Production Officer) till the date of audit (June 2004) for periods ranging between five to 14 months. The details of drawal were as under:

Sl. No.	Date of drawal	Amount drawn (Rs. in lakh)	Purpose of drawal
1.	31 March 2003	3.08	Procurement of Micro-nutrients and Quinalphos
2.	8 July 2003	9.75	Farmers' training (65 Nos.)
3.	6 December 2003	6.00	Production of Seeds
4.	6 December 2003	7.20	Farmers' training (48 Nos.)
	Total	**26.03**	

Drawal of these amounts from treasury violated the spirit of drawal under Fully Vouched Contingent charges and their retention by the DDO for five to 14 months implied that the amounts were not required for immediate disbursement.

On this being pointed out in audit, DDO stated in August/September 2004 that keeping in view the State's financial health, the bills were encashed at the earliest possible instance for timely implementation of agricultural programmes. DDO further intimated in September 2004 that the amounts had since been disbursed fully to the payees.

The reply of the DDO is not tenable as while the State Government was facing acute financial crisis, large amount of funds were drawn in anticipation of future demands, which remained locked up with the DDO without any immediate utilization.

The matter was brought to the notice of Government in July 2004. In reply while accepting the facts (October 2004), Government noted the audit observation for future guidance.

ECONOMICS AND STATISTICS DEPARTMENT

4.3 Unproductive expenditure

Non-utilisation of services of five drivers of off-road vehicles led to unproductive expenditure of Rs.20.46 lakh on payment of salaries.

Test-check of records of the Director, Economics and Statistics, Manipur, Imphal (July 2003) revealed that five vehicles, purchased between 1978 and 1982, were off-road for periods ranging from two to eight years as of July 2003. Five drivers against these vehicles remained mostly idle and their services were not fully utilised by the Department.

On this being pointed out in audit, the Director replied (June and September 2004) that one vehicle had been repaired since 10 August 2003 and one driver was being utilised against that vehicle. Another driver was utilised periodically (7/12/1999 to 6/3/2000 and 19/5/2003 to 5/2/2004) in other establishments and two more drivers were also lent out to other establishments from November 2003 to February 2004. The fifth driver was being utilised in the Directorate during the absence of other drivers. Details of period of idleness of the drivers are indicated in *Appendix–XXVII*.

The reply of the Director confirmed the Audit finding that most of the drivers in the Directorate were not being utilised fully. Idleness of drivers was as high as 89.40 *per cent* during the period when vehicles were off-road.

The Director paid Rs.20.46 lakh as salary to the five drivers during the period of idleness/ non-deployment. Thus, the failure of the Department to either repair the vehicles or utilise the services of these surplus drivers elsewhere resulted in an unproductive expenditure of Rs.20.46 lakh on their salaries.

The matter was referred to the Government (June 2004); in reply the Department stated (October 2004) that steps were being taken to get three idle drivers absorbed in the Secretariat. The reply is not tenable as records indicated that there were five drivers against five vehicles remaining off-road for different periods.

FOOD AND CIVIL SUPPLIES DEPARTMENT

4.4 Loss of Government money due to wrongful distribution of rice under Antyodaya Anna Yojana

Excess lifting and distribution of rice at lower price under Antyodaya Anna Yojana to ineligible beneficiaries resulted in loss of Rs.1.20 crore.

The Central scheme of Antyodaya Anna Yojana (AAY) was launched by the Government of India in December 2000. Under this scheme, 15.33 *per cent* of Below Poverty Line (BPL) households in each State were to be earmarked as beneficiaries under AAY who would be distributed 25 kg of rice per family per month (enhanced to 35 kg since 1 April 2002) at an issue price of Rs.3 per kg.

For allocation of food grains for Manipur under AAY, the Government of India projected the number of AAY households as 25,500 based on 15.33 *per cent* of number of BPL households projected in the State as 1,66,000. The actual beneficiaries were to be identified by the State Administration adopting the procedure specified elaborately in the scheme guidelines. The Government of India instructed each State Administration to ensure that only the deserving and the needy families were identified to get the benefits of AAY.

Test check (May 2004) of records of the Director, Food and Civil Supply Department revealed that the Department lifted 10,700.21 MT and 10,570.80 MT of AAY rice during 2002-03 and 2003-04 respectively for distribution to 25,500 households, as assessed by the Government of India. However, the actual number of BPL households as identified by the State for the years 2002-03 and 2003-04 stood at 1,30,000 only. The corresponding number of beneficiary households therefore, ought to have been 19,929 (15.33 *per cent* of 130000) and the required quantity of rice per year based on the actuals was 8,370.18 MT (19,929x35x12). The Department did not carry out any cross verification to settle the anomaly between the number of beneficiary households as worked out by the Government of India and that prevalent in the Departmental records. Thus, for the two years taken together there was an excess lifting and distribution of 4,530.65 MT (21,271.01-(8,370.18x2)) of AAY rice. The issue price of rice for AAY households was fixed (April 2002) by the State Government at Rs.3,470 per MT as against Rs.6,108 per MT for BPL households.

