



**Report of the
Comptroller and Auditor General of
India**

2nd Copy

For the year ended 31 March 2006

GOVERNMENT OF MANIPUR

. 9 MAY 2007

**REPORT OF THE COMPTROLLER
AND AUDITOR GENERAL OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2006

GOVERNMENT OF MANIPUR

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PREFACE

1. *This Report has been prepared for submission to the Governor under Article 151 of the Constitution.*
2. *Chapters I and II of this Report contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government respectively for the year ended 31 March 2006.*
3. *The remaining chapters deal with the findings of performance audit and audit of transactions in various departments including the Public Works and Irrigation Departments, audit of Stores and Stock, Revenue Receipts, audit of Autonomous Bodies, Statutory Corporations, Government Companies and departmentally run commercial undertakings.*
4. *The cases mentioned in the Report are those which came to notice in the course of test audit of accounts during the year 2005-06, as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 2005-06 have also been included wherever necessary.*

OVERVIEW

OVERVIEW

This Report includes two chapters containing observations of Audit on the Finance and Appropriation Accounts of the State for the year 2005-06 and five other chapters with five performance reviews, one review on internal control system in Public Health Engineering Department, 22 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 Administrative Commissioners, Secretaries and other officers of the State Government. Replies were received in respect of 8 audit paragraphs. Wherever expedient, the departmental views and explanations have been incorporated in this Report.

1. Finances of the State Government

After three years of revenue deficit, the State had revenue surplus of Rs.92 crore in 2004-05 and Rs.405 in 2005-06. The problem of fiscal deficit was, however, persisting and the State had fiscal deficit for the fifth consecutive year in 2005-06 indicating continued macro imbalances in the State's finances. During 2005-06 the fiscal deficit of the State however went down from Rs.448 crore in 2004-05 to Rs.271 crore.

Overall revenue receipts increased from Rs.1,177 crore in 2001-02 to Rs.2,409 crore in 2005-06 at an average rate of 26.16 *per cent* per year. During the current year, the revenue receipts grew by 38.20 *per cent*. The State generated only 7.09 *per cent* of revenue receipts from its own sources and continued to remain dependent on transfers from the Union Government.

Total expenditure of the State increased from Rs.2,192 crore in 2004-05 to Rs.2,681 crore in 2005-06. The rate of growth of expenditure during the year was 22.30 *per cent* as compared to 28.49 *per cent* in the previous year.

Debt burden (fiscal liabilities) of the State at the end of 2005-06 was Rs.3,905 crore, up by 26.70 *per cent* over that of the previous year.

(Paragraph 1.1)

2. Allocative Priorities and Appropriation

The overall saving of Rs.848.96 crore was the result of saving of Rs.865.89 crore in 69 cases of grants and appropriations offset by excess of Rs.16.93 crore in 16 cases of grants. The excess of Rs.16.93 crore requires regularisation under Article 205 of the Constitution.

Supplementary provision of Rs.74.72 crore made in 10 cases during the year proved unnecessary as the expenditure in each case was even less than the original provision.

Expenditure of Rs.113.81 crore was incurred in 22 grants/appropriations without provisions having been made in the original estimates/supplementary demands and without re-appropriation.

Out of 92 Controlling Officers, 65 Controlling Officers did not reconcile expenditure figure before the final closing.

(Paragraph 2.1)

3. Performance reviews (CIVIL)

Food and Civil Supply Department

3.1 Food security, subsidy and management of foodgrains

Due to incorrect identification of the poorest of the poor amongst the State's BPL households, the Central Government was subjected to a loss of subsidy of Rs.1.92 crore.

The State Government fixed the end retail prices for BPL and AAY rice at rates higher than the prescribed limits and overcharged the beneficiaries by Rs.3.13 crore.

Benefit of reduced interest rates on the cash credit account was not passed on to the beneficiaries by reducing the prices of rice consequently imposing on them extra financial burden of Rs.90.15 lakh.

Despite the State Government claim of distributing rice of 35 kg per month to each AAY family in the State at the rate of Rs.3.47 per kg, survey of AAY beneficiaries indicates that 99 per cent were not receiving foodgrains regularly. Quantity of rice issued varied from 5 to 35 kg as against the norm of 35 kg per month per beneficiary. 43 per cent reported charging of rate higher than the end retail price of Rs.3.47 per kg fixed by the State Government.

(Paragraph 3.1)

Power Department

3.2 Energy Management

The department had not been able to meet the local demand by ensuring sufficient power supply to all. There were enormous transmission and distribution losses. The financial management was poor and revenue collection dismal. Power reforms remained stalled. Cent per cent rural electrification was still to be achieved. Material and manpower management suffered from lack of oversight.

The operational efficiency of heavy fuel based Power Project was very low resulting in loss to Government amounting to Rs.1.22 crore.

The Department failed to clear its liabilities for payment of outstanding dues for power purchase and the liabilities stood at Rs.519.80 crore.

The Department purchased Static CT operated Trivector meters prior to finalisation of project report leading to blocking of Rs.2.72 crore.

Recovery of an advance of Rs.13.78 lakh paid to a supplier for purchase of 745 kilometres of conductors without bank guarantee has become bleak.

Failure to pay balance amount of an advance of Rs.0.71 crore led to closure of contract for erection and stringing of 33 KV double circuit line from Leimakhong to Iroisemba.

(Paragraph 3.2)

Rural Development Department

3.3 Special Programmes for Rural Development

Sampoorna Grameen Rozgar Yojana was not implemented in the State with right earnestness to achieve its objectives. Four to 44 per cent of its funds were carried over from year to year without fully spending them during the years for which these were sanctioned. An amount of Rs.29 lakh was retained in fixed deposit account; Rs.22.13 lakh was loaned out for other purposes; and Rs.10.33 lakh was spent on unauthorised areas. The beneficiaries were deprived of their full entitlements by deducting taxes (Rs.33.01 lakh) from their dues.

Lack of adequate planning and earnestness at DRDA level resulted in non-completion of 13,952 works against 40,030 works undertaken during 2001-06 resulting in shortfall of 35 per cent in achievement.

One DRDA released SGRY funds of Rs.55.48 lakh and 4,555 quintals of rice (valued at Rs.56.25 lakh) to 992 village chiefs without any sanctioned work.

One DRDA irregularly issued 34,280.17 quintals of rice (worth Rs.4.13 crore) as wage component against works already completed with cash component resulting in fraudulent/doubtful issue of foodgrains.

Because of non-revision of rates for construction/upgradation of houses, 3034 beneficiaries under Indira Awas Yojana had been deprived of their entitlement to the extent of Rs.1.99 crore.

Due to non-submission of utilisation certificates, the State Government could not obtain Rs.38.11 crore of Central aid during 2001-06 under Integrated Wasteland Development Project.

(Paragraph 3.3)

Social Welfare Department

3.4 Children Welfare Schemes

Irregular identification of beneficiaries for Supplementary Nutrition Programme under Pradhan Mantri Gram Udyog Yojana led to diversion of funds amounting to Rs.10.31 crore.

Programme objective of removing malnutrition in children of the age group of six months to three years under Supplementary Nutrition Programme was defeated as meals with less calorific and protein value were provided to beneficiaries and that too for only 98 days in a year against the norm of 300 days per year.

Because of non-provision of essential medical and pre-school facilities to the beneficiaries, the objectives of providing essential medical and pre-school facilities under ICDS scheme were frustrated.

Inefficient contract management resulted in sub-standard construction works in 655 Anganwadi centre buildings and extension of an undue benefit of Rs.73.64 lakh to the contractors.

The State Government did not release Rs.6.16 crore received from the Central Government for Integrated Child Development Services during the period 2001-06 adversely affecting its implementation.

(Paragraph 3.4)

4. Audit of transactions (Civil)

Steel and cement valued at Rs.24.88 lakh were issued by one division under Irrigation & Flood Control Department to a contractor who retained them without execution of the work for the last six to seven years resulting in undue benefit to the contractor.

(Paragraph 4.2)

Failure of the Government to provide adequate funds in time for clearing imported goods and their transportation led to avoidable expenditure of Rs.2.22 crore.

(Paragraph 4.4)

65 cheques for Rs.56.21 lakh were fraudulently drawn during March 2005 for payment to contractors against fictitious works by one division of the Public Works Department.

(Paragraph 4.5)

Hill cutting for widening of narrow portion of road length of 32 Km was shown completed within unreasonably short period of eight days resulting in doubtful payment of Rs.41.98 lakh without execution of work.

(Paragraph 4.6)

Undue benefit of Rs.36.23 lakh was given to a contractor by one division of PWD, by awarding the work without following the tender procedures, and by allowing payment for completion of the work in unduly short time of 6 days.

(Paragraph 4.7)

Relief funds amounting to Rs.15.28 lakh was withdrawn by the Drawing and Disbursing Officer of the Deputy Commissioner, Churachandpur without submission of any document in support of the utilization of the amount resulting in misappropriation of funds.

(Paragraph 4.11)

State Government employees were granted GPF advances/withdrawals by their drawing and disbursing officers of various departments in excess of their balances resulting in negative balances in the GPF accounts of 362 subscribers amounting to Rs.1.24 crore at the end of March 2005.

(Paragraph 4.13)

Public Health Engineering Department

5. Internal Control System

There were deficiencies in the budgetary, administrative and operational controls. Accuracy and completeness of the monthly accounts suffered due to non-maintenance of basic records. Internal audit arrangements were deficient and unable to provide assurance against possibilities of financial irregularities.

Due to lack of proper infrastructural facility the Department failed to test quality of drinking water supplied to the consumers, causing risk to public health.

Ineffective budgetary control resulted in overall savings of Rs.152.05 crore during 2001-06 affecting State's financial interest and hindering departmental activities.

Six Divisions had rushed 37 to 64 *per cent* of their expenditure in March alone during the years 2003-06, indicating non-existence of any departmental control over expenditure.

Monthly Accounts were submitted late by 19 to 200 days during 2004-06. No reconciliation of expenditure was carried out during the last five years.

Water tax of Rs.5.76 crore was lying un-recovered at the end of March 2006.

CI fittings worth Rs.1.21 crore were lying idle for two to 11 years due to excessive and unplanned purchase.

(Paragraph 5.1)

6. Audit of transactions (Revenue)

Due to non adherence to the provisions of payment of room rent from occupants of the State guest house, Imphal, there was non realisation of Government revenue amounting to Rs.9.44 lakh.

(Paragraph 6.2.1)

Loss of revenue of Rs.2.29 lakh due to application of incorrect rate of room rent and irregular allowance of use of State guest house.

(Paragraph 6.2.2)

Failure of the department to compound offences of theft of electricity led to non realisation of Government revenue of Rs.5.68 lakh.

(Paragraph 6.3)

Failure of the department to enforce provisions of rules regarding recovery of arrears and discontinuation of electricity supply resulted in non-realisation of revenue of Rs.92.41 lakh and loss of Rs.35.89 lakh.

(Paragraph 6.4)

Professional tax amounting to Rs.7.32 lakh was not realised from 732 permit holders.

(Paragraph 6.7)

Non deposit of sales tax revenue of Rs.65.23 lakh and penalty of Rs.97.85 lakh.

(Paragraph 6.9)

7. Commercial

7.1 General view of Government companies and Statutory corporations

As on 31 March 2006, there were 15 Government companies (seven working companies and eight non-working companies) and one non-working Statutory corporation in the State. The total investment in working Government Companies was Rs.47.39 crore.

(Paragraphs 7.1 and 7.2.1)

The accounts of 13 Government companies were in arrear for periods ranging from nine to 23 years.

(Paragraph 7.15.4)

As per the latest finalised accounts three working companies had incurred an aggregate loss of Rs.0.23 crore while three companies earned an aggregate profit of Rs. one crore. One Company had not commenced commercial activities.

(Paragraph 7.5.2)

One loss making company had accumulated losses aggregating Rs.1.70 crore which exceeded its paid up capital of Rs. one crore but continued to receive financial support from the Government.

(Paragraph 7.6.2)

The total investment in nine non-working PSUs (eight non-working Government companies and one non-working Statutory corporation) was Rs.118.82 crore as on 31 March 2006.

(Paragraph 7.8.1)

7.2 Construction Works undertaken by the Manipur Police Housing Corporation Limited

The Company was incorporated in January, 1990 with the main objective to construct residential and non-residential buildings for the Manipur Police and other Departments/Bodies.

The Company could not complete 206 works out of 561 works targeted to be completed by 31 March 2006.

The Company awarded 90 *per cent* of the works without calling for tenders. 684 works entrusted to the Company for execution during 2001-02 to 2005-06 were irregularly split up into 870 works to avoid approval of competent authority and to bring the cost of these works within the delegated powers of the Works Advisory Committee and to avoid calling of open tenders.

The Company diverted Rs.21.33 crore as interest free temporary loan to various departments.

The Company has not finalised accounts for the last ten years and also did not maintain site accounts.

(Paragraph 7.14)

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix 1.1-Part A**). The Finance Accounts are laid out in nineteen statements, presenting the receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State. The layout of the Finance Accounts is depicted in **Appendix 1.1-Part B**.

1.1.1 Summary of Receipts and Disbursements

Table-1 summarises the finances of the Government of Manipur for the year 2005-06 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed Statements.

Table 1: Summary of Receipts and Disbursements

(Rupees in crore)

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
Section A: Revenue							
					Non-Plan	Plan	Total
1742.75	Revenue Receipts	2408.95	1651.19	Revenue Expenditure	1592.48	412.03	2004.51
81.39	Tax Revenue	95.00	704.27	General Services	721.10	1.78	722.88
69.75	Non-Tax Revenue	76.46	523.23	Social Services	455.69	228.06	683.75
287.02	Share of Union taxes/duties	342.09	423.69	Economic Services	415.69	182.19	597.88
1304.59	Grants from Government of India	1895.40	—	Grants-in-aid/ contribution	—	—	—
Section B: Capital							
—	Miscellaneous Capital Receipts	—	521.18	Capital outlay	(-) 0.16	615.98	615.82
0.58	Recoveries of Loans and Advances	0.64	20.27	Loans and Advances disbursed	0.13	60.46	60.59
1110.19	Public Debt receipts*	218.11	456.59	Repayment of Public Debt*			116.82
—	Contingency Fund	—	—	Contingency Fund			—
1107.96	Public Account receipts	2172.88	1028.67	Public Account disbursements			1738.99
(-) 515.66	Opening balance	(-) 232.06 ¹	(-) 232.08	Closing balance			31.79
3445.82	Total	4568.52	3445.82	Total			4568.52

* Excluding ways and means advances and overdraft.

The total receipts of the Government grew by 21.18 per cent (from Rs.3961.48 crore in 2004-05 to Rs.4800.58 crore in 2005-06), against 23.35 per cent increase in the disbursements.

¹ The excess of Rs.2 lakh over the closing balance of the previous year is under reconciliation.

There was a significant increase in the grants from the Central Government, which increased by over 45.28 *per cent* from Rs.1304.59 crore in 2004-05 to Rs.1895.40 crore in 2005-06. Accordingly, its share in the total revenue receipts went up from 74.86 *per cent* in 2004-05 to 78.68 *per cent* in 2005-06.

Under the capital receipts, the noticeable changes were a decline in public debt receipts (down by over 80 *per cent*, mainly on account of decline in market borrowings and borrowings from Government of India) and an increase of 96.11 *per cent* in the Public Account receipts. Of the total disbursements, revenue expenditure accounted for about 44.18 *per cent*.

1.1.2 The Fiscal Responsibility and Budget Management Act

The State Government enacted the Fiscal Responsibility and Budget Management (FRBM) Act, 2005 in August 2005, to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework. To give effect to the fiscal management principles, the Act prescribed the following fiscal targets for the Government to strive to:

- remain revenue surplus by making a balance in revenue receipts and expenditure and build up further surplus;
- bring down the fiscal deficit to 3 *per cent* of GSDP;
- limit the amount of outstanding Government guarantees as per provision of Manipur Ceiling on State Government Guarantee Act, 2004.
- follow a recruitment and wage policy so that the expenditure on salary does not exceed 35 *per cent* of the excess of revenue expenditure over interest and pension payments.

1.1.3 Fiscal Policy Statement(s)

As prescribed in the Act, the State Government was to lay in each year the following statement(s) of fiscal policy along with the budget before the legislature:

- The Medium Term Fiscal Policy Statement; and
- The Fiscal Policy Strategy Statement.

Though the FRBM Act was enacted in August 2005, it came into effect only from 13 November 2006. The rules for carrying out the provisions of the Act were framed in December 2005 and further amended in January and August 2006.

1.2 Overview of the Fiscal Situation of the State

1.2.1 Trend in Fiscal Aggregates

The Fiscal position of the State Government during the current year compared to that of previous year is given in Table 2.

Table 2

(Rupees in crore)

2004-05	Sl. No.	Major Aggregates	2005-06
1743	1.	Revenue Receipts (2+3+4)	2409
81	2.	Tax Revenue	95
70	3.	Non-Tax Revenue	76
1592	4.	Other Receipts	2238
1	5.	Non-Debt Capital Receipts	1
1	6.	Of which, recovery of Loans and Advances	1
1744	7.	Total Receipts (1+5)	2410
1397	8.	Non-Plan Expenditure (9+11+12)	1592
1396	9.	On Revenue Account	1592
266	10.	Of which, Interest Payments	238
1	11.	On Capital Account	—
—	12.	On Loans disbursed	—
795	13.	Plan Expenditure (14+15+16)	1089
255	14.	On Revenue Account	412
520	15.	On Capital Account	616
20	16.	On Loans disbursed	61
2192	17.	Total Expenditure (8+13)	2681
(+) 92	18.	Revenue Surplus (+) (1-9-14)	(+) 405
(-) 448	19.	Fiscal Deficit (-) (17-1-5)	(-) 271
(-) 182	20.	Primary Deficit (-) (19-10)	(-) 33

Table 2 indicates that the revenue surplus of the State rose from Rs.92 crore in 2004-05 to Rs.405 crore in 2005-06. This was mainly because of rise in Central grants and State share of Union taxes, which rose by 45 per cent and 19 per cent respectively over the previous year. The total expenditure of Rs.2681 crore exceeded the total non-debt receipts of Rs.2410 crore, resulting in fiscal deficit of Rs.271 crore. The Plan expenditure accounted for 41 per cent of the total expenditure, up from 36 per cent in 2004-05, while the Non-Plan expenditure declined from 64 per cent in 2004-05 to 59 per cent in 2005-06. A substantial improvement in revenue receipts also resulted in surplus primary revenue balance which in turn led to a decline in primary deficit from Rs.182 crore in 2004-05 to Rs.33 crore in the current year.

1.3 Audit Methodology

Audit observations on statements of the Finance Accounts for the year 2005-06 bring out the trends in the major fiscal aggregates of receipts and expenditure, and analyze them wherever necessary in the light of time series data (*Appendices 1.2 to 1.5*) and periodic comparisons. Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as a percentage of the Gross State Domestic Product (GSDP) at current market

prices. For tax and non-tax revenues, revenue expenditure *etc.*, buoyancy projections have also been provided for further estimation of the range of their fluctuations. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and Liabilities, and (iv) Management of deficits. Audit observations have also taken into account, the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. In addition, selected indicators of financial performance of the Government are also listed in this section; some of the terms used in this context are explained in *Appendix 1.1 Part C*.

1.4 State finances by key indicators

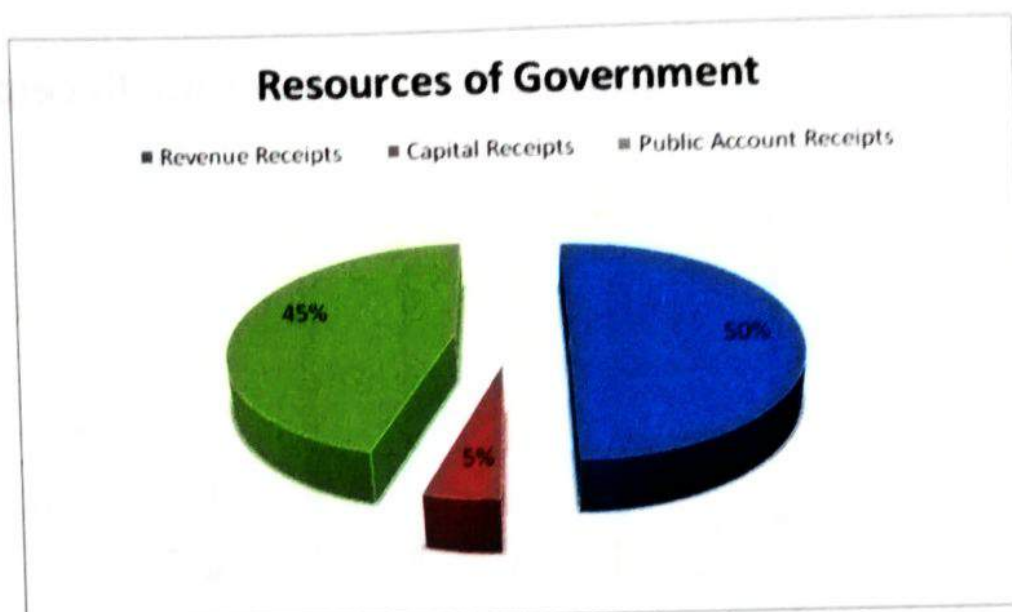
1.4.1 Resources by volumes and sources

Resources of the State Government consist of revenue and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources *viz.*, market loans, borrowings from financial institutions/commercial banks *etc.*, and loans and advances from the Government of India (GOI), as well as accruals from Public Account.

Table 3 shows that the total receipts of the State Government for the year 2005-06 were Rs.4800.58 crore. Of these, the revenue receipts were Rs.2408.95 crore (50 *per cent*) while the balance came mainly from public account receipts (Rs.2172.88 crore). Remittances consisting of mainly Public Works Remittances (Rs.944.73 crore), Cash Remittances between treasuries and currency chest (Rs.85.58 crore) and Forest remittances (Rs.22.03 crore) constitute about half of public account receipts.

Table 3: Resources of the Government

(Rupees in crore)			
I.	Revenue Receipts		2408.95
II.	Capital Receipts		218.75
	(a) Recovery of Loans and Advances	0.64	
	(b) Public Debt Receipts	218.11	
	(c) Miscellaneous Receipts	—	
III.	Contingency Fund Receipts		—
IV.	Public Account Receipts		2172.88
	(a) Small Savings, Provident Fund <i>etc.</i>	367.58	
	(b) Reserve Fund	10.36	
	(c) Deposits and Advances	517.72	
	(d) Suspense and Miscellaneous	225.09	
	(e) Remittances	1052.13	
Total Receipts			4800.58



1.4.2 Revenue Receipts:

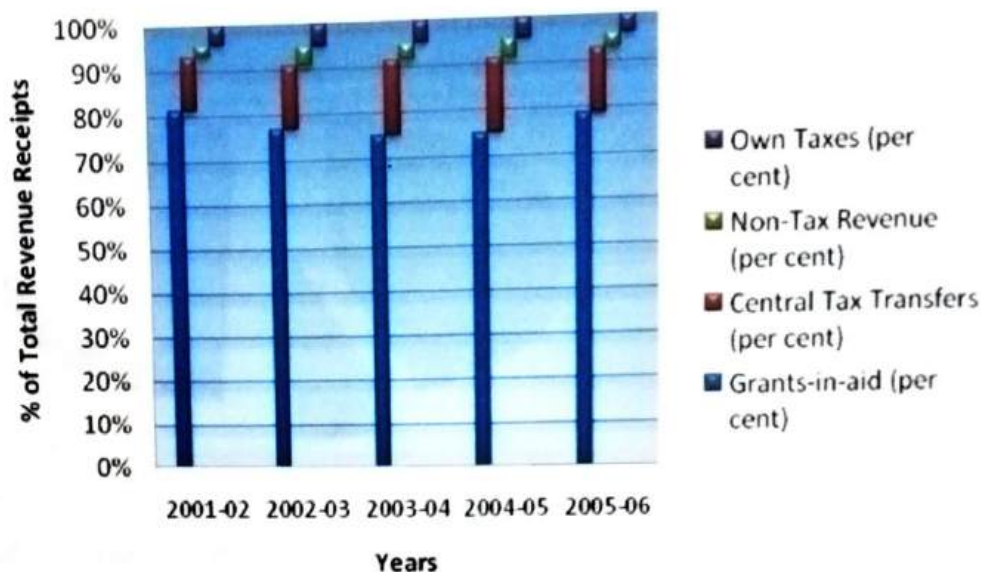
Statement-11 of the Finance Accounts details the Revenue Receipts of the State consisting mainly of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from the GOI. The details of revenue receipts are given in **Appendix 1.2**. Overall revenue receipts, their annual rate of growth, ratio to the State's Gross Domestic Product (GSDP) and buoyancy are indicated in Table 4.

Table 4: Revenue Receipts – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Receipts (Rupees in crore)	1177.00	1328.00	1420.00	1743.00	2409.00
Own Taxes	51 (4.33)	65 (4.89)	68 (4.79)	81 (4.66)	95 (3.94)
Non-Tax Revenue	29 (2.46)	57 (4.29)	50 (3.52)	70 (4.02)	76 (3.16)
Central Tax Transfers	142 (12.06)	188 (14.16)	241 (16.97)	287 (16.47)	342 (14.20)
Grants-in-aid	955 (81.14)	1018 (76.66)	1061 (74.72)	1305 (74.87)	1896 (78.70)
Rate of Growth of Revenue Receipts (per cent)	12.63	12.83	6.93	22.75	38.21
Revenue Receipts/GSDP (per cent)	32.78	35.51	34.96	43.32	51.33
Revenue Buoyancy (ratio)	0.924	3.09	0.80	#	2.30
States' Own Taxes buoyancy (ratio)	0.29	6.61	0.53	#	1.04
Revenue Buoyancy with reference to State's own taxes (ratio)	3.10	0.47	1.50	1.19	2.21
GSDP Growth (per cent)	13.67	4.14	8.61	(-) 0.93	16.63

Rate of GSDP growth was negative
Figures in brackets are in percentages

Composition of Revenue Receipts



General trends: The revenue receipt of the State increased more than double during 2001-06 from Rs.1177 crore in 2001-02 to Rs.2409 crore in 2005-06 at an average rate of 26 per cent per year, though there were significant inter-year variations ranging from about 7 per cent (2003-04) to 38 per cent (2005-06). Revenue receipts comprised mainly (more than 90 per cent) of funds from the Central Government in the form of grants-in-aid and State's share in the pool of Central taxes and duties. Estimates of GSDP by the State Government shows that during the period 2001-05 the economy of the State has shown large fluctuations with its GSDP growth varying from (-) 0.94 per cent in 2004-05 to 16.63 per cent in 2005-06.

Tax revenue: Tax revenue moved in a narrow range of 3.94 to 4.89 per cent of the revenue receipts during the last five years. The State could generate only Rs.95 crore of tax revenue during 2005-06 as against a normative projection of Rs.151.34 crore made by the Twelfth Finance Commission (TFC). In 2005-06, Sales tax was the major contributor (74.9 per cent) to the State's own tax revenue.

Non-tax revenue: The non-tax revenue has contributed 2.46 to 4.29 per cent of the revenue receipts during the last five years. The total non-tax revenue of Rs.76.46 crore in 2005-06 came mainly from Power (Rs.49.87 crore) followed by Miscellaneous General Services (Rs.6.62 crore) and Interest Receipts (Rs.6.14 crore). The current levels of cost recovery (revenue receipts as a percentage of revenue expenditure) in providing various social services by Government was 0.25 per cent for General Education, 0.42 per cent for Medical and Public Health and 5.79 per cent for water supply and sanitation.

Central tax transfers: The contribution of the Central tax transfers to the revenue receipts has been increasing over the years (2001-04) and has ranged from 12.06 per cent to 16.97 per cent during 2001-06. However, the

percentage declined to 14.20 *per cent* in 2005-06, as compared to 16.47 *per cent* in 2004-05.

Grants-in-aid: The amount of grants-in-aid received from the Central Government almost doubled from Rs.955 crore in 2001-02 to Rs.1895 crore in 2005-06 and together with the Central tax transfers, constitute the mainstay of the State's revenue receipts. In percentage terms, the grants-in-aid registered a sharp increase in 2005-06, reversing the declining trend in the previous three years. The major components of grants-in-aid during 2005-06 include non-plan grant (Rs.846.22 crore), grants for State plan schemes (Rs.894.27 crore), grants for Centrally Sponsored Schemes (Rs.131.49 crore), grants for Special Plan Schemes (Rs.22.34 crore) and grants for Central Plan Schemes (Rs.1.06 crore).

1.4.3 Sources of Receipts

The sources of total receipts during 2001-06 and the GSDP are indicated in Table 5.

Table 5: Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic Product
		Non-Debt Receipts ²	Debt-Receipts	Accruals in Public Account	Total		
2001-02	1177	0.47	655	127	782	1959	3591
2002-03	1328	0.47	1104	699	1803	3131	3740
2003-04	1420	0.48	877	746	1623	3043	4062
2004-05	1743	0.58	1110	1108	2219	3962	4024
2005-06	2409	0.64	218	2173	2392	4801	4693

The relative share of revenue receipts decreased from 60 *per cent* in 2001-02 to 50 *per cent* in 2005-06 with corresponding increase in the share of the capital receipts. The non-debt capital receipts were not significant (Rs.2.64 crore in the last five years) while the accruals to the Public Account accounted for about 45 *per cent* of the total receipts in 2005-06, and their relative share in the capital receipts went up from about 16 *per cent* in 2001-02 to about 91 *per cent* in 2005-06. Table 5 shows that, despite the revenue receipts growing by more than 100 *per cent* during 2001-06, the GSDP grew only by over 30 *per cent*. Since the revenue receipts comprise mainly of Central fund transfers, the disparity in growth rates would indicate that the increase in Central transfers has not led to a commensurate growth in the GSDP. In fact, in 2005-06 the GSDP was even less than the total receipts of the State. It seems that the central funds could not generate adequate momentum in the growth process of the State economy.

² This column indicates recovery of loans and advances.

1.5 Application of resources

1.5.1 Growth of expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The States raise resources to perform their sovereign functions, to maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs.1518 crore in 2001-02 to Rs.2681 crore in 2005-06 at an average rate of 19 per cent per annum.

Table 6 shows that the total expenditure, as a percentage of GSDP, has shown a rising trend, going up from about 42 per cent in 2001-02 to about 57 per cent in 2005-06. The revenue expenditure, as a percentage of GSDP, rose from 37 per cent (2001-02) to 42 per cent (2005-06). Similarly, capital expenditure rose from 5 per cent (2001-02) to 13 per cent (2005-06). However, the buoyancy of total expenditure both with respect to GSDP as well as revenue receipts did not exhibit the definite trend reflecting the fact that expenditure of the State is influenced by factors other than its own GSDP and revenue receipts which largely comprised of central transfers.

Table 6: Total expenditure – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Total Expenditure (Rupees in crore)	1518.00	1577.00	1706.00	2192	2681.00
Rate of Growth (per cent)	19.37	3.88	8.18	28.49	22.31
TE/GSDP Ratio (per cent)	42.28	42.17	42.00	54.47	57.13
Revenue Receipts/ TE Ratio (per cent)	77.53	84.21	83.24	79.52	89.85
Buoyancy of Total Expenditure with					
GSDP (ratio)	1.41	0.93	0.95	#	1.34
Revenue Receipts (ratio)	1.53	0.30	1.18	1.25	0.58

GSDP growth was negative

Trends in total expenditure by activities: In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services, Interest Payments, Social and Economic Services, Grants-in-aid and Loans and Advances.

Table 7: Components of Expenditure – Relative share

	2001-02	2002-03	2003-04	2004-05	2005-06
General Services	37.29	41.60	37.22	32.76	33.98
Of which, interest payments	12.58	16.17	12.60	12.14	8.88
Social Services	32.87	33.99	33.00	35.63	30.36
Economic Services	29.58	24.35	29.66	30.70	33.38
Grants-in-aid	—	—	—	—	—
Loans and Advances	0.27	0.06	0.12	0.91	2.28

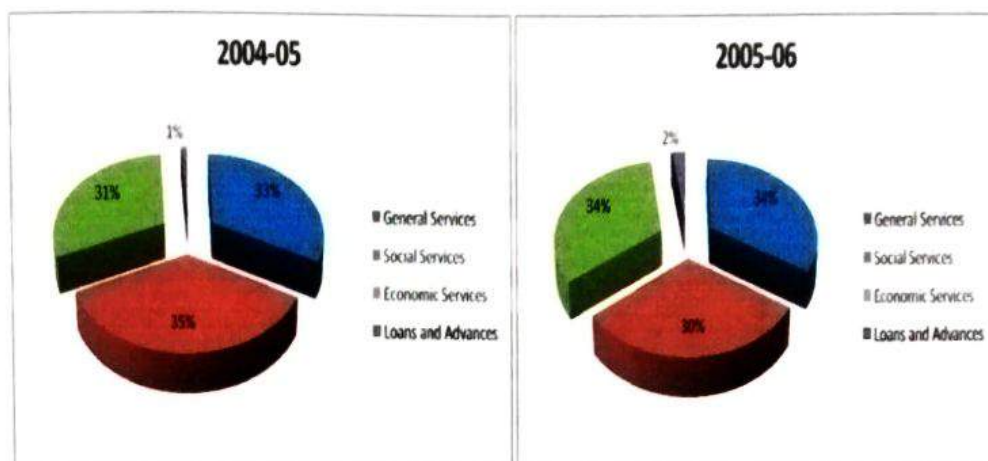


Table 7 shows that over the last five years the percentage of expenditure on General and Social Services has decreased, while that on Economic Services has increased. But inter-year comparison of the last two years shows that the expenditure on General Services (considered as non-developmental) marginally increased from 32.76 *per cent* (2004-05) to 33.98 *per cent* (2005-06). On the other hand, developmental expenditure (Social and Economic Services) decreased from 66.33 *per cent* in 2004-05 to 63.74 *per cent* in 2005-06.

1.5.2 Incidence of Revenue expenditure

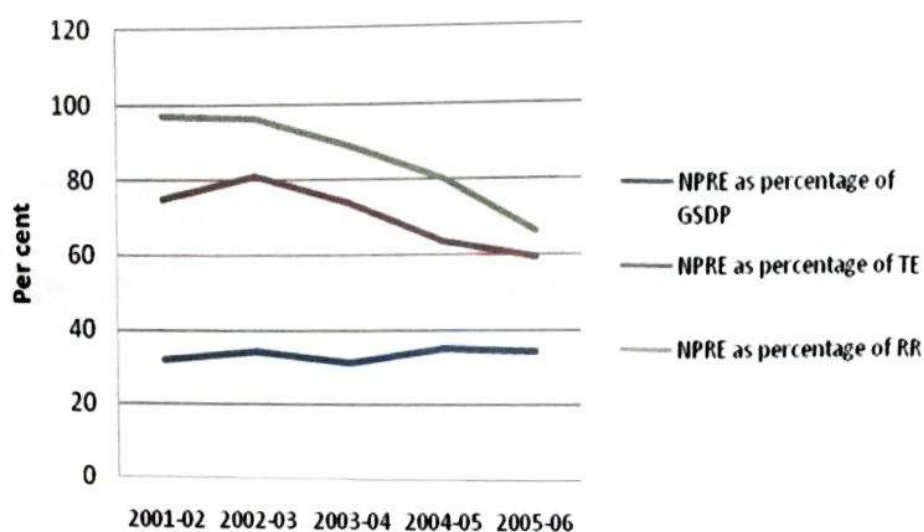
Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. Table 8 shows that the revenue expenditure accounted for more than 81 *per cent* of the total expenditure in all the five years. Non-plan revenue expenditure increased to Rs.1592 crore in 2005-06 against the normative projection of Rs.1323.15 crore made by TFC for the State for 2005-06. Non-plan revenue expenditure (NPRE) accounted for the major portion of the revenue expenditure, ranging from 79 to 90 *per cent*, while the planned revenue expenditure (PRE) was 10 to 21 *per cent* of the revenue expenditure during the period 2001-06. However, the rate of growth of NPRE has shown a declining trend, with corresponding rise in the growth rate of PRE. The buoyancy of Revenue Expenditure with reference to GSDP as well as Revenue Receipt registered a declining trend over the last five years (2001-06).

Table 8: Revenue Expenditure: Basic Parameters

	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Expenditure (Rupees in crore)	1338	1415	1464	1651	2004
Non-Plan Revenue Expenditure (NPRE)	1139	1276	1259	1396	1592
Plan Revenue Expenditure (PRE)	199	139	205	255	412
Rate of Growth (<i>per cent</i>)					
NPRE	21.82	12.03	(-) 1.33	10.88	14.04
PRE	5.85	30.15	47.48	24.39	61.57
NPRE/GSDP (<i>per cent</i>)	31.72	34.12	30.99	34.69	33.92
NPRE as percentage of TE	75.03	80.91	73.80	63.69	59.38
NPRE as percentage of RR	96.77	96.08	88.66	80.09	66.09
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.40	1.38	0.40	#	1.28
Revenue Receipts (ratio)	1.51	0.44	0.50	0.56	0.55

Rate of growth of GSDP was negative.

Trends in Non Plan Revenue Expenditure



1.5.3 Committed Expenditure

Salaries and Wages

Table 9: Expenditure on Salaries and Wages

(Rupees in crore)

	2003-04	2004-05	2005-06
Expenditure on Salaries & Wages	667	731	872 ³
Of which,			
Non-plan Head	636	702	837
Plan Head*	31	29	35
As a per cent of GSDP	16.42	18.16	18.58
As a per cent of RR	46.97	41.94	36.20

* Plan Head also includes salaries and wages paid under Centrally Sponsored Schemes.

The expenditure on salaries and wages accounted for 36 *per cent* of the revenue receipts and 44 *per cent* of the revenue expenditure in 2005-06. The rise in salaries and wages during 2005-06 was due to release of dearness allowances of the State Government employees for the last three years at one go. The expenditure on salaries and wages showed an increasing trend as a percentage of GSDP and a decreasing trend with regard to revenue receipts during the last three years. The non-plan component of salaries and wages accounted for over 95 to 96 *per cent* during 2003-06.

The TFC recommended (November 2004) that the States should follow a recruitment and wages policy in such a manner that the total salary bill relative to revenue expenditure net of interest payments and pension does not exceed 35 *per cent*. However the State Government's expenditure on salaries and wages was 61 *per cent* of the revenue expenditure during 2004-05 and 55 *per cent* during 2005-06.

³ Salaries: Rs.869.77 crore, Wages: Rs.2.64 crore

Pension payments**Table 10: Expenditure on pension***(Rupees in crore)*

	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on pension	140	167	166	182	168*
As per cent of GSDP	3.90	4.47	4.09	4.52	3.58
As per cent of RR	11.89	12.57	11.60	10.44	6.97

* excluding Rs.17.29 crore booked under the Major Head 8658 – Suspense Accounts.

Pension payments increased from Rs.140 crore in 2001-02 to Rs.182 crore in 2004-05. The decline in 2005-06 was due to non-submission of pension vouchers/bank scrolls for an amount of Rs.17.29 crore by the banks to Treasuries following introduction of payment of Pensions through Public Sector Banks. During the year, expenditure on pension and other retirement benefits including Rs.17.29 crore booked under Suspense Head was 3.94 per cent of the GSDP and 7.69 per cent of revenue receipts.

Interest payments**Table 11: Interest payments**

Year	Total Revenue receipts	Interest Payments	Percentage of Interest Payment with reference to	
	(Rupees in crore)		Revenue Receipts	Revenue Expenditure
2001-02	1177	191	16.22	14.27
2002-03	1328	255	19.20	18.02
2003-04	1420	215	15.14	14.69
2004-05	1743	266	15.26	16.11
2005-06	2409	238♣	9.88	11.87

♣ In 2005-06, interest of Rs.13.35 crore paid on Power Bonds was depicted under Major Head 2801 – Power.

Table 11 shows that although the quantum of interest payment has risen from Rs.191 crore in 2001-02 to Rs.238 crore (excluding Rs.13.35 crore booked under Major Head 2801 – Power), its ratio to the revenue receipts dropped from about 16 per cent in 2001-02 to around 10 per cent in 2005-06. The components of interest payment during 2005-06 were internal debt (Rs.73.73 crore), loans received from Central Government (Rs.125.07 crore), Small Savings, Provident Funds etc. (Rs.38.73 crore).

1.6 Expenditure by Allocative Priorities**1.6.1 Quality of Expenditure**

The quality of expenditure is reflected in the availability of better social and physical infrastructure. Therefore, the ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure spent on running efficiently and effectively the existing social and economic services, would determine the quality of expenditure. The higher the ratio of these components to total expenditure and GSDP, the better is the quality of expenditure. Table 12 gives these ratios for the period 2001-06.

Table 12: Indicators of Quality of Expenditure

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Capital expenditure	176	161	240	521	616
Revenue expenditure	1338	1415	1464	1651	2004
Of which					
Social and Economic Services with	776	765	837	947	1282
(i) Salary & Wage Component	*	*	484	530	619
(ii) Non-Salary & Wage component	*	*	353	417	663
As per cent of Total Expenditure					
Capital Expenditure	11.62	10.22	14.08	23.99	23.51
Revenue Expenditure	88.38	89.78	85.92	76.01	76.49
As per cent of GSDP					
Capital Expenditure	4.90	4.30	5.91	12.95	13.13
Revenue Expenditure	37.26	37.83	36.04	41.03	42.70

* Bifurcation of salary and non-salary components not available.

The above table indicates that the percentage of capital expenditure to the total expenditure as well as to the GSDP has been steadily rising over the last five years indicating steady improvement in the quality of expenditure. The share of revenue expenditure in the total expenditure has been declining over the years (2001-06) indicating a shift towards capital expenditure. Although the salary and wage component in the Developmental Sector (Social and Economic Services) has been showing a decreasing trend over the last three years, it still forms a large chunk (48.28 *per cent* during 2005-06) of the expenditure on this sector.

1.6.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities *etc.* have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. Table 13 summarises the expenditure incurred by the State Government in expanding and strengthening Social Services in the State during 2003-06.

Table 13: Expenditure on Social Services

	(Rupees in crore)		
	2003-04	2004-05	2005-06
Education, Sports, Art and Culture			
Revenue Expenditure	291	325	412
Of which			
(a) Salary & Wage component	204	221	250
(b) Non-salary & Wage component	87	104	162
Capital Expenditure	14	71	10
Health and Family Welfare			
Revenue Expenditure	67	61	78
Of which			
(a) Salary & Wage component	51	54	67
(b) Non-salary & Wage component	16	7	11
Capital Expenditure	8	6	5
Water Supply, Sanitation, Housing and Urban Development			
Revenue Expenditure	20	33	73
Of which			
(a) Salary & Wage component	17	19	24
(b) Non-salary & Wage component	3	14	49
Capital Expenditure	69	167	101
Other Social Services			
Revenue Expenditure	89	104	121
Of which			
(a) Salary & Wage component	31	30	40
(b) Non-salary & Wage component	58	74	81
Capital Expenditure	6	14	14
Total (Social Services)	564	781	814
Revenue Expenditure	467	523	684
Of which			
(a) Salary & Wage component	303	324	381
(b) Non-salary & Wage component	164	199	303
Capital Expenditure	97	258	130

The table shows that the expenditure on Social Services increased from Rs.564 crore in 2003-04 to Rs.814 crore in 2005-06. Bulk of this expenditure was on revenue account amounting to 83 per cent in 2003-04, 67 per cent in 2004-05 and 84 per cent in 2005-06.

The expenditure on Social Services was distributed among four heads and their relative shares in the expenditure of the last three years were Education, Sports, Art and Culture (52 per cent); Health and Family Welfare (10 per cent); Water Supply, Sanitation, Housing and Urban Development (22 per cent) and Other Social Services (16 per cent). The table also shows that major portion of the expenditure was revenue in nature except in case of Water Supply, Sanitation, and Housing and Urban Development. The bulk of the expenditure was on the salary and wages component, which was predominantly Non-Plan.

1.6.3 Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditure as to promote directly or indirectly, productive capacity of the State's economy. The State's total expenditure in this sector increased from Rs.505 crore (2003-04) to Rs.896 crore (2005-06) – an increase of 77 per cent. The capital

expenditure on economic services registered an increase of 122.39 per cent in 2005-06 over 2003-04.

Table 14: Expenditure on Economic Sector

	(Rupees in crore)		
	2003-04	2004-05	2005-06
Agriculture, Allied Activities			
Revenue Expenditure	95	107	144
Of which			
(a) Salary & Wage component	65	73	90
(b) Non-salary & Wage component	30	34	54
Capital Expenditure	4	12	12
Irrigation and Flood Control			
Revenue Expenditure	37	34	44
Of which			
(a) Salary & Wage component	23	25	31
(b) Non-salary & Wage component	14	9	13
Capital Expenditure	31	39	139
Power & Energy			
Revenue Expenditure	101	127	194
Of which			
(a) Salary & Wage component	36	38	44
(b) Non-salary & Wage component	65	89	150
Capital Expenditure	29	39	29
Transport			
Revenue Expenditure	42	31	45
Of which			
(a) Salary & Wage component	16	17	22
(b) Non-salary & Wage component	26	14	23
Capital Expenditure	35	88	76
Other Economic Services			
Revenue Expenditure	96	125	171
Of which			
(a) Salary & Wage component	41	53	51
(b) Non-salary & Wage component	55	72	120
Capital Expenditure	35	71	42
Total (Economic Services)			
Revenue Expenditure	371	424	598
Of which			
(a) Salary & Wage component	181	206	238
(b) Non-salary & Wage component	190	218	360
Capital Expenditure	134	249	298

Major chunk of the expenditure on Economic Services was revenue in nature, except in case of Irrigation and Flood Control and Transport heads. Also, salaries and wages were a predominant part of the revenue expenditure in all the heads barring Power & Energy and Other Economic Services.

1.6.4 Financial Assistance to Local Bodies and other Institutions

The quantum of assistance provided by way of grants to local bodies and others during the five year period 2000-06 is presented in Table 15.

Table 15: Financial Assistance

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Educational Institutions (Aided Schools, Aided Colleges, Universities etc.)	30.45	34.10	28.90	45.19	75.71
Municipal Corporations and Municipalities	2.45	0.64	1.54	2.12	1.84
Other Institutions	1.18	0.69	0.69	0.78	1.03
Total:	34.08	35.43	31.13	48.09	78.58
Assistance as percentage of RE	2.53	2.50	2.13	2.91	3.92

The financial assistance to local bodies and institutions as a percentage of revenue expenditure showed a generally decreasing trend during the years 2001-04 before taking an increasing trend from 2004-05. The total assistance gradually declined from 2001-02 (Rs.34.08 crore) to 2003-04 (Rs.31.13 crore). The sharp rises during the last two years were because of increased assistance to educational institutes. During 2005-06, major portion of the assistance went to Manipur University (Rs.50.11 crore).

1.7 Assets and liabilities

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings owned by Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. *Appendix 1.3* gives a picture of such liabilities and the assets as on 31 March 2006, compared with the corresponding position on 31 March 2005. While the liabilities in this *Appendix* consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances.

Appendix 1.3 shows that the increase in liabilities was mainly on account of Non-plan loans, Small Savings, Market loans and Deposits. While there was reduction in loans for State Plan Schemes, there was an increase in Non-plan loans and Market loans. The liabilities of the Government depicted in the Finance Accounts, however, do not include pension, other retirement benefits payable to serving/retired State employees and guarantees issued by the State Government.

On the assets side there was an increase of 15.57 per cent in the capital outlay on fixed assets, 77.64 per cent in Loans and Advances and large increase in the cash balance, comprising mainly of the cash balance investment account with the RBI, which started with an opening balance of Rs.4.45 crore and had a closing balance of Rs.142.62 crore. The Government needs to examine whether its market borrowings were justified in the light of the cash balances in its account with the RBI which is indicative of its inability to spend funds available with it.

1.7.1 Investments and returns

As on 31 March 2006, the Government had invested Rs.173 crore in Statutory Corporations, Government Companies and Co-operative Institutions (Table 17). While the return on investment was negligible (only Rs.2730 during 2005-06), average cost of Government borrowing in 2005-06 amounted to 6.81 per cent. The summary of financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised is given at Appendix 7.2.

Table 16: Return on investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowing	Difference between interest rate and return
	(Rupees in crore)			(In per cent)	
2001-02	108	0.08	0.07	8.90	8.82
2002-03	115	—	—	11.53	11.53
2003-04	144	0.08	0.06	9.50	9.44
2004-05	162	0.08	0.05	9.88	9.83
2005-06	173	*	—	6.81	6.81

* Only Rs.2,730

Thus, these investments were economically unviable.

1.7.2 Loans and advances by Government

In addition to investments in Co-operatives, Corporations and Companies, Government has also been providing support in terms of loans and advances to many of these organisations. The total outstanding balance as on 31 March 2006 was Rs. 137.16 crore. Table 17 shows that interest received as a percentage of outstanding loans and advances was much less than the weighted interest rate paid on Government borrowings. The table also shows that while the amounts advanced have gone up exponentially during the last two years, there is virtually no change in the repayment position.

Table 17: Average interest received on loans advanced by the Government

	2001-02	2002-03	2003-04	2004-05	2005-06
	(Rupees in crore)				
Opening balance	51.29	54.96	56.04	57.52	77.21
Amount advanced during the year	4.14	1.55	1.96	20.27	60.59
Amount repaid during the year	0.47	0.47	0.48	0.58	0.64
Closing balance	54.96	56.04	57.52	77.21	137.16
Net Addition	3.67	1.08	1.48	19.69	59.95
Interest received	0.22	0.26	0.19	0.26	0.52
Interest received as per cent to outstanding loans and advances	0.41	0.47	0.33	0.39	0.49
Weighted interest rate (in per cent) paid on borrowings by State Government	8.90	11.53	9.50	9.88	8.23
Difference between weighted interest paid and received (per cent)	8.49	11.06	9.17	9.49	7.74

1.7.3 Management of cash balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches

in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) – ordinary and special - from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities.

Table 18 shows that the amount and the number of days on which WMA was taken by the State Government have been fluctuating over the last five years. It gradually increased during the years 2001-02 to 2003-04 and then gradually decreased during the last two years 2004-06. During 2005-06, the State Government had to resort to overdraft facility from the Reserve Bank of India on 44 days, the amounts of overdraft ranging from Rs.4.16 crore to Rs.227.61 crore and aggregating to Rs.6,520.20 crore for all the days taken together; the State Government had to pay an interest of Rs.1.99 crore on such overdraft.

Table 18: Ways and Means Advances and Overdrafts

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Ways and Means Advance					
Availed in the year	70.31	101.54	247.07	191.24	90.90
Outstanding WMAs	42.40	55.70	55.31	54.83	—
Interest paid	2.82	3.28	2.99	1.22	2.51
Number of days	—	—	48	35	127
Overdraft					
Availed in the year	1486.13	1227.45	215.20	50.31	6520.20
Number of days	142	135	212	119	44
Interest paid	9.12	18.63	1.71	9.16	1.99

1.8 Undischarged liabilities

1.8.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Accounts. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of public account, include deposits under small savings schemes, provident funds and other deposits.

Table 19 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table 19: Fiscal Liabilities – Basic Parameters

	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities (Rupees in crore)	2198	2225	2300	3082	3905
Rate of Growth (<i>per cent</i>)	5.02	1.23	3.37	34.00	26.70
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	61.21	59.49	56.62	76.59	83.21
Revenue Receipt (<i>per cent</i>)	186.75	167.55	161.97	176.82	162.10
Own Resources (<i>per cent</i>)	2747.50	1823.77	1949.15	2041.06	2283.63
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	0.36	0.29	0.39	#	1.60
Revenue Receipt (ratio)	0.39	0.09	0.48	1.49	0.69
Own Resources (ratio)	*	0.02	*	1.21	2.01

* Own resources had a negative growth, # Rate of growth of GSDP was negative

Table 19 shows that the rate of growth of the fiscal liabilities has gone up significantly during the last two years, outpacing the rate of growth in the GSDP, revenue receipts and State's own resources, as is evident from the increase in the percentage of fiscal liabilities to these aggregates and their buoyancies. The sharp increase during 2005-06 was due to increase in non-interest bearing obligations of the State which rose from Rs.264.83 crore (2004-05) to Rs.709.28 (2005-06) and marked increase in small savings, provident funds *etc.* which rose from Rs.559.85 crore in 2004-05 to Rs.836.82 crore in 2005-06. This will adversely impact the future cash flows of the Government by way of servicing these liabilities, if the returns are not commensurate with the cost of these liabilities.

1.8.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

As per Statement 6 of the Finance Accounts, as of March 2006, the Government had given guarantees for Rs. 247 crore, against which the amount of outstanding guarantees was Rs. 209 crore as shown in Table 20.

Table 20: Guarantees given by the Government

(Rupees in crore)			
Year	Maximum amount guaranteed	Outstanding amount of guarantees	Percentage of maximum amount guaranteed to total revenue receipts
2001-02	215	9	18.27
2002-03	215	9	16.19
2003-04	214	22	15.07
2004-05	214	22	12.28
2005-06	247	209	10.25

Table 20 shows that while the amount of guarantees went up from Rs. 214 crore in 2004-05 to Rs. 247 crore in 2005-06, as a percentage of revenue receipts, the guarantees came down progressively from 18.27 *per cent* in 2001-02 to 10.25 *per cent* in 2005-06.

The principal beneficiaries of the guarantees were Planning & Development Authority (Rs.139.95 crore), Khadi & Village Industries (Rs.23.40 crore), Manipur State Apex Long Term Co-operatives Housing Society Limited

(Rs.23.25 crore) and Manipur Tribal Development Corporation (Rs.13.09 crore), and as detailed in Statement No. 6 of the Finance Accounts.

1.8.3 Debt Stabilization and its Sustainability

Debt sustainability is defined as the ability to maintain a constant debt-GSDP ratio over a period of time. In simple terms, public debt is considered sustainable as long as the rate of growth of income exceeds the interest rate or cost of public borrowings subject to the condition that the primary balance is either positive or zero. Given the interest rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*interest rate spread), Debt sustainability condition states that if quantum spread together with primary deficit is zero, Debt-GSDP ratio would be constant or the debt would be sustainable. On the other hand, if PD persistently exceeds QS, Debt-GSDP ratio would eventually rise and if PD with QS is positive, debt-GSDP ratio would fall in coming years.

Table 21: Debt sustainability – Interest Rate and GSDP Growth (in per cent)

	2001-02	2002-03	2003-04	2004-05	2005-06
Weighted Interest Rate	8.90	11.53	9.50	9.88	8.23
GSDP Growth	13.68	4.15	8.61	(-) 0.94	16.63
Interest spread	4.77	(-) 7.38	(-) 0.89	(-) 10.82	8.40
Quantum Spread (Rs. in crore)	13.84	(-) 27.11	(-) 4.71	(-) 64.67	66.07
Primary Deficit (Rs. In crore)	(-) 149.00	(+) 6.00	(-) 71.00	(-) 182.00	(-) 33.00

* The State had a primary surplus of Rs.6.00 crore during 2002-03

Sustainability embodies concern about the ability of the State to service its debt. The debt would however be sustainable only if it stabilises and the borrowings are used for adding to the productive capacity of the economy so that adequate funds are generated to service the debt. Table 21 reveals that primary deficit together with quantum spread turns out to be highly negative during the most of the years especially during the last two years indicating the increasing debt-GSDP ratio. It is only during 2005-06 that positive quantum spread exceeded the primary deficit, the impact of which might be reflected in coming years if the favourable condition continues to persist. Since the State has surplus in its revenue account, debt could be sustained in the short run but for its long term sustainability, the necessary condition would be that borrowed funds should be able to generate adequate incremental revenue receipts to service their debt obligations.

1.8.4 Net Availability of Funds

Another important indicator of debt sustainability is the net availability of funds after the payment of the principal on account of earlier contracted liabilities and interest.

Table 22 below gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State over the last five years.

Table 22: Net Availability of Borrowed Funds

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Internal debt					
Receipts	1609	1408	812	325	304
Repayment (Principal + Interest)	1537	1851	706	437	238
Net Fund Available	72	(-) 443	106	(-) 112	66
Net Fund Available (per cent)	4.47	(-) 31.46	13.05	(-) 34.46	21.71
Loans and Advances from Government of India					
Receipts	504	1025	527	1027	5
Repayment (Principal + Interest)	663	703	724	491	168
Net Fund Available	(-) 159	322	(-) 197	536	(-) 163
Net Fund Available (per cent)	(-) 31.55	31.41	(-) 37.38	52.19	(-) 3260
Other obligations					
Receipts	189	145	155	303	887
Repayment (Principal + Interest)	189	252	205	211	204
Net Fund available	—	(-) 107	(-) 50	92	683
Net Fund available (per cent)	—	(-) 73.79	(-) 32.26	30.36	77
Total liabilities					
Receipts	2302	2578	1494	1655	1196
Repayment (Principal + Interest)	2389	2806	1635	1139	610
Net Funds Available	(-) 87	(-) 228	(-) 141	516	586
Net Funds Available (per cent)	(-) 3.78	(-) 8.84	(-) 9.44	31.18	48.99

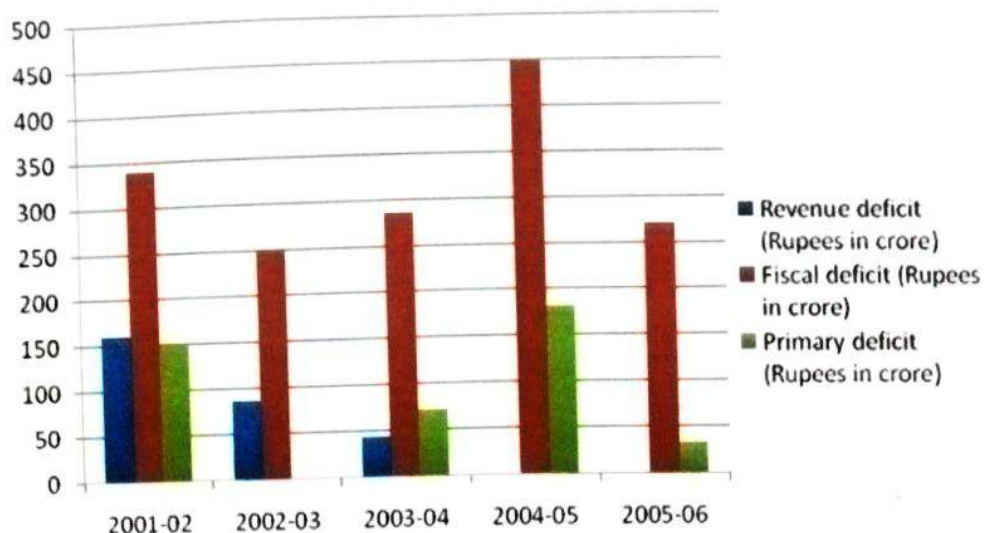
While the availability of funds has become positive during the last two years, due to increased receipts under loans & advances from Government of India (2004-05) and other obligations (2005-06), their servicing in the future will impact the future cash flows and availability of loan.

1.9 Management of deficits

Deficit in Government accounts represents the gap between its receipts and expenditure. The nature of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the borrowed resources are applied and used by the Government are important pointers to its fiscal health.

Table 23: Fiscal Imbalances – Basic Parameters

Parameters	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue deficit (-)/Revenue surplus(+) (Rupees in crore)	(-) 161.00	(-) 87.00	(-) 44.00	(+) 92.00	(+) 405.00
Fiscal deficit (-) (Rupees in crore)	(-) 340.00	(-) 249.00	(-) 286.00	(-) 448.00	(-) 271.00
Primary deficit (-)/Primary surplus(+) (Rupees in crore)	(-) 149.00	(+) 6.00	(-) 71.00	(-) 182.00	(-) 33.00
RD/GSDP (per cent)	4.48	2.33	1.08	2.29	8.63
FD/GSDP (per cent)	9.47	6.66	7.04	11.13	(-) 5.77
PD/GSDP (per cent)	4.15	0.16	1.75	4.52	(-) 0.70
RD/FD (per cent)	47.35	34.94	15.38	20.54	149.45



The revenue deficit of the State indicates the excess of its revenue expenditure over revenue receipts. The revenue account of the State had exhibited the consistent improvement during the period 2000-06 as revenue deficit declined during the first three years and thereafter turned into a surplus during the last two years. The substantial increase in the Central grants to the State since 2004-05 has been instrumental in maintaining the revenue surplus during the last two years. However, despite a revenue surplus in 2004-05, fiscal deficit has increased steeply over the previous year primarily on account of an increase of Rs.281 crore (117 *per cent*) in capital expenditure during 2004-05 over the previous year. The momentum in capital expenditure continued in 2005-06 as it increased by Rs.95 crore (18 *per cent*) over the already higher level of Rs.521 crore during 2004-05. As a result, despite a huge revenue surplus in 2005-06, fiscal deficit continues to persist although it declined by about 40 *per cent* from the level of 2004-05. Although the interest payments have consistently increased during the period 2000-06 with a marginal decline of Rs.28 crore during the current year, the behaviour of primary account could largely be explained by the trends in revenue receipts affecting the primary revenue balance, non-interest revenue expenditure and capital expenditure during the period.

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 24 below presents a summarized position of Government finances over the period 2001-06, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table 24: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06
I. Resource Mobilisation					
Revenue Receipt/GSDP	32.78	35.51	34.96	43.32	51.33
Revenue Buoyancy	0.92	3.092	0.80	#	2.30
Own tax/GSDP	1.42	1.738	1.67	2.01	2.02
II. Expenditure Management					
Total expenditure/GSDP	42.28	42.17	42.00	54.47	57.13
Total Expenditure /Revenue Receipt	128.97	118.75	120.14	125.76	111.29
Revenue Expenditure / Total Expenditure	88.13	89.73	85.81	75.32	74.75
Salary & Wage expenditure on Social and Economic Services / Revenue Expenditure			33.06	32.10	30.89
Non-Salary & Wage expenditure on Social and Economic Services / Revenue Expenditure			24.11	25.26	33.08
Capital Expenditure / Total Expenditure	11.62	10.22	14.08	23.99	22.98
Capital Expenditure on Social and Economic Services / Total Expenditure	11.33	9.89	13.54	23.13	15.93
Buoyancy of TE with RR	1.53	0.30	1.18	1.25	0.58
Buoyancy of RE with RR	1.51	0.44	0.50	0.56	0.55
III. Management of Fiscal Imbalances					
Revenue deficit (Rupees in crore)	(-) 161.00	(-) 87.00	(-) 44.00	(+) 92.00	(+) 405.00
Fiscal deficit (Rupees in crore)	(-) 340.00	(-) 249.00	(-) 286.00	(-) 448.00	(-) 271.00
Primary deficit (Rupees in crore)	(-) 149.00	(+) 6.00	(-) 71.00	(-) 182.00	(-) 33.00
Revenue deficit/Fiscal deficit (in per cent)	47.35	34.94	15.38	20.54	149.45
IV. Management of Fiscal Liabilities (FL)					
Fiscal Liabilities/GSDP	61.21	59.49	56.62	76.59	83.21
Fiscal Liabilities / RR	186.75	167.55	161.97	176.82	162.10
Buoyancy of FL with RR	0.39	0.09	0.48	1.49	0.69
Buoyancy of FL with Own Resources	*	0.02	(-) 1.02	1.21	2.01
Primary deficit vis-à-vis quantum spread	PD+QS= -VE	PD+QS= -VE	PD+QS= -VE	PD+QS= -VE	PD+QS= +VE
Net Fund Available	(-) 3.78	(-) 8.84	(-) 9.44	31.18	48.99
V. Other Fiscal Health Indicators					
Return on Investment (Rupees in crore)	0.07	0.00	0.06	0.05	**0.00
Balance from Current Revenue (Rupees in crore)	(-) 567.00	(-) 575.00	(-) 509.00	(-) 532.00	(-) 232.00
Financial Assets / Liabilities	1.36	1.27	1.23	1.22	1.29

* Own Resources had a negative growth, # GSDP growth was negative.

** Negligible.

The improvement in resources mobilisation indicators in Table 24 has to be viewed in the context of (i) the dependence of the State Government, in a significant manner, on the grants from the Government of India and (ii) rate of growth of GSDP that is not commensurate with the growth rate of the total receipts of the Government. The expenditure as a percentage of receipts has come down, it has gone up when compared to GSDP. However, the revenue expenditure has shown a declining trend (with commensurate rise in capital expenditure) as has also the salary & wages component, though the latter continues increase in the Central grants the State has achieved a revenue surplus status which, in turn, has helped reduce the fiscal deficit levels. Fiscal sustainability will however demand a judicious investment of the Central funds leading to accelerated growth of GSDP which, at the moment, does not seem to be the case. While the fiscal liabilities have been going up, the increase in their ratio to GSDP points to the inherent limit on the State economy to service its liabilities and increased dependence on Central receipts.

1.11 Conclusion

The State finances are heavily dependent on Central transfers, which now account for nearly 93 *per cent* of its revenue receipts. While the revenue expenditure has shown a declining trend, it continues to be around 75 *per cent* of the total expenditure. What is significant, however, is that the rate of growth of GSDP has been significantly less than that of the receipts of the Government (of which Central transfers form the predominant part) implying that the Central transfers and other resource mobilisation measures could not stimulate adequate momentum in the growth process of the State economy. In this context, an efficient and productive use of funds would be of critical importance both from the point of view of putting the State's economy in the high growth trajectory and providing qualitative social and economic services to the people and in enhancing the ability of the Government to meet its financial liabilities that will become due in future.

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

2.1.1 In accordance with the provisions of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Bill passed by the State Legislature contains authority to appropriate certain sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

2.1.2 The Appropriation Act includes the expenditure which has been voted by the Legislature on various grants in terms of Articles 204 and 205 of the Constitution of India and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of the amounts on various specified services actually spent by Government *vis-à-vis* those authorised by the Appropriation Act.

