

OVERVIEW

This Report includes two chapters containing the observations of Audit on the Finances and Appropriation Accounts of the State for the year 2003-04 and five other chapters with two audit reviews, one long paragraph and 26 other 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 audit reviews and paragraphs are sent to the Commissioners/Secretaries of the departments concerned by the Accountant General with a request to furnish replies within six weeks. Twenty-five audit paragraphs and two reviews were discussed with the Administrative Commissioners, Secretaries and other officers of the State Government. Replies were received in respect of 25 audit paragraphs and two reviews. Wherever expedient, the departmental views and explanations have been incorporated while preparing this Report.

1. Finances of the State Government

The year 2003-04 witnessed revenue and fiscal deficits for the fifth consecutive year indicating continued macro imbalances in the State. While the revenue deficit decreased from Rs.87 crore in 2002-03 to Rs.44 crore in 2003-04, the fiscal deficit, however, went up from Rs.249 crore in 2002-03 to Rs.286 crore in 2003-04.

Overall revenue receipts increased from Rs.1070 crore in 1999-2000 to Rs.1420 crore in 2003-04 at an average trend rate of 9.15 *per cent*. During the current year, the revenue receipts grew by 6.93 *per cent*. While the revenue receipts from State's own sources declined by 3.28 *per cent*, Central tax transfers increased by 28.19 *per cent* and the grants-in-aid from Government of India increased by 4.22 *per cent* over the last year. State generated only 8.3 *per cent* of revenue receipts from its own sources and continued to remain highly dependent on transfers from the Union Government.

Total expenditure of the State increased from Rs.1577 crore in 2002-03 to Rs.1706 crore in 2003-04. The rate of growth of expenditure during the year was 8.18 *per cent* as compared to 3.88 *per cent* in the previous year.

There was an increase of 49.07 *per cent* in capital expenditure and decrease of 3.84 *per cent* in non-developmental expenditure during 2003-04 over the last year. Debt burden (fiscal liabilities) of the State at the end of 2003-04 was Rs.2300 crore, up by 3.37 *per cent* over the previous year.

(Paragraphs 1.1 to 1.11)

2. Allocative Priorities and Appropriation

The overall saving of Rs.1521.59 crore was the result of saving of Rs.1534.35 crore in 78 cases of grants and appropriations offset by excess of Rs.12.76 crore in five cases of grants. The excess of Rs.12.76 crore required regularisation under Article 205 of the Constitution.

Supplementary provision of Rs.460.70 crore made in 31 cases during the year proved unnecessary in view of aggregate saving of Rs.1124.54 crore. In three cases, supplementary provision of Rs.23.18 crore proved insufficient by more than Rs.10 lakh each, leaving an aggregate uncovered excess expenditure of Rs.11.13 crore.

Financial rules require that the Departmental Controlling Officers should reconcile periodically the departmental figures of expenditure with those booked by the Accountant General. Out of 91 Controlling Officers, 74 Controlling Officers did not reconcile before the final closing.

(Paragraphs 2.3.1 to 2.3.15)

3. Performance reviews

CIVIL

3.1 Thoubal Multipurpose Project

The project, which was initially planned to be completed in seven years (by 1987), has fallen behind schedule by 20 years resulting in the cost of the project escalating from original Rs.47.25 crore to Rs.390 crore. Expenditure of Rs.229.02 crore has already been incurred up to 2003-04.

The rescheduled date of completion (2007) also seems unachievable due to slow progress of work on the project. Only 16 *per cent* of the dam, 29 *per cent* of the spillway and 60 *per cent* of the distribution system has been completed in the last 24 years.

Against the total budget provision of Rs.99.82 crore, actual expenditure on the project was only Rs.68.15 crore during last five years due to issue of less cheque drawal authority to the project divisions by the Government. Central assistance of Rs.21.80 crore obtained for the project during the last three financial years was also diverted and not released to the implementing agency by the State Government.

(Paragraph 3.1)

3.2 Impact of Government policies on quality of Medical and Health Services

Funds provided for medical and health services registered a consistent decline during the last five years coming down from Rs.71.97 crore in 1999-2000 to Rs.63.59 crore in 2003-04. Even funds provided in the budget by the Legislature were not made available fully for the medical and health services of the State.