The quantity of rice so lifted and distributed in excess was simply to utilise the allocation made available by Government of India without going for proper identification of beneficiaries as per prescribed procedure. This resulted in loss of Government money to the tune of Rs1.20[1] crore, being the difference of issue price between the BPL rate and the AAY rate in respect of 4,530.65 MT of rice which were evidently distributed to families not eligible to be covered under the scheme.

[1] (Rs.6108-Rs.3470)x4530.65 MT=Rs.119,51, 854.70.

The matter was reported to Government (August 2004); in reply the Department stated (October 2004) that they had identified 25,500 beneficiaries under AAY scheme and as such no excess lifting and distribution of rice under the scheme was made. The reply is not tenable because 25,500 beneficiaries claimed to have been identified exceeds 15.33 *per cent* of the total BPL households which number 1.30 lakh, as reported by the State Government.

FOREST DEPARTMENT

4.5 Unfruitful expenditure

Short release of Government of India funds by the State Government rendered expenditure of Rs.9.75 lakh on advance work of plantation unfruitful.

Government of India, Ministry of Environment & Forest (MOE&F) sanctioned Rs.89.21 lakh during the period of IXth Five Year Plan (1997-02) for Centrally Sponsored Scheme (CSS) "Association of Scheduled Tribes and Rural Poor in Regeneration of Degraded Forest (ASTRPRDF)" with targeted coverage of 450 hectares of aided natural regeneration and 300 hectares of afforestation. An amount of Rs.70.69 lakh was released by MOE&F for the above scheme between 1998-99 and 2001-02 to the State Government of Manipur. The State Government was to ensure that funds released by the Government of India were gainfully utilised in furtherance of the approved work programme in accordance with the guidelines. The scheme was to be implemented by the Divisional Forest Officer, Western Forest Division, Tamenglong.

Test-check (March 2004) of records of the Division revealed that out of Rs.70.69 lakh provided by MOE&F, the State Government released Rs.60.69 lakh only during 1999-2000 to 2000-01 and the balance of Rs.10 lakh was yet to be released to the Division as of September 2004.

The released amount of Rs.60.69 lakh was utilised during 1999-2000 to 2001-02 for (i) coverage of 225 hectares of aided natural regeneration, (ii) 100 hectares of afforestation, and (iii) an advance work of afforestation of 175 hectares which included site clearance, burning of weeds, pit formation and creation of nursery at an expenditure of Rs.9.75 lakh incurred in 2001-02.

The Division anticipated that further work on plantation would be taken up on release of balance Rs.10 lakh by the State Government, but this did not materialise and the advance work proved totally futile due to non-plantation of saplings at the cleared site.

Short-release of Central funds to the tune of Rs.10 lakh to the implementing agency due to retention of the said amount by the State Government thus rendered the expenditure of Rs.9.75 lakh on advance work unfruitful.

The matter was brought to the notice of the Government (July 2004); in reply the Principal Chief Conservator of Forest stated (October 2004) that the nurseries so far created were in good health and pits dug up were still fit for raising the plantation. The reply confirms the audit observations that the advance action over 100 ha. carried out by the Divisional Forest Officer including raising of nursery, digging of pits by March 2002 etc., was still awaiting final plantation for want of funds to be released by the State Government. It is not appropriate on the part of the State Government to divert funds meant for Centrally Sponsored Scheme.

Prolonged delay in release of funds may result in filling of pits dug about three years back due to rainfalls, wind etc. and may ultimately result in wasteful expenditure on advance work. The afforestation already created on 100 hectares of land also did not become successful due to lack of maintenance.

4.6 Loss on failure of plantations

Non-submission of utilisation certificate resulted in State Government not getting Rs.33.73 lakh from the Government of India under the scheme for Conservation and Development of Non-Timber Forest Produces. The State Government also did not release Rs.42.10 lakh of the Central funds for maintenance of the plantations. This resulted in failure of plantation and consequent loss to the tune of Rs.25.59 lakh.

Government of India, Ministry of Environment and Forest (MOE&F) sanctioned Rs.194.36 lakh during the IXth Five Year Plan (1997-98 to 2001-02) under a Centrally Sponsored Scheme (CSS) *viz*. “Conservation and Development of Non-Timber Forest Produce including Medicinal plants(NTFP)” involving plantation and other forestry activities.

Out of the approved outlay of Rs.194.36 lakh during 9th Plan, the MOE&F provided Rs.160.63 lakh during 1997-98 to 2000-01. Balance of Rs.33.73 lakh was not released by the Government of India due to non-submission of utilisation certificate by the State Government against Rs.35.00 lakh provided in 2000-01. The State Government on the other hand released only Rs.118.53 lakh during 1998-99 to 2001-02 against Rs.160.63 lakh received from the Central Government. Reasons for short release of central funds by the state Government could not be stated. Details of approved outlay, funds released and expenditure incurred during 1997-98 to 2001-02 are indicated in *Appendix–XXVIII.*

Test-check (March 2004) of records of the Divisional Forest Officer (DFO), Western Forest Division, Tamenglong (Implementing agency of the scheme) revealed that out of Rs.118.53 lakh released by the State Government to the Division up to 2001-02, an expenditure of Rs.93.07 lakh on raising of 20,32,500 plants in 1,355 hectares under the scheme was incurred during 1998-99 to 2001-02. But maintenance of these plantations in subsequent years was badly affected due to non-release of balance funds by the State Government. In reply to an audit query, the DFO reported (September 2004) that the percentage of current survival of the plantations had come down to an average of 58 *per cent* as of July 2004. As the departmentally accepted standard survival rate was 80 *per cent*, for treating any plantation as successful, the shortfall in survival had caused corresponding loss of Government money to the tune of Rs.25.59 lakh[2], calculated on the basis

[2] Accepted success =58/80x100=72.50%; Failure= (100-72.50)%=27.50%;
Loss= Rs.93.07 lakhx27.50%= Rs.25.59 lakh.

of proportionate failure of the plantations, treating survival of 80 out of 100 plants as 100 *per cent* success.