2.1.3 The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts – 2005-06

2.2.1 The summarised position of original and supplementary grants/appropriations and expenditure thereagainst is given below:

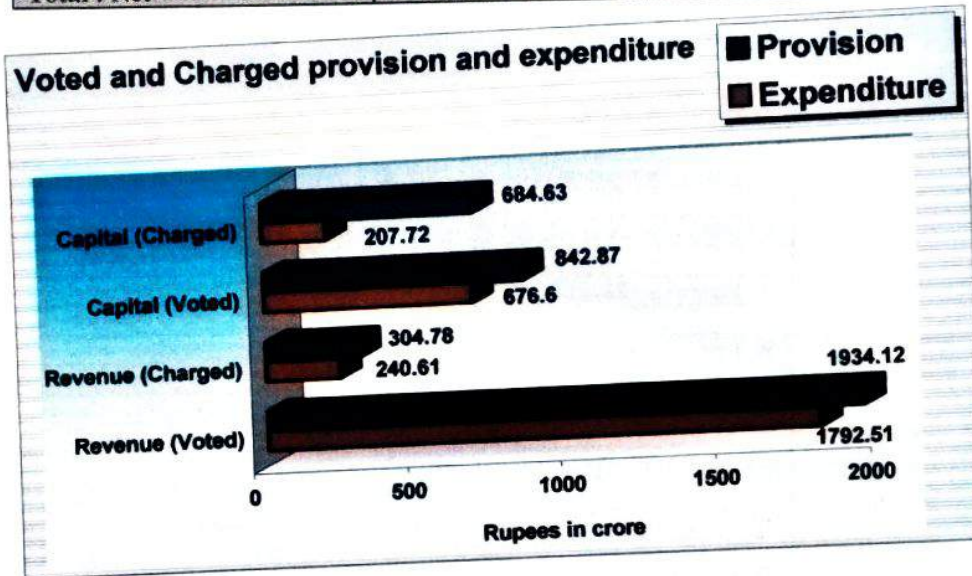
Total number of Grants/
Appropriations : 50 (47 Grants; 3 Appropriations)

Table 1
Total provision and actual expenditure

(Rupees in crore)			
Provision	Amount	Expenditure	Amount
Original	3227.07		
Supplementary	539.33		
Total Gross Provision	3766.40	Total gross expenditure	2917.44
Deduct – Estimated recoveries in reduction of expenditure	80.60	Deduct – Actual recoveries in reduction of expenditure	28.80
Total net provision	3685.80	Total net expenditure	2888.64

Table 2
Voted and Charged provision and expenditure

(Rupees in crore)				
	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1934.12	304.78	1792.51	240.61
Capital	842.87	684.63	676.60	207.72
Total Gross :	2776.99	989.41	2469.11	448.33
Deduct-Recoveries in reduction of expenditure	80.60	—	28.80	—
Total : Net	2696.39	989.41	2440.31	448.33



The summarised position of actual expenditure, excess and savings during 2005-06 against grants and appropriations was as follows:

Table 3

(Rupees in crore)						
	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess (+)
Voted	I. Revenue	1618.20	315.92	1934.12	1792.51	(-) 141.61
	II. Capital	538.27	221.89	760.16	616.01	(-) 144.15
	III. Loans & Advances	81.99	0.72	82.71	60.59	(-) 22.12
Total Voted		2238.46	538.53	2776.99	2469.11	(-) 307.88
Charged	IV. Revenue	303.98	0.80	304.78	240.61	(-) 64.17
	V. Capital	—	—	—	—	—
	VI. Public Debt	684.63	—	684.63	207.72	(-) 476.91
Total Charged		988.61	0.80	989.41	448.33	(-) 541.08
Appropriation to Contingency Fund (if any)	—	—	—	—	—	—
Grand Total		3227.07	539.33	3766.40	2917.44	(-) 848.96

2.3 Fulfilment of allocative priorities

2.3.1 Appropriation by allocative priorities

(i) The overall saving of Rs.848.96 crore was the result of saving of Rs.865.89 crore in 69 cases of grants and appropriations offset by excess of Rs.16.93 crore in 16 cases of grants. The excess of Rs.16.93 crore requires regularisation under Article 205 of the Constitution.

Out of overall savings of Rs.848.96 crore, major savings of Rs.762.95 crore (89.87 per cent) occurred in the cases of the grants/appropriations as mentioned below:

(Rupees in crore)

Grant/ Appropriation No.	Amount of Grant/Appropriation			Actual Expenditure	Saving
	Original	Supplementary	Total		
5. Finance Department (Revenue - Voted)	189.56	—	189.56	174.57	14.99
8. Public Works Department (Revenue - Voted)	128.13	26.78	154.91	109.14	45.77
10. Education (Revenue - Voted)	314.94	53.36	368.30	352.36	15.94
30. General Economic Services and Planning (Revenue - Voted)	50.25	—	50.25	34.50	15.75
Appropriation No.2 - Interest Payment and Debt Services (Revenue- Charged)	298.18	—	298.18	237.53	60.65
8. Public Works Department (Capital - Voted)	274.54	29.28	303.82	274.92	28.90
22. Public Health Engineering Department (Capital - Voted)	62.41	36.59	99.00	85.79	13.21
23 Power Department (Capital - Voted)	57.90	41.49	99.39	36.38	63.01
39. Sericulture (Capital - Voted)	42.90	—	42.90	15.08	27.82
Appropriation No.2 - Interest Payment and Debt Services (Capital- Charged)	684.63	—	684.63	207.72	476.91
Total	2103.44	187.50	2290.94	1527.99	762.95

Areas in which major savings occurred in these grants/appropriations are given in *Appendix 2.1*.

(ii) In 19 cases, expenditure fell short by more than Rs.1 crore in each case and also by more than 10 per cent of the total provision as indicated in *Appendix 2.2*. In one of the above cases (Sl. No.9), the entire provision totalling Rs.3.33 crore was not utilised.

2.3.2 Supplementary provision made during the year constituted 16.71 per cent of the original provision as against 13.47 per cent in the previous year.

2.3.3 Supplementary provision of Rs.74.72 crore made in 10 cases during the year proved unnecessary as the expenditure in each case was even less than the original provision as detailed in *Appendix 2.3*.

2.3.4 In 28 cases against additional requirement of Rs.221.67 crore, supplementary grants and appropriations of Rs.318.21 crore were obtained

resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.96.54 crore. Details of these are given in *Appendix 2.4*.

2.3.5 The excess of Rs.16.93 crore under 16 grants requires regularisation under Article 205 of the Constitution. Details of these are given in *Appendix 2.5*.

2.3.6 In nine cases, supplementary provision of Rs.131.43 crore proved insufficient by more than Rs.10 lakh each, leaving an aggregate uncovered excess expenditure of Rs.16.64 crore as per details given in *Appendix 2.6*.

2.3.7 In nine cases there were persistent savings in excess of Rs.10 lakh in each case and 20 per cent or more of the provision. Details are given in *Appendix 2.7*.

2.3.8 In one case, expenditure exceeded the approved provision by Rs.25 lakh or more and also by more than 10 per cent of the total provision. Details are given in *Appendix 2.8*.

Excessive/unnecessary re-appropriation of funds

2.3.9 Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Significant cases where injudicious re-appropriation of funds proved excessive or resulted in savings by over Rs.50 lakh in each case are given in *Appendix 2.9*.

Expenditure without provision

2.3.10 As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs.113.81 crore was incurred in 22 grants/appropriations as detailed in *Appendix 2.10* without provision having been made in the original estimates/supplementary demands and no re-appropriation orders were issued.

Anticipated savings not surrendered

2.3.11 According to the rules framed by the Government, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, at the close of the year 2005-06, there were 58 cases in which large savings had not been surrendered by the departments. The amount involved was Rs.250.69 crore. In 21 cases, the amount of available savings not

surrendered amounted to more than Rs.1 crore in each case. Details are given in *Appendix 2.11*.

2.3.12 Despite the above instances of budgetary irregularities being reported year after year in Chapter II of the Audit Report, adequate measures were not taken by the Government departments to remedy the situation.

Trend of Recoveries and Credits

2.3.13 Under the system of gross budgeting followed by Government the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

2.3.14 In 10 grants, the actual recoveries adjusted in reduction of expenditure (Rs.28.80 crore) were less than the estimated recoveries (Rs.80.60 crore) by Rs.51.80 crore. More details are given in *Appendix 2.12*.

Unreconciled expenditure

2.3.15 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 92 Controlling Officers, 65 Controlling Officers did not reconcile expenditure figures before the final closing of accounts.

Treasury inspection

2.3.16 Results of Treasury inspection carried out during 2005-06 by the Office of the Sr. Deputy Accountant General (A&E), Manipur are as under:

Overpayment of pensionary benefits of Rs.3.62 lakh (including family pension of Rs.2.40 lakh) was made to 24 pensioners due to (i) non-deduction of commuted portion of pension (Rs.0.14 lakh), (ii) incorrect computation of arrears of pension/dearness relief (Rs.2.01 lakh), (iii) excess/unauthorised payment of pension/family pension (Rs.1.27 lakh) and (iv) incorrect calculation of enhanced rate of pension/family pension (Rs.0.20 lakh).

2.4 Excess over provision relating to previous years requiring regularisation

2.4.1 As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.3,493.60 crore for the years 1997-98 to 2004-05 is yet to be regularised.

Table 4

Year	No. of grants/ appropriations	Grant/Appropriation Number(s)	Amount of excess	(Rupees in crore) Amount for which explanations not furnished to PAC
1997-98	12	5, 11, 16, 21, 26, 34, 44, Appn 2, 16, 23, 25 and Appn 2	384.57	384.57
1998-99	8	Appn. 2, 1, 8, 8, 20, 34 Appn. 2 and 23	293.66	293.66
1999-2000	16	1, Appn. 2, 4, 5, 8, 20, 21, 29, 33, 34, 39, 44, Appn. 2, 21, 23 and 25	844.88	844.88
2000-01	9	1, Appn. 2, 5, 8, 21, 23, 26, 27 and 34	85.77	85.77
2001-02	8	Appn. 2, 8, 21, 33, 34, 41, 45 and Appn. 2	895.20	895.20
2002-03	4	Appn. 2, 8, 22 and Appn 2	956.68	956.68
2003-04	5	8, 22, 39, 17 and 21	12.76	12.76
2004-05	10	21, 22, 23, 37, 41, 43, 16, 20, 21 and 31	20.07	20.07
	72	Total:	3493.59	3493.59

CHAPTER III

PERFORMANCE REVIEWS (CIVIL)

FOOD AND CIVIL SUPPLIES DEPARTMENT

3.1 Food Security, Subsidy and Management of Foodgrains

Well functioning Public Distribution System (PDS) is vital in the Government's overall food management strategy to ensure availability of foodgrains at affordable prices to the poor. The PDS in the State was however unable to ensure food security by providing foodgrains under the scheme to the targeted beneficiaries. There had been delays in distribution of ration cards to the identified BPL families; expansion in number of AAY beneficiaries had been delayed. Lack of monitoring leaves the system prone to leakages and diversions.

Highlights

No buffer stock of foodgrains was maintained by the State FCS department.

(Paragraph 3.1.6)

Due to incorrect identification of the poorest of the poor amongst the State's BPL households, the Central Government was subjected to a loss of subsidy of Rs.1.92 crore.

(Paragraph 3.1.8)

Despite claims of State Government for distributing rice of 35 kg per month per household to each AAY family in the State at the rate of Rs.3.47 per kg, survey of AAY beneficiaries indicates that 99 per cent were not receiving foodgrains regularly. Quantity of rice issued per month varied from 5 kg to 35 kg as against the norm of 35 kg per month per beneficiary. 43 per cent reported charging of rate higher than the end retail price of Rs.3.47 per kg fixed by the State Government.

(Paragraph 3.1.11)

The State Government fixed the respective end retail price for BPL and AAY rice 6 paise and 47 paise higher than the prescribed limits and overcharged the beneficiaries by Rs.3.13 crore during the period 2001-06.

(Paragraph 3.1.18)

The Department failed to pass on the benefit of reduced interest rates on the cash credit account to the beneficiaries by correspondingly reducing the prices of APL, BPL and AAY rice and thus imposed on them an extra financial burden of Rs.90.15 lakh.

(Paragraph 3.1.19)

Monitoring of PDS was ineffective leaving ample scope for leakage of foodgrains.**(Paragraphs 3.1.21, 3.1.22 & 3.1.23)****3.1.1 Introduction**

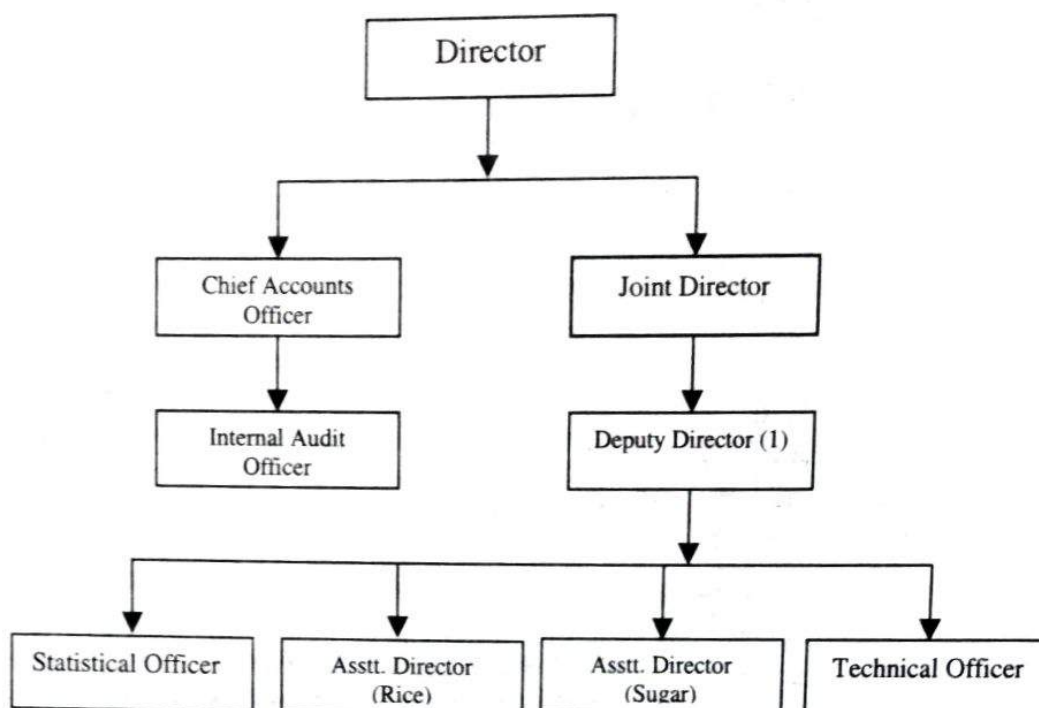
Implementation of a well targeted and properly functioning Public Distribution System (PDS) is a major component of the Government's overall food management strategy for ensuring availability of foodgrains at affordable prices and enhancing food security for the poor. The Department of Food and Civil Supplies (FCS) is the nodal Department entrusted with the management of the PDS in Manipur.

For purchase and distribution of rice under PDS, no budget allocation is made. However, the funds required for lifting of rice from the Central pool for distribution under Targeted Public Distribution System (TPDS) in the State are arranged by obtaining Cash Credit Account (CCA) amounting to Rs.4 crore from the Reserve Bank of India (RBI) through the State Bank of India, Imphal Branch at an interest rate of 9.35 *per cent* per annum. The CCA is used as a revolving fund for lifting of rice from the Central pool. The Department deposits the required amount with the Food Corporation of India (FCI), Imphal against which the monthly allocation to the State is released.

3.1.2 Organisational set up

The Commissioner, FCS is the administrative head of the Department. The Director, FCS Department, is in charge of the implementation of the PDS in the State. He is assisted by Joint Director/Deputy Directors/Assistant Directors at the Directorate level. The Deputy Commissioners are responsible for proper functioning of PDS in the districts. They are assisted by the District Supply Officers (DSOs), Assistant Directors, Civil Supply Inspectors and other ministerial staff of the Department. At the sub-division level, the SDOs are in charge of the PDS. The District Administration has to ensure proper distribution of the essential commodities through the network of Fair Price Shops (FPSs) manned by the rationing agents. These FPSs in turn sell the commodities to the beneficiaries at the prices fixed by the State Government.

The organogram of the FCS Department is given in the chart below:



3.1.3 Scope of Audit

The performance review covered the period from 2001-02 to 2005-06. It was conducted during the months of May-June 2006. There are nine districts in the State, out of which, four districts viz. Imphal West, Thoubal, Chandel and Ukhrul were selected for the review. Records of the Directorate of Food and Civil Supplies, Manipur and selected district offices were test checked.

3.1.4 Audit objectives

The review was conducted to assess whether:

- eligible beneficiaries were identified in a complete and correct manner as per the objectives of the scheme,
- the lifting and distribution of foodgrains under PDS was efficient and effective,
- the allotted foodgrains under the scheme were reaching the beneficiaries,
- the beneficiaries were being overcharged for foodgrains distributed under PDS,
- management of the scheme was transparent,
- monitoring of PDS in the State was effective and efficient,
- PDS has made any significant impact on the lives of the poor by ensuring food security.

3.1.5 Audit criteria

Guidelines issued by the Government of India (GOI) through PDS (Control) Order 2001 and instructions issued by the State Government for identification of targeted beneficiaries, lifting and distribution of foodgrains to such beneficiaries and monitoring of the functioning of Public Distribution System formed basis for audit criteria. The audit criteria used for assessment of performance were:

- Guiding principles prescribed by the GOI for identification of Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY) families.
- Norms prescribed by the GOI for distribution of foodgrains to the poor and other targeted groups.
- State Government orders regarding fixing periodicity of meetings of Vigilance Committees at State, district, block and FPS levels.

3.1.6 Audit methodology

The State has nine districts divided into 35 blocks. The total number of FPS in the State is 2,551. Apart from examining the records in the FCS Directorate at the State level, four districts, viz. Imphal West, Thoubal, Chandel and Ukhrul, 10 blocks in these districts and 40 FPSs in these blocks were randomly selected for examination.

Audit methodology employed in conducting the Performance Audit included.

- Briefing the auditee management of the objectives of the review and seeking their co-operation in conducting the study through an Entry Conference (12 August 2005).
- Issuing questionnaires, holding meetings and discussions with the auditee management to seek information, clarifications and response to audit observations.
- Conducting a beneficiary survey of randomly selected Antyodaya Anna Yojana (AAY) households to ascertain the satisfaction level as to delivery of benefits under the scheme.
- Analysis of data, documentary evidence *vis-à-vis* audit criteria to arrive at audit findings, conclusions and recommendations.
- Communicating audit findings to the auditee management through review report and presentation on the findings in the exit conference (16 November 2006).

Audit findings

Manipur is a deficit State in terms of foodgrains production. The State Government therefore does not procure foodgrains from the farmers in the State under the decentralised procurement scheme. No buffer stock is maintained by the State FCS Department. Supplies of foodgrains under PDS are obtained from FCI as per allocation made by the GOI for various categories of beneficiaries. Performance Audit was, therefore, conducted for

assessing the performance of the system of lifting of foodgrains from FCI and its distribution through the network of FPSs under PDS to the targeted beneficiaries in the State.

Major audit findings are discussed below:

Identification of beneficiaries

3.1.7 Delay in expansion of Antyodaya families

The GOI launched Antyodaya Anna Yojana (AAY) in December 2000 to ensure food security for all, create a hunger free India in the next five years, and to reform and improve the PDS. Its objective was to provide food security to the poorest of the poor in rural and urban areas who were not in a position to buy foodgrains even at BPL rates. Implementation of the AAY scheme was delayed by more than one year in Manipur and could only be implemented in the State with effect from January 2002.

It was initially stipulated in AAY guidelines that 15.33 *per cent* of the BPL families would qualify to receive subsidised foodgrains under AAY. This coverage was expanded by the GOI to 23 *per cent* in June 2003 (first expansion), to 30.36 *per cent* in August 2004 (second expansion) and finally to 38.31 *per cent* (third expansion) in April 2005.

Audit examination disclosed that the Department failed to implement the first expansion and delayed implementation of the second expansion by one year *i.e.* August 2005. Third expansion of the scheme was not implemented as of March 2006. Thus there were considerable delays in identification of AAY households as shown in the table below:

Table 1

	Period				
	December 2000 to December 2001	January 2002 to May 2003	June 2003 to July 2004 (1 st expansion)	August 2004 to July 2005 (2 nd expansion)	April 2005 to March 2006 (3 rd expansion)
No. of BPL households in the State as per GOI (in lakh)	1.66	1.66	1.66	1.66	1.66
Percentage of AAY households in BPL households	15.33	15.33	23.00	30.36	38.31
Estimated number of AAY households in the State as per GOI	25,500	25,500	38,200	50,400	63,600
AAY households identified by the State Government	Nil	25,500	25,500	25,500	50,400
Uncovered/un-identified beneficiaries	25,500 (100%)	Nil	12,700 (33.25%)	24,900 (49.40%)	13,200 (20.75%)

(Source: Departmental records)

Due to the failure of the State Administration in promptly identifying all the AAY beneficiaries and issuing ration cards in time, the intended benefits under the scheme could not reach a large section (20.75 to 49.40 *per cent*) of targeted AAY population in the State during the last three years. The Department stated that identification of AAY beneficiaries was delayed because of late submission of lists of the selected beneficiaries by the district

authorities. Thus, the targeted beneficiaries were deprived of Food security in the first year and the third year.

3.1.8 Incorrect identification of AAY households

Audit examination revealed that identification of AAY beneficiaries in Manipur was done on the basis of GOI's projection of 1,66,000 BPL households in the State. Accordingly, the number of AAY households in the State was taken by the State Government as 25,500, 38,200 and 50,400 being 15.33 per cent, 23 per cent and 30.36 per cent of the projected households in the initial identification, first and second expansions of the AAY scheme. However, the State Government has been able to identify only 1.30 lakh households as BPL households till date. Accordingly, the actual number of households under AAY should have been revised to 39,468 after second expansion instead of 50,400 taking into account the actually identified BPL households. This led to excess identification of AAY beneficiaries to the extent of 10,932 in contravention of GOI guidelines. The State, on the basis of inflated number of AAY households in the State, lifted rice in excess and distributed it at a lower price to these ineligible households. The Central Government has therefore, sustained a subsidy loss to the extent of Rs.1.92 crore due to excess identification of poorest of the poor amongst State's BPL households. Details are shown in *Appendix 3.1*.

3.1.9 Deletion of ineligible households

Above poverty line (APL), BPL and AAY families have been issued distinct ration cards as per the GOI guidelines. As per PDS (Control) Order 2001, State Governments are required to review lists of BPL and AAY families every year for the purpose of deletion of ineligible families and inclusion of new eligible families. Test-check in four selected districts revealed that none of the districts had conducted annual review for deletion of ineligible families during the last five years.

The survey of AAY beneficiaries also revealed that 96 questionnaires constituting 4.77 per cent of the 2,013 questionnaires were returned undelivered by the Department of Posts with the comments "incorrect address/addressee not found" indicating that either the addresses provided by FCS Directorate were incorrect/incomplete or the list of AAY beneficiaries provided by them had fictitious names. This indicates that identification as conducted by the Department was not reliable, leaving open the possibility of passing on of the benefits of the scheme to other than the targeted beneficiaries.

The Department did not address the issue and merely stated (December 2006) "the beneficiaries are card holders of AAY". Thus due to the State Government not adhering to the procedure and the time frame laid down in the PDS (Control) Order and related instructions issued by the Central Government, the purpose of providing food security to BPL and AAY beneficiaries was defeated.

3.1.10 Ration cards not issued to all beneficiaries

In order to provide access to eligible beneficiaries to the PDS, the Government is required to identify and issue Ration Cards to all the beneficiaries. The State Government intimated the Union Ministry of Consumer Affairs and Public Distribution in March 2005 that it had issued Ration Cards to a total of 4,06,593 households including 11,110 additional cards for BPL, 24,900 for AAY and 51,593 for APL categories of beneficiaries as of March 2005. The State Government accordingly requested for a corresponding increase in allocation of foodgrains from the existing 8,505 MT to 14,231 MT per month. The district-wise position of issue of ration cards under various categories (APL, BPL and AAY) as reported by the FCS Directorate was as under:

Table 2

Category	BPL			APL			AAY		
Name of district	No. of house holds (initial)	Additional ration cards issued	Total No. of house holds	No. of house holds (initial)	Additional ration cards issued	Total No. of house holds	No. of house holds (initial)	Additional ration cards issued	Total No. of house holds
(1)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Imphal West	21,683	2,395	24,078	39,022	5,979	45,001	5,310	4,769	10,079
Imphal East	18,302	1,813	20,115	33,004	7,314	40,318	4,530	4,840	9,370
Bishnupur	10,514	1,114	11,628	18,885	2,265	21,150	2,570	2,510	5,080
Thoubal	17,293	1,837	19,130	31,087	6,509	37,596	4,290	4,121	8,341
Chandel	4,272	451	4,723	8,946	2,923	11,869	1,050	1,025	2,075
Churachandpur	9,985	1,107	11,092	17,786	5,323	23,109	2,340	2,289	4,624
Ukhrul	6,364	678	7,042	11,402	2,862	14,264	1,550	1,513	3,063
Tamenglong	4,482	477	4,959	8,012	3,258	11,270	1,090	1,065	2,155
Senapati	11,605	1,228	12,833	20,856	15,160	36,016	2,840	2,773	5,613
Total:	1,04,500	11,110	1,15,600	1,89,000	51,593	2,40,593	25,500	24,900	50,400

Source: Departmental records

Audit check of records in four districts viz. Imphal West, Thoubal, Chandel and Ukhrul, however, revealed that no additional Ration Cards were issued to beneficiaries belonging to BPL and APL categories in these districts as of March 2006. Only first and second expansion of AAY scheme had taken place in these districts and Ration Cards issued to beneficiaries. Therefore, eligible BPL beneficiaries were denied access to PDS on account of non-issue of Ration Cards.

Adequate importance was thus not given for expeditious issue of Ration Cards within the prescribed time frame laid down in PDS guidelines.

3.1.11 Beneficiary survey of AAY households to assess the impact of PDS

FCS Manipur claimed to have lifted 32,030.60 MT of rice for distribution to 25,500 AAY beneficiaries in the State during the period 2002-05. At this rate, every AAY household in the State should have received the prescribed quantity of AAY rice every month.

(A) **Objectives of the survey:** A postal survey of AAY beneficiaries was therefore undertaken by Audit to obtain direct responses of the target group regarding implementation of the scheme and thereby ascertaining whether benefits of the scheme were actually reaching the poorest of the poor i.e. all

beneficiaries were receiving the prescribed quantity of rice (35 kg per household per month) at the prescribed rate of Rs.3.47 per kg.

The scope, sample size and survey methodology are given in *Appendix 3.2*. A sample questionnaire is annexed as *Appendix 3.3*.

(B) Survey response: 439 beneficiary households (21.81 *per cent*) returned the questionnaires with their responses despite adverse law and order conditions, and frequent bandhs and strikes during the period of the survey. In addition, 4.77 *per cent* of the questionnaires were returned undelivered by the Department of Posts with comments — ‘incorrect address/addressee not found’ indicating that either the list of AAY beneficiaries provided by the Department had fictitious names which do not exist or the addresses provided by the Government were incorrect/incomplete.

(C) Survey findings: Analysis of the responses disclosed the following facts:

Overall 37 *per cent* of the beneficiary households stated that they had not been issued ration cards.

99 *per cent* of the respondents of the Survey reported that they were not receiving foodgrains (rice) regularly as per the scale prescribed in the scheme.

The survey figures indicate that beneficiaries were receiving rice once in ten months on an average during the period 2002 to 2005.

43 *per cent* of the respondents complained of being overcharged by the FPS agents. They were being charged at rates between Rs.4 and Rs.8 per kg for the AAY rice as against the prescribed end retail price of Rs.3 per kg as per PDS guidelines and Rs.3.47 per kg fixed as end retail price by the State Government.

The quantity of rice received by beneficiary households varied between 5 kg to 35 kg per month as against the prescribed norm of 35 kg per month. The average quantity of AAY rice received by beneficiaries every month worked out to only 7,352 kg. Thus the beneficiaries were deprived of 79 *per cent* of the foodgrains allocated and lifted for them under the scheme.

Of the ration card holders, 28 *per cent* stated that they had not received any rice at all during the entire period of the last four years (2002 to 2005).

Some of the general comments offered by the AAY beneficiaries in the Survey on the implementation of the scheme were (i) Irregular supply and rate difference (ii) Non implementation of the scheme in their area/village (iii) Receipt of less quantity at higher price (iv) Good scheme but not regular.

Results of the Survey indicate that though the State Government has lifted almost full quantity of 32,030.60 MT of AAY rice from FCI during the last four years, most of the beneficiaries have received little or no rice at all. Quantity of rice actually received by AAY households is much less than the prescribed quantity of 35 kg per month per household. The beneficiaries are

also being charged much higher rates than the prescribed rate of Rs.3.47 per kg of rice. The survey figures also indicate that the average annual leakage of AAY foodgrains was 8,460 MT costing Rs.2.85 crore. For the entire PDS, the leakage would be enormous. Therefore, the implementation of the scheme in the State has been grossly deficient and its impact almost insignificant.

Lifting and distribution of foodgrains

3.1.12 Incorrect identification of APL beneficiaries and requirement of rice thereof

The Department lifted only 1,172.51 MT (0.75 per cent) of APL rice against an allocation of 1,55,452 MT during 2001-02 to 2005-06.

Audit examination disclosed that against the 1,172.51 MT of APL rice lifted during the last five years, only 280 MT (24 per cent) of APL rice was distributed through PDS system and the balance quantity (76 per cent) was utilised for relief and rehabilitation, distribution to para-military organisations, individuals, shradh ceremonies etc. Thus not only did the State incorrectly identify number of APL beneficiaries but also short-lifted rice and short supplied the same. This defeated the objective of distribution of APL rice under TPDS.

Against the central issue price of Rs.8.30 per kg, the State Government fixed the end retail price at Rs.8.95 per kg at fair price shops for APL rice since 2001. Since in the open market the APL rice was available at Rs.9.00 to Rs.9.50 per kg, the Department stated that the consumers naturally purchased the rice from the open market. Hence the realistic identification of APL beneficiaries, the short-lifting of APL rice against the number of APL beneficiaries (Table 2) and the end retail price vis-à-vis market price needs to be reviewed by the State Government.

3.1.13 Lack of demand for APL wheat

FCS Department, Manipur lifted only 63,208.965 MT (66.5 per cent) of APL wheat against an allocation of 95,047.979 MT by the GOI under TPDS for the State during the period 2001-02 to 2005-06. The State Government sub-allocated the APL wheat to 9 to 12 private stockists cum transport and handling agents with the condition that 60 per cent of the wheat should be converted into whole meal *atta* and the remaining 40 per cent should be sold as grain through FPSs or through permits issued by the FCS Directorate.

The District Authorities based on indents received from FPSs were required to place further indent on stockists through FCS Directorate for supply of APL wheat and *atta* for distribution to APL beneficiaries. Audit examination in FCS Directorate disclosed that none of the District Authorities ever placed indents on stockists for supply of APL wheat or *atta* during the five years 2001-02 to 2005-06. Thus, the purpose of lifting of APL wheat/*atta* was completely frustrated and only private stockists reaped the benefits of the scheme.

Despite rice being the staple food in Manipur and no demand being placed by district authorities for issue of APL wheat and wheat products, the FCS Directorate continued to lift APL wheat during 2002-06. Year-wise details of allocation, lifting and quantity of wheat issued to individuals, hostellers *etc.* are shown below:

Table 3

(In Metric Tonne)

Year	Allocation	Quantity lifted	Quantity distributed to individuals, hostellers <i>etc.</i>
2001-02	20,520.000	—	—
2002-03	18,450.000	9,250.000	9,250.000
2003-04	17,760.000	17,760.000	17,760.000
2004-05	17,760.000	16,724.571	16,724.571
2005-06	20,557.979	19,474.394	13,432.397
Total:	95,047.979	63,208.965	57,166.968

Source: Departmental records

Due to lack of demand from the DCs of the districts, FCS Department, Manipur asked the FCS Directorate to issue wheat and wheat products to individuals, hostellers, ceremonial functions, NGOs and mobile sales *etc.* The short-lifting of APL wheat indicates that the APL numbers identified (Table 2) was not realistic, and the Government should re-examine the need for continuing the scheme.

3.1.14 Non supply and irregular distribution of levy sugar

As against GOI's allotment of 1,09,727 MT of levy sugar to the State during the period from 2001-02 to 2005-06 for distribution under PDS to targeted beneficiaries (APL, BPL and AAY), para-military forces, individuals and others, the FCS Department could lift only 29,852 MT (27.2 *per cent*). Low off take of levy sugar and its low distribution under PDS deprived a large part of the beneficiaries of the availability of sugar at affordable prices. The Department has not intimated the reason for low off take of the sugar.

Further examination disclosed that the distribution of levy sugar to various categories was not as per the prescribed norms as discussed hereunder.

As per allocation of GOI, 96 *per cent* of the levy sugar was to be distributed to targeted beneficiaries under PDS and 3 *per cent* and 1 *per cent* to para-military forces and individuals respectively.

Scrutiny of records however revealed that during 2001-06 the Department deprived the PDS beneficiaries of 36 *per cent* of their share as shown below:

Table 4

Category of beneficiaries	Quantity due as per norm (MT)	Quantity issued (MT)	Excess (+)/ Less (-)
PDS beneficiaries	28,658 (96)	17,947 (60)	(-) 10,771 (36)
Para-military forces	896 (3)	1,536 (5)	(+) 640 (2)
Individuals	298 (1)	10,369 (35)	(+) 10,071 (34)
Total:	29,852	29,852	

Figures in brackets are in percentages

Audit examination also revealed that more of the levy sugar was allocated to individuals and others for ceremonies and festivals. Least priority was accorded to the targeted beneficiaries under PDS thereby violating the norms for distribution of levy sugar. No reasons for this irregular distribution were on record.

3.1.15 Non-submission of claims for reimbursement of transport charges

The FCS Department of the State Government is responsible for transporting foodgrains and levy sugar up to ten Principal Distribution Centres (PDCs) in five hill districts as well as up to district headquarters of the four valley districts of Manipur. The cost of transportation from FCS godown to PDCs of hill districts is initially to be borne by the Department and is subsequently reimbursed by the Central Government through FCI.

While submitting the reimbursement claims on fortnightly basis, the Department was to give full details with supporting documents of movement of foodgrains so that the same are verifiable and FCI would scrutinise and pass the same for payment within 10 working days. The Department should not allow their bills to accumulate and should not delay for more than a fortnight.

The claims in prescribed *proforma* must be supported by (i) Completed/Executed Release Order, (ii) delivery certificate from the depot delivering the stock, (iii) a certificate from the State Government that the stock lifted had been received at the destination (iv) road distance certificate and (v) a certificate indicating the truck numbers, payment voucher numbers and cheque number & date and amount paid.

Audit examination revealed that during 2001-02 to 2005-06, the FCS Department, incurred an expenditure of Rs.38.13 lakh towards transportation charges of foodgrains from FCS godown to PDCs (as detailed in *Appendix 3.4*) but did not prefer any claim on FCI for reimbursement till March 2006. The Department stated (June 2006) that the claim could not be raised as the District Supply Officers were yet to submit Stock Receipt Certificates. Thus due to lack of effective monitoring and follow up action during 2001-06, the Department failed to submit reimbursement claims of Rs.38.13 lakh to the Central Government (June 2006).

3.1.16 Issue of BPL rice not as per prescribed scale

The GOI fixed the scale of issue of rice to the BPL families at 20 kgs per month (April 2000 to June 2001), 25 kgs per month (July 2001 to March 2002) and 35 kgs per month (April 2002 to March 2006).

Audit examination of records in the Directorate revealed that issue of BPL rice to District agencies for distribution during April 2002 to March 2006 never achieved the prescribed monthly scale. It distributed rice to the District agencies at an average rate of 30.22 kg (April 2002 to July 2005), 21.10 kg (August 2005 to January 2006) and 14.48 kg (February 2006 to March 2006) per family per month as shown in *Appendix 3.5*.

Tamenglong was the worst affected district where the shortfall was as high as 62.22 per cent. The shortfall in the districts varied between 5.96 per cent in Ukhrul to 62.22 per cent in Tamenglong as shown in the Appendix 3.6.

Further test-check of records in the four selected districts revealed that issue of rice for distribution was much lower than the prescribed rate. The quantities issued ranged from 11.94 kg to 33.07 kg per month per household in Imphal East, 7.74 kg to 30.79 kg in Thoubal, nil to 34.00 kg in Chandel and 9.00 kg to 35.00 kg in Ukhrul (Appendix 3.7). In Chandel despite existence of 3247 to 3300 BPL families, no rice was issued for the period August 2005 to March 2006. Thus there was little impact of the Scheme of food security on BPL beneficiaries as neither did the State Government lift the allocated quantities of food nor distributed the prescribed quantities of foodgrains.

3.1.17 Less issue of foodgrains to AAY beneficiaries

The GOI has fixed the scale of issue of AAY rice at the rate of 35 kgs per family per month with effect from April 2002.

Audit check of records in four selected districts revealed that during 2002-05, issue of rice to district agencies for distribution to AAY families was often below the prescribed scale. The average issue per family per month varied from 15.62 kg to 34.60 kg during 2005-06 as shown below:

Table 5

Name of district	Year		No. of AAY families	Quantity issued to district agencies as per district account (In quintal)	Prescribed scale	Average issue per family per month (In kg)
Imphal West	2002-05		5,310	67,338.18	35	35.23
	2005-06	4/2005 to 7/2005	5,310	4,340.46	35	20.43
		8/2005 to 3/2006	10,079	17,929.92	35	22.24
Thoubal	2002-05		4,220	52,389.75	35	34.49
	2005-06	4/2005 to 7/2005	4,220	5,781.34	35	34.25
		8/2005 to 3/2006	8,341	16,685.09	35	25.00
Chandel	2002-05		1,050	12,742.00	35	33.70
	2005-06	4/2005 to 7/2005	1,050	1,472.00	35	35.05
		8/2005 to 3/2006	2,075	2,593.60	35	15.62
Ukhrul	2002-05		1,550	19,556.00	35	35.00
	2005-06	4/2005 to 7/2005	1,550	1,692.00	35	27.29
		8/2005 to 3/2006	3,063	8,478.00	35	34.60

Source: Departmental records

Though the Imphal West district account showed issue of AAY rice at prescribed scale of 35 kg per family per month in the district during 2002-05, cross verification with block/constituency level accounts maintained in the district for the period from August 2003 to March 2005 disclosed that only 24.63 kg to 32 kg of rice per family per month was issued to blocks/constituencies indicating possible leakages of 374.852 MT valuing Rs.12.63 lakh in the distribution system at the district level. Block-wise details for Imphal West district of possible leakages in distribution system are shown below:

Table 6

Name of block	Number of beneficiaries	Period of distribution	Requirement as per prescribed scale of 35 kgs per month per household	Quantity issued during the period	Shortfall in quantity issued	Average issue of rice per household
			(In MT)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Haorang Sabal	1,780	August 2003 to March 2004	498.400	458.099	40.301	32.17
	1,780	April 2004 to March 2005	747.600	526.118	221.482	24.63
Wangoi	1,690	August 2003 to March 2004	473.200	420.649	52.551	31.11
	1,690	April 2004 to March 2005	709.800	649.282	60.518	32.02
Total:			2429.000	2054.148	374.852	

Source: Departmental records

The AAY beneficiary survey conducted by Audit also disclosed that the percentage of beneficiaries getting no benefit was high. Thus there was little impact of the scheme of food security on AAY beneficiaries as not only did the State short-lift foodgrains against allocation, it short supplied the stipulated quantities, thus defeating the purpose of providing food security. The findings are discussed in Para 3.1.11.

3.1.18 Overcharging of foodgrains distributed to the targeted groups

According to GOI's instructions, the end retail price of AAY rice should not exceed Rs.3 per kg. Ignoring these instructions, the State Government fixed a rate of Rs.3.47 per kg for AAY rice in the State. Thus, instead of providing subsidised rice, the Government put extra financial burden on the poorest of the poor by increasing the end retail price by 47 paise per kg. The total overcharging of AAY beneficiaries worked out to Rs.2.16 crore for 45,983.318 MT of AAY rice issued during 2001-02 to 2005-06. The Government kept Rs.2.16 crore in the revolving fund. Thus the purpose of giving concessional rice to the AAY beneficiaries as stipulated by GOI was defeated.

Similarly, the State Government was to keep the end retail price of BPL rice at not more than 50 paise per kg over the central issue price of Rs.5.65 per kg. However, the State Government fixed it at Rs.6.21 per kg of rice, 6 paise per kg higher than the prescribed limit. This resulted in overcharging the BPL beneficiaries by Rs.97.18 lakh during 2001-02 to 2005-06 for 1,61,959.024 MT of rice issued for this category. Details are shown in *Appendix 3.8*. The overcharging of rice distributed under BPL and AAY categories defeats the very purpose of providing foodgrains to the poorest of the poor at affordable prices.

The survey of AAY beneficiaries also disclosed that a majority of them were being issued rice at exorbitantly higher rates ranging from Rs.4 to Rs.8 per kg. Details are discussed in Para 3.1.11.

3.1.19 Failure to pass on benefit of lower interest rate to the beneficiaries

The FCS Department was to pass on the interest servicing burden of operating CCA obtained from RBI to the beneficiaries as part of pricing of APL, BPL and AAY rice. It was observed in Audit that the RBI progressively reduced the interest charged on operation of CCA from 12.34 *per cent* to 9.35 *per cent* per annum over the past five years. However, the Department failed to pass on the benefit of reduced interest rates to the beneficiaries by correspondingly reducing the prices of APL, BPL and AAY rice thereby frustrating the objective of providing rice to beneficiaries at more affordable rates. The extra financial burden imposed on the beneficiaries on this account works out to Rs.90.15 lakh. Details are shown in *Appendix 3.9*. Thus the purpose of providing foodgrains to the targeted groups at affordable prices was defeated as Rs.90.15 lakh was kept in revolving fund by the Government.

3.1.20 Non-maintenance of records by FPS agents

According to Public Distribution System Control Order 2001, FPS agents are required to maintain records of ration card holders, stock registers of the foodgrains sold, display information on notice boards about entitlement of essential commodities, scale of issue, retail issue price, timings of opening and closing of the shop, stock of commodities *etc.*

However Audit examination in the selected districts revealed that the FPS agents

- did not maintain any records relating to ration card holders;
- did not maintain stock registers and sale registers. It was therefore, impossible to verify actual quantity of foodgrains sold and the actual rates charged by the FPS agent;
- did not display any information on availability of stock, issue price, number of beneficiaries *etc.*

Monitoring of PDS

3.1.21 Non-implementation of Vigilance committee mechanism

According to PDS (Control) Order 2001, meetings of the Vigilance Committees on the PDS at the State, District, Block and FPS level are required to be held on a regular basis for monitoring the public distribution system including the functioning of fair price shops. The dates and periodicity of meetings are to be notified by the State Government. However, the periodicity shall not be less than one meeting per quarter at all levels.

Audit examination disclosed that the monitoring mechanism envisaged in the PDS (Control) Order has not been established. No committees have been constituted at State and District levels. In the four selected districts, no meetings of Vigilance Committees were held at any of the levels during the period from 2001-02 to 2005-06. Thus, the monitoring system was deficient leaving ample scope for leakage and diversion of foodgrains.

3.1.22 Non-implementation of Computerised monitoring system

PDS (Control) Order issued by the Ministry of Consumer Affairs, Food and Public Distribution Department in August 2001 requires the State Governments to ensure monitoring of PDS at the FPS level through the computer network of the NIC installed in the District NIC centres. For this purpose, each FPS in the district was to be assigned computerised codes to facilitate automation and monitoring.

Till March 2006 FCS Department, Manipur did not procure and install any computer hardware/software at State/District/Block level for monitoring purposes.

3.1.23 Absence of surprise checks and monitoring over the functioning of FPS

No reports of surprise check were made available to Audit. However, district level authorities of the selected districts stated that surprise checking and monitoring over the functioning of FPS agents were done only on complaints received from the consumers. This indicates that the Department did not conduct surprise checks regularly.

3.1.24 Conclusion

The PDS in the State lacked ability to distribute foodgrains to the targeted beneficiaries as per the scale, rates, quantity and periodicity prescribed by the GOI. There have been delays in distribution of ration cards to identified BPL families. Expansion in number of AAY beneficiaries has been delayed. The poorest of the poor and people below poverty line are purchasing foodgrains at rates higher than the prescribed rates despite huge allocation from GOI through the FCI every year for distribution to target groups at subsidised rates. There is lack of monitoring of the system, which leaves scope of leakages and diversions in the PDS.

3.1.25 Recommendations

- PDS system needs revamping with proper management controls.
- Identification of AAY households should be reviewed with reference to actual BPL households identified by the State Government.
- Monitoring of PDS system at various levels should be strengthened. Computerised monitoring system should be introduced immediately. Fictitious ration cards should be weeded with after proper verification. Vigilance Committees should be constituted and their meetings regularly held. Stocks should be physically verified quarterly.
- FPS agents may be instructed to maintain prescribed records showing foodgrains distributed to beneficiaries regularly at prescribed scale and approved rates with no diversion.
- In view of lack of demand for APL wheat and rice, continuance of scheme for supply of these foodgrains through PDS system in the State should be re-examined.

- The implementation of PDS should be reviewed to ensure that the benefits of the scheme reach the intended beneficiaries and leakages are plugged. Results should be publicised while giving publicity to the PDS.
- The FCS, FPS, PDS should display information as required under the Right to Information Act.

POWER DEPARTMENT

3.2 ENERGY MANAGEMENT

The performance review of the functioning of the Power Department during 2001-06 revealed that the Department had not been able to meet the local demand by ensuring sufficient power supply to all. There were enormous transmission and distribution losses. The financial management was poor and revenue collection dismal. Power reforms remain stalled. Cent per cent rural electrification was still to be achieved. Material and Manpower management suffered from lack of oversight.

Highlights

The operational efficiency of heavy fuel based Power Project was very low resulting in loss to Government amounting to Rs.1.22 crore.

(Paragraph 3.2.7)

The Department failed to clear its liabilities for payment of outstanding dues for power purchase and the liabilities stood at Rs.519.80 crore.

(Paragraph 3.2.10)

The Department purchased Static CT operated Trivector meters prior to finalisation of project report leading to blocking of Government money amounting to Rs.2.72 crore.

(Paragraph 3.2.22 (B))

Recovery of an advance of Rs.13.78 lakh to a supplier for purchase of 745 kilometres of ACSR (weasel) without bank guarantee has become bleak.

(Paragraph 3.2.23 (A))

Failure to pay balance amount of an advance of Rs.0.71 crore led to closure of the contract for erection and stringing of 33 KV double circuit line from Leimakhong to Iroisemba.

(Paragraph 3.2.25)

3.2.1 Introduction

Availability of sufficient, reliable and quality power supply are cornerstones of sustained economic growth. These require efficient and effective management of generation, transmission and distribution of energy. The Electricity Act 2003, the National Electricity Policy, and the power reforms envisaged under Accelerated Power Development and Reforms Programme

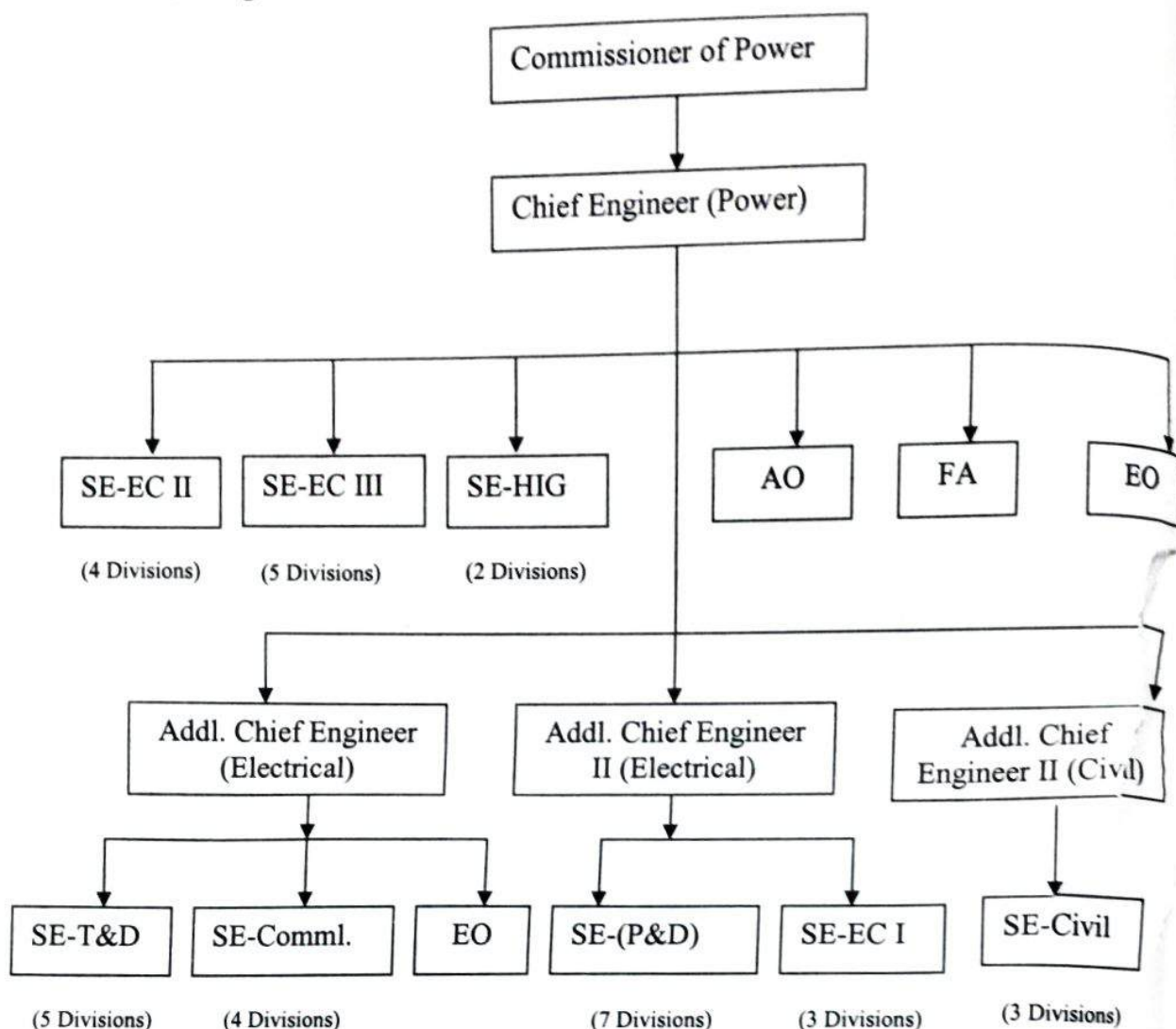
(APDRP) lay down guidelines and action plan for a complete overhaul of the functioning of State Power Utilities. The State entered into a Memorandum of Agreement (MOA) with the Union Government committing itself to a time bound reforms package.

The Department of Power (DOP) is responsible for efficient management of energy in the State. It is also responsible for planning and execution of the reforms package and constituent APDRP projects in the State.

3.2.2 Organisational set-up

The Commissioner of Power is the administrative head of the Department. The Chief Engineer (Power) is the executive and technical head of the Department. He also functions as the Electrical Inspector of the State as provided for in the Electricity Act. He is assisted by three Additional Chief Engineers, eight Superintending Engineers on technical matters and one Financial Advisor. There are 33 Divisions under eight circles including five Transmission Divisions, all headed by Executive Engineers.

The organisational set-up of the DOP is given below:



- SE-EC— Superintending Engineer (Electrical Circle)
 SE-HIG— Superintending Engineer (Hydel Investigation & Generation)
 SE-T&D— Superintending Engineer (Transmission & Distribution)
 SE-Comml— Superintending Engineer (Commercial)
 SE (P&D)— Superintending Engineer (Planning & Design)
 AO— Administrative Officer
 FA— Financial Advisor
 EO— Engineering Officer

3.2.3 Scope of audit

The performance review of energy management covered the period from 2001-02 to 2005-06. It focused upon generation and purchase of energy and its transmission and distribution in the State and overall management and performance of the Power Department. For this purpose, a test check of records was carried out in the offices of the Chief Engineer (Power), five Superintending Engineers, five Revenue Divisions, two Store Divisions, one Generation Division, two Transmission and Construction Divisions and two Sub-station Construction Divisions during April to July 2006.

3.2.4 Audit objectives

Audit objectives were to assess whether:

- the Department has been able to bridge the demand and supply gap in the State.
- the Department has taken concrete steps to reduce the crippling transmission and distribution losses to permissible levels.
- the material management practices adopted by the Department were economic and efficient.
- the rural electrification in the State is progressing as per schedule.
- the power reforms under APDRP are on track.

3.2.5 Audit criteria

The performance of the Power Department was assessed *vis-à-vis* the objectives of the National Electricity Policy, the Central and State Electricity Acts and the objectives and targets set out as part of the ongoing power reforms at the national level to which the State is a signatory.

3.2.6 Audit methodology

The audit methodology included:

- Briefing the auditee management of the objectives of the review and seeking their cooperation in conducting the Audit through an entry conference (19 April 2006).
- Collecting data and documentary evidence by scrutiny of departmental files and records maintained by the Power Department, and the various Electrical divisions in the State.
- Issuing questionnaires, holding meetings and discussions with the auditee management to seek information, clarifications and response to audit observations.
- Analysis of data and documentary evidence to arrive at audit findings, conclusions and recommendations.
- Communicating audit findings to the auditee management through review report and a presentation on the findings in the exit conference (18 November 2006).

Audit findings

3.2.7 Inadequate generation and supply of power

The number of consumers in the State increased from 1,64,034 in 2001-02 to 1,74,334 in 2005-06. During the same period, the demand for energy increased from 643 MU¹ (2001-02) to 857 MU (2005-06). The State however could not generate even one *per cent* of its total energy requirement. To meet the gap between demand and supply, the State depends primarily on power allocated from Central Sector Projects in the North-Eastern Region. During the period 2001-06, the power purchased from the Central Power Plants rose from 379.5550 MU to 520.9862 MU. The demand outstripped the supply by 31 to 41 *per cent* during 2001-2006 as shown in *Appendix 3.10*.

To address the power shortages, the Department had taken up in 1997-98, a Heavy Fuel based Power Project (6x6 MW) at Leimakhong. The project was completed at a total cost of Rs.125.38 crore and commissioned in October 2002. Audit scrutiny revealed that during its four years of operation from 2002-03 to 2005-06, the project could generate only 9.756 MU² incurring a total expenditure of Rs.4.29 crore. As per the Project Report, the sale tariff of this power plant was assumed to be Rs.3.15 per KWH³ for the first year of operation. For the next four years, the average sale tariff was worked out to be Rs.3.08 per KWH. It was stated that due to energy deficit in the State, the plant would run at a higher plant load factor bringing down the fixed costs and sale tariff considerably. However, audit examination has revealed that the generation cost had ranged from Rs.3.45 to Rs.7.48 per unit during the period under review. The hike in cost of generation was due to price hike in fuel, additives and spares, and increased labour cost. Given the existing average power tariff of Rs.3.15 per unit, the loss to the Government on account of poor operational efficiency of the power project alone worked out to Rs.1.22 crore during the period from 2002-03 to 2005-06. (*Appendix 3.11*)

Besides, only one hydel project at Leimakhong Stage I with installed capacity of 2x0.300 MW is in operation to supplement power generation in the State. Other four projects at Leimakhong Stage II, Nungshangkong, Lokchao and Gelnel Stage I were shut down before 2001-02 due to paucity of funds and poor yield.

It was discernible that negligible domestic power generation combined with high generation cost had increased the State's dependence on external power sources over the period under review.

¹ MW means Megawatt, a unit of power. It is equal to one thousand Kilowatts

² MU stands for Million Units.

³ KWH stands for Kilowatt - Hour.

Financial management

3.2.8 Persistent savings and higher expenditure at the end of the year

Audit examined the financial outlay and expenditure of the Department for the past five years 2001-02 to 2005-06. The total budget allocation and expenditure of the Department during these years were as follows:

Table 1

(Rupees in crore)

Year	Budget allocation	Expenditure	Savings (-)	Percentage of savings
2001-02	159.55	118.11	(-) 41.44	26
2002-03	203.43	104.65	(-) 98.78	49
2003-04	382.47	137.42	(-) 245.05	64
2004-05	206.52	172.68	(-) 33.84	16
2005-06	304.49	219.98	(-) 84.51	28
Total	1256.46	752.84	(-) 503.62	

Source: Departmental records

Availability of funds was not a constraint to the working of the Department whether to control T&D losses or to make payments to suppliers of power to the State. The analysis revealed that there were persistent savings in all the five years. The extent of savings ranged between 16 to 64 *per cent* which indicated that budget allocation was not justified and based on inflated estimates. Reasons for savings were not furnished to audit.

3.2.9 Large revenue deficit in power sector

Audit examination revealed that the Power Department had a persistent revenue deficit all through the period 2001-05. Its inability to meet its current expenditure out of its current revenue was a significant factor in overall revenue deficit in the State. The position of revenue deficit in the Power Department *vis-à-vis* deficit in the State over these years were as follows:

Table 2

(Rupees in crore)

Year	Revenue deficit(-)/ Surplus (+) of the State	Revenue deficit(-) of the Power Department	Percentage of revenue deficit(-) of Power Department to that of the State
2001-02	(-) 161.18	(-) 78.86	48.93
2002-03	(-) 87.12	(-) 42.18	48.42
2003-04	(-) 43.75*	(-) 64.74	147.98
2004-05	(+) 91.57	(-) 71.38	—
2005-06	(+) 404.44	(-) 143.41	—

Source: Finance Accounts

This analysis reveals that in 2003-04, the revenue deficit of the Department was 148 *per cent* of the overall revenue deficit of the State. The State had a revenue surplus of Rs.91.57 crore and Rs.404.44 crore during 2004-05 and

* The revenue deficit (Rs.64.74 crore) of Power Department had been offset by revenue surplus of other departments to some extent and therefore the overall revenue deficit of the State was lower than that of the Power Department.

2005-06. These could have been higher had it not been offset by the revenue deficit of the Power department.

The main reasons for the large revenue deficit in the Department were abnormal T&D losses, non-providing of electricity meters for correct billing and low revenue collections against the revenue billed/collectable. Thus, the revenue deficit heavily affected the overall performance of the Department in all areas of its activities.

3.2.10 Huge outstanding liabilities

There was an outstanding balance of Rs.519.80 crore yet to be cleared on account of purchase of power by the end of March 2006. The year-wise details of outstanding bills are as follows:

Table 3

(Rupees in crore)

Name of the Agencies	2001-02	2002-03	2003-04	2004-05	2005-06	Total
PGCIL ⁴	40.78	43.62	12.04	17.02	5.78	119.24
NHPC ⁵	4.90	8.94	16.75	16.67	7.13	54.39
NEEPCO ⁶	122.53	14.26	57.02	87.92	48.50	330.23
ASEB ⁷	3.58	2.82	3.18	3.18	3.18	15.94
Total:	171.79	69.64	88.99	124.79	64.59	519.80

Source: Departmental records

Audit examination revealed that the Department had failed to clear these liabilities for very long periods due to funds constraint due to non-recovery as pointed out in Para 3.2.15, 3.2.18, 3.2.19 and 3.2.20, resulting in further financial burden to the Government. Its present and future resources were committed towards discharging present liabilities. The resultant paucity of funds also contributed significantly towards negligible development of Power sector in the State.

3.2.11 Loss incurred on account of belated payment of power purchase bills

The Department purchased power from Central Sector power projects in the North Eastern Region and other Eastern States' power utilities to meet the gap between local demand and power supplied from its own power plants. As per the terms and conditions laid down in the Power Purchase Agreements (PPAs), if the energy charges were paid within due dates, rebate of one *per cent* is allowed to the Department. Further, interest/surcharge at the prescribed rate is levied for delayed payments.

Audit examination revealed that during the period from 2002-03 to 2004-05 the Department paid an amount of Rs.18.77 crore as surcharge to the NEEPCO alone for belated payment of energy charges as detailed below:

⁴ Power Grid Corporation of India.

⁵ National Hydel Project Corporation

⁶ North Eastern Electrical Power Corporation

⁷ Assam State Electricity Board

Table 4

(Rupees in crore)

Year	Energy purchased in MU	Amount payable	Amount paid	Surcharge paid
2002-03	314.5595	48.12	27.03	0.96
2003-04	333.9158	65.23	31.24	6.05
2004-05	455.4285	85.07	54.13	11.76
Total				18.77

Source: Departmental records

While the due date of payment was 60 days from the date of billing, the delays ranged from 33 days to 195 days as shown below:

Table 5

Date of billing	Due date	Date of payment	Delay in days
19.5.2002	18.8.2002	20.9.2002	33
16.7.2002	14.9.2002	27.3.2003	193
12.6.2003	11.8.2003	22.10.2003	72
12.7.2003	10.9.2003	23.3.2004	195
20.5.2004	19.7.2004	28.9.2004	71
18.6.2004	17.8.2004	2.11.2004	77
14.7.2004	12.9.2004	2.3.2005	171

Source: Departmental records

Thus, Department's failure to pay the power purchase bills pertaining to NEEPCO led to an avoidable expenditure of Rs.18.77 crore.

3.2.12 Deductions in normal Central Assistance by the Central Government

Audit scrutiny revealed that during 2005-06, the Department of Expenditure, Union Ministry of Finance, GOI deducted Rs.27.62 crore directly from the normal Central Assistance for the State in the Annual Plan 2005-06 as the State Government was unable to clear the outstanding energy bills of various power supplying corporations and released the funds to National Hydel Project Corporation (NHPC) (Rs.5.47 crore), North Eastern Electrical Power Corporation (NEEPCO) (Rs.17.03 crore) and Power Grid Corporation of India Limited (PGCIL) (Rs.5.12 crore). As a result, of the Governments' failure to recover charges from consumers as well as control T&D losses and its inability to pay the suppliers the State has lost substantial plan assistance (Rs.27.62 crore) aggravating its already precarious financial position.

Transmission and Distribution losses

3.2.13 Unacceptably high Transmission and Distribution losses

Audit examination revealed that the Transmission & Distribution (T&D) losses during 2001-02 to 2005-06 ranged from 62.33 per cent to 68.19 per cent, significantly higher than the prescribed norm of 15.5 per cent laid down by the Central Electricity Authority (CEA). The year wise details of T&D losses in the State are depicted in the Table below:

Table 6

(In million units)

Item	2001-02	2002-03	2003-04	2004-05	2005-06
Total energy available from purchase and generation	447.94	496.40	494.79	507.62	591.04
Energy sold	168.72	166.86	165.38	176.60	188.00
Loss in Transmission and Distribution	279.22	329.54	329.41	331.02	403.04
Percentage of T&D losses	62.33	66.39	66.58	65.21	68.19

Source: Departmental records

The total losses in excess of permissible limit during the five years ending 31 March 2006 aggregated to 1278.88 MU with overall financial implication of Rs.259.80 crore. The annual average loss to the Department worked out to Rs.51.96 crore per year as detailed in *Appendix 3.12*.

The Department stated (April 2005) that the main reason for such abnormal T&D losses was rampant theft of energy by authorized as well as unauthorized consumers. Despite this services concern the Department failed to address the issue as no offender has been prosecuted in the State nor has any serious initiative been taken to minimise the crippling T&D losses.

As per the Memorandum of Agreement (MOA) signed on 26 July, 2004 with the Ministry of Power, GOI, the State Government had to initiate concrete steps to reduce T&D losses to the level of 20 *per cent* by 2007. But the above analysis indicates that the losses have instead increased from 62.33 *per cent* in 2001-02 to 68.19 *per cent* in 2005-06 showing the dismal performance of the State Government in reducing T&D loss. Till effective steps are taken by the Department the position of T&D losses will only deteriorate further.

3.2.14 Not providing meters and not replacing defective meters

The State Government had to complete 100 *per cent* metering and billing of all consumers by 2003. But the same could not be completed due to the tardy progress of implementing power sector reforms.

According to the departmental records, the position of providing meters to consumers was as follows:

Table 7

Year	Number of Consumers				Percentage of defective and without meters
	Total	With meters	With defective meters	Without meters	
2001-02	1,64,034	1,28,457	32,144	35,577	41
2002-03	1,68,769	1,50,913	30,113	17,856	28
2003-04	1,68,769	1,50,913	30,113	17,856	28
2004-05	1,71,263	1,57,332	25,353	13,931	23
2005-06	1,74,334	1,59,859	25,232	14,475	23

Source: Departmental records

The above analysis indicated that as on 31 March 2006, 23 *per cent* of the total consumers had not been provided with working meters for correct billing. On account of Departments failure to complete 100 *per cent* metering and

billing it was unable to control distribution losses and increases its revenue collection from consumers. In fact arrears in payment to suppliers kept accumulating.

3.2.15 Charging unmetered consumers at flat rates

Audit scrutiny also revealed that the Department is billing consumers with no meter or defective meter at a flat rate ranging from Rs.208 to Rs.678 per month per consumer since August 2002 despite the fact that the Department was paying higher rate per unit as brought out in Para 3.2.18 and also the fact that demand for energy increased from 643 MW (2001-02) to 857 MW (2005-06). Whether these rates are sufficient to cover energy consumption was not ascertainable as no information was forthcoming from the Department regarding the basis for fixing of flat rates despite audit query.

3.2.16 Non-initiation of codified action

Under Section 135 of the Electricity Act, 2003, theft of energy/electricity is punishable offence. Section 152 of the Act also provides that in the case of any consumer or person who committed or who is reasonably suspected of having committed an offence of theft of electricity punishable under this Act, such offence cases can be compounded on realization of the compounding fee as prescribed on the nature starting with a minimum of Rs.4,000. Thus, by invoking these provisions, the Department could have realised sufficient revenue as compounding fee. Besides, it would have had a deterring effect on prospective offenders.

Examination of records of Imphal Electrical Division-II disclosed that the Division had disconnected 289 unauthorised consumers residing in the Government quarters in Game village, Imphal. The report of disconnection was submitted between 2003 and 2004 by the Lamphel Sub-Division No. II. No offence case was drawn against the offenders (unauthorised consumers) and no fine was imposed for theft of energy. The Division also failed to enforce the codal provision providing for compounding of the offence case on realisation of minimum fee of Rs.4,000 from the offenders. This resulted in non-realisation of revenue of Rs.11.56 lakh (= 289 x Rs.4,000).