No new hospitals/health care centres were opened during the last five years and therefore, the health care network registered no expansion during 1999-2004. Higher concentration of health centres in the valley districts and acute shortage in the hill districts were noticed.

Hospitals and health care centres run by the State lacked not only in sophisticated but also in ordinary medical equipment and facilities which are essential for running such health care centres and referral hospitals. Buildings and space in hospitals/health centres at primary and secondary care level were inadequate. Large number of important medical equipment remained non-functional for want of repairs and replacements.

(Paragraph 3.2)

REVENUE

3.3 Sales Tax including Internal Control System prevalent in Taxation Department

Failure in taking effective measures culminated in high rate of non-compliance in filing Sales Tax returns. The number of defaulting dealers who did not file returns was as high as 80 to 83 *per cent* of the total dealers registered during 1999-2000 to 2003-04.

Lack of monitoring system for watching disposal of assessment cases resulted in extreme laxity in finalisation of assessments. Assessments pending with the department ranged between 46 to 73 *per cent* of assessments due based on the returns submitted. Compared to total returns receivable, the shortfall/pendency ranged between 83 to 88 *per cent*.

Internal control mechanism in the Department was weak giving ample scope for concealment/inaccurate furnishing of particulars by dealers and under-assessment resulting in evasion/loss of tax of Rs83.77 lakh including penalty.

(Paragraph 6.7)

4. Audit of transactions (Civil)

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.

(Paragraph 4.1)

Excess lifting and distribution of rice under Antyodaya Anna Yojana for an inflated number of beneficiaries instead of the actual number prevailing in the State resulted in loss of Rs.1.20 crore on sale thereof at lower price.

(Paragraph 4.4)

Non-release of Central funds of Rs.42.10 lakh for maintenance of the plantations resulted in failure of plantation with consequent loss of Rs.25.59 lakh.

(Paragraph 4.6)

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.

(Paragraph 4.13)

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.

(Paragraph 4.14)

5. Internal Control System

Budgetary controls were not effectively enforced. Additional requirements were not properly assessed and supplementary provisions proved excessive.

Controls to detect and minimise risk of pilferage and loss of stores by annual physical verification were not effectively implemented. No reserve stock limit was fixed.

(Paragraph 5.1)

6. Audit of transactions (Revenue)

Tax of Rs.6.93 lakh was not levied from a dealer on account of non-submission of return/annual statement of accounts.

(Paragraph 6.8)

The Superintendent of Taxes, Sekmai Check Post allowed transporters to transport goods without declaration resulting in non-realisation of Sales Tax and penalty of Rs.50.73 lakh.

(Paragraph 6.10)

Non-application of prescribed rate led to short realisation of Show Tax of Rs.9.34 lakh from cinematograph exhibitors.

(Paragraph 6.11)

7. Commercial

General view of Government companies and Statutory corporation

As on 31 March 2004, there were 15 Government companies (nine working companies and six non-working companies) and one non-working Statutory corporation in the State. The total investment in working Public Sector Undertakings (nine working Government companies) was Rs.79.84 crore.

(Paragraphs 7.1 & 7.2.1)

The accounts of nine working Government companies were in arrears for periods ranging from seven to 22 years.

(Paragraph 7.4.3)

Out of nine working Government companies, three companies had incurred an aggregate loss of Rs.1.47 crore.

(Paragraph 7.5.2)

Two companies, out of three loss incurring working Government companies had accumulated losses aggregating Rs.4.11 crore which exceeded their aggregate paid up capital of Rs.1.85 crore, continued to receive financial support from the Government.

(Paragraph 7.6.2)

The total investment in seven non-working PSUs (six non-working Government companies and one non-working Statutory corporation) was Rs.90.68 crore as on 31 March 2004.

(Paragraph 7.8.1)

Improper planning and inadequate funding led to winding up of the Manipur Food Industry Corporation Limited (MFICL) rendering pre-operational expenditure of Rs.1.09 crore wasteful.

(Paragraph 7.16)

The management of MANITRON made irregular payment of security arrangements charges of Rs.1.79 crore to the Department of Home, Manipur in the work of preparation of Photo Identity Cards.

(Paragraph 7.17.6)