Thus, inaction on the part of the State Government in maintaining the plantations resulted in loss of Rs.25.59 lakh due to failure of plantations.

The matter was referred to Government (July 2004); in reply the Principal Chief Conservator of Forests (PCCF), Manipur stated (October 2004) that the survival rate was 70 to 78 *per cent* in 2002 as per monitoring report of 2002. He contended that 80 *per cent* survival rate was mandatory only for the first year of plantation not for subsequent years. Agreeing that casualty replacement was delayed due to late release of funds, he, however, stated that with the release of Rs.17.75 lakh in March 2004, maintenance of plantation had since been completed.

The reply of the PCCF is not tenable on the ground that as per the schedule of items for forestry work (item number 4 of final plantation), the casualty in any case should not exceed 20 *per cent*. Further, due to delay in release of funds by State Government, maintenance of plantation was adversely affected.

HOME DEPARTMENT

4.7 Diversion of funds provided for modernisation of police

Grants and loans provided by the Government of India under the scheme, Modernisation of Police Force, were not released in time by the State Government thereby delaying modernisation of state police and construction of district police offices/police stations.

Government of India, Ministry of Home Affairs, during 2001-02 sanctioned Rs.52.46 lakh and Rs.1.95 crore as loans under the scheme for Modernisation of State Police Forces. The amounts were credited to the accounts of the State Government during January and February 2002 respectively. The loans carried an interest of 12 *per cent* per annum repayable in 25 years by annual instalments to be commenced from the following year.

Test check (November 2002) of records of the Director General of Police, Manipur (Implementing Agency for Modernisation of State Police Force) revealed that none of the loan amounts was released by the State Government to the implementing agency till the date of audit. Further scrutiny (January 2004) revealed that the same were released by the State Government to the implementing agency in December 2003 i.e. after 22/23 months of the receipt of the loans. During the period from April 2002 to November 2003, interest amounting to Rs.48.73 lakh was paid to the Government of India as per terms of the loans without the funds being used for the purpose for which these loans were obtained.

It was noticed in audit that grants and loans provided by Government of India under the scheme for Modernisation of Police Force during 2000-01 and 2001-02 were not released in time by the State Government due to which modernisation of state police including construction of district police offices/police stations was delayed.

The matter was reported to Government (September 2004); in reply, the Special Secretary (Home) stated (November 2004) that out of the total Central assistance of Rs.4.95 crore (grants: Rs.2.47 crore; loan: Rs.2.48 crore) received during 2001-02, the State Government had released an amount of Rs.2.95 crore only leaving a balance of Rs.2 crore with the Government yet to be released to the implementing agency.

Given the prevailing security scenario in the State, the State Government should not divert funds provided by the Central Government specifically for the modernisation of police force and expanding its network of police stations.

IRRIGATION AND FLOOD CONTROL DEPARTMENT

4.8 Avoidable expenditure

Delay in discharging the liability of depositing award-money for compensation on land acquisition resulted in avoidable excess expenditure of Rs.12.95 lakh.

In April 1997, Government issued a notification under Section 4 of the Land Acquisition Act, 1894 for acquisition of 143.60 acre of land situated in Sehkon and T. Kotlian villages of Churachandpur district which would get submerged due to the construction of Khuga Dam reservoir. Accordingly, the Deputy Commissioner-cum-Collector (Land Acquisition), Churachandpur issued (January 1998) an award in favour of the affected land owners and requested the Executive Engineer, Khuga Head Works Division, Churachandpur to deposit an amount of Rs.23.83 lakh with him for payment of compensation to two awardees. The break-up of the amount is shown below–

Sl.	Item	(Rupees in lakh)
I.	Cost of land	17.23
II.	Interest @ 12 *per cent* per annum from 25.4.1997 to 2.1.1998 i.e. date of award	1.43
III.	Solatium @ 30 *per cent*	5.17
	Total:	23.83

Despite having adequate budget provision, the Irrigation and Flood Control Department (IFCD) instead of discharging the liability fully, deposited Rs.1.50 lakh only on 28 June 1999 with the award issuing authority for payment to the awardees. Delay in receipt of compensation prompted the awardees to file a writ petition in the Guwahati High Court, Imphal bench which was disposed of by the Hon’ble Court on 19 November 1999 directing the respondents i.e. the Commissioner, Finance Department and the Commissioner, IFCD to deposit the entire compensation amount awarded within three months from the date of receipt of the court order (communicated on 10 January 2000) along with interest, payable from the date of taking over possession of the land, as contemplated under Section 34 of the Land Acquisition Act, 1894.