It is obvious that by not resorting to penal action provided under Electricity Act, the Department had failed to exercise its powers in curbing distribution losses.

3.2.17 Rush of expenditure

Audit examination also revealed that expenditure during the month of March each year varied from 12.94 per cent to 32.33 per cent of the total expenditure of the year during 2001-06. Rush of expenditure particularly in closing months of the financial year is regarded as a breach of financial regularity. The details are as follows:

Table 8

(Rupees in crore)

Year	Budget allocation	Total expenditure	Expenditure during March	Percentage of March expenditure to total expenditure
2001-02	159.55	118.11	15.28	12.94
2002-03	203.43	104.65	33.83	32.33
2003-04	382.47	137.42	41.68	30.33
2004-05	206.52	172.68	43.94	25.45
2005-06	304.49	219.98	31.67	14.40

Source: Departmental records

Availability of funds for improving power situation in the State was not a constraint to the Department. Though the Budget allocation increased from Rs.159.55 crore in 2001-02 to Rs.304.49 crore in 2005-06, the Departments failure to follow prudent financial management norms in formulating its budget resulted in persistent savings. The expenditure pattern was also not in accordance with financial norms.

3.2.18 Uneconomical power tariff and loss thereof

The State has not revised its power tariff during the last four years even though the cost of generation and procurement of power has gone up significantly. During the period from 2002-03 to 2005-06, the total expenditure towards power supply including maintenance, staff salary and other ancillary expenditure and cost of supply per unit worked out as follows :

Table 9

Year	Total expenditure	Energy available for sale	Cost of power supply per unit
2002-03	Rs.167.73 crore	355.1708 MU	Rs.4.72
2003-04	Rs.190.56 crore	341.1247 MU	Rs.5.58
2004-05	Rs.214.12 crore	376.9835 MU	Rs.5.68
2005-06	Rs.219.99 crore	589.9479 MU	Rs.3.73

Source: Departmental records

As against these, the Department fixed the tariff at Rs.3.15 per unit in August 2002. No revision in tariff has since been made to make up for the gap. Due to this imbalance, the Department had to suffer a loss of Rs.121.75 crore as shown in the Appendix 3.13.

3.2.19 Failure to achieve revenue collection target

The Department had persistently failed to achieve the targets for revenue collection in the past five years (2001-06). It collected Rs.195.08 crore against a target of Rs.280.89 crore. Year-wise details were as under:

Table 10

(Rupees in lakh)

Year	Targets			Collection			Shortfall		
	Tax Revenue	Non-Tax Revenue	Total Revenue (Tax+N.T.)	Tax Revenue	Non-Tax Revenue	Total Revenue collection	Tax	Non-Tax	Total
2001-02	420.00	3400.00	3820.00	216.10	1847.16	2063.26	203.90	1552.84	1756.74
2002-03	256.00	3500.00	3756.00	0.20	3552.68	3552.88	255.80	(+)52.68	203.12
2003-04	289.00	5500.00	5789.00	49.12	3170.68	3219.80	239.88	2329.32	2569.20
2004-05	112.00	6000.00	6112.00	40.35	5762.85	5803.20	71.65	237.15	308.80
2005-06	112.00	8500.00	8612.00	27.22	4841.87	4869.09	84.78	3658.13	3742.91
Total :	1189.00	26900.00	28089.00	332.99	19175.24	19508.23	856.01	7724.76	8580.77

The failure to achieve targets in revenue collection had adverse impact on the overall performance of the Department.

There was also significant under-performance in realising current revenue. Year-wise energy sold and revenue collected from their sale were as under:

Table 11

(Rupees in crore)

Year	Energy sold in MU	Revenue collectible (Tariff= Rs.3.15 p.u. ⁸)	Revenue collected	Shortfall
2002-03	165.645	52.18	35.09	17.09
2003-04	165.382	52.09	28.45	23.64
2004-05	176.597	55.63	26.15	29.48
2005-06	188.002	59.22	48.27	10.95
Total :	695.626	219.12	137.96	81.16

Source: Departmental records

Above analysis revealed that against a collectible amount of Rs.219.12 crore only Rs.137.96 crore was collected. Thereby, an amount of Rs.81.16 crore (37 per cent) had been left unrealized during these four years. Further, the collection declined from Rs.35.09 crore in 2002-03 to Rs.26.15 crore in 2004-05 despite the sale going up from 165.645 MU in 2002-03 to 176.597 in 2004-05.

Reasons for shortfall in collection were not made available to Audit.

3.2.20 Outstanding Revenue

As per the provision of the Electricity Act 2003, where any consumer neglects to pay the charges of energy due in respect of energy supplied to him, such charges shall be recovered by suit after giving 15 days' clear notice in writing.

The outstanding dues from different categories of consumers at the end of the last five years (2001-02 to 2005-06) were as under:

⁸ Average tariff.

Table 12

Sl. No.	Category of consumers	Outstanding as on (Rupees in lakh)				
		31.3.02	31.3.03	31.3.04	31.3.05	31.3.06
1.	State Government	2,082.84	1,594.09	2,142.86	2,184.22	2,703.42
2.	Semi Government	358.44	337.67	486.67	523.81	522.20
3.	Banks	—	0.23	0.44	0.45	0.31
4.	Central Government	608.01	88.26	104.02	121.36	208.86
5.	Co-operative	2.81	2.90	6.02	8.73	7.19
6.	Private	4,197.25	6,302.05	7,502.67	10,392.72	12,378.00
	Total	7,249.35	8,325.20	10,242.68	13,231.29	15,819.98

Source: Departmental records

The above table showed that out of the total outstanding amount of Rs.158.20 crore in March 2006, an amount of Rs.123.78 crore (78 *per cent*) was to be realised from the private consumers. This was mainly because of not taking effective measures to realise the outstanding dues and it strongly indicates the Department's failure to initiate action for recovery as per rules.

3.2.21 Loss due to inaction of the Department

The Department failed to act sternly, in exercising its powers under Electricity Act to bring offenders to book, resulting in significant loss of revenue as brought out during audit examination of selected Divisions as below.

(A) Schedule of tariff of the Power Department provides that the bill for consumption of energy is to be paid in full within the due date as mentioned in the bill, and in case of failure to pay the bill within the due date, 'two *per cent*' surcharge is to be levied for each 30 days of the successive period of default or part thereof.

Scrutiny of records of Imphal Electrical Division II disclosed that a sum of Rs.9.78 lakh (arrear on the date of vacation of the quarters: Rs.6.06 lakh, and accumulated surcharge @ 2 *per cent* per month: Rs.3.72 lakh) had been left unrealised as on 31 March 2006 from eleven consumers even after they had vacated Government quarters.

No action has been taken to recover the unrealised amount till date (July 2006).

(B) The Electricity Act, 2003 provides that if any person neglects to pay charges for electricity, the authority shall disconnect the supply line and recover such charges by suit after giving 15 days' notice in writing.

Records of the Imphal Electrical Division-II disclosed that 11,310 consumers had defaulted in making payment of energy charges for more than six months as on 31 March 2006 with outstanding amount of Rs.14.76 crore as detailed below:

Table 13

Name of the Sub-Division	Number of defaulting consumers	Amount in arrear (Rupees in crore)
Sub-Division No.-I	3159	3.96
Sub-Division No.-II	2328	2.08
Takyel	3065	3.42
Kwakeithel	2758	5.30
Total :	11310	14.76

Source: Departmental records

Despite non-payment of energy bills for a period more than six months by the consumers, their service lines had not been disconnected by the Department (July 2006). There were no recorded reasons for non-initiation of legal measures. Thus, inaction on the part of Department resulted in accumulation of arrears of Rs.14.76 crore.

Material management

Audit examined the material management practices followed in the Department with reference to CPWD Manual Volume-II to determine whether due economy and efficiency has been followed in procurement and disposal of material. The findings are discussed in the following paragraphs.

3.2.22 Injudicious procurement of material

(A) According to the principles of purchase laid down in Section 38 of CPWD Manual Volume-II, stores should not be procured in excess of requirement. Test-check of records of Project Stores Division, Imphal disclosed that the Division had procured 20,000 tension hardware fittings in March 2003. However, it issued only 9,161 fittings up to March 2006 leaving a balance of 10,839 fittings valuing Rs.28.72 lakh un-utilised. Similarly, 5,443 disc-insulators valuing Rs.19.43 lakh were procured in March 2003. But, none has been issued so far. Non-issue of these stores for very long periods is indicative of improper planning. The details of similar stores procured by the Store Division, Imphal during 2001-02 and 2002-03 and those procured by Project Stores Division, Imphal which were not issued as of March 2006 altogether costing at Rs.59.69 lakh are given in the *Appendix 3.14*.

(B) The Department purchased 731 Static CT operated Trivector meters from a Kolkata based firm for installation of electronic meters at distribution sub-stations as part of reforms under Accelerated Power Development Reforms Programme (APDRP). The supply order was given to the firm during March 2003 and the material was received by the Department during May 2003. The total expenditure incurred for purchase of the material was Rs.2.72 crore and this was debited to the APDRP scheme. It was observed in Audit that the material is lying unutilised till date (July 2006) due to non-finalisation of the project report. Thus, the Department purchased the meters prior to their requirement without completing other preliminary work leading to avoidable blocking of Government money amounting to Rs.2.72 crore.

(C) Scrutiny of the records of the Transmission and Construction Division No. I and II revealed that an expenditure of Rs.5.56 crore was incurred on purchase of pole cross arm, pole bracing set, back clamp, stay set and many other items for erection and stringing of 33 KV Lines as shown below:

Table 14

Name of the work: Erection and stringing of	Total expenditure incurred for procurement of material (Rs. in lakh)	Schedule date of	
		Starting the scheme	Completion of works
33 KV Line from Kangpokpi to Tamei	60.07 (3/2006)	2002-03	2004-05
33 KV Line from Tamenglong to Tousem	48.36 (3/2006)	2002-03	2004-05
33 KV Line from Churachandpur to Singhat	55.02 (3/2006)	2002-03	2004-05
33 KV Line from Jiribam to Shivapurikhan	47.00 (9/2004 to 10/2004))	1999-2000	2001-02
33 KV Line from Tengenoupal to Moreh	184.15 (2001-04)	1994	2004 (October)
Double circuit mini tower line from Yurembam to Mongsangei	161.69 (2001-04)	1996	2005 (January)
Total :	556.29		

Source: Departmental records

The above material were procured between March 2001 and March 2006 for carrying out erection works. However, no works had been taken up as yet (July 2006) for want of major line material as stated by the Divisional Officer. As such, the material valued at Rs.5.56 crore is lying idle.

Thus, lack of proper planning on the part of the Department resulted in avoidable blocking of Rs.5.56 crore.

3.2.23 Excess payment/abnormal delays in supplies due to faulty contract management and defective contracts entered into with suppliers

In August 2003, the Department had placed a supply order for 745 kilometres ACSR⁹ (Weasel) valued at Rs.131.12 lakh on a Jaipur based firm for supply within four months of placing the order against advance payment of Rs.115.56 lakh.

The firm supplied only 578.32 kilometres of the conductor costing Rs.101.78 lakh (October 2005). The supplier had neither completed supplies nor refunded the balance amount (Rs.13.78 lakh) till date (July 2006). Action taken against the fund including blacklisting/debarring could not be ascertained because of non-availability of record.

The Department failed to take bank guarantee from the supplier inspite of these being prerequisite conditions of the supply order for safeguarding its interest. Due to passage of time the possibilities of recovery of Rs.13.78 lakh of balance amount and Rs.6.56 lakh as penalty amount for violation of terms and conditions of supply order appear remote.

⁹ Aluminium conductor steel reinforced

Rural Electrification

3.2.24 No progress in rural electrification

As per the MOA signed on 26 July 2004 with the Union Ministry of Power, GOI, the State Government was required to achieve 100 *per cent* electrification of villages by 2007. But audit examination revealed that the Department had failed to make any progress towards achieving the above target.

As per census 2001, there were 2,376 villages in the State. The number of electrified villages by the end of 2005-06 was 1,912. As of July 2006, 464 villages in both hill and valley districts were yet to be electrified.

Further, scrutiny also revealed that an amount of Rs.15.39 crore was spent under the rural electrification including loan component of Rs.2.09 crore taken from Rural Electrification Corporation during 2002-03 and 2004-05 towards village electrification. During 2001-02 the target for electrification was 22 villages, but none of the villages was electrified till July 2006. Reasons for not taking up the works were not on record.

Management of contracts

3.2.25 Non-commencement of works and undue benefit to contractor

An agreement was signed in September 2003 between a Kolkata based firm and the Power Department for erection and stringing of 33 KV Double Circuit Line from Leimakhong to Iroisemba on turn key basis for completion by April 2004. The contracted value of the work was Rs.8.42 crore.

As per terms and conditions of the Supply order (August 2003), the Department was to pay in lumpsum 50 *per cent* interest - free advance against Bank Guarantee. But the Department released an amount of Rs.3.5 crore to the Company as advance and that too on different occasions (December 2003, March 2004, June 2004 and December 2004) by the Transmission and Construction Division II, Imphal against a Bank Guarantee of Rs.3.50 crore valid up to 21 July 2006, but the firm failed to start the work.

Despite the Department's request (September 2005) to the firm to start work without further delay work was not started. Instead the firm intimated (October 2005) that they could not proceed with the work due to non-release of full amount of 50 *per cent* advance and requested revision of the contracted price due to rise in price of raw material. During May 2006, a meeting was held between the Department and the firm for closure of the contract. The matter was lying with the Government for final approval till the date of audit (June 2006). Department's failure to encash Bank guarantee or get advance refunded by the firm indicated its casual approach resulting in undue benefit to the firm. The purpose of giving advance was also defeated apart from loss on account of interest on advance of Rs.3.5 crore paid to the Company.

Manpower management

3.2.26 Lopsided posting of staff

The total sanctioned strength *vis-à-vis* men-in-position of the Department as of March 2006 was as under:

Table 15

Class	Technical		Shortfall		Non-technical		Shortfall	
	Sanctioned strength	Men-in-position	Number	Per cent	Sanctioned strength	Men-in-position	Number	Per cent
Class-I	142	117	25	18	2	-	2	100
Class-II	-	-	-	-	3	3	-	-
Class-III	1637	1065	572	35	874	504	370	42
Class-IV	2063	1849	214	10	466	400	66	14
Total	3842	3031	811	-	1345	907	438	-

Source: Departmental records

According to the Department, the shortage of 811 technical hands severely constrained its functioning. Audit examination however revealed that in three Divisions the men-in-position were in excess of the sanctioned strength by 102, 20 and 15 respectively as on 31 March 2005 but were not transferred to other Divisions where there was shortage of staff. (Details are shown in Appendix 3.15).

Thus, the Department failed to deploy its manpower optimally.

Power reforms under APDRP

3.2.27 Power sector reforms

The MOA signed (26 July 2004) between the GOI and the DOP as a joint commitment for implementation of reforms programme in power sector, specified the following major milestones:

- The State Government will start corporatisation by August 2004 to handle electricity matters. The Corporation will be made fully functional by July 2005.
- The State Government will set up a State Electricity Regulatory Commission/Joint Electricity Regulatory Commission by November 2004.
- The State Government will undertake Energy Audit and Energy Accounting at all levels to promote accountability and reduce transmission and distribution losses and bring them to the level of 20 per cent by 2007.
- The State Government would achieve 100 per cent electrification of villages by 2007 subject to adequate funds being provided by GOI under Pradhan Mantri Gramodaya Yojana (PMGY) or any other relevant scheme.

The progress of implementation of power sector reforms was very slow. As early as May 1997 the Government had already formed a corporation styled as "Manipur State Power Development Corporation Limited". But it remained non-functional.

In January 2005, the GOI constituted a Joint Electricity Regulatory Commission (JERC) for the States of Manipur and Mizoram with its headquarters at Aizawl. However, due to non-appointment of Chairperson and Members, the JERC is still not functional.

The system of energy audit although committed in the MOA is yet to be implemented. Transmission and distribution losses continue to be very high. The Department failed to arrest the increasing T&D losses as discussed in Para 3.2.13. As regards rural electrification programme, the State was far from achieving 100 *per cent* electrification of villages by 2007 as discussed in Para 3.2.24.

Thus it is evident that the State Government failed to implement power sector reforms as envisaged in MOA.

Internal Control and Monitoring Mechanism

3.2.28 Weakness of General Controls

Audit of selected offices of the Department revealed that internal control mechanism was virtually non-existent in the Department. Although internal audit is an integral part of internal control mechanism, the Department did not establish Internal Audit wing of its own. The internal audit of the Department was entrusted to the Department of Local Fund Audit. However, the irregularities pointed out in such audit were mainly of routine nature.

Scrutiny of the records revealed that the following records have not been maintained by the Department *viz.* (i) Works Abstract (ii) Register of Works (iii) Contractors' Ledger (iv) Material at Site account and (v) Deposit Register. In the absence of these records, audit could not exercise its check regarding:

- Up to-date expenditure incurred on a particular work.
- Payment made to contractor/amount due to contractors/amount due from the contractors.
- Quantity of material used in a particular work.
- Security deposit deducted and its actual release.

These are important checks which help to prevent corruption and reduce leakages.

3.2.29 Non-reconciliation of remittances into Treasuries

Receipts remitted into treasury through challans are required to be reconciled monthly by the Division with the treasury figures to ensure that the revenue remitted has been credited to the Government account. No such reconciliation was carried out by the Divisions.

Such lapses are fraught with the possibility of misappropriation of Government money.

3.2.30 Conclusion

The Department has failed to provide efficient energy management in the State. Its performance is marked by shortage of power, rampant power theft, huge T&D losses, stalled power sector reforms in metering and billing and inefficient financial and material management. Poor revenue collection by the Department as well as failure to encash Bank guarantee in respect of defaulting contractors has added to the State Government's overall financial burden.

3.2.31 Recommendations

- The Department should take immediate steps to increase its own power generation capacity by exploring possibilities of developing new hydel projects.
- It should take steps to ensure 100 *per cent* energy metering and billing.
- It should launch vigorous drive to collect more revenue and ensure recovery of arrears from defaulters.
- It should take urgent steps to reduce Transmission and Distribution losses to 15.5 *per cent* in accordance with CEA norms.
- It should expedite rural electrification process to cover all villages by 2007.
- Power Sector reforms should be undertaken on priority and should be publicised.
- In respect of all works undertaken on supply orders placed by the Department, it should display information as required under the Right to Information Act.

RURAL DEVELOPMENT DEPARTMENT

3.3 Special Programmes for Rural Development

Sampoorna Grameen Rozgar Yojana (SGRY) was not implemented in the State with right earnestness to achieve its objectives. Four to 44 per cent of its funds were carried over from year to year without fully spending them during the years for which these were sanctioned. An amount of Rs.29 lakh was retained in fixed deposit account; Rs.22.13 lakh was loaned out for purposes other than the scheme; and Rs.10.33 lakh was spent on unauthorised areas. The beneficiaries were deprived of their full entitlements by deducting taxes (Rs.33.01 lakh) from their dues.

Highlights

Lack of adequate planning and earnestness at DRDA level resulted in completion of only 26,078 works out of 40,030 works undertaken during 2001-06 resulting in shortfall of 35 per cent in achievement.

(Paragraph 3.3.10)

DRDA, Chandel released SGRY funds of Rs.55.48 lakh and 4,555 quintals of rice (valued at Rs.56.25 lakh) to 992 village chiefs without any sanctioned work.

(Paragraph 3.3.12)

DRDA, Bishnupur irregularly issued 34,280.17 quintals of rice (worth Rs.4.13 crore) as wage component against works already completed with cash component resulting in fraudulent/doubtful issue of foodgrains.

(Paragraph 3.3.14)

Because of non-revision of rates for construction/upgradation of houses, 3034 beneficiaries under Indira Awaas Yojana had been deprived of their entitlement to the extent of Rs.1.99 crore.

(Paragraph 3.3.27)

Due to failure to submit utilisation certificates, the State Government could not obtain Rs.38.11 crore of Central aid during 2001-06 under IWDP (Hariyali).

(Paragraph 3.3.30)

3.3.1 Introduction

Rural poverty in India is characterised by endemic food insecurity, unemployment, lack of adequate housing and underdeveloped wastelands. Poverty reduction has been an important goal of the country's development policy since independence. The anti-poverty strategy of the Government has three broad components:

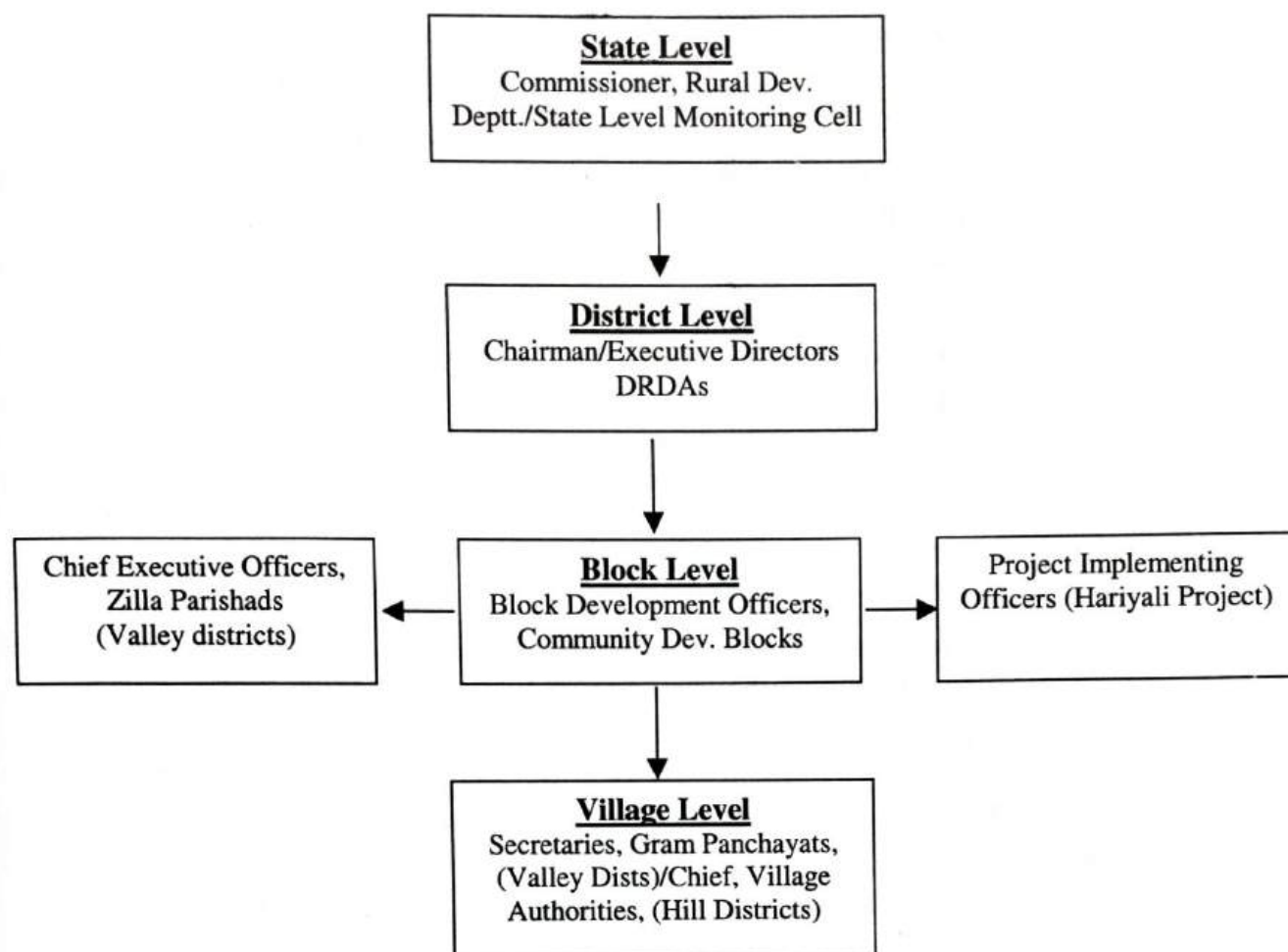
- promotion of economic growth;
- promotion of human development and better living conditions; and
- targeted programmes for poverty alleviation to address multi-dimensional nature of poverty.

The poverty alleviation programmes initiated by both the Central and the State Governments in Manipur during 2001-02 to 2005-06 included Integrated Wasteland Development Programme (IWDP) (Hariyali), Indira Awaas Yojana, Pradhan Mantri Gramodaya Yojana (Grameen Awaas) and Sampoorna Grameen Rozgar Yojana.

3.3.2 Organisational set up

The Commissioner, Rural Development, Manipur is the State level nodal officer responsible for proper planning, coordination and monitoring of the poverty alleviation programmes (PAPs) through a Monitoring Cell. The overall responsibility for implementation of the programmes at the district level is vested with nine¹⁰ District Rural Development Agencies (DRDAs) headed by the Deputy Commissioners of the districts; acting as Executive Directors in the four valley districts and as Chairmen in the five Hill districts. Four Zilla Parishads (ZPs) in valley districts and 36 Block Development Officers (Nine in valley districts and 27 in hill districts) are responsible for technical supervision and implementation of the schemes at village level through Gram Panchayats (GPs) in valley districts and with the assistance of village authorities in hill districts. IWDP (Hariyali) scheme was implemented by the DRDAs through Project Implementation Agencies (PIAs). The organisational set up in this regard is given below:

¹⁰ Valley districts— Imphal East, Imphal West, Thoubal and Bishnupur and Hill districts— Ukhrul, Churachandpur, Chandel, Senapati and Tamenglong.



3.3.3 Scope of Audit

The implementation of the schemes during the period 2001-06 was reviewed in audit during April-July 2006 by a test check of the records of the Monitoring Cell of the Rural Development Department (RDD), five out of nine DRDAs (Imphal West, Ukhrul, Churachandpur, Bishnupur and Chandel), two out of four ZPs in valley districts (Bishnupur and Imphal West), 14 out of 36 BDOs, including some PIAs and GPs. The actual expenditure under the programmes was Rs.119.13 crore of which, Rs.53.71 crore was covered under the review.

Swarnajayanti Gram Swarozgar Yojana which was one of the rural development programmes launched in the State from April 1999 with the main objective of providing income to rural families, swarozgaris and Self Help Groups could not be covered in the review as the Government failed to produce the relevant records.

3.3.4 Audit Objectives

The performance audit was conducted with a view to assess whether:

- five year development plans and annual action plans were properly drawn to achieve the policy objectives;
- the beneficiaries were identified in a complete and correct manner as per prescribed norms;
- the financial management of the programme was efficient;
- programmes were implemented efficiently, economically and effectively to fulfil the objectives of (i) generating supplementary employment among rural poor, (ii) creating durable community, social and economic assets, (iii) constructing/upgrading dwelling units for needy rural poor free of cost and (iv) developing wastelands for sustained economic activities in rural areas; and
- the monitoring system in respect of each programme was adequate to achieve its desired objectives.

3.3.5 Audit criteria

The Audit criteria considered for assessing the achievement of audit objectives were

- various programme guidelines issued by the Central Government;
- annual action plans;
- the General Financial Rules and instructions issued by the State Government; and
- targets fixed by the implementing agencies from time to time.

3.3.6 Audit methodology

The audit methodology employed in conducting the performance review included:

- Briefing the auditee management of the objectives of the review and seeking their cooperation in conducting the performance review through an entry conference (28 April 2006).
- Collecting data and documentary evidence by scrutiny of departmental files and records maintained by State Level Monitoring Cell under RDD and selected DRDAs, ZPs, Blocks, Village Panchayats and Project Implementation Agencies.
- Issuing audit questionnaires and holding discussions with the auditee management to seek information, clarifications and responses to audit observations.
- Analysis of data and documentary evidence *vis-à-vis* audit criteria to arrive at audit findings, conclusions and recommendations.

- Communicating audit findings to the auditee management through a draft Review Report and a presentation on findings in the exit conference (22 December 2006).

Audit Findings

Important points noticed during audit are discussed in the succeeding paragraphs.

A. SAMPOORNA GRAMEEN ROZGAR YOJANA

Sampoorna Grameen Rozgar Yojana (SGRY) was launched in September 2001 by merging the on-going Employment Assurance Scheme (the additional wage employment scheme) and the Jawahar Gram Samridhi Yojana (a rural infrastructure development scheme) aimed at providing greater thrust to additional wage employment, infrastructural development and food security in rural areas. The scheme has cash and foodgrains component. The Centre bears 75 *per cent* of the cost of cash component and 100 *per cent* of the cost of foodgrains component with the balance borne by the State.

Planning

3.3.7 Non-preparation of Annual Action Plan

SGRY guidelines provide that the DRDA, the Intermediate Panchayat and the Village Panchayat shall independently prepare and approve an Annual Action Plan before the beginning of each financial year. Works not forming part of the Annual Action Plan would not be taken up for execution. However, none of the test checked DRDAs prepared any annual plans during the period under review. This lack of planning adversely affected implementation of SGRY leading to under-utilisation of funds. The performance fell short of its objectives.

Financial management

3.3.8 Inefficient Financial management

Under utilisation of funds: Audit examination of funding of the scheme revealed instances of mismanagement including under utilisation of funds. Year wise position of availability of funds and expenditure incurred thereon for implementation of SGRY is depicted below:

Table 1

Year	Category of SGRY scheme	Position of availability of fund					(Rupees in lakh)		
		Opening balance	Central share	State share	Misc. and interest receipt	Total	Expenditure	Closing balance	Percentage of funds carried over
2001-02	Stream I (EAS)	85.57	122.10	NIL	43.41	251.08 ¹¹	204.43	46.65	19
	Stream II (JGSY)	78.04	345.42	265.30	6.87	695.63	392.28	303.35	44
2002-03	Stream I (EAS)	46.65	402.25	209.04	27.38	685.32	657.18	28.14	04
	Stream II (JGSY)	303.35	381.07	265.30	18.02	967.74	633.54	334.20	35
2003-04	Stream I (EAS)	28.14	605.95	NIL	9.88	643.97	559.79	84.18	13
	Stream II (JGSY)	334.20	461.17	NIL	5.31	800.68	511.40	289.28	36
2004-05	SGRY	373.46	1,821.91	885.28	8.90	3,089.55	2,387.20	702.35	23
2005-06	SGRY	702.35	2,319.94	982.87	2.74	4,007.90	2,741.39	1,266.51	32
Total		1,951.76	6,459.81	2,607.79	122.51	11,141.87	8,087.21	3,054.66	

(Source: Departmental records)

Guidelines issued for implementation of the programme provide (Para 5.11) that the Zilla Parishads, Intermediate Panchayats and Village Panchayats should spend the funds during the year in which they are made available. The carry over funds should not exceed 15 per cent of the total allocation. It is however seen from the above table that the funds ranging up to 44 per cent were carried over. Barring stream I (EAS) in 2002-03 and 2003-04, the carry over funds were higher than the prescribed limit of 15 per cent.

The under-utilisation of funds as well as investing of funds in fixed/term deposits indicates poor planning and inefficient financial management as a result of which beneficiaries were deprived of much needed employment. Under-utilisation also indicates that the programme was not implemented to its full potential.

Scrutiny of the records in respect of one DRDA (Churachandpur) revealed that instead of retaining the funds in a savings bank account as provided in the guidelines (Para 5.12), a major part of the available funds (Rs.29 lakh) under Stream I was put in fixed deposit during 2000-02 in order to earn higher interest, in violation of scheme guidelines. Blocking these funds in fixed/term deposits against GOI guidelines and non-utilisation in the prescribed time frame defeated the purpose of the programme and deprived the beneficiaries of the much needed employment.

Diversification of programme funds

(A) Test-check of records (December 2005) of DRDA, Bishnupur revealed that the Executive Director (ED) allocated (September 2004) 2986.06 quintals of rice valued at Rs.36.88 lakh (@ Rs.1235 per quintal) to 208 families affected by floods, cyclones, burnt houses etc. These quantities of rice were distributed free of cost to the families concerned during the financial year 2004-05 resulting in diversion of SGRY funds. Further, no records were available in DRDA, Bishnupur to indicate that there were approval from the Relief Department or other higher authorities in the State Government for diversion of SGRY foodgrains for calamity relief. Neither any ex-post-facto

¹¹ In respect of three DRDAs (Ukhrul, Churachandpur and Imphal West) only. Information for the other DRDAs was not available.

approval for regularisation of diversion of SGRY foodgrains was obtained by DRDA from appropriate authorities nor any reimbursement taken from the Government of India from the earmarked funds for natural calamity relief.

Due to diversions of SGRY foodgrains, the objective of providing wage employment to rural people and in addition creation of durable community assets in the district was hampered to the extent of diversion.

The Assistant Project Officer stated (July 2007) that the diversion was made from the normal allocation of the year 2004-05 and no replenishment was claimed from the GOI. The reply is not acceptable as the Relief Department clarified (January 2007) that the relief provided to the affected victims/families was restricted to the funds available in the Calamity Relief Fund only and no relief was provided from other sources.

(B) The scheme guidelines do not allow disbursement of funds as temporary loan for utilisation for any other purpose. Scrutiny of the records in respect of DRDAs in Ukhrl, Churachandpur and Bishnupur revealed that scheme funds were temporarily diverted to meet other expenses as shown below:

Table 2

DRDA	Scheme from which funds was diverted	Year of diversion	Amount (Rs. in lakh)	Year of refund in full	Diverted to
Churachandpur	Stream I	2003-04	2.61	2004-05	IAY
Ukhrl	Stream I	2001-02	5.01	2005-06	DRDA Admn.
		2003-04	0.40	2005-06	DRDA Admn.
	Stream II	2002-03	11.63	2004-05	DRDA Admn.
Bishnupur	SGRY Stream II	2001-02	2.48	2002-03	Supply Branch
Total			22.13		

Source: Departmental records

Apart from violating the provisions of guidelines, the diversion extending over one to four years certainly jeopardised the implementation of the programme/ completion of targeted number of works (Para 3.3.10).

Unauthorised expenditure: SGRY guidelines provide (Para 6.5. and 6.6) only for creation of durable community assets under the scheme. Scrutiny of records of Bishnupur DRDA, however, disclosed that during 2001-06, it had incurred an unauthorised expenditure of Rs.10.33 lakh for the following items:

Table 3

(Rupees in lakh)

Item of expenditure	2001-02	2003-04	2004-05	2005-06	Total
Office stationery	0.45	0.10	0.72	0.91	2.18
Computer/furniture			0.78	0.69	1.47
Inverter				0.10	0.10
Repair & maintenance of vehicles		0.26	1.42	1.49	3.71
Purchase of POL				2.75	2.75
Compound fencing				0.23	0.23
Repair of DC's Bungalow and Kitchen shed at DC's office		0.13		0.30	0.43
Total	0.45	0.49	2.92	6.47	10.33

Source: Departmental records

The unauthorised expenditure in contravention of guidelines not only impeded the programme but also restricted employment generation among the rural poor as well as completion of targeted number of works (Para 3.3.10).

Unauthorised expenditure on transportation of foodgrains: Till 2002-03 the programme guidelines (Para 2.7) prohibited payment of transportation charges on foodgrains from the cash component of the scheme. These charges were required to be borne by the concerned State Governments. Records of Chandel and Bishnupur DRDAs, however, revealed that during 2002-03, these DRDAs had utilised Rs.2.25 lakh and Rs.1.64 lakh respectively out of cash component for transportation of rice which was in violation of the programme guidelines.

Non-reimbursement of sales tax: According to the scheme guidelines (Para 2.7) Sales tax element was to be borne by the State Government. DRDA Churachandpur, however, deducted Rs.33.01 lakh as Sales tax at source from the bills against departmental execution of works under SGRY and credited the same to the Government account during 2003-06. Details are given as under:

Table 4

Scheme	(Rupees in lakh)			
	Sales tax deducted			
	2003-04	2004-05	2005-06	Total
Stream I	4.83	9.83	14.68	29.34
Stream II	1.68	1.99	NIL	3.67
Total	6.51	11.82	14.68	33.01

Source: Departmental records

The State Government had not reimbursed the amount till date (February 2006). This has deprived the beneficiaries of the full benefits under the scheme.

Achievement of the objectives of the scheme

Records of the Monitoring Cell and the selected DRDAs revealed that the SGRY could not be implemented in an effective manner during the period 2001-02 to 2005-06. Specific instances of shortcomings in implementation and their impact on performance of the programme are brought out in the succeeding paragraphs.

3.3.9 Less labour intensive employment generation

Scheme guidelines provided for generation of employment in rural areas based on undertaking of labour intensive asset creation activities. The State Government identified 1,30,000 BPL households. Given the fact that 77 per cent of the State's population is rural, there are approximately 1,00,000 rural BPL households in the State. Even if one person from each rural BPL household were to be provided with employment under this scheme for a minimum of 100 days in a year as had been earlier provided for under EAS (SGRY – Stream I), the total annual mandays of employment created in rural areas would have been one crore. Scrutiny of the physical progress reports however revealed that during the entire period of review (2001-2006), the

State Government could create only 89.67 lakh mandays as against a minimum of 5 crore mandays to be generated. Thus, there was a large gap between effort required and actual performance in terms of employment generation. The scheme was a virtual non-starter in the State having no direct impact on the incidence of poverty.

3.3.10 Poor physical progress of works

The physical progress of works in terms of completion of rural works and generation of employment under SGRY during 2001-06 was as under:

Table 5

Year	Category of scheme	No. of works		Employment generated (lakh mandays)	Percentage of shortfall in completion of works
		undertaken	completed		
2001-02	Stream I	NA	NA	NA	NA
	Stream II	3885	2896	5.12	25
2002-03	Stream I	2158	1668	10.95	23
	Stream II	3509	2610	16.80	26
2003-04	Stream I	2917	1114	7.29	62
	Stream II	3476	2167	6.71	38
2004-05	SGRY	11210	6923	5.66	38
2005-06	SGRY	12875	8700	37.14	32
Total		40,030	26,078	89.67	35

Source: Departmental records

Audit examination revealed that only 26,078 works could be completed out of 40,030 works undertaken during the period resulting in a shortfall of 35 per cent. The year-wise percentage of shortfall ranged between 23 to 62 per cent. The SGRY guidelines (para 6.1.3) provide for according priority to completion of incomplete works over new works. Shortfalls were significantly higher during the last three years depicting lack of proper planning at DRDA level resulting in blocking of substantial funds in incomplete works without any corresponding benefits at village level.

3.3.11 Lopsided allocation of funds amongst implementing agencies

The SGRY guidelines prescribed that 50 per cent of the funds should be allocated to Village Panchayats, 30 per cent to Intermediate Panchayats (Blocks) and 20 per cent to ZPs/DRDAs for utilisation of the same preferably in areas suffering from endemic labour exodus/areas of distress.

Records of Churachandpur and Bishnupur DRDAs, however, revealed that the SGRY scheme was implemented during 2001-06 with disproportionate allocation of funds amongst these agencies against the norms as under:

Table 6

DRDA	Year	Funds allocated and spent					Percentage of expenditure by DRDA and ZP
		Total	DRDA	ZP	Blocks	Village Panchayat	
Churachandpur	2003-04	118.10	25.28	-	92.82	Nil	21
	2004-05	251.61	111.51	-	140.10	Nil	44
	2005-06	357.59	125.48	-	232.11	Nil	35
	Total	907.27	283.25	-	624.02	Nil	
Bishnupur	2001-02	139.51	1.38	60.35	Nil	77.78	44
	2002-03	119.09	54.92	9.90	Nil	54.27	54
	2003-04	48.97	34.10	14.87	Nil	Nil	100
	2004-05	216.94	60.96	73.95	Nil	82.03	62
	2005-06	345.61	133.80	68.20	Nil	143.61	58
	Total	870.12	285.16	227.27	Nil	357.69	

Source: Departmental records

Analysis revealed that DRDA Churachandpur, executed works entailing expenditure ranging up to 44 per cent of total expenditure of the district during the period under review. In Bishnupur, no funds were released at all at the block level. There the DRDA/ZP executed works incurring expenditure ranging from 44 to 100 per cent of total expenditure during 2001-06 without involving its two Community Development Blocks (Bishnupur and Moirang). Undertaking of development activities under SGRY without involving blocks was against the guidelines and was thus irregular. Further, in both the DRDAs, the works had been executed without preparing any Annual Action Plans, thereby defeating the very objective of ensuring public participation in rural development.

3.3.12 Release of cash/foodgrains without sanctioned works

Records of DRDA, Chandel disclosed that during 2003-05 an amount of Rs.55.48 lakh and 4,555 quintals of rice costing Rs.56.25 lakh (@ Rs.1,235 per quintal) were released to 992 village chiefs (2003-04: 438 and 2004-05: 554) without receiving any work proposal from them and without mentioning in the administrative and expenditure sanction the name of any community development work to be taken up in their villages.

Details of these releases are shown in *Appendix 3.16*.

No utilisation certificates for the funds released to them with relevant bills, vouchers and Muster Rolls, except Actual Payee Receipts for the first instalments were obtained by the DRDA. As a result the actual utilisation of the entire cash and foodgrains components during the period, number of community assets created and number of mandays generated with engagement of rural poor could not be ascertained in Audit. When these were pointed out, the Chairman, DRDA Chandel stated (June, 2006) that steps would be taken to ensure correct procedure in future. In view of these facts the amount released to the village chiefs cannot be held as fruitful.

3.3.13 Non-lifting of huge quantity of foodgrains

Foodgrains should be given as part of wages under SGRY to the beneficiaries at the rate of 5 kg per manday. The State Government was to lift the foodgrains released by the Union Ministry of Rural Development from FCI.

Examination of physical progress reports submitted to the GOI by the Monitoring Cell revealed that there was a total shortfall of 21 *per cent* in lifting the foodgrains during the period from 2001-06 as shown below:

Table 7

(In metric tonne)

Year	Allocation	Actually lifted	Shortfall	Percentage of shortfall
2001-02	NA	NA	NA	
2002-03	7,692	6,349	1,343	17
2003-04	17,348	11,437	5,911	34
2004-05	27,132	23,911	3,221	12
2005-06	18,546	14,408	4,138	22
Total:	70,718	56,105	14,613	21

Source: Departmental records

Non-lifting of huge quantity of foodgrains deprived the rural poor of intended benefits of food security and employment frustrating the objectives of the programme.

Reasons for non-lifting were not on record.

3.3.14 Fraudulent/doubtful distribution of foodgrains

SGRY guidelines provide that wages under the programme are to be paid partly in foodgrains and partly in cash (para 3.1). But records of DRDA Bishnupur revealed that this was not adhered to. Works were seen to have been completed by cash component alone. Thereafter foodgrains were issued in addition. During 2002-05, the entire cost (Rs.2.58 crore) involved in completion of 136 works, executed through the beneficiary secretaries as work agencies were fully paid in cash. Subsequently 34,280.17 quintal of rice, valued at Rs.4.13 crore were issued to the beneficiary secretaries, against these works in addition to the cash payment already made. Details are shown as under:

Table 8

Year	Implementing agencies	Works executed under cash component			Rice issued against the completed works		
		No. of sanctioned works	Estimated and sanctioned cost	Actual expenditure incurred for completion	Quantity (in quintal)	Rate per quintal	Value (Rs. in lakh)
			(Rupees in lakh)				
2002-03	DRDA	27	11.07	11.07	1781.85	Rs.1180	21.03
	ZP	5	6.18	6.18	1520.00	Rs.1180	17.94
	Village Panchayats	24	38.94	38.94	2047.64	Rs.1180	24.16
2003-04	DRDA	17	31.46	31.46	6221.47	Rs.1180	73.41
	ZP	16	14.87	14.87	4160.00	Rs.1180	49.09
	Village Panchayats	Nil	Nil	Nil	2313.36	Rs.1180	27.30
2004-05	ZP	19	73.95	73.95	8219.50	Rs.1235	101.51
	Village Panchayats	28	82.03	82.03	8016.35	Rs.1235	99.00
	Total	136	258.50	258.50	34,280.17	—	413.44

Source: Departmental records

In as much as the works had been completed by payment in cash, further issue of foodgrains against these works was not in order and thus led to fraudulent/doubtful issue of foodgrains. Further, no Actual Payee's Receipts

were obtained from the beneficiary Secretaries as a token of actual distribution of foodgrains to the concerned labourers/wage earners engaged for the works, which raises doubt about genuineness of the issue of entire quantity of rice valued at Rs.4.13 crore. The Assistant Project Officer of the DRDA stated (May 2006) that action would be taken as per Audit observation. The matter needs investigation.

3.3.15 Issue of rice to the workers at higher rates resulting in lower cash payments

Foodgrains (rice) are to be given to rural poor employed in works executed under SGRY as part of their wages at the rate of 5 kg per manday. The Joint Secretary (RD) stated that all the implementing agencies of the scheme in the State were to follow a uniform issue rate that had been fixed at Rs.620.80 per quintal. Scrutiny of the records of ZP, Bishnupur, however, revealed that in February 2002 against 76 works executed at an estimated cost of Rs.1.02 crore, 5695.71 quintals of rice was issued to the workers as a part of wages at a higher rate of Rs.1230 per quintal fixed by the CEO, ZP, Bishnupur. This resulted in overcharging of the beneficiaries by Rs.34.70 lakh¹² and correspondingly lowering their legitimate wage entitlement to the same extent. This needs investigation.

When this was pointed out (May 2006) the Chief Executive Officer, Z.P, Bishnupur offered no comments. This highlights lack of regard for rules and regulations as envisaged in the scheme guidelines at ZP level.

3.3.16 Engagement of middlemen as work agencies

In order to ensure full benefits of wages reach the rural poor and the cost of works do not go up on account of commissions payable to contractors, middlemen or intermediate agencies, SGRY guidelines ban employment of contractors in execution of any work under the programme (Para 5.18.1 of SGRY guidelines). Accordingly, the programme is to be implemented departmentally only. Test check of sanction orders pertaining to the execution of works under the programme in three DRDAs (Bishunupur, Chandel and Churachandpur) however disclosed that in contravention of SGRY guidelines, 708 works worth Rs.2.30 crore were awarded to 708 contractors/work agencies in 2004-06. Audit scrutiny also revealed that the DRDAs irregularly released an amount of Rs.2.30 crore to these contractors/work agencies and not directly to the wage earners.

The DRDA, Bishnupur accepted the audit observation and assured that action would be taken as per audit observation. The Chairman, DRDA, Chandel stated (June 2006) that contractors/work agencies were engaged on the basis of collective decision of the village authorities. The reply is not acceptable in view of the ban on engagement of contractors/working agencies in the execution of works under the programme. The Chairman, DRDA, Churachandpur offered no comments (May 2006).

¹² (Rs.1230.00 – Rs.620.80) x 5695.71 quintals = Rs.34,69,826.

3.3.17 Non-maintenance of assets

As per SGRY guidelines, implementing agencies are permitted to spend up to 15 *per cent* of the funds for maintenance of public assets created under the programme. Audit examination, however, revealed that during 2001-06, none of the test checked DRDAs had spent or released any funds to their field level implementing agencies for undertaking maintenance of such assets despite availability of sufficient funds. Lack of maintenance of such community assets viz. rural roads, community halls, horticultural farms, social forestry and playground *etc.* is likely to have an adverse impact on the future service potential of these assets.

3.3.18 Non-provision of facilities to wage employees at work-sites

The SGRY guidelines provide for arrangement of facilities like drinking water, rest sheds for the workers and crèches for the children coming along with working mothers at work sites. However, none of the test checked DRDAs ever spent any funds, or arranged any such facilities for the wage employees during the period under review. Thus, this welfare aspect of SGRY was completely neglected.

3.3.19 Non- maintenance of social audit and vigilance at grass root level

To ensure transparency, accountability and social control over implementation of the SGRY, guidelines (para 5.18.8) emphasized formation of Monitoring committees at village, Block, DRDA/ZP level. The guidelines also provide that every final payment under the programme was to be released after obtaining reports from such Committees. This is required to ensure quality and timely completion of development activities. However, audit scrutiny of the records of the test-checked DRDAs revealed that no such Monitoring Committee was formed at any level except in Churachandpur. The DRDAs, Blocks, and Village Panchayats had released the final payment of every work under the programme on the basis of completion certificates issued by the supervising technical staff. When the irregularities were pointed out the DRDAs, Blocks and Village Panchayat authorities stated (May 2006) that the required procedures would be followed in future. Thus, the objective of ensuring transparency through social audit and vigilance at grass roots level could not be achieved.

3.3.20 Non-maintenance of records

Scrutiny of the records of test checked DRDAs, Blocks and Village Panchayats revealed that records for assets created and employment generated under the programme were not maintained during the entire period covered in the review.

Absence of these records rendered the entire monitoring mechanism ineffective.

B. INDIRA AWAAS YOJANA/ PRADHAN MANTRI GRAMODAYA YOJANA

Indira Awaas Yojana (IAY) has been in operation since January 1996 as an independent scheme. Its objective is to assist in free of cost construction/upgradation of dwelling units for members of Scheduled Castes/Scheduled Tribes, freed bonded labourers, other Below Poverty Line (BPL) non-SC/ST rural households and other identified categories by providing them with lump sum financial assistance. The expenditure under the scheme is shared by the Central and State Governments on 75:25 basis.

Pradhan Mantri Gramodaya Yojana – Grameen Awaas (PMGY-GA) another independent scheme has been in operation in the State since 2000-01. Its objective is to provide rural shelter at the same unit cost as prescribed in IAY. The programme is implemented as a State Plan scheme with Additional Central Assistance.

Planning

3.3.21 Improper selection of beneficiaries and implementation of schemes

Under IAY and PMGY-GA schemes, the Gram Sabha at village level is required to select the beneficiaries from the list of eligible BPL households, restricting this number to the target allocated by the concerned DRDAs. Audit scrutiny, however, disclosed that DRDAs Churachandpur, Bishnupur and Chandel selected the beneficiaries under these schemes at their own level without involving village level authorities. The basis of selection of needy beneficiaries among the freed bonded labourers, ST/SC households, non SC/ST BPL households and physically and mentally challenged persons was not on record and thus lacked transparency. The selection lacked popular participation and highlights adhocism in selection process with ample scope for financial improprieties.

As per scheme guidelines, funds under IAY and PMGY-GA are to be allocated to Village Panchayats for implementation of the schemes. Records of DRDA, Bishnupur, however, revealed that during 2001-06, IAY and PMGY-GA schemes involving an expenditure of Rs.1.74 crore were directly implemented by DRDA/ZP without involving its 24 village Panchayats in contravention of these guidelines.

Financial management

3.3.22 The financial management was inefficient with instances of underutilisation of funds and unauthorised procurement of material.

Under utilisation of funds: Year wise position of fund availability for implementation of IAY (New construction and upgradation) is depicted below:

Table 9

(Rupees in lakh)

Year	Position of availability of fund					Expenditure	Closing balance	Percentage of expenditure
	Opening balance	Central share	State share	Misc. interest receipts	Total			
2001-02	224.23	265.95	220.60	—	710.78	91.80	618.98	13
2002-03	618.98	247.62	220.60	—	1087.20	551.34	535.86	51
2003-04	535.86	267.42	180.85	14.51	998.64	286.30	712.34	29
2004-05	712.34	763.18	205.45	—	1680.97	913.03	767.94	54
2005-06	767.94	639.17	513.11	—	1920.22	1128.84	791.38	59
Total		2183.34		14.51		2971.31		

Source: Departmental records

The above table reveals that utilization of funds under the scheme was in the range of 13 to 59 *per cent* only. Substantial amounts of unspent balances in each year indicate inefficient financial management, inadequate coverage of the programme, ineffective planning and the fact that the programme was not implemented to its full potential.

Unauthorised procurement of CGI sheets: As per IAY guidelines (para 2.3), the beneficiaries may make their own arrangements for procurement of construction material. However, the DRDA can help the beneficiaries in acquiring raw material at controlled rates, if they request DRDAs in this regard. Records of DRDA, Chandel, however, revealed that during 2002-06, it purchased 5,545 bundles of CGI sheets and distributed the same to the beneficiaries without their request.

The details of purchases made were as under:

Table 10

Year	Quantity purchased (bundles)	Rate per bundle (for Chandel)	Cost (Rs. in lakh)	Name of suppliers	Procedure for selection of suppliers
2002-03	1031	Rs. 1990	20.52	M/S. A.B. Agency, Chandel	By issuing limited tenders to three selected Suppliers
	1297	Rs. 2002	25.96	M/S Bajrang Steel (Sales) Corp., Guwahati	
2003-04	852	Rs.2245	19.13	M/S. Shree Shankar Steel, Kolkata	
	99	Rs. 1990	1.97	M/S A.B. Agency, Chandel	-do-
2004-05	1486	Rs. 2245	33.36	M/S Shree Shankar Steel, Kolkata	-do-
2005-06	780	Rs.3145	24.53	M/S Steel Trading Corp., Imphal	Fixed by R.D. Deptt.
Total	5545		125.47		

Source: Departmental records

The Department purchased CGI sheets through limited tendering during 2002-05 and did not invite open tenders which is a violation of extant financial rules. Further, in 2005-06, the Department, without tendering, procured CGI sheets from M/s Steel Trading Corporation, Imphal at Rs.3,145 per bundle as against the rate of only Rs.2,245 per bundle of CGI sheets supplied by the Kolkata based firm at Chandel during the year 2004-05. Although the material was purchased from a Kolkata firm, the rate (Rs.2245 per bundle) was for delivery at Chandel. Again the rate of Rs.3145 per bundle (rate for 2005-06) was also for delivery at Chandel. The increase in rate (Rs.2245 to Rs.3145) as a consequence of non-tendering appears to be on the high side and needs investigation.

Non-maintenance of year-wise expenditure: During the period under review (2001-06) the Government released Rs.7.56 crore to the DRDAs for

implementation of Pradhan Mantri Gramodaya Yojana- Grameen Awaas and the DRDAs had spent the same fully. But the State Monitoring Cell did not maintain the year-wise expenditure in respect of the years 2001-02, 2002-03 and 2003-04.

Lack of financial records at State level shows ineffective monitoring and renders the entire financial management process meaningless. The State Government did not release any funds during 2005-06. Reasons for non-release of funds were not on record.

Achievement of the objectives of the scheme

Test check of records of the Monitoring Cell, RDD revealed that the schemes could not be implemented in an efficient, effective and economic manner during the period from 2001-02 to 2005-06. Performance in terms of providing dwelling units to the needy under the two schemes was found to be deficient. As a result, the objectives of the schemes were not achieved. Specific instances of shortcomings in performance and their impact are brought out in the succeeding paragraphs.

3.3.23 Shortfall in achievement

Against a total target of construction of 20,608 new houses and upgradation of 5,665 houses during 2001-06, work was completed in case of only 11,644 houses (new construction) and 5,204 houses (upgradation) resulting in shortfall of 43 and 8 per cent respectively. The year wise targets and achievement under the two programmes are depicted in the following tables.

Table 11

IAY (New construction)

Year	Target	Achievement (Houses completed)				Shortfall	Percentage of shortfall
		SC	ST	Others	Total		
2001-02	2824	49	716	290	1055	1769	63
2002-03	4086	38	1516	268	1822	2264	55
2003-04	4500	72	931	130	1133	3367	75
2004-05	4854	73	3562	448	4083	771	16
2005-06	4344	38	3200	313	3551	793	18
Total	20608	270	9925	1449	11644	8964	43

Source: Departmental records

Table 12

IAY (Upgradation)

Year	Target	Achievement (Houses completed)				Shortfall	Percentage of shortfall
		SC	ST	Others	Total		
2001-02	706	17	360	104	481	225	32
2002-03	1020	27	585	137	749	271	27
2003-04	1125	23	436	74	533	592	53
2004-05	1214	39	1738	253	2030	—	—
2005-06	1600	22	1229	160	1411	189	12
Total	5665	128	4348	728	5204	461	8

Source: Departmental records

PMGY-GA (New construction and upgradation)

IAY guidelines provide (para 3.4) that 20 *per cent* of allocation should be for upgradation of kutchha houses.

The Department claimed that the entire target of new construction and upgradation of dwelling units (3554 houses for the period 2001-05) under PMGY-GA had been fully achieved during the said period. But they did not keep any distinction between new construction and upgradation. Therefore, Audit could not verify whether the Department was following the 80:20 ratio laid down in the guidelines.

3.3.24 Non-maintenance of records

Scrutiny revealed that Monitoring Cell had not monitored the physical performances showing coverage of beneficiaries belonging to SC, ST and other categories of beneficiaries. As a result the actual extent of achievement in regard to these groups of people could not be ascertained. It was also noticed that none of the test checked implementing agencies of IAY/PMGY-GA had maintained an inventory of the houses constructed under the two schemes. This lack of feed back rendered the entire monitoring mechanism envisaged for implementation of rural housing schemes meaningless.

3.3.25 Non-provision of sanitary latrine and smokeless chulha

The unit cost of Rs.20,000 in valley areas (revised to Rs.25,000 from April 2004) and Rs.22,000 in hill areas (revised to Rs.27,500 from April 2004) fixed under IAY programme for construction of new houses were inclusive of cost of construction of sanitary latrine and installation of smokeless chulha. Audit scrutiny, however, revealed that latrines and smokeless chulhas were provided only in respect of 2929 houses and 3286 houses respectively, out of 11,644 newly constructed houses. Thus, 75 *per cent* of the new houses did not have latrines and 72 *per cent* were without smokeless chulhas which indicated that prescribed guidelines and specifications were not followed.

3.3.26 Allotment of houses to male members of the beneficiary households

IAY guidelines provide (para 2.4) for allotment of houses to females in the households or jointly to both husband and wife. However, during 2001-06, 2,894 newly constructed houses (minimum cost: Rs.5.79 crore) and 1,208 upgraded houses (minimum cost: Rs.1.21 crore) were irregularly allotted to the male members in contravention of the scheme guidelines.

3.3.27 Payment of lower financial assistance to beneficiaries

Under the IAY programme the unit cost of construction had been revised from April 2004 as shown below:

Table 13

(In Rupees)

	Valley districts		Hill districts	
	Old rate	New rate	Old rate	New rate
New construction	20,000	25,000	22,000	27,500
Upgradation	10,000	12,500	10,000	12,500

Source: Departmental records

But the DRDA, Churachandpur did not switch over to the new rates and consequently 1,706 beneficiaries (new construction: 1,345, upgradation: 361) were deprived of better quality houses aggregating Rs.83 lakh¹³ for new constructions/upgradation carried out during April 2004 to December 2005.

Similarly, DRDA, Chandel had released lower financial assistance of Rs.16,000 for new construction and Rs.8,000 for upgradation of kutchha houses during 2003-05. Consequently, 1328 beneficiaries were deprived of better quality construction of accommodation totalling Rs.1.16 crore¹⁴.

Chairman, DRDA, Churachandpur stated (February 2006) that the new revised rates could not be adopted as the Governing Body and the Advisory Committee of the DRDA decided (June 2005) against the adoption of the revised rates. Chairman, DRDA, Chandel also stated (June 2006) that the lower rates of financial assistance were adopted to cover more beneficiaries. The replies are not acceptable as DRDAs cannot arbitrarily take such a decision in contravention of the guidelines and deprive the beneficiaries of the agreed amount and suitable shelter of minimum prescribed standards.

3.3.28 Selection of IAY beneficiaries at the fag end of the financial year

Records of DRDA, Bishnupur revealed that the Chairman, DRDA accorded administrative approval and financial sanction of Rs. 67.60 lakh¹⁵ without any approved Annual Action Plan on 28 March 2006. Out of Rs.67.60 lakh, Rs.60.84 lakh was released on the same day to avoid lapse of funds and to comply with mandatory provisions of IAY guidelines of not having a closing balance exceeding 15 per cent of the total funds available during the year.

Regarding expenditure sanction without approved Annual Action Plan the Assistant Project Officer, DRDA, stated (May 2006) that the selection of beneficiaries was done by the concerned Village Panchayats. The reply is not tenable since the copies of Village Panchayats' Resolutions produced to audit related to resolutions adopted during the period 30 March to 13 April 2006 i.e. after the release of the sanctioned amount to the beneficiaries.

¹³ New construction = (Rs.27500-22000) x 1345 nos. = Rs.7397500
Upgradation = (Rs.12,500-10000) x 361 nos. = Rs.902500
Total: Rs.8300000

¹⁴ 2003-04 New construction = (Rs.22,000 - Rs.16,000) x 93 numbers = Rs.5,58,000
Upgradation = (Rs.10,000 - Rs.8,000) x 52 numbers = Rs.1,04,000.
2004-05 New construction = (Rs.27,500 - Rs.16,000) x 792 numbers = Rs.91,08,000
Upgradation = (Rs.12,500 - Rs.8,000) x 391 numbers = Rs.17,59,500.
Total: (1328 number) Rs.1,15,29,500

¹⁵ New construction Rs.54.25 lakh for 217 beneficiaries and upgradation Rs. 13.35 lakh for 109 beneficiaries.

Thus, the manner of selection of IAY beneficiaries and the release of funds at the fag-end of the financial year to avoid lapse of fund was irregular.

3.3.29 Non-providing modern construction technologies and design to beneficiaries

Guidelines of IAY (para 5.2) provide that the State Government and DRDA/ZP should arrange to make available information on use of innovative technologies, material, designs and methods to help beneficiaries in construction/upgradation of durable, cost effective and disaster resistant houses. Audit scrutiny, however, revealed that neither the Government nor any of the test-checked DRDAs initiated any steps during 2001-06 to help the beneficiaries by providing them information on innovative technologies and designs *etc.* which resulted in non-fulfilment of objectives of the programme.

C. INTEGRATED WASTELANDS DEVELOPMENT PROGRAMME-HARIYALI (IWDP-HARIYALI)

The programme was launched from April 1995 for meaningful planning, implementation and management of economic development activities in rural areas by involving village community. IWDP was re-designated as HARIYALI in April 2003 and implemented with new guidelines.

Financial management

3.3.30 Inefficient Financial management

Short release of funds: Under the programme altogether 27 projects, extending over an area of 1,71,500 hectares, were sanctioned during 2001-06 for execution over a period of five years from the date of sanction at the rate of Rs.6,000 per hectare. The cost per hectare was shared between the Centre and the State in the ratio of Rs.5,500: Rs.500. Fifteen *per cent* of the respective shares was to be released in the first year, 30 *per cent* in the second year, 30 *per cent* in the third year, 15 *per cent* in the fourth year and 10 *per cent* in the fifth and final year.

But due to non-submission of utilisation certificates for the State share portion by the State Government, the Central Government released an amount of Rs.14.63 crore during the five years (2001-06) as against a due amount of Rs.52.74 crore as worked out in *Appendix 3.17*. Because of its failure to submit utilisation certificates, the State Government were unable to obtain Rs.38.11 crore of the Central aid.

Whereas, the State should have contributed Rs.4.79 crore during 2001-06 as per the sharing arrangement it contributed only Rs.70.77 lakh¹⁶ *i.e.* shortfall of 85 *per cent*.

Thus, poor management of financial resources deprived the waste land development programme of its required and assessible financial resources which in turn affected the implementation of the programme.

¹⁶ 2001-02: Rs.6 lakh, 2002-03: Rs.37.77 lakh, 2003-04: Rs.22.50 lakh, 2004-05: Rs.4.50 lakh

Achievement of the objectives of the scheme

Records of the Monitoring Cell, RDD and selected PIAs revealed that the scheme could not be implemented in an efficient and effective manner during the period from 2001-06 and the objectives of the scheme were not achieved. Specific instances of shortcomings and their impact on performance of the scheme are brought out in the subsequent paragraphs.

3.3.31 Shortfall in achievement

The details of physical targets and achievements made by the Department during the period from 2001-06 are given below:

Table 14

Year	No. of projects sanctioned	Project period	Area to be covered during project period (Hect)	Target to be covered upto 2005-06 (Hect)	Achievement (Hect)	Percentage of shortfall
2001-02	1	2001-06	8000	8000	1200	15
2002-03	6	2002-07	44500	35600	7553	79
2003-04	5	2003-08	30000	18000	4500	75
2004-05	7	2004-09	40000	16000	5875	63
2005-06	8	2005-10	49000	9800	7287.50	26
Total	27		171500	87400	26,415.50	70

Source: Departmental records

As per approved project norms, target area to be covered during 2001-06 was 87,400 hectares. However, Audit scrutiny revealed that only 26,415.50 hectares could be developed during 2001-06, resulting in shortfall of 70 per cent.

3.3.32 Irregularities in implementation of projects

Scrutiny of records in respect of test checked Project Implementation Agencies and DRDAs revealed the following irregularities in respect of 11 projects¹⁷:

Non-contribution to Watershed Development Fund: One of the mandatory conditions for selection of villages in Watershed Development Programme is people's contribution towards Watershed Development Fund (WDF). The contribution to WDF should be minimum 10 per cent of the cost of works executed on individual lands belonging to ST/SC categories and five per cent for BPL families. For community property, people's contribution should be five per cent of the development cost incurred. But in case of 11 Hariyali projects sanctioned by the GOI during 2002-06, people's contribution had not been realised till March 2006, though a substantial portion of the funds had been utilised as development cost.

User charges: The IWDP (Hariyali) guidelines provide that the Gram Panchayat shall impose user charges on User Groups for use of common utilities like water for irrigation from village tanks/ponds, grazing from community pastures etc. While one half of the user charges so collected may

¹⁷ Eleven projects: Thoubal district: Project No.2; Churachandpur district: Project Nos. 1 to 4; Bishnupur district: Project Nos. 1 to 3; Ukhrul district: Project Nos. 2 to 4

be credited to the WDF for maintenance of assets of the projects, the remaining half was to be utilised by the Panchayats. Audit scrutiny revealed that except in one project in Thoubal district, the user charges had not been imposed and collected in the remaining ten projects.

Van Rakshaks: To take care of plantations on public/community/panchayat land, the Gram Panchayats are required to engage local unemployed youth from BPL families as "Van Rakshaks" on honorarium basis which is to be paid out of administrative costs. However, it has been ascertained in course of audit that no Van-Rakshak was engaged in any of the 11 projects implemented during 2002-06.