Test-check (July 2003) of records of the Chief Engineer, IFCD (Wing II), Imphal revealed that the Department took another two years to pay the entire compensation amount leading to an additional interest payment of Rs.12.95 lakh on delayed payments. Details of compensation amount and interest paid are indicated below:

Sl. No.	Particulars	Amount paid (Rupees in lakh)	Date of payment
1.	Compensation amount (Rs.23.83)	1.50 8.50 13.83	June 1999 March 2000 March 2002
	Total	**23.83**	
2.	Additional interest on delayed payment 25.4.1997 to 30.4.2001 1.5.2001 to 22.3.2002	11.10 1.85	April 2002 September 2003
	Total	**12.95**	
Grand Total:		**36.78**	

Thus, there was an avoidable excess expenditure of Rs.12.95 lakh over the initial award due to delay in discharging the liability arising out of award of the Land Acquisition Authority. This included interest for the period from 25 April 1997 to 2 January 1998 on the interest component included in the award.

The matter was brought to the notice of Government (May 2004); the Department in reply stated (October 2004) that the entire compensation award could not be paid in time due to financial constraints of the Government.

4.9 Locking up of Government money in incomplete works

Two beautification works of Singda Multipurpose Project remained incomplete for more than 4½ years from the scheduled dates of their completion after incurring an expenditure of Rs12.75 lakh.

The Executive Engineer, Singda Irrigation Division (renamed Irrigation Maintenance Division I) awarded (19 June 1999) two beautification works of Singda Multipurpose Project to a contractor at the negotiated rates for 40.12 *per cent* and 21.54 *per cent* above estimated cost. In the work order, completion time of two months for one work and three months for the other was allowed which expired on 3 September 1999 and 3 October 1999 respectively.

Test check (October to November 2003) of records of the Executive Engineer (EE) revealed that the contractor did not even commence the works before the scheduled date of completion. He started the works during October-November 1999 but stopped midway (January 2000) reportedly due to non-issue of construction-materials *viz.* steel, cement etc. by the EE. The physical progress of works was not reported to audit. Terms and conditions of the work order revealed that supply of materials was agreed to by the department subject to availability in the Stores Division. The EE who could not supply the materials fully due to their non-availability in the Stores Division, served (July 2002) a show-cause notice to the contractor for suspension/wrongful delay/slow progress of the works. After ten months, time-extension up to September 2003 was allowed (April 2003) by the EE provisionally. But the contractor did not resume the works (November

2003). Meanwhile, the contractor was paid (March 2002) Rs.12.75 lakh for the portion of the works done by him so far, as detailed below:

Sl. No.	Name of the work	Estimated cost	Total value of the work awarded	Value of the work completed	Amount paid to the contractor
		(Rupees in lakh)			
1.	Providing pavement around the shallow pond on the D/S beautification area of Dam at 853 EL levelled platform	14.34	20.08	13.20	11.72
2.	Construction of shallow pond on the D/S beautification area of Dam at 853 EL levelled platform.	11.01	13.39	1.95	1.03
	Total:	**25.35**	**33.47**	**15.15**	**12.75**

The EE neither rescinded the contracts nor made any alternate arrangements for getting the rest of the works done departmentally/by other agencies at the risk and cost of the contractor as provided in the contract. Thus, after incurring an expenditure of Rs.12.75 lakh the two works remained incomplete even after a lapse of more than 4½ years from the scheduled dates of their completion. The EE attributed (July 2003) non-procurement/non-supply of the materials to financial constraints.

The matter had been brought to the notice of Government (February 2004); the Department while accepting the observation stated (August 2004) that the works were rescinded in July 2004 and balance works would be taken up very soon.

MUNICIPAL ADMINISTRATION, HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.10 Retention/Non-release of Government of India grants received by the State

Government of India grants of Rs.15.44 lakh received from HUDCO as subsidy for Integrated Low Cost Sanitation (ILCS) scheme was not released by the State Government for about 18 months resulting in non-completion of work, which deprived the targeted population of intended benefits of the scheme.

The Integrated Low Cost Sanitation scheme introduced by the State Government in 300 small and medium towns with less than five lakh population was intended to eliminate manual scavenging and improve sanitation by conversion of dry latrines into low cost water seal pour flush latrines. The funding pattern of the scheme was as follows:

- Economically Weaker Section (EWS): 50 *per cent* State subsidy, 45 *per cent* Central subsidy and 5 *per cent* beneficiary contribution.

- Low Income Group (LIG): 60 *per cent* State subsidy, 25 *per cent* Central subsidy and 15 *per cent* beneficiary contribution.

As per the agreed arrangement, the Central subsidy was to be financed by the Government of India through Housing and Urban Development Corporation (HUDCO).

Test-check (July-August 2004) of records of the Director, Municipal Administration, Housing and Urban Development (MAHUD), Manipur revealed that administrative approval and expenditure sanction of Rs.19.90 lakh (State's share) was accorded in March 1998 for construction of 770 latrines under the Integrated Low Cost Sanitation scheme (600 units under EWS and 170 under LIG) in three towns of Kakching (485 units), Nambol (161 units) and Mayang Imphal (124 units). Work on construction of these units was awarded to a contractor in March 1998 at the rate of Rs.4,950 per unit and a total of 483 units were constructed during 1999-2003 from the subsidy provided by the State Government and beneficiaries contributions.

The Co-ordinating Committee of the Ministry of Urban Development and Poverty Alleviation, Government of India, approved the Central subsidy amount of Rs.15.46 lakh for construction of these units only in November 2002 and released the amount of Rs.15.44 lakh in the form of a Bank draft through HUDCO to the Director, MAHUD, Manipur in March 2003.

It was noticed in audit that though the State Government received the Central subsidy in March 2003, the amount was yet to be released to the implementing agency (October 2004) thereby delaying construction of 287 units for more than a year. Accepting the delay, the Director, MAHUD stated that the amount was left unattended inadvertently in his account which resulted in delay of about five months in handing over the amounts to the State Government for authorisation. The amount was transferred to the Secretary, MAHUD in August 2003 and credited to Government account. The State Government did not release the funds to the implementing agency for the scheme as of October 2004. It was also noticed that the Central subsidy was to be kept in a separate bank account as per the agreement executed between the Government of Manipur and HUDCO but this requirement was not strictly adhered to and the amount was credited to the State Government account leading to substantial delay of more than 18 months in releasing the funds to the scheme.

Thus, non-release of Central subsidy amount of Rs.15.44 lakh by the State Government which was provided by the Government of India for the specific purpose of Integrated Low Cost Sanitation scheme resulted in non-construction of 287 units which deprived the targeted beneficiaries of the intended benefits of the scheme.

The matter was reported to Government (October 2004); their reply had not been received (November 2004).

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.11 Advance payment to avoid lapse of grant

In total disregard of General Financial Rules, the Executive Engineer, Imphal East, PHED made advance payment of Rs.51.47 lakh to the Stores Division for supply of DI pipes to utilise the funds provided at the end of the financial year. He charged the expenditure to two works which had already been completed and for which these pipes were not required.

According to Note 2 below GFR 69, it is contrary to the interest of the Government that money should be spent hastily or in an ill-considered manner merely because it is available or that the lapse of a grant could be avoided.

Test-check (December 2003) of records of the Executive Engineer, Imphal East Division, Public Health Engineering Department (PHED) revealed that advance payments of Rs.17.34 lakh (29 March 2003) and Rs.34.13 lakh (31 March 2003) were made to the Stores Division (PHED) towards the cost of DI pipes (details available in the *Appendix–XXIX*) charging respectively the works “Accelerated Rural Water Supply Scheme at Nungoi Phase-I” and “Rejuvenation of Langdum Water Supply Scheme Phase I”. Both the works had been completed in the year 2002 i.e. before the advance payments were made, and according to the estimates such pipes were not required for these works.

On this being pointed out in audit, the Executive Engineer categorically stated (July 2004) that funds were provided at the end of the year (26 March 2003) which were to be utilised before the end of the year as per instructions issued by the Government. Hence the amounts were drawn and advance payments made to utilise the funds. This was in total disregard to the provisions of Financial Rules but was also beyond the scope of the purpose for which the amounts were drawn.

The materials, however, had not been received by the Division till the date of audit. The Division recorded that the materials were not received due to their non-availability in the Stores Division. Further queries (June 2004) revealed that the materials were not yet issued by the Stores Division although 15 months had already elapsed after the advance payment was made for their procurement.

Thus, the action of the Executive Engineer, in making advance payments without ascertaining availability of DI[3] pipes with the Stores Division and also charging the expenditure against the works which had already been completed were merely for utilising the available funds at the end of the financial year 2002-03. Further, the advance payment without ascertaining availability of materials resulted in blocking of Government money to the extent of Rs.51.47 lakh.

[3] Ductile Iron

The matter had been reported to Government (May 2004); their reply was not received (October 2004).

4.12 Injudicious procurement of stores

Procurement of slotted pipes without immediate requirement resulted in locking up of Government funds (Rs.23.35 lakh) for about 4½ years.

According to general principle of purchase laid down in para 38 of CPWD Manual Vol II, stores should not be purchased in excess and much in advance of requirement.

Test-check of records (October 2003) of the Executive Engineer, Investigation, Planning and Design Division No.I revealed that while there was a stock balance of 1,755.71 RM of slotted pipes of different dia, the Divisional Officer procured (February 2000) a further quantity of 2,352.90 RM of these materials from the Stores Division (Rural) on payment of Rs.23.35 lakh (March 2000).

Out of the total quantity thus accumulated in the divisional stores as of February 2000 (i.e. 4,108.61 RM), only 308.75 RM was issued to different works till July 2004 (Details at *Appendix–XXX*). It was further noticed that in respect of each size of the pipes, the stock already in hand was much larger than the quantity issued subsequently. Further procurement of the slotted pipes was not required as the trend of issue during the 4½ years (February 2000 to July 2004) showed that the average utilisation of the pipes was only 17.58 *per cent* of the stores in hand.

Thus, procurement of 2,352.90 RM of slotted pipes in February 2000 without proper assessment of requirement resulted in locking up of Government funds of Rs.23.35 lakh for about 4½ years (July 2004).