Thus, there were numerous deficiencies in implementation of IWDP-Hariyali in the State. As a result, the village communities could not be mobilised to undertake self sustaining regeneration of wastelands depriving them of future economic growth.

3.3.33 Training

Under SGRY the DRDAs were authorised to utilise up to Rupees one lakh of funds for training/capacity building of officials/non-officials of Panchayati Raj Institutions (PRIs) involved in implementation of SGRY. However, during 2001-06, though there were no fund constraints none of the DRDAs reviewed had utilised any funds towards organisation of such trainings for the people involved in implementation of the programme. Similarly, the officers dealing with IAY at State, district and block level were required to be trained in various disaster resistant features to be adopted in the houses. They had to ensure that construction of IAY units follow prescribed norms regarding incorporation of disaster resistant features during their field visits. But none of the test checked DRDAs organized any such training during 2001-06, except training of one officer during 2005-06. Lack of training inhibits capacity building and displays lack of sensitivity towards overall implementation of poverty alleviation programmes in the State.

3.3.34 Internal control Mechanism

The DRDAs and the State Level Monitoring Cell have no separate Internal Audit Wings. Internal Audit of the accounts was carried out by the Directorate of Local Fund Audit. Lack of internal audit and adequate internal controls resulted in under utilisation, diversion and unauthorised expenditure of scheme funds and frequent violation of programme guidelines. Lack of corrective action led to repetition of similar incidents.

3.3.35 Information Technology

The DRDAs and State Level Monitoring Cell have not adopted any Information Technology System for monitoring and reporting their physical and financial progress. Since data retrieval and utilisation in a non-IT environment is a difficult and time consuming process, this had a negative impact on overall policy formulation and execution of the programmes and led to delays in decision making.

3.3.36 Monitoring and evaluation

Under Central guidelines for SGRY (para 7.2.2) and IAY (para 6.1), the DRDAs are required to obtain monthly and annual financial and physical progress reports from their peripheral ZPs, Block Development Officers and Village Panchayats and submit consolidated report of the same to the State and Central Governments. Audit scrutiny revealed that DRDAs have not adopted any such system for obtaining reports from the peripheral ZPs, blocks and panchayat level implementing agencies of the programme. The progress reports were however submitted to the State and Central Governments by the DRDAs on the basis of advance payments and payments made on completion of some works without further verifying actual utilization/disbursement of funds. The State Level Nodal Officer did not prescribe any Schedule of Inspection, as provided in the guidelines, for the State, District and Block level functionaries for their monthly field visits to monitor implementation of the programme. Besides, State Level Vigilance and Monitoring Committee for Rural Development Programmes were constituted only in June 2005 although some of the programmes were implemented since 1995.

The programmes were not evaluated by any authority during the period under review. As a result, the impact of various schemes on the rural poor could not be ascertained.

3.3.37 Conclusion

The DRDAs resorted to various economic activities for creating community assets for sustained employment without proper planning and identification of IAY beneficiaries, ignoring the grass roots level Panchayati Raj Institutions/Village authorities. Under-utilisation of SGRY and IAY funds indicates inefficient financial management resulting in deprivation of the much needed benefits. Due to failure in submission of utilisation certificates, the State Government could not obtain a huge amount of Central aid under IWDP scheme. There was a large gap between effort required and actual performance in terms of employment generation under SGRY scheme. Shortfall in achievement of construction of new dwelling units under IAY scheme shows that the scheme could not be implemented in an efficient and effective manner. Against the works completed with cash component, unauthorised issue of additional foodgrains (rice) to the work agencies without ascertaining their actual distribution to the wage earners raises doubt about the genuineness of the issue of rice supplied free by the Centre. Release of funds to village chiefs in hill areas without specific approved work-programmes could not ensure the creation of community assets for sustained employment. Social audit and vigilance at grass root level was not ensured by adopting procedures for obtaining reports from the Monitoring committees before making final payment for the works under the programme. Besides, the State Government also could not ensure proper monitoring of implementation of the programmes by prescribing a Schedule of Inspection for various State, District and Block level functionaries and ensuring its strict compliance by them.

3.3.38 Recommendations

- The DRDAs should ensure preparation of Annual Action Plans and identify the beneficiaries at grass root level by involving Panchayati Raj Institutions/Village Authorities.
- The DRDAs should ensure proper identification of beneficiaries and timely and correct utilisation of sanctioned funds so that the rural poor get the much needed timely benefits of the schemes.
- The State Government should ensure that release of State share under IWDP scheme is not delayed and ensure timely submission of utilisation certificates for availing full Central assistance for development of watersheds and wasteland.
- The DRDAs should ensure the issue of foodgrains as part of wages during execution of works to ensure food security for the rural poor.
- The DRDAs should ensure execution of works departmentally without involvement of middlemen and involve local communities.
- Proper monitoring of the programme by the State, district and block level functionaries is necessary to ensure that grants are gainfully utilised. Results should be publicised while giving publicity to the schemes.
- Department should display information of their projects as required under Right to Information Act.

SOCIAL WELFARE DEPARTMENT

3.4 CHILDREN WELFARE SCHEMES

Women and children constitute a significant portion of the population of the country and their development and empowerment sets the pace of growth of the country's development. Although various welfare schemes were implemented in the State for the benefit of the children in aspects like nutrition, health, education etc. these could not produce the desired level of benefits because of various shortcomings in their implementation. Beneficiaries were not properly identified; ready-to-eat meals provided to the under-nourished children did not have the minimum calorie and protein content. Funds were diverted and construction of Anganwadi Centres and Bal Bhavans suffered.

Highlights

Inefficient financial management resulted in short release of funds to the extent of Rs.6.16 crore under Integrated Child Development Services scheme during the period 2001-06 adversely affecting its implementation.

(Paragraph 3.4.7)

Because of non-provision of essential medical and pre-school facilities to the beneficiaries, the objectives of providing essential medical and pre-school facilities under ICDS scheme were frustrated.

(Paragraphs 3.4.9 & 3.4.10)

Irregular identification of beneficiaries for Supplementary Nutrition Programme under Pradhan Mantri Gram Udyog Yojana led to diversion of funds amounting to Rs.10.31 crore.

(Paragraph 3.4.15)

Programme objective of removing malnutrition in children of the age group of six months to three years under Supplementary Nutrition Programme was defeated as meals with less calorific and protein value were provided to beneficiaries and that too for only 98 days in a year against the norm of 300 days per year.

(Paragraphs 3.4.17 & 3.4.18)

Inefficient and faulty contract management resulted in sub-standard construction works in 655 Anganwadi centre buildings and extension of an undue benefit of Rs.73.64 lakh to the contractors.

(Paragraph 3.4.23(A))

3.4.1 Introduction

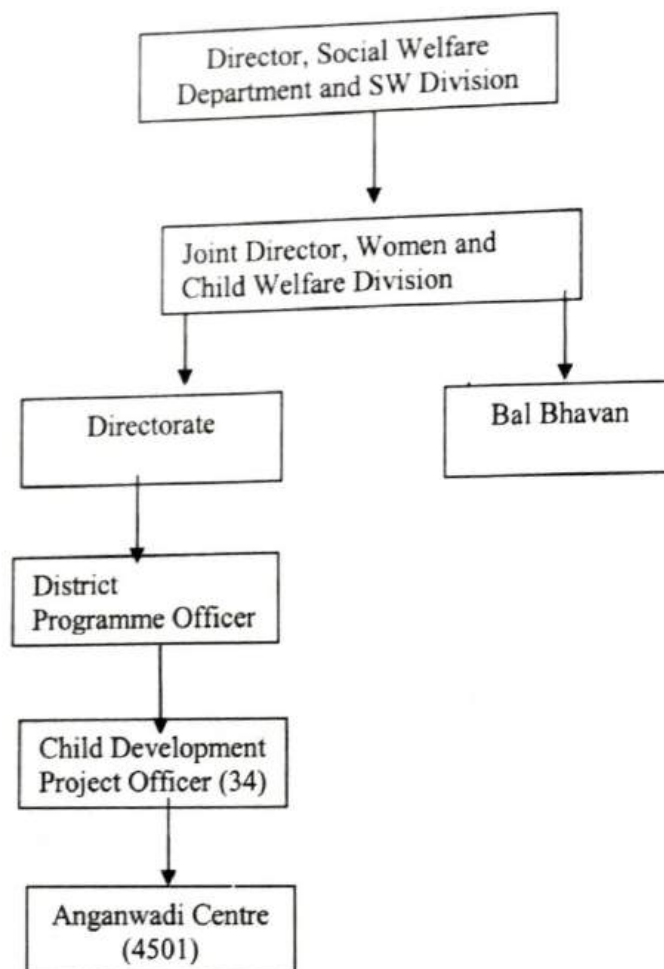
The goals of human development are deeply intertwined with the development and empowerment of women and children, as they together constitute significant proportion of the total population of the country. As per the 2001 Census, women as an independent group accounted for 48.3 *per cent*, whereas children (0-14 years) formed about 34 *per cent* of the total population. These sections not only constitute precious human resources of the country but their socio economic development sets the pace for the growth of the rest of the economy. Article 45 of the Constitution has been recently amended to enjoin upon the State "The State shall endeavour to provide early childhood care and education for all children until they complete the age of six years". Various initiatives, policies, programmes, schemes and enabling measures have been evolved for the benefit of children and in particular girl child covering a wide range of areas including nutrition, health, education, gender equality, social and economic rehabilitation.

The Department of Social Welfare is responsible for implementing various welfare schemes for children, adolescent girls and women. The Department has been implementing the following schemes for development and welfare of children—Integrated Child Development Services (ICDS), Supplementary Nutrition Programme (SNP) under Pradhan Mantri Gramodaya Yojana (PMGY), Construction of Anganwadi Centres (AWCs), Kishori Shakti Yojana, Nutrition Programme for Adolescent Girls, Balika Samridhi Yojana, Bal Bhavan and Financial Assistance to Destitute/Dependant School Going Children.

3.4.2 Organisational set up

The Commissioner, Social Welfare is the Administrative Head of the Department. The Joint Director (Women and Child Development) is overall in charge of implementation of the schemes under the Women and Child Development Division of the Department. He is assisted by a State Programme Officer and six District Programme Officers (DPOs), and ICDS Cell. At the grass root level, 34 Child Development Project Officers (CDPOs) are implementing the schemes through 4,501 AWCs. Details of ICDS Projects and AWCs are given in *Appendix 3.18*.

The organisational set up of the Social Welfare Department (SWD) is given below:



3.4.3 Scope of audit

Performance audit of various children welfare schemes implemented by the SWD covering the period 2001-06 was carried out during June - July 2006. For this purpose, records were test checked in the offices of Director, District Programme Officers of Imphal, Thoubal and Churachandpur and offices of CDPOs under the relevant DPOs to assess whether these schemes were implemented with due regard to economy, efficiency and effectiveness.

3.4.4 Audit objectives

The audit objectives were to assess whether:

- the planning for implementation of the schemes was effective,
- the beneficiaries were completely and correctly identified in a fair and transparent manner,
- the financial management of the schemes was efficient and schemes were implemented economically and effectively,
- the contract management was transparent and efficient,
- the monitoring and evaluation system of the schemes was effective, and

- the objectives of the schemes were actually achieved.

3.4.5 Audit criteria

The audit criteria used for assessing the performance of the Department in implementing various schemes were:

- Performance parameters in terms of targets, norms and other benchmarks in the guidelines of the schemes,
- Provision of infrastructure facilities, and
- Prescribed monitoring mechanism.

3.4.6 Audit methodology

Audit methodology employed in conducting the performance review was as follows:

- Briefing the auditee management of the objectives of the review and seeking their cooperation in conducting the study through an entry conference (27 April 2006).
- Collecting data and documentary evidence by scrutiny of departmental records.
- Issuing questionnaires, holding meetings and discussions with the auditee management to seek information, clarifications and response to audit observations.
- Analysis of data and documentary evidence to arrive at audit findings, conclusions and recommendations.
- Communicating audit findings to the auditee management through review report and a presentation on the findings in the exit conference (14 November 2006).

Audit Findings

A. INTEGRATED CHILD DEVELOPMENT SERVICES

ICDS was launched in 1975 with a package of basic services – health check ups, immunisation, referral services, supplementary feeding, free school education, health and nutrition education for children up to six years and expectant and nursing mothers through a single window delivery system.

Financial management

3.4.7 Inefficient Financial management

Short release and under utilisation of funds: The GOI provides grants-in-aid to the State Government for meeting the administrative and programme costs of ICDS. The State Government provides the cost of supplementary feeding components.

Audit examination revealed mismanagement including short release of funds. Year wise position of funds availability for implementation of ICDS is depicted below:

Table 1

(Rupees in crore)

Year	Funds released by		Short release of funds by State Government	Percentage of short release of funds	Expenditure incurred
	Government of India	State Government			
2001-02	10.61	10.61	-	-	11.00
2002-03	15.38	15.38	-	-	13.81
2003-04	15.70	13.80	1.90	12	13.35
2004-05	14.66	12.83	1.83	12	12.92
2005-06	18.44	16.01	2.43	13	16.12
Total:	74.79	68.63	6.16	8	67.20

Source: Departmental records

Availability of funds was not a constraint to the programme. Despite Central Government releasing its full share and State Government not releasing its full share the Department was unable to fully utilise the available funds. This adversely affected the overall implementation of the scheme and prevented people of the State getting the full benefits.

The Department attributed the shortfall of expenditure during 2002-03 to late receipt of sanctions.

Planning

3.4.8 Faulty planning and inadequate coverage of beneficiaries

The Department did not carry out a proper survey to identify the beneficiaries. Though the Project Offices submitted information relating to requirement of funds, the Department failed to consolidate and work out the actual requirements at Anganwadi level accurately. Annual Plan after conducting survey to identify and select the beneficiaries for achieving the scheme objective was not prepared. As a result of the ineffective and faulty planning, all the components of the schemes, such as maintenance of growth charts, referral services for stunted growth, could not be implemented. Besides, the project officers could not also procure weighing scales required for checking the weight of the beneficiaries of the scheme.

The annual departmental targets, achievements and shortfall thereof in respect of identification of beneficiaries of ICDS are depicted in the following table:

Table 2

Year	Target	Achievement	Shortfall	Percentage of shortfall
2001-02	3,51,138	3,31,074	20,064	6
2002-03	3,75,593	3,36,391	39,202	10
2003-04	3,78,595	3,36,987	41,608	11
2004-05	3,88,417	3,43,929	44,488	11
2005-06	3,63,277	3,24,345	38,932	11
Total	18,57,020	16,72,726	1,84,294	

Source: Departmental records

From the above, it is evident that the shortfall ranged from 6 to 11 *per cent* during the period 2001-06. The persistent shortfall indicated lack of effort in bringing all eligible beneficiaries under the ICDS scheme.

Achievement of the objectives of the scheme

Records of the Directorate and ICDS Projects revealed that the ICDS could not be implemented in an efficient, effective and economic manner during the period from 2001-02 to 2005-06. Performance of various services rendered under ICDS were found deficient. As a result, the objectives of ICDS were not achieved. Specific instances of shortcomings and their impact on performance of the Scheme are brought out in the succeeding paragraphs.

3.4.9 Inadequate Medical Facilities and Health Services

Regular health check-up and referral services are important components of the scheme. The GOI provides funds for procurement of medicine-kits consisting of easy to use and dispensable medicines to remedy common ailments like cough and cold, skin infections *etc.* for each AWC. Timely procurement of medicine kits for use at the AWCs is essential. For this, an amount of Rs. 600 per year is allocated to each AWC from the funds allotted to States for general ICDS schemes from time to time. The kits are to be procured regularly in each year and within a reasonable period of six months after the beginning of financial year. Test-check of records however revealed that the medicine kits were not procured and supplied to the AWCs during 2003-06. As the required kits were not procured, the essential medical services could not be rendered during that period and funds worth Rs. 81.02 lakh¹⁸ were diverted for other purposes.

3.4.10 Non-utilisation of funds earmarked for pre-school education

Pre-school education is a crucial component of the package of services under ICDS. It aims at psycho-social, and cognitive development of children in a cogent and holistic manner. It also aims at developing school readiness and positive attitude towards education in children. The national goal to achieve universal primary education can be reached only through strengthening of pre-school education in AWCs. The GOI decided to supply pre-school kits to AWCs in a regular manner since 2000-01 to improve the quality of non-formal and play-way method of education. The State Governments are entrusted with the task of procurement and supply of these kits to AWCs for which they are being provided with Central funds each year at the rate of Rs. 500 per AWC.

Audit examination revealed that during the years 2001-02, 2004-05 and 2005-06, a sum of Rs.67.56 lakh provided by the GOI for procurement of pre-school kits was not utilised, depriving the children of the benefits of play-way method of education during the said years.

¹⁸ 4501 AWCs x Rs.600 x 3 years = Rs.81.02 lakh.

3.4.11 Diversion of funds earmarked for information, education and communication, and community mobilisation (IEC)

Substantial funds under ICDS have been earmarked for creating awareness and to build-up the image of ICDS programme, and also for community participation in the implementation of the Scheme. Towards this, funds amounting to Rs.25,000 per ICDS project are being provided annually by the GOI to the State Government to continue activities such as nutrition and health education, sessions with Mahila-Mandal, house to house visits, group meetings, puppet shows, song Yatra, etc. Audit scrutiny revealed that though Rs 8.50 lakh per year were released from 2001-02 to 2004-05 to the Department for IEC activities in the 34 ICDS projects, IEC activities such as village level camps, distribution of books, flash-cards, slides, posters, handbills and publicity of scheme through folk-theatre etc. were not undertaken at the grass root level (Block and AWCs). The State Government did not release funds to the implementing agencies during the year 2005-06. Thus, ICDS was not given the required level of publicity in the State. Consequently adequate image and importance of ICDS programmes could not be built up.

3.4.12 Non-maintenance of health and growth related statistics in AWCs

As per guidelines, regular recording of weight and other growth indicators of the ICDS beneficiaries is a must. Regular growth monitoring is a tool for preventing malnutrition and for early detection of faltering growth. It can provide clues for the causes of growth faltering and therefore help in timely intervention. Special attempts have to be made to take the birth-weight of new born babies and those found weighing between 1.5 kg to 2 kg should be referred to the nearest health centre for medical attendance. For this, each AWC is to be equipped with weighing scales and growth charts. Audit scrutiny however revealed that weighing scales and growth charts were not procured and provided in all the 11 test-checked Centres. In their absence, weight measurement records and growth charts for ICDS beneficiaries were not maintained and referral services in cases of stunted growth were neglected. The possibility of the AWCs not monitoring this activity at all cannot be ruled out.

3.4.13 Poor reach of ICDS

As per Annual Administrative Report of the Union Ministry of the Women and Child Welfare, in hilly or desert areas where villages are small, AWCs may be set up in a village having a population of 300 or more. In Manipur, hill villages are sparsely populated and some villages are 2-3 kms away from the nearest AWC. As a result, not all children of the hill villages could be covered by the existing AWCs. As per the status report of 2004-05, a total of 328 AWCs were required to be opened in the State to cover the left out villages. Audit scrutiny however revealed that only 34 out of 38 Community/Tribal Development Blocks in the State were under ICDS network as on 31 March 2006. Four blocks viz. Tuibong, Saikot, Sangaikot and Lamka have not been covered till date. Poor tribal children in these blocks were deprived of benefits under ICDS.

B. SUPPLEMENTARY NUTRITION PROGRAMME (SNP) UNDER PMGY

SNP under PMGY aims at removing malnutrition among children below three years of age through additional Central assistance. It targets children in the age group of six months to three years. It is implemented through the ICDS.

Financial management

3.4.14 Short/late release of earmarked funds

Funds under SNP are allocated by the Central Government to the State Government which in turn releases them to the Department. Year-wise release and shortfall are depicted in the following table:

Table 3

(Rupees in lakh)

Year	Funds released by		Short release of funds by State Government	Percentage of short release by State Government	Expenditure incurred
	Government of India	State Government			
2001-02	408.00	364.00	44.00	11	364.00
2002-03	900.00	276.00	624.00	69	150.00
2003-04	900.00	234.00	666.00	74	234.00
2004-05	900.00	894.00	6.00	1	894.00
2005-06	664.58	464.98	199.60	30	464.98
Total	3772.58	2232.98	1539.60	41	2106.98

Source: Departmental records

The table above indicates that availability of funds was not a constraint. However, scrutiny of records revealed that the release of funds for SNP under PMGY by the State Government was not satisfactory. Out of Rs.37.73 crore received from the Centre under SNP during 2001-06, the State Government did not release Rs.15.40 crore as of March 2006 which constitutes 41 per cent of the funds received from the Central Government. There was shortfall of 69 per cent in 2002-03 and 74 per cent in 2003-04. It was also seen from the records that during 2002-03, a sum of Rs.1.26 crore could not be utilised as the Government released the funds at the fag end of the financial year. Similarly, during 2004-05 the State Government released Rs.4.44 crore on the last day of the financial year. The Department exhibited the amount as spent and kept the same in 8449-Other Deposits i.e. for purposes other than the programme.

The short and delayed release of earmarked funds has severely affected the implementation of SNP in the State depriving children in the age group of six month to three years of the much needed nutrition thereby increasing the risk of malnourishment and stunted growth in this highly vulnerable group.

3.4.15 Diversion of funds

While the funds released by the Central Government for SNP under PMGY were meant only for children of the age group of six months to three years, the

Department had utilised the Central funds on pregnant women and lactating mothers as well.

The number of ineligible beneficiaries (children above three years, pregnant women and lactating mothers) and irregular expenditure incurred on them are depicted below:

Table 4

Year	Total No. of beneficiaries	No. of eligible and enrolled children (6 months to 3 years)	No. of ineligible beneficiaries	Expenditure on ineligible group (Rupees in crore)
2001-02	2,30,637	1,41,292	89,345	0.89 (100 days @ Re. 1)
2002-03	2,32,052	1,48,778	83,274	0.47 (45 days @ Rs. 1.25)
2003-04	2,44,679	1,43,758	1,00,921	0.86 (68 days @ Rs. 1.25)
2004-05	2,59,329	1,42,115	1,17,214	3.37 (125 days @ Rs. 2.30)
2005-06	2,74,962	1,38,057	1,36,905	4.72 (150 days @ Rs. 2.30)
Total	12,41,659	7,14,000	5,27,659	10.31

Source: Departmental records

The Department could not explain the circumstances under which ineligible beneficiaries were included under the programme leading to diversion of Rs.10.31 crore from the funds meant for children from six months to three years of age group.

It was further observed that Rs.3.01 crore was spent on Bal Bhog (ready to eat food), out of the expenditure of Rs.10.31 crore, and was provided to pregnant women and lactating mothers. The Bal Bhog was meant for children below 3 years and thus cannot be treated as fruitful supplementary food for pregnant women and mothers. As such the expenditure has been unfruitful.

Identification of beneficiaries

3.4.16 Non-coverage of eligible beneficiaries

The nutrition component of PMGY has been specifically outlined with the objective of eradicating malnutrition amongst children of age under three years by providing increased nutritional coverage through supplementary feeding of these children through ICDS network. Malnutrition in less than three years age group has long term effects leading to stunted adults with low cognitive development, increased risk of morbidity and mortality and also reduced work output. The allocation under PMGY is an additional support and targeted to bridge to a large extent the gap of under provisioning of funds in existing schemes for supplementary feeding exclusively for the 0-3 year age group.

The coverage of under-nourished children under SNP is given below:

Table 5

Year	Total No. of under-nourished children under 3 year age group	Covered	Shortfall	Percentage of shortfall
2001-02	1,50,387	1,41,292	9,095	6
2002-03	1,66,775	1,48,778	17,997	11
2003-04	1,60,283	1,43,758	16,525	10
2004-05	1,56,436	1,42,115	14,321	9
2005-06	1,58,226	1,38,057	20,169	13
Total	7,92,107	7,14,000	78,107	

Source: Departmental records

As can be seen, there was a shortfall ranging from six to 13 *per cent* in average of under nourished children. The Department could not explain the reasons for such non-coverage of the child population in the age group below three years.

Implementation

3.4.17 Meals to needy children not provided regularly

As per the programme guidelines, the malnourished children were to be fed at least for 300 days in a year. Audit examination, however, disclosed that the Department fed all ICDS beneficiaries including the children under SNP (PMGY) only for 45 to 150 days in a year as brought out in the table below:

Table 6

Year	No. of beneficiaries under SNP (PMGY)	Actual no. of days on which meals were provided to the children
2001-02	1,41,292	100
2002-03	1,48,778	45
2003-04	1,43,758	68
2004-05	1,42,115	125
2005-06	1,38,057	150

Source: Departmental records

On an average, the beneficiaries were provided meals only for 98 days in a year as against the norm of 300 days. Thus achievement of the programme was less than 33 *per cent*. This is a serious failure which defeats the very purpose of removing malnutrition by providing nutritious food to the malnourished children.

It was also seen from the records that the Project Offices and AWCs started receiving the food articles only from March 2006. Thus, the claim of the Department of feeding the beneficiaries for 150 days in 2005-06 from the funds released for the year concerned cannot be relied upon.

3.4.18 Meals containing less calories and proteins provided to the children

The calorie-protein gap in the children covered under SNP is sought to be covered by providing daily nutritional supplements as indicated below:

Beneficiaries	Calories	Protein (grams)
Children below three years	300	8-10
Severely malnourished children	600	16-20

Against the prescribed norm, however, the nutritional value of the ready-to-eat (RTE) food provided to the children in the State during the three years 2002-03, 2004-05 and 2005-06 was much lower as worked out in the table below:

Table 7

Year	Daily RTE supplement (in grams)	Total calorie actually provided	Total protein actually provided
2002-03	20	78	2.70
2004-05	35	136.3	4.72
2005-06	35	136.3	4.72

Source: Departmental records & laboratory test report

Note: The above calculations were made on the basis of the results of laboratory tests conducted on the RTE food provided in the State. The test revealed that 100 grams of ready to eat (RTE) provided in Manipur contained 389.40 cal and 13.49 grams of protein.

Thus, there was a wide gap between the prescribed norms and the nutrition actually provided to the beneficiaries, defeating the very purpose of this intervention. The RTE worth Rs.13.71 crore was procured and distributed by the Department but did not meet the minimum nutrition requirements of the malnourished children covered under the scheme. The beneficiaries were therefore not provided RTE in prescribed quantities per day to address calorie/protein gap.

The State had 40,604 severely malnourished children below 3 years needing supplementary feeding at the beginning of 2001-02. As per the Programme guidelines, severely malnourished children should get double the quantity of food than normal-malnourished children. It was seen in Audit that the Department did not follow the scheme guidelines in providing additional food to the severely malnourished children, who were provided food at par with other children. Thus, the purpose of eradicating malnutrition in children under 3 years has been severely compromised.

3.4.19 Irregularities in procurement

The Deputy Director (SNP) stated that the purchases of RTE were made on two occasions in 2005-06. 609.44 tonnes of RTE valued at Rs. 4.44 crore were purchased in December 2005 from the funds of previous year (2004-05) which were kept in "8449-Other Deposits". Another 654.22 tonnes of RTE valued at Rs. 4.65 crore was purchased from the funds released in 2005-06.

Test-check of delivery challans revealed that nine delivery challans involving RTE worth Rs.82.29 lakh were not duly supported by seal and signature of the Sales tax check gates between Guwahati and Imphal (supplying firm being Guwahati based). In two challans, Manipur check-gate clearance was on 25 February 2006 but food articles worth Rs.18.93 lakh were shown to have been received on 24 February 2006 in the Central Godown of the Department at Imphal.

C. CONSTRUCTION OF ANGANWADI CENTRES

Construction of AWCs is a 100 *per cent* Centrally Sponsored Scheme for providing permanent buildings at grass root level for improving and ensuring smooth functioning of ICDS.

Financial management

3.4.20 Delayed release of funds

Audit scrutiny of departmental records revealed that the State Government delayed release of funds to the Department for construction of new AWCs. Position of funds released and expenditure incurred are detailed in the table below:

Table 8

(Rupees in crore)

Phase and instalments	Funds released by Government of India	Month of release	Funds released by State Government	Month of release	Expenditure
1st Phase					
1 st instalment	4.13	3/2002	4.13	2/2003	4.13
2 nd instalment	4.12	3/2003	4.12	5/2004	4.12
2nd Phase					
1 st instalment	4.09	3/2003	4.09	1/2005 to 9/2005	4.09
2 nd instalment	4.09	2/2005	4.09	3/2006	—
Total:	16.43		16.43		

Source: Departmental records

Although the full amount of Rs.16.43 crore received from the Central Government during the last five years was released to the Department by the State Government as shown in the table, there were significant delays ranging from 11 to 30 months in the release of funds to the implementing officers as discussed below:

The Central grants are released in a phased manner. While releasing the first installment *i.e.* 50 *per cent* of the total amount of both the first and second phase of construction, the Central Government *inter alia* mentioned that the balance 50 *per cent* would be released in the next financial year taking into account the pace of construction and utilisation of funds.

The first installment for the first phase amounting to Rs.4.13 crore was released by the GOI on 30 March 2002; but the State Government delayed the release and the funds reached the District Programme Officers who were the implementing officers only in February 2003 after a gap of 11 months. Similarly, first instalment of the second phase amounting to Rs.4.09 crore was released by GOI on 31 March 2003; but it was released to the Districts between January to September 2005— with a delay ranging from 22 to 30 months.

The second instalments of the first and the second phases were released by the GOI in March 2003 and February 2005 respectively after receiving utilisation certificates from the State Government. Audit examination revealed that the

State Government, in order to get the 50 per cent balance amount of the second instalment, submitted utilisation certificates for the first instalment of Rs.4.09 crore to the GOI even before the release of the full amount to the implementing officers (DPOs). The second instalment of Rs.4.09 crore was released by the GOI in February 2005. It could be drawn by the Director only on 31 March 2006 and remained undisbursed.

Construction of Anganwadi Centres

3.4.21 Lack of perspective and annual plans

The Department did not prepare either a perspective plan or draw up annual plans for construction of AWCs. It took up the construction works according to availability of funds. The district-wise allocation and numbers of AWCs to be constructed were decided subsequently. Thus, the Department proceeded without a clear picture of what it would be doing.

3.4.22 Large number of Anganwadi Centres not constructed

The GOI had been providing grants-in-aid for construction of own buildings of permanent nature and improving the delivery of services at grass root level under ICDS Scheme since 2001-02.

Although the Department claimed that the construction of all the buildings of first and second phases had been completed, test-check of records of three District Programme Officers revealed that 181 buildings were incomplete as of March 2006 out of 901 buildings taken up for construction as shown below:

Table 9

First phase (Position as on 31 March 2006)

District Programme Officer	No. of Anganwadi Centres sanctioned	No. of Anganwadi Centres actually completed	No. remaining incomplete
Imphal	202	201	01
Thoubal/Chandel	191	133	58
Churachandpur	62	62	Nil
Total	455	396	59

Second phase (Position as on 31 March 2006)

Imphal	213	177	36
Thoubal/Chandel	171	85	86
Churachandpur	62	62	Nil
Total	446	324	122

Source: Departmental records

Since AWCs form an important link in the ICDS and other schemes, their non-completion will result in depriving a large portion of beneficiaries of the benefits of various child welfare schemes.

Of the 181 incomplete centres, 144 were in Thoubal and Chandel districts under the DPO, Thoubal/Chandel. This indicates highly inefficient functioning of the executing agencies in these districts. The Department stated (November 2006) that the completion was delayed as there were delays in releasing funds to the DRDAs. Further it stated that the release of funds were delayed because

of delays in identification of the AWCs and completion of land acquisition formalities.

3.4.23 Sub-standard work and undue benefit to the contractors

(A) AWCs were constructed through contractors on the basis of a technically sanctioned estimate of Rs. 1.25 lakh per Anganwadi centre. Audit examination disclosed that the work of construction of 655 buildings in the second phase was awarded to contractors at a flat rate of Rs. 1.25 lakh per centre as per instructions of the State Government without inviting tenders. The specifications provided that the roofing should be of the thickness of 24 BG¹⁹ (63 mm) CGI²⁰ sheet. The cost thereof worked out to Rs.26,052 per building. In actual execution, however, the contractors put 28 BG (40 mm) CGI sheet costing Rs.14,810 per building. Although the roofing was sub-standard, the Department released the full amount of Rs.1.25 lakh per building thereby extending undue benefit of Rs.73.64 lakh²¹ to the contractors. As a result the objective of having own buildings of permanent and durable nature was compromised by accepting poor construction.

(B) As per the scheme guidelines, the size of the room of AWCs should not be less than 5 X 5 metre. There should be one store room of 9 sq.m. area and a child-friendly toilet. Test-check of records of District Programme Officers, Thoubal, revealed that 28 AWCs were constructed with less plinth area and without child-friendly toilets. The joint inspection team of the District instructed the contractors to compensate the shortage of size of the relevant 28 AWCs by constructing a roofed balcony with concrete flooring. As a result, an amount of Rs.10.26 lakh (*Appendix 3.19*) was spent on construction of balcony, ignoring the scheme guidelines and specifications. Moreover, the purpose of providing child-friendly toilet for smooth functioning of children welfare schemes was also not served.

D. KISHORI SHAKTI YOJANA

Kishori Shakti Yojana (KSY) was introduced in the year 2000-01 with a view to improve nutritional and health status, promoting self development, awareness of health, hygiene, family welfare and management of adolescent girls in the age group of 11 to 18 years by providing nutritious food and imparting training in vocational and other aspects.

Financial management

3.4.24 Short release of funds

Year-wise position of funds allocated by the Centre, their release and utilisation by the Social Welfare Department are depicted in the following table.

¹⁹ Birmingham Gauge.

²⁰ Corrugated Galvanised Iron

²¹ Rs. (26,052 - 14,810) X 655 buildings = Rs.73.64 lakh.

Table 10

Year	Funds released by Government of India	Funds released by State Government	Short release of funds	Percentage of short release of funds	(Rupees in lakh)
					Expenditure incurred
2001-02	14.30	14.30	-	-	14.30
2002-03	14.30	14.30	-	-	8.80
2003-04	14.30	14.30	-	-	-
2004-05	14.30	14.30	-	-	14.30
2005-06	7.70	-	7.70	100	-
Total:	64.9	57.2	7.7	11.86	37.4

Source: Departmental records

During 2005-06, the State Government failed to release and spend the funds allocated by the Centre for welfare of the beneficiaries. The Centre allocated funds totalling Rs.64.90 lakh during the period 2001-06. Availability of funds was not a constraint to the programme. The Department could utilise only Rs.37.40 lakh (58 per cent) leaving an unspent balance of Rs.27.50 lakh due to inefficient financial management and poor planning.

It was also seen that in the financial years 2002-03 and 2003-04, amounts of Rs.5.50 lakh and Rs.14.30 lakh respectively could not be drawn and spent due to late receipt of sanctions/Letters of Credit.

3.4.25 Under-utilisation of funds

As per guidelines of the scheme, an amount of Rs.1.10 lakh per ICDS project is to be earmarked and spent for implementation of KSY. In Manipur, under KSY scheme only vocational training was imparted. For this purpose Rs.68,500 out of Rs.1.10 lakh was allotted. The balance amount of Rs.41,500 per ICDS project was required to be spent on other purposes such as nutrition, non-formal education, awareness programme on hygiene, family welfare and home management, etc. Audit scrutiny of departmental records failed to reveal any evidence that the Department had undertaken any of the above activities during the review period. However, the Departmental records showed the whole amount of Rs.1.10 lakh per project i.e. Rs.14.30 lakh in 13 projects as spent in the years 2001-02 and 2004-05. Thus, a sum of Rs.10.79 lakh²² was not utilised for which it was provided. The Department failed to provide adequate training, non-formal education, programmes on hygiene, family welfare, home management and nutritional supplements to adolescent girls in the State which was critical for the success of the programme.

Planning and implementation

3.4.26 Lack of planning

The Department stated that they did not prepare any Annual Action Plan or conduct any survey for identification and enrolment of beneficiaries. This indicated the casual approach and lack of interest of the Department in deriving the benefits of the programme by the beneficiaries.

²² Rs.41,500 x 13 projects x 2 years = Rs.10.79 lakh.

3.4.27 Poor coverage

The scheme was implemented in only 13 out of 34 ICDS projects in the State. But in 2005-06, the scheme could not be implemented in any of the ICDS projects. The targets and achievements for imparting vocational training in the 13 ICDS projects are given below:

Table 11

Year	Target	Achievement	Shortfall	Percentage of shortfall
2001-02	3,900	390	3,510	90
2002-03	2,900	240	2,660	92
2003-04	4,490	390	4,100	91
2004-05	2,825	390	2,435	86
2005-06	Nil	Nil	Nil	Nil
Total:	14,115	1,410	12,705	

Source: Departmental records

Even in the 13 ICDS Projects, shortfall in achievement ranged from 86 *per cent* to 92 *per cent* during 2001-05. The high percentage of shortfall indicates that the vocational training aspect of the scheme failed to take off in the State.

The claim of the Department of providing training facilities to 390 girls in 2003-04 is doubtful since in that year, no expenditure had been incurred on the scheme. It was seen from the approved project proposal of Kishori Shakti Yojana of the year concerned that a sum of Rs.68,500 per ICDS project was required for providing vocational training for six months to 15 girls. Therefore, an amount of Rs.17.81 lakh would have been required for imparting training to 390 beneficiaries. It is therefore doubtful whether the training could be imparted without incurring expenditure on training material, stipend to trainees, honorarium to vocational instructors *etc.*

E. BALIKA SAMRIDHI YOJANA

Balika Samridhi Yojana was launched for upgradation of social status and financial security of the girl child. A financial assistance of Rs.500 is to be provided to a post delivery mother of a girl child and the amount is to be kept in an account in a bank or post office in the name of the girl child till she attains 18 years of age.

Financial management

3.4.28 Non-release of funds

The details of release of funds *vis-à-vis* expenditure incurred during the last five years are depicted below:

Table 12

(Rupees in lakh)

Year	Funds released by Government of India	Funds released by State Government	Short release of funds by State Government	Percentage of short release of funds	Expenditure incurred
2001-02	5.50	Nil	5.50	100	Nil
2002-03	Nil	Nil	Nil	Nil	Nil
2003-04	Nil	Nil	Nil	Nil	Nil
2004-05	11.00	11.00 + 5.50	Nil	Nil	16.50
2005-06	Nil	10.00	Nil	Nil	10
Total:	16.50	26.50	Nil		26.50

Source: Departmental records

The table discloses that regular annual funds were neither released by the GOI nor by the State Government for implementation of the scheme. In 2001-02, a meagre amount of Rs. 5.50 lakh was released by the Central Government. However it was not released to the Department by the State Government in that year. The State Government released the amount only in 2004-05, *i.e.* after a lapse of three years along with the funds for the year 2004-05. Non-availability of funds annually had a negative impact on the implementation of the programme as it failed to reach out to the beneficiaries.

Achievement of the objectives of the scheme

3.4.29 Insignificant progress

The Department did not set any targets for providing assistance to the beneficiaries under the scheme. Fund availability for implementation of the scheme determined the extent of achievements which were retrospectively adopted as targets. It may also be mentioned here that the State has birth rate of 18.2 per thousand population with sex ratio of 978 females per thousand males (978:1000). Despite high birth rate, the number of beneficiaries to whom financial assistance was extended under Balika Samridhi Yojana was insignificant.

Examination of record revealed that during 2004-05, assistance was provided to 3,500 mothers of girl child. Achievements were insignificant during other years with nil coverage in 2001-02, 2002-03 and 2003-04. During 2005-06, although the department claimed coverage of 2,000 beneficiaries, the financial assistance did not reach the beneficiaries till the end of March 2006 which was evident from the records of selected districts. Lack of identification of beneficiaries and poor coverage has deprived the girl child in the State of the assured financial security envisaged in the objectives of the scheme.

3.4.30 Guidelines flouted in providing financial assistance

During audit of records in the three selected districts,²³ it was noticed that the financial assistance provided to 1481 mothers of girl child was not kept in separate bank accounts for each individual girl child. District Officers instead kept the amounts together in one single account in Bank in violation of scheme guidelines. This is likely to create inconvenience at the time of drawal of amount by the beneficiaries on attaining 18 years of age. Audit query in this regard has evoked no response from the Department (December 2006).

F. NUTRITION PROGRAMME FOR ADOLESCENT GIRLS

Realising that nutritional intake of the adolescent girls is essential to prevent low birth weights and reduce maternal and infant mortality, the GOI launched Nutrition Programme for Adolescent Girls (NPAG) in 2002-03 in 51 districts over the country including Senapati district of Manipur. The scheme covers undernourished adolescent girls in the age group 11-19 years who are underweight (weight < 35 kg). Free foodgrains at the rate of 6 kg per beneficiary per month are provided to them. The programme has been operationalised through the administrative set up of ICDS.

Financial management

3.4.31 Short-release/delayed release of funds

The scheme was implemented in the State in Senapati district as a pilot project. The details of release of funds *vis-à-vis* expenditure incurred during the last three years are depicted below:

Table 13

(Rupees in lakh)

Year	Fund released by Government of India	Fund released by State Government	Short release of fund by State Government	Percentage of short release of fund	Expenditure incurred
2003-04	37.00	16.78	20.22	55	16.78
2004-05	Nil	Nil	Nil	Nil	Nil
2005-06	15.80	15.80	Nil	Nil	Nil
Total:	52.80	32.58	20.22		16.78

Source: Departmental records

Audit scrutiny disclosed that due to poor financial management, the implementation of the scheme was badly affected. The funds for 2002-03 were released by the GOI in 2003-04 (Rs.37 lakh). Further, the State Government released only an amount of Rs.16.78 lakh to the implementing Department in March 2004. The Director, Social Welfare handed over a cheque of Rs.12.98 lakh (dated 28 March 2005) for purchase of rice to the FCI at the end of March 2005. The FCI returned the cheque on 7 July 2005 due to expiry of validity period of the lifting of rice. During the financial year 2005-06, approved outlay for the scheme by the GOI was Rs.37 lakh, out of which Rs.15.80 lakh were released as first instalment to the State which could not be utilised due to late issue of sanction order (30 March 2006) by the State

²³ Imphal, Thoubal and Bishnupur

Government. Thus, due to delayed and short release of funds, the pilot project could not be effectively implemented in the State.

Achievement of the objectives of the scheme

3.4.32 Non-achievement of targets

Targets and achievements as disclosed from the departmental records are given below:

Table 14

Year	Target (Nos. of approved beneficiaries)	Achievement (Nos. of benefited beneficiaries)
2003-04	7,497	7,497
2004-05	Nil	Nil
2005-06	7,256	7,256
Total:	14,753	14,753

Source: Departmental records

Although the Department claimed *cent per cent* achievement in the year 2003-04 and 2005-06, test-check of records revealed that the District Programme Officer, (ICDS Cell), Senapati had only completed identification of beneficiaries and procured co-related items such as weighing machines, *etc* by 31 March 2006. The food component however could not be procured and provided to the intended beneficiaries for improving their nutritional status. Thus, the question of *cent per cent* achievement does not arise. Meanwhile, the objectives of the scheme were totally frustrated.

G. BAL BHAVAN

Manipur State Bal Bhavan, which came into existence in the year 1989, is an educational cum recreational centre. It provides facilities for children between the age group of 6 to 16 years to take up and excel in activities of their taste and choice. Children are enrolled in different disciplines such as creative writing, dance, painting, *etc.* offered by the Bhavan. The aim of the institution is to encourage the children to be self reliant, disciplined and to make them realise the importance of dignity of labour.

Financial management

3.4.33 Irregular/non-release of funds

The details of release of funds *vis-à-vis* expenditure incurred during the last five years are depicted below:

Table 15

Year	Funds released by State Government	(Rupees in lakh) Expenditure incurred
2001-02	—	—
2002-03	0.47	0.47
2003-04	0.78	—
2004-05	48.30	47.77
2005-06	25.00	24.89
Total:	74.55	73.13

Source: Departmental records

It is evident from the above table that there was no regular release of substantial funds for the implementation of the scheme. In 2001-02, no funds were released at all. During 2002-03 and 2003-04 meagre amounts of Rs.0.47 lakh and Rs 0.78 lakh respectively were provided. In 2004-05, the outlay jumped to Rs.48.30 lakh. As a result of irregular flow of funds the activities and programmes of Bal Bhavan had suffered.

Achievement of the objectives of the scheme

3.4.34 Lack of infrastructure and amenities

Bal Bhavan has produced maximum number of Bal Shree awardees in the country. During the period 2001-06, five children received Bal Shree awards for performing arts, creative arts *etc.* after coming out successful in competitions at the National level. Three awardees were sent abroad for attending International Children's Exchange Programmes. The enrolment of children in all the disciplines has displayed an increasing trend indicating increasing demand for Bal Bhavan. Discipline-wise details of enrollment during the last five years are given below:

Table 16

Discipline	Number of children				
	2001-02	2002-03	2003-04	2004-05	2005-06
Painting	600	800	650	550	955
Dance	300	327	275	315	402
Music (Vocal)	200	175	310	296	357
Instrumental	120	111	177	200	205
Science	357	295	327	395	421
Total:	1577	1708	1739	1756	2340

Source: Departmental records

To cope up with the demand, construction of the first floor of the Bal Bhavan was taken up in 2001. The works were awarded and executed through Manipur Police Housing Corporation, Tribal Development Corporation *etc.* without inviting tenders and ascertaining the lowest rate. Although the scheduled date of completion was August 2003, the pace of work was very slow and the works could not be completed till March 2006. Audit scrutiny revealed that its construction could not be completed as the Department has not released the balance amount of Rs.17.36 lakh to Manipur Police Housing Corporation. As a result of slow pace of construction, the Department could not create necessary infrastructure and amenities in the Bal Bhavan despite increase in enrollment.

Although a sum of Rs.48.30 lakh in 2004-05 and Rs.25 lakh in 2005-06 were provided by the State Government, improvement/extension works such as Children Park, Office Room, and different activities room *etc.* could not be completed and put to use by the Department till March 2006 due to late release of funds to the Government executing agencies.

As regards opening branches of Bal Bhavan in the District Headquarters, only two branches at Churachandpur and Senapati were opened leaving the other six districts uncovered. In reply to Audit query the Department stated that due

to funds constraint they could not open branches in the remaining district headquarters.

H. FINANCIAL ASSISTANCE TO DESTITUTE/DEPENDENT SCHOOL GOING CHILDREN

The scheme was launched with a view to stop children from leaving school prematurely.

Financial management

3.4.35 Irregular release of funds

Under the scheme financial assistance of Rs.60 per month per child was provided to the children during the period of last five years as per details given below:

Table 17

Year	Target (Number of approved beneficiaries)	Achievement (Number of benefited beneficiaries)
2001-02	293	293
2002-03	293	293
2003-04	416	416
2004-05	1994	1994
2005-06	2083	2083
Total:	5079	5079

Source: Departmental records

Details of release of funds *vis-à-vis* expenditure incurred under the scheme during the last five years are depicted below:

Table 18

Year	Funds released by State Government	(Rupees in lakh)
		Expenditure incurred
2001-02	0	0
2002-03	2.83	2.11
2003-04	3.00	3.00
2004-05	14.36	14.36
2005-06	15.00	15.00
Total:	35.19	34.47

Source: Departmental records

No funds were provided during the year 2001-02 by the State Government and accordingly, no expenditure could be incurred by the Department during the said year. As such, genuineness of the number of the beneficiaries (293) shown for the year 2001-02 appears doubtful. During 2002-03, the amount released by the Government could not be utilised in full by the implementing authority.

Identification of beneficiaries

3.4.36 Beneficiaries not identified in a transparent manner

No guidelines were prepared by the State Government and supplied to the district level officers for ascertaining and recording the actual number of such children in the State, number of drop-outs and those coming out successful in the school leaving examinations. Audit scrutiny revealed that no survey was conducted during the last five years by the Department to ascertain the population of destitute/ dependent school going children in the State. The number of beneficiaries was determined and the benefits extended to them according to availability of funds. The whole system is, therefore, *ad hoc* and as such possibilities of misuse of public funds cannot be ruled out.

3.4.37 Internal Control System

Examination of records in the offices of the CDPOs, revealed that there was no effective internal control mechanism in place in the district, project and grass root levels. Although there was a system of internal audit by the Director, Local Funds Audit, Manipur in respect of the accounts of Directorate, District and Project offices, internal audit was not being done regularly. Since substantial funding is provided for implementation of ICDS and other schemes, lack of effective internal controls leaves ample scope for corrupt practices and financial mismanagement.

3.4.38 Monitoring and evaluation

❖ Ineffective monitoring and evaluation system

Monitoring and evaluation are key management processes to assess and increase the economy, efficiency and effectiveness of the scheme. Feedback from these processes allows midway corrections in programme implementation when required. For proper monitoring and evaluation, the Central Government has prescribed printing and supply of various records, registers, monitoring formats, and sets of health and nutrition cards to AWCs. A sum of Rs.200 per AWC per annum was provided under ICDS scheme since 2000-01 to meet expenditure on these items. No inspection of the field units was conducted by the Director, District and Project Officers. Moreover, growth charts, health and nutrition cards, monitoring formats *etc.* had not been supplied to the field units to facilitate keeping of proper records against implementation of the scheme.

In reply to an audit query, three CDPOs in Imphal District stated that physical verification of stores and stock was frequently done. Test-check however revealed that no physical verification report was submitted to higher authorities. The rest of the CDPOs in the districts selected for review stated that the stores and stock were maintained by the AWCs and the reports submitted by the in-charge of AWCs were verified at the level of the CDPOs. Further, the information collected from the project offices revealed that no evaluation and impact assessment of the schemes had been done by any Government or Non-Governmental Organisation.

❖ ***Non computerisation and its impact on overall monitoring mechanism***

The policy of the Central Government had envisaged linking up of all implementation levels using computers and internet/e-mail. However, audit examination revealed that the district and project level offices were not computerised. Although the computers were installed in the Directorate, all the reports/returns including monthly and quarterly progress reports were still being prepared manually.

3.4.39 Conclusion

The child welfare schemes implemented by the Department suffer from serious financial mismanagement. Delay in release of Central funds, diversion of funds, short release of funds, all point towards lack of proper planning in implementing ICDS and other schemes. No serious attempts have been made to identify beneficiaries in a complete and correct manner. Diversion of funds, particularly SNP funds, has serious implications for the malnourished children in the age group of six months to three years. Quantity of RTE food distributed to the beneficiaries did not fulfil minimum calorie and protein requirements of the malnourished children covered under the scheme. Non-supply of pre-school and medicine kits deprived the children of their right to education and medical care services provided in ICDS, defeating the very purpose of this human development intervention. Specific programmes for uplifting the girl child could not be effectively implemented in the State due to poor coverage and paucity of funds. Construction of new AWCs was affected by deviation from scheme guidelines, non-observance of codal formalities and slow pace of construction. Implementation of the two State Plan Schemes viz. Bal Bhavan and providing financial assistance to destitute/dependent children also suffered on account of lack of funding, and inadequate identification of beneficiaries.

3.4.40 Recommendations

- The State Government should ensure that Central and State funds related to Child Welfare Schemes are promptly and fully released to the implementing agencies.
- Immediate steps are required to accurately identify all beneficiaries and bring them within the fold of ICDS and other schemes.
- The construction of AWCs should be expedited to increase coverage and effectiveness of ICDS.
- Department to ensure that all AWCs are equipped with necessary infrastructure such as pre-school education kits, medical kits, weighing machines and growth charts.
- Internal control system should be made effective.
- Monitoring and evaluation should be strengthened at all levels of implementation and results should be publicised while giving publicity to the schemes.
- Wherever various schemes are being executed, Department should display information as required under the Right to Information Act.

CHAPTER IV

AUDIT OF TRANSACTIONS (CIVIL)

HOME DEPARTMENT

4.1 Inaction of the Government on social problem

Rupees 10 lakh drawn from Government account in July 2003 could not be utilised for want of Government decision on disbursement of this amount to surrendered militants.

Test check (August 2005) of records of the Director General of Police, revealed that before finalization of the rehabilitation entitlement of the surrendered militants, the State Home Department, sanctioned (July 2003) Rs.10 lakh for maintenance of 229 surrendered militants in the rehabilitation camp. The amount was drawn by the DDO in July 2003 and deposited in his account with the State Bank of India, Imphal, Secretariat Branch.

Four months after drawal of the amount, the Department constituted a scrutiny committee in November 2003 to examine the claims of the 229 surrendered militants as per the scheme for surrender cum rehabilitation of militants. The Chairman of the Committee retired on superannuation in February 2005 without the committee submitting its report following which, a new committee was formed which submitted its recommendations to the Government in June 2005. However, Government's decision on disbursement of the amount to the surrendered militants as per their entitlements was not finalized till date (November 2006).

In Manipur, where insurgency is a major social problem, such inaction on the part of the Government would only have a negative impact on other militants willing to re-join the mainstream, as well as push these 229 surrendered militants into going back to militancy for want of proper and timely rehabilitation. Further, this may lead to aggravation of the existing law and order problem in the State. Despite these adverse consequences Rs.10 lakh remained unutilised for three years.

The matter was referred to the Government (August 2006); their reply had not been received (November 2006).

IRRIGATION AND FLOOD CONTROL DEPARTMENT

4.2 Undue benefit to the contractor

Steel and cement valued at Rs.24.88 lakh were issued in bulk to the contractor who retained them without executing the work for the last six to seven years resulting in undue benefit to the contractor.

Test-check of records (February-March 2006) of the Executive Engineer (EE), Thoubal Project Division No. IV, Irrigation and Flood Control Department (IFCD) revealed that Chief Engineer, IFCD issued instructions (April 1997) to the Divisional Officers of the Thoubal Project Divisions not to create further irrigation potential until the completion of the main dam and to slow down the work of canal and distribution system. Instructions were also given to accord priority to the works in progress which were in advanced stage only and not to take up the works which had not started/had remained suspended at that point of time.

Despite such instructions, the EE awarded (May 1999) the work of Renovation of Canal Section and construction of Open Duct from Reduced Datum (RD) 1.76 km to RD 1.847 km of Left Main Canal (LMC), valued at Rs.49.04 lakh to a local contractor on the basis of tendering, for completion in one working season. Soon thereafter, he also issued to the contractor, in bulk, steel and cement valuing Rs.18.29¹ lakh and Rs.6.59 lakh² respectively during June–November 1999. This was in contravention of the provisions of the CPWD Manual (Paragraph 27.6.2) which states that the issue of material to the contractor should be regulated according to the actual requirement, to prevent misuse. As of March 2006, the contractor had not even started the work. Thus, the EE not only provided undue benefit of Rs.24.88 lakh to the contractor, but also failed to initiate any action against him for not starting the work.

On this being pointed out in audit, the Divisional Officer stated (March 2006) that the work could not be started due to law and order problem at the work site. The reply is not tenable as:

- The Division should not have issued the material in bulk if the law and order situation was adverse.
- There was no evidence of any effort made by the Division to arrange for security on the work site.
- The Division did not make any effort to either take back the material or re-direct it to other places of work.

¹ 16 mm steel: Rs.12.93 lakh @ Rs.19,247 per MT for 67,200 kg plus 8mm: Rs.5.36 lakh @ Rs.20,754 per MT for 25,840 kg.

² Cement: Rs.6.59 lakh @ Rs.219.71 per bag for 3,000 bags.

The Government stated (July 2006) that 1000 bags of cement (valued at Rs.2.19 lakh) had since been returned by the contractor and that the contractor would utilise the balance material as soon as the work resumed. The reply is not tenable as cement would have deteriorated by now and would have outlived its usable life thus causing a loss of Rs.22.69 lakh.

4.3 Blocking of funds

A canal syphon was constructed at a cost of Rs.1.32 crore, without the completion of the Dam and its main canal, resulting in blocking of funds and possibility of deterioration of the syphon due to disuse.

Test check of records (February/March 2006) of EE, Thoubal Project Division No. IV, Irrigation and Flood Control Department revealed that the Department took up construction of a canal syphon at Reduced Datum (RD) 25.818 km across the Wangjing River despite the fact that no earthwork excavation had been taken up in this stretch of the canal of Thoubal river multipurpose project. The work order for Rs.93.79 lakh was awarded (August 1994) to a local contractor.

The Department decided (November 1995) to slow down the construction of the left main canal of the dam (LMC) from RD 24.418 km to RD 29.115 km and its allied structures in order to keep pace with the construction of the dam and the spillway. Accordingly, the Superintending Engineer directed (November 1995) the Divisional Officer of the Thoubal Project Division No.IV to slow down the construction of the syphon. However, the Department went ahead and revised the estimate of the work to Rs.1.33 crore on the ground of change in design and specifications and asked the contractor (October 1998) to execute the work as per the revised estimate. As of December 2005, the contractor had executed almost all the items of work valuing Rs.1.32 crore as per the revised estimates, of which Rs.1.27 crore had been paid. The Department had no plans to take up the construction of the canal from RD 24.996 km to RD 29.115 km in view of insufficient irrigation potential due to non-completion of the main dam.

A decision to complete the dam by 2007-08 was taken only in September 2005. Thus, construction of the syphon without the completion of the main dam and the LMC led to blocking of Rs.1.27 crore for considerable period with the possibility of deterioration of the syphon due to disuse and possibility of further expenditure on its repair in future.

The Government in its reply (July 2006) did not contest the blocking of funds.

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.4 Extra expenditure due to delay in clearing goods from the port and their transportation to Imphal

Failure of the Government to provide adequate funds in time for clearing imported goods and their transportation led to avoidable expenditure of Rs.2.22 crore.

In order to provide Imphal city with a modern underground sanitation system the State Government entered into an agreement with a French Consortium under the aegis of Indo-French Protocol in December 1998 to plan and execute a sewerage system in the core area of the city. The Project was to be executed by the Public Health Engineering Department under the supervision of French engineers. According to the agreement signed between the Government of Manipur and the French Consortium, the French Consortium was to provide all process equipment including piping and fittings, civil engineering guide drawings and equipment drawings CIF³ Kolkata.

The period of implementation as per the agreement was four years (2003-07) including one year of test running with French assistance. The total project cost was estimated to be Rs.134.75 crore. The work was started in January 2003.

Scrutiny of the project records in the office of the Executive Engineer, Drainage & Sewerage Division, PHED, Lamphelpat during July 2005 and May 2006 disclosed the following lapses and irregularities in the implementation of the project.

4.4.1 Avoidable Customs warehousing charges

As per terms and conditions of the agreement it was the responsibility of the State Government to clear the goods from the Customs by paying the required customs duty (Article 7.6) and thereafter to transport the same from Kolkata Port to Imphal (Article 7.7).

Records revealed that the Department imported the required quantity of PVC pipes and other equipment during 2003-04 and 2004-05 without provisioning of funds for payment of customs duty and other charges. The imported consignments arrived at Kolkata Port during the months – July 2003 to January 2004 (1st to 4th shipments) and October 2004 to April 2005 (5th to 8th shipments). Customs duty was payable within three days from the date of preparation of bill thereof failing which interest @ 18 per cent per annum on the value of the material was payable.

³ Cost including Insurance and Freight (CIF).

Due to non-release of adequate cheque drawal authority by the Government, the Department failed to clear the customs duty (Rs.14.21 crore) immediately and kept the consignments in the Customs' Bonded Warehouse (M/s Balmer Lawrie & Co.) for periods extending up to 176 days as of April 2005 incurring avoidable warehousing charge of Rs.1.72 crore. Of this, the Department has so far made payment of Rs.1.11 crore. (Abnormal delays in respect of ten cases are shown in *Appendix 4.1*).

Although the materials had started arriving as early as July 2003, the Department approached the Finance Department for additional funds of Rs.15.24 crore for clearing customs duty, other taxes and for transportation of the materials from Kolkata to Imphal only in August 2004. The Government released Rs.12.17 crore on 31 March 2005 for clearing the customs duty and other charges but provided no funds for transportation of the material and equipment to Imphal although it was known to them that it was their responsibility to clear the customs duty and to transport the goods to Imphal in time to avoid slippage in the Project schedule.

The consignments were kept for almost six months in the Customs' warehouse leading to an avoidable expenditure of Rs.1.11 crore and a liability of Rs.0.61 crore due to inefficient financial management on the part of the Department which is indicative of its lack of planning and foresight.

4.4.2 Avoidable private warehousing charge

After clearing the Customs duty the consignments were later shifted (April 2005) to a private Warehouse (Aarpee International Private Warehouse) at Kolkata as they could not be transported to Imphal due to lack of funds. On account of this, the Department had to pay another Rs.9.55 lakh as storage rent for the period May 2005 to February 2006 at the rate of Rs.50 per cubic metre per month. Of 1909.354 cubic metres of the consignments, the Department had transported only 784.835 cubic metres to Imphal during March 2006 leaving a balance of 1124.519 cubic metres in the private warehouse. Rent for the remaining period (March 2006 – May 2006) was assessed at Rs.1.69 lakh.

4.4.3 Avoidable detention charges and wharfage

Scrutiny of records revealed that the Department had to pay Rs.32.84 lakh of avoidable detention charges because of delay in returning the shipping companies' containers within the stipulated five days.

Similarly, the Department had to pay a wharfage of Rs.5.74 lakh to the Port Authorities for delay in clearing the consignments from the wharves.

4.4.4 Irregular payment of loading charges to transporters

It was also observed that for clearing the consignments from the Port, the department appointed a Clearing Agent³ in August 2003 and September 2004. According to the agreements entered into with this agency a rate of Rs.4,800

³ Rajesh Shipping & Clearing Agency, Kolkata.

per container of the size 6m x 3m x 3m (or Rs.88.89 per cubic metre) was allowed to it for loading the container/crate from the warehouse onto the Department's nominated trucks for transportation to Imphal.

Later the Department appointed (September 2003 and February 2006) two transport contractors for transporting the consignments from Kolkata to Imphal at the rate of Rs.1,64,900 per crate which was inclusive of the cost of loading the crates from the warehouse onto the Department's nominated trucks despite the fact that a Clearing Agency had already been engaged for loading.

So far the transporters have transported 92 crates and have received payments thereof. As the loading into the Department's nominated trucks was the responsibility of the Clearing Agency and they had already been paid accordingly (paid Rs.4,96,122), the payment of the same element of Rs.4.42 lakh (92 crates x Rs.4800) again to the transporters was not in order.

The matter was referred to the Government (June 2006); their reply was not received as of November 2006.

PUBLIC WORKS DEPARTMENT

4.5 Fraudulent drawal of Government funds

65 cheques for Rs.56.21 lakh were fraudulently drawn during March 2005 by the Executive Engineer, Ukhrul Division.

Test check of records of EE, PWD, Ukhrul Division, (February 2006) revealed that the Divisional Officer drew 65 cheques amounting to Rs.56.21 lakh during March 2005 for making payments to contractors for execution of works by them. The drawals were entered in the Divisional cashbook on the payment side showing disbursement to the contractors and separate voucher nos. were assigned against the respective drawals as shown in *Appendix 4.2*. The vouchers in support of payments were not available in the Division.

Relevant work order copies, agreement copies, administrative approvals, expenditure sanctions, technical sanctions, measurement books in support of execution of the works for which cheque drawals of Rs.56.21 lakh had been made were also not available in the Division.

Further verification of the monthly accounts and supporting payment vouchers of the Division for the month of March 2005 as submitted to the Office of the Sr. DAG (A&E), Manipur revealed that the said vouchers were not enclosed while sending monthly accounts of the Division for March 2005.

Thus, the Divisional Officer drew the cheques amounting to Rs.56.21 lakh fraudulently in the name of fictitious contractors and for fictitious non-existent works. The matter was discussed with the present Divisional Officer who agreed to take up the matter with the erstwhile Divisional Officer.

The matter was referred to Government (June 2006); their reply had not been received (November 2006).

4.6 Doubtful payment without execution of work

Hill cutting for widening of narrow portion of road length of 32 Km was shown completed within unreasonably short period of eight days resulting in doubtful payment of Rs.41.98 lakh without execution of work.

Test-check (January 2006) of Ukhrul Division, PWD, revealed that the work of "Improvement of Kharasom to Tusom Christian village road" was awarded

by the EE, Ukhrul Division on 15 March 2005 to a local contractor⁴ on the basis of a limited tender for Rs.66.96 lakh (Estimated cost: Rs.61.74 lakh) for completion within ten days of start of work. As contracts about Rs.20 lakh were to be awarded with the approval of the Secretary, it could not be ascertained whether the sanction of the competent authority had been obtained.

The work consisted of three items viz., (i) Earth work in widening of the narrow portion and Kutcha drain from 10 Km-42 Km, (ii) shingling for the portion 10 Km – 13.5 Km and (iii) construction of 14 nos. of 900 mm dia RCC pipe culvert at different stretches.

The measurement records depicted completion of the entire work on 30 March 2005 at the cost of Rs.66.94 lakh as indicated in *Appendix 4.3*. The contractor was paid Rs.66.04 lakh on 30 March 2005.

Scrutiny revealed that the estimate of the work was framed on manual labour rate basis, as the Department has not evolved any schedule on mechanical labour. Hence, reasonableness of the rates could not be ascertained in Audit. It was also observed that instead of measuring works from time to time, the works were measured only at the time of final payment.

For the earth work in hill cutting in hard dense soil (1,07,112.31 cum) and in ordinary rock (71,066.42 cum), the number of labourers required worked out to 30,705⁵ and 62,775⁶ respectively. Thus, the total number of labourers required for the earth work alone worked out to 93,480 (*i.e.* 30,705+62,775) which was shown as completed on 22 March 2005 (*i.e.* within 2 days of the scheduled date of the start of the work) as per measurement record. Even if it is presumed that the work started on the date of issue of work order, it took only eight days to complete the earth work since the measurement⁵ was taken on 22 March 2005. Accordingly, the contractor would have had to engage 11,685 labourers per day (93,480/8) for the earth work, which was highly improbable. Hence, the payment appears to have been made to the contractor without execution of any work.

The EE stated (June 2006) that the work was executed using five bull-dozer⁶ and furnished three log-sheets signed by the owners of the machines and five Registration Certificates signed by the District Transport Officer. Scrutiny revealed that:

As per the log-sheets, the bull-dozers were used for 627 hours for which the contractor paid hire charges of Rs.9.41 lakh (Rs.6.09 lakh to one owner at Singjamei and Rs.3.32 lakh to an owner at Ukhrul) while the Department paid him Rs.41.98 lakh for this work.