The matter was referred to Government (March 2004); in reply the Additional Chief Engineer of the Department stated that there was an annual target of boring 240 tubewell for which 2,265 RM of slotted pipes were required per year. But during 1999-2000, there were borings of 50 tubewells only. Therefore, target for boring tubewell in 2000-01 including shortfall of 1999-2000 was 430. To meet this requirement, 2,352.90 RM pipes were procured in February 2000. The shortfall in boring tubewells in 1999-2000 was attributed to continued disturbance from the year 1999 and restrictions on free movement of departmental vehicles. The reply of the Additional Chief Engineer in not convincing as given the slow pace of boring of tubewells, the Executive Engineer should have first utilised the stock already in hand to minimise the shortfalls of 1999-2000 before going for further procurement to meet the targets of subsequent years. The Executive Engineer went ahead with the bulk procurement of these pipes in February 2000 without taking note of the large stock of these pipes (1,755.71 RM) already available and ignoring the fact of slow execution of work of drilling tube wells which was well in the notice of the Department.

PUBLIC WORKS DEPARTMENT

4.13 Undue favour to a contractor

Against the work of Rs.71.62 lakh executed by OCP India Private Limited, Kolkata, for construction of the second Manipur Bhawan at Salt Lake, Kolkata, the Executive Engineer, Building Division No.II, Imphal paid Rs.104.12 lakh resulting in an overpayment of Rs.32.50 lakh to the company.

The work construction of the second Manipur Bhawan (G+5 floors) at Salt Lake, Kolkata was awarded in March 1999 by the Executive Engineer Building Division II, Imphal to OCP India Private Limited, Kolkata at a lump sum amount of Rs.3.26 crore and the work was to be completed by April 2002.

According to the contract, a mobilisation advance of Rs.32.50 lakh was paid (April 1999) to the contractor (OCP India Private Limited) against a bank guarantee (BG) of Rs.32.55 lakh valid up to 29 April 2000. The advance, bearing interest at the rate of 9.5 *per cent* per annum, was recoverable at 3 *per cent* of each running account (RA) bill paid till completion of 50 *per cent* of the work and at a minimum of 7 *per cent* of each RA bill for the balance work subject to full recovery at the time of paying the final bill. Payments were to be made every month to the contractor for the work executed on a percentage basis or on completion of different items specified in the bidding schedule.

Examination of records relating to this contract disclosed following serious financial irregularities:

Bank guarantee allowed to expire before full recovery of advance

Though the work awarded to the contractor was not fully completed and the mobilisation advance not recovered from the contractor, the Executive Engineer (EE) allowed the bank guarantee of Rs.32.55 to expire on 29 April 2000. He did not take action to either revalidate the bank guarantee or encash it before the date of expiry. This irregular action of EE rendered the entire mobilisation advance completely unsecured.

Overpayment to contractor

As the Department did not make monthly payments regularly due to non-issue of cheque drawal authority by the Government, the contractor discontinued the work in December 2000. Till then, he had executed work amounting to Rs.71.62 lakh and was paid only Rs.0.77 lakh (1^{st} RA bill in October 1999) by the Department. EE paid the remaining amount of Rs.70.85 lakh to the contractor in March and July 2002 through 2^{nd} and 3^{rd} RA bills without recovering the mobilisation advance with interest outstanding against the contractor except Rs.2.18 lakh deducted from first two RA bills as interest.

Thus, a total payment of Rs.104.12 lakh was made to the contractor including mobilisation advance against the work of only Rs.71.62 lakh executed by him. This resulted in an overpayment of Rs.32.50 lakh to the contractor.

Interest not recovered

Interest of Rs.15.06 lakh on unrecovered mobilisation advance was also outstanding against the contractor as of November 2004.

Blocking of Capital

Ultimately, Government conveyed (July 2003) approval to rescind the contract with OCP India Pvt. Ltd. and to take up the balance work through another agency/contractor. But this was yet to be implemented (July 2004) by the EE. The Government capital of Rs.71.62 lakh has been blocked for more than two years and the construction of Manipur Bhavan, which was to be completed by April 2002, has been delayed considerably.

The matter was brought to the notice of Government (June 2004); in reply furnished in November 2004, the Department accepted the facts and issued instructions making Executive Engineers personally accountable for timely re-validation of the Bank Guarantee on due dates in future. However, the fact remains that against work worth Rs.71.62 lakh the contractor was paid Rs.104.12 lakh resulting in excess payment of Rs.32.50 lakh in the form of mobilisation advance which was yet to be recovered with interest.

VETERINARY AND ANIMAL HUSBANDRY DEPARTMENT

4.14 Irregularities and delay in procurement of plant and equipment for the Integrated Cattle Development Project

Delay in installation and commissioning of Liquid Nitrogen Plant led to blocking of Government money to the tune of Rs.1.28 crore besides loss of Rs.8.90 lakh due to non-acceptance of the lowest rates in purchase of cryocans.

Under the Centrally Sponsored Schemes of National Project for Cattle and Buffalo Breeding and Extension of Frozen Semen Technology, the Project Officer, Integrated Cattle Development Project (ICDP), Porompat, Imphal purchased a liquid nitrogen plant for Rs.70.51 lakh and cryocans[4] of 1–1.5 litre capacity (170 nos.) and 30–35 litre capacity (175 nos.) and two liquid nitrogen storage tanks for Rs.60.66 lakh in September 2001 and February 2002 respectively.

Examination (August 2003) of records of the Project Officer, ICDP disclosed the following irregularities:

Loss due to non-acceptance of lowest rates for cryocans

In response to rate quotations invited (May 2000) by the Director, Veterinary and Animal Husbandry, Manipur, four firms had quoted their rates for frozen semen equipment including (i) portable cryocans of 1 to 1.5 litre capacity (170) and (ii) cryocans of 30 to 35 litre capacity (175). The IBP Company Ltd. (A Government of India enterprise) quoted the lowest rates of Rs.4,900 and Rs.16,125 respectively for models manufactured by them. The Company also quoted the rate of Rs.6,800 for cryocans of 3.9 litre capacity. An Imphal based firm M/s Lalmani and Co. quoted rates of Rs.7,290 for cryocans of 1.7 litre capacity and Rs.18,890 for the second item for models manufactured by Inox India Ltd.,Vadodara, which were the third lowest. No rate was quoted by this firm against cryocans of 1 to 1.5 litre capacity.

The Tender Committee, on recommendation of the Project Officer, ICDP, accepted (September 2000) the third lowest rates quoted by the Imphal based firm instead of the lowest offer of a Government enterprise on the grounds of higher straw holding capacity for item no. (i) and higher holding time capacity for item no. (ii). However, none of the enhanced parameters was stipulated in the notice inviting quotation. Further, the Project Officer stated (May 2004) that there was no specifically prescribed minimum storage duration (holding time) requirement for cryocans.

[4] Liquid nitrogen containers used for ultra low temperature preservation of biological samples.

Non-acceptance of the lowest rates without adequate justification resulted in loss of Rs.8.90 lakh[5] in procurement of cryocans.

The matter was brought to the notice of the Government (November 2003). The Director, Veterinary and Animal Husbandry Department during discussion (October 2004) reiterated that the procurement was made as per the recommendation of the Tender Committee. The reply did not clarify the reason for rejection of the lowest offer.

Delay in installation and commissioning of liquid nitrogen plant

The liquid nitrogen plant for the project received from a Kolkata based firm in September 2001 was lying unused (September 2004) due to delay in execution of civil works required for installation and commissioning of the plant.

The Director, Veterinary and Animal Husbandry Services, Manipur placed the order for the liquid nitrogen plant in December 2000 for supply, installation and commissioning of the plant with Voltage Stabilizer at their tendered rate of Rs.70.51 lakh inclusive of 4 *per cent* CST. The firm supplied the plant to the Department on 20 September 2001 and was paid Rs.70.51 lakh in April 2002.

The Project Officer obtained estimates of the civil and electrical work necessary for installation of the plant from Manipur Industrial Development Corporation Limited (MANIDCO) in March 2002 and deposited an amount of Rs.2.25 lakh in February 2003 with the Executive Engineer, MANIDCO for execution of the work. Thus there was a delay of more than one year on the part of the Project Officer in awarding the minor civil and electrical work required for installation of the plant.

Installation of the plant was further delayed by MANIDCO as it could not complete this civil and electrical work costing Rs.2.25 lakh even after two years of receipt of the deposit money. The work entrusted to MANIDCO has only been completed in June 2004 and the plant was installed in July 2004 but final commissioning of the plant was yet to be done by the supplier (September 2004).

This led to delay of more than three years in installation and commissioning of the liquid nitrogen plant procured at a cost of Rs.70.51 lakh for implementation of cattle and buffalo breeding project in the State, resulting in blocking of funds to that extent. This also delayed implementation of the project as cryocans procured for use in newly opened 100 Artificial Insemination (AI) centres could not be put to use for want of liquid nitrogen.

The matter was reported to Government (November 2003); in reply furnished during discussion (October 2004), the Director accepted the audit observation.

[5] Rs.(7,290-4,900)x170= Rs.4,06,300
Rs.(18890-16125)x175= Rs.4,83,875
Rs.8,90,175

Non-issue of cryocans

Test-check of records further revealed that the cryocans were lying in stock without issue except for a small number of 13 cryocans of 30-35 litre capacity (value at Rs.2.95 lakh) till the date of audit. Details of equipment lying in stock valued at Rs.57.71 lakh are indicated in the *Appendix–XXXI)*.

The matter was reported to the Government (November 2003). The Director, Veterinary and Animal Husbandry Services, during discussion held in October 2004 replied that cryocans of 1-1.5 litres capacity and 30-35 litres capacity were purchased for opening of 170 AI centres during 2002-03. Out of the proposed 170 AI centres, artificial insemination works were introduced in newly opened 100 centres by the end of 2003. Shortfall in opening of 70 centres was attributed to administrative inconvenience, law and order situation etc. He further informed that the Department had since issued 75 cryocans of 1-1.5 litre capacity to AI centres retaining a reserve stock of only 95 cryocans. As regards 30-35 litre capacity cryocans, civil work of the liquid nitrogen plant had been completed in June 2004 and the plant was going to be commissioned shortly. Thus, the required number of cryocans of 30-35 litre capacity were issued to hospitals/AI centres retaining a reserve stock of only 70 cryocans in store.