⁴ Khashim Vashum

⁵ For 30 cum = 8.6 labourers; 1,07,112.30 cum= 30,705 labourers.

⁶ For 30 cum = 26.5 labourers (excavation: 4.5; Breaker: 9.0; Belder: 5.0; Cooler: 8.0); 71,066.42 cum = 62,775 labourers.

⁵ Measurement was not done on daily basis.

⁶ It is not possible to ascertain how many bull dozers had actually been used by the contractor as the reply furnished by the EE is full of contradictions.

The bull-dozer was shown working from 13 to 31 March 2005, whereas the work order was issued only on 15 March 2005 and the concerned item of work was shown to have been completed by 22 March 2005 as per the measurement book.

Two of the bull-dozer (Registration Nos. MN 05 3660 and MN 05 3780) stated to have been hired from a person at Ukhrul appeared to have been purchased only during 2006, as these were registered with the District Transport Office, Bishnupur on 18 May 2006. As the work was executed during March 2005, there was no possibility of their being used in the work. Therefore the payment of hire charges (Rs.3.32 lakh) to the owner at Ukhrul cannot be vouchsafed.

The Registration Certificates furnished for the other three bull-dozer, stated to have been hired from a person at Singjamei (Registration Certificates nos. MN 05A 0807, MN 05A 0808 and MN 05A 0809) categorised them as tractors and not as bull-dozer. Accordingly, the payment of Rs.6.09 lakh to the owner of bull-dozer at Singjamei cannot be vouchsafed.

Thus the contention of the EE that earth moving machinery *i.e.* bull-dozer were used appears doubtful as the same is not supported by official record and circumstantial evidence.

In the light of these facts, the measurement record for the earth work valued at Rs.41.98 lakh (Rs.12.85 lakh + Rs.29.13 lakh) appeared to be fictitious. In addition, the completion of the other two components of the work *viz.*, shingling in 3.5 km of the road and construction of the 14 culverts, appeared to be doubtful in the stated duration of time (*i.e.* by 30th March 2005). The matter needs investigation and independent physical verification of the quantum and quality of the work done.

The matter was referred to Government (June 2006); their reply had not been received (November 2006).

4.7 Undue benefit to the contractor

Undue benefit of Rs.36.23 lakh was given to a contractor, by awarding a work without following the tendering procedures.

Test check of records (November 2005) of the EE, Senapati Division, PWD, revealed that the work of "Improvement of Maram Purul Road including reconstruction of bailey bridge of 130 ft. span over the Barak river" was awarded by the EE on 22 March 2005 to a local contractor⁷ for Rs.77.53 lakh for completion by 31 March 2005 (*i.e.* within 10 days). Reasons for urgency in allowing only 10 days for completion of the work were not on record. The work was awarded without calling tenders. In fact, the EE is not competent to

⁷ L. D. Raini

award works for this value as the competent authority to award contracts above Rs.20 lakh is the Secretary of the Department.

The work order consisted of 13 items such as dismantling of the existing bailey bridge and stiffened steel decking, demolition of the earlier abutments, reconstruction of new abutments, earth excavation for abutments, other allied works, assembly and launching of bailey bridge, shingling of the approach roads to the bridge *etc.* Eight items contained in the work order right from the work of dismantling of the existing bailey bridge and stiffened steel decking up to the stage of construction of new abutments including earth excavation for abutments at an aggregate cost of Rs.61.86 lakh were recorded as completed on 27 March 2005 (*i.e.* within 6 days of the issue of the work order). The details are shown in the *Appendix 4.4*. Rupees 36.23 lakh was paid to the contractor on 31 March 2005 against the first Running Account (RA) bill. Scrutiny revealed that the Measurement Book (MB) recorded the same quantity of work for the item for which payments were made, as in the work order without any variation including excavation of the earth from the river bed.

Considerable time is required for various activities related to the construction of such structures with RCC and PC. Besides, the excavation of earth for abutments and wall, dismantling and demolition of earlier bailey bridge and steel deckings, demolition of earlier abutments *etc.*, also require considerable time.

Even if it is presumed that the work started on the date of issuing the work order, which is highly unlikely, it was highly improbable that the contractor could complete the work within 6 days *i.e.* from 22 March 2005 to 27 March 2005, as recorded in the MB. Thus, the measurement records appeared to be fictitious resulting in undue benefit of Rs.36.23 lakh to the contractor.

In reply, the Government stated (August 2006) that on its verbal instructions to take up the work of the bridge as early as possible, the EE had issued a letter of intent to a local contractor who had started the work in the last week of December 2004, but the formal orders were issued on 22 March 2005. The reply is not tenable as the rules do not permit undertaking works on verbal orders, without following established procedures of tendering *etc.* The matter needed investigation to fix responsibility and determine loss, if any, to the State on account of the above irregularities.

4.8 Undue benefit to the contractor

Undue benefit of Rs.14.20 lakh was extended to a contractor by allowing excavation of earth from an unauthorised quarry 15 km away, while an authorised site was available within 5 km.

Bridge Division, PWD, Manipur awarded the work of "Improvement of Approach Road to Irilbung Bridge" in Imphal East at a tendered amount of

Rs.58.11 lakh (E/C: Rs.53.35 lakh) in March 2005 to a local contractor⁸ (six contractors participated in the tender). The contractor executed the entire work during March 2005 and Rs.57.90 lakh had been paid to him (Rs.50.87 lakh, Vr. No.22 of 3/05; Rs.7.03 lakh, Vr. No.54 of 3/05) as of January 2006. One of the items included in the work order was excavation of earth (Hard dense soil) from a borrow place (*i.e.* quarry) and filling the bridge approaches with the excavated earth. The contractor had executed 15,526.07 cum of this item (valued at Rs.41.92 lakh) against the work order quantity of 15,526.09 cum.

Test check of records (January 2006) of the Division revealed that the original estimates showed the nearest carriage lead from the quarry from where the earth was to be excavated as 5 km.

In the final estimate, however, the carriage lead was shown as 15 km without indicating the name of the quarry. On audit query, the Division identified the quarry as 'Waithou', which, however, was not authorised by the Forest Department as a quarry. Thus, by allowing a lead of 15 km while there was an approved quarry within 5 km the Division had allowed undue benefit of Rs.14.20 lakh (details in *Appendix 4.5*) to the contractor.

In reply, the Government stated (August 2006) that the quarry site was changed when local villagers objected to excavation of earth from the earlier site at Irilbung and the earth was excavated by the contractor from a private land at Waithou.

The reply is not tenable because even if the local people objected to excavation from the hillocks around Irilbung village, as originally planned, an alternative site at Keirao Chingdum, which was an authorised quarry, was available within 5 km of the work site.

4.9 Irregular expenditure to avoid lapse of fund

In disregard of the provisions of the GFRs, the Executive Engineer, Chandel Division, paid Rs.5.68 crore to Stores Division, PWD on 31 March 2005 for procurement of 3,000 MT of bitumen against the required quantity of 462.23 MT for the work.

Rule 132 (1) of the General Financial Rules, 1963 (GFR) states that the authority granted by a sanction to an estimate shall on all occasions be looked upon as strictly limited by the precise objects for which the estimate was intended to provide.

Further, Note 2 below Rule 69 of the GFR states that 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.

⁸ Kh. Ingocha Singh

Test-check (June 2005) of the records of the EE, Chandel Division, PWD, revealed that Administrative Approval (AA) for the work of "Improvement of Pallel Chandel Road" was accorded for Rs.24.22 crore in March 2005 with an expenditure sanction (ES) not exceeding Rs.15 crore by the Principal Secretary (Works) in the financial year 2004-05. The award of the work was under process till May 2006 as intimated by the EE.

Scrutiny revealed that against 462.23 MT of bitumen required for the work, the EE paid Rs.5.68 crore⁷ to the Stores Division, PWD on 31 March 2005 for procurement of 3,000 MT of bitumen. Excess procurement of 2537.77 MT of bitumen was stated to have been done at the instance of the Chief Engineer in order to meet the requirement of bitumen for the Department. However, as of September 2006 i.e. 18 months after receiving the advance, Stores Division had not issued any bitumen against the work.

Thus, procurement of excess quantity of bitumen on the last day of March 2005 amounting to Rs.4.80 crore (2537.77 MT @ Rs.18,931 per MT) is a violation of the Rules *ibid* and therefore, irregular and was done in order to avoid lapse of fund.

The Government stated (August 2006) that 2796 MT⁸ of bitumen had been procured and the whole quantity had been distributed to six Divisions. The distribution of bitumen to six Divisions as stated by the Government confirms the excess procurement as pointed out by Audit.

4.10 Misuse of funds

Executive Engineer (EE), Stores Division, Public Works Department (PWD) misused cheque drawal authority allotted for purchase of store material amounting to Rs.2 crore in other purposes resulting in not only hampering in procurement of the store material but also cheque drawals amounting to Rs.1.82 crore has not yet been reflected as expenditure of the department in State Finance Accounts even after lapse of two years of their transactions.

The Central Stores Division (CSD) of PWD generally stocks the material required for construction and maintenance by other working divisions. To maintain and replenish stock levels and meet demands from other Divisions, funds are released to the CSD from time to time.

Appendix 7 of CPWD Account Code provides that where payments on behalf of other Divisions are to be made by one Division, such payments are classified under the Head Cash Settlement Suspense Account (CSSA) in the accounts of the paying division. At the close of the financial year concerned there should be no balances under this suspense head.

⁷ 3,000 MT of bitumen @ Rs.18,931 per MT = Rs.5.68 crore.

⁸ Supply order made to HPC Ltd for 3,000 MT of bitumen. The Company, however, delivered 2796 MT of bitumen as element of Sale tax had been deducted from the amount of Supply order.

Test check of records (July 2005) of the EE, Stores Division revealed that the Government allotted (April 2004), a Cheque Drawal Authority (CDA) amounting to Rs.3 crore in favour of EE, Store Division, for purchase of cement and steel and to debit the expenditure under the Major Head (MH): 3054-Roads and Bridges (Non-Plan). The allotment order categorically mentioned that the EE, Store Division was to ensure utilisation of the funds for the purpose for which it was allotted.

Instead of utilising the CDA for procurement of cement and steel, EE, Stores Division, misused the CDA amounting to Rs.2 crore by drawing cheques for other purposes in July 2004 as detailed below:

- Rs.7.26 lakh; on payment of contractors' bills for maintenance and repairing of the Divisional office, godown, toilets, renovation of drains around its buildings, etc. by charging to the MH 2059 – Public Works (Non-Plan).
- Rs.11 lakh; on payment of contractor's bill pertaining to earlier period for transportation of cement by charging to the MH 3054- Roads & Bridges (NP).
- Rs.1.82 crore; on payment of contractors' bills transferred by five divisions⁹ of PWD by classifying the transaction as CSSA without any directions or approval of appropriate authorities.

Therefore, the Division misused the CDA issued to it for specific purpose by utilising it for other purposes.

Audit further observed that the Stores Division did not seek clearance of the CSSA against the bills of the five divisions mentioned above in 2004-05 itself. The claims are still awaiting settlement. As a result, the Finance Accounts of 2004-05 was unable to reflect transactions worth Rs.1.82 crore carried out by the Stores Division during the same year.

The CE taking cognizance of misuse of CDA, directed (October/2004) the EE not to write any further cheques for the balance amount CDA of Rs.99.89 lakh (Rs.300 lakh – Rs.200.11 lakh). However, no action has been taken for reimbursement of Rs.1.82 crore to the Stores Division for procuring cement and steel for maintenance of Roads and Bridges, thus compromising the maintenance of roads and bridges in the State.

In its reply (September 2006) the Government stated that although the CDA was given for purchase of construction material, the EE could not initiate action for their procurement as there was an apprehension of likely disturbance in transit by some unlawful organisation and sought advice of the superior authorities in regard to the manner in which the CDA could be

⁹ Building Division No. II	:	Rs. 75,49,500
National Highways Division No. I:		Rs. 38,50,500
Tamenglong Division	:	Rs. 56,00,000
Churachandpur Division	:	Rs. 10,00,000
Thoubal Division	:	Rs. 1,85,000
		Rs.1,81,85,000

utilised. Keeping this point in view, the EE, Stores Division utilised the CDA in writing cheques for transferred bills for which he had already raised the claims to the respective Divisions.

The reply is not acceptable as the CDA in favour of the EE was accorded by the Government for purchase of cement and steel only with clear instructions to endorse on the back side of the cheque that it is utilised properly for the purpose for which it has been allocated. Fact is that Government did not issue any instructions to EE for diversion at any time.

REVENUE DEPARTMENT

4.11 Suspected misappropriation

Relief funds amounting to Rs.15.28 lakh was withdrawn by an erstwhile Drawing and Disbursing Officer (DDO) without submission of any document in support of the utilization of the amount at the time of his transfer resulting in misappropriation of funds.

Audit scrutiny of the Cash Book of the office of the Deputy Commissioner (DC), Churachandpur in May 2006 revealed that the Branch Officer (Accounts) who was also the DDO of the office, deposited a cheque amounting to Rs.15,27,950, received from the Relief and Disaster Management Department, in his official account on 29 October 2004. He subsequently withdrew the whole amount by drawing a cheque No.400067 dated 6 November 2004. In the cashbook, the amount was shown as disbursed on the same date but the names of the payees were not indicated.

Further scrutiny revealed that the said DDO was transferred shortly thereafter and he handed over the charge to the new DDO on 3 December 2004. On Audit requisition for production of documents in support of the utilization of the cash of Rs.15,27,950 drawn by the former DDO, the new DDO stated that no documents were handed over to him by the previous DDO on 3 December 2004 at the time of his transfer.

No utilisation certificate for the said amount had been furnished to the sanctioning authority *i.e.* Relief Department, Government of Manipur even after 19 months of release of funds for flood victims (May 2006).

In the absence of any details of payment and utilisation certificate, the amount of Rs.15.28 lakh meant for relief assistance is suspected to have been misappropriated by the former DDO of the office of the DC, Churachandpur. The matter needs to be investigated for making good loss to the State.

The matter was referred to the Government (June 2006); their reply had not yet been received (November 2006).

DEPARTMENT OF TRIBALS AND SCHEDULED CASTES

4.12 Loss to the Government

The Division made full payment to a contractor, who left two works incomplete without recovering Rs.13.77 lakh representing the cost of material issued to him. Since all the bills had been paid, the non-recovery led to a loss of Rs.10.27 lakh to the State Exchequer.

Test-check of records (October 2005) of the EE, District Council Engineering Cell Wing I, Tribal Development Department revealed that the EE awarded (December 1999) the work of construction of an auditorium at the Palace Compound, Imphal Phase I (estimated cost: Rs.67.78 lakh) and Phase II (estimated cost: Rs.51.37 lakh) to a local contractor⁹ on the basis of a tender at Rs.182.66 lakh and Rs.114.03 lakh respectively, for completion within 18 months (*i.e.* by May 2001). It could not be ascertained from records whether approval of the competent authority had been obtained. The huge difference between estimated cost and tendered amount was noted by Audit but could not be examined due to non-availability of records.

For *Phase I*, the contractor executed work valuing Rs.127.76 lakh up to 7th Running Account (RA) bill¹⁰ and was paid in full (the value of the work done up to 7th RA bill) without recovery of the value of the material worth Rs.8.75 lakh¹⁰ issued to him. After receiving payment of the 7th RA bill of Rs.9.04 lakh in May 2005, the contractor left the work without assigning any reasons. The records did not reveal why the Department did not initiate action to get the work done at the risk and cost of the contractor by engaging the second lowest contract. The Department rescinded the work order in July 2005. Security deposit of Rs.4 lakh (Phase I), however, had already been refunded in October 2001. The fact that the Department failed to recover material worth Rs.8.75 lakh and also released the security deposit after the sixth RA bill when the work was only 70 *per cent* complete. The quality of workmanship of the incomplete work appears doubtful.

As regards *Phase II*, the contractor had executed work worth Rs.82.74 lakh up to 4th RA bill⁹ and was paid in full for work done up to 4th RA bill without recovery of the value of material worth Rs.5.02 lakh issued to him. After receiving payment of 4th RA bill (valued at Rs.18.25 lakh) in March 2000 the contractor did not resume the work for which a show cause notice was served to him in July 2005 for non-resumption of the work. Reasons for not taking

⁹ W. Rupachandra Meitei

Date of payment of bill	1 st RA	2 nd RA	3 rd RA	4 th RA	5 th RA	6 th RA	7 th RA
Phase I	11.2.2000	16.2.2000	26.8.2000	25.1.2001	12.4.2001	29.6.2001	16.5.2005
Phase II	30.12.1999	12.1.2000	11.2.2000	10.3.2000	-	-	-

¹⁰ Phase I: Rs.4.82 lakh and Rs.3.93 lakh recoverable from 5th RA bill and 7th RA bill respectively for material issued were not recovered.

action against the contractor were not on record. It was noticed in Audit that though the contractor left the work without assigning any reason and did not restart the work even after the show cause notice, the Department had not yet rescinded the work order.

Thus, in the two works, the contractor had left execution of the works after receiving payment of full value of the works done without recovery of Rs.13.77 lakh (Phase I: Rs.8.75 lakh; Phase II: Rs.5.02 lakh) for material issued. There was no scope of recovery of the amount. Out of a security deposit of Rs.7.50 lakh, Rs. 4 lakh was refunded in October 2001 leaving only Rs.3.50 lakh with the Department. Therefore, failure of the Department in recovering the cost of material issued to the contractor resulted in loss of Rs.10.27 lakh to the State exchequer even if the balance amount of Rs.3.50 lakh of security deposit is forfeited. Apart from loss to the Government the purpose for which the expenditure of Rs.2.11 crore was incurred was not achieved as the work of construction of auditorium was not completed. As the work for incomplete portion has not been taken up so far the likelihood of its completion appears remote.

The matter was referred to Government (July 2006); their reply had not been received (November 2006).

MISCELLANEOUS DEPARTMENTS

4.13 Overdrawals from the GPF

State Government employees were granted GPF advances/withdrawals by their drawing and disbursing officers in excess of their balances resulting in negative balances in the GPF accounts of 362 subscribers amounting to Rs.1.24 crore at the end of March 2005.

According to Rule 12 (1) of GPF (CS) Rules, 1960 which is also followed by the State Government, advances from GPF can be granted to a subscriber up to half of the amount at the credit in the GPF account or three months' pay, whichever is less. Rules 15 and 16 *ibid* permit withdrawals from GPF to a maximum of 90 *per cent* of the balance at credit.

Examination of GPF accounts of the State Government employees maintained in the Office of the Sr. Deputy Accountant General (A&E), Manipur revealed that there were negative balances in the GPF accounts of 157 subscribers amounting to Rs.25.22 lakh at the end of March 2004; the number went up to 362 at the end of March 2005 with aggregate value of Rs.1.24 crore as indicated in *Appendix 4.6* (account group-wise). The occurrence of negative balances owing to overdrawals without verifying the balances at the credit of the subscribers was referred to the State Government in May 2005 and again in February 2006 requesting the Commissioner (Finance), to instruct the Departments to investigate the matter urgently. Accordingly, instructions were issued by the State Government on 6 March 2006 to all the DDOs and the Treasury Officers to deduct the overdrawn amounts from the salary of the subscribers for the month of February 2006. The report on actual recovery was awaited from the Government/DDOs as of June 2006. Lack of internal controls in sanctioning advances/withdrawals of GPF by the DDOs led to overdrawal of Rs.1.24 crore from the State employees General Provident Fund. No action was initiated against the DDOs concerned for violating GPF rules and sanctioning excess amounts to their employees.

The matter was referred to Government (June 2006); their reply had not been received (November 2006).

CHAPTER V

INTERNAL CONTROL SYSTEM

PUBLIC HEALTH ENGINEERING DEPARTMENT

5.1 Internal Control System in the Public Health Engineering Department

Evaluation of the internal control system in the PHED revealed deficiencies in its budgetary, administrative and supervisory controls. Non-maintenance of basic records also affected the accuracy and completeness of the monthly accounts. Internal audit arrangements were also deficient and unable to provide assurance against possibilities of financial irregularities.

Highlights

Ineffective budgetary control resulted in overall savings of Rs.152.05 crore during 2001-06 affecting State's financial interest and hindering departmental activities.

(Paragraph 5.1.7)

Six Divisions had incurred 37 to 64 per cent of their total expenditure in March alone during 2003-04, 2004-05 and 2005-06 indicating non-existence of any departmental control over March rush.

(Paragraph 5.1.8)

Monthly Accounts were submitted late by 19 days to 200 days during 2004-06. No reconciliation of expenditure was carried out during the last five years.

(Paragraph 5.1.13)

Water tax amounting to Rs.5.76 crore was lying un-recovered at the end of March 2006.

(Paragraph 5.1.15)

CI fittings worth Rs.1.21 crore were lying idle in the Water Supply Store Division for two to 11 years due to excessive and unplanned purchase.

(Paragraph 5.1.17)

The Department failed to check quality of drinking water supplied to the consumers due to lack of proper infrastructure, causing risk to public health.

(Paragraph 5.1.18)

5.1.1 Introduction

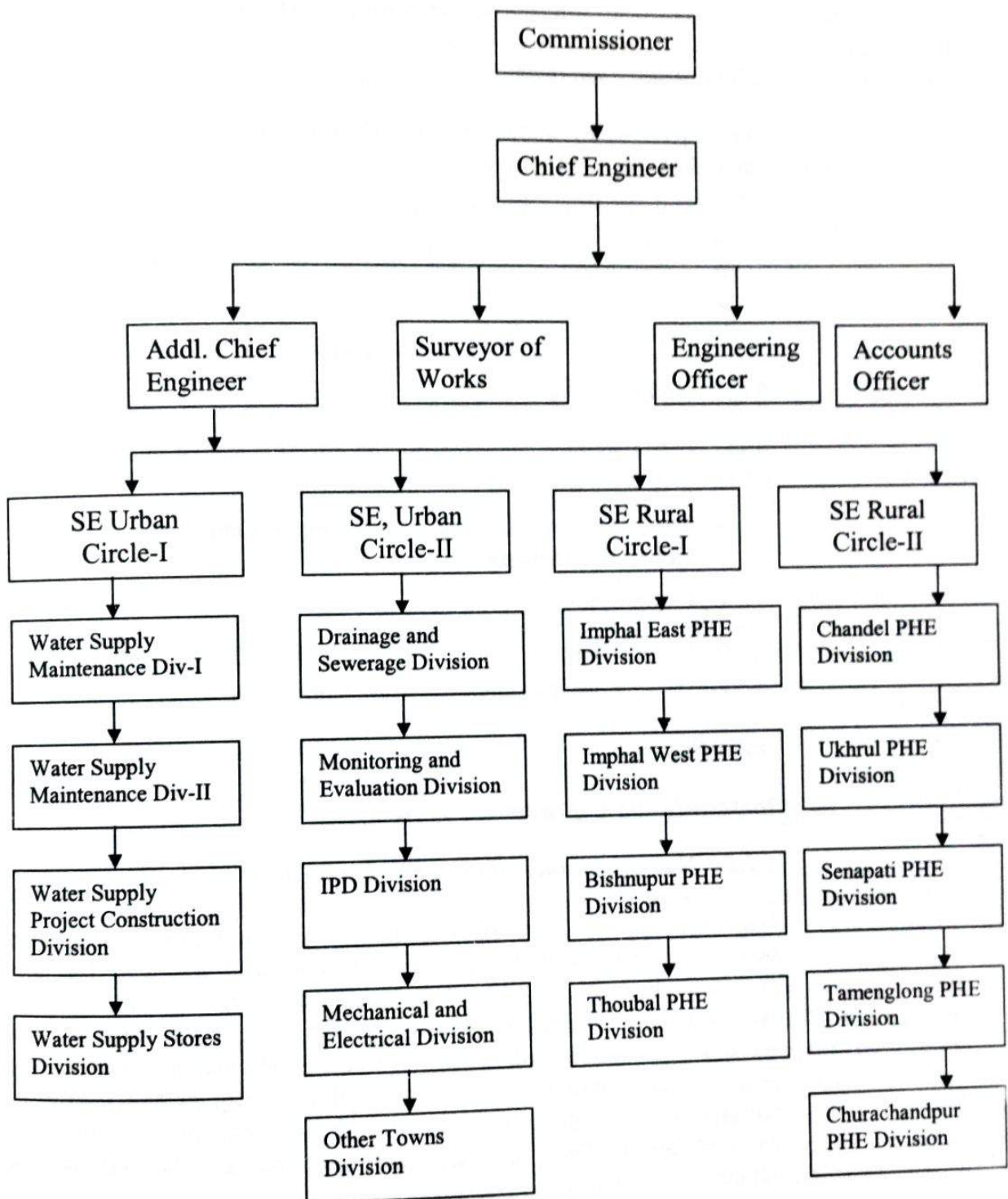
Internal control system is a management tool to provide reasonable assurance that organisational objectives are being achieved. A built-in internal control system and strict adherence to statutes, codes and manuals provide reasonable assurance to the management about compliance with applicable laws, norms and rules thus achieving reliability of financial reporting and effectiveness and efficiency in operations.

The Public Health Engineering Department (PHED) is responsible for planning, constructing and maintaining both urban and rural water supply schemes, distribution network for providing safe drinking water and proper sanitary conditions conserving water resources, and creating public awareness on public and personal hygiene.

5.1.2 Organisational set up

The Commissioner (PHED) is the Administrative Head of the Department. The Chief Engineer (CE), PHED is the executive and technical head. He is assisted by an Additional Chief Engineer; four Superintending Engineers (SE); one Surveyor of Works, one Engineering Officer looking after Administrative matters, and one Accounts Officer who is in charge of the accounts of the Department. There are 18 Divisions headed by Executive Engineers.

An organogram of the Department is given below:



5.1.3. Scope of Audit

To examine and evaluate the internal control system of the Department, records of 13¹ out of 18 Divisions and the Office of the Chief Engineer (CE) were test checked for the period 2001-06 during April-July 2006.

5.1.4. Audit objectives

The objectives of audit were to ascertain the adequacy of the following internal controls in the Department:

- Budgetary and Expenditure controls;
- Financial controls;
- Administrative controls;
- Operational controls; and
- Supervisory controls.

5.1.5. Audit criteria

Audit criteria adopted for assessing the effectiveness of internal controls of the Department were as under:

- The norms/procedures prescribed in the Central Public Works Department Manual
- Central Public Works Accounts Code
- Executive orders issued by the Government from time to time
- Delegation of Financial Powers Rule, 1995.

Audit findings

Budgetary and Expenditure Controls

5.1.6 Non-observance of prescribed procedure

General Financial Rules (GFRs) 49 to 53, 65 and 73 envisage adherence to budgetary controls, which provide for the Administrative Departments to prepare budget estimates based on inputs from lower formations, spend within the budgeted amounts, avoid rush of expenditure at the close of the year and surrender the anticipated savings in time. Supplementary provision for funds is to be made only in case the original allotment proves insufficient. This requires regular monitoring by the Department of monthly expenditure incurred by the Drawing and Disbursing Officers (DDOs) of subordinate offices.

¹ (i) Monitoring and Evaluation Division, (ii) Water Supply Store Division, (iii) Water Supply Maintenance Division-I, (iv) Water Supply Maintenance Division-II (v) Other Towns Division, (vi) Water Supply Project Construction Division, (vii) Chandel PHE Division, (viii) Churachandpur PHE Division, (ix) Imphal West PHE Division, (x) Bishnupur PHE Division, (xi) Ukhrul PHE Division, (xii) Tamenglong PHE Division and (xiii) Drainage and Sewerage Division.

The Department operates two types of budget viz., Plan and Non-plan Budget. Non-plan budget includes salary, travelling expenses and medical/office expenses.

The Plan budget is provided for original works, renovation/repairing of existing works and also for operation and maintenance works. The Department has to prepare annual plans and submit to the Government for approval.

Audit scrutiny revealed that no Plan budget proposals were received from various programme implementing officers for the years 2003-04, 2004-05 and 2005-06. The basis on which the Department framed plan budget estimates without reference to the basic information received from programme implementing officers was neither on record nor stated.

5.1.7 Ineffective Budgetary control

The CE is responsible for exercising budgetary control to ensure that no expenditure is incurred in excess of sanctioned grants and that savings are surrendered in advance before the end of the financial year. The actual expenditure vis-à-vis budget provisions during 2001-06 were as follows:

Table 5.1

Year	Budget provision				(Rupees in crore)	
	Original	Supplementary	Surrendered	Total	Total expenditure	Savings (-)/ Excess (+)
2001-02	64.08	25.93	2.42	87.59	53.02	34.57 (-)
2002-03	63.16	84.68	Nil	147.84	109.08	38.76 (-)
2003-04	71.03	64.11	Nil	135.14	65.32	69.82 (-)
2004-05	59.43	69.14	Nil	128.57	117.19	11.38 (-)
2005-06	91.02	44.34	Nil	135.36	137.84	2.48 (+)
Total:	348.72	288.20	2.42	634.50	482.45	152.05 (-)

Source: Appropriation Accounts

From the above table it is clear that the Department failed to carry out prescribed regular monitoring of expenditure, resulting in unnecessary supplementary provisions of Rs.25.93 crore and Rs.64.11 crore during 2001-02 and 2003-04 respectively when the actual expenditure was even less than the original budget provisions. Further, there were overall savings of Rs.152.05 crore during 2001-06, which were not surrendered before the end of the financial year as per provisions of GFRs. Thus, the preparation of budget was not realistic. The unnecessary supplementary demands show lack of planning with its consequential effect on the allocation of scarce financial resources of the State to more needy areas and developmental activities.

5.1.8 Drawal of funds to avoid their lapse at the end of financial year

GFRs state that it is against the interests of the State to spend money hastily or in an ill-considered manner just to avoid lapse of budget grant at the end of the financial year (Note 2 under Rule 69). Rush in March has the risk of the Government not getting proper value for money as the expenditure is likely to take place without due diligence. The GFRs require the controlling officers to

avoid rush of expenditure in the closing months (Note 3 under Rule 69) by keeping a close watch on the progressive expenditure of the DDOs on a month to month basis. However, it was noticed that six Divisions² had incurred 37 to 64 per cent of the total expenditure in March alone in 2003-04, 2004-05 and 2005-06, as detailed below:

Table 5.2

(Rupees in crore)

Year	Total expenditure incurred during the year	Expenditure incurred in March	Percentage of expenditure in March to that of the Year
2003-04	32.02	20.44	64
2004-05	25.74	11.70	45
2005-06	36.97	13.51	37

Source: Voucher level computerisation

This indicates that financial rules had been flouted and no internal control had been exercised in this respect.

Financial Controls

5.1.9 Poor Cash Management

Central Treasury Rules provide that money should not be drawn from the treasury when it is not required for immediate disbursement.

Scrutiny of cashbooks of Water Supply Store Division and Water Supply Maintenance Division-I, however, revealed that the Divisions retained heavy cash balances at the end of each month ranging from Rs.0.67 lakh to Rs.1.07 crore, and Rs.0.81 lakh to Rs.43.54 lakh respectively, during April 2005 to February 2006. The Divisions did not analyse the position of cash balances and as such, the periods of retention of cash balances could not be ascertained during Audit.

5.1.10 Fictitious cash transactions

There were instances of fictitious cash transactions in the cashbook only to show funds as spent at the close of the year. For example, the EE, Water Supply Stores Division drew two self cheques for Rs.2.73 crore (No. C-838996:Rs.200.00 lakh and C-838097: Rs.73.37 lakh) on 31 March 2005 and deposited the amount into his official bank account (Account No.01000/050545, SBI, Paona Bazar, Imphal) on 5 April 2005. However, on 31 March an expenditure of Rs.2.93 crore was booked in the cash book as disbursements to various contractors, despite the fact that on that date, the EE had only Rs.20.60 lakh as opening cash balance, inclusive of a bank balance of Rs.9.52 lakh as per his cashbook, and the self cheques were credited to his bank account only on 5 April 2005. Despite special requisition, the EE could not produce the actual payees' receipts for the said amount. The cash

² (i) Water Supply Maintenance Division-I (ii) Water Supply Maintenance Division-II (iii) Other Town Division (iv) Water Supply Project Construction Division (v) Chandel PBE Division and (vi) Churachandpur PHE Division.

transactions shown by him on 31 March 2005 were, thus, fictitious and need to be investigated.

Administrative Controls

5.1.11 Non-maintenance of records

One of the principal instruments of ensuring management control over the organisation's functioning is the system of maintaining various returns to watch the transactions.

Test-check of records of five Divisions, however, revealed that important records like register of works, works abstract, deposit register, and contractor's ledger, were not maintained by these Divisions. As a result, the Divisions were not in a position to know the actual expenditure on each work (sub-head wise), up-to-date payment to the contractors, and actual amount of security deposits of each contractor held in the Department. The detailed position is shown in *Appendix-5.1*.

5.1.12 Non-payment of electricity charges

Meeting known or anticipated contingencies is an indicator of the strength of administrative controls in an organisation. Test-check of three Divisions revealed that the Divisions had not paid electricity charges in time and had to pay surcharge amounting to Rs.45.39 lakh³ due to delay in clearing them. This showed poor administrative controls and lack of anticipation of inevitable expenditure.

5.1.13 Delay in submission of monthly accounts and non-reconciliation of expenditure

Regularity in submission and reconciliation of accounts allows the Department to effect timely corrections in its expenditure pattern and adjust it to the availability of funds. Failure in this regard results in poor budgetary control and misdirected utilisation of resources. As per prevailing procedures the Divisional Officers are required to submit monthly accounts to the Office of the Sr. Deputy Accountant General (A&E), Manipur by the tenth of the following month. This system is an important mechanism through which monitoring and control over expenditure is exercised. Scrutiny of monthly accounts submitted to the Office of the Sr. Deputy Accountant General (A&E), however, revealed that during 2004-06, 17 Divisional Officers rendered their monthly accounts after considerable delays ranging from 19 to 200 days.

It was further noticed that during 2001-06, reconciliation of the actual expenditure incurred by the Department with the expenditure booked in the Office of the Sr. Deputy Accountant General (A&E) was not carried out, defeating the system of monitoring and control of expenditure.

³ Imphal West PHED (Rs.25.82 lakh), Water Supply Maintenance Division-I (Rs.8.14 lakh) and Other Town Division (Rs.11.43 lakh).

5.1.14 Non-reconciliation of treasury drawals and remittances

The actual cash flow into Government accounts has to be reconciled with the accrual of revenue. A proper and diligent reconciliation helps in identifying and plugging loopholes in loss of revenue. This assumes added importance in cash strapped States like Manipur.

Para 22.3.1 of CPWA-Code provides that all remittances made into accredited banks (through treasuries) as well as cheques drawn on them by Works Divisions are accounted for under Major Head 8782 – Cash Remittance. The accredited bank prepares and sends daily scrolls of remittances received and payments made to the concerned treasuries with a copy to the Divisional Officers concerned. On receipt of the copies of the daily scrolls, the Divisional Officers effect the reconciliation in Form 51 indicating therein the difference between the cheques issued and the remittances made by the Divisions on one hand and the cheques encashed and remittances accounted for by the bank on the other. The monthly Divisional Accounts are required to be supported by the above schedule of reconciliation of cheques drawn and remittances made to the accredited bank. This internal control prevents fraudulent manipulation of cheques and pilferage of Government revenue in transit.

Audit scrutiny revealed that no such reconciliation was carried out by the Divisions during the last three years. In the absence of reconciliation it is not possible to establish that money remitted into treasuries had actually been accounted for in Government account and cheques issued had actually been encashed for the amount written, and not for higher amounts; this is fraught with the risk of misappropriations and fraudulent payments, if any, remaining undetected and has serious implications for the actual cash balance of the State and its overall credit-worthiness.

5.1.15 Poor collection of water tax

In order to discharge its responsibilities, Government needs resources. An important component of resources is the service charges that Government receives for the services provided by it. Lack of diligence in collection of revenues reflects upon the Department's overall attitude towards ensuring compliance with its own operating principles.

As per the provisions of Manipur Water Supply Act, 1992 the consumers are required to pay water tax at the rate fixed by the Government from time to time, within 15 days from the date of receipt of the bill, failing which the Department is empowered to disconnect the water connection. In addition, the consumers are also punishable with imprisonment of one to six months or with fine of Rs.500 to Rs.3000 or both.

Records of Water Supply Maintenance Division-I (which is the only Division that collects water tax in Imphal area), revealed that 63 to 85 per cent of the consumers did not pay water tax during 2003-04, 2004-05 and 2005-06. Action taken by the Department against them was negligible. Water supply in respect of only 59 defaulters, out of 18,477, was disconnected, as shown in Appendix 5.2.

Records also showed that water tax amounting to Rs.5.76 crore was yet to be collected as of 31 March 2006. The percentage of collection was also meagre and varied from 12 to 19 *per cent* during last three years. The details are shown in *Appendix 5.3*.

These findings indicate that collection of water tax was ineffective and the Department's enforcement mechanism was totally non-functional. Failure to prosecute defaulters has encouraged the practice of non-payment of water tax amongst the consumers.

Operational Controls

Operational controls indicate the extent of control over the day to day operations in an organisation. Test-check of records in selected Divisions revealed the following instances of absence of operational controls in the Department.

5.1.16 Stock held in excess of permissible limits

According to para 37.8 of the CPWD Manual, the Chief Engineer has full power to fix annual limit of reserve stock of the Divisions under his control. When the reserve stock limit has been sanctioned, the Divisional Officer is authorized to purchase material to the extent sufficient to keep the stock level within the limit fixed by the competent authority.

The Department intimated that the reserve stock limit sanctioned for the Water Supply Stores Division was Rs.2.75 crore. However, monthly accounts for March 2005 revealed that the stock balance of the Division amounted to Rs.10.47 crore, indicating excess procurement of material worth Rs.7.72 crore. This also indicates that the Division had been allocated funds far in excess of its requirements. As a result, substantial amount of Government funds had been blocked in construction material.

5.1.17 Inefficient Material Management

Where stores are purchased centrally it is but expedient that the working divisions prepare a statement of annual requirement of stores by first of April every year indicating therein the items of material and their quantities to be procured and send it to the central division for arranging bulk purchase of material. Audit scrutiny, however, revealed that none of the working divisions furnished their annual requirements. The Department stated (April 2006) that during the last three years no new work programmes were undertaken due to shortage of funds. Hence no proper material planning could be done and the store material were procured based on immediate requirements submitted by the Divisions with the approval of the Government within the available budget provision. Thus, due to lack of proper planning the Store Division purchased material as and when Cheque Drawal Authority was received from the Government, indicating improper and inadequate internal control system in respect of material management.

According to GFRs [Rule 119 (3)], material remaining in stock for over one year shall be considered surplus unless adequate reasons to treat it otherwise exist as the inventory carrying cost is an expenditure that does not add value to the material being stocked.

Scrutiny of Priced Store Ledgers of Water Supply Stores Division revealed that huge quantity of CI Flanges, CI Sluice Valves of various diameters and specifications valued at Rs.1.21 crore were lying as balance in stock for two to 11 years as of March 2006. Retention of such large quantities of material for years together indicated unfruitful blocking of Government funds and the associated opportunity cost.

While the Central Store (Water Supply Stores Division) was thus carrying huge inventory of CI material for years and was unable to dispose of them, audit scrutiny revealed that the Water Supply Maintenance Division-II had procured similar material worth Rs.14.74 lakh from the local market during 2004-05. This highlights absence of coordination and control over purchases and inefficient material management in the Department.

5.1.18 Ineffective monitoring and surveillance of drinking water quality

Public Health Engineering Department is a service department. Providing clean, potable drinking water to people and maintaining hygiene are its main functions. To ensure the minimum quality, the Department is required to regularly check the quality of water supplied and take the required corrective action.

The Monitoring and Evaluation Division is responsible for monitoring drinking water quality and conducting surveillance of water sources to ensure potable water supply. It has one Central Laboratory and one Mobile Laboratory to discharge its functions.

An analysis of the reports of Central Laboratory regarding collection and testing of samples from the peripheral water supply schemes/treatment plants disclosed that during the year 2005-06, only 72 samples were collected from 10 different water supply schemes/treatment plants serving 2.45 lakh people against 468 samples required to be collected as per the Manual of Water Supply and Treatment. The shortfall varied from 71 to 96 *per cent*, as shown in *Appendix 5.4*. The results of testing of the samples and remedial action taken, if any, were not intimated to Audit.

There was no vigilance team at the disposal of the Monitoring and Evaluation Division. No records of any activities of sanitary survey and its reporting, water sampling, data analysis of quality of water and assessment of sanitary conditions were produced to audit.

The Department stated (May 2006) that the existing infrastructure was not adequate for ensuring smooth functioning of the Division due to non existence of laboratory network at municipal/district level and Primary Health Centre/village level, lack of office accommodation with modern equipment, well trained staff and financial support. But there was no evidence on record

to show departmental efforts in streamlining the functioning of this Division or securing any financial support from the Government in this regard. The failure of the Department to ensure proper monitoring and control of the quality of the water supplied has serious implications for public health.

Supervisory Controls

The management needs to involve itself in execution of important projects as well as routing activities to ensure that all activities executed follow prescribed procedure. Test-check by audit, however, revealed several instances of lack of supervision by management, as discussed below.

5.1.19 Faulty contract management and lack of supervision

According to Clause 36 of the agreement (prescribed under CPWD Manual Vol-II) that the Department enters into with its contractors, the contractor is required to employ a Graduate Engineer/diploma holder with five years' experience for works costing above Rs.5 lakh and a qualified diploma holder for works between Rs.2 lakh and Rs.5 lakh for receiving Divisional Officer's orders at site.

In case the contractor is unable to employ such technical people, he is required to pay as compensation to the Department @ Rs.2,000 in the case of an Engineer and @ Rs.1,000 in the case of a diploma holder per month of default.

It was noticed in Audit that four Divisions failed to recover such compensation from defaulting contractors amounting to Rs.13.27 lakh⁴ which indicates lack of supervision and faulty contract management. In addition, the Department had not taken any action to review the rates of penalty to determine whether they continued to be a deterrent for not employing technically qualified people, which has serious implications on the overall quality of works due to lack of proper technical supervision at the site.

5.1.20 Lack of control on General Provident Fund (GPF) accounts

GPF accounts of Grade IV employees are maintained by the Department. Audit scrutiny revealed that advances and non-refundable withdrawals had not been deducted from the GPF accounts of the Grade IV employees in some of the divisions. The details are shown in *Appendix 5.5*.

Inadequate internal control resulted in these irregularities which may further result in excess withdrawal. The Department should strengthen the supervisory controls to prevent such irregularities.

5.1.21 Unclaimed deposits not credited to Government account

Paragraph 15.4.1 of CPWA-Code provides that balances of Public works deposit remaining unclaimed for more than three complete accounting years should be deposited into Government account as lapsed deposit. Records of

⁴ Bishnupur PHED (Rs.3.69 lakh), Water Supply Maintenance Division II (Rs.4.46 lakh), Tamenglong PHED (Rs.0.76 lakh) and Churachandpur PHED (Rs.4.36 lakh).

the Water Supply Project Construction Division disclosed that 140 and 168 items of deposits involving Rs.10.89 lakh and Rs.1.40 lakh were lying under deposit Part-II and Part-V respectively for three to 14 years, but were not credited to Government account.

5.1.22 Outstanding cash settlement suspense account (CSSA)

As per para 17.2.1 (b) read with *Appendix 7* of CPWA Code, at the end of the financial year, there should be no balance under CSSA.

Monthly accounts of the EE, Water Supply Store Division revealed that at the end of February 2006, Rs.9.82 crore was lying outstanding under this suspense head against 17 PHE Divisions, which indicated poor financial management and lack of financial controls.

5.1.23 Internal Audit

Internal Audit is one of the major components of internal control mechanism. To provide reasonable assurance for a free and independent audit system, the Department is required to establish a separate internal audit wing. However, the Department did not have an internal audit wing. Although the Department is under the audit jurisdiction of Directorate of Local Fund Audit, Government of Manipur, none of the test-checked offices/divisions were inspected by Local Fund Audit during the period covered in the review.

5.1.24 Lack of response to Audit

Accountant General (Audit), Manipur conducts periodic inspections of Government transactions and the audit findings communicated through Inspection Reports (IRs) to the Heads of the Offices/Departments are required to be addressed within a specified period. A half yearly report of the pending IRs is sent by the Accountant General to each Department, to facilitate monitoring and compliance of audit observations.

As of March 2006, 581 paragraphs involving Rs.113.88 crore relating to 106 IRs of the PHED were lying unattended. In 35 cases even the first replies to the IRs were not furnished. Failure to comply with the issues raised by Audit facilitated continuation of serious financial irregularities, and adversely affected the accountability mechanism. The details are shown in *Appendix-5.6*.

5.1.25 Lack of Computerisation

Presence of a computer based MIS would have helped the management in assuming a more proactive role in financial and works management, reducing errors in accounts and assisting in State-wide material management. However, Audit scrutiny revealed that the Department has not adopted Information Technology in its day to day functioning.

5.1.26 Conclusion

Internal control system in the Department was not effective and adequate. Rules and procedures were not strictly adhered to in many cases. There was indiscipline in budgetary control and financial reporting. Stores were purchased without proper planning, resulting in excess material in stock lying unutilized for years. Drinking water quality control and surveillance was virtually non-existent due to inadequate infrastructure like laboratory network, lack of office accommodation with modern equipment, shortage of well trained staff and financial support. Collection of water tax was very poor resulting in non-realisation of substantial portion of Government revenue.

5.1.27 Recommendations

- Budget estimation should be based on basic information received from the working Divisions to make it realistic.
- Monthly accounts of the Divisions should be submitted to office of the Sr. Deputy Accountant General (A&E) on time.
- Material should be procured with proper planning and estimation to ensure that there is no mismatch between the procurement of stores and their actual requirements.
- Action should be taken for timely collection of water taxes.
- Effective and reliable quality control system should be established to ensure supply of safe drinking water to the public.

CHAPTER VI

REVENUE RECEIPTS

6. General

6.1 Trend of revenue receipts

Tax and non tax revenue raised by Government of Manipur during the year 2005-06, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and the corresponding figures for the preceding four years are given below:

(Rupees in crore)

		2001-02	2002-03	2003-04	2004-05	2005-06
I.	Revenue raised by the State Government					
	Tax revenue	51.01	65.16	68.24	81.40	95.00
	Non tax revenue	28.73	56.49	49.33	69.75	76.46
	Total:	79.74	121.65	117.57	151.15	171.46
II.	Receipts from Government of India					
	State's share of net proceeds of divisible Union Taxes	142.14	188.12	240.89	287.02	342.09
	Grants in aid	954.90	1,018.22	1,061.25	1,304.59	1,895.40
	Total:	1,097.04	1,206.34	1,302.14	1,591.61	2,237.49
III.	Total receipts of State Government (I+II)	1,176.78	1,327.99	1,419.71	1,742.76	2,408.95
IV.	Percentage of I to II	7	10	9	9	8

(Source: Finance Accounts)

6.1.1 The details of tax revenue raised during the year 2005-06 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. no.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase(+)/decrease(-) in 2005-06 over 2004-05
1.	Sales tax	29.52	43.18	46.12	54.73	71.17	(+)30.04
2.	State excise	1.46	2.29	2.96	3.05	3.26	(+)6.89
3.	Stamps and registration fees	1.48	1.90	2.33	2.20	2.81	(+)27.73
4.	Taxes and duties on electricity	2.17	1	0.49	4.95	0.27	(-)94.55
5.	Taxes on vehicles	2.77	3.44	3.38	3.35	3.34	(-)0.30
6.	Taxes on goods and passengers	0.44	0.67	0.62	0.71	0.68	(-)4.23
7.	Other taxes on income and expenditure	12.64	12.68	11.66	11.52	11.99	(+)4.08
8.	Other taxes and duties on commodities and services	0.13	0.17	0.11	0.21	0.16	(-)23.81
9.	Land revenue	0.40	0.83	0.57	0.68	1.32	(+)94.12
	Total:	51.01	65.16	68.24	81.40	95.00	(+)16.71

(Source: Finance Accounts)

The tax revenue of the State Government increased from Rs.81.40 crore in 2004-05 to Rs.95 crore in 2005-06 registering an increase of 16.71 per cent as compared to the previous year. The increase was largely contributed by significant increase in sales tax collections and marginal increase in land

¹ Rs.0.37 lakh only.

revenue, State excise duty, stamps and registration fee and other taxes on income and expenditure. The revenue from taxes on vehicles, taxes on goods and passengers, other taxes and duties on commodities and services declined during the year.

Reasons for variation in receipts during the year 2005-06 compared to those of 2004-05 as intimated by the respective departments are as under:

Sales tax: Increase of 30.04 *per cent* was due to clearance of arrear tax and introduction of VAT in the State.

State excise: Increase of 6.89 *per cent* was due to the increase in deployment of security forces in the State.

The reasons for variation, though called for (September 2006) from other departments, had not been furnished (December 2006).

6.1.2 The details of major non tax revenue raised during the year 2005-06 along with the figures for the preceding four years are given below:

(Rupees in crore)							
Sl. no.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase(+)/ decrease(-) in 2005-06 over 2004-05
1.	Interest receipts	1.00	0.61	1.39	6.40	6.14	(-) 4.06
2.	Housing	1.00	0.75	0.93	0.98	1.11	(+)13.27
3.	Water supply and sanitation	0.67	1.43	2.46	1.58	1.69	(+)6.96
4.	Forestry and wild life	0.75	0.81	1.01	0.74	1.49	(+)101.35
5.	Education, sports and art and culture	1.03	1.13	0.97	0.82	0.97	(+)18.29
6.	Miscellaneous general services	0.05	1.59	0.57	(A)	6.62	
7.	Power	19.73	43.90	36.77	54.41	49.87	(-)8.34
8.	Major and medium irrigation	0.31	0.24	0.34	1.13	1.97	(+)74.34
9.	Medical and public health	0.32	0.34	0.30	0.25	0.29	(+)16.00
10.	Cooperation	0.04	0.42	0.10	0.13	0.14	(+)7.69
11.	Public works	1.23	3.18	2.73	1.60	3.09	(+)93.13
12.	Police	0.59	0.56	0.37	0.34	0.64	(+)88.24
13.	Other administrative services	1.20	0.49	0.53	0.51	0.70	(+)37.25
14.	Crop husbandry	0.03	0.08	0.03	0.04	0.07	(+)75.00
15.	Social security and welfare	0.02	0.01	0.19	(B)	(C)	(+)92.65
16.	Others	0.76	0.95	0.64	0.82	1.67	(+)103.66
Total :		28.73	56.49	49.33	69.75	76.46	(+)9.62

(Source: Finance Accounts)

(A) Rs.6,413 only=Rs.0.06 lakh, (B) Rs.12,471 only=0.12 lakh, (C) Rs.24,025 only=0.24 lakh

Non tax revenue registered a marginal increase of 9.62 *per cent* during the year increasing from Rs.69.75 crore in 2004-05 to Rs.76.46 crore in 2005-06. The increase in non tax revenue was mainly on account of higher collection of public works, forest and wildlife and other receipts. Decline in non tax revenue was recorded under power and interest receipts. Government needs to take immediate steps to investigate reasons for decline in revenue and improve collections in these areas especially of power by better monitoring and strict enforcement of the relevant Acts and rules.

The reasons for variations in receipts during the year 2005-06 compared to those of 2004-05, though called for (September 2006) from the departments, had not been furnished (December 2006).

6.1.3 Variations between budget estimates and actuals

The variations between budget estimates and the actuals of revenue receipts for the year 2005-06 in respect of principal heads of tax and non tax revenue are given below:

(Rupees in crore)					
Sl. No.	Head of revenue	Budget estimates	Actuals	Variations increase(+)/ decrease(-)	Percentage of variation
A. Tax revenue					
1.	Sales tax	65.00	71.17	(+)6.17	(+)9.49
2.	Other taxes on income and expenditure (taxes on professions, trades, callings and employment)	12.88	11.99	(-)0.89	(-)6.91
3.	Other taxes and duties on commodities and services	0.07	0.16	(+)0.09	(+)128.57
4.	Stamp duty and registration fees	2.46	2.81	(+)0.35	(+)14.23
5.	Taxes on vehicles	3.75	3.34	(-)0.41	(-)10.93
6.	State excise	3.42	3.26	(-)0.16	(-)4.68
7.	Land revenue	0.75	1.32	(+)0.57	(+)76.00
8.	Taxes on goods and passengers	0.80	0.68	(-)0.12	(-)15.00
9.	Taxes and duties on electricity	5.54	0.27	(-)5.27	(-)95.13
	Total:	94.67	95.00	(+)0.33	(+)0.35
B. Non tax revenue					
1.	Miscellaneous general services	(A)	6.62	(+)6.62	
2.	Power	93.50	49.87	(-)43.63	(-)46.66
3.	Public works	2.00	3.09	(+)1.09	(+)54.50
4.	Forestry and wild life	1.42	1.49	(+)0.07	(+)4.93
5.	Police	0.70	0.64	(-)0.06	(-)8.57
6.	Interest receipts	8.00	6.14	(-)1.86	(-)23.25
7.	Water supply and sanitation	2.75	1.69	(-)1.06	(-)38.55
8.	Education, sports, art and culture	1.90	0.97	(-)0.93	(-)48.95
9.	Other administrative services	1.00	0.70	(-)0.30	(-)30.00
10.	Major and medium irrigation	1.20	1.97	(+)0.77	(+)64.17
11.	Medical and public health	0.53	0.29	(-)0.24	(-)45.28
12.	Social security and welfare	0.01	(B)	(-)0.01	
13.	Crop husbandry	0.09	0.07	(-)0.02	(-)22.22
14.	Housing	1.25	1.11	(-)0.14	(-)11.20
15.	Cooperation	0.11	0.14	(+)0.03	(+)27.27
16.	Others	1.09	1.67	(+)0.58	(+)53.21
	Total:	115.55	76.46	(-)39.09	(-)33.83

(Source: Budget document/Finance Accounts)

(A) Rs.5,000 and (B) Rs.24,025

The reasons as furnished by the departments for variation in receipts during 2005-06 against budget estimates were as under:

Sales tax: Increase (9.49 per cent) was due to realisation of arrear tax and introduction of VAT in the State.

Taxes on vehicles: Decrease (10.93 per cent) was due to introduction of one time tax system for 15 years for registration of new vehicles and decreasing trend in the registration of new vehicles.

Taxes on goods and passengers: Decrease (15 per cent) was due to decreasing trend in the registration of new vehicles.

Forestry and wild life: Increase (4.93 per cent) was due to departmental extraction of timber in two forest divisions of Ukhrul and Tengenoupal.

Education, sports, arts and culture: Decrease (48.95 per cent) was due to decrease in the enrolment of students in Government colleges.

Major and medium irrigation: Increase (64.17 per cent) was due to higher collection of interest from contractors and hire charge of machinery.

Medical and public health: Decrease (45.28 per cent) was mainly due to machines like CT scan, ECG, ultrasonography etc. remaining out of order frequently.

Housing: Decrease (11.20 per cent) was mainly due to non realisation of arrear house rent.

Reasons for variation under remaining heads of account of tax and non tax revenue, though called for in September 2006, had not been received from the respective departments (December 2006).

6.1.4 Analysis of collection for the year 2005-2006

(Rupees in crore)

Head of revenue	Amount collected at preassessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 2 to 6
1	2	3	4	5	6	7
Sales tax	69.46	1.61	0.10	—	71.17	98
Profession tax	11.52	—	—	—	11.52	100

6.1.5 Cost of collection

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average
1.	Sales tax	2003-04	46.06 [#]	1.09	2.37	0.95
		2004-05	54.73	1.02	1.86	
		2005-06	71.77	1.69	2.37	
2.	Taxes on vehicles	2003-04	3.36 [#]	1.13	33.63	2.74
		2004-05	3.35	1.26	37.61	
		2005-06	3.34	1.77	52.99	

It would be seen from above table that cost of collection under taxes on vehicles was much higher than the national average rate while it was marginally higher in sales tax department.

[#] Figures furnished by the department

6.1.6 Collection of sales tax per assessee

Year	No. of assesseees	Sale tax revenue	(Rupees in crore) Revenue/assessee
2001-02	1,080	29.52	0.03
2002-03	1,090	43.18	0.04
2003-04	1,000	46.12	0.05
2004-05	1,020	54.73	0.05
2005-06	1,262	71.17	0.06

The increase in revenue is due to introduction of VAT in the State. Revenue per assesses has, however, recorded a marginal increase.

6.1.7 Analysis of arrears of revenue

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	(Rupees in crore) Year-wise breakup	Stage-wise pendency of arrears
1.	Sales tax	0.03	Nil	Nil	Nil
2.	State excise	Nil	Nil	Nil	Nil
3.	Forestry and wild life	Not available (NA)	NA	NA	NA
4.	Land revenue	NA	NA	NA	NA
5.	Taxes on vehicles	0.78	NA	NA	NA
6.	Stamp duty and registration fee	NA	NA	NA	NA
7.	Taxes and duties on electricity	NA	NA	NA	NA
Total		0.81			

6.1.8 Arrears in assessment

Name of tax	Opening balance as on 31 March 2005	New cases due for assessment during 2005-06	Total assessments due	Cases disposed of during 2005-06	Balance at the end of the year 2005-06	Percentage of column 5 to 4
1	2	3	4	5	6	7
Sales tax	200	1,262	1,462	1,265	197	86.53
Profession tax	Nil	Nil	Nil	Nil	Nil	Nil
Tax on works contracts	Nil	Nil	Nil	Nil	Nil	Nil
Total	200	1,262	1,462	1,265	197	86.53

6.1.9 Result of audit

Test check of records of tax receipts and other non tax receipts conducted during the year 2005-06 revealed under assessment, non levy, short levy and loss of revenue amounting to Rs.243.70 crore in 80 cases.

This report contains eight paragraphs relating to loss of revenue, non realisation of Government revenue, non deposit of land revenue/sale tax revenue, non collection of professional tax, etc. involving Rs.98.98 lakh. The department/Government accepted audit observations involving Rs.12.87 lakh

of which Rs.0.95 lakh had been recovered. No reply had been received in other cases (December 2006).

6.1.10 Failure of senior officials to enforce accountability and protect interest of Government

Accountant General (Audit), Manipur, arranges to conduct periodical inspection of Government departments concerned with tax revenue and non tax revenue to test check transactions and verify maintenance of important records in accordance with prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). When important irregularities detected during audit are not settled on spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The number of IRs and audit observations relating to revenue receipts issued up to 31 December 2005 and pending settlement by the departments as on 30 June 2006 along with the corresponding figures for the preceding two years is given below:

	June 2004	June 2005	June 2006
Number of IRs pending settlement	332	355	366
Number of outstanding audit observations	1,013	1,067	1,106
Amount of revenue involved (Rupees in crore)	158.32	193.33	436.06

Department-wise break-up of the IRs and audit observations pending as on 30 June 2006 is as follows:

(Rupees in crore)						
Sl. No.	Department	Inspection Report	Audit observations	Amount involved	Year to which observations relate	No. of IRs to which even first replies have not been received
1	Hospital	4	9	0.25	2002-03 to 2005-06	1
2	Registration	10	15	0.03	1991-92 to 2005-06	5
3	Transport	43	137	2.03	1990-91 to 2005-06	22
4	Electricity	76	218	371.23	1990-91 to 2005-06	37
5	PHED	15	39	5.01	1994-95 to 2005-06	9
6	Land revenue	70	195	5.28	1991-92 to 2005-06	43
7	Forest	60	146	11.95	1990-91 to 2005-06	40
8	Taxation	44	211	11.03	1990-91 to 2005-06	29
9	Excise	13	31	4.61	1990-91 to 2005-06	3
10	Fisheries	21	55	0.57	1991-92 to 2005-06	6
11	Lottery	10	50	24.07	1990-91 to 2005-06	2
	Total	366	1,106	436.06		197

6.1.11 Departmental Audit Committee Meetings

No departmental audit committee meeting was held during the year 2005-06.

6.1.12 Response of the departments to draft audit paragraphs

Nine draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2006 (Civil) were forwarded to Secretaries/Commissioners of the respective departments between June 2006 to September 2006 through demi-official letters. The administrative Secretaries/Commissioners did not send replies to five draft paragraphs as indicated below:

Name of the Department	No. of draft paragraphs to which replies from Secretaries/Commissioners not received
Power	2
Revenue	1
Transport	1
Tribal Development	1
Total	5

GENERAL ADMINISTRATION DEPARTMENT

6.2 Non/short realisation of room rent

Due to non adherence to the provisions of payment of room rent from occupants of the State guest house, Imphal, there was non realisation of Government revenue amounting to Rs.9.44 lakh.

The Manipur State Guest House (Accommodation) Rules, 1989 provide that room rent should be paid in advance on the day reservation is made and if anybody desires to continue occupation of the room after the expiry of the day(s) for which he had reserved, he is liable to pay the room rent for the additional number of day(s) he desires to stay on. Further, the rules state that visitor occupying the accommodation will pay all the charges in cash at prescribed rates. Accordingly, the administrator or his representatives were required to ensure that requisite dues were paid on the day of reservation.

6.2.1 Test check of records of the State guest house, Imphal in September 2005 revealed that an amount of Rs.9.44 lakh had not been realised from 24 occupants of guest house pertaining to the period from February 2001 to August 2005 though these amounts were required to be collected in advance from the occupants as per rules.

The guest house rooms were allotted to these 24 occupants without payment of room rent in advance. Moreover, the occupants were allowed to leave the guest house without clearing the dues. This indicates total lack of monitoring and control on the part of guest house management.

Thus, due to non adherence of the provisions of the rules relating to payment of guest house rent, Government revenue of Rs.9.44 lakh was not realised.

After this was pointed out, Government of Manipur intimated in October 2006 that rent amounting to Rs 0.95 lakh was recovered from 18 occupants. Report on recovery of balance amount is awaited (December 2006).

6.2.2 Loss of revenue of Rs.2.29 lakh due to application of incorrect rate of room rent and irregular allowance of use of State Guest House

Further, the Rules also provide that accommodation in the State guest house shall not be reserved for a period for a continuous stay of more than seven days in one spell, Administration may however, extend this period in special circumstances but for not more than 30 days in any case. In such cases, the officer/official occupying the room beyond seven days should pay three times the normal room rent per day per bed. The increased room rent shall be charged from the eighth day of occupation of room in the State guest house. Further, the room rent is to be paid in advance on the day reservation is made.

Test check of records of the State guest house, Imphal in September 2005 revealed that an amount of Rs.2.83 lakh was realised as room rent from 103 occupants staying in the rooms continuously for more than seven days during the period from April 2004 to August 2005 as against total recoverable amount of Rs.5.12 lakh. Though the continuous stay of the occupants ranged between 21 days to 304 days, room rent was collected at normal rate in respect of 65 cases in violation of the said Rule. Further, 77 out of the above 103 occupants were irregularly allowed to stay in the guest house continuously beyond 30 days which was not at all permissible under the rules.

Thus, due to application of incorrect rates of room rent, there was short realisation of Rs.2.29 lakh resulting in loss of Government revenue apart from irregular stay in the State guest house for more than the permissible period.

After this was pointed out, Government of Manipur stated in July 2006 that since many of the allotments were on consideration of lack of accommodation elsewhere, the occupants were forced to continuously stay in the guest house for a longer period. The reply is not tenable as it violates the provision of the Rules. Moreover, the reply of Government was silent regarding non realisation of rent at enhanced rates.

POWER DEPARTMENT

6.3 Non realisation of Government revenue

Failure of the department to compound offences of theft of electricity led to non realisation of Government revenue of Rs.5.68 lakh.

Under section 152 (1) of the Electricity Act 2003, an offence committed by any consumer or person who committed or who is reasonably suspected of having committed an offence of theft of electricity punishable under this Act, can be compounded on realisation of compounding fee of Rs.4,000.

Scrutiny of records of the Executive Engineer (EE), Imphal electrical division II in October 2005 disclosed that the division disconnected connections of 142 unauthorised consumers during 2003-06. However, no case was initiated against the offenders in terms of provisions of the Act. Due to the failure of the department to initiate cases against the offenders, the provisions of Section 152 (1) relating to compounding of the offences could not be applied which resulted in non realisation of Government revenue of Rs.5.68 lakh (142 x Rs.4,000).

After this was pointed out, the department stated in December 2006 that action for recovery of energy charges had been taken up by issuing demand notices to the 142 unauthorised consumers. Report on recovery is awaited (December 2006).

The matter was brought to the notice of Government of Manipur in August 2006; no reply had been received (December 2006).

6.4 Non realisation/loss of revenue

Failure of the department to enforce provisions of rules regarding recovery of arrears and discontinuation of electricity supply resulted in non realisation of revenue of Rs.92.41 lakh and loss of Rs.35.89 lakh.

As per Manipur Electricity Supply Regulations (MESR), 1971 as amended from time to time, where any consumer fails to pay dues for energy charges in respect of supply of energy to him, such charges shall be recovered by suit or on application to a Magistrate having jurisdiction thereof, by distress and sale of any movable property belonging to such consumer. Further, as per section 39 of Road Transport Corporation Act (RTC Act) 1950, in the event of a corporation being placed in liquidation, the assets of the corporation shall be divided among the Central and State Governments and such other parties, if any, proportionately after meeting the liabilities of the corporation.

6.4.1 Test check of records of the EE, Imphal Electricity Division No.I in November 2005 revealed that though Manipur State Road Transport Corporation (MSRTC) had not paid electricity charges amounting to

Rs.92.41 lakh² due up to October 2003, no action was taken by the EE to recover the dues till the date of its liquidation in November 2003. Outstanding arrears of several years against the corporation indicate failure of the EE to enforce the provisions of MESR and collect dues from the corporation.

The corporation was liquidated with effect from 1 November 2003 by an order of Transport Department, Government of Manipur as per provisions of section 39 of RTC Act issued on 30 October 2003. Audit scrutiny disclosed that the EE and the Assistant Engineer (Elect), Central Sub-division No.1 issued demand notices to the General Manager, MSRTC only in January 2004 and May 2006 to clear the outstanding dues when the corporation had already been liquidated.