The reply of the Director confirms that the cryocans were purchased much in advance of the requirement i.e. even before opening of AI centres and remained in stock for over two years. Proposed 70 AI centres are yet to be opened and the liquid nitrogen plant at Porompat still remained to be commissioned. Thus, a sizeable portion of the stores (95 cryocans of 1-1.5 litres capacity and 70 cryocans of 30-35 litres capacity) were yet to be issued as of December 2004.

YOUTH AFFAIRS AND SPORTS DEPARTMENT

4.15 Delayed submission of Detailed Countersigned Contingent bills

DCC bills in support of Rs.58.80 lakh drawn in AC bills were not submitted for years.

According to Rule 308 and 309 of the Central Treasury Rules, Detailed Countersigned Contingent (DCC) bills are to be presented to the Controlling Officer for countersignature in respect of Abstract Contingent (AC) bills drawn more than a month before the date of the bill and a certificate to that effect is to be attached to every AC bill presented to treasury for drawal.

Test-check (November 2003) of records of the Director of Youth Affairs and Sports revealed that the Director had drawn Rs.1.55 crore in 22 numbers of AC bills during 1994-95, 1997-98, 1998-99, 1999-2000 and 2002-03 by recording an incorrect certificate that ***no AC bill was drawn during the month and no DCC bill was pending*** when in fact no DCC bill in respect of the AC bill drawn a month before the date of such drawal was prepared and submitted to the Controlling Officer till date of audit (November 2003). This indicated gross negligence in adherence to financial rules by the Drawing Officer who not only violated the provisions of Rules but also furnished incorrect certificate repeatedly to draw money from Government account. Actual utilisation of Rs.1.55 crore drawn on AC bills could also not be verified in the absence of DCC bills.

The matter was reported to Government in February 2004. On this being pointed out in Audit, the Department submitted (October 2004) 14 out of 22 DCC bills to Accountant General (A&E) in October 2004. But these were not supported by sub-vouchers and therefore returned to the department (December 2004) for resubmission with the required sub-vouchers. DCC bills in respect of remaining 8 AC bills amounting to Rs.58.80 lakh were yet to be submitted to the Accountant General as of November 2004.

GENERAL

4.16 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 Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. An 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 lay 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–XXXII*.

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 Chief Secretary, Government of Manipur in September 2004. The State Government was advised to consider engaging professional accountants (CAs) to clear the backlog in preparation of accounts of Autonomous District Councils of Ukhrul and Tamenglong. 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 31 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.

4.17 Lack of response to audit

907 paragraphs pertaining to 224 Inspection Reports involving Rs.114.76 crore concerning Education Department were outstanding as on 1st July 2004. Of these, 43 Inspection Reports containing 135 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 procedures. 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 2004 pertaining to different offices of the Education Department disclosed that 907 paragraphs relating to 224 IRs involving Rs.114.76 crore remained outstanding at the end of August 2004. Yearwise position of the outstanding IRs is detailed in *Appendix–XXXIII*. Of these, 43 IRs containing 135 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.11.04 crore commented upon in the outstanding IRs of the Department which had not been settled as of August 2004 are indicated below:

Sl. No.	Nature of Irregularities	No. of Paras	Amount (Rs. in lakh)
1.	Locking up of Government money	3	7.84
2.	Non-submission of DCC bills	1	1.05
3.	Unfruitful expenditure	4	2.12
4.	Excess payment	3	0.03
	Total:	**11**	**11.04**

The Heads of offices and the Directors of Education failed to furnish replies to a large number of IRs. Even first replies to 323 paragraphs pertaining to 69 IRs issued during last five years from 1999-2000 to 2003-04 were still awaited. 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 Secretariat and Directorate level respectively. But the response of the Department in holding Audit Committee meetings was also 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 a long period.

4.18 Follow up action on Audit Reports

Action Taken Notes (ATNs) on the paragraphs included in Audit Reports are required to be submitted to the Public Accounts Committee (PAC). As per recommendations made by the High Powered Committee (HPC) which were also accepted by State Government in October 1993, *suo motu* Action Taken Notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the departments duly vetted by the Accountant General to PAC within three months from the date of placing of Audit Reports in the Legislature.

A review of outstanding ATNs since acceptance of HPC recommendations revealed that no ATNs on any paragraph or review have been submitted to PAC after vetting by the Accountant General.

Further the administrative departments were also required to take suitable action on the recommendations made in the Report of the PAC presented to State Legislature. Following circulation of the Reports of the PAC, heads of departments were to prepare comments on action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat.

It was observed that ATNs on 12 Reports of the PAC presented to Legislature between March 1983 and August 2003 recommending corrective actions on 373 paragraphs included in Audit Reports involving 39 departments for the years ended 1978 to 1997 were awaited from the departments as of November 2004. A list of such paragraphs is furnished in *Appendix–XXXIV*.

Thus, fate of the valuable recommendations contained in the said reports of the PAC and whether they were being acted upon by the administrative departments could not be ascertained.