Thus, inaction of the department to take timely action led to non realisation of Rs.92.41 lakh.

6.4.2 Audit scrutiny further revealed that the EE did not take action to disconnect the energy supply to the corporation despite its liquidation from November 2003 without clearing the outstanding electricity bills. The electrical supply was still being drawn as of November 2005 against the connection provided to the corporation which no longer existed and thus, further arrears of Rs.35.89 lakh for the period from November 2003 to November 2005 stood recoverable. Scope of realisation of electricity charges of Rs.35.89 lakh accumulated up to November 2005 is remote as the corporation has already been liquidated. The department should immediately investigate the matter and stop further supply of electricity to the corporation to avoid further loss of Government revenue.

The matter was referred to Government in July 2006; their reply had not been received (December 2006).

2

Sl. No.	Period	Amount of unpaid electricity charges (Rupees in lakh)
1	Prior to April 2002	66.25
2	From April 2002 to October 2003	26.16
Total		92.41

REVENUE DEPARTMENT

6.5 Non deposit of land revenue

Non deposit of land revenue of Rs.2.13 lakh in Government account.

As per Rule 7 (1) of the Central Treasury Rules, all moneys received on account of Government revenue shall without undue delay be paid into a treasury and the moneys so received shall not be kept apart from the accounts of the Government.

Test check of records between (February 2006 and April 2006) of two* sub divisional officers, revealed that land revenue amounting to Rs.2.13 lakh, collected by the *zilladars* during the period from June 2003 to February 2006 was retained by them instead of the same being deposited in Government account. Action taken to recover the amount was not on record.

The matter was reported to Government/department during September and November 2006; their reply had not been received (December 2006).

* Lilong, Kakching

TRANSPORT DEPARTMENT

6.6 Non levy/collection of penalty

Non initiation of action on the part of the district transport officers to levy penalty from the owners of vehicles plying without permit resulted in non levy/collection of penalty amounting to Rs.2.38 lakh.

Under the provisions of the Motor Vehicle Act 1988, no transport vehicle shall be used in any public place unless a permit is granted by the prescribed authority. The permit shall be renewed on application of the permit holder not less than 15 days before the date of expiry of validity period of permit. In case any person drives or causes or allows a motor vehicle to be used without any permit, he shall be liable to pay minimum fine of Rs.2,000 for first offence. If any owner of the vehicle has occasion to withdraw the vehicle from use for a particular period, he shall surrender the certificate of registration of the vehicle to the taxation authority and thereupon he shall be exempted from tax for that period.

Test check of records for the period December 2002 to November 2005 and September 2002 to March 2006 of the district transport officers (DTOs) of Kangpokpi and Bishnupur in December 2005 and April 2006 respectively revealed that 119 owners of transport vehicles were granted permits with validity periods up to different dates between March 2002 and March 2006. After expiry of validity periods, the permits were neither got renewed nor the certificates of registration of vehicles were surrendered as a proof of withdrawal of vehicles from use. Hence, the vehicles plied on roads without any permit for which minimum fine of Rs.2.38 lakh was leviable. The DTOs, however, did not initiate any action to collect the penalty from erring vehicles through their enforcement staff.

The matter was reported to Government/department in July 2006; no specific reply has been received (December 2006).

6.7 Non realisation of professional tax

Professional tax amounting to Rs.7.32 lakh was not realised from 732 permit holders.

Under the provisions of the Manipur Professions, Trades, Callings and Employment Taxation Act, 1981, Government of Manipur, by a notification issued in October 2000 appointed district transport officers (DTOs) as additional taxation officers for collection of professional tax in their jurisdiction. Person(s) holding permit(s) for taxies, goods vehicles, trucks, buses and three wheelers were required to pay professional tax at the flat rate of Rs.1,000 per annum to the DTOs who shall deposit the same into Government account.

Mention was made in Audit Reports for the years 2002-03 and 2003-04 regarding non realisation of professional tax by the DTOs. Further test check of records of DTOs, Kangpokpi and Imphal West in December 2005 and January – February 2006 revealed that 732 permits were issued during the period April 2002 to December 2005 in respect of various vehicles. Professional tax of Rs.7.32 lakh (DTO, Kangpokpi: Rs.1.97 lakh and DTO, Imphal West: Rs.5.35 lakh) was, however, not collected from the permit holders of these vehicles. This resulted in non realisation of professional tax of Rs.7.32 lakh.

The matter was reported to the department/Government in August and December 2006; their reply had not been received (December 2006).

6.8 Non realisation of road tax

Road tax and penalty of Rs.3.43 lakh in respect of 41 vehicles was not realised resulting in non realisation of Government revenue.

Manipur Motor Vehicles Taxation Act, 1989 provides that there shall be levied and collected on all motor vehicles used or kept for use in Manipur, a tax in advance, at the prescribed rate as specified in the Act. In case of default, the vehicle owner shall be punishable with fine which may extend to a sum equal to the annual tax payable and when any person without reasonable cause fails to pay tax, the registering authority shall proceed to recover such tax, including such penalty as arrears of land revenue.

Test check of records of the DTO, Kangpokpi in December 2005 revealed that road tax and penalty amounting to Rs.3.43 lakh (tax: Rs.2.48 lakh and penalty: Rs.0.95 lakh) for periods ranging from nine months to five years leviable on owners of 41 vehicles was not realised till the date of audit (December 2005). This was mainly due to lack of proper monitoring and non issue of demand notices in time to the defaulters. This resulted in non realisation of tax and penalty amounting to Rs.3.43 lakh.

After this was pointed out, Government stated in September 2006 that demand notices had been served to the owners of the vehicles to clear the tax due. Information on realisation of outstanding tax had, however, not been received (December 2006).

TRIBAL DEVELOPMENT DEPARTMENT

6.9 Non deposit of sales tax revenue

Non deposit of sales tax revenue of Rs.65.23 lakh and penalty of Rs.97.85 lakh.

According to Government of Manipur, Finance Department notification dated 15 July 1994, sales tax is required to be deducted at source from the bills of the contractors and deposited into Government account by treasury challan in favour of the Commissioner of Taxes within seven days from the date of deduction and a certificate of deduction of tax at source in the prescribed format furnished to the Commissioner of Taxes. In the event of failure on the part of the drawing and disbursing officer to pay the tax after deduction, he is liable to penalty of one and a half times of the tax in addition to the tax payable.

During audit of the records (March 2004 to September 2005) of the EE, District Council Engineering Cell Wing I, Imphal it was noticed in (October 2005) that Rs.14.44 lakh deducted as sales tax from various contractors between April 2004 and June 2005 was neither taken into the cash book nor credited into Government account by treasury challan in gross violation of the provisions of the Government notification.

After this was pointed out, the EE of the Engineering Cell stated in August 2006 that the amount deducted as sales tax was kept in the accounts of the Engineering Cell and the amount was to be credited after taking approval from Government. The reply is not tenable as deposit of sales tax is mandatory in terms of Government notification.

Further examination also revealed that the Engineering Cell prepared annual accounts in the form of income and expenditure account and balance sheet up to 2002-03 wherein an amount of Rs.50.79 lakh deducted as sales tax was also depicted as lying accumulated without remitting the same into Government account. The copies of accounts of subsequent years could not be produced to audit. Failure to deposit the sales tax amounting to Rs.65.23 lakh (Rs.50.79 lakh + Rs.14.44 lakh) into Government account within the stipulated period, thus, not only led to keeping Government revenue outside the Government accounts but also attracted penalty amounting to Rs.97.85 lakh (Rs.76.19 lakh + Rs.21.66 lakh). The matter was brought to the notice of Government of Manipur in July and August 2006. No comment had been received (December 2006).

CHAPTER VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government Companies and Statutory Corporations

7.1 Introduction

As on 31 March 2006, there were 15 Government Companies (seven working Companies and eight non-working* Companies) and one non-working Statutory Corporation as against the same number of Government Companies and Statutory Corporation as on 31 March 2005 under the control of the State Government. The accounts of the Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 619 (4) of the Companies Act, 1956. The audit arrangement of the Statutory Corporation is shown below:

Table 7.1

Name of the Corporation	Authority for audit by the CAG	Audit arrangement
Manipur State Road Transport Corporation (MSRTC)	Section 33 (2) of the Road Transport Corporations Act, 1950	Sole audit by CAG

7.2 Working Public Sector Undertakings (PSUs)

Investment in working PSUs

7.2.1 As on 31 March 2006, the total investment in seven working Government Companies was Rs.47.39 crore[†] (equity: Rs.28.37 crore; long term loans Rs.19.02 crore) against the total investment of Rs.51.91 crore (equity: Rs.28.32 crore; long term loans[‡]: Rs.23.59 crore) in same number of working Government Companies as on 31 March 2005. The analysis of investment in PSUs is given in the following paragraphs.

Sector-wise investment in working Government Companies and Statutory Corporation.

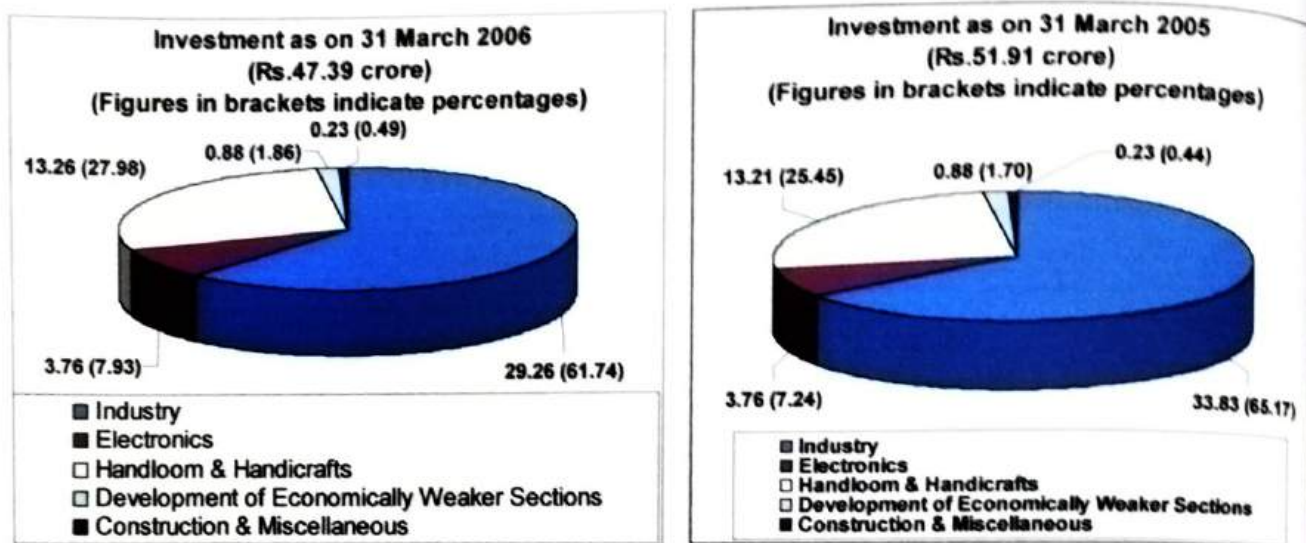
7.2.2 The investment (equity and long term loans) in PSUs in various sectors and percentage thereof at the end of 31 March 2006 and 31 March 2005 are indicated below in the pie charts.

* Non-working Companies are those that are in the process of liquidation/closure/merger, etc.

[†] State Government investment was Rs.24.99 crore (Others: Rs.22.40 crore). Figure as per Finance Account 2005-06 is Rs.34.53 crore, the difference is under reconciliation.

[‡] Long term loans mentioned in paras 7.2.1, 7.2.2, 7.2.3 and 7.8.1 are excluding interest accrued and due on such loans.

Chart 7.1



Working Government Companies

7.2.3 The total investment in working Government Companies at the end of 31 March 2005 and 31 March 2006 was as follows:

Table 7.2

(Rupees in crore)

Year	Number of Government Companies	Investment in working Government Companies		
		Equity	Loan	Total
2004-05	7	28.32	23.59	51.91
2005-06	7	28.37	19.02	47.39

Investment in the current year has decreased over the previous year due to repayment of loans outstanding by the PSUs in the Industry sector.

As on 31 March 2006, the total investment in working Government Companies, comprised 59.86 per cent of equity capital and 40.14 per cent of loans as compared to 54.56 per cent and 45.44 per cent respectively as on 31 March 2005.

The summarised statement of Government investment in working Government Companies in the form of equity and loans is detailed in Appendix 7.1.

7.3 Budgetary outgo, grants/subsidies, guarantees and waiver of dues and conversion of loans into equity

7.3.1 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government Companies are given in Appendices 7.1 and 7.3.

7.3.2 The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government Companies for three years up to 2005-06 are as follows:

Table 7.3

(Rupees in crore)

	2003-04				2004-05				2005-06			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity Capital outgo from budget	3	11.15	-	-	3	0.50	—	—	1	0.05	—	—
Grants/subsidy toward:												
(i) Projects/Programmes/Schemes	—	—	—	—	—	—	—	—	—	—	—	—
(ii) Other subsidy	—	—	—	—	—	—	—	—	—	—	—	—
Total outgo	3	11.15	-	-	3	0.50	—	—	1	0.05	—	—

7.3.3 No information regarding guarantees given by the State Government was received from the Companies (November 2006).

7.4 Finalisation of accounts by working PSUs

7.4.1 The accounts of the Companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The annual accounts along with Auditors' Report and supplementary comments of the Comptroller and Auditor General of India are also to be laid before the Legislature within nine months from the end of financial year under section 619A of the Companies Act, 1956.

7.4.2 It can be seen from *Appendix 7.2*, that out of seven working Government Companies, none has finalised the accounts for the year 2005-06 within the stipulated period. During the period from October 2005 to September 2006, one working Government Company *i.e.* Manipur Film Development Corporation Limited finalised its accounts pertaining to previous year (1991-92).

7.4.3 The accounts of seven working Government Companies were in arrears for periods ranging from nine to 23 years as on 30 September 2006 as per details given below:

Table 7.4

Name of working Government Companies	Year from which accounts are in arrear	Number of years for which accounts are in arrear
Manipur Tribal Development Corporation Ltd.	1983-84 to 2005-06	23
Manipur Handloom & Handicrafts Development Corporation Ltd.	1987-88 to 2005-06	19
Manipur Industrial Development Corporation Ltd.	1990-91 to 2005-06	16
Manipur Film Development Corporation Ltd.	1992-93 to 2005-06	14
Manipur Electronics Development Corporation Ltd.	1996-97 to 2005-06	10
Manipur Police Housing Corporation Ltd.	1996-97 to 2005-06	10
Manipur State Power Development Corporation Ltd.	1997-98 to 2005-06	9

7.4.4 The Administrative Departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the Administrative Departments and officials of the Government were apprised quarterly by Audit regarding arrear in finalisation of accounts, no effective measures have been taken by the Government, and as a result, the net worth of these PSUs could not be assessed in Audit.

7.5 Financial position and working results of working PSUs

7.5.1 The summarised financial results of working PSUs (Government Companies) as per their latest finalised accounts are given in *Appendix 7.2*.

7.5.2 According to the latest finalised accounts of seven working Government Companies, three Companies* had been incurring losses for varying period (indicated against each Company in the footnote) and had incurred an aggregate loss of Rs.23.02 lakh, another three Companies† earned an aggregate profit of Rs.99.88 lakh and one Company i.e. Manipur State Power Development Corporation Ltd. had not commenced commercial activities.

7.6 Working Government Companies

Profit earning working Companies and dividend

7.6.1 None of the three profit earning Companies had finalised its accounts during the year (*Appendix 7.2*).

Loss incurring working Government Companies

7.6.2 The Manipur Handloom and Handicrafts Development Corporation Ltd. had accumulated losses aggregating Rs.1.70 crore (*Appendix 7.2*) which exceeded its paid up capital of Rs.one crore. Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to the Company in the form of equity capital. According to available information, the total financial support so provided by the State Government by way of equity capital during 2005-06 to this Company amounted to Rs.five lakh.

Return on capital employed

7.6.3 As per the latest finalised accounts, the capital employed§ worked out to Rs.16.70 crore in seven working Companies and total return** thereon

* *Manipur Handloom & Handicrafts Development Corporation Ltd.(1986-87), Manipur Tribal Development Corporation Ltd.(1982-83) & Manipur Film Development Corporation Ltd. (1991-92).*

† *Manipur Industrial Development Corporation Ltd., Manipur Electronics Development Corporation Ltd. & Manipur Police Housing Corporation Ltd.*

§ Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

** For calculating total return on capital employed, interest on borrowed funds is added to net profit/ subtracted from the loss as disclosed in the profit and loss account.

amounted to Rs.1.51 crore which was 9.04 *per cent* as compared to total return of Rs.1.48 crore (8.81 *percent*) in the previous year (accounts finalised up to September 2005). The details of capital employed and total return on capital employed in case of working Government Companies are given in Appendix 7.2.

7.7 Reforms in Power Sector

7.7.1 A Memorandum of Agreement (MOA) was signed on 26 July, 2004 between the Union Ministry of Power, and the Department of Power, Government of Manipur as a joint commitment for implementation of reforms programme in power sector with identified milestones. Major milestones of the reforms programme are as under:

Milestone	Achievement
For generation, transmission and distribution of electricity in the State, Corporation to be set up by August 2004 and made fully functional by July 2005.	The progress of implementing power sector reforms was slow and the Corporation has not become operational as of November 2006.
State Government will set up State Electricity Regulatory Commission (SERC)/Joint Electricity Regulatory Commission (JERC) by November 2004 and file tariff petition immediately thereafter.	The State Government intimated (December 2005) that the Central Government had constituted a Joint Electricity Regulatory Commission (JERC) for the States of Manipur and Mizoram on 18 January 2005. However, for want of appointment of Chairperson and Members, the JERC remained non-functional.
State Government will provide full support to the SERC/JERC to enable it to discharge its statutory responsibilities. The tariff orders issued by SERC/JERC will be implemented fully unless stayed or set aside by a court order.	
State Government will ensure timely payment of subsidies required in pursuance of orders on the tariff determined by the SERC/JERC.	
State Government will undertake Energy Audit and Accounting at all levels to promote accountability and reduce Transmission and Distribution losses and bring them to the level of 20 <i>per cent</i> by 2007 and achieve break even in current distribution operation in three years and positive returns thereafter.	For Energy Audit, 731 nos. of electronic energy meters had been purchased for providing at Distribution Sub Stations (11/0.4 KV sub-stations). These meters were yet to be installed (October 2006).
State Government would achieve 100 <i>per cent</i> electrification of villages by 2007 subject to adequate funds being provided by the GOI under PMGY or any other relevant scheme.	The State Government was to complete 100 <i>per cent</i> metering and billing of all consumers by March 2003 but only 1,59,926 consumers (out of 1,74,651) were provided with energy meters (March 2006). Against the target of achieving 100 <i>per cent</i> electrification of villages (2376 villages) by 2007, the State Government could electrify 1939 villages as of July, 2006. Thus, there was shortfall in achievement.

7.8 Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

7.8.1 As on 31 March 2006, the total investment in nine non-working PSUs (eight non-working Government Companies and one non-working Statutory Corporation) was Rs.118.82 crore (equity: Rs.103.47 crore; loans: Rs.15.35 crore) against the same amount of investment in the same number of Government Companies and Statutory Corporation as on 31 March 2005. The classification of non-working Government Companies and Statutory Corporation at the end of March 2006 was as under:

Table 7.5

(Rupees in crore)

Status of non-working PSUs	Number of Companies	Number of Corporation	Investment			
			Companies		Corporation	
			Equity	Loans	Equity	Loans
Under liquidation/closure	8	1	56.97	15.35	46.50	—
Total	8	1	56.97	15.35	46.50	—

7.8.2 The above non-working PSUs which were under liquidation involve substantial investment of Rs.118.82 crore. Effective steps need to be taken for their expeditious liquidation or closure.

Sector-wise investment in non-working Government Companies and Statutory Corporation

7.8.3 The investment (equity and long term loans) in PSUs in various sectors and percentage thereof at the end of 31 March 2006 is indicated below in the pie chart:

Chart No. 7.2

Budgetary outgo, grants/subsidies, guarantees and waiver of dues and conversion of loans into equity to non-working Companies and Statutory Corporation

7.8.4 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working Government Companies and non-working Statutory Corporation are given in *Appendices 7.1 and 7.3*.

Finalisation of accounts by non-working PSUs

7.8.5 During the period from October 2005 to September 2006, two non-working Government Companies (A-1 and 2) and one non-working Statutory Corporation (C-1) finalised five accounts for the previous years (*Appendix 7.2*).

7.8.6 The accounts of eight non-working Government Companies and one non-working Statutory Corporation were in arrear for periods ranging from nine to 22 years as on September 2006 (*Appendix 7.2*).

Financial position and working results of non working PSUs

7.8.7 The summarised financial results of non-working PSUs as per their latest finalised accounts are given in *Appendix 7.2*. Statement showing financial position and working results of the non-working Statutory Corporation for the latest three years for which accounts are finalised are given in *Appendices 7.4 and 7.5* respectively.

The summarised details of paid-up capital, net worth, cash loss and accumulated loss of non-working PSUs as per their latest finalised accounts are given below:

Table 7.6

(Rupees in crore)

Particular of Companies/Corporation	Paid-up capital	Net worth ^{††}	Cash loss	Accumulated loss
Non-working Companies	6.05	0.49	NA	5.54
Non-working Statutory Corporation	22.82	(-) 1.80	NA	24.62
Total	28.87	(-) 1.31		30.16

Operational performance of non-working Statutory Corporation

7.8.8 The operational performance of Manipur State Road Transport Corporation is given in *Appendix 7.6*.

7.9 Status of placement of Separate Audit Reports of Statutory Corporation in Legislature

7.9.1 Separate Audit Report on the accounts of the Manipur State Road Transport Corporation for the year 1994-95 along with Audit Certificate had

^{††} Net worth represents paid-up capital plus free reserves less accumulated losses.

been sent to the State Government in August 2006. The Audit Report had not been placed (December 2006) in the State Legislature.

7.10 Results of audit by Comptroller and Auditor General of India

7.10.1 During the period from October 2005 to September 2006, the audit of accounts of one Government Company and one non-working Statutory Corporation were selected for audit. The net impact of the important audit observations as a result of audit of accounts of these PSUS was as follows:

Table 7.7

Details	Number of accounts			Amount (Rupees in lakh)		
	Govt. Companies		Statutory Corporation	Govt. Companies		Statutory Corporation
	Working	Non-Working	Non-Working	Working	Non-Working	Non-Working
Understatement of loss	—	1	—	—	0.59	—
Overstatement of loss	—	—	1	—	—	24.09

Some of the major errors and omissions noticed in the course of audit of annual accounts of some of the above Government Companies and Statutory Corporation are mentioned below:

Errors and omissions noticed in case of Government Companies

Manipur Pulp & Allied Products Ltd. (1993-94)

7.10.2 Provision of depreciation on barracks @ 25 per cent, instead of 100 per cent has resulted in understatement of loss and overstatement of net block of fixed assets by Rs.0.59 lakh.

Errors and omissions noticed in case of Statutory Corporation

Manipur State Road Transport Corporation (1994-95)

7.10.3 (i) The net loss for the year have been overstated by Rs.24.09 lakh due to excess accountal of expenses (Rs.44.98 lakh) and non provision of expenses (Rs.20.89 lakh).

(ii) Neither the Fixed Assets Register was maintained nor Fixed Assets and Stock physically verified during the year.

(iii) Mode of valuation of closing stock has not been disclosed.

(iv) Age-wise/party-wise analysis of debtors has not been made.

7.11 Internal Audit/Internal Control

7.11.1 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the Companies audited by them in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. Accordingly, the Statutory Auditors observed deficiencies in respect of internal audit system in case of two Companies. A resume of major recommendations/comments made by Statutory Auditors is as follows:

7.11.2 Manipur Handloom & Handicrafts Development Corporation Ltd. had no internal control procedure for purchase of stores, raw materials *etc.*

7.11.3 Manipur Cement Limited had no adequate internal control procedure in respect of the purchase of stores of raw materials, stores including components, plant and machinery, equipment and other assets.

7.12 Recommendations for closure of PSUs

7.12.1 One Government Company (Manipur Handloom & Handicrafts Development Corporation Limited) had been incurring losses for more than five consecutive years (as per its latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of the above Company or consider its closure.

7.13 Response to inspection reports, draft paras and reviews

7.13.1 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned administrative departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through the respective heads of departments within a period of six weeks. Inspection reports issued up to March 2006 pertaining to 16 PSUs disclosed that 142 paragraphs relating to 29 inspection reports remained outstanding at the end of September 2006. Of these 134 paragraphs relating to 26 inspection reports had not been replied to for more than two to 15 years. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2006 is given in *Appendix 7.7*.

7.13.2 Similarly, draft paragraphs and reviews on the working of Government Companies are forwarded to the Principal Secretary/ Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that replies to one draft paragraph and one performance review forwarded to the various departments during June and August 2006 have not been received so far (December 2006).

7.13.3 It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to inspection reports, draft paragraphs/reviews and Action Taken Notes for recommendations of COPU as per the prescribed time schedule; (b) action is taken to recover loss/outstanding advances/overpayments in a time bound schedule; and (c) the system of responding to audit observations is revamped.

SECTION A
PERFORMANCE AUDIT REVIEW

HOME DEPARTMENT

7.14 Performance Review on Construction Works undertaken by
the Manipur Police Housing Corporation Limited

Highlights

The Company could not complete 206 works out of 561 works targeted to be completed by 31 March 2006.

(Paragraph 7.14.12)

The Company awarded 90 per cent of the works without calling for tenders. 684 works entrusted to the Company for execution during 2001-02 to 2005-06 were irregularly split into 870 works so as to bring the cost of these works within the delegated powers of the Works Advisory Committee and to avoid Calling of open tenders.

(Paragraph 7.14.17)

The Company diverted Rs.21.33 crore as interest free temporary loan to various departments.

(Paragraph 7.14.10)

The Company has not finalised its annual accounts for the last 10 years and also did not maintain site accounts and other vital records of works being executed.

(Paragraphs 7.14.22 & 7.14.23)

Introduction

7.14.1 The Manipur Police Housing Corporation Limited (Company) was incorporated in January 1990 as a wholly owned Government Company under the Companies Act, 1956 with a paid up capital of Rs. two lakh fully subscribed by the State Government. The main objective of the Company is to construct residential and non-residential buildings for the Manipur Police and other Departments/Bodies on behalf of the State/Central Government. The Company charged agency charges at the rate of 12 per cent up to 2004-05 and at the rate of 11.75 per cent from 2005-06 onwards on the estimated cost of the work undertaken. Additional three per cent contingency charges were also charged from the Client Departments including Manipur Police.

Organisation set-up

7.14.2 The Management of the Company is vested in the Board of Directors headed by a Chairman who is the Chief Secretary of the State Government of Manipur. The responsibility for day to day functioning of the Company lies with the Managing Director (who is on deputation from the

State Government) of the Company who is assisted by an Additional Chief Engineer, a Senior Architect, an Architect and four Executive Engineers.

Scope of Audit

7.14.3 The present Performance Audit conducted during April to May 2006 covers an evaluation of overall construction activities undertaken by the Company during the period from 2001-02 to 2005-06.

Audit objectives

7.14.4 The Performance Audit was undertaken with the objective of evaluating and assessing whether:

- All construction works were undertaken and executed economically, efficiently and effectively;
- The material management in the Company was as per codal provisions of CPWD Manual and there was transparency in awarding the works;
- The Company utilised available funds optimally; and
- The Company has an efficient and effective Internal Control, Monitoring and Evaluation System;

Audit criteria

7.14.5 The criteria adopted by Audit for assessing the achievement of audit objectives were:

- Delegation of powers by the Board of Directors to the Works Advisory Committee;
- Manipur Public Works Department schedule of rates;
- Codal provisions of Central Public Works Department Manual;
- Provisions of the Companies Act, 1956;
- Generally accepted financial management principles; and
- Procedure prescribed for monitoring and evaluation.

Audit methodology

7.14.6 The following mix of Audit methodology was adopted for achieving the audit objectives:

- Analysing data and documentary evidence vis-à-vis established audit criteria to arrive at audit findings, conclusions and recommendations.
- Examination of minutes and agenda of Board of Director's (BOD) meetings and analysis of Progress Report submitted to the Board of Directors.
- Examination of cases of purchase of materials and award of construction works to contractors.

- Carrying out user satisfaction survey to ascertain whether client departments were satisfied with the quality of construction undertaken by the Company.
- Issuing questionnaire, holding meetings and discussions with Management to obtain their written response to various audit observations and queries.

Audit findings

7.14.7 The Audit findings as a result of the Performance Audit of construction works undertaken by the Company were reported to the Company/State Government in August 2006 and discussed in the exit conference held on 1 December 2006 which was attended by the Additional Chief Engineer and other officers of the Company. The views expressed by the members have been taken into consideration while finalising the report.

The audit findings are discussed in the succeeding paragraphs:

Fund management

7.14.8 The details of funds received for execution of works, agency charges earned, contingency charges realised, interest earned, funds refunded due to withdrawals of works by the client departments, expenditure incurred against works executed and administrative expenses are given in the Table below:

Table 7.8

(Rupees in lakh)

Year	Funds available		Total	Value of work done			Balance after work expenditures (4-8)	Percentage of works expenditure to the funds available (5+4) × 100	Interest Receipt	Adminis- trative and others expenses	Closing balance (9+11) - 12
	Opening balance	Funds received after refund		Work expd.	Contingency charges	Agency charges					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
2001-02	913.59	153.22	1066.81	294.97	8.85	36.46	340.28	726.53	27.65	49.60	660.17
2002-03	660.17	600.24	1260.41	591.18	17.74	73.07	681.99	578.42	44.56	20.82	105.93
2003-04	493.31	1698.92	2192.23	495.26	14.86	61.21	571.33	1620.90	21.13	98.56	113.60
2004-05	1605.86	2288.54	3894.40	1646.50	49.39	203.51	1899.40	1995.00	40.32	64.63	154.07
2005-06	1905.56	3140.59	5046.15	2241.63	67.25	271.29	2580.17	2465.98	42.10	62.85	214.57
Total:		7881.51		5269.54	158.09	645.54	6073.17			296.46	704.13

Table above shows that availability of funds was not a constraint on the Company. On account of consistent saving during 2001-02 to 2005-06 the opening balance increased from Rs.9.14 crore to Rs.23.14 crore.

During the years 2001-02 to 2005-06 the Company received an amount of Rs.78.82 crore from the client Departments for execution of works. The Company earned interest to the tune of Rs.2.96 crore during the said period. The total funds available with the Company up to 31 March 2006 were Rs.90.92 crore against which it incurred an expenditure including establishment and other charges of Rs.67.77 crore leaving a closing balance of Rs.23.14 crore. Analysis of the funds position revealed following discrepancies and violation of generally accepted financial management principles.

Non-segregation of administrative expenses and works related contingency charges

7.14.9 The outstanding balances of unutilised funds at the end of the year during the period 2001-02 to 2005-06 indicate that the Company failed to promptly complete the various construction works that it had undertaken. As per sound management practices, the Company would have been asked to pay interest earned on deposits made by the client Departments to them in cases where it has not been able to complete the assigned works within the scheduled time frame. But there was no such provision in the contracts entered into with the client departments.

Audit examination also revealed that the Company was not segregating its works related contingency expenditure from the administrative expenses. Therefore, it is very difficult to assess whether the Company has been able to meet its administrative expense out of the administrative charges recovered from the clients.

The Company stated (November 2006) that the administrative charges and expenses thereof were segregated. Audit scrutiny, however, revealed that the Company did not maintain separate accounts for contingency expenditure against the amount received as contingent charges.

Diversion of funds

7.14.10 During the years 2001-02 to 2005-06, the Managing Director without the approval of the BOD diverted project funds of Rs.21.33 crore as interest free temporary loans to user Government Departments like Police, Jail, Home, Sericulture, Chief Election Officer *etc.* out of the total funds of Rs.78.82 crore deposited by the client Departments for execution of works. Out of the total loan amount of Rs.21.33 crore, Rs.17.59 crore was refunded by the borrowing Departments and a balance of Rs.3.74 crore was still outstanding against three borrowing Departments till March 2006 for two to 19 months as per details given below.

Table 7.9

Name of the borrowing department	Period of release of loan	Amount of temporary loan	(Rupees in lakh)	
			Amount refunded up to March 2006	Outstanding loan
Police	November 2004 to March 2006	472.01	103.34	368.67
Sericulture	September 2004 to March 2005	0.91	Nil	0.91
Home	April 2005 to March 2006	4.53	0.08	4.45
Total:		477.45	103.42	374.03

The Company in its reply stated (February 2006) that the temporary loans were extended to the client departments to meet their urgent day to day requirement of funds for want of Letter of Credit (LOC). The reply is not tenable since the Company was not supposed to extend any loan to the Government Departments without approval from its BOD. The loss of interest

on account of loans to various Departments had not been worked out by the Company.

Execution of work

7.14.11 The construction works are being executed by the Company through private contractors registered with the Company by inviting tenders or by awarding works on nomination basis without inviting tenders. The Company has adopted Central Public Works Department Manuals and Codes. While the construction material like cement, steel, bricks *etc* is provided by the Company, plant and machinery and other equipments required for execution of works are to be arranged by the contractors.

Considerable delay in execution of works

7.14.12 The Company had undertaken 684 works worth Rs.87.95 crore during the last five years of which 561^{††} works were targeted to be completed by March 2006. Detailed position of works undertaken is shown in the Table below:

Table 7.10

Year	Balance work of previous year	Number of works allotted during the year	Total	Targeted year of completion	Number of completed works	Number of incomplete works
2001-02	7*	59	66	2001-02	14	52
2002-03	52	14	66	2002-03	33	33
2003-04	33	122	155	2003-04	35	120
2004-05	120	292	412	2004-05	90	322
2005-06	322	67	389	2005-06	183	206
Total:		554			355	

* 7 works are the balance work of 2000-01

As of March 2006, the Company had completed 355 works out of 561 works targeted to be completed, leaving 206 works incomplete and behind schedule. The incomplete works which mostly relate to Family Welfare, Medical and Sericulture Departments were delayed by a period ranging from six months to five years.

Detailed scrutiny of 168 works (Police 67 and other than Police 101 works) on random selection basis revealed that only 59 works (Police 44 and Other than Police 15 works) were completed as of March 2006, of which 12 works were completed well within time and balance 47 works were delayed between one to 22 months as detailed in *Appendix 7.9*.

Further analysis of the Progress Report for the month of February 2006 as submitted to the BOD revealed that out of 206 ongoing works (Police 36 and others 170 works), 33 works with sanctioned cost of Rs.2.80 crore were not taken up as of May 2006 as detailed in *Appendix 7.10*.

^{††} Detail position of works undertaken for the Police Department and other than Police Department is given in *Appendix 7.8*.

In reply, the Company stated (May 2006) that the delay in taking up the works was due to short duration of working season, and volatile law and order situation resulting in frequent blockade of National Highway affecting supply of construction materials. The reply is not acceptable as 206 works were in progress. Further delay in commencing works was also attributable to delay in handing over land sites in time and non holding of regular meetings with client Departments for settling pending matters.

Delay in construction of Police Stations

7.14.13 To enforce effective policing in controlling the adverse law and order conditions in the State, construction of new police stations was taken up under the centrally funded "Modernisation of Police Force" programme. The Police Department entrusted to the Company construction of 46 new police stations in the State during 2001-02 to 2005-06. Most of the proposed police stations were situated in disturbed areas. As on 31 March 2006, the Company was able to complete only 18 police stations, leaving 28 police stations incomplete as tabulated below:

Table 7.11

Year	Balance work of previous year	Works allotted during the year	Total	Targeted year of completion	Number of completed works	Closing Balance of incomplete works
2001-02	—	1	1		Nil	1
2002-03	1	nil	1	2002-03	Nil	1
2003-04	1	7	8	2004-05	Nil	8
2004-05	8	13	21	2004-05	12	9
2005-06	9	25	34	2005-06	6	28
				2006-07		
Total:		46			18	28

Out of 28 incomplete police stations, 14 police stations were scheduled for completion before March 2006. The delay in completion of these 14 works was on account of delay attributable to the contractors. The delay in completion of police stations adversely affected the law and order operations of the Police Department.

Delay in construction of residential building for police personnel

7.14.14 The police personnel below the rank of inspector are entitled to rent free accommodation. The strength of the police force in Manipur has been increasing consistently. Hence, in order to bridge the gap between demand and supply of police quarters/barracks, the State Police Headquarters had undertaken construction of the police quarters/barracks through the Company.

Position of construction of residential buildings undertaken, completed and in progress as on March 2006 is tabulated below:

Table 7.12

Year	Balance work of previous year	Works allotted during the year	Total	Targeted year of completion	Number of completed works	Closing balance of incomplete works
2001-02	-	Nil	Nil	—	Nil	Nil
2002-03	Nil	Nil	Nil	—	Nil	Nil
2003-04	Nil	8	8	2004-2005	2	6
2004-05	6	9	15	2004-2005 2005-2006 2006-2007	9	6
2005-06	6	22	28	2005-2006 2006-2007 2007-2008	1	27
Total:		39			12	27

As of March 2006, 12 buildings out of 39 residential buildings were completed. It was observed that 12 buildings scheduled to be completed by March 2006 were still incomplete. Due to delay in completion of construction of these residential buildings, the gap between demand and supply could not be bridged causing discomfort to police personnel in the State.

Delay in execution of work for want of balance funds from the client Departments

7.14.15 It was noticed in Audit that four client Departments allotted 10 works with sanctioned cost of Rs.6.18 crore for execution by the Company and deposited Rs.1.24 crore with the Company. The balance amount of Rs.4.94 crore was yet (May 2006) to be deposited by the client Departments. The Company incurred expenditure of Rs.1.38 crore on all these works till March 2006. Thereafter these works remained incomplete for want of funds for period ranging between nine to 62 months as tabulated below:

Table 7.13

(Rupees in lakh)

Name of the department	Number of works	Sanctioned amount	Amount deposited	Balance amount yet to be deposited	Expenditure incurred	Period of delay in month
Jail	5	81.83	44.77	37.06	58.10	17
Tourism	1	9.83	6.00	3.83	6.00	67
Labour	2	136.78	34.19	102.59	34.20	9 & 11
Sports	2	389.19	39.36	349.83	39.36	15
Total	10	617.63	124.32	493.31	137.66	

The action taken/initiated by the Company to get the balance funds from the client Department was neither stated nor on record. Further the Company has also not approached the client Departments with revised cost, if any, on account of increase in cost of building material, before restarting works whenever. As a consequence the likelihood of the works being completed appears remote.

Delay in handing over of completed works

7.14.16 Test check of records by Audit revealed that out of 59 completed buildings handed over to the client Departments, eight buildings were handed

over after delay ranging from one to 12 months after completion as detailed in Appendix 7.11.

It was also seen that in three Buildings viz. (i) Construction of one barrack of 40 Security Men (SM) at Saikul Police Station; (ii) Construction of drill shed at MPTS, Pangei; and (iii) Building for Tamenglong Police Station were handed over to the Client Departments without a joint inspection.

Transparency in awarding of work

7.14.17 Functioning of Works Advisory Committee

7.14.17.1 In 1989, the BOD set up a Works Advisory Committee (WAC) and empowered it to award works valuing up to Rs.10 lakh to contractors without calling of tenders. These powers were enhanced to Rs.25 lakh vide BOD meeting of 7 February 2004 without any recorded reasons inspite of the fact that the State PWD and CPWD can award works of value up to Rs.0.50 lakh only without calling of tenders. This is in violation of standard procedures and practices and financial discipline followed across the country. The table below depicts the delegation of powers to various authorities in the Company for award of work.

Table 7.14

Conditions	Financial limit	
	Up to January 2004	February 2004 onwards
Award of work by the Work Advisory Committee (WAC) without calling tenders	Up to Rs.10 lakh	Up to Rs.25 lakh
Award of work on acceptance of the tender by the Chairman of the Company on the recommendations of the tender committee	Above Rs.10 lakh up to Rs.1 crore	Above Rs.25 lakh up to Rs.1 crore
Award of work on acceptance of the tenders by the Board of Directors on the recommendations of the tender committee	Above Rs. 1 crore	Above Rs. 1 crore

7.14.17.2 It was observed by Audit that 684 works entrusted by various Departments to the Company during 2001-02 to 2005-06 were irregularly split into 870 works to bring the value of these works below Rs.10/25 lakh. Out of these 794 works costing Rs.50.47 crore were allotted to the contractors without calling tenders by the WAC as per details given below:

Table 7.15

(Rupees in lakh)

Year	Works awarded on open tender basis	Tender value	Works awarded without calling tenders	Value of Split up works	Total number of split works	Total Tender value	Remarks
2001-02	47	1035.14	28	51.08	75	1086.22	In the case of work awarded without calling for tenders, orders were split up as buildings, toilet blocks, land development, Internal Electrical Installations (IEI) etc.
2002-03	7	71.36	14	40.31	21	111.67	
2003-04	7	508.03	178	832.34	185	1340.37	
2004-05	1	6.84	349	2088.62	350	2095.46	
2005-06	14	1086.02	225	2034.75	239	3120.77	
Total:	76	2707.39	794	5047.10	870	7754.49	

Due to allocation of works without call of tenders there was no competition in rates and transparency, hence, the possibility of preparation of inflated estimates and monopoly of contractors and undue benefit to contractors cannot be ruled out.

7.14.17.3 Further Audit examination of contract documents of four randomly selected work orders revealed that in order to avoid calling of tenders, works were split up to bring their value below Rs.10/25 lakh *i.e.* within the delegated powers of the WAC. The details of these works are as under:

Table 7.16

(Rupees in lakh)

Sl. No.	Name of the work	Estimated cost	Amount of work order	Percentage over Manipur Schedule of rate (SOR)	Works split into numbers	Period of work order	Work awarded to number of contractors
1	Construction of outer security wall of high security prison at Central Jail, Sajiwa	74.30	108.28	45.73 per cent above SOR 1998	6	March 2006	6
2	Construction of prisoners barrack for additional jail at Sajiwa (Block D to H)	41.92	57.98	38 per cent above SOR 1998	5	November 2003	2
3	Construction of GI wire net fencing with iron post from Sanjenthong to Minuthong along the Imphal river Ch.0.00 m to 2575m	65.70	76.87	17 per cent above SOR 2004	6	February 2006	3
4	Construction of maternity and child health centre at Thongju, Canchipur, Imphal	45.23	63.24	39.81 per cent above SOR 1998	3	February and August 2004	1
Total:		227.15	306.37		20		12

Out of the five split up works (at Sl. No.2); four works were awarded to a single contractor at a tender value of Rs.46.40 lakh (Rs.11.60 lakh x 4). Again, in the case of work at Sl. No. 4 the work was split up into three components. The aggregate value of these works was estimated to be Rs.45.23 lakh. All the three works were awarded to a single contractor at a total value of Rs.63.24 lakh. The reasons for not calling tenders for acceptance by the competent authority were not on record.

7.14.17.4 Similarly, the Progress Reports of October 2005 and February 2006 disclosed that in seven cases, the sanctioned amount was reduced to Rs.3.07 crore after deducting 15 per cent (12 per cent agency charges, three per cent contingencies). These were split up into 44 works with a view to keep the value of each order below Rs.25 lakh. These works were awarded to eight contractors without calling for tenders. The details are shown in *Appendix 7.12*. In all the seven instances, there was no record of the basis/criteria adopted by WAC for determining suitability of selected contractors.

7.14.17.5 Thus, there was a strong possibility of unprofessional and unfair practices being adopted by WAC in nominating empanelled registered contractors for executing works up to Rs.25 lakh as no transparent procedure was found on record for empanelling the contractors. This was significant in the light of the fact that 90 per cent of the works valued at Rs.50.47 crore were

awarded during 2001-02 to 2005-06 without calling for tenders. Due to allocation of works without call of tenders there was no competition in rates and transparency. The WAC awarded all the split works to single contractors resulting in monopoly and undue benefit to the contractors. The possibility of estimates being inflated cannot be ruled out. The powers of WAC therefore need to be reviewed and brought in conformity with those of CPWD Manual which the Company has adopted for conducting its operations

The Company stated (November 2006) that each of these works was not a single work consisting of single building but different units. The reply of the Company is not tenable as the works were splitted into 44 different works and awarded to 8 contractors and not to 44 contractors.

Improper booking of expenditure

7.14.18 During the year 2005-06, there were 319 ongoing works of the Police Department out of which 29 works were selected for detailed examination and it was noticed in Audit that the Company reported in the progress report that an expenditure of Rs.1.20 crore had been incurred on three works. The Audit examination, however, revealed that expenditure of only Rs.97 lakh was incurred on these three works. The Company failed to provide to Audit the details of the remaining amount which was shown as spent.

As such, there was a difference of Rs.22.77 lakh between the expenditure shown in the progress report and expenditure actually incurred as per detailed below:

Table 7.17

(Rupees in lakh)

Name of the work	Sanctioned amount	Expenditure as per progress report	Cost of the work			Total	Difference (4-8)
			Payment made to contractor	Contingencies	Agency charges		
(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Construction of Police Station at Moreh under BADP	55.00	55.00	40.82	1.22	5.05	47.09	7.91
-do- Providing IEI in the PS at Moreh	13.00	13.00	No comment			13.00	—
Total	68.00	68.00				60.09	7.91
Construction of 20 SM Barrack with tubular trusses at Chapajang near Ngangkha Lawai (2+2=4 numbers)	31.89	31.89	26.10	0.78	3.23	30.11	1.78
Construction of 30 SM Barrack with tubular trusses and CGI sheet walling at Haorongching Thanga Part-I (3 numbers)	32.90	32.90	17.20	0.52	2.10	19.82	13.08
Grand Total	132.79	132.79			110.02	110.02	22.77

The Company replied (November 2006) that the analysis carried out by the audit in respect of three works cited in the para has left out expenditure made on internal electrical installations (IEI), sanitary provisions etc. The Company, however, produced no record to Audit in support of the expenditure incurred on IEI, sanitary provisions, etc.

Targets and achievements**Non-fixation of physical and financial targets**

7.14.19 The Company has not fixed any annual physical and financial targets to facilitate any benchmarking of its achievements and to assess the reasons for shortfalls, if any. In a reply to an Audit query, the Company confirmed that it was not in a position to assess the number of works to be taken up for a particular year which depended upon request/requisition of works and subsequent deposits received from the client Departments. In the absence of any targets, Audit could not benchmark the performance of the Company. Even after 20 years of its existence, the Company has not been able to assess its annual capacity.

Preparation of defective Estimates of works

7.14.20 The primary objective of preparing an estimate is to enable one to know before hand the estimated expenditure to be incurred on execution of a work. The estimate is the probable cost of a work and is determined theoretically by mathematical calculations based on the plans, drawings and current rates.

A test check by Audit of the estimates including their respective tender documents, technical sanctions, work orders *etc.*, revealed that in three works, 168 extra items of work were sanctioned to regularise the excess expenditure over tender value without revising the estimated cost. Details are given as under:

Table 7.18**(Rupees in lakh)**

Name of the work	Estimated cost	Tender amount	Amount of extra item	Total	Expenditure incurred	Percentage of extra item over estimated cost
Construction of science block of Moreh College, Moreh under BADP	8.69	12.35	10.24	22.59	23.22	118
Construction of two 20 SM barracks with tubular trusses at Champajang under Ngangkha Lawai	7.17	10.39	4.93	15.32	15.05	69
Construction of two 20 SM barracks with tubular trusses at Champajang under Ngangkha Lawai (by another contractor)	7.17	10.39	0.78	11.17	11.05	11
Total:	23.03	33.13	15.95	49.08	49.32	

It is evident from the above details that the expenditure on the extra items was Rs.15.95 lakh against the tender amount of Rs.33.13 lakh which is 40 *per cent* above the estimated cost. Thus, it appears that the estimates were not prepared on realistic basis as the execution of extra items of work ranged between 11 to 118 *per cent* of the estimate.

Undue benefit to a contractor

7.14.21 The work of "Construction of three 30 SM barracks with tubular trusses and CGI sheets walling at Haorengchingang, Thanga Part I" with an estimated cost of Rs.16.02 lakh (for three barracks) was technically sanctioned (29 March 2004) for Rs.23.92 lakh (based on MSR1998 plus 45 *per cent* cost index plus three *per cent* contingencies). It was awarded to a contractor without calling for tenders in April 2004 at Rs.23.22 lakh (Rs.7.74 lakh x 3) i.e. 45 *per cent* above the estimated cost and stipulated to be completed by May 2005.

The work was commenced in May 2004 and completed in June 2005 at a cost of Rs.17.20 lakh and the payments were made to the contractor in January 2006. It was noticed in audit that during construction the size of the barracks was reduced from 30 SM to 20 SM.

The Company replied (November 2006), that the sites at which the barracks were to be constructed did not have enough space for construction of 30 SM barracks and, hence, 20 SM barracks in place of 30 SM barracks were constructed. The reply is not acceptable, as in such a case the Company should have revised the estimated cost for 20 SM barracks and then awarded the work. The estimated cost for 20 SM barracks would work out to Rs.10.68 lakh (Rs.16.02 lakh ÷ 90 SM x 60 SM) against which the contractor was paid Rs.17.20 lakh which is 61 *per cent* above the estimated cost.

Material Management

7.14.22 As per para 37.4 the CPWD Manual Vol-II, the materials should be purchased only for the work-in-progress and no reserve stock should be kept except with the specific sanction of the competent authority and up to a monetary limit to be prescribed by the competent authority. Further, as per Para-27.2.2.2 of the Manual, Material at Site Account (MAS account) is to be maintained. In the MAS account materials/fittings and full technical details of the accessories are to be clearly indicated to ensure that the same materials/fittings as issued by the department are kept in safe custody at all times and used on the works for which these are issued.

During the course of Audit the following irregularities were noticed:

- The Company has not fixed any reserve stock limit for large quantity of materials like steel, CGI sheet, electrical goods *etc.* Such goods worth Rs.2.84 crore remained in the stock as on 31 March 2006 without being issued to the works.
- No Material at Site Account was maintained by the Company and hence, there was no way to ascertain whether materials issued to the contractors for execution of works were actually used by them for the particular work.

Non-Finalisation of accounts

7.14.23 Every Government Company is required to prepare Annual Accounts to ensure financial accountability to the Legislature. As per provisions in Sections 166, 210, 230 and 619 (B) of the Companies Act, 1956, the accounts of the Government Companies for every financial year are required to be finalised within six months from the end of relevant financial year and laid before the House or both Houses of the State Legislature within three months of the holding of Annual General Meeting as per provisions of Section 619 (A) of the Act, *ibid*. The accounts of the Company were in arrear for the last ten years (1996-97 to 2005-06). The preparation of accounts for 1996-97 has been delayed due to objections raised by the Statutory Auditor on the accounts which could not be settled owing to reluctant attitude of the internal auditor despite several attempts to contact him. As a result, annual accounts of the Company could not be prepared since 1996-97 onwards. Apart from physical and financial performance of the Company remaining completely unreported to the Legislature during the last ten years, non-submission of accounts for such a long period has the inherent risk of frauds and misappropriation.

Internal control

7.14.24 The system of internal control of the Company was deficient with regard to the following:

The Company did not have any accounting manual of its own. In the absence of any laid down rules and regulations of its own, the Company was following the CPWD Manual/Codes as per the decision of the BOD of 1986. The Company, however, did not comply with the codal requirements with regard to maintenance of work abstract, register of works, contractors' ledger, proforma bill/advance payment register and non-preparation of progress reports of completed works, *inter alia*, showing year-wise position of work up to March every year by recording position of works undertaken, works completed, works-in-progress and assets handed over to the client department.

The Company has no internal control system to monitor work-wise day to day expenditure, up-to-date payment to the contractor and issue of materials and various works. Thus, there was a risk of incurring excess expenditure in payment to contractors and excess issue of materials.

Progress Reports being submitted to the BOD did not reflect the position of completed works including the date of completion. Therefore complete picture of the works could not be ascertained.

The Company did not hold monthly meetings with the client Departments to sort out the pending matters in the interest of the expeditious completion of the work. In reply, the Company stated (November 2006) that it was holding monthly meetings with the Police Department.

The Company did not have a system of internal audit.

Monitoring and evaluation

7.14.25 The Managing Director of the Company from time to time monitors the progress of works by conducting field visits to the work sites for speedy completion and improvement in the quality of work. But no records of follow up on such visits were available to assess their impact. Similarly, there was no record of site inspection by the Executive Engineers.

In reply the Company stated (November 2006) that as a part of monitoring the progress of various works, the Managing Director is conducting field visits to the work sites and the recorded findings/observations are followed up by the Engineering Officers in charge of the works. Such follow up action was, however, not on record.

Acknowledgement

7.14.26 Audit acknowledges the co-operation and assistance extended by different levels of officers of the Company/Government at various stages of conducting the performance audit.

Conclusion

7.14.27 The funds were not optimally utilised in construction of buildings. Periodical meetings with the client Departments were not held to sort out any pending issues which contributed to delay in execution of works. The codal requirements as per CPWD Manual in respect of execution of works were not adhered to causing diversion of funds and excess expenditure over deposits. The method of award of work to contractors was also not transparent as 90 per cent of works were awarded without calling for competitive bids. Funds were diverted as temporary loans to the client departments. The Company did not have an accounting manual and a robust internal control system.

Recommendations

- The system of award of works to contractors should be made more transparent. Powers delegated to the WAC should be reviewed and brought at par with the powers as per CPWD Manual.
- Scheme and job wise details of financial and physical progress should be maintained for efficient works management.
- The Company should hold periodical meetings with the client Departments to sort out pending matters in the interest of expeditious completion of work. Results of such interactions should be brought to the notice of the BOD for taking timely remedial action.
- Funds available should be optimally utilised to complete the unfinished jobs and funds should not be diverted without proper sanction from the Board of Directors.
- The Company should expedite finalisation of all its Annual Accounts.
- The Company should prepare its own accounting manual and introduce a system of internal control and internal audit in order to

ensure that short comings in performance of the monitoring system, execution of works *etc.* are brought to the notice of the higher management for taking timely remedial action.

- The Company should professionalise its working and prepare manuals to streamline its working and strengthen its internal control system.
- In respect of works in progress the Company should display information as required under the Right to Information Act.

SECTION B AUDIT PARAGRAPH

STATE PUBLIC SECTOR UNDERTAKINGS

7.15 Delay in finalisation of accounts by State PSUs

Statutory provisions for finalisation of accounts

7.15.1 Every Government Company is required to prepare Financial Accounts to ensure financial accountability to the Legislature. As per provisions of Section 210 (3) read with Section 166 of the Companies Act, 1956, audited accounts of a Company for a financial year should be approved and adopted in the Annual General Meeting (AGM) of the shareholders within six months of the close of that financial year. Further, as per provision of Section 619A (3) of the Act, *ibid*, the State Government should place an Annual Report on the working and affairs of each State Government Company together with a copy of the Auditors' Report and comments thereon as made by the Comptroller and Auditor General of India (CAG), before the State Legislature within three months of its AGM. In the case of the Statutory Corporations, their accounts are to be finalised, audited and presented to the State Legislature as per the provisions of their respective Acts. Section 168 and 210 of the Companies Act, 1956 stipulate stringent measures like punishment and penalty for non-compliance to any of the provisions relating to finalisation of accounts in time. Further, the Administrative Departments concerned are also required to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period.

Procedure for finalisation of annual accounts

7.15.2 The annual accounts prepared by the Company are approved by its Board of Directors under Section 215 (3) of the Companies Act, 1956 and in case of Government Companies these are audited by the Statutory Auditors appointed by the CAG. As per provision of Section 619 (4) of the Companies Act, 1956, the CAG conducts supplementary audit of the accounts of the Government Companies and such accounts along with the comments of the CAG are placed before the AGM of the Company for adoption.

Risk involved due to delay in finalisation of accounts

7.15.3 Keeping of annual accounts is of utmost importance in order to give a true and fair view of the affairs of the PSUs, arrear in accounts do not permit the Government either to assess the exact financial health of the Company or to take any concrete steps towards improving functioning of the PSUs. Besides, delay in finalisation of accounts also open the system to risk of fraud and leakage of public money.

Extent of arrears

7.15.4 Out of 13 Government Companies in the State, none of the Companies had finalised its accounts for the year as on 30 September 2006.

Accounts of all the Companies were in arrear for the periods ranging from nine years to 23 years, as detailed in *Appendix 7.13*.

Reasons for delay in finalisation of accounts, as analysed in Audit, were delay in preparation of accounts by these Companies and completion of audit by the Statutory Auditors, delay in holding of AGMs, labour unrest and factory lockout, etc, as discussed in the succeeding paragraphs.

Delay in holding of Annual General Meetings (AGMs)

7.15.5 The details of time taken in finalisation of their accounts as on 31 March 2005 and holding their AGMs by six test checked Companies for the period of five years (up to latest finalised accounts) are given in *Appendix 7.14*. This Appendix would reveal that the time lag between one AGM and subsequent AGM in respect of these six Companies ranged from 8 to 132 months.

Delay in preparation of accounts

7.15.6 Audit observed that due to shortage of competent and trained manpower in the Accounts Departments/Sections of the Companies, there has been delay in preparation of accounts and audit thereof. Lack of coordination between the Management and Statutory Auditors (SAs) also causes delay in finalising the accounts. Besides, the defaulting Companies have no time-bound programme and specific policies to liquidate the arrear of accounts.

Delay in certification of annual accounts by the Statutory Auditors

7.15.7 The Statutory Auditors (SAs) took seven to 108 months for completion of audit of Companies (*Appendix 7.15*). The delay in completion of internal audit and delay in approval of accounts by the Board of directors resulted in late submission of accounts to the SAs which ultimately resulted in delay in certification of accounts by the SAs. Had the Companies coordinated properly with SAs, such delays could have been avoided.

In the case of Manipur Film Development Corporation Ltd., Audit observed that the accounts for 1990-91 were approved by the Company in July 1993, but due to lack of co-ordination between the Company and SAs, the accounts were submitted to the SAs in November 2001, i.e., after eight years. This has resulted in delay in finalisation accounts of the Company for subsequent years.

Delay in adoption of accounts in the Annual General Meetings of the Shareholders

7.15.8 Section 171 of the Companies Act, 1956 provides that an AGM of a Company may be called by giving not less than 21 days notice in writing or a shorter notice if so consented by all the members entitled to vote. Thus, it would be reasonable for a Government Company to hold its AGM within 30 days of receipt of comments of the CAG.

The date of issue of comments/non review certificate by the CAG and date of holding the AGM for the accounts finalised during the last five years are given

in Appendix 7.16. It could be seen from the appendix that the Companies failed to hold their AGM within 30 days. The delay in holding AGMs went up to 36 months. This adversely affected the clearance of arrear of accounts.

Audit analysis revealed abnormal delay in holding the AGM by two Companies as indicated in the following table:

Name of the Company	Reasons
Manipur Electronics Development Corporation Ltd.	The comments of the CAG on the annual accounts of the Company for 1994-95 were sent to the Company in November 2000, but these were adopted by the AGM in June 2003. This affected finalisation of subsequent years' accounts.
Manipur Tribal Development Corporation Ltd.	The comments of the CAG on the annual accounts of the Company for 1981-82 were issued in July 1994, but these were adopted by the AGM in August 1997 after a lapse of three years. Further, the comments for the year 1982-83 were issued in December 2004, but these are yet to be adopted in the AGM.

Steps taken by the Government for clearance of arrear

7.15.9 The State Government exercises its control over the Companies through the concerned Administrative Departments and Finance Department. The Bureau of Public Enterprises is the nodal agency, which reviews the working of the Companies on behalf of the Finance Department. The State Government was expected to take concrete steps to ensure that the accounts of the Companies were finalised in time. Similarly, the Administrative Departments have to ensure that the accounts are finalised and adopted by the Companies in the Annual General Meeting within the time schedule prescribed in the Companies Act, 1956, but no time bound programme/action plan was framed by the State Government to liquidate the arrear of accounts.

The position of arrear of accounts has been highlighted continuously in Commercial Chapter being included in the Audit Report of Government of Manipur every year.

The concerned Administrative Departments and the management of the Companies were apprised regularly by the Audit regarding huge arrear in finalisation of accounts. Further, the position of arrear was also apprised to the Chief Secretary of the State Government demi-officially from time to time with the request to issue strict instructions to the Government Companies and Corporations to prepare a time bound programme to clear the arrear in accounts. The position of clearance of arrear of accounts did not improve due to follow up action not being taken by the Management of the Companies and the Government.

Assistance provided by Audit for liquidation of arrears

7.15.10 In order to help the Companies in liquidation of the arrear of accounts, SAs were appointed, as a special case for two or more years by the CAG. This advance action had not made any impact on the clearance of arrear and none of the Companies had been able to liquidate the arrears. Besides, in

order to expedite the clearance of pending accounts, the Audit suggested (January 2004) the State Government to take the help of professionals and also offered other required assistance. No such assistance was, however, sought by the Companies till date (December 2006).

Conclusion

The Government Companies did not adhere to the legal provisions of timely preparation of their accounts and there was laxity on the part of the Management of these Companies, which resulted in huge accumulation of the arrear of the accounts and consequently the investment made in these Companies remained outside the purview of audit and their accountability could not be ensured.

The matter was reported to the Government/Companies (June 2006); their replies are awaited (December 2006).



(P.K. Tiwari)

Accountant General (Audit), Manipur

Imphal MAR
The 18 MAY 2007

Countersigned



(Vijayendra N. Kaul)

Comptroller and Auditor General of India

New Delhi
The 22 MAR 2007

APPENDICES

Appendix 1.1
(Referred to in Paragraph 1.1)

Part A

Structure and Form of Government Accounts

Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account

Part I: Consolidated Fund

All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled 'The Consolidated Fund of State' established under Article 266 (1) of the Constitution of India

Part II: Contingency Fund

Contingency Fund of State established under Article 267 (2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittance *etc.* which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature.

PART B

Layout of Finance Accounts

Statement	Layout
Statement No.1	Presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements <i>etc.</i> in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No.2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of the financial year.
Statement No.3	Exhibits the financial results of irrigation works and electricity scheme.
Statement No.4	Gives the summary of the debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.
Statement No.5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, <i>etc.</i>
Statement No.6	Gives the summary of guarantees given by the Government for repayment of loans <i>etc.</i> raised by the statutory corporations, local bodies and other institutions.
Statement No.7	Gives the summary of cash balances and investments made out of such balances.
Statement No.8	Depicts the summary of balances under the Consolidated Fund, Contingency Fund and Public Account as on the last day of the financial year.
Statement No.9	Shows the revenue and expenditure under different heads for the year as a percentage of total revenue/expenditure.
Statement No.10	Indicates the distribution between the charged and voted expenditure incurred during the year.
Statement No.11	Indicates the detailed account of revenue receipts by minor heads.
Statement No.12	Provides accounts of revenue expenditure by minor heads under non-plan and plan separately.
Statement No.13	Depicts the detailed capital expenditure incurred during and to the end of the financial year.
Statement No.14	Shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies, <i>etc.</i> up to the end of the financial year.
Statement No.15	Depicts the capital and other expenditure (other than revenue account) to the end of the current year and the principal sources from which the funds were provided for that expenditure.
Statement No.16	Gives the detailed account of receipts, disbursements and balances under the heads of account relating to debt, Contingency Fund and Public Account.
Statement No.17	Presents the detailed account of debt and other interest bearing obligations of the Government.
Statement No.18	Provides the detailed account of loans and advances given by the Government, the amount of loans repaid during the year, the balances as on the last day of the financial year.
Statement No.19	Gives the details of balances of earmarked funds.

Part C

List of terms used in the Chapter I and basis for their calculation

Terms	Basis for calculation
Rate of Growth (ROG)	$[(\text{Current year amount}/\text{Previous year amount}) - 1] * 100$
Buoyancy of a parameter	ROG of the parameter/GSDP growth
Buoyancy of a parameter (X) with respect of another parameter (Y)	ROG of parameter (X)/ ROG of parameter (Y)
Average interest paid by the State	$\text{Interest Payment}/[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})/2] * 100$
Weighted Interest Rate (I_w)	$I_w = \sum_i I_i W_i$, where I_i is the rate of interest on the i^{th} stock of debt and W_i is the share of i^{th} stock in the total debt stock of the State
Interest spread	GSDP growth – Weighted Interest Rate
Quantum spread	Debt stock* Interest spread
Interest received as <i>per cent</i> to loans outstanding	$\text{Interest Received} [(\text{Opening balance} + \text{Closing balance of Loans and Advances})/2] * 100$
Development Expenditure	Social Services + Economic Services
Revenue deficit	Revenue Receipt – Revenue Expenditure
Fiscal deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts <u>minus</u> all Plan grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the Major Head 2048–Appropriation for Reduction or Avoidance of Debt.

Appendix 1.2

(Referred to in Paragraph 1.4.2)

Sources and Application of funds

2004-05		Sources	(Rupees in crore)	
			2005-06	
1742.75		Revenue receipts		2408.95
0.58		Recoveries of Loans and Advances		0.64
653.61		Increase in Public Debt		101.29
79.28		Net receipts from Public Account		433.89
	21.25	Net effect of Small Savings	276.98	
	108.11	Net effect of Deposits and Advances	436.51	
	(-) 0.59	Net effect of Reserve Funds	8.05	
	12.65	Net effect of Suspense and Miscellaneous transactions	(-) 50.38	
	(-) 62.14	Net effect of Remittance transactions	(-) 237.27	
		Net effect of Contingency Fund transactions		
		Decrease in closing cash balance		
2476.22		Total		2944.77
Application				
1651.19		Revenue expenditure		2004.51
20.27		Lending for development and other purposes		60.59
521.18		Capital expenditure		615.82
—		Net effect of Contingency Fund transactions		—
—		Decrease in overdraft		—
283.58		Increase in closing balance		263.85
2476.22		Total		2944.77

Appendix 1.3

(Referred to in Paragraph 1.7)
Abstract of Receipts and Disbursements for the year 2005-06

(Rupees in crore)

(Rupees in crore)

Receipts			Disbursements					
2004-05		2005-06	2004-05		2005-06			
					Non-Plan	Plan	Total	
Section-A: Revenue								
1742.75	I. Revenue receipts		2408.95	1651.19	I. Revenue expenditure	1592.48	412.03	2004.51
81.39	Tax revenue	95.00		704.27	General Services	721.10	1.78	722.88
				523.23	Social Services	455.69	228.06	683.75
69.75	Non-tax revenue	76.46		324.78	Education, Sports, Art and Culture	303.97	107.92	411.89
				60.61	Health and Family Welfare	65.77	12.64	78.41
287.02	State's share of Union Taxes	342.09		33.45	Water Supply, Sanitation, Housing and Urban Development	55.96	16.88	72.84
				2.10	Information and Broadcasting	1.95	0.48	2.43
425.55	Non-Plan Grants	846.23		42.65	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	6.58	52.73	59.31
				5.51	Labour and Labour Welfare	4.71	1.59	6.30
771.83	Grants for State Plan Schemes	894.27		50.82	Social Welfare and Nutrition	12.96	35.82	48.78
				3.31	Others	3.79	—	3.79
85.43	Grants for Central and Centrally Sponsored Plan Schemes	132.56						
21.72	Grants for Special Schemes for NEC and for other purposes	22.34						
				423.69	Economic Services	415.69	182.19	597.88
				107.07	Agriculture and Allied Activities	92.82	51.52	144.34
				48.83	Rural Development	15.44	43.38	58.82
				9.28	Special Areas Programme	—	17.04	17.04
				34.37	Irrigation and Flood Control	29.68	14.07	43.75
				126.45	Energy	193.28	1.04	194.00
				41.34	Industry and Minerals	28.47	19.03	47.50
				30.58	Transport	44.33	—	44.33
				6.55	Environment, Science and Technology	0.74	8.39	9.13
				19.22	General Economic Services	10.93	27.72	38.65
—	II. Revenue surplus carried over in Section B			91.57	II. Revenue Surplus carried over in Section B			404.44

Section-B: Others							
(-) 515.66	III. Opening Cash balance including Permanent Advances and Cash Balance Investment		(-) 232.06				
	IV. Miscellaneous Capital receipts			521.18	IV. Capital Outlay	(-) 0.16	615.98
							615.82
				14.51	General Services	—	187.74
				258.03	Social Services	0.03	187.74
				70.64	Education, Sports, Art and Culture	—	130.39
				6.07	Health and Family Welfare	—	10.43
				167.43	Water Supply, Sanitation, Housing and Urban Development	0.03	4.55
				1.00	Information and Broadcasting	—	4.55
				8.55	Social Welfare and Nutrition	—	101.36
				4.34	Welfare of Schedule Caste, Schedule Tribes and Other Backward Classes	—	0.01
				—	Others	—	0.01
				248.64	Economic Services	(-) 0.19	8.19
				12.25	Agriculture and Allied Activities	(-) 0.19	2.35
				15.28	Rural Development Programme	—	3.50
				7.97	Special Area Programme	—	3.50
				39.13	Irrigation and Flood Control	—	297.66
				39.26	Energy	—	11.55
				46.65	Industry and Minerals	—	0.18
				87.40	Transport	—	24.11
				0.70	General Economic Services	—	139.16
						—	28.65
						—	15.43
						—	76.06
						—	2.52
	V. Loans and Advances recovered		0.64	20.27	V. Loans and Advances disbursed	0.13	60.46
	From Power Projects				For Power Projects	—	60.59
	From Government Servants	0.33		0.04	To Government Servants	0.13	—
	From others	0.31		20.23	Others	—	0.13
	VI. Revenue Surplus brought down		404.44	—	VI. Revenue deficit brought down		60.46
	VII. Public Debt Receipts		218.11	456.59	VII. Repayment of Public Debt		116.82
	Internal debt other than Ways and Means Advances and Overdrafts	213.05		24.15	Internal debt other than Ways and Means Advances and Overdrafts		18.66
	Net transactions of Ways and Means Advances including Overdraft	—		50.24	Net transactions of Ways and Means Advances including Overdraft		54.83
	Loans and Advances from Central Government	5.06		382.20	Repayment of Loans and Advances to Central Government		43.33

	VIII. Appropriation to Contingency Fund				VIII. Appropriation to Contingency Fund			
	IX. Amount recouped to Contingency Fund				IX. Expenditure from Contingency Fund			
1107.96	X. Public Accounts Receipts		2172.88	1028.67	X. Public Accounts Disbursements			1738.99
164.95	Small Savings and Provident Funds	367.58		143.70	Small Savings and Provident Funds		90.60	
7.40	Reserve Funds	10.36		7.98	Reserve Funds		2.31	
202.95	Suspense and Miscellaneous	225.09		190.30	Suspense and Miscellaneous		275.47	
596.35	Remittances	1052.13		658.49	Remittances		1289.40	
136.31	Deposits and Advances	517.72			Deposits and Advances		81.21	
				(-) 232.08	XI. Closing Cash Balance			(-) 31.79
				4.63	Cash in Treasuries and Local Remittances		4.60	
				(-) 246.14	Deposits with Reserve Bank and other banks		(-) 144.39	
				4.98	Departmental Cash Balance including Permanent Advances		28.96	
				4.45	Cash Balance Investment and investment of earmarked funds		142.62	
3537.39	Total		4972.96	3537.39	Total			4972.96

Appendix 1.4
(Referred to in Paragraph 1.3)

Summarised financial position of the Government of Manipur as on 31 March 2006
(Rupees in crore)

As on 31-03-2005		Liabilities	As on 31-03-2006	
774.58		Internal Debt—		914.14
	597.69	Market loans bearing interest	786.60	
	0.04	Market loans not bearing interest	0.07	
	—	Market Loans Suspense	—	
	8.33	Loans from LIC	8.33	
	—	Loans from GIC	—	
	0.48	Loans from NABARD	8.47	
	113.21	Loans from other institutions	110.67	
	54.83	Ways and Means Advances	—	
	—	Overdrafts from Reserve Bank of India	—	
1480.50		Loans and Advances from Central Government		1442.23
	18.26	Pre 1984-85 Loans	0.06	
	989.85	Non-Plan Loans	1329.39	
	452.79	Loans for State Plan Schemes	90.14	
	3.33	Loans for Central Plan Schemes	3.05	
	10.75	Loans for Centrally Sponsored Plan Schemes	13.69	
	5.52	Loans from Special Plan Schemes	5.90	
	—	Other Ways and Means Advances	—	
	—	Contingency Fund	—	
559.84		Small Savings, Provident Funds etc.		836.82
254.27		Deposits		690.67
12.92		Reserve Funds		20.97
—		Remittances Balances		—
16.83		Suspense and Miscellaneous Balances		—
246.14		Deposits with Reserve Bank and other Banks		144.39
752.16		Surplus on Government account		1156.60
	660.59	Net Surplus as on 31 March	752.16	
	—	Less Deficit of the current year	—	
	91.57	Add surplus of the current year	404.44	
4097.23		Total		5205.82
		Assets		
3954.27		Gross Capital Outlay on Fixed Assets		4570.09
	161.95	Investment in shares of Companies, Corporations, Co-operatives	172.67	
	3792.32	Other Capital Outlay	4397.42	
77.21		Loans and Advances		137.16
	—	Loans for Power Projects	—	
	73.16	Other Development Loans	133.31	
	4.05	Loans to Government servants and Miscellaneous loans	3.85	
2.32		Advances		2.22
49.37		Remittance Balances		286.63
—		Suspense and Miscellaneous Balances		33.55
14.06		Cash		176.17
	4.63	Cash in Treasuries and Local Remittances	4.60	
	4.98	Departmental Cash Balance	28.93	
	—	Permanent Advance	0.02	
	4.45	Cash Balance Investments	142.62	
	—	Investment of earmarked funds	—	
4097.23		Total		5205.82

Appendix 1.5

(Referred to Paragraph 1.3)

Time Series Data on State Government Finances

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
PART A. RECEIPTS					
I. Revenue Receipts	1177	1328	1420	1743	2409
(i) Tax Revenue	51	65	68	81	95
Taxes on Sales, Trade etc.	30	43	46	55	71
State Excise	1	2	3	3	3
Taxes on Vehicles	3	3	3	3	4
Stamps and Registration fees	1	2	2	2	3
Taxes and duties on Electricity	2		E ¹	5	—
Land Revenue	E ²	1	1	1	1
Taxes on Goods and Passengers	E ³	1	1	1	1
Other Taxes and duties on commodities and services					—
Other Taxes	14	13	12	11	12
(ii) Non-Tax Revenue	29	57	50	70	76
(iii) State's share of Union taxes and duties	142	188	241	287	342
Customs	34	47	52	58	67
Union Excise Duties	53	73	75	80	89
Service Tax	3	6	9	15	25
Other Union Taxes and Duties	52	62	105	134	161
(iv) Grants-in-aid from Government of India	955	1018	1061	1305	1896
2. Miscellaneous Capital Receipts	—	—	—	—	—
3. Total revenue and Non-debt capital receipts (1+2)	1177	1328	1420	1743	2409
4. Recoveries of Loans and Advances	E ⁴	E ⁵	E ⁶	1	1
5. Public Debt Receipts	655	1104	877	1110	218
Internal Debt (excluding Ways & Means Advances and Overdrafts)	53	79	350	83	213
Net transactions under Ways and Means Advances and Overdrafts	98	—	E ⁷	—	—
Loans and Advances from Government of India	504	1025	527	1027	5
6. Total receipts in the Consolidated Fund (3+4+5)	1832	2432	2297	2854	2628
7. Contingency Fund Receipts	—	—	—	—	—
8. Public Account receipts	127	699	745	1108	2173
9. Total receipts of the State (6+7+8)	1959	3131	3042	3962	4801
PART B. EXPENDITURE/ DISBURSEMENT					
10. Revenue Expenditure	1338	1415	1464	1651	2004
Plan	199	139	205	255	412
Non Plan	1139	1276	1259	1396	1592
General Services (including Interest Payments)	562	651	626	704	723
Social Services	450	461	466	523	683
Economic Services	326	303	372	424	598
Grants-in-aid and Contributions	—	—	—	—	—

¹ Rs.0.49 crore² Rs.0.40 crore³ Rs.0.44 crore⁴ Rs.0.47 crore⁵ Rs.0.47 crore⁶ Rs.0.48 crore⁷ Repayment is more than Receipt

11. Capital Expenditure	176	161	240	521	616
Plan	177	161	224	520	616
Non Plan	(-) 1	—	16	1	E ⁸
General Services	4	5	9	14	188
Social Services	49	75	97	258	130
Economic Services	123	81	134	249	298
12. Disbursement of Loans and Advances	4	1	2	20	61
13. Total (10+11+12)	1518	1577	1706	2192	2681
14. Repayment of Public Debt	599	1015	787	456	117
Internal Debt (excluding Ways & Means Advances and Overdrafts)	7	2	188	24	19
Net transactions under Ways and Means Advances and Overdrafts	—	435	E ⁹	50	55
Loans and Advances from Government of India	592	578	599	382	43
15. Appropriation to Contingency Fund	—	—	—	—	—
16. Total disbursement out of Consolidated Fund (13+14+15)	2117	2592	2493	2648	2798
17. Contingency Fund disbursements	—	—	—	—	—
18. Public Account disbursements	248	707	737	1028	1739
19. Total disbursement by the State (16+17+18)	2365	3299	3230	3676	4537
PART C. DEFICITS					
20. Revenue Deficit (1-10)	(-) 161	(-) 87	(-) 44	(+) 92	(+) 405
21. Fiscal Deficit (3+4-13)	(-) 340	(-) 249	(-) 286	(-) 448	(-) 271
22. Primary Deficit (21-23)	(-) 149	(+) 6	(-) 71	(-) 182	(-) 33
PART D. OTHER DATA					
23. Interest Payments (included in revenue expenditure)	191	255	215	266	238
24. Financial Assistance to Local Bodies etc.	34	35	33	48	79
25. Ways and Means Advances (days)	—	—	48	54	127
26. Interest on Ways and Means Advances/Overdraft	12	22	5	10	3
27. State Gross Domestic Product (GSDP)	3591	3740	4062	4024	4693
28. Outstanding Debt (year end)	2198	2225	2300	3082	3905
29. Outstanding guarantees (year end)	9	9	22	22	209
30. Maximum amount guaranteed (year end)	215	215	214	214	247
31. Number of incomplete projects	328	328	328	NA	NA
32. Capital blocked in incomplete projects	784	784	784	NA	NA

(Source: Finance Accounts)

NA indicates 'Not Available'

⁸ 16,05,564

⁹ Rs.0.39 crore

APPENDIX 2.1
(Referred to in Paragraph 2.3.1 (i))
Areas in which major savings occurred

Grant/ Appropriation No./ Major Head	Areas in which major savings occurred	Savings (Rupees in crore)
(1)	(2)	(3)
Revenue-Voted		
Grant No.5- Finance Department		
2071	Gratuities	6.57
2071	Family Pension	21.69
2071	Pension to Legislators	7.77
Grant No.8- Public Works Department		
2059	Maintenance and Repairs — Functional Buildings	10.09
3054	State Highways — Road Works	15.54
3054	Road Works — Inter Village Roads	15.60
Grant No.10- Education		
2202	Elementary Education — Government Primary Schools	2.93
2202	Government Colleges and Institutions (Non-Plan)	5.36
2202	Mid-Day Meals (State share)	1.09
2202	Government Colleges and Institutions (Plan)	2.24
Grant No.30- General Economic Services and Planning		
2575	Assistance under Rashtriya Sam Vikas Yojana (RSVY)	7.50
3451	Other Offices — Special Development Fund	18.05
Revenue-Charged		
Appropriation No.2- Interest Payment and Debt Services		
2049	Rural Electrification Corporation	15.48
2049	Interest on Pre-04-05 loans consolidated in terms of TFC recommendation	27.05
2049	Interest on loans for Non-Plan schemes	21.49
Capital-Voted		
Grant No.8- Public Works Department		
4059	Office Buildings — Construction of Non-Residential PAB Buildings	24.19
5054	Road Works — National Highway No.39	8.45
5054	Road Works	14.10
Grant No.22- Public Health Engineering Department		
4215	Rural Water Supply (State Matching Share of ARWS)	6.15
4215	Computerisation Project and under Rajiv Gandhi Drinking Water Mission	15.24
Grant No.23- Power Department		
4801	Accelerated Power Development and Reform Programme (APDRP)	48.17
4801	Rajiv Gandhi Grameen Vidyutikaran Yojana	2.00
4801	Electrification of Villages (PMGY) (Non-ACA)	3.98
4801	Rural Electrification Scheme	4.00
Grant No.39- Sericulture		
4851	Sericulture Industries — Sericulture Project	27.82
Capital-Charged		
Appropriation No.2 – Interest Payment and Debt Services		
6003	Ways and Means Advances from the Reserve Bank of India	154.27
6004	Medium Term Loans	117.56
6004	Pre-04-05 Loans consolidated in terms of TFC recommendation	18.03
6004	Other Ways and Means Advance	200.00

APPENDIX 2.2

(Referred to in Paragraph 2.3.1 (ii))

Grants where expenditure fell short of total provision by more than Rs.1 crore and also by more than 10 per cent of total provision

Sl. No.	Number and name of grant/ appropriation	(Rupees in crore)		
		Total grant/ appropriation	Amount of saving	Percentage to the provision
1	2	3	4	
	Revenue – Voted			
1.	4– Land Revenue, Stamps and Registration and District Administration	32.96	5.75	17.45
2.	8– Public Works Department	154.91	45.77	29.55
3.	27– Election	3.49	2.05	58.74
4.	30– General Economic Services and Planning	50.25	15.75	31.34
5.	36– Minor Irrigation Department	8.54	1.26	14.75
6.	38– Panchayat	9.33	3.27	35.05
7.	40– Irrigation and Flood Control Department	41.52	10.72	25.82
8.	44– Social Welfare	49.07	7.29	14.86
	Total (Revenue – Voted)	350.07	91.86	
	Revenue –Charged			
9.	26– Administration of Justice	3.33	3.33	100
10.	Appropriation No.2- Interest Payment & Debt Services	298.18	60.65	20.34
	Total (Revenue – Charged)	301.51	63.98	
	Capital- Voted			
11.	10– Education	12.81	7.11	55.50
12.	12– Municipal Administration, Housing and Urban Development	20.55	11.30	54.99
13.	15– Food and Civil Supplies	3.04	3.00	98.68
14.	22– Public Health Engineering Department	98.99	13.21	13.34
15.	23– Power Department	99.39	63.01	63.40
16.	30– General Economic Services and Planning	70.00	10.00	14.29
17.	39– Sericulture	42.90	27.82	64.85
18.	44– Social Welfare	12.38	4.19	33.84
	Total (Capital – Voted)	360.06	139.64	
	Capital –Charged			
19.	Appropriation No.2- Interest Payment & Debt Services	684.63	476.91	69.66
	Total (Capital – Charged)	684.63	476.91	
	Grand Total	1696.27	772.39	

APPENDIX 2.3
(Referred to in Paragraph 2.3.3)
Cases where Supplementary provisions were wholly unnecessary

Sl. No.	Number and name of grant/appropriation	Original grant/appropriation	Supplementary grant/appropriation	(Rupees in lakh)	
				Expenditure	Savings
1	2	3	4	5	6
	Revenue-Voted				
1.	2- Council of Ministers	172.73	1.03	162.21	11.55
2.	8- Public Works Department	12813.11	2678.25	10914.66	4576.70
3.	12- Municipal Administration, Housing and Urban Development	1961.66	63.84	1847.83	177.67
4.	36- Minor Irrigation Department	742.60	111.39	728.14	125.85
5.	38- Panchayat	855.20	77.79	605.68	327.31
6.	40- Irrigation & Flood Control Department	3794.92	357.13	3079.68	1072.37
	Total (Revenue-Voted)	20340.22	3289.43	17338.20	6291.45
	Revenue- Charged				
7.	26- Administration of Justice	309.32	24.00	—	333.32
8.	Appropriation No.1 - Governor	138.23	9.00	136.66	10.57
9.	21- Commerce & Industries and Weight & Measure Department	61.27	0.66	34.99	26.94
10.	23- Power Department	5790.34	4149.09	3638.10	6301.33
	Total (Capital-Voted)	5851.61	4149.75	3673.09	6328.27
	Grand Total	26639.38	7472.18	21147.95	12963.61

APPENDIX 2.4

(Referred to in Paragraph 2.3.4)

Cases where supplementary provisions were made in excess of actual requirement resulting in saving exceeding Rs.10 lakh in each case

Sl. No.	Number and name of grant/ appropriation	Original provision	Expenditure	Additional requirement	(Rupees in lakh)	
					Supplementary provision obtained	Saving
1	2	3	4	5	6	7
	Revenue-Voted					
1.	1- State Legislature	1108.74	1198.66	89.92	135.71	
2.	3- Secretariat	2031.63	2331.96	300.33	502.67	45.79
3.	4- Land Revenue, Stamps and Registration and District Administration	2673.09	2721.22	48.13	622.84	202.34
4.	6- Transport	218.83	266.35	47.52	61.29	574.71
5.	7- Police	14823.44	18930.33	4106.89	4234.32	13.77
6.	9- Information and Publicity	202.62	243.02	40.40	50.79	127.43
7.	10- Education	31494.57	35236.55	3741.98	5335.84	10.39
8.	11- Medical, Health and Family Welfare Services	7097.54	7770.18	672.64	767.00	1593.86
9.	14- Development of Tribals and Scheduled Caste	7450.41	8940.35	1489.94	2195.02	94.36
10.	15- Food and Civil Supplies	353.76	481.95	128.19	149.47	705.08
11.	19- Environment and Forest	2735.82	3523.95	788.13	798.71	21.28
12.	23- Power	15112.65	19666.25	4553.60	5397.16	10.58
13.	25- Youth Affairs and Sports	994.42	1177.34	182.92	241.22	843.56
14.	26- Administration of Justice	554.88	604.31	49.43	81.24	58.30
15.	32- Jails	423.27	559.94	136.67	165.16	31.81
16.	34- Rehabilitation	83.61	90.45	6.84	27.28	28.49
17.	41- Art and Culture	1177.14	1207.48	30.34	75.01	20.44
18.	44- Social Welfare	3652.91	4177.69	524.78	1254.09	44.67
19.	45- Tourism	141.85	181.17	39.32	49.82	729.31
20.	46- Science and Technology	457.37	844.11	386.74	433.68	10.50
21.	47- Welfare of Minorities & Other Backward Classes	864.11	894.44	30.33	41.24	46.94
	Total (Revenue-Voted)	93652.66	111047.70	17395.04	22619.56	5224.52
	Capital-Voted					
22.	8- Public Works Department	27453.87	27492.32	38.45	2928.62	2890.17
23.	13- Labour and Employment	120.50	349.83	229.33	241.52	12.19
24.	16- Cooperation	160.48	1162.18	1001.70	1068.27	66.57
25.	17- Agriculture	10.00	240.04	230.04	240.07	10.03
26.	22- Public Health Engineering Department	6240.89	8578.83	2337.94	3658.59	1320.65
27.	36- Minor Irrigation Department	667.00	1564.70	897.70	988.33	90.63
28.	45- Tourism	215.00	252.19	37.19	75.95	38.76
	Total (Capital-Voted)	34867.74	39640.09	4772.35	9201.35	4429.00
	Grand Total	128520.40	150687.79	22167.39	31820.91	9653.52

APPENDIX 2.5
(Referred to in Paragraph 2.3.5)
Statement showing the details of excess over grants/appropriation

Sl. No.	Number and name of grant/ appropriation	Total grants/ appropriation Rs.	Expenditure Rs.	Excess Rs.
1	2	3	4	5
	Revenue-Charged			
1.	8- Public Works Department	9,72,000	15,01,365	5,29,365
	Total (Revenue - Charged)	9,72,000	15,01,365	5,29,365
	Revenue-Voted			
2.	13- Labour and Employment	6,15,84,000	6,29,46,208	13,62,208
3.	16- Cooperation	8,57,83,000	8,99,37,431	41,54,431
4.	17- Agriculture	37,66,58,000	38,40,26,651	73,68,651
5.	18- Animal Husbandry & Veterinary including Dairy Farming	28,74,78,000	28,85,55,751	10,77,751
6.	21- Commerce and Industries and Weights and Measures Department	29,52,11,000	34,99,41,619	5,47,30,619
7.	22- Public Health Engineering Department	36,36,09,000	38,84,38,548	2,48,29,548
8.	24- Vigilance Department	89,65,000	92,75,618	3,10,618
9.	37- Fisheries	12,79,23,000	12,81,42,859	2,19,859
10.	39- Sericulture	13,43,75,000	14,69,96,773	1,26,21,773
11.	43- Horticulture and Soil Conservation	23,82,48,000	24,08,53,640	26,05,640
	Total (Revenue - Voted)	1,97,98,34,000	2,08,91,15,098	10,92,81,098
	Capital-Voted			
12.	9- Information and Publicity	50,000	69,560	19,560
13.	11- Medical, Health & Family Welfare Services	7,37,10,000	7,46,65,364	9,55,364
14.	20- Community Development and ANP, IRDP and NREP	15,00,000	18,12,000	3,12,000
15.	40- Irrigation and Flood Control	1,18,46,24,000	1,24,22,75,246	5,76,51,246
16.	41- Art and Culture	3,46,72,000	3,52,19,009	5,47,009
	Total (Capital-Voted)	1,29,45,56,000	1,35,40,41,179	5,94,85,179
	Grand Total	3,27,53,62,000	3,44,46,57,642	16,92,95,642

APPENDIX 2.6

(Referred to in Paragraph 2.3.6)

Inadequate Supplementary grant/ appropriation resulting in uncovered excess over grants/appropriation exceeding Rs.10 lakh in each case

(Rupees in lakh)

Sl. No.	Number and name of grant/ appropriation	Original provision	Supplementary provision	Total expenditure	Excess
1	2	3	4	5	6
	Revenue-Voted				
1.	13- Labour and Employment	493.52	122.32	629.46	13.62
2.	16- Co-operation	641.46	216.37	899.37	41.54
3.	17- Agriculture	2806.80	959.78	3840.27	73.69
4.	18- Animal Husbandry & Veterinary including Dairy Farming	2087.44	787.34	2885.56	10.78
5.	21- Commerce & Industries and Weights and Measures Department	1938.47	1013.64	3499.42	547.31
6.	22- Public Health Engineering Department	2860.88	775.21	3884.39	248.30
7.	39- Sericulture	1122.05	221.70	1469.97	126.22
8.	43- Horticulture and Soil Conservation	1632.23	750.25	2408.54	26.06
	Total (Revenue-Voted)	13582.85	4846.61	19516.98	1087.52
	Capital-Voted				
9.	40- Irrigation and Flood Control	3550.00	8296.24	12422.75	576.51
	Total (Capital-Voted)	3550.00	8296.24	12422.75	576.51
	Grand Total	17132.85	13142.85	31939.73	1664.03

APPENDIX 2.7

(Referred to in Paragraph 2.3.7)

Cases of persistent saving in excess of Rs.10 lakh in each case and 20 per cent or more of the provision

(Rupees in lakh)

Sl. No.	Number and name of grant	2003-04		2004-05		2005-06	
		Total grant	Total saving (percentage to the total provision)	Total grant	Total saving (percentage to the total provision)	Total grant	Total saving (percentage to the total provision)
1	2	3	4	5	6	7	8
1.	5- Finance Department (Capital-Voted)	46.02	24.76 (54)	40.02	35.52 (88)	40.01	27.41 (69)
2.	10- Education (Capital-Voted)	1800.23	627.36 (35)	7918.22	1678.03 (21)	1281.49	711.46 (56)
3.	15- Food and Civil Supplies (Capital-Voted)	425.58	205.86 (48)	420.01	300.03 (71)	304.01	300.01 (99)
4.	23- Power Department (Capital-Voted)	9194.56	6229.04 (68)	7557.05	3524.94 (47)	9939.43	6301.33 (63)
5.	26- Administration of Justice (Revenue-Charged)	132.03	132.03 (100)	273.96	273.96 (100)	333.32	333.32 (100)
6.	30- General Economic Services and Planning (Revenue-Voted)	3765.65	2512.42 (67)	5170.23	3589.75 (69)	5025.06	1574.70 (31)
7.	37- Fisheries (Capital-Voted)	50.00	50.00 (100)	50.00	50.00 (100)	78.40	39.55 (50)
8.	40- Irrigation and Flood Control Department (Revenue-Voted)	3833.50	1184.81 (31)	3827.00	1341.56 (35)	4152.05	1072.37 (26)
9.	44- Social Welfare (Capital-Voted)	1312.98	829.11 (63)	1717.33	862.36 (50)	1238.13	419.38 (34)

APPENDIX 2.8

(Referred to in Paragraph 2.3.8)

Cases where expenditure exceeded the total provision by Rs.25 lakh or more and by more than 10 per cent of the total provision

(Rupees in lakh)

Sl. No.	Number and name of grant/ appropriation	Total grant/ appropriation	Expenditure	Excess amount	Percentage to the Provision
1	2	3	4	5	6
	Revenue-Voted				
1.	21- Commerce & Industries and Weights and Measures Department	2952.11	3499.42	547.31	18.54
	Total (Revenue-Voted)	2952.11	3499.42	547.31	

APPENDIX 2.9
(Referred to in Paragraph 2.3.9)
Cases of injudicious/unnecessary re-appropriation resulting in excess/saving
by over Rs.50 lakh

(Rupees in lakh)

Sl. No.	Number and name of grant/ appropriation and head of account	Provision (including supplementary)	Re-appropriation	Total grant	Actual expenditure	Saving(-)/ Excess(+)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Appropriation No.2 - Interest Payment and Debt Services					
	2049- Interest Payment - Non-Plan (Charged)					
	01- Interest on Internal Debt					
	200- Interest on Other Internal Debts					
	40- Ways and Means Advances	0.01	(-) 0.01	...	52.19	(+) 52.19
	305- Management of Debt					
	04- Interest Shortfall	12.00	(-) 11.84	0.16	198.84	(+) 198.68
	03- Interest on Small Savings, Provident Funds etc.					
	104- Interest on State Provident Funds					
	12- Interest on State Provident Funds	4338.00	(-) 726.50	3611.50	3861.70	(+) 250.20
	04- Interest on Loans and Advances from Central Government					
	101- Interest on Loans for State/Union Territories Plan Schemes					
	09- Interest on Pre-2004-05 Loans Consolidated in terms of TFC recommendation	...	(+) 2704.67	2704.67	...	(-) 2704.67
	108- Interest on Pre-1984-89 State Plan Consolidated Loans					
	14- Interest on Pre-1984-89 State Plan Consolidated Loans	...	(+) 153.60	153.60	40.50	(-) 113.10
	6004- Loans and Advances from the Central Government					
	02- Loans for State/Union Territory Plan Schemes					
	101- Block Loans					
	03- Pre 2004-05 Loans Consolidated in terms of TFC recommendation	...	(+) 1803.11	1803.11	...	(-) 1803.11
	07- Pre 1984-85 Loans					
	800- Other Loans - 1984-89 State Plan Loans con. In terms of rec. of 9 fin. Comm.					
	03- Interest on Pre-2004-05 Loans Consolidated in terms of TFC recommendation	...	(+) 102.40	102.40	...	(-) 102.40
2.	Grant No.5—Finance Department					
	2071- Pensions and Other Retirement Benefits (Non-Plan)					
	01- Civil					
	101- Superannuation and Retirement Allowances					
	36- Superannuation and Retirement Allowances	8100.00	(-) 597.00	7503.00	9619.93	(+) 2116.93
	111- Pensions to Legislators					
	28- Pensions to Legislators	220.00	(+) 980.00	1200.00	423.03	(-) 776.97
3.	Grant No.8—Public Works Department					
	5054- Capital Outlay on Roads and Bridges (Plan)					
	03- State Highways					
	337- Road Works					
	57- Road Works Hill	676.00	(+) 224.00	900.00	142.49	(-) 757.51

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	04- District and Other Roads					
	800- Other Expenditure					
	37- Inter Village Roads Hill	800.00	(+) 50.00	850.00	495.61	(-) 354.39
	Valley	635.00	(-) 49.00	586.00	1148.66	(+) 562.66
	46- Other District Roads Hill	400.00	(+) 400.00	800.00	206.19	(-) 593.81
	Valley	701.00	(+) 469.00	1170.00	380.31	(-) 789.69
4.	Grant No.10—Education					
	2202- General Education (Plan)					
	01- Elementary Education					
	800- Other Expenditure					
	42- Mid-Day Meals (State Share) Valley	765.00	(+) 95.00	860.00	750.89	(-) 109.11
	03- University and Higher Education					
	104- Assistance to Non-Government Colleges and Institutes					
	05- Assistance to Non-Government Colleges and Institutions Valley	104.00	(-) 2.63	101.37	214.28	(+) 112.91
	2202- General Education (CPS)					
	80- General					
	800- Other Expenditure					
	17- District Institute of Educational Training Valley	595.79	(+) 36.73	632.52	466.48	(-) 166.04
5.	Grant No. 11—Medical, Health and Family Welfare Services					
	2211- Family Welfare (CSS)					
	001- Direction and Administration					
	21- State Family Welfare Bureau — Hill	7.00	(-) 5.00	2.00	81.51	(+) 79.51
	101- Rural Family Welfare Services					
	19- Rural Family Welfare Sub-Centres Hill	100.40	(+) 49.60	150.00	75.83	(-) 74.17
	Valley	300.40	(-) 125.40	175.00	249.20	(+) 74.20
6.	Grant No.14—Development of Tribal and Scheduled Castes					
	2225- Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes (Plan)					
	02- Welfare of Scheduled Tribes					
	001- Direction and Administration					
	01- Direction Valley	118.25	(-) 34.55	83.70	160.71	(+) 77.01
	277- Education					
	06- Education Development Hill	70.00	(+) 29.00	99.00	...	(-) 99.00
	283- Housing					
	02- State Share of Centrally Sponsored Schemes Hill	58.00	(+) 198.00	256.00	...	(-) 256.00
	796- Tribal Area Sub-Plan					
	15- Agriculture Valley	44.58	(-) 12.08	32.50	108.30	(+) 75.80
	22- General Education Hill	24.70	(+) 30.00	54.70	...	(-) 54.70
7.	Grant No.19—Environment and Forest					
	2406- Forestry and Wild Life (CSS)					
	02- Environmental Forestry and Wild Life					
	110- Wild Life Preservation					
	22- Integrated Forest Protection Scheme Valley	0.01	(+) 128.78	128.79	46.19	(-) 82.60
8.	Grant No.20—Community Development and ANP, IRDP and NREP					
	2501- Special Programmes for Rural Development (Plan)					
	01- Integrated Rural Development Programme					
	101- Subsidy to District Rural Development Agencies					

(1)	(2)	(3)	(4)	(5)	(6)	(7)
18-	Swarna Jayanti Sahari Rozgar Yojana (SGSY) Valley	242.36	(-) 93.77	148.59	260.57	(+) 111.98
2505-	Rural Employment (Plan)					
01-	National Programmes					
701-	Jawahar Rozgar Yojana					
08-	Indira Awaaj Yojana (PMGY) Hill	722.00	(+) 91.52	813.52	170.39	(-) 643.13
	Valley	481.34	(-) 100.00	381.34	632.95	(+) 251.61
9.	Grant No.22—Public Health Engineering Department					
4215-	Capital Outlay on Water Supply and Sanitation (Plan)					
01-	Water Supply					
101-	Urban Water Supply					
17-	Water Supply in Other Towns Hill		(+) 150.00	150.00	28.63	(-) 121.37
102-	Rural Water Supply					
13-	Rural Water Supply (PMGY) Hill	425.00	(-) 425.00		81.68	(+) 81.68
	Valley	535.00	(-) 535.00		106.39	(+) 106.39
14-	Rural Water Supply Hill	240.00	(-) 40.00	200.00	707.17	(+) 507.17
15-	Rural Water Supply (State Matching Share of ARWS) Hill		(+) 250.88	250.88		(-) 250.88
	Valley		(+) 364.00	364.00		(-) 364.00
800-	Other Expenditure					
11-	Other Expenditure Valley	31.00	(-) 31.00		106.47	(+) 106.47
12-	Rural Sanitation Services Valley		(+) 55.00	55.00	4.00	(-) 51.00
4215-	Capital Outlay on Water Supply and Sanitation (CPS)					
01-	Water Supply					
101-	Urban Water Supply					
09-	North Eastern Urban Water Supply Scheme Valley	10.00	(-) 10.00		121.28	(+) 121.28
102-	Rural Water Supply					
12-	Augmentation of Water Supply Scheme in Hill Districts (NLCPR) Hill	864.12	(+) 60.88	925.00	300.02	(-) 624.98
13-	Augmentation of Water Supply Scheme in Valley Districts (NLCPR) Valley		(+) 58.86	458.86	167.92	(-) 290.94
10.	Grant No.23—Power Department					
4801-	Capital Outlay on Power Projects (Plan)					
05-	Transmission and Distribution					
799-	Transmission and Distribution System					
03-	132/33 KV Supply System at Jiribam Valley	50.13	(+) 39.87	90.00	35.36	(-) 54.64
89-	132 KV System Valley		(+) 60.00	60.00		(-) 60.00
800-	Other expenditure					
67-	Accelerated Power Development and Reform Programme (APDRP) Hill	20.00	(+) 680.00	700.00		(-) 700.00
	Valley	2297.00	(+) 1820.00	4117.00		(-) 4117.00
06-	Rural Electrification					
800-	Other Expenditure					
20-	Rajiv Gandhi Grameen Vidyutikaran Yojana Hill		(+) 200.00	200.00		(-) 200.00
69-	Rural Electrification Corporation Loan Valley	310.00	(-) 310.00		72.84	(+) 72.84
4801-	Capital Outlay on Power Project (CPS)					
05-	Transmission and Distribution					
799-	Transmission and Distribution System					
02-	Non-Lapsable Central Pool of Resources (NLCPR) Hill	1031.50	(+) 0.25	1031.75	966.24	(-) 65.51

(1)	(2)	(3)	(4)	(5)	(6)	(7)
11.	Grant No.30—General Economic Services and Planning					
	2575— Other Special Areas Programmes (Plan)					
	02— Backward Areas					
	800— Other Expenditure					
	15— Assistance under Rashtriya Sam Vikas Yojana (RSVY) Valley	...	(+) 750.00	750.00	...	(-) 750.00
12.	Grant No.44—Social Welfare					
	2236— Nutrition (Plan)					
	02— Distribution of nutritious food and beverages					
	101— Special Nutrition Programmes					
	30— State Share for Nutrition Programme Valley	...	(+) 465.00	465.00	...	(-) 465.00
	2236— Nutrition (CSS)					
	02— Distribution of nutritious food and beverages					
	101— Special Nutrition Programmes					
	48— Wheat Based Nutrition Programme Valley	388.56	(+) 276.02	664.58	464.98	(-) 199.60
	2235— Social Security and Welfare (CPS)					
	02— Social Welfare					
	101— Welfare of handicapped					
	01— District Disability Rehabilitation Centre (NPRPD Scheme) Valley	97.42	(+) 16.78	114.20	5.36	(-) 108.84
13.	Grant No.45—Tourism					
	5452— Capital Outlay on Tourism (Plan)					
	01— Tourist Infrastructure					
	101— Tourist Centre					
	04— State's Share of Centrally Sponsored Schemes Valley	50.00	(-) 10.00	40.00	116.76	(+) 76.76

APPENDIX 2.10
(Referred to in Paragraph 2.3.10)
Cases where expenditure was incurred without provision

(Rupees in lakh)		
Sl. No.	Number and name of grant/ appropriation and head of account	Actual expenditure
1	2	3
1.	Grant No.4— Land Revenue, Stamps and Registration and District Administration	
	2029— Land Revenue	
	101 — Collection charges	
	24 — Tamenglong District	0.28
	102 — Survey and Settlement operations	
	30 — Ukhrul District	0.16
	2029— Land Revenue	
	104 — Management of Government Estates	
	04 — State Land Use Board (SLUB) Hill	0.71
2.	Grant No.8— Public Works Department	
	2059— Public Works	
	80 — General	
	001— Direction and Administration	
	06 — Deduct Amount transferred to other Major Heads	4.19
	052 — Machinery and Equipment	0.29
	799 — Suspense	
	06 — Deduct Amount transferred to other Heads/Sub-Heads	2.76
	101— Direction and Administration	
	06 — Deduct Amount transferred to other Major heads	4.46
	4059— Capital outlay on Public Works	
	01— Office Buildings	
	101— Construction of General Pool Accommodation	
	73 — Construction of office Buildings/Quarters (ACA) Hill	207.67
	Valley	728.03
	4210— Capital Outlay on Medical and Public Health	
	80 — General	
	329 — District Headquarter	
	21 — District Headquarter Hill	8.33
	5054— Capital outlay on Roads & Bridges	
	03 — State Highways	
	052 — Machinery and Equipment Hill	71.09
	38 — Leasing Finance Valley	343.51
	04 — District and other Roads	
	337 — Road Works Hill	10.86
	48 — Other Road Works	
	800 — Other expenditure Hill	23.10
	50 — Other village Roads Valley	2.78
	05 — Roads	
	101 — Bridges Hill	19.32
	70 — Construction of Bridges (ACA) Valley	170.28

1	2	3
	337 – Road Works	
	72 – Construction of Bridges (ACA)	Hill 995.08
		Valley 1820.04
	5055– Capital outlay on Road Transport	
	050 – Lands and Buildings	
	12 – Construction of Terminal for Bus/Trucks etc.	Hill 14.36
	4552– Capital outlay on North Eastern Areas	
	337 – Road Works	
	15 – NEC Works	Valley 122.02
	4059– Capital outlay on Public Works	
	60 – Other Buildings	
	051 – Construction	
	03 – Construction of Non-Residential PAB Building	Hill 3.68
	5054– Capital outlay on Roads & Bridges	
	04 – District & other Roads	
	800 – Other expenditure	
	12 – Road Works of Central Road Fund	Hill 50.17
	14 – Bridge Works of Central Road Fund	Hill 27.02
	05 – Roads	
	101 – Bridges	
	15 – Construction of Bridge under NLCPR	Hill 115.10
3.	Grant No.10 — Education	
	2202– General Education	
	03 – University and Higher Education	
	105 – Faculty Development Programme	
	27 – Faculty Development Programme	Hill 0.11
	2203– Technical Education	
	112 – Engineering/Technical Colleges and Institutes	
	87 – Engineering College	Hill 80.01
4.	Grant No.11 – Medical, Health & Family Welfare Services	
	2210– Medical and Public Health	
	12 – National Malaria Programme	Hill 14.65
	4210– Capital outlay on Medical & Public Health	
	06 – Public Health	
	101 – Prevention and Control of Diseases	
	07 – Mobile Ophthalmic Unit	Hill 10.00
5.	Grant No.13 – Labour and Employment	
	2230– Labour and Employment	
	01 – Labour	
	101 – Industrial Relations	
	02 – Administration of Labour Laws	Hill 0.93
6.	Grant No.14 – Development of Tribal & Scheduled Castes	
	2225– Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	
	102 – Economic Development	
	05 – Economic Upliftment	Valley 34.00
	277 – Education	
	06 – Education Development	Valley 99.00
	282 – Health	
	13 – Medical & Public Health	Valley 28.00

1	2	3
	283 – Housing	
	02 – State Share of Centrally Sponsored Schemes	Valley 255.98
	796 – Tribal Area Sub-plan	
	18 – Communication	Valley 46.65
	19 – Special Development Programme under proviso to Article 275 (I) of Constitution	Valley 197.37
	21 – Minor Irrigation	Valley 14.50
	22 – General Education	Valley 54.70
	23 – Housing in Tribal Area	Valley 413.79
	26 – Primitive Tribes	Valley 18.00
	29 – Village & Small Industries	Valley 60.21
	800 – Other expenditure	
	04 – District Council	Valley 69.90
7.	Grant No.18 – Animal Husbandry and Veterinary including Dairy Farming	
	2403– Animal Husbandry	
	105 – Piggery Development	
	21 – Regional Pig Seed Production Centre	Hill 0.25
	106 – Other Live Stock Development	
	22 – Regional Pony Development Project	Valley 4.18
8.	Grant No.19 – Environment & Forest	
	2402– Soil and Water Conservation	
	28 – Loktak Development Authority	Hill 21.13
	State Plan Normal	
	2406– Forestry and Wild Life	
	102 – Social and Farm Forestry	
	02 – State share of Centrally Sponsored Scheme (CSS)	Hill 1.23
		Valley 1.63
	109 – Extension and Training	
	800 – Other expenditure	
	47 – 12 th Finance Commission Award	Hill 406.75
	02 – Environmental Forestry and Wild Life	
	110 – Wild Life Preservation	
	02 – 50% State Share of Centrally Sponsored Schemes	Hill 0.32
	10 – Control of Poaching	Valley 3.07
	22 – Integrated Forest Protection Scheme	Hill 30.31
		Valley 0.17
	37 – Yangoupokpi Lokchao Sanctuary	Valley 1.24
	3435– Ecology and Environment	
	04 – Prevention and Control of Pollution	
	104 – Impact Assessment	
	26 – Population Control Board	Hill 1.89
	2552– North Eastern Areas	
	800 – Other expenditure	
	21 – Community BIO – Diversity Conservation Project	Valley 0.02
	28 – Loktak Development Authority	Hill 45.00
	2406– Forestry and Wild Life (CSS)	
	105 – Forest Produce	
	800 – Other expenditure	
	08 – Development of Infrastructure	Valley 41.85

1	2	3
	02 – Environment Forestry and Wild Life	
	110 – Wild Life Preservation Hill	1.97
	13 – Keibul Lamjao National Park Valley	0.10
	19 – Yangoupokpi Lokchao Sanctuary Hill	50.92
	22 – Integrated Forest Protection Scheme Hill	9.00
	23 – Jiri Makru Sanctuary	
9.	Grant No.21 – Commerce & Industries and Weights & Measures Dept.	
	State Plan – Normal	
	2851– Village and Small Industries	
	001 – Direction and Administration Hill	0.15
	01 – Direction	
	4860– Capital Outlay on Consumer Industries	
	01 – Textile	
	119 – Investment in Public Sector & Other Undertakings	
	80 – Manipur Food Industries Corporation Valley	1.25
10.	Grant No.22 – Public Health Engineering Department	
	2215– Water Supply and Sanitation	
	02 – Sewerage and Sanitation	
	799 – Suspense	306.77
	4215– Capital Outlay on Water Supply and Sanitation	
	01 – Water Supply	
	101 – Urban Water Supply	
	05 – Imphal Water Supply Hill	6.26
	102 – Rural Water Supply	
	21 – Scheme under Eleven Finance Commission Hill	0.31
	02 – Sewerage and Sanitation	
	102 – Rural Sanitation Services Valley	7.38
	4215– Capital Outlay on Water Supply and Sanitation (CPS)	
	01 – Water Supply	
	101 – Urban Water Supply	
	10 – Augmentation of Imphal Water Supply (NLCPR)	
	102 – Rural Water Supply Hill	71.10
	02 – Accelerated Rural Water Supply Programme (ARP) Hill	719.11
	11 – Scheme for Five Hills District H/Q (NLCPR) Valley	217.11
	02 – Sewerage and Sanitation	
	102 – Rural Sanitation Services	
	04 – Central Rural Sanitation Programme (CRSP) Hill	0.47
11.	Grant No.23 – Power Department	
	4801– Capital Outlay on Power Projects	
	04 – Diesel/Gas Power Generation	
	799 – Diesel/Gas Power Generation	
	43 – Restoration of Old Power House at Khoupum Valley	5.66
	05 – Transmission and Distribution	
	799 – Transmission and Distribution System	
	03 – 132/33 KV Supply System at Jiribam Hill	16.26
	46 – System improvement Schemes of Greater Imphal	28.52
	86 – Renovation of 33/11 KV Sub-Station at Khoupum Valley	2.40
	06 – Rural Electrification	
	799 – Rural Electrification Schemes	
	14 – Electrification of Village (PMGY) Valley	3.10
	83 – Scheme Under Rural Electrification Corporation Hill	87.02

1	2	3
	800 – Other Expenditure	
	75 – Electrification of Villages (PMGY) (Non-ACA) Valley	21.30
	78 – 78- Additional Central Assistance (ACA) Hill	213.72
	800 – Other Expenditure	
	36 – Meter Relay & Testing Laboratory Hill	0.34
	4552- Capital Outlay on North Eastern Areas	
	01 – Hydel Generation	
	005 – Investigation	
	03 – Investigation Hill	7.63
	06 – Tuivai Hydro Electric Project Valley	2.27
	05 – Transmission and Distribution	
	799 – Transmission and Distribution Supply	
	04 – Augmentation of 132/33 KV Sub-station at Kakching Hill	4.93
12.	Grant No.25 – Youth Affairs and Sports Department	
	4202- Capital Outlay on Education, Sports, Art and Culture	
	03 – Sports and Youth Services Sports Stadium	
	800 – Other Expenditure	
	01 – Schemes Under EFC Award Hill	0.42
13.	Grant No.30 – General Economic Services and Planning	
	3454- Census Surveys and Statistics	
	01 – Census	
	800 – Other Expenditure	
	01 – Economic Census Hill	8.76
	3454- Census Surveys and Statistics	
	01 – Census	
	800 – Other Expenditure	
	01 – Economic Census Hill	5.25
14.	Grant No.36 – Minor Irrigation Department	
	2702- Minor Irrigation (CSS)	
	80 – General	
	800 – Other Expenditure	
	02 – Rationalisation of Minor Irrigation on Statistics Hill	2.80
15.	Grant No.37 – Fisheries	
	State Plan	
	2405- Fisheries	
	101- Inland Fisheries	
	06 – Conservation and Restoration of River Fisheries Hill	0.24
	08 – Inland Capture Fisheries Valley	2.79
16.	Grant No.39 - Sericulture	
	State Plan	
	2851- Village and Small Industries	
	107 – Sericulture Industries	
	12 – Rotating of Fund for Sericulture Project Hill	1.93
17.	Grant No.40 – Irrigation & Flood Control Department	
	State Plan Scheme	
	2701- Major and Medium Irrigation	
	04 – Medium Irrigation Non-Commercial Hill	1.13
	4701- Capital Outlay on Major and Medium Irrigation	
	02 – Major Irrigation – Non Commercial	
	051 – Construction Valley	1887.21
	10 – Khuga Irrigation Project Hill	6.68
	13 – Singda Irrigation Project	

1	2	3
	04 – Medium Irrigation – Non Commercial	
	051 – Construction	
	05 – Dolaithabi River Irrigation Project	Valley 364.73
18.	Grant No.41 – Art and Culture	
	2205– Art & Culture (S.P.)	
	001 – Direction and Administration	
	01 – Direction	0.05
19.	Grant No.43 – Horticulture and Soil Conservation	
	2401– Crop – Husbandry (State Plan – Normal)	
	109 – Extension and Farmers' Training	
	28 – Strengthening of Horticulture Information Unit	Hill 3.74
	119 – Horticulture and Vegetable Crops	
	31 – Vegetable Development Scheme	Hill 5.25
20.	Grant No.44 – Social Welfare	
	State Plan – Normal	
	2235– Social Security and Welfare	
	02 – Social Welfare	
	21 – Social Welfare Office	Hill 35.65
	101 – Welfare of Handicapped	
	09 – Government Deaf and Mute School	Hill 2.86
	11 – Handicapped	Hill 1.49
	37 – District Disability Rehabilitation Centre (NPRPO Scheme)	Hill 0.85
	102 – Child Welfare	
	13 – Museum Cum – Doll House	Hill 2.08
	38 – Incentive to Anganwadi Workers & Helper	Hill 20.20
	39 – Nutrition Programme for Adolescent Girls	Hill 15.80
	103 – Women Welfare	
	27 – Women and Children Programme	Hill 5.20
	104 – Welfare of Aged, Infirm and Destitute	
	31 – Welfare of Aged, Infirm & Destitute	Hill 41.14
	32 – Old Age Pension Scheme (NOAPS)	Hill 200.00
	106 – Correctional Services	
	19 – Scheme under SIT Act & Probation of Offenders Act/Juvenile Justice Act	Hill 6.93
	2235– Social Security and Welfare (CSS)	
	02 – Social Welfare	
	102 – Child Welfare	
	10 – Imphal East I ICDS Project	
	11 – Imphal East II ICDS Project	Hill 8.46
		Hill 2.29
	14 – Integrated Child Development Services Schemes	Hill 8.10
	15 – Jiribam ICDS Project	Valley 40.82
	19 – Kasom Khullen ICDS Project	Valley 18.64
	20 – Machi ICDS Project	Hill 22.56
	21 – Mao Maram ICDS Project	Valley 12.56
	27 – Paomata ICDS Project	Valley 5.58
	30 – Purul ICDS Project	Hill 24.31
	32 – Samulamlan ICDS Project	Hill 16.76
	34 – Senapati ICDS Cell	Valley 2.41

1	2	3
	2235 Social Security and Welfare (CPS)	
	02 - Social Welfare	
	101 - Welfare of Handicapped	
	01 - District Disability Rehabilitation Centre (NPRPD Scheme) Hill	31.74
21.	Grant No.45 - Tourism	
	3452 - Tourism (NP)	
	80 - General	
	800 - Other Expenditure	
	02 - Hotel Imphal	0.50
22.	Appropriation No.2 - Interest payment and Debt Services	
	2049 - Interest payments	
	28 - National Bank for Agriculture & Rural Development (NABARD)	36.57
	6003 - Internal Debt of the State Government	
	800 - Other Loans	
	22 - Loans from other Bodies and Authorities	3.33
	6004 - Loans and Advances from the Central Government	
	03 - Loan for Central Plan Schemes	
	800 - Other Loans	
	(i) Strengthening of State Land Use Board (SLUB) Soil Conservation	0.74
	(ii) Loan Assistance under Accelerated Irrigation Benefit Programme - Khuga Multipurpose Project	27.48
	04 - Loans for Central Sponsored Plan Schemes	5.69
	800 - Other Loans	
	03 - Roads of the inter State or Economic importance	1.61
	06 - Credit Co-operatives	9.66
	Inter State Transmission Lines	0.44
	Total	11380.75

APPENDIX 2.11 (Referred to in Paragraph 2.3.11)

Cases where the large savings had not been surrendered by the departments

(Rupees in lakh)				
Sl. No.	Number and name of grant/appropriation	Total grant/ appropriation	Total savings	Amount not surrendered
(1)	(2)	(3)	(4)	(5)
	Revenue-Charged			
1.	Appropriation No.1- Governor	147.23	10.57	10.57
2.	Appropriation No.2 - Interest Payment & Debt Services	29818.39	6064.96	672.37
3.	Appropriation No.3 - Manipur Public Service Commission	138.68	6.27	6.27
4.	1- State Legislature	12.34	4.93	4.37
5.	26- Administration of Justice	333.32	333.32	333.32
	Total (Revenue-Charged)	30449.96	6420.05	1026.90
	Revenue-Voted			
6.	1- State Legislature	1244.45	45.79	45.79
7.	2- Council of Ministers	173.76	11.55	11.55
8.	3- Secretariat	2534.30	202.34	202.34
9.	4- Land Revenue, Stamps and Registration and District Administration	32.95	574.71	574.71
10.	6- Transport	280.12	13.77	13.77
11..	7- Police	19057.76	127.43	127.43
12.	8- Public Works Department	15491.36	4576.70	4576.70
13.	9- Information and Publicity	253.41	10.39	10.39
14.	10- Education	36830.41	1593.86	1593.86
15.	11- Medical, Health and Family Welfare Services	7864.54	94.36	94.36
16..	12- Municipal Administration, Housing and Urban Development	2025.50	177.67	177.67
17.	14- Development of Tribal and Scheduled Castes	9645.43	705.08	675.08
18.	15- Food and Civil Supplies	503.23	21.28	21.28
19.	19- Environment and Forest	3534.53	10.58	10.58
20.	20- Community Development and ANP, IRDP and NREP	7105.14	435.74	44.22
21.	23- Power Department	20509.81	843.56	843.56
22.	25- Youth Affairs and Sports Department	1235.64	58.30	58.30
23.	26- Administration of Justice	636.12	31.81	31.81
24.	27- Election	348.75	205.35	112.20
25.	28- State Excise	727.76	7.69	7.69
26.	29- Sales Tax, Other Taxes/ Duties on Commodities and Services	184.95	5.55	5.55
27.	32- Jails	588.43	28.49	28.49
28.	33- Home Guards	657.82	4.24	4.24
29.	34- Rehabilitation	110.89	20.44	20.44
30.	35- Stationery and Printing	276.80	3.25	3.25
31.	36- Minor Irrigation Department	853.99	125.85	125.85
32.	38- Panchayat	932.99	327.31	327.31
33.	40- Irrigation and Flood Control Department	4152.05	1072.37	1072.37
34.	41- Art and Culture	1252.15	44.67	44.67
35.	44- Social Welfare	4907.00	729.13	729.13
36.	45- Tourism	191.67	10.50	10.50
37.	46- Science and Technology	891.05	46.94	46.94
38.	47- Welfare of Minorities and Other Backward Classes	905.35	10.91	10.91
	Total (Revenue-Voted)	149203.09	12177.79	11663.12

(1)	(2)	(3)	(4)	(5)
	Capital-Voted			
39.	5- Finance Department	40.01	27.41	27.41
40.	7- Police	150.01	2.58	2.57
41.	10- Education	1281.49	711.46	16.21
42.	13- Labour and Employment	362.02	12.19	12.19
43.	15- Food and Civil Supplies	304.01	300.01	300.00
44.	16- Co-operation	1228.75	66.57	66.57
45.	17- Agriculture	250.07	10.03	10.03
46.	21- Commerce & Industries and Weights and Measures Department	61.93	26.94	26.94
47.	22- Public Health Engineering Department	9899.48	1320.65	1320.65
48.	23- Power Department	9939.43	6301.33	6301.33
49.	25- Youth Affairs and Sports Department	229.50	2.33	2.33
50.	30- General Economic Services and Planning	7000.00	1000.00	1000.00
51.	32 Jails	236.51	1.01	1.01
52.	36- Minor Irrigation Department	1655.33	90.63	90.63
53.	37- Fisheries	78.40	39.55	39.55
54.	39- Sericulture	4290.00	2781.77	2781.77
55.	43 Horticulture & Soil Conservation	5.00	4.94	4.94
56.	44- Social Welfare	1238.13	419.38	8.00
57.	45- Tourism	290.95	38.76	33.75
	Total (Capital-Voted)	38541.02	13157.54	12045.88
	Capital - Charged			
58.	26- Administration of Justice	333.32	333.32	333.32
	Total (Capital-Charged)	333.32	333.32	333.32
	Grand Total:	218527.39	32088.70	25069.22

APPENDIX 2.12
(Referred to in Paragraph 2.3.14)
Instances of major variations in recoveries

(Rupees in crore)

Sl. No.	Number and name of grant	Budget estimate	Actual recoveries	Excess (+)/ Savings (-)
1	2	3	4	5
1.	7- Police (Revenue) (Capital)	5.00 —	— —	(-) 5.00 —
2.	8- Public Works Department (Revenue) (Capital)	27.04 5.00	14.69 —	(-) 12.35 (-) 5.00
3.	15- Food and Civil Supplies (Revenue) (Capital)	0.10 3.00	— 0.19	(-) 0.10 (-) 2.81
4.	17- Agriculture (Revenue) (Capital)	— 0.10	— 1	— (-) 0.10
5.	21- Commerce & Industries and Weights and Measures Department (Revenue) (Capital)	— 0.03	— —	— (-) 0.03
6.	22- Public Health Engineering Department (Revenue) (Capital)	10.52 —	9.63 —	(-) 0.89 —
7.	23- Power Department (Revenue) (Capital)	24.25 —	3.38 —	(-) 20.87 —
8.	36- Minor Irrigation Department (Revenue) (Capital)	1.00 —	— —	(-) 1.00 —
9.	40- Irrigation and Flood Control Department (Revenue) (Capital)	4.51 —	0.91 —	(-) 3.60 —
10.	43- Horticulture and Soil Conservation (Revenue) (Capital)	— 0.05	— —	— (-) 0.05
	Total :			
	(Revenue)	72.42	28.61	(-) 43.81
	(Capital)	8.18	0.19	(-) 7.99
	Grand Total (Voted)	80.60	28.80	(-) 51.80

¹ Rs.4,929 only.

Appendix 3.1

(Referred to in Paragraph 3.1.8)

Statement showing the loss of subsidy due to over identification of AAY households from 2002-03 to 2005-06

Number of AAY households identified on the basis of BPL population projected by GOI (1.66 lakh)	Actual number of AAY to be identified on BPL of 1.30 lakh	Over estimation of AAY families	Quantity of AAY rice (MT)		Quantity lifted in excess under AAY Scheme (In MT)	Cost difference between AAY and BPL rice (per MT)	Total cost difference (Rs.)
			Actually lifted	Required to be lifted as per actual identification			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
50,400 ¹	39,468 ²	10,932	46,180.574	38,951.640	7,228.934	Rs.2650 ³	1,91,56,675

¹ April 2002 to July 2005 – 25,500 beneficiaries
August 2005 to March 2006 – 50,400 beneficiaries

² April 2002 to July 2005 – 19,929 beneficiaries
August 2005 to March 2006 – 39,468 beneficiaries

³ Rs.5650-Rs.3000= Rs.2650

Appendix 3.2

(Referred to in Paragraph 3.1.11 (A))

Scope, sample size and survey methodology

A. **Scope and Sample Size:** The Survey covered four years' period i.e. 2002 to 2005. It was conducted only in respect of AAY households who are the poorest of the poor and most vulnerable section of the society. A complete list of AAY beneficiaries along with their addresses was obtained from the Department for selection of the sample. Out of 25,500 AAY households in the State, a simple random sample of 2,013 households was selected covering eight districts. Four districts were selected from the valley region and another four from the hill areas to make the sample more representative.

B. **Survey methodology:** A detailed but simple questionnaire was prepared and issued to the randomly selected beneficiaries requesting them to provide information on the quantity and rate of rice received by them under AAY scheme during the period 2002 to 2005. They were also requested to offer their general comments about the implementation of the scheme in their area. The beneficiaries were requested to return the questionnaire duly completed by post for which a prepaid postal envelop was sent to each beneficiary along with the questionnaire.

Appendix 3.3
(Referred to in Paragraph 3.1.11 (A))
Questionnaire for Antyodaya Anna Yojana

- 1 Name & address of the Head of the Household —
- 2 Number of family members —
- 3 Are you aware that you are a beneficiary under Antyodaya Anna Yojana of the Government —
- 4 Whether Antyodaya Anna Yojana Ration Card has been issued to you, if so please write the No. of the Card —
- 5 What are the benefits received by you under this scheme? —
- 6 Are you receiving Rice under this scheme, if yes, please specify the quantity of Rice received by your household under Antyodaya Anna Yojana during the period from April 2002 to March 2005 in the table below: —

Month**Quantity received****Price/rate per kg.**

(please use your ration card while filling up the above information)

- 7 Please enclose a photocopy of the issue page of the Ration Card, if possible. —
- 8 Please specify the name of Fair Price Shop/Agent from which Rice (under the scheme) is collected by you. —
- 9 Do you find the scheme beneficial? —
- 10 Offer your comments if any about the scheme and its implementation in your area. —

Signature
Date

Appendix 3.4
(Referred to in Paragraph 3.1.15)

Statement of transportation charges incurred by the FCS

Year	Quantity of rice transported to PDCs (In MT)	Transportation charge (In Rupees)
2001-02	2,309.900	6,34,446.00
2002-03	2,217.500	7,07,579.00
2003-04	1,271.300	4,63,673.00
2004-05	2,374.000	9,23,770.00
2005-06	4,400.801	10,84,000.00
Total:	12,573.501	38,13,468.00

Appendix 3.5

(Referred to in Paragraph 3.1.16)

Statement showing distribution of BPL rice below the prescribed scale

Period	No. of beneficiary	Quantity of rice required as per norm of 35 kg. per month per household (MT)	Quantity of rice distributed (MT)	Rice distributed per household (Average) (Kg)
4/02 to 7/05	1,04,500	1,46,300	1,26,310	30.22
8/05 to 1/06	79,600	16,716	10,077	21.10
2/06 to 3/06	80,914	5,664	2343	14.48
Total:		1,68,680	1,38,730	

Appendix 3.6
(Referred to Paragraph 3.1.16)
Statement showing disparity in distribution of BPL rice in the districts (2002-06)

District	Requirement (MT)	Distribution (MT)	Shortfall (MT)	Percentage of shortfall
Tamenglong	7235	2733	4502	62.22
Churachandpur	16144	11972	4172	25.84
Ukhrul	10,273	9661	612	5.96
Imphal West	35,112	30419	4693	13.37
Bishnupur	16,971	14706	2265	13.35
Thoubal	27,913	22370	5543	19.86
Chandel	6894	5078	1816	26.34
Imphal East	29408	26429	2979	10.13
Senapati	18730	15362	3368	17.98
Total	1,68,680	1,38,730		

Appendix 3.7
(Referred to in paragraph 3.1.16)
Statement showing the average issue of BPL rice to the selected districts

District	Year		No. of BPL families	Quantity of rice issued (in quintal)	Prescribed scale (in kg)	Average issue of rice per family per month (in Kgs)
Imphal East	2001-02		26,993	72,979.59	25	22.53
	2002-05		21,683	2,58,154.88	35	33.07
	2005-06	4/2005 to 7/2005	21,683	21,041.11	35	24.26
		8/2005 to 1/2006	16,914	20,877.33	35	20.57
		2/2006 to 3/2006	17,197	4,105.86	35	11.94
Thoubal	2001-02		21,513	19,980.00	25	7.74
	2002-05		17,293	1,74,755.63	35	28.07
	2005-06	4/2005 to 7/2005	17,293	21,299.89	35	30.79
		8/2005 to 1/2006	13,172	23,032.68	35	29.14
		2/2006 to 3/2006	13,392	4,616.80	35	17.24
Chandel	2001-02		5,322	12,872.63	25	20.16
	2002-05		4,272	44,800.52	35	29.13
	2005-06	4/2005 to 7/2005	4,272	5,890.00	35	34.00
		8/2005 to 1/2006	3,247	Nil	35	00.00
		2/2006 to 3/2006	3,300	Nil	35	00.00
Ukhrul	2001-02		7,974	8,619.11	35	9.00
	2002-05		6,364	74,148.00	35	32.36
	2005-06	4/2005 to 7/2005	6,364	8,908.00	35	35.00
		8/2005 to 1/2006	4,851	10,182.00	35	35.00
		2/2006 to 3/2006	4,931	3,368.97	35	34.16

Appendix 3.8
(Referred to in Paragraph 3.1.18)

Statement showing overcharging of beneficiaries

Year	Distribution of BPL rice (in MT)	Amount overcharged @ Rs.60 per MT	Distribution of AAY rice (MT)	Amount overcharged @ Rs.470 per MT
2001-02	23,228.169	13,93,690	1,857.600	8,73,072
2002-03	38,467.653	23,08,059	10,754.583	50,54,654
2003-04	40,998.896	24,59,934	10,619.219	49,91,033
2004-05	33,852.520	20,31,151	10,347.004	48,63,092
2005-06	25,411.786	15,24,707	12,404.912	58,30,309
Total	161,959.024	97,17,541	45,983.318	216,12,160

Appendix 3.9
(Referred to in Paragraph 3.1.19)

Statement showing the extent of overcharging the beneficiaries because of non-transferring of lower interest burden on cash credit account

	APL (Rupees)		BPL (Rupees)		AAY (Rupees)	
	Departmental	Audit	Departmental	Audit	Departmental	Audit
CIP per QTL	830.00	830.00	565.00	565.00	300.00	300.00
Handling charge	0.25	0.25	0.25	0.25	0.25	0.25
Landing cost	830.25	830.25	565.25	565.25	300.25	300.25
Admn charge	25.75	25.75	25.75	25.75	25.75	25.75
	856.00	856.00	591.00	591.00	326.00	326.00
Bank interest ⁴	29.05	22.00	19.80	14.97	10.50	7.95
Ex-Godown Price	885.05	878.00	610.80	605.97	336.50	333.95
Retail marginal profit	10.00	10.00	10.00	10.00	10.00	10.00
Issue rate	895.05	888.00	620.80	615.97	346.50	343.95
Interest charged in excess per MT	70.50		48.30		25.50	
Quantity distributed (MT)						
2001-04	80.00		102,694.718		23,231.402	
2004-06	200.00		59,264.306		22,751.916	
Total	280.00		1,61,959.024		45,983.318	
Excess charged	Rs.19,740.00		Rs.78,22,620.86		Rs.11,72,574.61	

⁴ Bank Interest: As a policy, out of 12.34 per cent per annum of interest charged by SBI on the Cash Credit Account, the department used to pass on 3.50 per cent to the beneficiaries. When SBI lowered the interest rate from 12.34 per cent to 9.35 per cent, the corresponding element passable to the beneficiary should be 2.65 per cent. $(3.50 \times 9.35 / 12.34 = 2.65)$. Interest element included in the issue rate as worked out by the Department without lowering the rate and that as worked out by Audit lowering the rate compare as follows:

	Passable Interest		
	CIP per QTL	Departmental @ 3.5 per cent on CIP	Audit @ 2.65 per cent on CIP
APL	Rs.830	29.05	22.00
BPL	Rs.565	19.80	14.97
AAY	Rs.300	10.50	7.95

Appendix 3.10
(Referred to in Paragraph 3.2.7)
Generation, Purchase, Demand and Supply

Year	Generated by State (in MU)			Free Energy (in MU)	Purchased from Central Sectors (in MU)	Total Energy available (in MU)	Energy Demand (in MU)	Percentage of shortfall
	Diesel	Hydro	Total					
2001-02	0.231	0.406	0.637	67.755	379.555	447.947	643	30
2002-03	3.412	0.165	3.577	65.648	427.184	496.409	708	30
2003-04	4.109	0.173	4.282	59.435	431.074	494.791	780	37
2004-05	1.273	0.160	1.433	74.110	432.072	507.615	857	41
2005-06	1.016	0.076	1.092	68.962	520.986	591.040	857	31

Source: departmental records and 16th Electric Power Survey of India.

Appendix 3.11
(Referred to in paragraph 3.2.7)
Generation of power by heavy fuel based power project

Year	Energy generated (in MU)	Expenditure incurred	Fuel consumption cost	Total	Cost of generation per unit
		(Rupees in lakh)			Rs.
2002-03	3.500	40.26	100.41	140.67	4.02
2003-04	4.074	23.99	116.51	140.50	3.45
2004-05	1.218	28.90	46.86	75.76	6.22
2005-06	0.964	25.59	46.49	72.08	7.48
Total	9.756	118.74	310.27	429.01	

Average cost = $(429.01 \times 10^5 / 9.756 \times 10^6) = \text{Rs.4.40 crore}$

Loss = $(4.40 - 3.15) \times 97,56,000 = \text{Rs.1.22 crore}$

Appendix – 3.12
(Referred to in Paragraph 3.2.13)
Statement showing the position of transmission – distribution loss

Sl.	Item	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Gross generation (MU)	0.6669	3.683	4.367	1.433	1.1214
2.	Auxiliary consumption (MU)	0.0298	0.106	0.085	-	0.0302
3.	Net Generation(1-2)(MU)	0.6371	3.577	4.282	1.433	1.0912
4.	Purchase of energy from (PSUs)(MU)	379.5550	427.1838	431.0744	432.072	520.9862
5.	Free energy from Loktak HE Plant(MU)	67.7553	65.6476	59.4350	74.110	68.9617
6.	Total energy available (3+4+5)(MU)	447.9424	496.4048	494.7914	507.6155	591.0391
7.	Energy sold(MU)	168.716	166.862	165.383	176.5970	188.002
8.	Loss in Transmission and Distribution (6-7)	279.2264	329.5464	329.4080	331.0185	403.04
9.	Percentage of T and D loss	62.30%	60.40%	66.60%	65.21%	68.19%
10.	Permissible loss @ 15.5 per cent	69.43	76.94	76.69	78.68	91.61
11.	Quantity of excess loss(MU) (8-10)	209.80	252.60	252.72	252.33	311.43
12.	Value of excess loss (Rs. in lakh)	2937.20 (209.80 X 14.00)	3536.40 (252.60X 14.00)	4928.00 (252.72X 19.5)	4769.00 (252.33X 18.9)	9810.05 (311.43x31.5)
Average tariff rate per unit		Rs.1.40	Rs.1.40	Rs.1.95	Rs.1.89	Rs.3.15

Total quantity of excess loss = 1278.88 MU

Amount of loss = Rs.259.80 crore

Appendix 3.13

(Referred to in Paragraph 3.2.18)

Statement showing loss due to lower power tariff

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06
Cost of energy purchased	69.08	83.89	108.24	90.87
Expenditure on maintenance	10.99	10.28	5.95	15.33
Staff salary	36.30	36.19	35.17	43.16
Depreciation	39.61	44.26	48.27	49.78
Interest payable/paid on loans	11.75	15.94	16.49	Nil
Total expenditure	167.73	190.56	214.12	199.14
Energy available for sale	355.1708 MU	341.1247 MU	376.9835 MU	591.0391 MU
Cost of power supply per unit	4.72	5.58	5.68	3.73
Average energy tariff per unit	3.15	3.15	3.15	3.15
Difference of rate per unit	1.57	2.43	2.53	0.58
Energy sold in MU	165.645	165.382	176.597	188.002
Loss of revenue (Rs. in crore)	26.00 (165645000X1.57)	40.18 (165382000X2.43)	44.67 (176597000X2.53)	10.90 (188002000 x 0.58)

Total loss = (26.00 + 40.18 + 44.67 + 10.90) = Rs.121.75 crore

Appendix 3.14
(Referred to in Paragraph 3.2.22)
Statement showing excess procurement of stores

(A) Store Division					
Year	Item	Quantity received	Quantity issued	Balance	Value (Rs. in lakh)
2001-02	LT Pin Insulator	33000 Nos.	13856 Nos.	19144 Nos.	5.74
				1135 Kgs.	2.96
2002-03	Tin-coated 100A Fuse	1200 Kgs.	65 Kgs.	519 Kgs.	1.33
	Tin-coated 200A Fuse	1000 Kgs.	481 Kgs.	324 Kgs.	1.21
	Tin-coated 300A Fuse	800 Kgs.	476 Kgs.	7 coils	0.30
	PVC Cables	1000 coils	993 coils		
				Sub-total	11.54
(B) Project Store Division					
2002-03	Disc. Insulators	20000 Nos. (3/03)	14557 Nos. (12/03 to 3/06)	5443 Nos.	19.43
	Tension Hardware fittings	20000 Nos. (3/03)	9161 Nos. (12/03 to 3/06)	10839 Nos.	28.72
				Sub-total	48.15
				Grand total:	59.69

Appendix 3.15

(Referred to in Paragraph 3.2.26)

Statement showing sanctioned strength and men-in-position in some Division

Name of Division	Category of staff	Sanctioned strength	Men-in-position				
			2001-02	2002-03	2003-04	2004-05	2005-06
1. Sub-station Construction Division No.II	SO Grade II	7	10	11	13	13	15
	Asstt. Linesman	36	128	129	130	130	130
Total		43	138	140	143	143	145
2. Ukhru Electrical Division	Head Lineman	5	10	9	9	9	6
	Driver (Light)	1	2	2	2	2	2
	Asst. Meter Reader	3	8	8	8	8	8
	Peon	3	9	9	11	12	12
	Chowkidar	10	15	15	14	14	14
Total		22	44	43	44	45	42
3. Project Store Division	SO Grade I	-	4	6	6	6	6
	LDC	-	4	4	4	3	2
	Peon	-	1	1	1	1	1
	Jugali	-	3	3	3	3	3
	Chowkidar	1	6	6	6	5	4
Total		1	18	20	20	18	16

Appendix 3.16

(Referred to in Paragraph 3.3.12)

Statement showing release of funds and foodgrains to village chiefs

(Rupees in lakh)

Year	Name of block	No. of village Chiefs	Fund released				Foodgrains (Rice) released	
			Amount sanctioned for release	1st instt. 80% or 85%	Final instt. 20% or 15%	Total	Qtls.	Cost
2003-04	Chandel	126	12.20	9.76	2.44	12.20	Nil	-
	Chakpikarong	109	13.71	10.96	2.75	13.71	Nil	-
	Khengjoy	56	6.50	5.20	1.30	6.50	Nil	-
	Machu	65	7.10	5.68	1.42	7.10	Nil	-
	Moreh	82	6.86	5.49	1.37	6.86	Nil	-
	Sub-Total	438	46.37	37.09	9.30	46.37	Nil	-
2004-05	Chandel	129	2.26	1.92	0.34	2.26	1130.70	13.96
	Chakpikarong	176	2.61	2.22	0.39	2.61	1303.70	16.10
	Khengjoy	99	1.42	1.21	0.21	1.42	710.00	8.77
	Machi	65	1.47	1.25	0.22	1.47	737.70	9.11
	Moreh	85	1.35	1.14	0.21	1.35	672.90	8.31
	Sub-Total	554	9.11	7.74	1.37	9.11	4555.00	56.25
Grand Total		992	55.48	44.83	10.65	55.50	4555.00	56.25

Source: Departmental records

Appendix 3.17

(Referred to in Paragraph 3.3.30)
Statement showing funds received under IWDP (Hariyali) during the year
2001-06

(Rupees in lakh)

Year	Number of projects sanctioned	Project cost			Central share to be released (against column No.3)						Central share released	State share released
		Central share	State share	Total	First year @ 15 per cent	Second year @ 30 per cent	Third year @ 30 per cent	Fourth year @ 15 per cent	Fifth year @ 10 per cent	Total		
1	2	3	4	5	6	7	8	9	10	11	12	13
2001-02	1	440.00	40.00	480.00	66.00	132.00	132.00	66.00	44.00	440.00	66.00	6.00
2002-03	6	2447.50	222.50	2670.00	367.13	734.25	734.25	367.13		2202.76	415.61	37.77
2003-04	5	1650.00	150.00	1800.00	247.50	495.00	495.00			1237.50	247.50	22.50
2004-05	7	2200.00	200.00	2400.00	330.00	660.00				990.00	330.00	4.50
2005-06	8	2695.00	245.00	2940.00	404.25					404.25	404.25	NH
Total:	27	9432.50	857.50	10290.00	1414.88	2021.25	1361.25	433.13	44.00	5274.51	1463.36	70.77

Source: Departmental records

Appendix 3.18
(Referred to in Paragraph 3.4.2)
Statement showing details of ICDS Projects and Anganwadi Centre

Sl.	District	Name of Project functioning	Year of sanction	Number of AWC
1	2	3	4	5
			1988-89	198
1.	Bishnupur	Bishnupur (R)	1991-92	186
		Moirang (R)		384
	Sub-total		1985-86	293
2.	Imphal West	Imphal West-I (R)	1983-84	244
		Imphal West-II (R)		537
	Sub-total		1980-81	130
3.	Imphal East	Jiribam (R)	1979-80	261
		Imphal East-I (R)	1995-96	225
		Imphal East-II (R)	1989-90	226
		Imphal City (U)		882
	Sub-total		1982-83	383
4.	Thoubal	Thoubal (R)	1985-86	254
		Kakching (R)		637
	Sub-total		1988-89	207
5.	Churachandpur (H)	Churachandpur (T)	1981-82	81
		Singhat (T)	1989-90	92
		Thanlon (T)	1990-91	66
		Henglep (T)	1995-96	62
		Parbung (T)	1995-96	28
		Samulamlan (T)		536
	Sub-total		1978-89	68
6.	Chandel (H)	Tengnoupal (T)	1986-87	73
		Chandel (T)	1992-93	64
		Chakpikarong (T)	1996-97	58
		Machi (T)		263
	Sub-total		1983-84	57
7.	Senapati (H)	Paomata (T)	1986-87	138
		Mao-Maram (T)	1986-87	184
		Kangpokpi (T)	1992-93	112
		Saikul (T)	1996-97	86
		Purul (T)		577
	Sub-total		1982-83	96
8.	Tamenglong (H)	Nungba (T)	1986-87	80
		Tamenglong (T)	1989-90	61
		Tousem (T)	1994-95	49
		Tamei (T)		286
	Sub-total		1975-76	151
9.	Ukhrul (H)	Ukhrul (T)	1983-84	56
		Phungyar (T)	1988-89	86
		Chingai (T)	1989-90	55
		Kasom Khullen (T)	1993-94	51
		Kamjong (T)		399
	Sub-total			4501
	Grand total:			

Appendix 3.19
(Referred to in paragraph 3.4.23(B))
Expenditure incurred towards construction of roofed balcony.

Sl. No.	Name of Anganwadi centres	Total Plinth area (in sq. ft) as per estimate	Total Plinth area constructed (in sq. ft.)	Shortage of plinth area (in sq. ft.)	Total cost of building	Cost per sq. ft.	Amount spent on roofed balcony (col. 5x7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Yairipok Singa-II	432.00	300.00	132.00	1,25,000	289.35	38,195
2	Chandrakhong	— do —	263.47	168.53	— do —	— do —	48,764
3	Lourembam Old	— do —	307.00	125.00	— do —	— do —	36,169
4	Icham Khunou	— do —	304.42	127.58	— do —	— do —	36,915
5	Khekman Awang	— do —	318.75	113.25	— do —	— do —	32,768
6	Keibung Mathak	— do —	347.66	84.34	— do —	— do —	24,404
7	Keibung Wangmataba	— do —	300.00	132.00	— do —	— do —	38,195
8	Sabaltongba Awang	— do —	296.79	135.21	— do —	— do —	39,123
9	Lilong Chajing Arapti	— do —	266.34	165.66	— do —	— do —	47,934
10	Lilong Yangbi Leikai Mathak	— do —	356.04	75.93	— do —	— do —	21,970
11	Haoreibi Mayai Leikai	— do —	350.03	81.97	— do —	— do —	23,718
12	Kshetri Leikai	— do —	276.00	156.00	— do —	— do —	45,139
13	Nigombam Singam Leikai	— do —	205.40	226.60	— do —	— do —	65,567
14	Keirembi Khok	— do —	258.90	173.10	— do —	— do —	50,086
15	Phundei Heitupokpi	— do —	282.72	149.28	— do —	— do —	43,194
16	Malom	— do —	246.00	186.00	— do —	— do —	53,819
17	Samurou	— do —	395.25	36.75	— do —	— do —	10,634
18	Samurou Sabal Leikai	— do —	276.66	155.23	— do —	— do —	44,948
19	Samurou Maning	— do —	325.00	107.00	— do —	— do —	30,960
20	Landing Cherapur	— do —	376.25	55.75	— do —	— do —	16,131
21	Nepra Company	— do —	288.00	144.00	— do —	— do —	41,666
22	Khangabok Pt-I Maning	— do —	383.00	49.00	— do —	— do —	14,178
23	Wabagai Thingel Yangbi Makhong	— do —	273.60	158.40	— do —	— do —	45,833
24	Kakching Turel Wangma Pt-IV	— do —	281.00	151.00	— do —	— do —	43,692
25	Wangoo Sondangkhong	— do —	327.50	104.50	— do —	— do —	30,237
26	Umathel	— do —	315.00	117.00	— do —	— do —	33,854
27	Langmeidong Manang Awang	— do —	299.00	133.00	— do —	— do —	38,484
28	Kakching Turel Wangma Wd-I	— do —	330.38	101.62	— do —	— do —	29,404
Total							10,25,981

Appendix 4.1

(Referred to in Paragraph 4.4.1)

Cases of abnormal delays in clearing goods from Customs Bonded Warehouse

Invoice Nos.	Period of storage		Storage rent (In Rupees)
2003 - 06601	5.8.03 to 13.11.03	101 days	1,66,795
2003 - 06602	5.8.03 to 13.11.03	101 days	19,208
2003 - 06673	29.7.03 to 18.11.03	113 days	2,73,812
0304 - 07602	18.11.03 to 31.12.03	44 days	3,31,152
0506 - 00511	29.12.04 to 11.4.05	104 days	66,715
0506 - 00512	29.12.04 to 12.4.05	105 days	13,687
0506 - 00513	28.12.04 to 15.4.05	109 days	1,19,490
0506 - 0544	2.11.04 to 26.4.05	176 days	73,43,861
1/1455/05-05 dated 1.4.05*	4.11.04 to 11.4.05	159 days	66,55,260
2656 dated 11.4.05*	28.12.04 to 11.4.05	105 days	1,94,878
Total :			1,51,84,858

* Estimated bills

Appendix 4.2

(Referred to in Paragraph 4.5)

List of cheques fraudulently drawn

Sl. No.	Cheque No.	Amount	Date of payment (No. of Yrs.)
-1-	-2-	-3-	-4-
1	C840824/008409	24,000	30.3.05 (1)
2	C840825/008409	25,000	30.3.05 (1)
3	C840845/008409	27,000	30.3.05 (1)
4	C840846/008409	15,000	30.3.05 (1)
5	C840850/008409	15,000	30.3.05 (1)
6	C840852/008409	25,000	30.3.05 (1)
7	C840853/008409	25,000	30.3.05 (1)
8	C840854/008409	50,000	30.3.05 (2)
9	C840856/008409	30,000	30.3.05 (1)
10	C840858/008409	34,000	30.3.05 (1)
11	C840862/008409	39,000	30.3.05 (1)
12	C840863/008409	3,00,000	30.3.05 (1)
13	C840864/008409	1,50,000	30.3.05 (1)
14	C840869/008409	45,000	31.3.05 (1)
15	C840870/008409	20,000	31.3.05 (1)
16	C840877/008409	33,000	31.3.05 (1)
17	C840882/008409	1,20,000	31.3.05 (1)
18	C840883/008409	20,000	31.3.05 (1)
19	C840898/008409	28,000	31.3.05 (2)
20	C847202/008473	25,000	31.3.05 (1)
21	C847203/008473	30,000	31.3.05 (1)
22	C847205/008473	20,000	31.3.05 (1)
23	C847209/008473	30,000	31.3.05 (1)
24	C847212/008473	20,000	31.3.05 (1)
25	C847213/008473	20,000	31.3.05 (1)
26	C847214/008473	20,000	31.3.05 (1)
27	C847216/008473	1,00,000	31.3.05 (1)
28	C847217/008473	30,000	31.3.05 (1)
29	C847218/008473	30,000	31.3.05 (1)
30	C847219/008473	16,000	31.3.05 (1)
31	C847224/008473	25,000	31.3.05 (1)
32	C847229/008473	50,000	31.3.05 (1)
33	C847235/008473	25,000	31.3.05 (1)
34	C847237/008473	25,000	31.3.05 (1)
35	C847238/008473	30,000	31.3.05 (1)
36	C847240/008473	30,000	31.3.05 (1)
37	C847246/008473	15,000	31.3.05 (1)
38	C847247/008473	30,000	31.3.05 (1)
39	C847253/008473	3,30,000	31.3.05 (1)
40	C847259/008473	20,000	31.3.05 (1)
41	C847261/008473	20,000	31.3.05 (1)
42	C847270/008473	25,000	31.3.05 (1)
43	C847272/008473	10,000	31.3.05 (1)
44	C847283/008473	13,000	31.3.05 (1)

-1-	-2-	-3-	-4-
			31.3.05 (1)
45	C847284/008473	30,000	31.3.05 (1)
46	C847289/008473	37,785	31.3.05 (2)
47	C847292/008473	40,000	31.3.05 (1)
48	C847293/008473	30,000	31.3.05 (1)
49	C847294/008473	25,000	31.3.05 (1)
50	C847297/008473	20,000	31.3.05 (1)
51	C847300/008473	20,000	31.3.05 (3)
52	C763903/007640	1,00,000	31.3.05 (2)
53	C763904/007640	40,000	31.3.05 (1)
54	C763905/007640	25,000	31.3.05 (3)
55	C763911/007640	2,00,000	31.3.05 (5)
56	CAB 00/134/903314	2,20,000	31.3.05 (6)
57	CAB 00/134/903315	2,60,000	31.3.05 (1)
58	CAB 00/134/903316	38,400	31.3.05 (9)
59	CAB 00/134/903318	6,80,000	31.3.05 (7)
60	CAB 00/134/903319	5,10,000	31.3.05 (3)
61	CAB 00/134/903332	2,00,000	31.3.05 (1)
62	CAB 00/134/903334	2,00,000	31.3.05 (5)
63	CAB 00/134/903337	4,30,000	31.3.05 (5)
64	CAB 00/134/903338	4,00,000	31.3.05 (1)
65	C763916/007640	1,01,000	
Total:		56,21,185	

* including Rs.7,785/- paid in cash

Appendix 4.3

(Referred to in Paragraph 4.6)

Statement showing quantities of works executed

(Improvement of Kharasom to Tusom CV road)

Sl. No.	Item	Work order quantity (In cum)	Rate (Per cum) (In Rupees)	Executed quantity (In cum)	Executed value (Rs. in lakh)	Date of measurement
1.	A: Earth work					
	(i) E/W in excavation in hill cutting					
	In hard dense soil	108,000	12	107112.31	12.85	22.3.05
	In ordinary rock	72,000	41	71066.42	29.13	-do-
	(ii) E/W in foundation in trenches, drains					
	In hard dense soil	7369	43	Not executed		
2.	B: Shingling					
	P/L of granular base	1050	710	1566.00	11.11	30.3.05
3.	C: Construction of RCC 900 mm dia pipe culvert	14 nos.	98993.10	14 nos.	13.85	29.3.05
	Total				66.94	

Appendix 4.4

(Referred to in Paragraph 4.7)

Statement showing quantities of work executed (Improvement of Maram Purul road)

Sl. No.	Items of work	Work order quantity			Executed quantity	
		Quantity	Rate	Value (Rs.)	Quantity	Value (Rs.)
1.	Dismantling of existing bailey bridge	13 bay	10,500	1,36,500	13 bay	1,36,500
2.	Dismantling of the stiffened steel decking	13 bay	980	12,740	13 bay	12,740
3.	Demolition below ground level up to 1 m depth and disposal	75.12 cum	810	60,847.20	81.72 cum	66,193.20*
4.	Demolition above GL up to floor level including disposal RCC work	98.82 cum	655	64,727.10	116.10 cum	76,045.50*
5.	E/W in excavation in foundation for structures complete	1515.53 cum	123	1,86,410.20	1515.53 cum	1,86,410
6.	Cement concrete for plain concrete/reinforced concrete in open foundation	141.66 cum	4261	6,03,613.30	141.66 cum	6,03,616
7.	Cement concrete for plain concrete/ reinforced concrete for substructure					
	(i) PCC M 15 grade	1196.41 cum	4151	49,66,297.90	1196.41 cum	49,66,298
	(ii) RCC M 20 grade	13.36 cum	4713.50	62,972.40	13.36 cum	62,972
8.	Steel reinforcement for RCC work i/c bending, binding and placing in position	2195.01 Kg.	34.50	75,693.35	2195.01 Kg.	75,693
9.	Providing 75 mm dia weep hole i/c supplying and fixing AC pipes	347.60 RM	157	54,573.20	Not executed up to payment of 1 st RA bill	
10.	Providing filter medium	743.39 cum	1275	9,47,822.25	-do-	
11.	Assembly and launching of bailey bridge	13 bay	15277	1,98,601	-do-	
12.	Assembly and fixing of stiffened steel decking	13 bay	1000	13,000	-do-	
13.	P/L of granular base/sub-base	360 cum	1026	3,69,360	-do-	
Total:				77,53,157.90		61,86,467.70

* Shown executed in the MB but not included in the 1st RA bill.

Appendix 4.5

(Referred to in Paragraph 4.8)

**Statement showing comparative study of value of work
(Improvement of Approach Road to Irilbung Bridge)**

Work order rate	Admissible rate for 5 Km. lead	Difference of col. 1 & 2	Executed quantity	Excess payment
(1)	(2)	(3)	(4)	(5)
Rs. 270 per cum (i.e. 10.48 per cent above estimated cost of Rs.244.38 *per cum)	Cost of excavation of earth including loading and unloading: Rs.34.19 per cum (+) Carriage charge for lead of 5 km: Rs.115.83 per cum (+) 10% CP on 115.83: <u>Rs.11.58</u> Rs.161.60 per cum (+) 10.48 per cent above Rs.161.60 as per work order <u>Rs.16.94</u> = Rs.178.54	Rs.270.00- Rs.178.54 = Rs.91.46	15526.07 cum	Rs.14.20 lakh (Rs.91.46 x 15526.07)

*Cost of excavation of earth including loading and unloading: Rs.34.19 per cum + cost of carriage for 15 km (including 10% contractor's profit (CP) Rs.210.19 per cum = Rs.244.38 per cum

Appendix 4.6

(Referred to in Paragraph 4.13)

Negative balances in GPF accounts of subscribers as on 31 March 2005

Sl. No.	Name of series ID	Name of department	No. of cases	Amount of negative balance
1	M/MED	Medical, Health and Family Welfare	114	42,94,883
2	M/Edn	Education (S), Hr. Edn., YAS	94	38,01,627
3	M/Agri	Agriculture, Veterinary, Horticulture and Soil Conservation	33	14,50,936
4	M/MIS	Miscellaneous Departments	29	10,70,661
5	M/GA	Revenue, GAD, Planning	36	6,09,960
6	M/CW	Power, PWD, PHED, IFCD	24	5,39,568
7	M/POL	Home	20	3,43,815
8	M/IND	Industry, Election	6	2,35,766
9	M/COP	Co-operative	3	34,184
10	M/FOR	Forests	2	6,886
11	M/JL	Home	1	324
Total			362	1,23,88,610

Appendix 5.1
(Referred to in Paragraph 5.1.11)

Statement showing non-maintenance of records

Sl.	Name of records	Name of Divisions
1.	Deposit Register	(1) Imphal West PHE Division (2) Water Supply Maintenance Division-II (3) Other Towns Division (4) Chandel PHE Division (5) Churachandpur PHE Division
2.	Contractor's Ledger	(1) Tamenglong PHE Division (2) Drainage and Sewerage Division (3) Water Supply Maintenance Division-II (4) Project Construction Division (5) Other Towns Division (6) Water Supply Maintenance Division-I (7) Chandel PHE Division (8) Churachandpur PHE Division
3.	Register of works	(1) Drainage and Sewerage Division (2) Water Supply Maintenance Division-II (3) Chandel PHE Division (4) Project Construction Division
4.	Works abstract	(1) Water Supply Maintenance Division-I (2) Water Supply Maintenance Division-II (3) Project Construction Division (4) Chandel PHE Division (5) Churachandpur PHE Division (6) Other Towns Division

Appendix 5.2
(Referred to in Paragraph 5.1.15)

Statement showing disconnections of defaulter consumers

Year	Number of		Percentage of defaulters	Number of disconnections made during the year	Percentage of disconnection
	Consumers	Defaulters			
2003-04	12909	8070	63	22	0.27
2004-05	21164	17221	81	26	0.15
2005-06	21790	18477	85	59	0.32

Appendix 5.3
(Referred to in Paragraph 5.1.15)

Statement showing outstanding position of water tax

(Rupees in lakh)

Year	Total consumers	Demand		Total demand	Collection during the year	Outstanding	Percentage of collection
		Arrears	Current demand				
2003-04	12909	201.07	156.90	357.97	69.35	288.62	19
2004-05	21164	288.62	228.56	517.18	76.12	441.06	15
2005-06	21790	441.04	215.49	656.53	80.28	576.25	12

Appendix 5.4
(Referred to in Paragraph 5.1.18)
Statement showing water sample collection for the year 2005-06

Sl No.	Name of the scheme/treatment plant	Population covered	Minimum sample to be collected per year as per norms	Actual number of sample collected	Shortfall	Percentage of shortfall
			72	14	58	81
1.	Porompat Water Treatment Plant	30000	72	16	56	77
2.	Singda Water Treatment Plant	30000	72	6	18	75
3.	Chinga Water Treatment Plant	10000	24	16	104	87
4.	Kanchup Water Treatment Plant	106900	120	2	34	94
5.	Lilong Water Supply Scheme	11782	36	2	22	92
6.	Wangoi Water Supply Scheme	8907	24	4	44	88
7.	Nambol Water Supply Scheme	20234	48	4	20	83
8.	Ningthoukhong Water Supply Scheme	10306	24			
9.	Andro Water Supply Scheme	9402	24	1	23	96
10.	Sugnu Water Supply Scheme	7474	24	7	17	71
	Total:	245005	468	72	396	84

Appendix 5.5
(Referred to in paragraph 5.1.20)
Statement showing irregularities in maintenance of GPF accounts

Name of Division	Year of drawal	No. of employees involved	Amount drawn (Rs.)	Nature of drawal	Remarks
Water Supply Maintenance Division I	2003-04	2	20,000	Temporary advance	Amount posted in the GPF ledger but not deducted at the time of annual closing of the accounts.
	2004-05	3	30,000	-do-	
	2003-04	1	35,000	Part final withdrawal	
	2004-05	3	95,000	-do-	
Water Supply Maintenance Division II	2004-05	4	50,000	Temporary advance	Amount drawn but not posted in the GPF ledger.
	2004-05	3	90,000	Part final withdrawal	
	2004-05	1	48,000	-do-	
	2004-05	8	80,000	Temporary advance	

Appendix 5.6
(Referred to in Paragraph 5.1.24)

**Statements showing outstanding Inspection Report paras
as on 31 March 2006**

(Rupees in lakh)

Year	No of outstanding IRs	No. of outstanding audit paras		Total	First reply not received	Money value
		Part-II-A	Part-II-B			
1994-95	5	0	16	16	—	28.77
1995-96	12	25	52	77	—	228.26
1996-97	17	25	77	102	—	384.77
1997-98	1	2	5	7	1	204.20
1998-99	13	18	68	86	10	727.69
1999-2000	9	21	43	64	1	673.67
2000-01	10	27	47	74	4	2522.55
2001-02	5	2	14	16	2	30.15
2002-03	14	5	43	48	1	3194.27
2003-04	11	14	27	41	7	1537.93
2004-05	3	3	14	17	3	422.51
2005-06	6	11	22	33	6	1383.44
Total	106	153	428	581	35	11338.21

Appendix 7.1

(Referred to in Paragraphs 7.2.3, 7.3.1, 7.8.4)

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2006 in respect of Government Companies and Statutory Corporation

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Sl No.	Sector and name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of Budget during the year		Other loans received during the year	Loans outstanding at the close of 2005-06			Debt equity ratio for 2005-06 [4 (f)/3(e) (previous year)]
		State Govt.	Central Govt.	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A. Working Government Companies													
1.	INDUSTRY SECTOR Manipur Industrial Dev. Corporation Ltd.	803.00	421.00	—	—	1224.00	—	—	—	—	1702.00	1702.00	1.39: 1 (1.76:1)
	Sector wise total	803.00	421.00	—	—	1224.00	—	—	—	—	1702.00	1702.00	1.39: 1 (1.76:1)
2.	ELECTRONICS SECTOR Manipur Electronics Dev. Corporation Ltd.	376.35	—	—	—	376.35	—	—	—	—	—	—	—
	Sector wise total	376.35	—	—	—	376.35	—	—	—	—	—	—	—
3.	HANDLOOM AND HANDICRAFT SECTOR Manipur Handloom and Handicrafts Development Corporation Ltd.	1033.75	117.00	—	—	1150.75	5.00	—	—	175.38	—	175.38	0.15:1 (0.15:1)
	Sector wise total	1033.75	117.00	—	—	1150.75	5.00	—	—	175.38	—	175.38	0.15:1 (0.15:1)
4.	CONSTRUCTION SECTOR Manipur Police Housing Corporation Ltd.	2.00	—	—	—	2.00	—	—	—	—	—	—	—
	Sector wise total	2.00	—	—	—	2.00	—	—	—	—	—	—	—
5.	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR Manipur Tribal Dev. Corporation Ltd.	77.50	—	—	—	77.50	—	—	—	10.00	—	10.00	0.13:1 (0.13:1)
	Sector wise total	77.50	—	—	—	77.50	—	—	—	10.00	—	10.00	0.13:1 (0.13:1)
6.	POWER SECTOR Manipur State Power Dev. Corporation Ltd.	—	—	—	—	—	—	—	—	—	—	—	—
	Sector wise total	—	—	—	—	—	—	—	—	—	—	—	—
7.	MISCELLANEOUS Manipur Film Dev. Corporation Ltd.	6.00	—	—	—	6.00	—	—	—	15.00	—	15.00	2.5:1 (2.5:1)
	Sector wise total	6.00	—	—	—	6.00	—	—	—	15.00	—	15.00	2.5:1 (2.5:1)
	Total (A – Working Government Companies)	2298.60	538.00	—	—	2836.60	5.00	—	—	200.38	1702.00	1902.38	0.67: 1 (0.83: 1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
B. Non-working Companies													
1.	INDUSTRY SECTOR Manipur cycle Corpn. Ltd.	64.22	—	—	—	64.22	—	—	—	—	—	—	—
2.	Manipur Pulp & Allied Products Limited	154.20	—	—	—	154.20	—	—	—	—	—	—	—
	Sector wise total	218.42	—	—	—	218.42	—	—	—	—	—	—	—
3.	AGRICULTURE & ALLIED SECTOR Manipur Agro Industries Corporation Ltd.	354.78	—	—	—	354.78	—	—	—	—	—	—	—
4.	AGRICULTURE & ALLIED SECTORS Manipur Plantation Crops Corporation Ltd.	1161.79	—	—	—	1161.79	—	—	—	—	38.25	38.25	0.03:1 (0.03:1)
	Sector wise total	1516.57	—	—	—	1516.57	—	—	—	—	38.25	38.25	0.03:1 (0.03:1)
5.	TEXTILE SECTOR Manipur Spinning Mills Corporation Ltd.	3081.41	—	—	—	3081.41	—	—	—	—	397.13	397.13	0.13:1 (0.13:1)
	Sector wise total	3081.41	—	—	—	3081.41	—	—	—	—	397.13	397.13	0.13:1 (0.13:1)
6.	SUGAR SECTOR Manipur Food Industries Corporation Ltd.	97.66	—	—	—	97.66	—	—	—	—	—	—	—
	Sector wise total	97.66	—	—	—	97.66	—	—	—	—	—	—	—
7.	CEMENT SECTOR Manipur Cement Limited	291.34	—	—	—	291.34	—	—	—	—	—	—	—
	Sector wise total	291.34	—	—	—	291.34	—	—	—	—	—	—	—
8.	DRUGS, CHEMICALS & PHARMACEUTICALS SECTOR. Manipur State Drugs & Pharmaceuticals Ltd.	447.96	—	43.35	—	491.31	—	—	—	1099.43	—	1099.43	2.24:1 (2.24:1)
	Sector wise total	447.96	—	43.35	—	491.31	—	—	—	1099.43	—	1099.43	2.24:1 (2.24:1)
	Total (B – Non-Working Companies)	5653.36	—	43.35	—	5696.71	—	—	—	1099.43	435.38	1534.81	0.27:1 (0.27:1)
C. Non working Statutory Corporation													
1.	TRANSPORT SECTOR Manipur State Road Transport Corporation	4307.56	343.01	—	—	4650.57	—	—	—	—	—	—	—
	Total C	4307.56	343.01	—	—	4650.57	—	—	—	—	—	—	—
	Total (B+C)	9960.92	343.01	43.35	—	10347.28	—	—	—	1099.43	435.38	1534.81	0.26:1 (0.26:1)
	Grand total (A+B+C)	12259.52	881.01	43.35	—	13183.88	5.00	—	—	1299.81	2137.38	3437.19	0.29:1 (0.29:1)

Note: All figures in respect of Companies and Corporation are provisional and as given by the Companies/Corporation.

Loans outstanding at the close of 2005-06 represent long-term loans only.

Appendix 7.2

(Referred to Paragraphs 7.4.2, 7.5.1, 7.6.1, 7.6.2, 7.6.3, 7.8.5, 7.8.6, 7.8.7)

Summarised financial results of Government Companies and Statutory Corporation for the latest year for which accounts were finalised

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net profit/(+) Loss (-)	Net impact of audit comments	Paid up capital	Accumulated profit (+)/Loss (-)	Capital employed (A)	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turn-Over	Man- Power as on March 2004
1	A. Working Govt. Companies	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1.	Industry Sector	Commerce and Industries	6/1969	1989-90	2003-04	(+) 64.39	—	806.48	(+) 82.32	1109.71	(+) 136.91	12.34	16	232.79	50
	Manipur Industrial Development Corporation Ltd.														
	Sector wise Total					(+) 64.39	—	806.48	(+) 82.32	1109.71	(+) 136.91	12.34		232.79	
2.	Electronics Sector	—do—	4/1987	1995-96	2003-04	(+) 11.19	—	269.28	(+) 61.90	372.57	(+) 12.19	3.27	10	292.85	56
	Manipur Electronics Development Corporation Ltd.														
	Sector wise total					(+) 11.19	—	269.28	(+) 61.90	372.57	(+) 12.19	3.27		292.85	
3.	Handloom and Handicrafts Sector	—do—	16.10.76	1986-87	2002-03	(-) 19.58	—	100.00	(-) 169.65	75.62	(-) 19.58	—	19	11.42	NA
	Manipur Handloom and Handicrafts Development Corporation Ltd.														
	Sector wise total					(-) 19.58	—	100.00	(-) 169.65	75.62	(-) 19.58	—		11.42	
4.	Construction Sector	Home	26.4.86	1995-96	2003-04	(+) 24.30	—	2.00	(+) 26.44	48.44	(+) 24.30	50.16	10	96.78	75
	Manipur Police Housing Corp. Ltd.														
	Sector wise total					(+) 24.30	—	2.00	(+) 26.44	48.44	(+) 24.30	50.16		96.78	
5.	Development of Economically Weaker Section	Development of Tribal and Scheduled Castes	6/79	1982-83	2004-05	(-) 2.33	—	1.00	(+) 3.53	14.32	(-) 2.33	—	23	5.19	NA
	Manipur Tribal Development Corporation Ltd.														
	Sector wise total					(-) 2.33	—	1.00	(+) 3.53	14.32	(-) 2.33	—		5.19	
6.	Power Sector	Electricity	3/97	—	—	—	—	—	—	—	—	—	9	NA	NA
	Manipur State Power Development Corporation Ltd.														
	Sector wise total					—	—	—	—	—	—	—		NA	
7.	Miscellaneous Sector	Arts and Culture	1-5-87	1991-92	2006-07	(-) 1.11	—	6.00	(-) 5.89	49.07	(-) 0.90	—	14	3.08	NA
	Manipur Film Dev. Corporation Ltd.														
	Sector wise total					(-) 1.11	—	6.00	(-) 5.89	49.07	(-) 0.90	—		3.08	
	Total (A-Working Govt. Companies)					(+) 76.86	—	1184.76	(-) 1.35	1669.73	150.59	9.02		642.11	

Audit Report for the year ended 31 March 2006

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
B.	Non-working Companies														
1.	Industry Sector Manipur Cycle Corporation Ltd.	Commerce & Industries	6/85	1993-94	2005-06	(-) 6.33	—	55.26	(-) 46.33	16.94	(-) 5.66	—	Under liquidation since 1996	3.96	NA
2.	Manipur Pulp & Allied Products Ltd.	Commerce & Industries	10/88	1993-94	2005-06	(-) 46.94	—	82.81	(-) 172.96	79.77	(-) 22.76	—	Under liquidation since 1.03	52.20	NA
	Sector wise total					(-) 53.27		138.07	(-) 219.29	96.71	(-) 28.42	—	Under liquidation since 6.03	56.16	
3.	Agriculture & Allied Sector Manipur Agro Industries Corporation Ltd.	Agriculture	19-3-81	1988-89	2005-06	(-) 3.61	—	32.25	(-) 45.45	(-) 18.07	(-) 3.61	—		19.02	NA
4.	Agriculture and Allied Sector Manipur Plantation Crops Corp. Ltd.	Agriculture	19-3-81	1983-84	2000-01	—	—	51.15	—	60.00	—	—		Pre-operative stage	NA
	Sector wise Total					(-) 3.61		83.40	(-) 45.45	41.93	(-) 3.61	—	Under liquidation since 6.03	19.02	—
5.	Textile Sector Manipur Spinning Mills Corp. Ltd.	Commerce & Industries	27-3-74	1983-84	2004-05	—	—	200.00	—	277.38	—	—		Pre-operative stage	4
	Sector wise total							200.00	—	277.38	—	—	Under liquidation since 3.03	—	—
6.	Sugar Sector Manipur Food Industries Corp. Ltd.	Commerce & Industries	4/87	1996-97	2005-06	—	—	78.39	—	57.42	—	—		Pre-operative stage	3
	Sector wise total							78.39		57.42					
7.	Cement Sector Manipur Cement Ltd.	Commerce & Industries	10-5-88	1990-91	2002-03	(-) 28.03	—	19.94	(-) 47.59	270.49	(-) 28.03	—	Date of liquidation not available	33.59	NA
	Sector wise Total					(-) 28.03	—	19.94	(-) 47.59	270.49	(-) 28.03	—		33.59	
8.	Drugs, Chemicals & Pharmaceuticals Sector Manipur State Drugs & Pharmaceuticals Ltd.	Chemicals & Pharmaceuticals	7/89	1996-97	1998	(-) 123.08	—	85.00	(-) 1241.48	267.45	—	—		NA	NA
	Sector wise total					(-) 123.08	—	85.00	(-) 1241.48	267.45					
	Total (B - Non-working Companies)					(-) 207.99	—	604.80	(-) 553.81	1011.38	(-) 60.06	—		108.77	
	C - Non-working Statutory Corp.														
1.	Manipur State Road Transport Corporation	Transport	27-3-76	1994-95	2006-07	(-) 235.47	—	2282.51	(-) 2462.03	(-) 176.54	(-) 214.03	—	Under liquidation since 11.2003	87.82	NA
	Sector wise Total					(-) 235.47		2282.51	(-) 2462.03	(-) 176.54	(-) 214.03	—		87.82	
	Total (C - Non-working Statutory Corp.)					(-) 235.47		2282.51	(-) 2462.03	(-) 176.54	(-) 214.03	—		87.82	
	Grand Total (A+B+C)					(-) 366.60	—	4072.07	(-) 3017.19	2504.57	(-) 123.50	—		838.70	

Note: Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

Appendix 7.3

(Referred to in Paragraphs 7.3.1, 7.8.4)

Statement showing subsidy, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2006

(Figures in column 3(a) to 7 are in Rupees in lakh)

Sl. No.	Name of Public Sector Undertaking	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year (in bracket)						Waiver of dues during the year					Loan on which moratorium allowed	Loans converted into equity during the year
		Central Govt.	State Govt.	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loan repayment written off	Interest waived	Penal interest	Total				
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7		
1	A. Working Government Companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
	Total — A																	
	B. Non Working Government Companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
	C. Non Working Statutory Corporation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
	Grand Total (A+B+C)																	

Appendix 7.4

(Referred to in Paragraph 7.8.7)

Statement showing financial position of Statutory Corporation

State Road Transport Corporation

(Rupees in crore)

Particulars	1992-93	1993-94	1994-95
A. Liabilities			
Capital (including capital loan and equity capital)	19.61	21.12	22.82
Borrowings:	—	—	—
Government:			
Others:			
Funds	0.03	0.03	0.03
Trade dues and other current liabilities including provisions	2.34	2.53	2.81
Total	21.98	23.68	25.66
B. Assets			
Gross Block	3.39	3.25	2.82
Less depreciation	2.37	2.48	2.29
Net fixed assets	1.02	0.77	0.53
Capital works-in-progress (including cost of chassis)	—	—	—
Investments	—	—	—
Current assets, loans and advances	0.65	0.65	0.51
Accumulated losses	20.31	22.26	24.62
Total	21.98	23.68	25.66
Capital employed ⁴	(-) 0.67	(-) 1.11	(-) 1.77

⁴ Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

Appendix 7.5

(Referred to in Paragraph 7.8.7)

Statement showing working results of Statutory Corporation

State Road Transport Corporation

(Rupees in crore)

Sl. No.	Particulars	1992-93	1993-94	1994-95
	Operating			
	(a) Revenue	1.42	1.03	0.79
	(b) Expenditure	2.47	2.21	2.37
	(c) Surplus (+) Deficit (-)	(-) 1.05	(-) 1.18	(-) 1.58
	Non-operating			
	(a) Revenue	0.20	0.11	0.09
	(b) Expenditure	0.76	0.88	0.86
	(c) Surplus (+) Deficit (-)	(-) 0.56	(-) 0.77	(-) 0.77
	Total			
	(a) Revenue	1.62	1.14	0.88
	(b) Expenditure	3.23	3.09	3.23
	(c) Net Profit /Loss	(-) 1.61	(-) 1.95	(-) 2.35
	Interest on capital and loans	0.21	0.21	0.21
	Total return on Capital employed⁵	(-) 1.40	(-) 1.74	(-) 2.14

⁵ Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

Appendix 7.6

(Referred to in Paragraph 7.8.8)

Statement showing operational performance of Statutory Corporation

Manipur State Road Transport Corporation

Particulars	2003-04	2004-05	2005-06
Average number of vehicles held	17	17	NA
Average number of vehicles on road	3	—	NA
Percentage of utilisation of vehicles	18	—	NA
Number of employees	41	35	NA
Employee vehicle ratio	2:1	2:1	NA
Number of routes operated at the end of the year	—	—	NA
Route kilometres	700	—	NA
Kilometres operated (in lakh)			
(a) Gross	NA	NA	NA
(b) Effective	NA	NA	NA
(c) Dead	NA	NA	NA
	NA	NA	NA
Average kilometres covered per bus per day	NA	NA	NA
Average operating revenue per kilometre (Paise) over previous year's income (<i>per cent</i>)			NA
Average operating revenue per kilometre (paise)	NA	NA	NA
Increase in operating expenditure per kilometre over previous year's expenditure (percent)	NA	NA	NA
Loss per kilometre (paise)(-)	NA	NA	NA
Number of operating depots	NA	NA	NA
Average number of break-down per lakh kilometres	NA	NA	NA
Average number of accidents per lakh kilometres	NA	NA	NA
Passenger kilometre operated (in crore)	NA	NA	NA
Occupancy ratio	NA	NA	NA
Kilometres obtained per litre of:			
(a) Diesel Oil	NA	NA	NA
(b) Engine Oil	NA	NA	NA

Appendix 7.7

(Referred to in Paragraph 7.13.1)

Statement showing the department wise outstanding Inspection Reports (IRs)

Sl. No.	Name of department	No. of PSUs ¹	No. of outstanding IR	No. of outstanding paragraph	Years from which paragraphs outstanding
1	Agriculture	2	1	5	1991-2006
2	Tribal development	1	7	55	—do—
3	Industries	8	11	37	—do—
4	Home	1	5	23	—do—
5	Arts and culture	1	5	22	—do—
6	Chemical and Pharmaceuticals	1	—	—	—do—
7	Transport Sector	1	—	—	—
8	Power Sector	1	—	—	—
	Total	16	29	142	—

¹ State Level Public Sector Undertakings.

Appendix 7.8

(Referred to in Paragraph 7.14.12)
Statement showing detail position of works undertaken for Police Department and other than Police Department during the 2001-02 to 2005-06

A. Police Department

Year	Balance work of previous year	Works allotted during the year	Total	Targeted year of completion	Number of completed works	Number of incomplete works
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001-02	7	3	10	2001-02 2002-03	8	2
2002-03	2	5	7	2002-03	4	3
2003-04	3	30	33	2003-04 2004-05 2005-06	2	31
2004-05	31	138	169	2004-05 2005-06	40	129
2005-06	129	45	174	2005-06	138	36
	Total	221			192	

B. Other than Police Department

Year	Balance work of previous year	Works allotted during the year	Total	Targeted year of completion	Number of completed works	Number of incomplete works
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001-02	NA	56	56	2001-02 2002-03	6	50
2002-03	50	9	59	2002-03 2003-04	29	30
2003-04	30	92	122	2003-04 2004-05 2005-06	33	89
2004-05	89	154	243	2004-05 2005-06	50	193
2005-06	193	22	215	2005-06	45	170
	Total:	333			163	

Appendix 7.9

(Referred to in Paragraph 7.14.12)

Statement showing Delay/Completion before time in respect of work test checked

Sl. No	Name of the work	Stipulated date of completion	Actual date of completion	Delay in completion (month)	Completed before time (month)
(1)	(2)	(3)	(4)	(5)	(6)
1.	C/o Police Station at Moreh	5.8.2002	1.6.2004	22 months	—
2.	C/o Compound fencing at Thoubal Police Station	28.4.2004	1.4.2005	11 months	—
3.	C/o Thoubal P.S. building Phase-II	29.9.2004	8.4.2005	6 months	—
4.	Providing IEI to Thoubal P.S. building-Ph-II	19.3.2005	17.3.2005	-	Two days
5.	C/o Kakching P.S. building Phase-II.	27.9.2004	8.4.2005	6 months	—
6.	C/o Compound fencing at Kakching P.S.	28.4.2004	1.4.2005	6 months	—
7.	C/o 40 SM Barrack I No at Saikul P.S.	23.10.2004	23.1.2005	3 months	—
8.	C/o Compound fencing at Saikul P.S.	26.6.2004	15.12.2004	5 months	—
9.	C/o Compound fencing at Northern and Western portion of Moirang P.S.	17.12.2004	N.A.	In time	—
10.	-do- Eastern & Southern portion	17.12.2004	N.A.	In time	—
11.	C/o Police station building for Bishnupur P.S.	23.11.2004	10.9.2005	9 months	—
12.	-Do- Providing IEI Phase-II	23.11.2004	31.3.2005	4 months	—
13.	-Do- C/o Compound fencing with two steel gates.	23.11.2004	20.11.2004	-	Three days
14.	C/o 40 SM Barrack No 1 at Porompat P.S.	26.10.2004	25.1.2006	14 months	—
15.	C/o Kitchen cum dining and store block at Porompat	26.10.2004	7.3.2005	4 months	—
16.	C/o Toilet block cum septic tank at Porompat P.S.	26.10.2004	25.1.2006	3 months	—
17.	Providing IEI to 40 SM. Barrack kitchen cum dining & toilet block at Porompat P.S.	8.3.2005	31.10.2005	7 months	—
18.	C/o Drill shed at M.P.T.S. Pangei	16.1.2005	Handing over on 27.4.2005	3 months	—
19.	C/o Building for Jiribam P.S.	1.1.2005	20.5.2005	4 months	—
20.	-Do- IEI-	4.5.2005	11.8.2005	3 months	—
21.	C/o Compound fencing at Jessami P.S. Ukhrul	5.1.2006	28.2.2006	3 months	—
22.	C/o Building for Tamenglong P.S.	16.1.2005	27.10.2005	9 months	—
23.	C/o Khoum P.S. building	17.11.2004	20.4.2005	5 months	—
24.	-Do- Type-III qtr. 1 No.	26.11.2004	20.4.2005	4 months	—
25.	-Do- Toilet block 1 No	26.11.2004	20.4.2005	4 months	—
26.	-Do- Sentry Post 2 Nos.	26.11.2004	20.4.2005	4 months	—
27.	C/o 20 SM Barrack at Champajing near Ngangkha Lawai 2 Nos.	8.4.2005	22.11.2004	-	5 months
28.	-Do-	8.4.2005	22.11.2004	-	5 months
29.	C/o Sentry post at Champajing near Ngangkha Lawai	31.1.2005	29.11.2004	-	2 month
30.	—do— Toilet block	31.5.2005	2.6.2005	4 months	—
31.	—do— Kitchen	31.1.2005	2.6.2005	4 months	—
32.	—do— Sentry post	31.1.2005	29.11.2004	-	1 month
33.	C/o kitchen at Thanga Part-II	8.12.2004	8.5.2005	5 months	—
34.	C/o 20 S.M. four Barracks at Thanga Part-II	3.5.2005	2.6.2005	1 month	—
35.	—do— Sentry post	3.1.2005	2.6.2005	5 month	—
36.	Sentry post at Thanga Part-I	8.12.2004	21.3.2005	3 month	—
37.	C/o Sentry post with gate at Thanga Part-I	11.1.2005	2.5.2005	3 month	—
38.	C/o Toilet block at Haorang Chingang Thanga Part-I	3.2.2005	2.6.2005	4 month	—
39.	C/o 30 SM Barrack with tubular trusses at Thanga Part-I	3.5.2005	2.6.2005	1 month	—
40.	C/o Kitchen at Thanga Part-I	3.1.2005	2.6.2005	5 month	—
41.	C/o Toilet block for 50 user at Thanga Part-I	8.12.2004	8.5.2005	6 month	—
42.	C/o Sentry Post at Chaoba Ching Thanga Part-I	12.4.2004	11.1.2005	9 month	—

(1)	(2)	(3)	(4)	(5)	(6)
43.	C/o 20 SM Barrack with tubular trusses & CGI sheet walling at Chaoba Ching, Thanga Part-I	4.5.2004	3.2.2005	9 months	—
44.	C/o Toilet block septic tank at Chaoba Ching Thanga part-I	9.4.2004	11.1.2005	9 months	—
45.	C/o Science block for Moreh College, Moreh.	31.12.2002	10.10.2004	21 months	—
46.	Improvement of DIPR H.Q. Imphal	1.4.2004	31.1.2005	10 months	—
47.	-Do- Repairing of office at Imphal East, Porompat	1.4.2004	7.10.2004	5 months	—
48.	Upgradation of office building of D.D.O. at Palace Compound	28.2.2005	4.4.2005	1 months	—
49.	-DO- Imphal East, Porompat	6.5.2004	9.8.2004	3 months	—
50.	Improvement of office for DIPR (HQ) at Imphal	6.5.2004	25.10.2004	5 months	—
51.	Improvement of District Information office at Chandel including IEI	6.5.2004	6.12.2004	7 months	—
52.	C/o District information office at Bishnupur	15.3.2005	10.6.2005	3 months	—
53.	Providing IEI in the DIPR office at Bishnupur	6.5.2004	22.6.2005	13 months	—
54.	District information office at Tamenglong	6.2.2005	9.2.2005	In time	—
55.	Providing IEI in the DIO at Tamenglong	6.5.2004	3.2.2005	9 months	—
56.	Improvement of DIO at Senapati	6.8.2004	30.7.2004	In time	Seven days
57.	-DO- IEI	6.5.2004	4.8.2004	2 month	—
58.	-Do- DIO office at Ukhrul	6.10.2004	20.8.2004	—	2 month
59.	-Do- Providing IEI at DDU building at DIPR at Palace compound	10.2.2004	6.2.2004	In time	Four days

Appendix 7.10

(Referred to in Paragraph 7.14.12)

Statement showing details of works not started after lapse of schedule date of completion as on 31.3.2006

Sl. No	Name of the Department	Name of the work	Estimated cost (Rs. in lakh)	Reasons for non-commencement
(1)	(2)	(3)	(4)	(5)
1.	Police	M.R.T.S. Pangei C/o water storage tank & water supply to the laboratories	19.95	Not on record
2.	—do—	C/o Thoubal P.S	6.00	Shifting of site
3.	—do—	C/o 40 S.M. Barrack at Kalapahar	16.09	Land donor withdrawn the land
4.	—do—	C/o 40 S.M. Barrack with arm kote at Kalapahar	16.68	Land drew withdrawn the land
5.	—do—	c/o Kitchen cum Dining Hall at Taphou	11.86	Not on record
6.	—do—	C/o Toilet block at Taphou	2.57	—do—
7.	—do—	C/o 40 S.M. Barrack at Taphou	17.20	—do—
8.	—do—	1 st IRB at C.C.Pur Repairing of ADC's quarter	1.14	Area occupied by Army
9.	—do—	C/o Toilet Block for 2 no	1.10	-Do-
10.	—do—	-Do- Repairing of Jail Cell	0.23	Area occupied by A.R.
11.	—do—	C/o 10 S.M. Barrack at ADC's quarter, C.C.Pur	3.37	—do—
12.	—do—	Repairing of Barrack at C.C.Pur Jail	1.28	—do—
13.	Jail	Central Jail, Sajiwa C/o Frisking Room for Visitor	5.56	Not on record
14.	—do—	-Do- Approach Road	1.59	—do—
15.	—do—	C/o Pond	2.85	—do—
16.	Food and Civil Supply.	C/o FCS Godown at Moreh	35.58	Due to ANSAM Blockade
17.	Medical.	C/o Regional Diagnostic Centre at Thoubal	47.00	Not on record
18.	DIPR	C/o DIO at Churachandpur	8.84	Site not finalised
19.	—do—	-Do- Providing IEI	0.83	-Do-
20.	Sericulture.	C/o Technical Service Centre at Manipur Sericulture Project at Chandel	15.06	Not on record
21.	—do—	C/o Cocoon storage & Drying facility for Manipur Sericulture Project at Ukhrul	3.49	—do—
22.	—do—	-Do- Inner Road	0.20	—do—
23.	Sericulture.	C/o Cocoon storage & Drying facility for Manipur Sericulture Project at Ukhrul-Gate	0.28	Not on record
24.	—do—	-Do- Earthen Pond	0.06	—do—
25.	—do—	-Do- Pump shed	0.21	—do—
26.	—do—	-Do- at Imphal East Sangakpham, Inner Road	0.34	—do—
27.	—do—	-Do-Gate	0.26	Delay in finalization of site
28.	—do—	-Do- Earthen Pond	0.20	-Do-
29.	—do—	-Do- Pump Shed	0.20	-Do-
30.	—do—	C/o Technical Service Centre for Manipur Sericulture Project at Tadubi	15.06	Not on record
31.	—do—	-Do- at Senapati	15.06	—do—
32.	—do—	-Do- at Thoubal	15.06	—do—
33.	—do—	-Do- at Ukhrul	15.06	—do—
Total			280.18	

Appendix 7.11

(Referred to in Paragraph 7.14.16)

Statement showing details of delay in handing over of building to the client Department

Sl. No.	Name of the work	Date of completion	Date of Handing over	Period of Delay month
(1)	(2)	(3)	(4)	(5)
1.	C/o Thoubal P.S. building Phase-II	8.4.2005	25.4.2006	12
2.	C/o Kakching P.S. building Phase -II	8.4.2005	7.2.2006	9
3.	C/o Building for Tamenglong P.S.	27.10.2005	8.12.2005	1
4.	C/o Khoupum P.S. building and other works	20.4.2005	6.10.2005	5
5.	C/o 20 S.M. Barrack with tubular trusses at Champajing near Ngangkha Lawai 4 nos.	22.11.2004	27.6.2005	7
6.	C/o 20 S.M. four Barracks at Thanga Part-II	2.6.2005	27.10.2005	4
7.	C/o 30 S.M. three Barracks with tubular trusses at Haorang Chingang, Thanga Part-I	2.6.2005	27.10.2005	4
8.	C/o 20 S.M. Barrack with tubular trusses at Chaoba Ching, Thanga Part-I	2.6.2005	25.10.2005	4

Appendix 7.12

(Referred to in Paragraph 7.14.17.4)
Statement showing splitting up of works

Sl. No.	Name of the work	Sanctioned amount	Sanctioned amount after deduction of 15 per cent	(Rupees in lakh)	
				Split into (Number of Works)	Works awarded to No. of contractors
(1)	(2)	(3)	(4)	(5)	(6)
A	C/o Temporary H.Q. 3 rd IRB at Thoubal	76.08	64.67	13	1
B	C/o Temporary H.Q. at 1 st IRB at Churachandpur	33.83	28.76	13	1
C	C/o 2 nd IRB at Bishnupur	34.81	29.59	4	1
D	C/o Prisoner Barracks for additional block at Central Jail, Sajiwa (Block-D to H)	81.83	69.56	5	2
E	Construction & repairing of Central Jail at Sajiwa	34.80	29.58	3	1
F	C/o F.C.S. godown 500 M.T. Capacity at Lamlai Imphal East	42.00	35.70	3	1
G	Repairing of Training barrack etc at M.P.T.S. Pangei	58.27	49.53	3	1
Total		361.62	307.39	44	8

Appendix 7.13

(Referred to in Paragraph 7.15.4)
Statement showing the arrear of annual accounts of Government Companies

Sl. No.	Name of the Company	Name of Department	Year from which the accounts are in arrear	Extent of arrear in accounts (in year)
1.	Manipur Industrial Development Corporation Ltd.	Commerce and Industries	1990-91	16
2.	Manipur Electronics Development Corporation Ltd.	—do—	1996-97	18
3.	Manipur Handloom and Handicrafts Development Corporation Ltd.	—do—	1987-88	19
4.	Manipur Tribal Development Corporation Ltd.	Development of Tribal & SC	1983-84	23
5.	Manipur Film Development Corporation Ltd.	Arts & Culture	1992-93	14
6.	Manipur Police Housing Corporation Ltd.	Home	1996-97	10
7.	Manipur Spinning Mills Corporation Ltd.	Commerce and Industries	1984-85	22
8.	Manipur Food Industries Corporation Ltd.	—do—	1997-98	9
9.	Manipur Cement Ltd.	—do—	1991-92	15
10.	Manipur Cycle Corporation Ltd.	—do—	1994-95	12
11.	Manipur Pulp & Allied Products Ltd.	—do—	1994-95	12
12.	Manipur Agro Industries Corporation Ltd.	Agriculture	1989-90	17
13.	Manipur Plantation Crops Corporation Ltd.	—do—	1984-85	22

Appendix 7.14

(Referred to in Paragraph 7.15.5)

Statement showing the time lag in holding AGM

Sl. No.	Name of the Company	Year of accounts	Date of AGM	Time taken in finalisation of accounts for each year (in months)			
				2 nd year	3 rd year	4 th year	5 th year
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Manipur Industrial Development Corporation Ltd.	1985-86	13-5-1997	17			
		1986-87	23-10-1998		8		
		1987-88	18-6-1999			35	
		1988-89	27-5-2002				26
		1989-90	30-7-2004				
2.	Manipur Electronics Development Corporation Ltd	1991-92	28-8-1996	23			
		1992-93	18-7-1998		9		
		1993-94	24-4-1999			50	
		1994-95	11-6-2003				15
		1995-96	4-9-2004				
3.	Manipur Handloom & Handicrafts Development Corporation Ltd.	1982-83	24-1-1996	30			
		1983-84	28-7-1998		8		
		1984-85	30-3-1999			19	
		1985-86	3-10-2000				25
		1986-87	19-11-2002				
4.	Manipur Tribal Development Corporation Ltd.	1978-79	Not Applicable	Nil			
		1979-80*	24-8-1991		16		
		1980-81*	23-12-1992			56	
		1981-82	28-8-1997				Nil
		1982-83	Yet to be held				
5.	Manipur Film Development Corporation Ltd.	1986-87	Not Applicable	Nil			
		1987-88	3-1-1990		27		
		1988-89	8-4-1992			25	
		1989-90	19-5-1994				132
		1990-91	30-5-2005				
6.	Manipur Police Housing Corporation Ltd.	1991-92	Not Available	Nil			
		1992-93	do		Nil		
		1993-94	22-4-2002			15	
		1994-95	19-7-2003				13
		1995-96	30-8-2004				

* Financial year ended on 30th June.

Appendix 7.15

(Referred to in Paragraph 7.15.7)

Statement showing time taken by Statutory Auditors in certification of accounts between two successive years

Sl. No.	Name of the Company	Year of accounts	Time taken (in months)
1.	Manipur Industrial Development Corporation Ltd.	1985-86	—
		1986-87	22
		1987-88	17
		1988-89	11
		1989-90	35
2.	Manipur Electronics Development Corporation Ltd.	1991-92	—
		1992-93	31
		1993-94	10
		1994-95	7
		1995-96	38
3.	Manipur Handloom and Handicrafts Development Corporation Ltd.	1982-83	—
		1983-84	15
		1984-85	24
		1985-86	10
		1986-87	34
4.	Manipur Tribal Development Corporation Ltd.	1978-79	—
		1979-80	—
		1980-81	30
		1981-82	33
		1982-83	108
5.	Manipur Film Development Corporation Ltd.	1986-87	—
		1987-88	—
		1988-89	20
		1989-90	28
		1990-91	108
6.	Manipur Police Housing Corporation Ltd.	1991-92	—
		1992-93	21
		1993-94	—
		1994-95	27
		1995-96	—

Appendix 7.16

(Referred to in Paragraph 7.15.8)

Statement showing the delay in holding the Annual General Meeting

Sl. No.	Name of the Company	Year	Date of issue of comments/non-review certificate	Date of holding AGM	Number of days taken to hold AGM
1.	Manipur Industrial Development Corporation Ltd.	1985-86	27.2.1996	13.5.1997	412
		1986-87	3.7.1998	23.10.1998	81
		1987-88	11.2.1999	18.6.1999	99
		1988-89	20.7.2001	27.5.2002	280
		1989-90	11.7.2003	30.7.2004	353
2.	Manipur Electronics Development Corporation Ltd.	1991-92	4.3.1996	28.8.1996	146
		1992-93	17.3.1998	18.7.1998	92
		1993-94	23.3.1999	24.4.1999	32
		1994-95	14.11.2000	11.6.2003	909
		1995-96	20.8.2003	4.9.2004	349
3.	Manipur Handloom and Handicrafts Development Corporation Ltd.	1982-83	19.7.1995	4.1.1996	138
		1983-84	31.1.1997	28.7.1998	513
		1984-85	16.2.1999	30.3.1999	14
		1985-86	21.6.2000	3.10.2000	74
		1986-87	16.8.2002	19.11.2002	64
4.	Manipur Tribal Development Corporation Ltd.	1978-79	Not applicable	Not applicable	—
		1979-80	19.12.1989	24.8.1991	582
		1980-81	16.7.1992	23.12.1992	129
		1981-82	27.7.1994	28.8.1997	1096
		1982-83	7.12.2004	Yet to be held	
5.	Manipur Film Development Corporation Ltd.	1986-87	Not applicable	Not applicable	—
		1987-88	23.8.1989	3.1.1990	102
		1988-89	10.12.1990	8.4.1992	453
		1989-90	27.9.1993	19.5.1994	204
		1990-91	28.4.2004	30.5.2005	386
6.	Manipur Police Housing Corporation Ltd.	1991-92	31.1.1997	Not available	—
		1992-93	19.2.2001	-do-	—
		1993-94	21.12.2001	22.4.2002	99
		1994-95	19.2.2002	19.7.2003	487
		1995-96	4.3.2004	30.8.2004	148

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